ANNUAL REPORT 2010

AECI

good chemistry

ABOUT THIS REPORT

Good Chemistry comes about through close interaction between our people, our products and services, and our customers. It results in mutually beneficial solutions.

The positive outcomes of this **Good Chemistry** are demonstrated throughout this Annual Report.

CONTENTS

01

OVERVIEW

02

CHIEF EXECUTIVE'S REVIEW

03

CORPORATE GOVERNANCE

04

CORPORATE CITIZENSHIP

05

ANNUAL FINANCIAL STATEMENTS

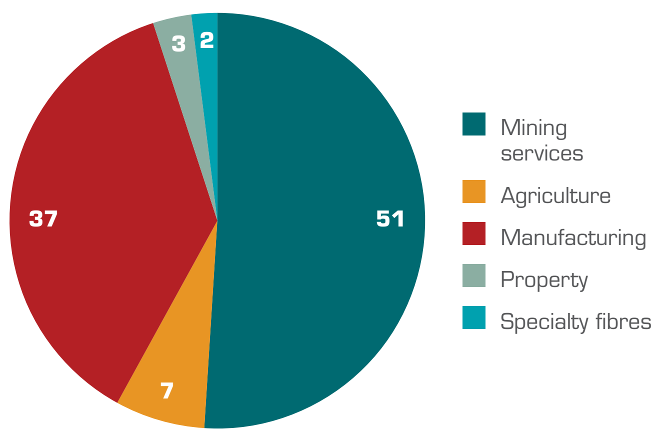
good chemistry

AECI is a specialty product and services Group of companies which provides value-adding solutions to customers through science, technology and industry knowledge. The focus is on serving the mining and manufacturing sectors. AECI's core businesses serve global and regional markets. The businesses are characterised by application know-how and service delivery, operate in niche markets and are supported by leading international technology alliances. The Company's businesses include AEL Mining Services; a cluster of specialty chemicals business units; Heartland and SANS Technical Fibers.

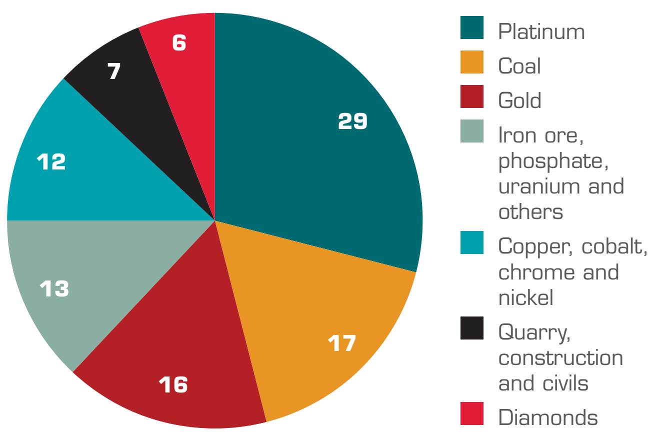
MINING SERVICES AEL Mining Services (AEL) is a developer, producer and supplier of commercial explosives, initiating systems and blasting services for the mining, quarrying and construction sectors in Africa and further afield, particularly Indonesia. AEL's excellent technology and product positions in initiating systems and bulk explosives have enabled it to enter into mutually beneficial channel partnerships with leading regional explosives players in Europe and in Latin America.

SPECIALTY CHEMICALS Eighteen businesses in the cluster supply specialty chemical raw materials and related services for industrial use across a broad spectrum of customers in the manufacturing and mining sectors in South Africa and Southern Africa. Sales, distribution, production and laboratory facilities are extensive.

GROUP REVENUE SPLIT FOR 2010 (%)



GROUP MINING REVENUE SPLIT FOR 2010 (%)



AECI HAS A TOTAL EMPLOYEE COMPLEMENT OF

6 800

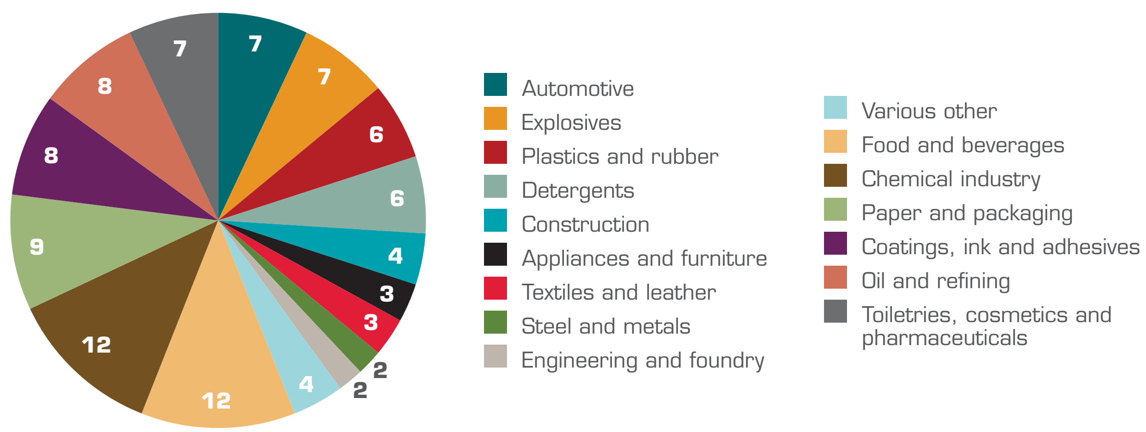
AT 31 DECEMBER 2010, THE COMPANY'S MARKET CAPITALISATION WAS

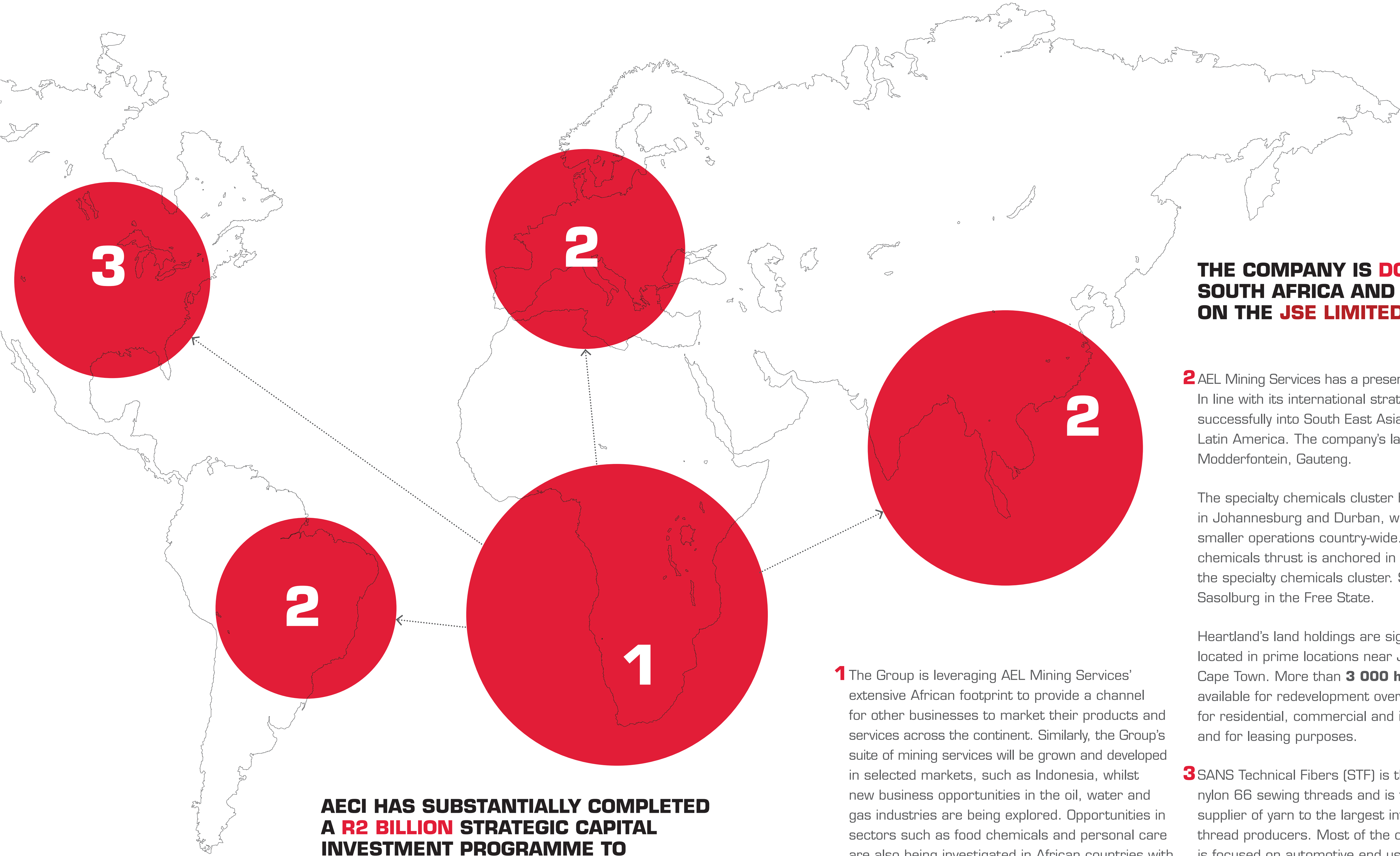
R9,8 BILLION

PROPERTY In addition to its core businesses, the Group has a valuable land asset, the release of which is managed carefully. The property activities are managed by Heartland and this company seeks to optimise the value of the property holdings surplus to AECI's operational requirements by selling land and by selectively investing in revenue-producing buildings in order to grow an existing portfolio of rental properties.

SPECIALTY FIBRES SANS Technical Fibers, in the USA, is the Group's fourth business. It manufactures and markets a range of high performance, specialty nylon industrial fibres for niche market applications in the USA, Asia and Europe.

GROUP MANUFACTURING REVENUE SPLIT FOR 2010 (%)





THE COMPANY IS DOMICILED IN SOUTH AFRICA AND IS LISTED ON THE JSE LIMITED.

AECI HAS SUBSTANTIALLY COMPLETED A R2 BILLION STRATEGIC CAPITAL INVESTMENT PROGRAMME TO ENHANCE ITS FUTURE GROWTH, WITH PARTICULAR EMPHASIS ON MINING AND MANUFACTURING.

1 The Group is leveraging AEL Mining Services' extensive African footprint to provide a channel for other businesses to market their products and services across the continent. Similarly, the Group's suite of mining services will be grown and developed in selected markets, such as Indonesia, whilst new business opportunities in the oil, water and gas industries are being explored. Opportunities in sectors such as food chemicals and personal care are also being investigated in African countries with growing consumer markets. These initiatives have significant scope and are indicative of the extent of AECI's growth potential.

2 AEL Mining Services has a presence in **23 countries**. In line with its international strategy, it has moved successfully into South East Asia, Europe and Latin America. The company's largest site is at Modderfontein, Gauteng.

The specialty chemicals cluster has **major sites** in Johannesburg and Durban, with a number of smaller operations country-wide. The Group's mining chemicals thrust is anchored in Senmin, part of the specialty chemicals cluster. Senmin operates at Sasolburg in the Free State.

Heartland's land holdings are significant and are located in prime locations near Johannesburg and Cape Town. More than **3 000 hectares** of land are available for redevelopment over the next 25 years for residential, commercial and industrial end uses and for leasing purposes.

3 SANS Technical Fibers (STF) is the **global leader** in nylon 66 sewing threads and is the preferred main supplier of yarn to the largest international sewing thread producers. Most of the company's business is focused on automotive end uses, predominantly interior sewing threads but also under-the-hood applications. STF is the world leader in this field in North American and European markets.

STRATEGIC PILLARS AND VALUES

VALUES	STRATEGIC PILLARS
BOLD	COST BASE • globally competitive • continuous improvement
INNOVATIVE CREATION OF VALUE	TECHNOLOGY • world-class
GOING GREEN	SERVICE • customer-centric • innovative • unique • value-adding
ENGAGED	RESPONSIBILITY • business excellence • professionalism • compliance
RESPONSIBLE	

AECI SHARE PRICE PERFORMANCE

ORDINARY SHARE STATISTICS
MARKET PRICE (CENTS PER SHARE)

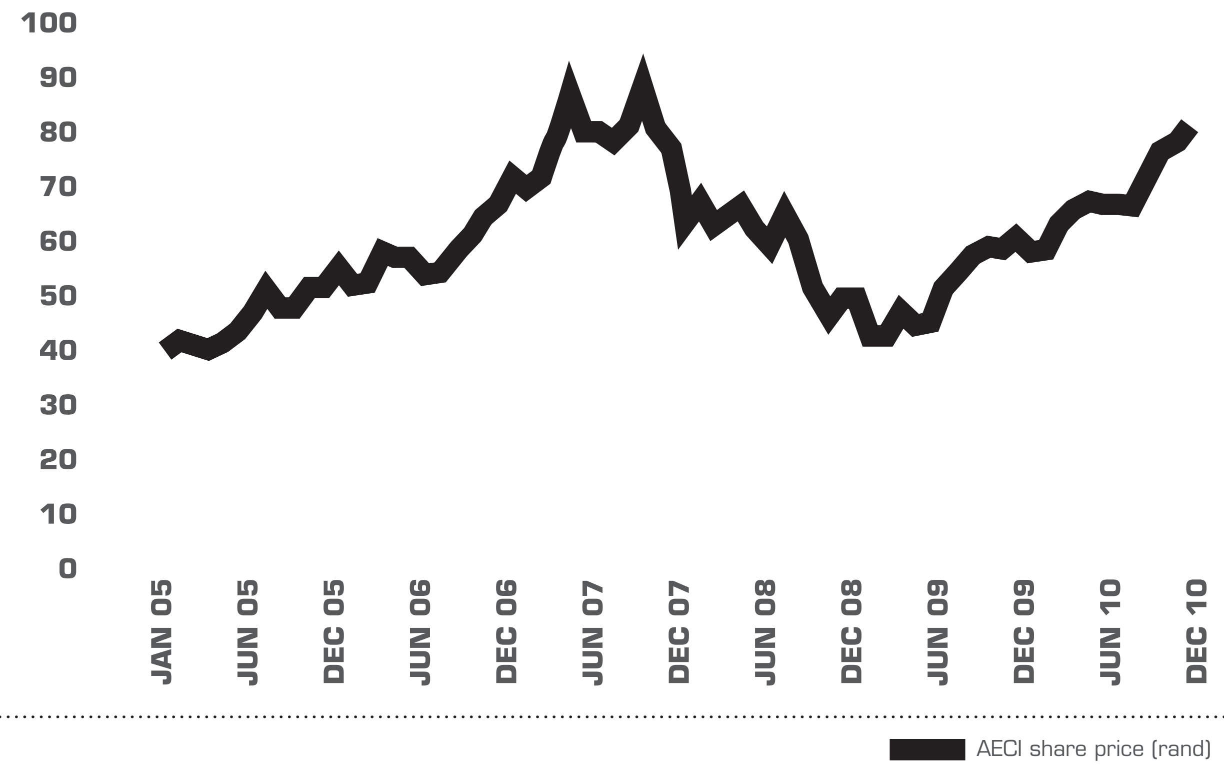
	2010	2009	2008	2007	2006	2005
Market price (cents per share)						
High	**8 544**	6 698	7 999	9 600	7 005	5 300
Low	**5 755**	4 005	4 250	6 300	5 041	3 801
31 December	**8 250**	6 200	5 099	7 899	6 825	5 300
Earnings yield (%)	**7,0**	5,6	8,1	4,5	12,5	9,1
Dividend yield (%)*	**2,5**	1,5	4,5	2,7	3,0	3,3
Dividend cover*	**2,8**	3,8	1,8	1,7	4,2	2,8
In issue (millions)	**119,1**	119,1	118,8	120,7	120,7	120,7
Value traded (R millions)	**2 753**	1 992	3 665	5 898	3 072	2 555
Volume traded (millions)	**40,2**	37,9	58,7	73,3	51,0	55,9
Volume traded (%)	**33,8**	31,8	49,4	60,7	42,3	46,3
Market capitalisation (R millions)	**9 829**	7 386	6 060	9 537	8 241	6 399

ORDINARY SHARE PERFORMANCE
(CENTS PER SHARE)

	2010	2009	2008	2007	2006	2005
Headline earnings	**577**	346	412	355	853	482
Dividends declared*	**205**	90	231	213	205	175
Net asset value	**4 022**	3 671	3 601	3 430	3 255	2 587

* The interim dividend in the current year and the final dividend declared after the reporting date have been used in the calculation.

AECI SHARE PRICE (R)



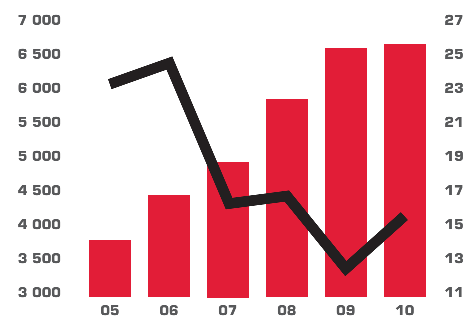
GROUP RESULTS AT A GLANCE

FOR THE YEAR ENDED 31 DECEMBER 2010

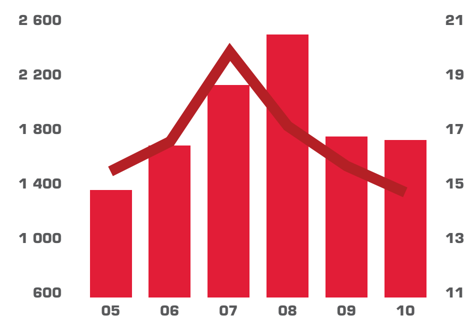
	2010	2009	% change
Revenue (R millions)[1]	**11 569**	11 178	3
Profit from operations (R millions)[1]	**1 062**	833	27
Headline earnings (R millions)	**619**	370	67
Net profit attributable to ordinary shareholders (R millions)	**600**	421	43
Headline earnings per ordinary share (cents)	**577**	346	67
Dividends declared per ordinary share (cents)[2]	**205**	90	128
Market capitalisation at 31 December (R millions)	**9 829**	7 386	33
Profit from operations to revenue (%)	**9,2**	7,5	
Return on net assets (%)	**15,9**	12,6	
Return on invested capital (%)	**12,4**	10,0	
Net borrowings as a percentage of shareholders' interest (%)	**40**	53	

1 Includes the results of discontinued operations.
2 The interim dividend in the current year and the final dividend declared after the reporting date have been used in the calculation.

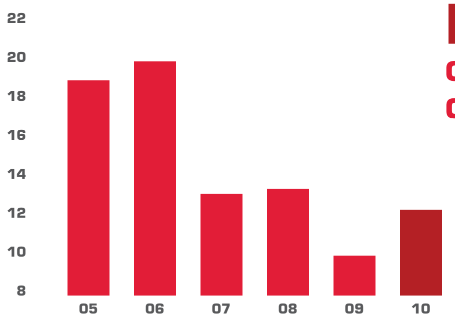
RETURN ON NET ASSETS



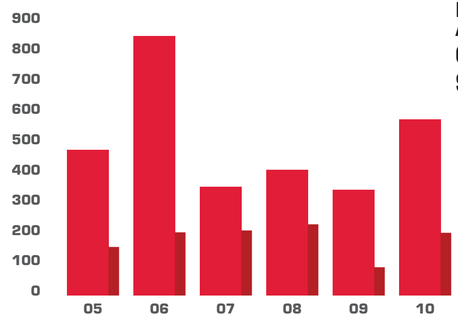
NET WORKING CAPITAL TO REVENUE



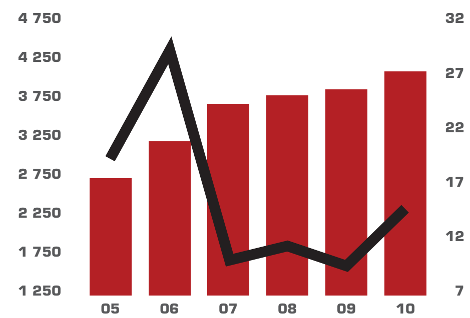
RETURN ON INVESTED CAPITAL (%)



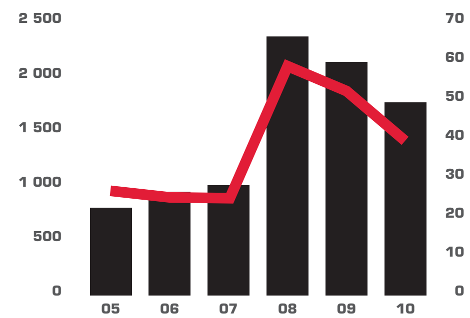
HEADLINE EARNINGS AND DIVIDENDS PER ORDINARY SHARE (c)



RETURN ON SHAREHOLDERS' INTEREST



NET BORROWINGS AND GEARING



ABRIDGED FINANCIAL STATEMENTS

R millions	2010	2009	2008	2007	2006	2005
INCOME STATEMENTS [1]						
Revenue	**11 569**	11 178	14 340	11 328	10 212	8 768
Local	**8 458**	8 449	10 347	8 702	7 906	6 951
Foreign	**3 111**	2 729	3 993	2 626	2 306	1 817
Profit from operations	**1 062**	833	986	807	1 102	887
Net financing costs	**152**	218	222	130	103	90
Tax	**233**	188	226	217	353	225
Profit attributable to ordinary shareholders	**600**	421	385	455	916	486
Headline earnings	**619**	370	443	392	942	530
STATEMENTS OF FINANCIAL POSITION						
Total shareholders' interest	**4 468**	4 058	3 969	3 929	3 727	2 940
Deferred tax (net)	**(235)**	(259)	(272)	(165)	(111)	(291)
Net interest-bearing debt	**1 769**	2 143	2 359	1 001	940	798
Capital employed	**6 002**	5 942	6 056	4 765	4 556	3 447
Represented by:						
Property, plant, equipment, investment property, goodwill, Pension Fund employer surplus accounts	**5 311**	5 016	4 177	3 314	3 332	2 734
Current assets, excluding cash, less interest-free liabilities	**691**	926	1 879	1 451	1 224	713
Employment of capital	**6 002**	5 942	6 056	4 765	4 556	3 447
STATEMENTS OF CASH FLOWS						
Cash generated by operations [2]	**1 200**	497	1 224	821	1 076	950
Changes in working capital	*	1 153	(978)	(627)	(259)	(295)
Expenditure relating to non-current provisions and restructuring	**(70)**	(198)	(217)	(68)	(143)	(42)
Net investments to maintain operations [3]	**(212)**	(20)	(279)	(272)	(177)	(104)
	918	1 432	(250)	(146)	497	509
Dividends paid	**(146)**	(167)	(250)	(237)	(206)	(167)
	772	1 256	(500)	(383)	291	342
Investment to expand operations [3]	**(404)**	(1 055)	(747)	(432)	(444)	(453)
Proceeds from disposal of investments and businesses	**35**	94	24	778	3	27
Net cash generated/(utilised)	**403**	304	(1 223)	(37)	(150)	(84)
Depreciation charges	**332**	267	216	233	223	212
COMMITMENTS						
Capital expenditure authorised	**88**	737	978	1 251	650	97
Future rentals on property, plant and equipment leased	**196**	185	317	253	290	235
	284	922	1 295	1 504	940	332

* Nominal amount.

1 Includes the results of discontinued operations.

2 Profit from operations plus depreciation of property, plant and equipment and other non-cash flow items and after investment income, net financing costs and taxes paid.

3 Excludes property, plant and equipment of companies acquired.

RATIOS AND EMPLOYEE DETAILS

	2010	2009	2008	2007	2006	2005
PROFITABILITY AND ASSET MANAGEMENT						
Profit from operations to revenue (%)	**9,2**	7,5	6,9	7,1	10,8	10,1
Trading cash flow to revenue (%)	**12,0**	9,8	8,4	9,2	13,0	12,5
Return on average net assets (%) [1]	**15,9**	12,6	16,9	16,5	24,8	23,4
Return on invested capital (%) [2]	**12,4**	10,0	13,6	13,2	19,9	19,3
Return on average ordinary shareholders' interest (%) [3]	**15,0**	9,5	11,6	10,6	29,2	19,4
Net working capital to revenue (%) [4]	**15,0**	15,9	19,2	17,8	16,8	15,7
Inventory cover (days) [5]	**67**	67	85	79	81	74
Average credit extended to customers (days) [5]	**53**	55	73	70	70	66
LIQUIDITY						
Cash interest cover [6]	**5,6**	3,5	4,7	7,0	14,6	12,3
Interest-bearing debt to cash generated by operations	**1,1**	1,9	1,4	0,9	0,7	0,7
Gearing (%) [7]	**39,6**	52,8	59,4	25,5	25,2	27,1
Current assets to current liabilities	**1,3**	1,4	1,4	1,4	1,4	1,4
EMPLOYEES						
Number of employees at year-end [8]	**6 821**	6 459	6 474	7 123	7 705	7 251
Employee remuneration (R millions)	**2 224**	1 923	1 804	1 640	1 538	1 375
Value added per rand of employee remuneration (rand)	**1,64**	1,59	1,68	1,59	1,90	1,81

1 Profit from operations plus investment income related to average property, plant, equipment, investment property, goodwill, investments, inventories, accounts receivable and assets classified as held for sale less accounts payable and liabilities classified as held for sale.

2 Profit from operations less tax at the standard rate plus investment income related to average property (excluding land revaluation), plant, equipment, investment property, goodwill, investments, inventories, accounts receivable and assets classified as held for sale less accounts payable, liabilities classified as held for sale and tax payable.

3 Headline earnings related to average ordinary shareholders' interest.

4 Excluding businesses sold and equity accounted and including working capital classified as held for sale.

5 Includes assets classified as held for sale.

6 Ratio of profit from operations plus return on Pension Fund employer surplus accounts and return on plan assets from post-retirement medical aid liabilities less closure costs plus depreciation and dividends received to net finance costs paid.

7 Interest-bearing debt less cash as a percentage of total shareholders' interest.

8 Includes proportional share of joint venture employees.

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.

R millions	2010	%	2009	%
Revenue [1]	11 569	100	11 178	100
Purchased materials and services	7 951	69	8 155	73
Value added through operations	3 618	31	3 023	27
Other income	25	–	33	–
Total value added	3 643	31	3 056	27
Distributed to:				
Employees	2 224	61	1 923	64
Lenders	175	5	244	8
Shareholders	146	4	167	5
Direct taxes	233	6	188	6
Reinvested in the Group	865	24	534	17
	3 643	100	3 056	100

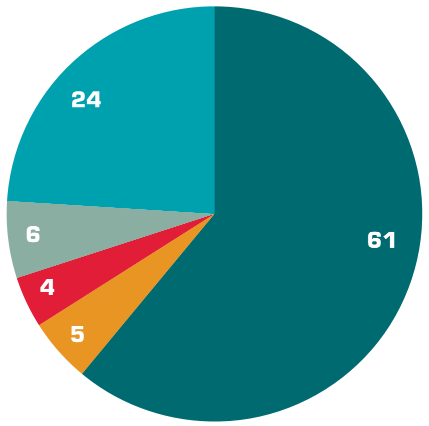
MONETARY EXCHANGES WITH THE STATE

R millions	2010	2009
The following monetary exchanges with the state took place during the year:		
Direct taxes	233	188
Employees' tax collected on behalf of the state	371	384
Property taxes paid to local authorities	22	19
Skills development levies paid to the SA Revenue Service	11	20
VAT collected on behalf of the state	223	195
Channelled through the Group	860	806

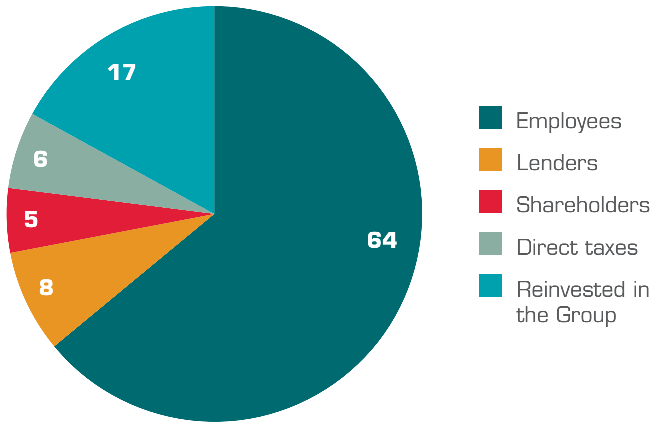
1 Includes the results of discontinued operations.

DISTRIBUTION OF VALUE ADDED (%)

2010



2009



2010 FINAL ORDINARY DIVIDEND NO. 154

Declaration date	21 February
Last date to trade cum dividend	8 April
Ex dividend trade	11 April
Record date	15 April
Payment date	18 April

5,5% PREFERENCE SHARES DIVIDEND NO. 146

Declaration date	20 May
Last date to trade cum dividend	3 June
Ex dividend trade	6 June
Record date	10 June
Payment date	15 June

87TH ANNUAL GENERAL MEETING — 30 MAY

2011 INTERIM ORDINARY DIVIDEND NO. 155

Declaration date	25 July
Last date to trade cum dividend	2 September
Ex dividend trade	5 September
Record date	9 September
Payment date	12 September

2011 INTERIM REPORT RELEASED — 26 JULY

5,5% PREFERENCE SHARES DIVIDEND NO. 147

Declaration date	18 November
Last date to trade cum dividend	2 December
Ex dividend trade	5 December
Record date	9 December
Payment date	15 December

FINANCIAL YEAR-END — 31 DECEMBER

2011 FINANCIAL RESULTS RELEASED — FEBRUARY 2012

2011 ANNUAL REPORT POSTED — APRIL 2012

(Source: JP Morgan)

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Limited Listings Requirements, the following table confirms that the spread of registered shareholders as detailed in the Annual Report and Accounts dated 31 December 2010 was:

REGISTERED SHAREHOLDER SPREAD

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 052	52,90	905 297	0,76
1 001 – 10 000 shares	1 215	31,32	3 953 808	3,32
10 001 – 100 000 shares	444	11,45	15 244 274	12,80
100 001 – 1 000 000 shares	146	3,76	42 301 889	35,50
1 000 001 shares and above	22	0,57	56 730 601	47,62
Total	**3 879**	**100,00**	**119 135 869**	**100,00**

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and Directors/Company-related schemes as being:

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	6	0,15	11 935 838	10,02
– Treasury shares	2	0,05	11 884 699	9,98
– Own holdings	4	0,10	51 139	0,04
Public shareholders	3 873	99,85	107 200 031	89,98
Total	**3 879**	**100,00**	**119 135 869**	**100,00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

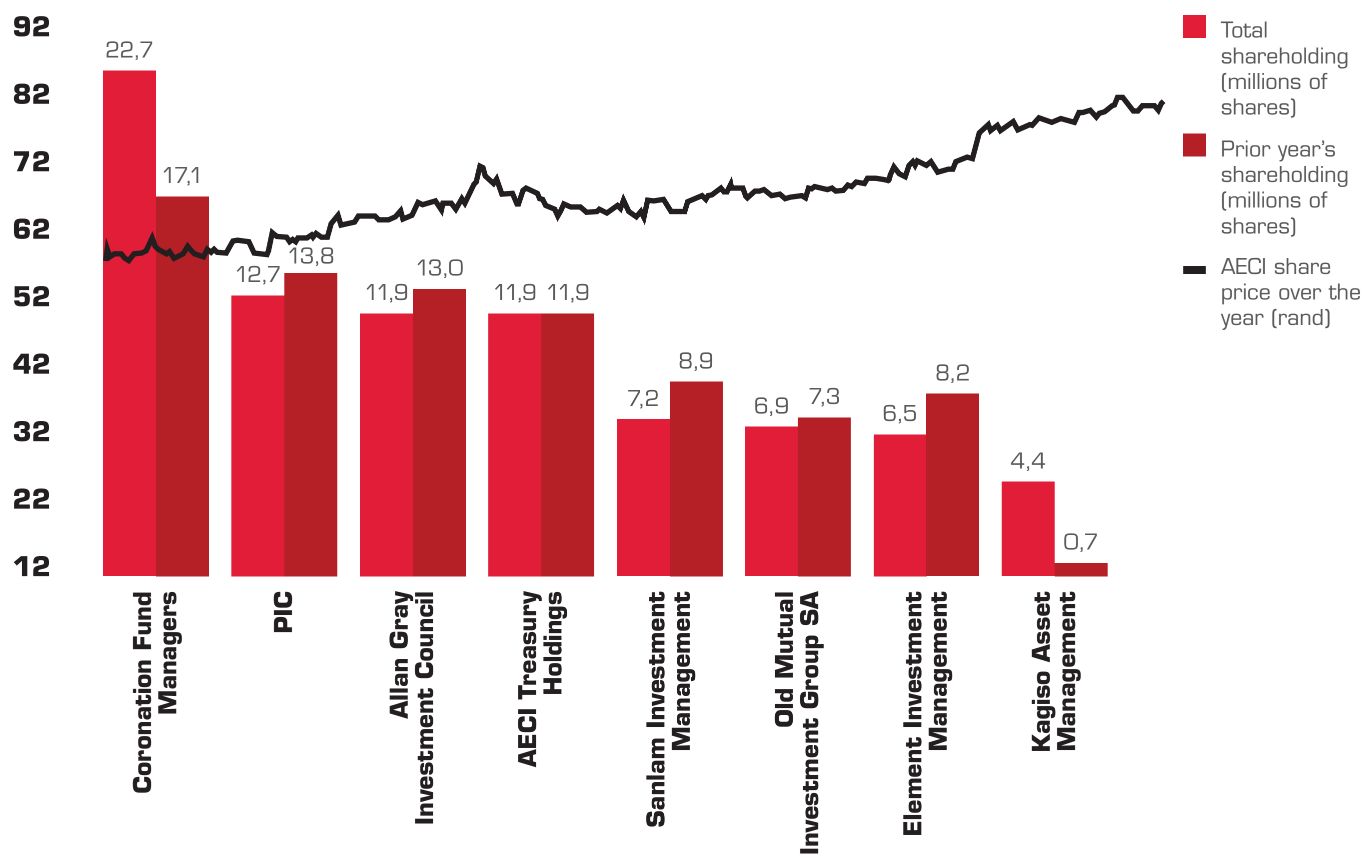
SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 140A of the Companies Act, No. 61 of 1973, as amended, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 31 December 2010:

INVESTMENT MANAGEMENT SHAREHOLDINGS

Investment manager	Total shareholding (number of shares)	% of issued capital
Coronation Fund Managers	22 734 145	19,08
Public Investment Corporation (PIC)	12 676 121	10,64
Allan Gray Investment Council	11 922 583	10,01
AECI Treasury Holdings (Pty) Limited	11 884 699	9,98
Sanlam Investment Management	7 178 137	6,03
Old Mutual Investment Group SA	6 860 488	5,76
Element Investment Management	6 543 465	5,49
Kagiso Asset Management (Pty) Limited	4 420 593	3,71
Total	**84 220 231**	**70,70**

INVESTMENT MANAGEMENT SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE

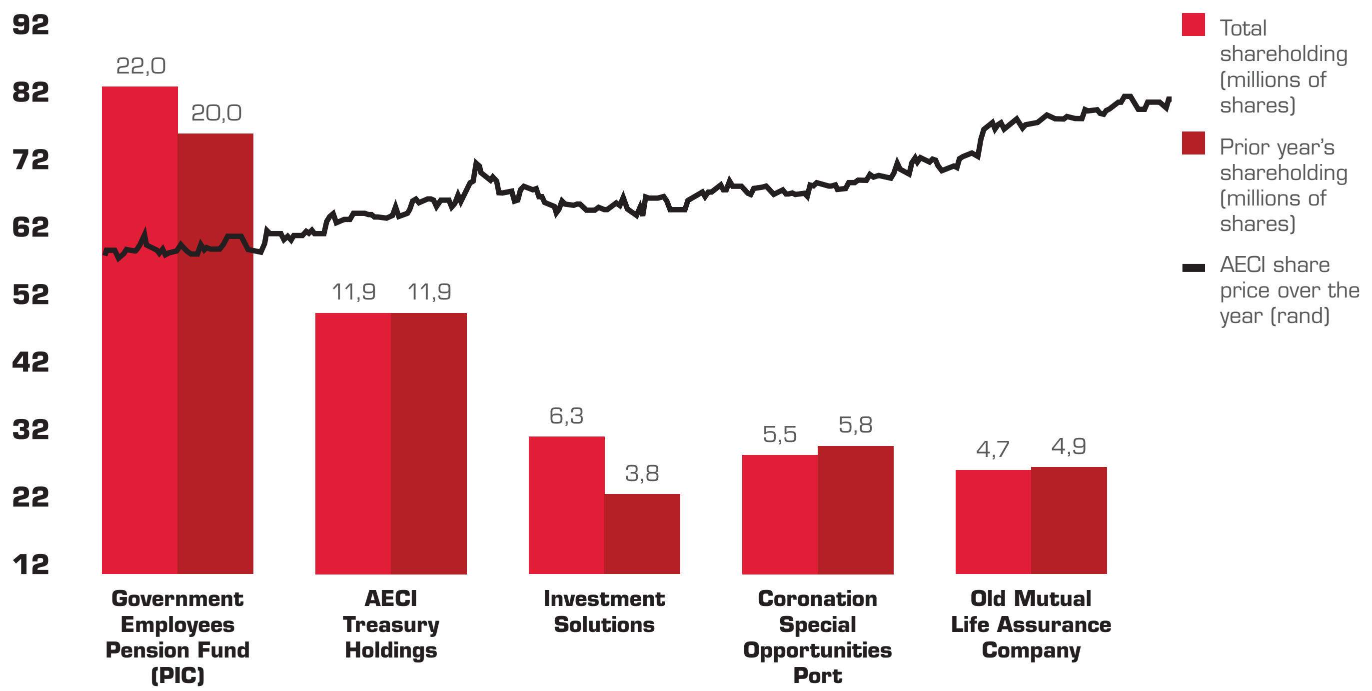


2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS (continued)

BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund (PIC)	22 040 703	18,50
AECI Treasury Holdings (Pty) Limited	11 884 699	9,98
Investment Solutions	6 318 746	5,30
Coronation Special Opportunities Port	5 485 542	4,60
Old Mutual Life Assurance Company Limited	4 721 639	3,96
Total	**50 451 329**	**42,34**

BENEFICIAL SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE



2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS (continued)

PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

Investment manager	Total shareholding (number of shares)	%	Previous %
RMB Asset Management	1 681 032	1,41	6,10
Total	**1 681 032**	**1,41**	**6,10**

BENEFICIAL OWNERS NOW HOLDING BELOW 3%

Beneficial owner	Total shareholding (number of shares)	%	Previous %
Sanlam (Insurance)	2 931 574	2,46	3,61
Total	**2 931 574**	**2,46**	**3,61**

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	106 977 523	89,80
United States of America and Canada	4 252 552	3,57
United Kingdom	1 226 820	1,03
Rest of Europe	716 657	0,60
Rest of the world[1]	5 962 317	5,00
Total	**119 135 869**	**100,00**

1 Represents all shareholdings except those in the above regions.

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	109 796 519	92,17
United States of America and Canada	4 103 914	3,44
United Kingdom	801 288	0,67
Rest of Europe	1 514 239	1,27
Rest of the world[1]	2 919 909	2,45
Total	**119 135 869**	**100,00**

1 Represents all shareholdings except those in the above regions.

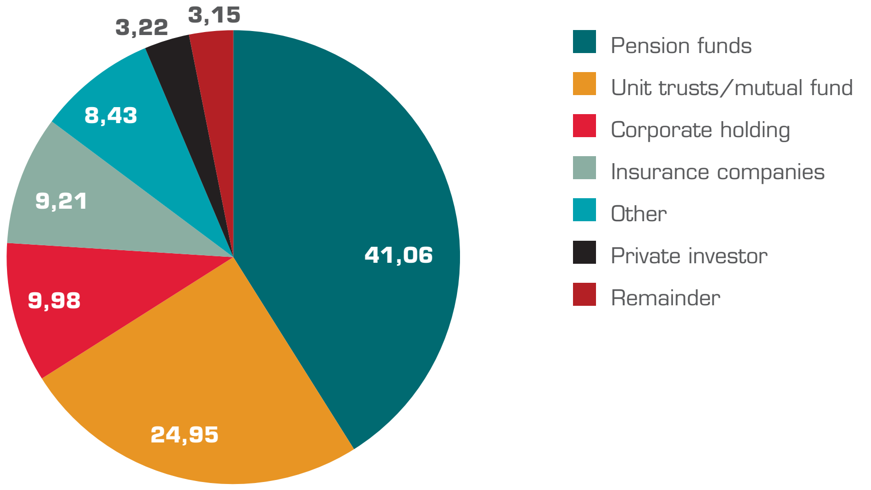
4. SHAREHOLDER CATEGORIES

An analysis of beneficial shareholdings, supported by the Section 140A enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding (number of shares)	% of issued capital
Pension funds	48 922 112	41,06
Unit trusts/mutual fund	29 728 258	24,95
Corporate holding	11 884 699	9,98
Insurance companies	10 970 145	9,21
Other	10 043 140	8,43
Private investor	3 841 320	3,22
Hedge fund	700 400	0,59
Sovereign wealth	653 273	0,55
University	360 558	0,30
Exchange-traded fund	117 098	0,10
Investment trust	42 871	0,04
Real estate fund	28 100	0,02
Remainder	1 843 895	1,55
Total	**119 135 869**	**100,00**

BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY (%)[1]

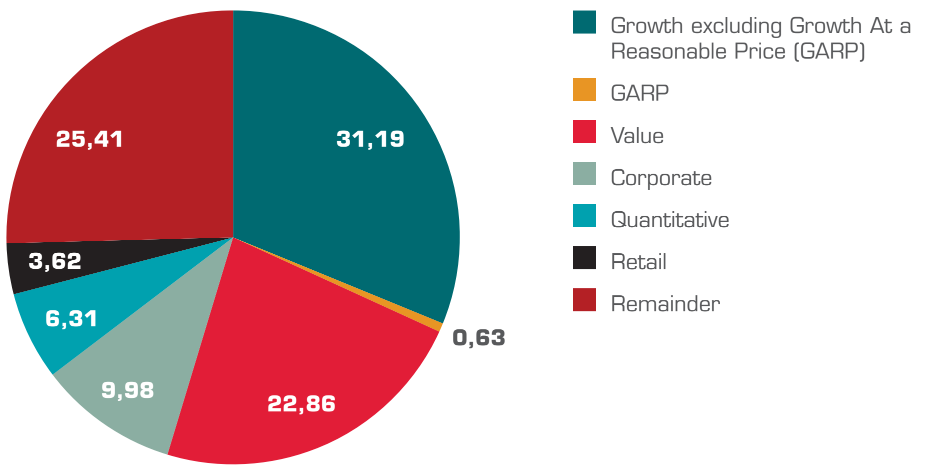


1 Includes categories above 2% only.

5. ANALYSIS OF INVESTMENT STYLES

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:

ANALYSIS OF INVESTMENT STYLES (%)[1]



1 Includes categories above 1% only.

BOARD

Fani Titi
Chairman

Graham Edwards
Chief Executive

Mark Kathan
Chief Financial Officer

EXECUTIVE DIRECTORS

Richard Dunne

Schalk Engelbrecht

Zellah Fuphe

Mike Leeming

Allen Morgan

Litha Nyhonyha

Rams Ramashia

NON-EXECUTIVE DIRECTORS

EXCO

Mark Dytor
Chemicals Executive

Tobie Louw
Managing Director
AEL Mining Services

Schalk Venter
Chemicals Executive and Managing Director
Akulu Marchon

Edwin Ludick
Chemicals Executive and Managing Director
Chemserve Systems

Anthony Diepenbroek
Managing Director
Heartland

BUSINESS LEADERS

Ryan Harrison
Managing Director
Chemfit

Dean Mulqueeny
Managing Director
Chemical Initiatives

Mike Peach
Managing Director
Chemiphos

Michiel Vijverberg
Managing Director
Crest Chemicals

Llewellyn Mulder
Managing Director
Duco Speciality Coatings

Louis du Toit
Managing Director
ImproChem

Martin Godbolt
Managing Director
Industrial Oleochemical Products

Gavin Gerber
Managing Director
Industrial Urethanes

Jaco Engelbrecht
Managing Director
Infigro Natural Technologies

Dean Murray
Managing Director
Lake International Technologies

Hugo Minnaar
Managing Director
Plaaskem

Bruce Mc Donald
Managing Director
Resinkem

Bernardo Mello
Managing Director
Resitec

Danie Bester
Managing Director
SA Paper Chemicals

Zach Zacharias
President
SANS Technical Fibers

Theunis Botha
Managing Director
Senmin

Avindra Boodhram
Plant Manager
Specialty Minerals SA

SENIOR MANAGERS

Gary Cundill
Group Technical and Safety, Health and Environment Manager

John Mahlase
Group Human Resources Manager

Ted Rea
Acting Company Secretary

Iwan Schutte
Group Internal Audit Manager

Trevor Starke
Group Treasurer

Graham Thompson
Group Financial Manager

Louis van der Walt
Retirement Funds Manager

Fani Titi (48)

BSc (Hons), MA, MBA

Fani joined AECI's Board in 2005 and assumed its Chairmanship, as well as membership of the Nominations and Remuneration Committees, in 2007. He is currently Non-Executive Chairman of Investec Bank Limited, a Non-Executive Director of Investec Asset Management and an Executive Director of the Tsiya Group, a private equity firm.

Richard Dunne (62)

CA(SA)

Richard joined AECI's Board in 2007 and is Chairman of the Nominations, Remuneration and Risk Committees. He is also a member of the Audit Committee and chairs the Financial Review Committee of AECI's specialty chemicals cluster. He is a member of the Boards and Audit Committees of Anglo Platinum, the Standard Bank Group and Tiger Brands.

Schalk Engelbrecht (64)

BSc, MBL

Schalk retired as AECI's Chief Executive in 2008, having served in that position since 2003. He is a member of the Nominations, Remuneration and Risk Committees. He also serves on the Board of Imperial Holdings.

Zellah Fuphe (42)

BSocialSc

Zellah joined the AECI Board in 2007 and is a member of the Corporate Citizenship Committee. A graduate of the University of Cape Town, Zellah is Managing Director of Plessey South Africa. She serves on the Engen Board and previously served on the Boards of Afric Oil (Chair), Worldwide Coal Carolina (Chair), the Oceana Group, Worldwide African Investment Holdings and the Unisa School of Business Leadership.

Mike Leeming (67)

BCom, MCom, FCMA, FIBSA, AMP (Harvard)

A Non-Executive member of the AECI Board since 2002, Mike is Chairman of the Audit Committee, a member of the Corporate Citizenship Committee and Chairman of Heartland's Financial Review Committee. He is a retired Executive Director of Nedcor and past Chairman of the Banking Council of South Africa and President of the Institute of Bankers. He also serves as a Non-Executive Director on the Boards of Altron, Imperial Holdings, Real Africa and Woolworths.

Allen Morgan (63)

BSc, BEng (Elect), Pr Eng

Allen joined the AECI Board in July 2010 and is a member of the Audit and Risk Committees and of the AEL Mining Services Financial Review Committee. Allen spent his entire working life at Eskom and he served as that company's Chief Executive from 1994 until his retirement in 2000. Other current directorships include Imalivest Assets, Kumba Iron Ore and BioTherm Energy.

Litha Nyhonyha (51)

CA(SA)

Appointed to the AECI Board in 2006, Litha is Chairman of the Corporate Citizenship Committee, a member of the Audit Committee and Chairman of the Financial Review Committee of AEL Mining Services. He is Executive Chairman and a founding member of Regiments Capital, a Black-controlled and managed financial services group. He is also a Director of Plessey Telecommunications, Regiments Securities, Sovereign Foods and Worldwide African Investment Holdings.

Adv Rams Ramashia (53)

Bluris, LLB, LLM

Rams joined the AECI Board in July 2010 and serves on its Corporate Citizenship and Risk Committees. He is Non-Executive Chairman of Rand Refinery Limited and of BP Southern Africa. Rams is past Chairman of SAPREF and of the South African Petroleum Industry Association. Between 2000 and 2004, he was Director General of the national Department of Labour and government Chief Negotiator at the National Economic Development and Labour Council.

Graham Edwards (56)*

BSc (Mech Eng), BCom, MBA, PhD, Pr Eng

Graham is AECI's Chief Executive, which position he took up in 2008. Prior to this, he was Managing Director of AEL Mining Services (AEL) and he has also served as Chairman of the DetNet joint venture. An Executive Director of AECI since 2007, Graham joined the Group as a design engineer in 1978 and worked in production, engineering, buying and strategic planning. He was appointed Managing Director of AEL in 1999.

Mark Kathan (40)*

CA(SA)

Mark joined AECI in 2008 as Financial Director and Chief Financial Officer. Prior to his AECI appointment, he had worked for 11 years at Nampak, a packaging company, where he held a senior finance position and was a member of that company's Group Executive Committee. He has experience in a broad spectrum of finance and business disciplines in South Africa and the rest of Africa.

Anthony Diepenbroek (54)

BSc (Civil Eng), MBA, Pr Eng

He joined the Group as Managing Director of Heartland, and an AECI Executive Committee member, in 2008. Anthony has extensive experience in property- and development-related fields. These include construction and project management; sales and marketing; infrastructure and facilities planning; and the management of property portfolios, assets and investment funds. He has also served as Managing Director of other JSE Limited-listed entities in the property sector.

Mark Dytor (49)

Mark was appointed to AECI's Executive Committee in 2010. Having joined Chemical Services Limited (Chemserve) as a sales representative in 1984, and after managing two Chemserve companies, Mark was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board. In addition to a portfolio of Chairmanships at companies in AECI's specialty chemicals cluster, he has been tasked with the growth of the mining chemicals business. He is also a Non-Executive Director of AEL.

Tobie Louw (47)

BSc (Eng)

Tobie joined AEL Mining Services in 1988 and he returned to this company as Managing Director in 2008. He also joined AECI's Executive Committee at that time. Tobie left the AECI Group in 1996, returning to Chemserve in 2000 as Managing Director of Lake International Technologies. In 2005, he was appointed to Chemserve's Executive Committee and became Managing Director of Chemserve Systems. He joined the Chemserve Board in 2007.

Edwin Ludick (46)

BCom (Hons)

Edwin joined Chemserve as a Human Resources Manager in 1991, was appointed to its Executive Committee in 2008 and to its Board in January 2010. He is currently Managing Director of Chemserve Systems, having managed three other subsidiaries prior to this, and is Chairman of a number of companies in the specialty chemicals cluster. He joined AECI's Executive Committee in 2010.

Schalk Venter (44)

With a qualification in analytical chemistry, Schalk joined Chemserve Systems in 1991 as a sales representative. He was appointed Managing Director of this subsidiary in 1997 and moved to AECI Coatings in the same capacity in 2001. He was appointed to the Chemserve Executive Committee in 2005 and to its Board in 2007. He is currently Managing Director of Akulu Marchon and is Chairman of a number of companies in the specialty chemicals cluster. Schalk joined AECI's Executive Committee in 2010.

All members of the Executive Committee are also members of the Risk Committee.

* Executive Director.

Gary Cundill (43)

BSc Eng (Chem), BEng Hons (Water), GDE (Civil)

Gary is Group Technical and Safety, Health and Environment Manager. He has worked in the chemicals, steel and explosives industries, and joined the Group in 2001. His background lies in technical development and in project and operations management.

John Mahlase (50)

BAdmin (Hons)

John is the AECI Group's Human Resources Manager. Prior to assuming this portfolio, he was Human Resources Manager at Chemserve, which company he joined as a Human Resources Consultant in 1997. John has an Honours degree in industrial psychology and an Advanced Diploma in labour law.

Ted Rea (42)

Bluris, LLB, LLM

Ted is AECI's Acting Company Secretary. He is an admitted attorney and worked as an associate in a legal firm before joining AECI's Legal Department in 1998.

Iwan Schutte (38)

CA(SA), CIA

Iwan is Group Internal Audit Manager. Prior to being appointed to this position, he was Divisional Internal Audit Manager responsible for the specialty chemicals cluster. He joined AECI in 2004.

Trevor Starke (42)

CA(SA)

Trevor is Group Treasurer with overall responsibility for treasury functions, corporate centre accounting, payroll and office management. He joined AECI in 1997 and worked in Group Accounting before joining the Treasury in 1999.

Graham Thompson (35)

CA(SA)

Graham is AECI's Group Financial Manager, with overall responsibility for the Group's finance and tax functions. He joined AECI in 2005 as Group Accountant having previously worked as an Audit Manager in an auditing firm.

Louis van der Walt (56)

Bluris, LLB, CFP

Louis has been Manager of AECI's Retirement Funds since 1999. He joined AECI as a Legal Advisor in 1991, having worked in similar capacities elsewhere. Louis is an Advocate of the High Court and a Certified Financial Planner.

I am pleased to report that AECI made good progress during the year, both in terms of business improvement and strategy implementation. Overall, there was a steady recovery from the very trying conditions of 2009 when our customers in both the manufacturing and mining sectors experienced tough trading conditions.

The Group substantially completed its R2 billion strategic capital expenditure programme. By year-end, all the capital projects were commissioned and were in ramp-up phase. Steady progress was made, notwithstanding some challenges. The earnings-enhancing benefits of these investments will accrue from 2011.

Early in the year, an assessment of whether the Company was optimally organised to facilitate delivery of its growth strategy resulted in several changes to the Group structure. The Board supported the Executive Committee's proposals for change, including the incorporation of an integrated Executive Committee representative of all 21 businesses in the portfolio, as well as the consolidation of Head Office functions. Reporting lines are now flatter and decision-making is more nimble. Governance frameworks and processes, including the identification and management of risk, have been improved without detracting from the imperative of continuing to provide customers with product and service excellence.

In parallel with the restructuring process, AECI's brand was refreshed and now includes "good chemistry" as a descriptor. This descriptor underpins all of the Company's activities: innovation and good chemistry in terms of relationships with customers, employees, investors, neighbouring communities and broader society will continue to set AECI apart from many of its competitors.

As the 2010 year progressed, customers' production output improved and a steady increase in commodity prices in the second six months translated into positive demand.

IT IS PARTICULARLY GRATIFYING TO REPORT THAT AECI ACHIEVED ITS BEST EVER SAFETY PERFORMANCE. THE TOTAL RECORDABLE INJURY RATE OF 0,60 WAS A COMMENDABLE PERFORMANCE THAT SETS THE BENCHMARK FOR FURTHER IMPROVEMENT GOING FORWARD. NO INJURY TO ANYONE, EVER, REMAINS THE TARGET.

TRADING PERFORMANCE

Volumes grew by 11% for the year owing to a significant improvement in the mining sector and a slower but nevertheless steady turnaround in manufacturing. Unlike 2009 when cash was generated from a reduction in working capital, in 2010 cash flows were driven by improved profitability. It was pleasing that tight controls remained in place and working capital levels were maintained.

Revenue from continuing operations increased by 8% to R11 569 million despite a strong ZAR/US$ exchange rate, particularly in the second half of the year. Profit from continuing operations exceeded R1 billion for the first time since 2006 and, at R1 062 million, was 38% higher than in the prior reporting period. Headline earnings were 67% higher at R619 million.

In line with the growth in earnings, the Board declared cash dividends of 205 cents per ordinary share for the financial year 2010.

MINING SERVICES

AEL Mining Services (AEL) delivered another improved performance. Revenue increased by 19% to R4 832 million, supported by strong volume growth of 13%. Profit from operations rose by 27% to R378 million, delivering an improved operating margin of 7,8%. AEL's retrenchment costs for the year totalled R49 million, with R39 million of this amount being a provision in respect of retrenchments that will commence in April 2011 when the shutdown of the conventional shocktube plants commences. The normalised operating margin, before the provision, would have been 8,6%.

AEL's higher operating margin was indicative of improved efficiencies on the Initiating Systems Automation Programme (ISAP) in its ramp-up phase, as well as the benefits of enhanced service package offerings to customers.

AEL's Southern African business was negatively affected by customers' shaft closures in the narrow reef business as well as wet weather conditions early in the year, which impacted coal mining.

Notwithstanding delays in customers' projects the African business grew strongly, driven by a major recovery in Botswana's diamond mining industry as well as improvements in the copper industry in Central Africa. Gold mining activity in West and East Africa was depressed by production cutbacks and the suspension of operations.

Chairman – Fani Titi

The International business recorded pleasing progress as AEL gained new contracts in Indonesia. Additional sales channel partnerships were developed in Europe and Latin America.

Of the R344 million invested in capital expenditure, R102 million was spent on ISAP. Ramp-up of ISAP progressed well, with the production run-rate more than doubling in the second half of the year. The ISAP project will be fully completed in the first quarter of 2012.

The balance of the capital expenditure was utilised for expansion in Indonesia and for smaller capital replacement projects in South Africa and the rest of Africa.

SPECIALTY CHEMICALS

The specialty chemicals cluster, which comprises 18 separate businesses, recorded a 10% growth in volumes. Profit from continuing operations rose sharply to R811 million. This 68% improvement was achieved notwithstanding a 1% decline in revenue to R6 453 million as a consequence of the strong rand. Growth was most evident in the food and beverages and agricultural segments of the manufacturing sector.

The cluster's results were enhanced by the non-recurrence of the effects of the bad debt write-off of R163 million of 2009.

There were improved performances from most of the businesses in the portfolio, with those from Akulu Marchon, ImproChem, Industrial Oleochemical Products and Lake International Technologies being particularly noteworthy. Senmin produced a solid performance despite being adversely impacted by the rand exchange rate and by higher costs as the polyacrylamide (PAM) facility was being ramped up.

In the first half of the year, the decision was taken to restructure Plastamid and incorporate this business into Industrial Urethanes. The net cost of the restructuring was R10 million.

Of the R241 million capital expenditure in the year, R92 million was for Senmin's strategic projects. At Senmin, the carbon disulphide project is complete and the acrylamide and PAM facilities have been commissioned, with the final qualification process carried out in the first quarter of 2011.

The xanthate dryer, which was unable to meet design capacity, will be replaced and a new dryer will be commissioned by July 2011.

Three acquisitions for the cluster, for a total consideration of about R180 million, will be finalised in 2011. An agricultural chemicals distribution business will be integrated into Plaaskem, a toll manufacturing business will enhance SA Paper Chemicals' customer offering and a bulk caustic soda distribution business will be integrated into Crest Chemicals.

PROPERTY

Heartland manages the Group's land and buildings which are surplus to operational requirements. Heartland comprises three business units: Development, Leasing and Facilities Management. The latter provides services to tenants at the multi-user Umbogintwini site in Durban, KwaZulu-Natal.

There were no significant property sales in 2010 and the operating result of R66 million was primarily from the Leasing and Facilities Management businesses.

South Africa's property market lagged the economic recovery and also remained curtailed by the lack of end user finance. Therefore, Heartland focused on its strategy of filling the pipeline of saleable land so as to be optimally placed when market conditions improve. In this context, the most significant achievement in the year was progress made on Longlake, at Modderfontein. This 220 hectare parcel of saleable land will be made available for all end uses. Township and environmental approvals were received, zoning rights were granted and infrastructural designs were approved.

During the year, Heartland invested R25 million in infrastructure development and R9 million was expensed on environmental projects.

SPECIALTY FIBRES

SANS Technical Fibers (STF), based in North Carolina in the USA, recovered strongly in line with the recovery in the global automotive industry. Revenue improved by 48% to US$40 million, tracking a similar growth in volumes. Operating profit increased to US$4,5 million from US$1,1 million in 2009.

STF's strategy to diversify its customer base outside the USA yielded results as new capacity, installed at less than the US$3 million budgeted cost and ahead of schedule, was fully sold when the facility came on line in September. Plant capacity was expanded by 33% with the installation of equipment transferred from the former SANS Fibres site in Bellville.

SCORECARD ON OBJECTIVES SET FOR 2010

As detailed in my letter to you last year, AECI's focus for 2010 was in five areas. I am happy to report progress as follows:

STRATEGIC CAPITAL PROJECTS RAMP-UP

Other than Senmin's acrylamide and PAM plants, all projects in the specialty chemicals cluster had been commissioned in 2009. The acrylamide and PAM facilities were commissioned in 2010.

The carbon disulphide plant and the xanthate reactors were run at name plate capacity. Liquid and powdered xanthate is currently produced to meet our customers' demand. As already mentioned, pelletised xanthate production has been constrained by problems with the existing dryer and the solution to this has been actioned.

Final qualification of the PAM facility took place in the first quarter of 2011. A bio-catalytic plant such as PAM is always likely to pose some interesting challenges as commissioning and ramp-up move through the learning curve. It is encouraging, however, that good quality product has been made on the facility. Stringent production milestones have been set for delivery through this plant's ramp-up.

AEL's ISAP facility has been ramping up steadily and auto-assembly, the final phase of the project, will be fully completed in the first quarter of 2012.

GROW VOLUMES TO SUPPORT THE DELIVERY OF THESE PROJECTS

Strong volume growth in AEL and in specialty chemicals in 2010 certainly gave impetus to delivery in this regard. It is imperative that the focus on cost control be sustained to ensure success in an environment which is increasingly competitive and where the rand strength continues.

MAINTAIN WORKING CAPITAL RATIOS, THUS PRESERVING CASH

Working capital ratios were well maintained throughout the year and the strong generation of cash was largely the result of improved profitability. Cash generated was utilised to reduce the Company's gearing and to complete the capital programme.

ENHANCE THE SALES FOCUS ON OPPORTUNITIES OUTSIDE SOUTH AFRICA

Foreign sales grew by 23% in rand terms and by 39% in US$ terms, due mainly to AEL's expansion in Indonesia and a much improved performance from STF. Inroads into other geographies are being investigated and expansion beyond South Africa will continue to be a key focus for the business going forward.

CURTAIL BUSINESS RISKS IN A VOLATILE TRADING ENVIRONMENT

The need to address the Company's risk management processes was one driver for restructuring the Group. The Risk Committee, which was separated from the Audit Committee at the end of 2009, tasked Deloitte & Touche to perform an enterprise-wide risk review of our businesses.

The review's findings were noted and included in existing plans and processes, as required. Risk management remains a primary consideration in key decisions that are taken by Group businesses.

DIRECTORATE

Frank Baker retired at the end of March 2010. I would like to thank him for his contribution to the Group during his 34 years of service.

We welcomed Allen Morgan and Rams Ramashia who were appointed to the Board as Non-Executive Directors with effect from 1 July 2010. We look forward to their contributions in the years to come.

ETHICS AND GOVERNANCE

AECI remains committed to maintaining its high standards of corporate citizenship, a high level of ethics and integrity, and the proactive management of corporate responsibility matters. Safety, health, and environmental issues are the first item on the agenda of management meetings of AECI's businesses and of AECI's Executive Committee. The benefits of this are evident in the Group's safety performance for 2010.

Community awareness and support are guided and monitored by the Corporate Citizenship Committee.

The Group adheres to best practices in corporate governance. Good progress has been made towards understanding and complying with the guidelines and requirements of King III. The Group will report in line with these requirements from 2011.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

In the first half of 2011, the Company will resume work on the B-BBEE transaction postponed late in 2008 as a result of market volatility. The proposed transaction will involve employees and communities through structured trusts. Shareholder approval will be sought in due course, prior to implementing the transaction.

A number of AECI's businesses have made good progress in terms of improving their B-BBEE Contributor ratings. Others, however, have not performed as well and the relevant management teams have been tasked with prioritising the achievement of acceptable ratings in line with their own plans and within specific timeframes.

OUTLOOK

Looking to 2011, the recovery in the mining sector and steady increases in global chemical prices are good indicators of improving demand, albeit in a more competitive environment. This bodes well for the Group in terms of volumes.

The focus for the year will be to:

- complete ramp-up of the PAM and ISAP projects so as to optimise their beneficial use, thereby enhancing the Group's financial performance;
- maintain a sharp focus on costs and working capital management, and on enhanced product and service delivery to customers; and
- successfully integrate the acquisitions into the specialty chemicals portfolio.

I would like to thank all our shareholders, employees, business partners and other stakeholders for their continued support. I would also like to express my appreciation to AECI's management for their sustained efforts and to my colleagues on the Board for their wise counsel.

Fani Titi
Chairman

Woodmead, Sandton
30 March 2011

Chief Executive – Graham Edwards

FOR AECI, 2010 MARKED THE START OF A NEW ERA IN THE COMPANY'S 115-YEAR HISTORY. THE GROUP CONFIRMED ITS GROWTH STRATEGY AND REVIEWED ITS MISSION STATEMENT, VALUES AND STRUCTURE IN SUPPORT OF THIS STRATEGY. ITS BRAND WAS RE-ENERGISED AND RELAUNCHED IN PARALLEL WITH THIS.

VISION

AECI's vision is to be the chemical and mining services supplier of choice for customers in its chosen markets. The Group aims to be Africa's leading specialty chemicals, explosives and mining services supplier across the continent and in key emerging markets around the world.

The vision is underpinned by four strategic pillars pertaining to the cost base, world-class technology, value-adding customer-centric service, and excellence and professionalism in all areas of activity.

VALUES

The Company's values were revisited and, after extensive consideration and deliberation by the Executive Committee and Senior Management, were formalised in the acronym **BIGGER**. To maximise the benefits of restructuring and enhance the Group's new focus, AECI has adopted the foundational principles of being **B**old and **I**nnovative in the creation of value, of **G**oing **G**reen, and of being **E**ngaged and **R**esponsible.

The philosophy and application of these values are reflected throughout this Annual Report.

RESTRUCTURING

An assessment early in the year of whether the Group was optimally organised to facilitate delivery of its growth strategy resulted in several changes to the Group structure, including the incorporation of an integrated Executive Committee representative of all 21 businesses in the portfolio, as well as the consolidation of the AECI and Chemical Services Head Office functions.

The review process indicated that AECI's business would benefit from a closer relationship between the operating companies and the Head Office in some areas. This enhanced relationship would assist the Head Office in fulfilling its parenting role of adding value to the Group's businesses by providing the support and guidance they require as they grow locally and internationally. Furthermore, the existence of two Head Offices resulted in the duplication of certain roles and sometimes delayed or frustrated decision-making to the possible detriment of the business.

The consolidated Head Office is located at The Woodlands, in Woodmead, Sandton. The office space has been refurbished with an emphasis on complementing the Company's **G**oing **G**reen value: sustainable products were used, recycling opportunities were maximised and energy-efficiency considerations were prioritised.

VALUE PROPOSITIONS

After careful analysis of which functions and activities would be best achieved by the operating companies and which would add the most value by being centralised, the role of the Head Office was formally redefined. This role is based on a series of core value-adding propositions such as strategy, support and leadership. Communication processes have been simplified, with the flow of information and decision-making significantly improved.

The model now in place for AECI is summarised as "Freedom supported by a Framework", with the framework established by the parent company complementing the businesses' pursuit of their own innovative product and service excellence. The model has been well received by the Group and is represented schematically on page 44.

BIGGER VALUES

BOLD
We will tackle the difficult challenges in our businesses and will offer customers innovative technical and service solutions.

GOING GREEN
We acknowledge that our operations have an impact on the environment and we are committed to the diligent management of our environmental footprint.

RESPONSIBLE
As a responsible corporate citizen we embrace the concept of "people, planet, profit" and hold ourselves accountable to operate safely and ethically to meet the needs of all our stakeholders.

INNOVATIVE CREATION OF VALUE
We are passionate about the innovative creation of value for our customers, our shareholders and our people.

ENGAGED
We believe in engaging fully with our people and are committed to a culture of honesty, transparency and growth.

DELIVERY

The platform is now in place to optimise AECI's considerable asset base. The ability to do so is the driving force behind a three-year plan aimed at growing earnings and realising above average returns for shareholders. To achieve these objectives, a number of key performance areas have been identified. Special emphasis is being placed on ensuring that major capital projects, representing an investment of some R2 billion over the last three years, reach full capacity and deliver the anticipated levels of performance as quickly as possible.

At the same time the Company is leveraging AEL Mining Services' extensive African footprint to provide a channel for Group businesses to market their products and services across the continent. Similarly, the Group's suite of mining services will be grown and developed in emerging markets, such as Indonesia, whilst new business opportunities in the oil, water and gas industries are being explored. Opportunities in sectors such as food chemicals and personal care are also being investigated in African countries with growing consumer markets.

These initiatives have huge scope and indicate the extent of the Group's growth potential. AECI's potential is further enhanced by its valuable land asset, the release of which it continues to manage carefully. Heartland oversees the property activities on AECI's behalf and is well placed to take advantage of market opportunities as soon as market conditions improve.

BRAND IDENTITY

To celebrate the start of the new chapter in AECI's history, the Company's brand was refreshed and relaunched. The new brand identity is symbolic of the modernised, re-energised AECI. Research showed that the flask device, which formed part of the Company's corporate identity in the 1980s, was inseparably linked to AECI. The colours of red, black and white were also described as belonging to the Company.

As such, the new brand identity includes a modern rendition of the flask device. Two reds have been introduced. The darker red symbolises the heritage and legacy of AECI, underpinning the Company's upward trajectory moving forward whilst the brighter red is bold and dynamic, and provides a sense of energy as well as continuity with the former brand identities.

The two reds create a virtual "clasp" around the flask, representing partnerships with two halves coming together to make a whole. This is the essence of the "good chemistry" message, which informs the Group's positioning and gives voice to the promise of AECI. The italicised lettering suggests progress and positive movement.

FOR THE COMPANY'S NAME, A STYLISED AND CONTEMPORARY FONT HAS BEEN APPLIED. THE USE OF UPPER CASE LETTERS REINFORCES THE STATURE OF AECI AS A MARKET LEADER AND AN ICONIC SOUTH AFRICAN HERITAGE BRAND.

A form of the brand identity is being applied by all businesses in the Group. In this case, "inherently AECI" is the overarching message.

THE WAY AHEAD

AECI is on a journey to become a leader in the international specialty chemicals and explosives industries. At the same time, it remains firmly committed to its businesses in South Africa and will continue to partner with its customers and to make sustainable contributions to economies in the rest of Africa and in other emerging markets.

A measure of success in this regard is already evident in the financial results and business operational reviews that follow.

AECI
good chemistry

AEL MINING SERVICES (AEL) HAS A PRESENCE IN 23 COUNTRIES. ITS LARGEST SITE, WITH NITRATE AND INITIATING PLANTS AND OPERATIONS, IS AT MODDERFONTEIN, IN JOHANNESBURG.

Executive team (from left):
Tobie Louw, Liesel de Villiers, Wayne du Chenne, Rafael Fernandes, Piet Halliday, Sepadi Mohlabeng, Stuart Wade, Colin Wilson.

OVERVIEW

AEL is a leading developer, producer and supplier of commercial explosives, initiating systems and blasting services for mining and infrastructure markets in Africa. Significant operations in selected international markets have also been established. In terms of size and technological capability, AEL is a top five player in the global explosives market. Its Head Office is in Johannesburg, South Africa.

AEL has three main businesses:

- AEL Southern Africa, with key focus areas being gold, platinum, coal, chrome and uranium mining, and construction;
- AEL Africa, which services customers across a broad range of mining sectors and the infrastructure sector in Botswana, the Democratic Republic of Congo (DRC), Ghana, Tanzania, Zambia, Zimbabwe and several other African countries; and
- AEL International, which operates in selected regions including Asia Pacific, most notably coal mining in Indonesia. The company also has a presence in Europe and Latin America, mostly through channel partnerships.

There are specific focus areas within these businesses to ensure the delivery of consistently high levels of fragmentation solutions for a broad range of mineral and mining application types.

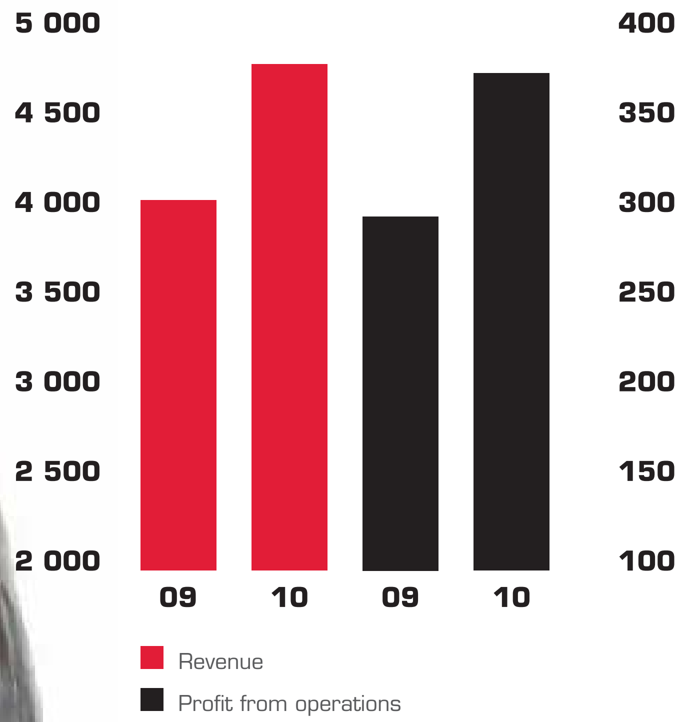
AEL utilises a common global business services platform to ensure high service levels in deployment, logistics, technical support, systems, product and services development, as well as customer relationship management. The company has significant research and development capabilities and is a world leader in initiating systems and emulsion solutions. Research and development has been a constant in AEL's 115-year history. The emphasis is on innovation to enhance solutions that meet customers' three key needs of improved mining optimisation, mining safety and security of supply. For more information visit **www.ael.co.za**

CHAIRMAN: GRAHAM EDWARDS
MANAGING DIRECTOR: TOBIE LOUW

STRATEGY

- To further entrench AEL's leadership position in Africa through innovation, service enhancements and refreshed value offerings to customers on the continent;
- To grow international interests selectively; and
- To continually improve business platforms and partnerships to enable and augment customer value and growth.

FINANCIAL PERFORMANCE (RM)



BUSINESS ENVIRONMENT

Following the trend noted in the latter part of 2009, mining activity continued its recovery and, by end-2010, levels prevailing before the global economic crisis had been re-established. Global commodity prices moved in line with improved economic activity, most notably in copper, gold and platinum markets. The infrastructure sector, where substantial investments were made before the 2009 crisis, remained lacklustre and is expected to take some time to return to growth. Global consumption continued to be monitored closely, particularly with regards to China. The expectation is that foreign investors will continue to be attracted by Africa's overall and commodity growth rates.

As in recent years, South Africa's deep level gold production experienced volume, cost and regulatory pressures. Significant work on consolidating and enhancing mining practices yielded positive results, although these were tempered by the strong rand. Coal production was hampered by wet weather conditions early in 2010 but demand for coal in domestic and export markets remained strong. Platinum surface mining volumes recovered well.

Owing to increases in demand and higher commodity prices, the diamond and copper industries in Botswana and Central Africa, respectively, improved. Political considerations and security of supply risk remained a concern in some regions. Competitors were active as Africa's profile as a growth continent gained momentum.

Key raw material prices, most notably those for ammonia and fuel, escalated in line with demand during the year. Cost pressures on explosives and mining operators increased in parallel with this.

FINANCIAL PERFORMANCE

Profit from operations of R378 million increased by 27% on 2009's results. Revenue grew by 19% thanks to the recovery in both volumes and selling prices. The trading margin was at 7,8%, a pleasing improvement from the 7,3% achieved in the previous reporting period. It is expected that margins will continue to improve as AEL's capital investment cycle, implemented over the last four years, runs its course.

WORKING CAPITAL AS A RATIO OF SALES WAS AT 14%, FROM 16,9% IN 2009, AND THE COMPANY'S CASH FLOWS IMPROVED ACCORDINGLY.

Total major capital project spend was R344 million, including the cost of a statutory ammonia storage vessel inspection. Capital investment in the Initiating Systems Automation Programme (ISAP) reduced to R102 million as the project entered full operational mode. The installation of some ancillary units will complete the project while other developments on ISAP will further enhance its performance.

ADDITIONAL INVESTMENTS WERE MADE AT MINE SITES IN INDONESIA, IN LINE WITH VOLUME GROWTH. FIVE OPERATIONAL SITES NOW SERVE SEVEN MINING CUSTOMERS IN THAT TERRITORY.

Given AEL's business profile, risk management remained a central theme in 2010 and no significant incidents of concern were recorded.

MAJOR PROJECTS

ISAP's shocktube plant made further progress and it is running at full capacity. The detonator plant is fully installed and output levels increased to 60% of targeted production. Spray-dried delay powders were utilised to good effect. This technology has been proven and extended to replace traditional and less accurate delay powders. The robotic assembly lines reached design output rates and operated satisfactorily. High speed auto-assembly lines are the last to be brought up to design speeds and this remains the focus for 2011.

By the end of 2010, ISAP had produced over 110 million detonators and 350 million metres of tubing. The plant's shocktube products have been well received and market share continued to grow. In 2011, attention will centre on ramping-up all outstanding plants to full capacity and on transferring more products from conventional facilities into ISAP. Conventional plant closures will commence in April 2011.

The ammonia storage vessel at Modderfontein underwent a comprehensive inspection to ensure safe operation for the next 15 years, at a cost of R36 million. The project was completed on time and within budget, and the vessel's integrity was confirmed.

Four additional bulk emulsion sites were established in Indonesia, following completion of the largest site in 2009. All four projects rolled out as planned and in line with regional market growth requirements. They demonstrated the robustness of AEL's international deployment capability.

A number of smaller capital projects were also completed, ranging from plant upgrades and extensions, to regulatory investments and environmental improvement projects.

SAFETY, HEALTH AND ENVIRONMENT

AEL's Total Recordable Injury Rate dropped to below 0,5 – a most pleasing performance. From an environmental perspective, a new plant to remove ammonia emissions from the Modderfontein nitrates complex was installed and improved to good effect in the year. AEL completed its carbon credit registration, having invested in carbon reduction technology, and approval of the credits is expected in the next financial year.

A primary objective in 2011 will be to finalise the new Water Use Licence for Modderfontein in cooperation with regulatory authorities.

OUTLOOK

It is anticipated that mining volumes and commodity prices will remain robust in 2011. Trends in China will continue to be a factor and the ZAR/US$ exchange rate remains a consideration since 55% of AEL's revenue is US$-based. Against this background, customer service and value-adding propositions will be a priority for competitive advantage in 2011.

As Africa consolidates its position as a growth market, it will continue to attract competitor activity. In parallel, cost pressures on mining houses will require appropriate responses from explosives suppliers. To maximise its ability to take advantage of opportunities that will arise as a consequence, AEL is focusing on closing out the ISAP project and on extracting full value from this investment. Furthermore, the company's Shot™ range of electronic detonators, developed by the DetNet joint venture, is well established worldwide. Expansion of the range and customer focus on using electronics to enhance mining solutions in selected applications will continue in 2011 and will confirm AEL as a provider of a comprehensive product and service offering.

The quest for no injuries and no negative environmental impacts will also be sustained.

THE SPECIALTY CHEMICALS CLUSTER OF AECI COMPRISES A PORTFOLIO OF 18 BUSINESSES, EACH FOCUSED ON SPECIFIC MARKETS WITH COMMON VALUES OF INNOVATIVE CUSTOMER SERVICE AND BOTTOM LINE DELIVERY.

OVERVIEW

Each of the specialty chemical businesses in the cluster aspires to be the supplier of choice for customers in its markets, supported by the best technology available, a carefully designed service package, and the lowest possible cost base. Technology is sourced from international partners and is also developed in-house.

Full service package business models provide customers with innovative solutions to their chemistry-driven requirements and differentiate AECI's businesses from competitors in terms of skills, competencies and value-add for their customers.

Historically, the Group's specialty chemicals cluster has grown by acquisition and by organic growth.

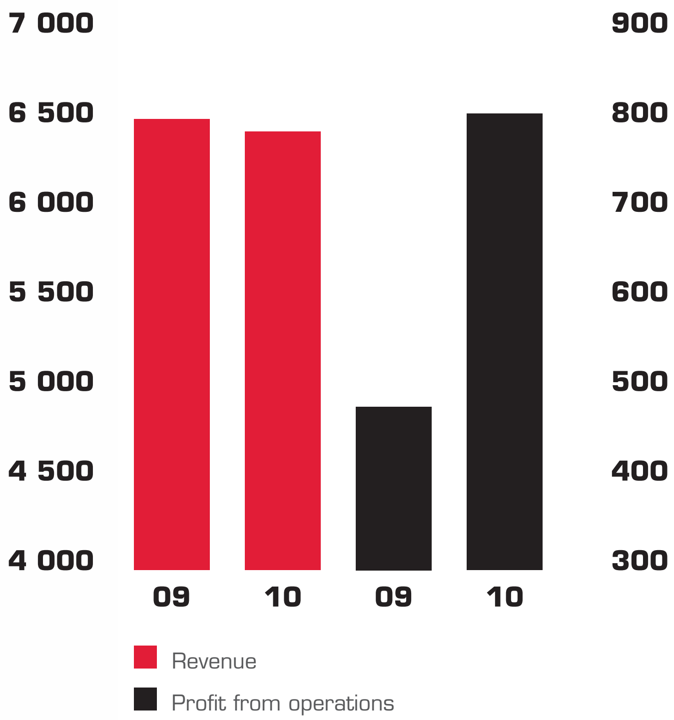
Of note in 2010 was the completion of the major capital investment programme that began in 2007, with all plants commissioned.

STRATEGY

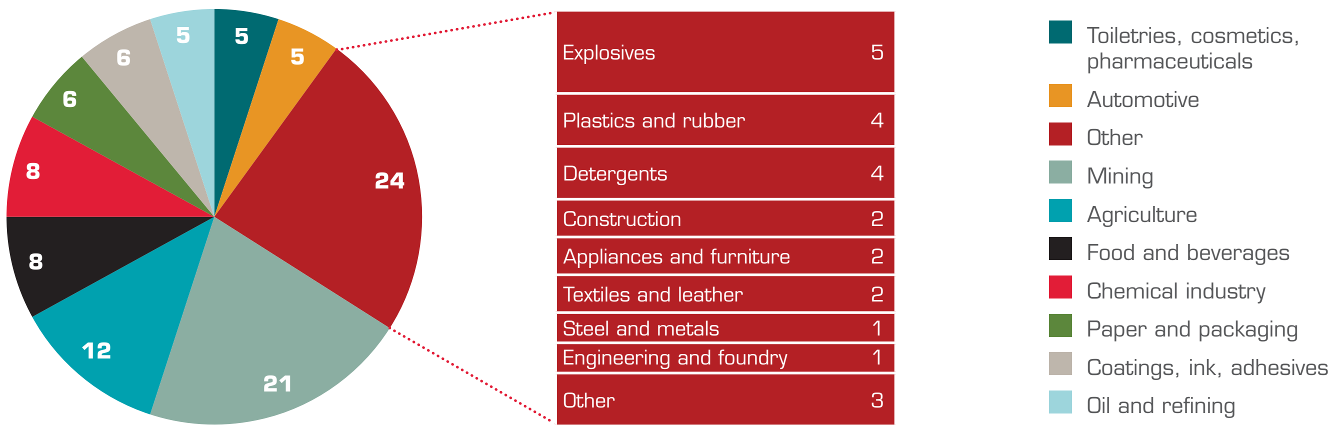
- To expand the mining chemicals product and service offering in South Africa, the rest of Africa, and in other geographical areas where the full service model is valued and the mining profile fits the cluster companies' capabilities. Chemical Initiatives, ImproChem and Senmin are driving this strategic thrust;
- To expand the water-, oil-, gas- and energy-related product and service offering from Southern Africa to the rest of Africa, and to other geographical areas where the full service model is appropriate. ImproChem is the vehicle for the push out of Southern Africa;
- To explore opportunities for sales of specialised products and services offered by the regional and international focus on food production and preservation, and agriculture;
- To grow the oleochemical-based joint venture business in Brazil, move into other sectors where the partnership has appropriate expertise, and seek other investment opportunities;
- To expand businesses in the portfolio into Africa, and into other territories where suitable markets exist; and
- To manage and grow the portfolio of businesses in South Africa.

Executive management team (from left): Mark Dytor, Graham Edwards, Mark Kathan, Edwin Ludick, Schalk Venter.

FINANCIAL PERFORMANCE (RM)



SPECIALTY CHEMICALS REVENUE BY MARKET SECTOR FOR 2010 (%)



BUSINESS ENVIRONMENT

In 2010, the South African economy recovered well from the global economic crisis of 2009, although pre-crisis levels were not reached in all sectors. Manufacturing growth was strong in the first half-year but stagnated thereafter.

A more promising scenario emerged late in the year with cumulative manufacturing volumes recording a year-on-year increase greater than 5%. Motor vehicle production grew by 22%, paper and paper products by 13%, petroleum, chemicals and plastics by 7% and the food and beverages sector expanded by almost 4%. The construction sector, in contrast, recorded a year-on-year decline of almost 9% when measured in terms of building plans passed.

Mining chemicals volumes showed resilience in line with the performance of the manufacturing sector as a whole and the recovery continued in the second semester. By year-end, cumulative mining chemicals volumes had increased by 6%. Volumes for the diamond mining sector grew by 43%, those for iron ore by 7%, those for platinum group metals were up by 5% and those for coal by 1%. In contrast, volumes in the gold sector declined by 5%.

The local currency started the year at ZAR7,38/1US$ and weakened through the first half-year. Thereafter, strong capital inflows resulted in significant strengthening, with the exchange rate closing the year at ZAR6,65/1US$. This placed pressure on rand-based prices although this pressure was offset to an extent by higher oil prices and consequent increases in chemical prices, in US$ terms, in the same timeframe.

PERFORMANCE

AECI's specialty chemicals businesses delivered a pleasing performance for 2010, considering the currency factor and limited growth in some market sectors.

Revenue of R6 453 million was 1% lower than 2009's result but trading profit improved by an impressive 68% to R811 million. It was also most pleasing that the trading margin increased to 12,6% from 7,4% in 2009, on volumes that were 10% higher than those in the previous year. Overall prices declined by 10%.

COSTS, MARGINS AND GROWTH

The 18 businesses in the cluster did well to maintain their margins in challenging market conditions. They all reduced their costs significantly by reviewing expenditure and by restructuring or rationalising activities so as to reduce the effort and resources allocated to less profitable products and markets. In line with this, Plastamid's site in Cape Town was closed and the business was incorporated into Industrial Urethanes. Plastamid lost its access to competitive raw material as a consequence of the closure of SANS Fibres in Bellville.

ACROSS THE CLUSTER, THE FOCUS ON MAINTAINING AND IMPROVING MARGINS RESULTED IN BETTER PURCHASING, INVENTORY MANAGEMENT AND PRICING. MOST BUSINESSES MAINTAINED OR IMPROVED MARKET SHARE THANKS TO THEIR ENHANCED SERVICE LEVELS.

Strict working capital management was maintained.

STRATEGY IMPLEMENTATION

Substantial investments have been made in Senmin's mining chemicals production capacity so as to improve service to local and international markets. Further investments were also made in on-mine equipment and services to meet the needs of those customers.

Senmin has built an impressive team of qualified and experienced people to meet the mining industry's needs, including team members based at mining extraction sites. More detail on this strategy and progress made in the year is included in Senmin's operational review.

ImproChem is no longer restricted geographically by technology agreements and is engaged in expanding its operations beyond Southern Africa. This business will be the main vehicle for implementing the Group's water, oil, gas and energy strategy.

Through Lake International Technologies and Plaaskem, in particular, medium-term opportunities in the food and agricultural chemicals markets are being explored.

In Brazil, the Resitec joint venture's expanded oleochemical facilities were ramped up in the year. The focus in 2011 will be on further commercialising these facilities. Acquisition opportunities have been identified in Brazil and will receive attention in the coming year.

No local acquisitions were formally concluded in 2010 but competition authority and other approvals were progressed early in 2011. As always, the acquisition pipeline is full and a number of transactions are anticipated in the coming year.

A summarised 2010 review of each business in the cluster follows.

CHAIRMAN: GRAHAM EDWARDS

AKULU MARCHON

Managing Director:
Schalk Venter

Company overview

Akulu Marchon (Akulu) supplies chemical raw materials and value-adding services to the cosmetics, toiletry and detergent industries in South Africa and Southern Africa. Products include petroleum jelly and white mineral oils for the local ethnic skin and hair care markets, locally-produced and imported specialty surfactants for household and personal care products and chemical specialties for the personal care and cosmetic industries.
For more information visit **www.akulu.co.za**

Business environment

The business was challenged by pedestrian demand and the rand strength in the first half-year. The anticipated upturn in consumer activity during the FIFA World Cup did not materialise as South Africa's economy continued to feel the effects of 2009's economic crisis and its severe cost in terms of job losses. Furthermore, shortages were experienced in the supply of certain key raw materials after plant shutdowns during the crisis. Although the rand strength rendered exports of some products extremely difficult, the currency effects were partly offset by higher commodity prices in line with the escalating oil price.

Demand improved sharply in the last quarter, resulting in equally improved sales volumes as manufacturers increased their inventory levels.

Highlights

Akulu delivered a creditable result in difficult circumstances. It enhanced its delivery of quality products and services to customers from an already high base. More technical expertise was transferred to customers in joint development projects, especially for domestic markets.

Costs, margins and working capital were well managed.

The company achieved an excellent safety performance and good progress was made in B-BBEE matters, with accreditation as a Level 6 Contributor being received in the year. The site at Chloorkop, Johannesburg, where the company now produces all its surfactants, liquids and waxes, received ISO 9001 certification.

Strategic progress

Akulu's strategy is to be the chemical raw material supplier of choice to the homecare, personal care, cosmetics and toiletries industries. Advances were made in this regard through the extension of the company's service offering and its basket of both new and existing products to its main customer base. Significant strides were made in key account management and in positioning Akulu as a "one-stop shop" for chemical raw materials in its chosen industries.

The company's former manufacturing site in Wynberg, Johannesburg, has been vacated. The site is being remediated and prepared for sale in 2011.

Capital investment programme

The sulphonation/sulphation and liquids/wax plants at Chloorkop were fully commissioned. Although some start-up difficulties were experienced, quality improved significantly once ramp-up commenced. Projects have commenced to optimise and de-bottleneck the new facility further.

CHAIRMAN: SCHALK VENTER

CHEMFIT

Managing Director:
Ryan Harrison

Company overview

Chemfit has 30 years' experience in supplying traded and blended specialty chemicals to a broad range of industries including water treatment, soil fumigation, petrochemical, lubricants, polymers and plastics.
For more information visit **www.chemfit.co.za**

Business environment

A number of the industries supplied by Chemfit had a slow start to 2010, with lower domestic demand and increased competition from imported finished goods due to the strength of the local currency. As a result, a number of the company's customers reformulated their processes to accommodate more cost-effective alternatives. This impacted negatively on Chemfit's volumes. In the second six months, however, the business benefited from the expertise of additional sales personnel, a more focused sales approach, better demand from its South African customers and rising commodity prices. As a consequence, the company finished the year strongly.

Highlights

The restructuring of Chemfit in 2010 succeeded in refocusing and re-energising the company, which now comprises four business units: Polymer Additives, Water and Industrial Ingredients, Lubricant and Petrochemicals, and Agriculture and Animal Solutions. Each unit is better aligned with its own areas of excellence and is led by a sales expert employed for the purpose.

Strategic progress

Chemfit is negotiating with a number of new suppliers and has formulated new products. The registration of these products has been lodged with the Department of Agriculture. The business also anticipates realising the full benefit of new Information Technology platforms in 2011. These streamline shipping logistics and enhance customer relationship management.

Most pleasing in 2010 were the significant steps taken towards improving the B-BBEE scorecard, especially in terms of Employment Equity and skills development.

CHAIRMAN: MARK DYTOR

CHEMICAL INITIATIVES

Managing Director:
Dean Mulqueeny

Company overview

Chemical Initiatives (CI) produces and supplies sulphur-based products and provides customers with technical and project management services on a turnkey basis. Customers are in a broad spectrum of sectors including mining, agriculture and paper and packaging. For more information visit **www.cheminit.co.za**

Business environment

CI recorded a good overall turnaround from the difficulties experienced in 2009 and the outlook for 2011 is promising.

There was some recovery in the sulphur-based trading market, particularly in the second half-year.

Sulphur exports into Sub-Saharan Africa remained depressed, however, as most customers and traders concentrated on reducing inventories carried from 2009. Sulphur prices were volatile and ranged between US$60 and US$210/tonne FOB. Through improved planning and customers' commitment, CI was able to limit the resulting exposure or risk.

Although demand for sulphuric acid was firm, lower off-take by the fertilizer manufacturing industry led to oversupply. CI's sulphur dioxide (SO_2) business was solid, notwithstanding slower than anticipated growth in its agriculture unit due to the drought experienced in many parts of South Africa in 2010.

Highlights

The business made significant progress in reducing its working capital, particularly inventories held in storage outside of South Africa. It was most gratifying that the company's triennial, planned maintenance shutdown of its manufacturing facility at Umbogintwini, Durban, was completed in record time, within budget and without major incident. Also at Umbogintwini, sulphur-based micronutrients that were previously imported for the fertilizer industry were produced successfully.

Debt recovery

Thanks to a sustained joint effort by CI and its Zambia-based trader, a portion of the debt outstanding at end-2009 was recovered. Options for further recoveries in 2011 have been explored.

Strategic progress

CI has invested considerable resources in assisting two key uranium mining customers with the preparation of their reagent storage facilities for production. This is viewed as an important market for sulphuric acid and will receive further attention in the year ahead.

CI continues to represent Cansolv Technologies Inc., a Canadian leader in its field, in Africa. The technology is used for SO_2 scrubbing to improve the quality of plant air emissions. A number of industries in South Africa have indicated renewed interest in resolving long-standing emission issues in the light of tighter statutory limits that will take effect from 2013.

Diversification of the business remains a priority and CI is actively pursuing its strategy to provide more comprehensive services to selected market sectors, with an expanded range of products.

CHAIRMAN: EDWIN LUDICK

CHEMIPHOS

CHEMIPHOS Chemicals and Specialities

Managing Director: Mike Peach

Company overview

Chemiphos is a leading Southern African manufacturer of poly-phosphoric acid for fuel catalyst and pharmaceutical manufacturing and ortho-phosphoric acid for, inter alia, beverage manufacturing, metal treatment and water treatment. The company also provides a traded range of specialised construction chemicals.
For more information visit **www.chemiphos.com**

Business environment

The company succeeded in retaining and even recovering significant acid volumes through the implementation of strategic customer-focused sales initiatives. This was achieved notwithstanding the decline in global commodity acid prices and sustained competitive pressure from manufacturers in the Far East. The construction chemicals business had a pleasing turnaround and is well placed to capitalise on identified growth opportunities in the sector.

Highlights

Chemiphos reduced its dependence on a single supplier by developing and exploiting alternative sources for its strategic raw materials. This has also resulted in less volatile acid costs.

Lightweight and dustless technologies were applied in the development of products for the tile adhesive and cement manufacturing industries. Efforts to promote innovative waterproofing products, particularly in repair and maintenance applications, yielded encouraging results.

Chemiphos remains focused on developing customised one-pack solutions for the construction sector using its in-house technical capability.

CHAIRMAN: GRAHAM EDWARDS

CHEMSERVE SYSTEMS

Chem Systems

Managing Director: Edwin Ludick

Company overview

Chemserve Systems provides chemical products to a diverse range of industries through its five business units. Applied Castings Solutions supplies resins and associated products to the foundry industry. Capital Polymer Additives produces PVC heat stabilisers, plasticisers and additives. The Silicones division supplies a range of silicone polymers, and Status Industrial Solutions manufactures and distributes an extensive range of chemicals for industrial applications. These include cleaning, lubrication, metal-working and fluid management, non-destructive testing, fire protection and marine services.

Orlik Metal Chemicals' products are used in a variety of processes, including electroplating, phosphating, galvanising and anodising. For more information visit **www.chemsystems.co.za**

Business environment

The business managed its costs and aligned itself very successfully with new base volumes, which declined with the economic slowdown of 2009.
It was also pleasing that the company was able to exploit selected growth opportunities.

Highlights

The extensive upgrade undertaken at the company's facility at Chloorkop, Johannesburg, in the prior reporting period yielded results. Production was more cost-effective and safety improvements were evident. Orlik Metal Chemicals' operations were moved to the same world-class site in 2010, enhancing the financial benefits of the operational platform further and enabling the business to deliver a good performance.

Chemserve Systems' strength is its ability to manage a combination of trading and manufacturing activities. Underlying all areas of the business is the company's expertise in providing customers with value-adding services and know-how in chemicals applications. Most of Chemserve Systems' divisions secured additional technology and/or distribution agreements in 2010, placing the company on a positive footing going forward in terms of improving its service offering further.

CHAIRMAN: MARK DYTOR

CREST CHEMICALS

(joint venture with Brenntag AG)

Managing Director:
Michiel Vijverberg

Company overview

Crest Chemicals (Crest) represents several international manufacturers of specialty and commodity chemical products and distributes these to a large number of industries in South Africa and Southern Africa. Its six divisions service key markets in food, paints and coatings, pharmaceutical and personal care, mining and water treatment, surfactants, and general industry. For more information visit **www.crestchem.co.za**

Business environment

The business did well to repeat its 2009 performance, thanks to its enhanced position as a supplier of some of its major products and the successful maintenance of its margins. Crest's much stronger position in the supply of caustic soda, already one of its key offerings, was noteworthy in this regard. The 2010 performance was achieved in an environment of muted demand and falling prices.

Strategic progress

Crest has identified the food, pharmaceutical and personal care, and paints and coatings sectors as targets for growth. In 2010, the business gained market share in all of these strategic areas.

New customer service and business information systems were installed in the year, with minimal disruption.

CHAIRMAN: SCHALK VENTER

DUCO SPECIALITY COATINGS

Managing Director:
Llewellyn Mulder

Company overview

Duco Speciality Coatings (Duco) is a leading supplier of high technology paint finishes for South Africa's transportation, refinishing and packaging industries. Customers also benefit from an online technical support service. From a company that traditionally served the automotive market, Duco has grown to offering a spectrum of technologies to an increasing number of customers outside this sector. For more information visit **www.duco.co.za**

Business environment

Although markets remained generally flat in the year, some growth was noted in the second six months. South Africa's automotive industry also improved somewhat and this assisted Duco in terms of volumes.

Highlights

The significant turnaround in Duco's performance, after restructuring and rationalisation of the business in 2009, was most satisfying. Substantial reductions in working capital were achieved and cash flows recovered. The company is now better placed to maximise growth opportunities in its chosen markets.

It was also pleasing that Duco retained its excellent safety and health record through the restructuring process. The company recorded no safety, health or environmental incidents in the year and intends sustaining this performance as part of its drive for continual improvement in 2011.

CHAIRMAN: MARK DYTOR

IMPROCHEM

Managing Director:
Louis du Toit

Company overview

ImproChem provides chemical process, water treatment, water optimisation and total water management and hygiene and sanitation process solutions for both the industrial and public sectors throughout Southern Africa. Customers are mainly in the mining, municipal water treatment, food and beverages, and oil and refining sectors. For more information visit **www.improchem.co.za**

Business environment

The business delivered a good performance in 2010 with strong growth in revenue and a pleasing recovery in both margins and profitability.

Although customers began to recover from the economic difficulties of 2009, their cash flows remained tight and capital investment projects were thus limited. They sought cost reductions as well as working capital and other efficiency improvements to bolster their performances. ImproChem therefore continued to focus on the value-adding proposition of its product and service offering. This sets the company apart from a number of competitors who pursue market share on the basis of product prices alone.

ImproChem has established a presence in a number of African countries where it continues to identify opportunities. Consumer-related sectors lead the way, particularly food and beverages which is growing rapidly and remains very attractive.

Further growth is being stimulated through the introduction of new technology to the company's diverse customer base. Opportunities also abound in the automotive and support industries.

In mining, the gold and platinum mining sectors were stable in 2010. The coal, iron ore, manganese and ferrochrome industries expanded whilst the steel industry remained severely depressed. Conditions were also difficult for oil refining customers as profit margins came under pressure and cost management measures were implemented as a result.

Environmental issues, such as acid mine drainage recovery, are increasingly under the spotlight and ImproChem has identified several relevant opportunities for 2011 and beyond. The focus is on environmentally-acceptable chemistry-based solutions and water recovery programmes, specifically designed for the mining sector.

Highlights

The company's Middle Market Division achieved strong growth in year-on-year revenue. The implementation of leading-edge technology in the beverages industry has proved to be very cost-effective. It supports customers' needs for sustainable solutions whilst optimising their processes. Other technology roll-outs were also undertaken in the period.

In the Mining and Minerals Division several major contracts were secured, including some in underground mining and dust control. A number of customers awarded ImproChem's Energy Services Division extended supply and management contracts in recognition of the value created by the company's sales teams on customer sites.

The business secured its first operating contract in Nigeria and expanded its offering into Sudan and Uganda. Although the rand's strength negatively affected gross revenue, it stimulated the company's focus on cost reduction initiatives to maintain profitability.

ImproChem increased its share of the chain lubrication market with its range of synthetic and natural lubricants. The outlook for further growth is good as more products and services will be introduced to the market in South Africa and in the rest of Africa in 2011.

Technology partnerships

In 2010, ImproChem's technology partner of many years' standing announced its decision to enter the African market as a stand-alone supplier, with potentially negative repercussions for ImproChem. Fortunately, the company was able to enter into agreements with two new partners to ensure that customers continue to have access to a broad range of leading-edge products and services to meet their process requirements. The Laboratory Equipment Unit also entered into a new technology partnership agreement during the year.

Strategic progress

Unrestricted by the conditions of prior technology agreements, ImproChem concentrated on developing a new range of environmentally-friendly and cost-effective water treatment programmes. Good progress was made in adding value to traditional water treatment processes through new technology for online monitoring and data management. This technology platform will provide customers with enhanced options for cost control, process optimisation, and the protection of plant and equipment in a safe manner.

New technologies will be made available to customers locally and regionally, in each case tailor-made for specific applications and geographical requirements. ImproChem is well placed to partner more closely with its customers as they grow their presence regionally. This bodes well for the business in 2011 and thereafter.

CHAIRMAN: EDWIN LUDICK

INDUSTRIAL OLEOCHEMICAL PRODUCTS

IOP Industrial Oleochemical Products

Managing Director: Martin Godbolt

Company overview

Industrial Oleochemical Products (IOP) manufactures a range of fatty acids, rosin and rosin derivatives using by-products from paper pulp and vegetable-based crops as raw materials. Fatty acids are sold predominantly into the mining, rubber, paint and coatings industries whilst rosin and its derivatives are used in the paper, adhesives, bitumen as well as the rubber industries. Mining is a key industry for IOP and the focus is on industrial minerals and base metals.

Tall oil rosin and gum rosin, as well as a selection of rosin derivatives, are produced for the manufacture of paper-size, adhesive tackifiers, as well as synthetic rubber and bitumen emulsifiers. In addition, IOP's range of refined and modified vegetable oils and fatty acids are used in alkyd resin manufacture and other coating applications. IOP also manufactures an extensive range of food grade packaging coatings under licence to Akzo Nobel. For more information visit **www.oleo.co.za**

Business environment

Shortages of some key raw materials and significant cost increases characterised the period under review. The supply of crude tall oil was tight as fractionators competed with the energy market for this raw material. Similar trends in price and availability were evident for vegetable oils. By year-end, the price of gum rosin had reached historic highs, with a year-on-year escalation of 250%. This environment drove selling prices higher, notwithstanding the effects of the local currency's appreciation during the period.

Overall volumes in both the oleochemical and packaging coatings businesses were lower than those for 2009. Growth in adhesive and paper applications offset reduced volumes sold into the mining and rubber sectors. Volumes for paint and coatings were flat. Packaging coatings sales declined as the strong rand increased competition from imported food products, whilst the beverage can industry had to compete vigorously with other packaging containers.

Highlights

The highlight of the year for IOP was the design, construction and commissioning of its new packaging coatings plant in Durban, KwaZulu-Natal. The project was completed on time and within budget. More significantly, it produced on-specification product from the outset.

In the oleochemicals business, development work continued on a range of bitumen emulsifiers and mining flotation reagents. Both projects resulted in encouraging new business growth opportunities.

Early in 2010, IOP earned its OHSAS 18001 certification and a zero Recordable Incident Rate for the year was a noteworthy achievement.

CHAIRMAN: SCHALK VENTER

INDUSTRIAL URETHANES

INDUSTRIAL URETHANES

Managing Director: Gavin Gerber

Company overview

Industrial Urethanes (IU) manufactures and supplies a range of polyurethane products, technologies, systems and solutions in Southern Africa. Products are applied in the automotive, mining, white goods, construction, furniture and other industries. Plastamid, which provides customers with engineering polymers and technical compounds for the South African market and selected export plastic conversion markets, was previously a stand-alone company but it was incorporated into IU in 2010. For more information visit **www.indur.co.za**

Business environment

Volumes in the domestic market remained flat in 2010. The strong rand encouraged imports, resulting in IU's margins being pressured further. Cash flow issues impacted customers with surplus capacity and forced widespread downsizing and restructuring in their businesses.

In the next 12 months, changes in South Africa's environmental legislation will require strategic decisions regarding plant technology and capital expenditure by IU's larger customers so as to ensure their continued statutory compliance. This presents potentially significant opportunities for the business.

Highlights

The company made good progress in diversifying its product and service offering to decrease its still significant dependence on white goods. Opportunities developed in the construction and adhesive markets were particularly attractive and the benefits of IU's revised focus in this context are expected to be realised in 2011.

Restructuring of Plastamid

Plastamid lost its key raw material source, and hence its strategic competitive advantage, with the closure of SANS Fibres, in Bellville, Cape Town, in 2009. Sustainable volumes of appropriately priced nylon feedstock were not available from alternative sources, thus making Plastamid's manufacturing operation in the Western Cape uncompetitive. Regrettably, the restructuring process resulted in 82 unavoidable redundancies. Restructuring was completed in the second half-year, at a total net cost of R10 million.

The incorporation of Plastamid into IU was synergistic, given the two businesses' complementary sales and technical teams and existing shared infrastructure, including warehousing and office facilities. In terms of a toll agreement entered into, Plastamid continues to supply its customers with a rationalised product offering using proprietary technology. DuPont products, previously manufactured under licence, are now imported as part of the traded product portfolio.

CHAIRMAN: EDWIN LUDICK

INFIGRO NATURAL TECHNOLOGIES
(formerly Chemserve Perlite)

Managing Director:
Jaco Engelbrecht

Company overview

Infigro Natural Technologies (Infigro) produces and markets a range of products derived from the mineral perlite as well as a complementary range of commodities that include diatomaceous earth, cellulose and bentonite. For more information visit **www.infigro.co.za**

Business environment

The company started the year on a positive note, completing a significant cryogenic insulation project in the Southern Cape. The US$/ZAR exchange rate early in 2010 enabled the business to maintain a balance between lower prices for imported raw materials and customers' imports of substitute products. As the local currency appreciated later in the reporting period, however, this balance was challenged. Infigro had to compete more vigorously with imports. Furthermore, its export wine-producing customers held back on sales.
This resulted in lower demand for filter aid products. Production changes and efficiency improvements in customers' operations in the second half-year compounded the volume decline.

Highlights

Infigro acquired the Dicalite agency to distribute and sell this company's products in Southern Africa. Dicalite is headquartered in the USA and is a world leader in the development and manufacture of products for filtration and filler purposes. The agency agreement has positioned Infigro as a cost-effective supplier of quality international brands to Southern Africa.

Another highlight was Infigro's certification in terms of both OSHAS 18001 and ISO 14001 for the first time.

Strategic progress

Infigro, established in 1961 as Perlite Industries, celebrates its 50th anniversary in 2011. It moves into the future, as a value-adding provider of filtration solutions, with a new name and a new brand identity. The new name is derived from the company's three key areas of expertise: Insulation (cryogenic and green buildings), Filtration (rotary vacuum and pressure filtration) and Growth (horticulture and agriculture). It is in these areas that several projects are being investigated to enhance business performance into the future.

CHAIRMAN: MARK DYTOR

LAKE INTERNATIONAL TECHNOLOGIES

Managing Director:
Dean Murray

Company overview

Lake International Technologies (Lake) is a diversified manufacturer and distributor of products, delivery systems and services to South African and international markets. It provides food ingredients and value-added blends, surfactants for the explosives and fertilizer industries and chemical raw materials for local manufacturers. For more information visit **www.lake.co.za**

Business environment

A challenging environment encouraged Lake to explore and employ technical product innovation in locally manufactured goods, cost analysis and management in the product distribution chain, and focused sales growth in international markets. These initiatives resulted in an outstanding year for the company and the platform is in place for its growth investment strategy going forward.

Food

Food inflation in South Africa reached a four-year low, before increasing slightly in the latter months of 2010. Major contributors to the slowdown in price increases were the cold beverages, dairy, egg, and bread and cereals sectors.

South Africa's domestic dairy industry had a difficult year. Milk production declined by 3% and, with the relaxation of import duties on cheese, dairy imports increased by 44%. As a consequence, the industry focus shifted to down trading. The organic segment of Lake's food ingredients business experienced a downturn in the prevailing market environment. However, the development of new products and projects enabled growth in the food additives unit as a whole. The poultry business sustained its good performance with an 18% growth in volumes. Production in the poultry sector increased significantly in the last quarter owing to lower imports as Brazilian suppliers recovered from that country's outbreak of avian flu.

In 2011, the focus will continue to be on expansion in Africa, where an impressive year-on-year growth rate was achieved. A strong product development emphasis with solution selling remains at the heart of the strategy.

Mining surfactants

Activity in the year was driven by additional growth in global markets for Lake's Experse™ surfactant, used in explosives manufacture. The highlight was the first-ever production of explosives-grade polyisobutylene succinic acid (PIBSA) in Africa. This has reduced dependency on offshore suppliers, mainly global oil companies. PIBSA is the primary raw material for emulsifiers used in emulsion explosives.

In addition to reaping the benefits of back-integration into a key raw material for emulsifier production, Lake is now able to offer customers additional strategic advantages as well as improved security of supply. Various emulsifier grades of PIBSA can be manufactured. This enables Lake to customise products, incorporating the required amount of waste oil instead of diesel. This results in significant savings for customers such as AEL Mining Services.

The company's focus in 2011 will be on growing its business in Africa, Australia and South America by offering customers tailor-made surfactants and delivery systems.

Fertilizer coating agents

Lake's Biofix™ range of products employs proprietary Surface Bonding Technology™. Yield-boosting nutrient powders coat standard fertilizers and blends to improve plant nutrition and health. Main activities in 2010 included the design and construction of small fertilizer blending plants, the coating of fertilizers and the measurement of results at customer sites. The results were excellent, with fertilizer consumption decreasing by up to 66% and impressive improvements in crop yields and quality. Furthermore, the products are environmentally-friendly.

Plant nutrition and soil health are important considerations in strategies to address growing global demands for food and to address food shortages. Therefore, opportunities for Lake abound.

Safety

The company's Umbogintwini site, in Durban, achieved 500 000 injury-free man hours in the year, a rewarding achievement that followed intense effort and commitment from all employees.

The site at Natalspruit, Johannesburg, maintained its NOSA 5 star accreditation and was awarded the safety category NOSA Award for Excellence in 2010.

CHAIRMAN: SCHALK VENTER

PLAASKEM

Managing Director: Hugo Minnaar

Company overview

Plaaskem is a prominent player in the field of agricultural chemicals and develops, manufactures and distributes its own ranges of specialised and generic products. Through its distribution arm, UAP Crop Care, it is also the largest supplier of insecticides, fungicides, herbicides, adjuvants and plant nutritional products to the South African agrochemical industry. The company represents several multi-national agrochemical companies, marketing and distributing their products.
In addition, Plaaskem is active in toll formulation, tablet technology and water treatment services.
For more information visit **www.plaaskem.co.za**

Business environment

Drought conditions in many parts of South Africa created a challenging trading environment and resulted in a sharp decline in product selling prices. Competitor activity was fierce. In this context, the company achieved a pleasing performance. New products were introduced and increased sales volumes for the existing range were realised.

Highlights

In a rapidly changing environment, Plaaskem's product and service components again made progress in terms of the strategy to become world-class. Further improvement in the company's already excellent safety record was another highlight. ISO 14001 – stage 1, ISO 9001 and OSHAS 18001 certifications were received in the year.

Strategic progress

Plaaskem has a strong presence in the coastal regions of South Africa but aims to become a national retailer in its chosen markets. To this end, the company submitted its merger application to the South African Competition Commission for the acquisition of the business of Qwemico Distributors (Pty) Limited. The acquisition was approved after the year-end and it will strengthen Plaaskem's foothold in the inland regions of the country.

By enhancing its national footprint, Plaaskem will be better placed to service its customers with a comprehensive product range and advanced technical support. The consolidated structure offers growth opportunities for Plaaskem as well as for its key suppliers and other potential roleplayers.

CHAIRMAN: PETER WILLIAMS (USA)

RESINKEM

(joint venture with Georgia Pacific Resins LLC)

Managing Director: Bruce Mc Donald

Company overview

Resinkem manufactures and markets urea formaldehyde resins, formaldehyde solutions, urea, as well as phenol and furan resins for the timber, pulp and paper, animal feed and foundry industries. Toll manufacturing agreements maximise the output of the company's production unit at Umbogintwini, Durban.

Business environment

Volumes increased marginally from those recorded in 2009 but the rand's strength and an increase in commodity prices put pressure on selling prices.

One of the company's larger customers, using phenolic resin for the manufacture of plywood, ceased operations as it could no longer compete with cheaper imports of plywood from the Far East and South America.

In South Africa, there is a direct correlation between the number of houses built and the fortunes of the particle board industry. Whilst it had been expected that low interest rates would assist the housing market, this did not occur due in large part to banks' stricter lending criteria.

Highlights

Resinkem recorded a creditable performance, notwithstanding a lacklustre trading environment. The company replaced a strategic component on its formaldehyde plant at Umbogintwini. The project was completed as planned and has improved methanol-to-formalin conversion and gas-to-liquid cooling.

The project is part of a three-year plan to replace older parts of equipment with best practice plant and procedures, thereby enhancing the efficiency of Resinkem's existing facility.

CHAIRMAN: EDWIN LUDICK

RESITEC
(joint venture with MeadWestvaco)

Managing Director:
Bernardo Mello

Company overview

Based in Brazil, Resitec is a manufacturer and supplier of emulsifiers for synthetic rubber production and special rosin esters. It operates the only tall oil refinery in Latin America, supplying fatty acids, tall oil rosin and its derivatives. The company's divisions provide products and services to customers in the elastomers manufacturing, lubricants, adhesives, construction, surfacing and coating, mining, rubber processing, oilfield chemicals and printing industries. For more information visit **www.resitec.com.br**

Business environment

Brazil's economy grew by 7,6% in 2010. In this favourable environment, Resitec enhanced its volume growth in line with the trend established in 2009. Whilst the emulsifiers and synthetic rubber markets remain the company's largest areas of business, volumes from the new tall oil refinery showed a pleasing increase in the year. Resitec trades MeadWestvaco's products in Brazil and this segment also performed well.

Highlights

Strong GDP growth boosted Brazil's tyre industry and hence Resitec's results since the company is South America's sole supplier of rubber emulsifier.

Access to raw material was the most significant challenge. The global shortage of gum rosin saw prices treble during the year but it was pleasing that Resitec succeeded in securing this raw material and, accordingly, customer supply was uninterrupted. The tall oil refinery, the investment that includes the fractionation column commissioned in 2009, produced good quality products. Full ramp-up was constrained by minor operational issues. Since the availability of raw material into the future remains a challenge, Resitec is evaluating the feasibility of substitutes.

Resitec ran its rosin ester plant at full capacity in 2010 to meet the sharp growth in demand from customers in the chewing gum and adhesives sectors.

Strategic progress

A project aimed to maximise the refinery's stability and product quality, whilst simultaneously increasing its capacity by 30%, is in progress. The project should be completed by end-2011 and will strengthen Resitec's readiness to take advantage of growth opportunities in a growing market.

Also significant in 2010 was progress made in corporate governance matters. Several new administrative procedures were developed and these have resulted in stronger controls and better transparency across all activities.

CHAIRMAN: MARK DYTOR

SA PAPER CHEMICALS

Managing Director:
Danie Bester

Company overview

SA Paper Chemicals (SAPC) is a major supplier of chemicals to the South African pulp, paper, board and tissue industries. It offers extensive application expertise and specialises in total management control systems. Simitri Specialty Chemicals, which specialises in the treatment of leather, is a division of SAPC. Simitri is focused on consolidating its position in the South African market whilst exploring opportunities in Africa. It continues to strengthen its technological base by developing new products and offering new specialty lines. For more information visit **www.sapc.co.za**

Business environment

Like other manufacturing sectors in South Africa, the paper industry was under pressure in 2010's prevailing economic climate, particularly in the second six months. A number of mills closed, with the most significant being those producing Mondi's business papers. As a result, demand and prices continued the downward trend noted in 2009.

SAPC has adapted to these conditions by reviewing its strategy and by continuing to rebrand its products. New technology partnerships have been entered into for optical brighteners, retention aids, dyes and pigments. These products were introduced at the majority of customers' operations. Other value-adding product and service offerings, such as grease-proofing additives, were also added to the portfolio.

Simitri continued to provide tailor-made chemical solutions to the leather industry and the business recorded a pleasing improvement in performance. The focus was on the development and introduction of products to customers outside of South Africa. This contributed substantially to the company's growth in 2010 and the attention given to African markets will be sustained in 2011.

Simitri also benefited from the consolidation of activity subsequent to the merger of some large leather manufacturers in South Africa. The business' improvement in performance was only tempered by six weeks of industrial action in the leather manufacturing sector in the middle of the year.

Strategic progress

In addition to changes in its partnerships, SAPC enhanced its competitive advantage by broadening its distribution agreement with Ashland Hercules Water Technologies. The latter is a division of Ashland Inc., the US-headquartered global specialty chemicals company that provides products, services and solutions to customers in more than 100 countries worldwide.

The acquisition of T&C Chemicals was completed after year-end and will take effect from 1 February 2011. T&C Chemicals has toll manufactured products for SAPC for five years. The production facility at Modderfontein will have a positive effect on SAPC's cost base and a planned plant expansion will increase production output by more than 30%. T&C Chemicals also provides SAPC with access to the compound market, in line with the business' strategy of diversifying its customer base.

CHAIRMAN: MARK DYTOR

SENMIN

Managing Director:
Theunis Botha

Company overview

Senmin supplies a range of chemicals used in the beneficiation of minerals. Most of its products are utilised in the froth flotation and tailings treatment segments of the mining industry in South Africa, Southern Africa and further afield. In addition, Senmin provides customers with value-adding expertise in the handling and dosage of its products. For more information visit **www.senmin.co.za**

Business environment

Market conditions were challenging as the rand strengthened and commodity prices weakened, encouraging more imports. In the first six months Senmin was particularly affected by this environment and, with the company having invested in new capacity and higher inventories for the expanding mining sector, cash resources were stretched. A recovery in some markets was noted in the latter part of 2010 and the company delivered a solid overall performance for the year.

Senmin continued to offer value-adding customer demand vendor management. It also provided expertise to a number of customers operating concentrators, supplying services in reagent preparation and control in a cost-effective manner. This assisted customers who were challenged by the global economic recession in 2009 and benefits are now being accrued by the customers and Senmin alike.

Capital investment programme

All the capital expansion projects are complete and are expected to be fully operational by mid-2011.

Commissioning of the PAM flocculants plant, a joint venture with BASF, commenced in the last quarter of the year. Ramp-up will continue in 2011. The technology has proved to be cost-effective and sound in terms of environmental considerations. The plant produces specialty flocculants that will complement Senmin's existing product range to meet the growing demands of mines in South Africa and Southern Africa. The first consignment of product from the new plant was exported late in 2010.

The carbon disulphide (CS_2) plant met its production criteria in the year. The CS_2 investment has assured Senmin's self-sufficiency in key raw material supply and provides supply chain security for the mining chemicals industry.

On the xanthates plant, production rates were limited by the drying operation. A new dryer is being fabricated and it will be operational by July 2011.

Highlights

Although the global economic crisis of 2009 resulted in a slowdown of investment in the mining sector and a number of project delays, Senmin retained its position as a leading supplier of equipment for chemical handling and dosing. The company was awarded several additional contracts, especially in the uranium concentrator market. New global mining projects created more opportunities, mainly in the copper and nickel sectors.

Integrated bulk storage and automated chemical preparation and dilution equipment were installed at several platinum and copper concentrators at customer sites. Senmin's diverse xanthate product range in pellet form, which facilitates safe transportation and on-site preparation, was well received by African customers.

Numerous improved formulations, mainly for the collector and depressants markets, were added to the product range and xanthates for the export market beyond Africa have been developed. Production of the latter is expected to commence in the second half of 2011.

In line with its commitment to the highest standards of safety for its plant, personnel and customers, Senmin continued to upgrade its Sasolburg site and further plans for improvements are being evaluated.

Senmin is ISO 14001 and ISO 9001 certified.

CHAIRMAN: MARK DYTOR

SPECIALTY MINERALS SA
(joint venture with Specialty Minerals Inc.)

Plant Manager:
Avindra Boodhram

Company overview

Specialty Minerals South Africa (SMSA) is a joint venture with Specialty Minerals Inc., a wholly-owned subsidiary of Minerals Technologies Inc. The latter is a US-based global leader in precipitated calcium carbonate (PCC) technology. Accordingly, the partnership affords SMSA access to the most up-to-date technology and technical services. The company's products are used as value-adding filler and coating materials by Mondi in the manufacturing of its copy grade paper.

Business environment

Like other suppliers to the paper industry, SMSA had a difficult year owing to the prevailing trading environment. The outlook for 2011 is more promising, however, as Mondi contemplates increasing PCC filler levels in its operations.

Highlights

SMSA implemented its Operations Excellence Programme in the year. This covers a spectrum of elements in the areas of quality, controls and problem solving. The results to date are most pleasing and substantial reductions in equipment breakdowns and operating costs have been achieved.

SPECIALTY CHEMICALS CLUSTER OUTLOOK

The outlook for 2011 is underpinned by the strength of the rand, the continued recovery of the South African economy and the resurgence of Africa's mining industry. The latter appears to be well under way.

The capital expenditure investment programme, which has required considerable resources over the last three years, is complete and all indications are that markets served by the investments in oleochemicals, surfactants and other mining chemicals have staged a recovery and are entering an expansion phase. This will ensure that the new plants are adequately loaded.

Akulu, Resitec and Senmin will focus on growth based on their new capacities and improved efficiencies. Other businesses in the cluster are strategically well positioned to take full advantage of excellent opportunities on the African continent and in other selected target markets.

HEARTLAND'S BUSINESS IS THE REALISATION OF PROPERTY ASSETS SURPLUS TO AECI'S OPERATIONAL REQUIREMENTS.

*Management team (from left):
Anthony Diepenbroek, Reg Bhikum,
Neil Hayes, Leticia Potts, Mike Walsh.*

OVERVIEW

Assets in Heartland's portfolio include both land and buildings. Within Heartland, activities are organised as follows:

Land Development focuses on the sale or realisation of surplus land assets, comprising mainly 2 300 hectares in Modderfontein, Johannesburg, and 780 hectares in Somerset West, near Cape Town.

Primary activities include:

- strategic land use planning to cater for anticipated market demand;
- optimal design of bulk infrastructure including roads, water and electrical reticulation;
- installation of township infrastructure on a just-in-time basis;
- environmental authorisations; and
- the realisation of land, including marketing, sales and transfer.

Property Investment is dedicated to maximising the return from a portfolio of buildings in the form of 320 000m² of lettable industrial and office space.

Facilities Management ensures that tenants operating at the Umbogintwini Industrial Complex, south of Durban in KwaZulu-Natal, are provided with water, electricity, steam and effluent treatment to meet their specific requirements.

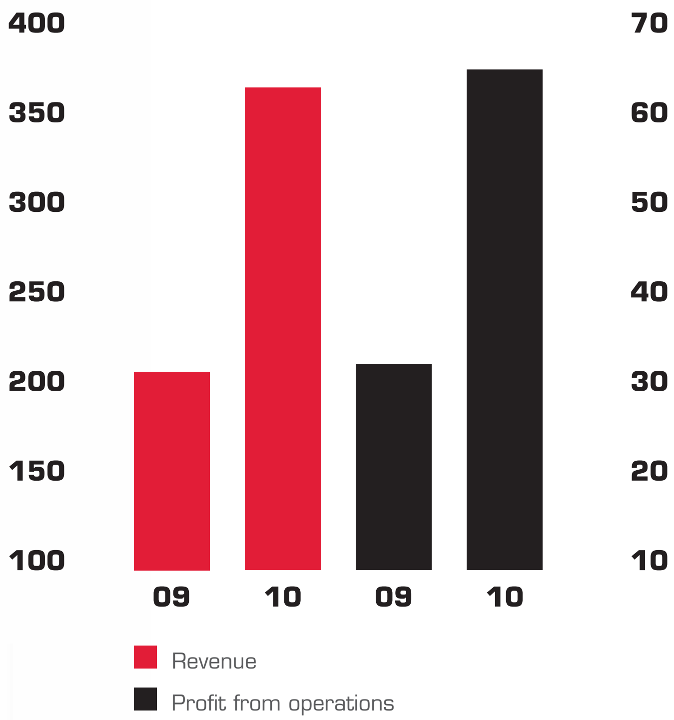
In providing these core functions, Heartland assumes the land owner's responsibility in terms of estate management and rehabilitation obligations. The latter are a legacy of historical chemical operations at AECI's sites. For more information visit **www.heartland.co.za**

CHAIRMAN: GRAHAM EDWARDS
MANAGING DIRECTOR: ANTHONY DIEPENBROEK

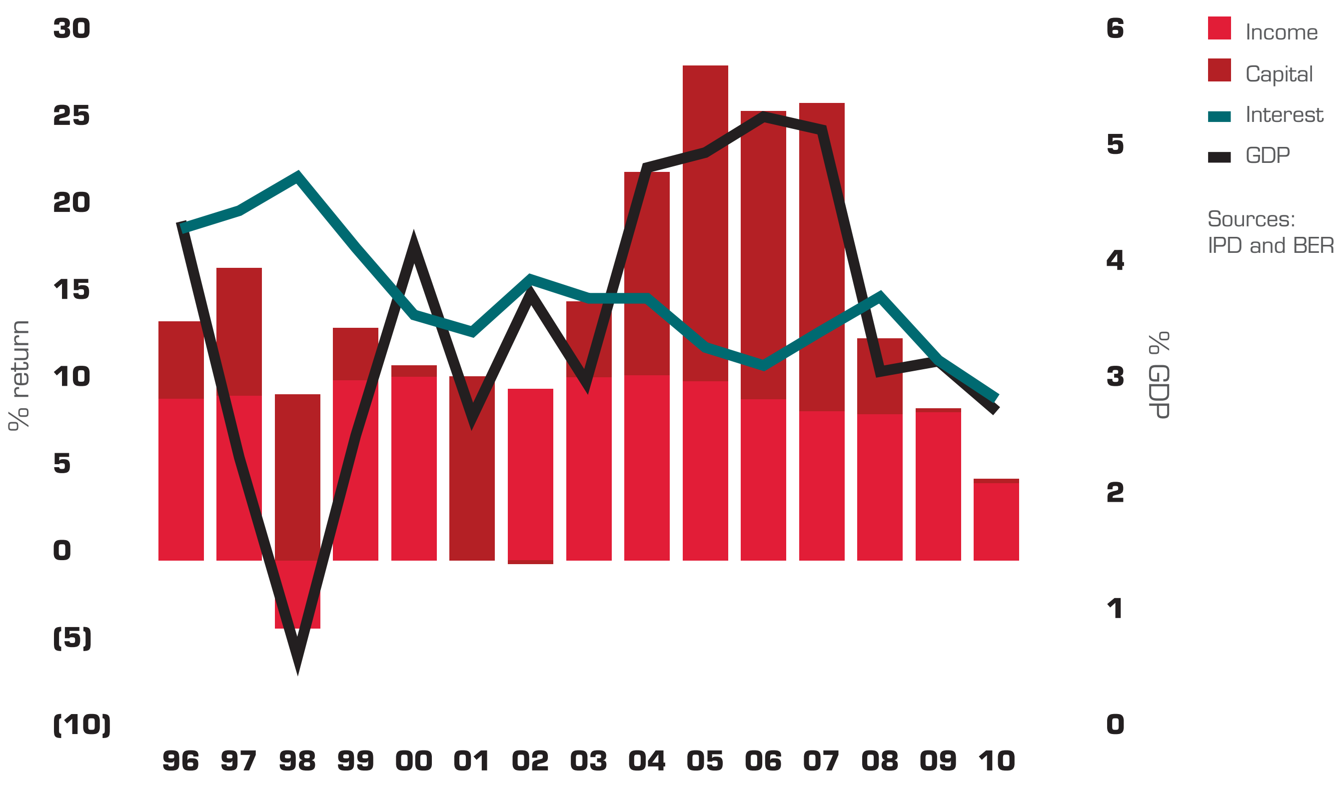
STRATEGY

- To fill the pipeline of land available to the market;
- To invest selectively in top structures where these will serve as catalysts for growth; and
- To maximise the performance of the Property Investment portfolio.

FINANCIAL PERFORMANCE (RM)



TOTAL IPD RETURNS VS GDP GROWTH



MARKET CONDITIONS

The performance of the listed property sector in 2010 was solid compared to that of the global property market as a whole. The three-year Total Return Property for the Property Loan Stock Index and the Property Unit Trust Index were 34% and 27% respectively, measured on a cumulative basis. Most of these counters also reported 5% to 10% growth in earnings.

Primary drivers of the sector's performance are capitalisation rates, cost of finance and occupancy rates based on the assumption that rentals are market-related. Capitalisation rates, which are most relevant to new properties (net operating income, divided by the purchase price) have moved only marginally. The positive impact of benign inflation and foreign capital inflows, their positive impact on bond yields and hence the required minimum income return on substitute investments, have been balanced by declines in market rental growth, vacancies and rising municipal charges.

Access to finance has become a more significant factor in the property market than the cost of finance. The latter has declined over the past 10 years and is at an all-time low. The National Credit Act and the conservative lending nature of South African financial institutions protected the local property market from the value destruction seen in the USA and the UK. The knock-on effect, however, has been a significant decrease in finance available to the residential and the commercial property sectors, with a reduction in plans passed or approved.

Building costs have increased by 18% per annum *(Source: ABSA Building Cost Index)* over the last 10 years and have put the property sector under pressure. Although the rate of increase slowed to 4% in 2010, the cost of constructing new buildings is almost three times higher than it was 10 years ago.

The cost of providing zoned serviced land to the market has escalated significantly as a direct result of the increase in building costs but indirect impacts of the other factors have affected Heartland's Land Development business more profoundly.

Capitalisation rates, which have remained constant in an environment where finance is difficult to secure, combined with increases in the cost of land and construction, have placed upward pressure on asking rentals. The market is unwilling or unable to accept rental increases in the current economic environment. Whilst this condition persists there will be little demand for land, except in special circumstances where the rationalisation of facilities provides significant operational cost benefits.

Economic recovery has not been as robust as anticipated and the decline in manufacturing production has been disappointing from an industrial property perspective.

Pressure on rentals in real terms has resulted in a reduction in occupancies and an increase in bad debts. Non-residential plans passed decreased by almost 37% from 2009.

By end-2010, the growth in nominal house prices had declined by 1% year-on-year. The residential market is experiencing financing difficulties, with plans passed in the private sector declining by 24% year-on-year.

FINANCIAL PERFORMANCE

Revenue for the combined property activities for the year was R370 million, trading profit was R66 million and a trading cash outflow of R7 million was incurred. Included in the trading cash flow is R25 million spent on infrastructure development and R9 million for environmental projects.

Artist's impression – DetNet Head Office, Modderfontein.

STRATEGIC OBJECTIVES

FILLING THE PIPELINE

Heartland's primary objective for the period was to fill the pipeline of land available to the market. This is land that has received zoning and environmental approvals.

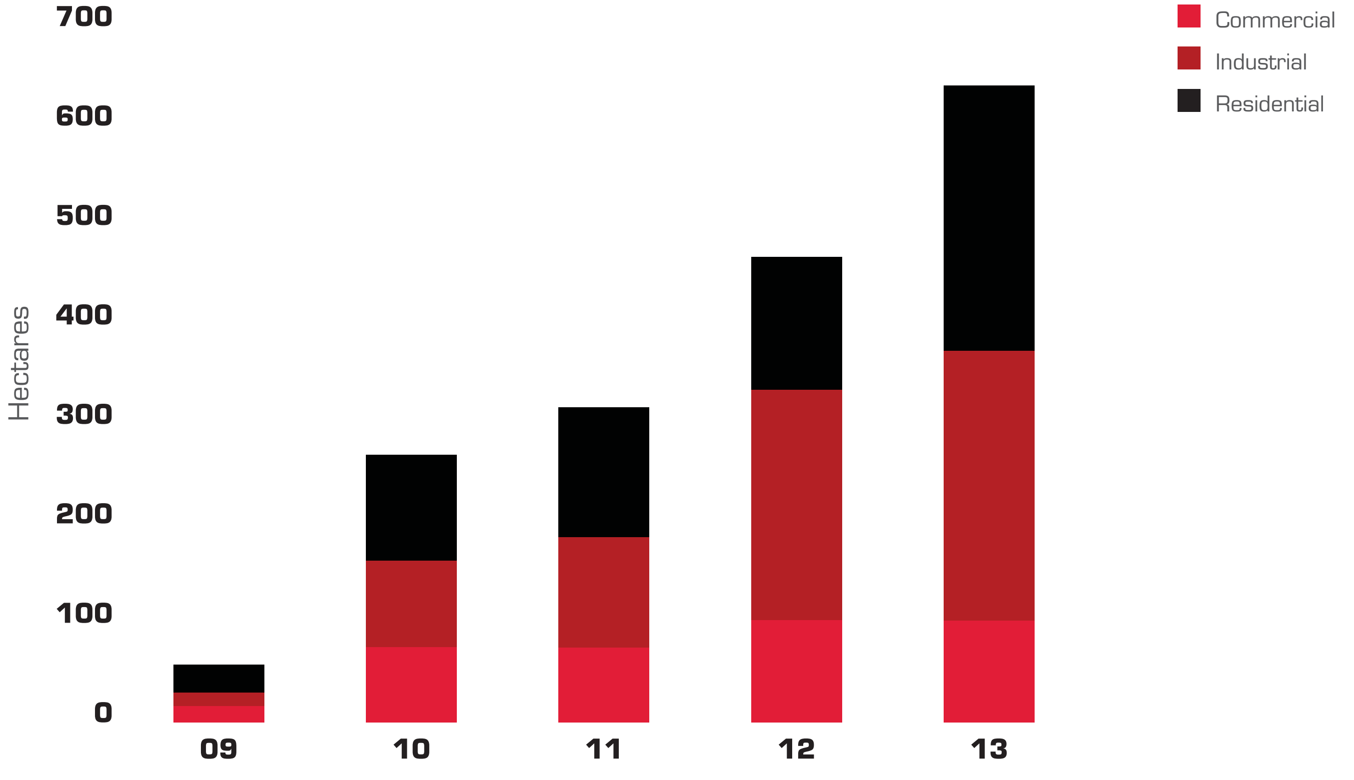
Prior to 2008, the company sold all of the available land in a favourable market and has since been preparing new land in anticipation of an economic recovery. Whilst economic conditions remain uncertain, Heartland will not commit to the cost of infrastructure installation until sales revenue is secured. Environmental and township approvals have a shelf life and come only with a commitment to install infrastructure in order to effect transfer of the property. In effect, land held in this state is not saleable because it requires the installation of services. It is possible, however, to conclude conditional sale agreements with selected clients.

Appropriate strategic planning of land to cater for all uses made good progress in 2010. Approval lead times are typically between three and five years. The graph below indicates land which has, and is planned to have, planning approval and can be converted to a saleable state subject to market demand on installation of infrastructure services.

Securing township approval

The most significant achievement in 2010 was the approval of Longlake, a 220 hectare township on the western edge of the Modderfontein landholding, immediately east of Linbro Business Estate at the Marlboro Drive off-ramp of the N3 highway. Township and environmental approvals were received, zoning rights were granted and infrastructural designs were approved. Subject to the installation of services, this area will cater for 2 000 residential units, 390 000m² of warehousing and 400 000m² of commercial space for offices, retail and institutional uses.

FILLING THE PIPELINE (CUMULATIVE)



Artist's impression – Longlake, Modderfontein.

INVESTMENT IN TOP STRUCTURES TO CREATE INVESTMENT NODES

With the exception of Longmeadow and Greenstone, iconic examples of successful development nodes, Modderfontein and Somerset West are not recognised property investment nodes. When a node achieves this status information on rentals, vacancies and capitalisation rates become available in the public domain. This enables property investors to make informed decisions to acquire yielding developments. To stimulate such decisions in Modderfontein, and as a catalyst for land sales, Heartland has chosen to selectively develop investment grade buildings to tenant requirements. These developments will only be undertaken if they serve as catalysts for further land development or if they secure a current rental stream.

Accordingly, Heartland concluded an agreement to develop a 2 000m² office building for DetNet, the AECI/Dyno Nobel joint venture, at Founders Hill. The building is scheduled for completion in the second quarter of 2011 and is co-owned by Heartland, Abland and Standard Bank Properties. DetNet has entered in to a five-year lease, with an option to renew for a further five years. It is anticipated that this building will set the trend for other office developments overlooking the Modderfontein Golf Course.

Further developments based on the same model are being evaluated for Modderfontein and Umbogintwini.

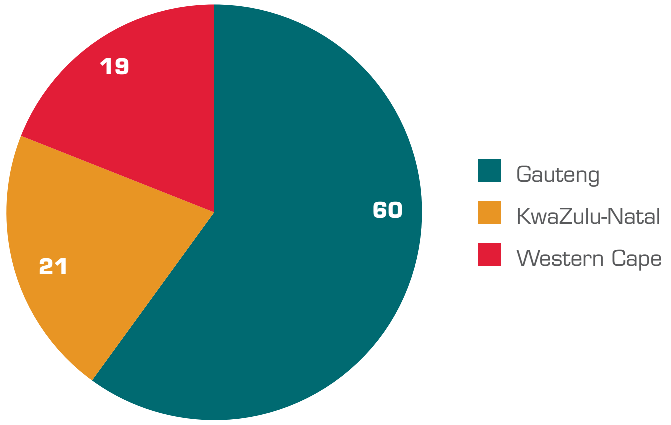
PROPERTY INVESTMENT

Heartland's leasing portfolio includes three main sectors, namely office, industrial and land, in three regions – Gauteng (Modderfontein), KwaZulu-Natal (Umbogintwini) and the Western Cape (Somerset West).

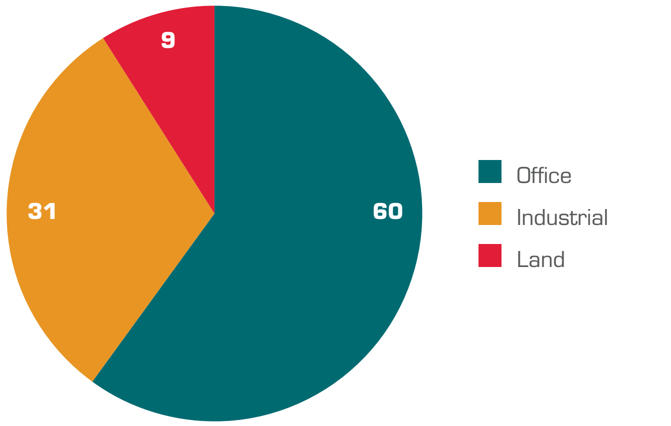
Leasing activities focus on the office and industrial sectors. Land leases are mainly opportunistic rentals of currently unutilised land pockets, with the exception of the Umbogintwini site where land leases are mainly long-term agreements entered into with chemical companies which have their operations at this National Key Point site.

Modderfontein also offers niche letting opportunities for the likes of National Key Point chemical clusters, smaller entrepreneurs and heritage accommodations. The majority of letting is at Modderfontein.

REGIONAL ALLOCATION OF RENTABLE OFFICE AND INDUSTRIAL GROSS LETTABLE AREA (%)



SECTORAL CONTRIBUTIONS TO ANNUAL NET RENTAL (%)



SECTORAL PERFORMANCE

The ability of new developments to compete with existing stock is challenging in the current market. Heartland's new developments are competing against a large pool of available stock as well as a growing pool of new stock being released. Property sales and planned new catalytic developments will continue to be under pressure until the availability of existing stock has been minimised and/or rental sensitivities and tenant caution dissipate.

Office

Vacancies in the market levelled off owing to limited new supply. Rental sensitivities encouraged tenants to take up less expensive existing accommodation. Tenants sensitive to relocation costs renewed their leases, with escalations between 8% and 10% being achieved by Heartland. Substantial refurbishment of older properties in the portfolio may erode future rental growth.

Industrial

Industrial property rentals contracted in the year although any improvement in manufacturing output should bode well for rentals in 2011. At year-end, vacancy rates were 7% for Modderfontein and Somerset West, and 3% for Umbogintwini.

At Umbogintwini, alternative uses for the now closed nearby airport could present opportunities going forward.

LEASE EXPIRY PROFILE, LEASING AND TENANT RETENTION TRENDS

The average length of leases concluded, whether new or renewals was:

- offices – mainly 2 to 3 years;
- industrial – mainly 1 year to 3 years;
- land – 1 year to 3 years.

The average tenant retention on expiry in 2010 was 83% by square metre and 84% by net rental.

NEW LEASES

New leasing opportunities were limited and did not fully cover the effects of terminated leases on expiry. Rentals on new leases also came under pressure but nevertheless showed marginal growth on 2009's levels. It was pleasing that the recovery of operational expenses improved.

OUTLOOK AND FOCUS

In spite of the general market outlook, there are indications that developers and tenants are taking a medium-term view and are making tentative approaches for land in Longlake. Heartland is focused on evaluating the risks associated with committing to significant infrastructure installation to open up the first phase of what will be a well located mixed use node offering access to the N3 highway and Marlboro Drive. The initial phase will concentrate on warehousing, followed by residential and commercial uses.

Tenant retention will be a priority in the Property Investment portfolio in 2011. This will necessitate various redevelopments, mainly at Modderfontein, including upgrading of the existing shopping centre and a new midi-unit warehouse complex for existing tenants. At Umbogintwini, new warehousing will be developed to accommodate the expansion requirements of current tenants.

SANS TECHNICAL FIBERS (STF) IS A NORTH CAROLINA-BASED NYLON FIBRE MANUFACTURER WHICH SERVES GLOBAL MARKETS WITH SPECIALTY NYLON 66 YARN SOLUTIONS.

OVERVIEW

STF is the global leader in nylon 66 sewing threads and is the preferred main supplier of yarn to the largest international sewing thread producers.

Most of the company's business is focused on automotive end uses, predominantly interior sewing threads but also under-the-hood applications. STF is the leader in this field in North America and Europe. There was robust growth in markets in both regions in 2010 and this trend is forecast to continue into 2011.

Thanks to a cost-effective 33% capacity expansion that was commissioned in 2010, STF was also able to expand its market share into the high-end athletic footwear business in Asia and South America.

The business' manufacturing facility in Stoneville was commissioned in 2002, initially to serve the North American Free Trade Agreement region. The customer base has since transitioned with STF moving from its position as a regional supplier to its current 50% international sales mix. Growth markets are pursued and, at the same time, STF maintains a profitable domestic business in the USA.

BUSINESS ENVIRONMENT

The global economy recovered somewhat in 2010 and STF's customers began refilling their inventory pipelines. This translated into a sharp increase in demand for the company's products.

Substantial growth was recorded in global automotive markets, with demand in emerging economies being the most notable feature. It is expected that the positive trend in automotive global sales will be sustained in 2011 and this bodes well for STF's business.

In the first half-year, raw material prices increased sharply in line with oil prices and margins were under pressure as customers dealt with underutilised capacity. The situation reversed in the second half and, coupled with a shortage of nylon fibre, the business was able to finish the year strongly. STF has been running its manufacturing facility at full capacity since August 2009 and expects to continue doing so in 2011.

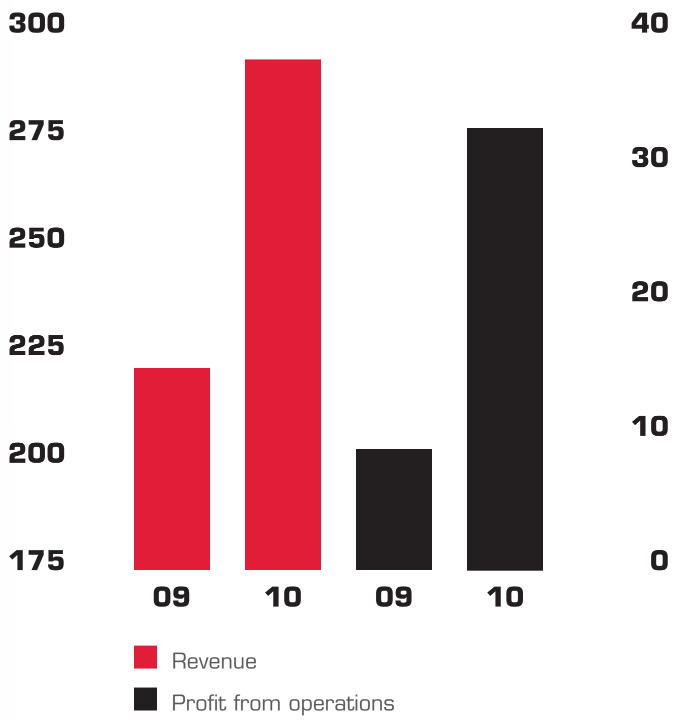
CHAIRMAN: MARK KATHAN
PRESIDENT: ZACH ZACHARIAS

STRATEGY

- To produce specialty nylon 66 products that fulfill specific North American and global market needs;
- To maintain the position as the largest supplier of nylon 66 sewing threads, setting the global benchmark and continuing to provide customers with the best service levels in the industry; and
- To continue growing by leveraging existing fibre manufacturing infrastructure, technology and the marketing expertise base. Capacity can be increased in North America cost-effectively, enabling business expansion into other high growth geographic regions.

Management team (from left):
Zach Zacharias, Tim Cole, Kim Crenshaw, John Nagle, Sharon Schmid.

FINANCIAL PERFORMANCE (RM)



FINANCIAL PERFORMANCE

Gross revenue increased by 50% to US$40,2 million, PBIT at US$4,5 million was 309% higher than 2009's results and production increased by 48% to 7 100 tonnes. Volumes improved by 48%. This pleasing result was achieved thanks to the successful expansion of STF's export business, where a noteworthy increase in sales more than offset the somewhat moderate recovery of markets in North America.

In addition to the challenges posed by raw material prices, the business incurred additional costs due to the increase in its workforce required for its capacity expansion. This detracted from profitability in the months preceding start-up of the expansion but ensured that the company was well placed to maximise all opportunities that arose when markets improved later in 2010.

Non-cash working capital as a ratio of revenue increased from 13% in 2009 to 17%. Capital expenditure was US$3,3 million.

REVIEW OF OPERATIONS

STF transformed both its manufacturing facilities and its business in a challenging year. The 2 000 tonne expansion project, using machinery from the former SANS Fibres site in Bellville, was completed ahead of schedule and has run at capacity since start-up. The additional volumes had the dual effect of lowering average unit production costs and making available enough product for STF to take meaningful positions with various international sewing thread producers.

With the project now complete, STF will be evaluating alternatives for adding state-of-the-art capacity in future years.

NORTH AMERICA

Sales into automotive end uses were moderate in the first half of 2010 but accelerated thereafter. After a severe reduction in North American automotive units produced in 2009, the industry's gradual recovery that is expected over the next few years promises good growth off a low base. This should offset any reduction in future demand for other end uses.

INTERNATIONAL

STF continued to expand and diversify its international customer base to safeguard against exposure in the event of future major downturns in North American markets. Sales to major global sewing thread customers are a strategic priority for the business. In many instances, STF is these customers' largest and preferred supplier and continues to enhance its product and service offering to mutual advantage.

SAFETY, HEALTH AND ENVIRONMENT

With STF's employee complement increasing by 50%, training with an emphasis on improving the company's safety culture was a priority in the year. Progress was made but efforts will need to be sustained in 2011.

OUTLOOK

Barring unforeseen spikes in commodity prices, STF's outlook for 2011 is optimistic. Market tightness is set to continue as global liquidity remains available and stimulatory. This environment is expected to persist in the nylon market, provided the global automotive industry continues growing at a brisk pace.

AECI'S VISION IS TO BE THE CHEMICAL AND MINING SERVICES SUPPLIER OF CHOICE FOR CUSTOMERS IN ITS CHOSEN MARKETS.

The Company aims to provide above average returns to its shareholders by:

- maintaining customers as the centre of focus and striving for truly excellent customer service;
- ensuring that it has a globally competitive cost base for all its operations;
- continuing to invest in world-class technology; and
- providing and enabling appropriate governance frameworks for its businesses and ensuring that each business complies with Group standards. At the same time, entrepreneurial flair must be encouraged and enhanced. Accordingly, organisational structures that enable this philosophy of "Freedom supported by a Framework" were enhanced in the year under review.

The Group delivered pleasing results for 2010, underpinned by a strong recovery in mining and manufacturing production volumes in the year. Consumer spending improved somewhat as interest rates declined and this also assisted the Group's businesses that service related sectors. The challenge going forward is to build on this base to sustain the 2010 trend in financial performance.

The recovery in the mining sector and steady increases in global chemical prices are good indicators of improving demand, albeit in a more competitive environment. This bodes well for AECI's businesses in terms of volumes. To ensure that maximum advantage is taken of all opportunities in the diverse markets served by the Company, the focus for the Executive Committee and for management in 2011 will be to:

- complete ramp-up of AEL's ISAP and Senmin's PAM projects so as to optimise their beneficial use, thereby enhancing the Group's financial performance;
- maintain a sharp focus on costs and working capital management, and on enhanced product and service delivery to customers; and
- successfully integrate the 2011 acquisitions into the specialty chemicals portfolio once these have been finalised.

I WOULD LIKE TO THANK OUR CUSTOMERS, SUPPLIERS, SHAREHOLDERS AND EMPLOYEES FOR THEIR ONGOING SUPPORT AND LOOK FORWARD TO THE CONTINUED INPUT OF ALL STAKEHOLDERS IN THE COMING YEAR.

Graham Edwards.

Graham Edwards
Chief Executive

Woodmead, Sandton
30 March 2011

INTRODUCTION

The AECI Group and its Board of Directors (the Board) are committed to the principles of good corporate governance and to applying the highest ethical standards in conducting business.

THE BOARD IS COMMITTED TO THE PRINCIPLES OF FAIRNESS, ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY AND SUPPORTS THE PRINCIPLES CONTAINED IN THE CODE OF CORPORATE PRACTICES AND CONDUCT SET OUT IN THE KING REPORT ON GOVERNANCE FOR SOUTH AFRICA 2009 (KING III).

The Board has taken steps to ensure that the Group moves towards compliance with King III which, for AECI, takes effect in the 2011 financial year.

The Board considers that throughout the 2010 accounting period, as well as at the date of this report, the Company complied fully with the principles contained in King II and made good progress towards achieving compliance with many of the principles contained in King III. Independent assurance of such compliance with King III to a rating standard of AA, in accordance with the Corporate Governance Instrument of the Institute of Directors, has been verified by an independent third-party service provider. Steps taken towards King III compliance in the period under review include the formation of a separate Risk Committee and the adoption of a risk framework.

AECI has further reviewed the rules and regulations of the Listings Requirements of the JSE Limited (the JSE) and is satisfied that it complied in all material respects with these regulations.

To the best of the Board's knowledge, the Company is also in compliance with the requirements of the Companies Act, No. 61 of 1973, as amended (the Act).

The implications of the proposed new Companies Act, No. 71 of 2008, in South Africa, have been analysed and steps are being taken to ensure compliance with this legislation when it comes into force.

In subscribing to the principles of King III and its predecessors, business processes and governance practice have been refined over the years in response to developing trends in local and international best practice. AECI believes that a corporate culture of compliance with all applicable laws and procedures is key to good corporate governance and that this culture of good governance serves to maximise sustainable returns and to provide all stakeholders with the assurance that the Group's businesses are being managed appropriately.

The Board strives continually to find the correct balance between encouraging entrepreneurial flair and accountability, and providing strategic leadership through the maintenance of strong governance.

The Board is satisfied that, in the 2010 financial year, its decision-making capability and the accuracy of the Company's reporting and financial results were maintained at a high level at all times with reliance being placed on the internal and external auditors and on the Audit and Risk Committees to raise any issues of finance- and risk-related concerns.

The Company strives constantly to develop and improve existing corporate governance structures and practices to achieve compliance with the recommendations of King III, other good governance practices, and changes in legislation. An instance of application of new legislation has been the necessary changes made to business practices so as to comply with the Consumer Protection Act, No. 68 of 2008. Competition law training continues to take place on an ongoing basis across the Company.

INFORMATION TECHNOLOGY (IT)

The introduction of King III has a number of implications for the management of IT in companies. AECI has conducted an analysis of the implications of this section of King III on its IT management philosophy and has addressed certain identified shortcomings.

The Board has assigned the responsibility of monitoring IT governance to the Risk Committee. The role of Chief Information Officer has been assigned to a Senior Group Manager.

The functions of the existing Group IT Forum have been extended to enable it to play a more active role in enabling IT governance across all of AECI's businesses. New IT policies were implemented during the year and these have been brought to the attention of employees.

THE YEAR AHEAD

For 2011, the key corporate governance areas of focus will remain:

- to continue to evaluate the implications and implement the principles of King III;
- a continued focus on strategic issues at Board level;
- a continued focus on corporate social responsibility and integrated sustainability matters, including the development of Group employees and transformation;
- the identification and management of business risks;
- the development and formalising of a succession plan for Executive Directors and Senior Management;
- continued training relevant to the Group's Code of Ethics, whistle-blowing and competition matters; and
- continued training and development of Non-Executive Directors.

THE BOARD

COMPOSITION

The Company adopts the philosophy that the Board needs to be large enough to accommodate the necessary skills but still small enough to promote cohesion, flexibility and effective participation. Currently, AECI's Board comprises 10 Directors, seven of whom are Independent Non-Executive Directors, one is a Non-Executive Director and two are Executive Directors, as follows:

Independent Non-Executive Directors

1. F Titi (Chairman)
2. RMW Dunne
3. Z Fuphe
4. MJ Leeming
5. AJ Morgan
6. LM Nyhonyha
7. R Ramashia

Non-Executive Director

1. S Engelbrecht

Executive Directors

1. GN Edwards (Chief Executive)
2. KM Kathan (Financial Director and Chief Financial Officer)

The guidelines contained in the Listings Requirements of the JSE were used to determine the category most applicable to each Director, whether Independent Non-Executive, Non-Executive or Executive.

The position of Chairman is held by an Independent Non-Executive Director.

SKILLS AND EXPERIENCE OF THE BOARD

The Board comprises persons with experience in diverse industries including banking, chemicals, technical and accounting. The Board is of the opinion that having Directors with relevant business and industry experience is beneficial to the Board as a whole, since Directors with such backgrounds can provide a useful perspective on significant risks and competitive advantages, as well as an understanding of the challenges facing the business.

The Board monitors the mix of skills and experience of Directors to assess whether the Board has the necessary tools to perform its oversight function effectively. The Board will continue to review the skills, knowledge, gender and diversity at Board level to ensure that the mix is appropriate and effective and takes into account succession plans for Non-Executive and Executive Directors.

The expectation of the Board is that, at a minimum, Directors should possess the requisite knowledge and expertise to fulfill an appropriate role within the mix of capabilities the Board deems appropriate, and to exercise diligence. This includes attending Board and Committee meetings and coming prepared to provide thoughtful input at such meetings. Directors need to devote an appropriate amount of time and attention to their duties and to develop the broad-based as well as the specific knowledge required to fulfill their obligations in this regard.

Directors are expected to:

- prepare for and attend all Board meetings and all meetings of Committees of which they are members, unless there are exceptional circumstances preventing them from doing so;
- participate actively in meetings;
- attend shareholders' meetings;
- develop and maintain a high level of knowledge about the Company's business;
- keep current in the Directors' own specific fields of expertise; and
- develop a broad understanding of their role and responsibilities as Directors.

OTHER DIRECTORSHIPS

Directors are expected to ensure that they have sufficient time available to properly carry out their duties and responsibilities as Directors of the Company. Non-Executive Directors, in particular, are required to carefully assess and guard against potential conflicts of interest and entanglements such as service on an excessive number of Boards.

MEETINGS AND ATTENDANCE

It is regarded as critical that Directors have sufficient information to enable them to make informed decisions and, therefore, the Board continually reviews the information requirements of Directors to enable them to fulfill their duties and responsibilities effectively.

Directors are informed timeously of matters that will be discussed at Board meetings and are provided with information relating thereto about a week prior to scheduled meetings. Board meetings are structured to encourage participation and dialogue and to ensure effective decision-making. Submissions relevant to the agendas of Board and Committee meetings are sent to Directors and members of the Committees about a week in advance of meetings. All submissions and matters discussed at meetings are strictly confidential.

The annual strategy session is usually held in May of each year and is designed to facilitate the review of the Company's medium- and long-term strategic plans and priorities.

The Board meets at least quarterly and on other occasions when necessary. There were five Board meetings during the 2010 financial year. Attendance by Directors at Board meetings is set out on page 93 of this Annual Report.

APPOINTMENTS TO THE BOARD

A balance of skills and experience, gender and demographic representation is taken into account in determining an effective composition of the Board. Board appointments are done in accordance with a formal appointment policy, which includes proper screening of candidates, formal interviews conducted by the Nominations Committee and the completion of a Director's declaration by successful applicants. The following Directors were appointed during the year under review:

- AJ Morgan
- R Ramashia

RETIREMENT AND RE-ELECTION OF DIRECTORS

The Company's Articles of Association require a minimum of six and a maximum of 12 Directors, the majority of whom should be Independent. Between Annual General Meetings, the Board may appoint a Director/s to fill casual vacancies or as an additional Director by majority vote to serve until the next Annual General Meeting.

One-third of the Directors are subject, by rotation, to retirement and re-election at the Annual General Meeting in terms of the Company's Articles of Association. The names of Directors submitted for re-election are accompanied by brief biographical details (refer to pages 26 and 27 of this Annual Report) to enable shareholders to make an informed decision in respect of their election. Directors who will present themselves for re-election at the forthcoming Annual General Meeting are:

- RMW Dunne
- S Engelbrecht
- LM Nyhonyha

TERMS OF EMPLOYMENT OF DIRECTORS

Executive Directors are employees of the Company and have standard terms and conditions of employment and do not receive any special remuneration or other benefits for their additional duties as Executive Directors. None of the Executive Directors have employment contracts longer than one month or special termination benefits, and there is no restraint of trade in place. The Board, on the recommendation of the Remuneration Committee, determines the remuneration of Executive Directors and other Senior Managers. No Non-Executive Director has an employment contract with the Company. Non-Executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Chief Executive and the approval by shareholders of the proposed fees.

BOARD ASSESSMENT AND EVALUATION OF DIRECTORS

In terms of the Board charter, Directors must be assessed individually as well as collectively as a Board. The collective assessment of the Board must evaluate the Board's contribution as a whole and, specifically, it must review areas in which the functions of the Board could be improved.

In 2010, as occurs every second or third year as deemed necessary, an independent third party undertook a performance review of the Board. The purpose of the independent Board performance review is to give members of the Board the opportunity to express their individual opinions and assessments of the Board's performance in a confidential and independent discussion with experienced Board performance specialists.

After confirming the corporate strategy with the Chairman and the Chief Executive, arrangements were made for the independent third party to meet each Board member and to obtain his or her ratings and assessments on 45 key performance indicators. This information was integrated, interpreted and presented to the full Board at its meeting in February 2011.

Each Board member received a copy of the report presented. In addition, each Board member also received a report detailing his or her own rating. The emphasis is always on development, growth and the meeting of future challenges, both for individual Board members and for the Board as a whole.

Key performance indicators used in the independent assessment process included, inter alia:

- the quality and overall effectiveness of Board meetings;
- the information available to Board members to support decision-making;
- the Board's role in the formulation of and commitment to business strategy;
- the Board's evaluation of the Chief Executive and the planning for succession;
- an evaluation of the Board's structure in terms of its Executive and Non-Executive components; and
- the suitability of the Board's composition and that of Committees, which are re-evaluated on an ongoing basis to ensure a balance between the commitments of Directors and the areas of responsibility covered by the Committees.

The Remuneration Committee, in consultation with the Chairman of the Board, evaluates the Chief Executive on a regular basis. The evaluation is based on objective criteria, including business performance, achievement of long-term strategic objectives, the development of management and other such issues. The Remuneration Committee provides feedback to the full Board.

Furthermore, the Board evaluates the performance of the Chairman of the Board on an annual basis.

ROLES AND RESPONSIBILITIES

The Board operates under an approved Board charter which regulates the way business is conducted. The Board charter provides a clear division of responsibilities and sets out the accountability of Board members, collectively and individually, to ensure an appropriate balance of power and authority.

In terms of the Board charter, the primary responsibilities of the Board are:

- to provide strategic direction to the Company;
- to determine the Company's purpose, values and stakeholders relevant to its business and to develop strategies combining all three elements;
- to ensure that procedures are in place to monitor and evaluate the implementation of strategies, policies, Senior Management performance criteria and business plans;
- to review and approve the financial objectives, plans and actions, including significant capital allocations and expenditure;
- to define its mission as representing the interests of the Company, its shareholders and other stakeholders in perpetuating a successful business that adheres to the vision and values of the Company and creates long-term value for shareholders;
- to be accountable and responsible to shareholders for the performance and affairs of the Company;
- to appoint the Chief Executive, other Executive Directors and the Company Secretary and ensure that succession is planned;
- to ensure that the Company complies with all relevant laws and regulations and that it communicates with its shareholders and other stakeholders openly, with substance prevailing over form;
- to assess the key risk areas of the business on a regular basis and to determine the policies and processes necessary to ensure the integrity of internal control and risk management in the Company;
- to develop the framework, policies and guidelines for safety, health and environmental management and other aspects of corporate citizenship, and to monitor key indicators of performance in this field;
- to define levels of materiality, reserving specific powers for itself and delegating other matters with written authority to management; and
- to establish and set the terms of reference for Committees of the Board.

MATTERS RESERVED FOR BOARD DECISION

The following matters are reserved for decision by the Board, on the basis of any recommendation as may be made from time to time by the Executive Committee or other Committees:

- approval of the Company's strategy and monitoring the implementation thereof;
- adoption of any significant change to or departure from accounting policies;
- changes to the Board and its Committees;
- exercise of borrowing powers;
- approval of the declaration of distributions to shareholders;
- approval of budgets on an annual basis;
- capital funding: terms and conditions of rights issues, capital issues or issues of convertible stock including shares or stock issued for acquisitions;
- community investment: approval of annual budgets and special/extraordinary single contributions in excess of R5 million;
- approval of employee share incentive/option schemes, rules and amendments to rules as recommended by the Remuneration Committee;
- formulation or approval of recommended policies relating to Employment Equity;
- investments, fixed assets and capital projects: commitments, acquisitions or disposals in excess of limits specified by the Board from time to time;
- litigation: prosecution, defence or settlement of, where material and except in the ordinary course of business;
- Pension and Provident Funds: approval of rules and amendments thereto having a material effect on the actuarial liabilities of the Funds, where applicable; and
- prioritisation of resources: prioritising the allocation of capital and technical and human resources.

BOARD RELATIONSHIP TO STAFF AND EXTERNAL ADVISORS

To the extent that they may require such access to make informed decisions, Board members have unrestricted access to the Company's records, information, documents and property. In addition, Board members have unrestricted access to consult Senior Management on any aspect of the Company's operations. Finally, Board members may collectively or individually, at the expense of the Company, consult external professional advisors on any matter of concern to the Company after having advised the Chief Executive or Chairman.

INDUCTION AND TRAINING

For the Board to function effectively, the resources necessary for developing and refreshing the knowledge and skills of Non-Executive Directors must be provided. To this end, all Non-Executive Directors have an open invitation to visit the operations of the Company and to meet with management. The objective is to ensure that Non-Executive Directors are able to obtain as full an understanding of the Company's operations as possible, in order to make informed decisions and hence enhance the effectiveness of the Board.

The Company has procedures for the induction and training of Directors to ensure that they are aware of their statutory duties, obligations and potential liabilities. The Company Secretary has compiled Directors' manuals, which are updated on a regular basis, and there are site visits arranged to operating companies across the Group.

The Company Secretary further provides Directors with updates on regulations and statutory matters at each Board meeting.

DELEGATION OF AUTHORITIES

The Board has approved the delegation of authority to the Board Committees and to the Executive Committee, where appropriate.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary advises the Board on the appropriate procedures for the management of meetings and the implementation of governance procedures, and is further responsible for providing the Board collectively, and each Director individually, with guidance on the discharge of their responsibilities in terms of legislation and regulatory requirements applicable to the Company. The Company Secretary monitors Directors' dealings in securities and ensures adherence to "closed periods" for share trading.

BOARD COMMITTEES

In accordance with the recommendations of King III, the Board has six Committees to assist it in the execution of its responsibilities. Of these, the Risk Committee commenced its work separately from the Audit Committee in the year under review.

Each Committee has written terms of reference under which authority is delegated by the Board. The composition and responsibilities of each Committee are summarised here.

AUDIT COMMITTEE

The Audit Committee comprises four Independent Non-Executive Directors. Meetings are attended by the Company Secretary as secretary, the external auditors, the Head of Internal Audit, the Chief Executive and the Chief Financial Officer. The Committee met four times during the year and attendance at meetings is set out on page 93 of this Annual Report.

The Audit Committee's report, including details on its composition and responsibilities, is published on pages 98 to 101 of this Annual Report.

RISK COMMITTEE

The Risk Committee currently comprises three Independent Non-Executive Directors, one Non-Executive Director, two Executive Directors, and five Executive Committee members. The Committee met twice during the 2010 financial year. Members of the Committee and its Chairman are nominated by the Board. Attendance at meetings is set out on page 93 of this Annual Report.

Current members of the Committee are:

- RMW Dunne (Chairman)
- JAA Diepenbroek*
- MA Dytor*
- GN Edwards*†
- S Engelbrecht
- KM Kathan*†
- TJ Louw*
- EE Ludick*
- AJ Morgan
- R Ramashia
- SM Venter*

* Member of the Executive Committee.

† Executive Director.

The Company Secretary attends meetings as secretary. The Committee's responsibilities include, inter alia:

- establishing and maintaining a common understanding of the risk universe that needs to be addressed in order to achieve corporate objectives;
- reviewing and confirming, at least annually, the levels of tolerable risk and the risk profile of the Company;
- coordinating the Company's risk management and assurance efforts;
- considering the results of the assurance efforts and ensuring that appropriate action is taken as required;
- assisting the Board in overseeing its duties relating to the identification of risk and the assessment of the effectiveness of risk management within the AECI Group;
- reviewing and assessing the integrity of the risk control systems and ensuring that risk policies and strategies are managed effectively;
- monitoring external developments relating to corporate accountability, including but not limited to emerging and prospective impacts;
- setting out the nature, role and responsibility and function of risk management within the AECI Group;
- reviewing the impact that significant litigation could have on the AECI Group;
- reviewing the risk philosophy, strategies and policies and ensuring compliance with such policies and the risk profile of the AECI Group. Risk in the widest sense includes issues such as market risk, credit risk, liquidity risk, operational risk and commercial risk, which together may cover detailed combined risk;
- reviewing the adequacy of the Company's insurance coverage;
- reviewing risk identification and measurement methodologies;
- monitoring procedures to deal with and review the disclosure of information to stakeholders;
- liaising closely with the Audit Committee to exchange information relevant to risk;
- expressing the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- reviewing reporting concerning risk management that is to be included in shareholder reports, in order to ensure that it is timely, comprehensive and relevant; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

NOMINATIONS COMMITTEE

The Nominations Committee comprises three Non-Executive Directors, two of whom are Independent. The Committee met three times during the 2010 financial year. Members of this Committee and its Chairman are nominated by the Board. Attendance at meetings is set out on page 93 of this Annual Report.

Current members of the Committee are:

- RMW Dunne (Chairman)
- S Engelbrecht
- F Titi

Responsibilities of the Committee include, inter alia:

- reviewing the Board structure, size, composition and balance between Executive and Non-Executive Directors and making recommendations to the Board regarding adjustments that are deemed appropriate;
- making recommendations to the Board on the reappointment of Executive and Non-Executive Directors and the balance between Executive and Non-Executive Directors;
- identifying and recommending for Board approval Executive and Non-Executive candidates for appointment to the Board;
- ensuring that plans for succession are in place, particularly for the Chairman and the Chief Executive; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

The Committee meets at least twice per year or more frequently if so deemed appropriate by the Committee. The Group Human Resources Manager attends all meetings as secretary. In accordance with the recommendations of King III, the Chief Executive attends by invitation when necessary to discuss Senior Management appointments and succession plans.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, two of whom are Independent Non-Executive Directors. Members of the Committee and its Chairman are nominated by the Board.

The Committee meets at least twice per year and additional meetings are scheduled as the Committee deems appropriate. Five meetings were held during 2010. Attendance is shown on page 93 of this Annual Report. The Chief Executive attends meetings by invitation when necessary to discuss the remuneration of Executive Directors and Senior Management. The Group Human Resources Manager attends all meetings as secretary.

Current members of the Committee are:

- RMW Dunne (Chairman)
- S Engelbrecht
- F Titi

The Committee's responsibilities include, inter alia:

- assisting the Board in ensuring that remuneration practices in the AECI Group are affordable and fair, taking into consideration the interests of employees as well as those of shareholders;
- reviewing and amending, if appropriate, the Group's remuneration philosophy and policy with particular reference to the remuneration of Executive Directors and Senior Management;
- ensuring that Executive Directors and Senior Management are fairly rewarded in terms of a mix of fixed and variable pay for their individual contributions to the Group's overall performance, having regard to the interests of shareholders and the financial condition of the Group;
- approving remuneration packages designed to attract, retain and motivate high-performing Executive Directors and Senior Management;
- establishing appropriate criteria to measure the performance of Executive Directors and Senior Management;
- approving specific remuneration packages for individual Executive Directors and members of Senior Management;
- determining the policy and contracts of employment for Executive Directors;
- reviewing and approving any disclosure in the Annual Report in respect of Directors' remuneration; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

No attendee may participate in any discussion or decision regarding his or her own remuneration.

CORPORATE CITIZENSHIP COMMITTEE

The Corporate Citizenship Committee currently comprises five members, four of whom are Independent Non-Executive Directors. The members and Chairman of the Committee are appointed by the Board. The Company Secretary attends all meetings as secretary and the Chief Financial Officer attends by invitation.

The Group Technical and Safety, Health and Environment Manager, and the Group Human Resources Manager are also in attendance at meetings. Two meetings were held during 2010. Attendance at meetings is set out on page 93 of this Annual Report.

Current members of the Committee are:

- LM Nyhonyha (Chairman)
- GN Edwards
- Z Fuphe
- MJ Leeming
- R Ramashia

The responsibilities of the Committee include, inter alia:

- to consider, formulate and recommend to the Board policy and implementation plans in the areas of:
  - Broad-Based Black Economic Empowerment;
  - Employment Equity, including education and training
  - social responsibility investment;
  - safety, occupational health and environmental practice and performance; and
- to monitor and advance the implementation of policies and plans approved by the Board regarding these matters.

EXECUTIVE COMMITTEE

The Executive Committee is constituted to assist the Chief Executive in managing the Group. Subject to matters reserved for decision by the Board, the Chief Executive's authority in managing the Group is unrestricted.

The responsibilities of the Chief Executive include, inter alia:

- implementing the strategies and policies of the Group;
- managing the Group's business and affairs;
- prioritising the allocation of capital and technical and human resources;
- establishing best management practices and standards;
- appointing Senior Managers and assessing their performance;
- making recommendations to the Board on matters which are reserved for decision by the Board, including the fees payable to Non-Executive Directors; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

The Executive Committee comprises all the Executive Directors who hold office from time to time, together with such Senior Managers as the Board may appoint from time to time. The Committee meets once a month and the Company Secretary attends as secretary. Details of the members of the Executive Committee are set out on pages 28 and 29 of this Annual Report.

ATTENDANCE: BOARD AND COMMITTEE MEETINGS

Attendance at meetings by Directors, during their tenure as Directors in 2010, is set out below.

ATTENDANCE: BOARD AND COMMITTEE MEETINGS

Director	Board	Audit	Risk	Nominations	Remuneration	Corporate citizenship
FPP Baker	1 of 1[1]					
RMW Dunne	5 of 5	4 of 4	2 of 2[2]	3 of 3[2]	5 of 5[2]	
GN Edwards	5 of 5	4 of 4[3]	2 of 2	3 of 3[3]	5 of 5[3]	2 of 2
S Engelbrecht	5 of 5		2 of 2	3 of 3	5 of 5	
Z Fuphe	5 of 5					2 of 2
KM Kathan	5 of 5	4 of 4[3]	2 of 2			2 of 2[3]
MJ Leeming	5 of 5	4 of 4[2]				2 of 2
AJ Morgan	3 of 3[4]	2 of 2[4]	1 of 1[4]			
LM Nyhonyha	5 of 5	4 of 4				2 of 2[2]
R Ramashia	3 of 3[4]		1 of 1[4]			1 of 1[4]
F Titi	5 of 5[2]			3 of 3	5 of 5	

1 Retired on 31 March 2010.

2 Chairman.

3 Attendance by invitation.

4 Appointed to the Board on 1 July 2010.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors are required in terms of the Act and the Listings Requirements of the JSE to prepare annual financial statements which fairly present 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 International Financial Reporting Standards (IFRS). 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 in order to determine whether the financial statements are in accordance with the Act, IFRS and the Listings Requirements of the JSE.

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 international accounting standards have been followed. The Directors have formally reviewed the budgets and forecasts of the businesses and have concluded that the Group will continue in business for the foreseeable future and, accordingly, the going-concern basis of accounting remains appropriate.

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 control and reports directly to the Audit Committee.

In addition, the management of each operating business submits an annual Letter of Assurance to the Audit Committee of the Company affirming that the internal control in entities for which they have responsibility is adequate for their operations.

The Directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that during the year there were no material breakdowns of internal controls and that these 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 appropriately insured and are used as intended with appropriate authorisation.

FINANCIAL STATEMENT DISCLOSURE – RISK MANAGEMENT

The Board recognises risk management as a key business tool to assess the balance between risk and reward in current and new businesses. Risk management also aims to protect the Group against hazards and uncertainties which may prevent the achievement of business goals and strategic objectives.

The Board is responsible for the risk management process and is assisted in its responsibilities by the Risk Committee. The day-to-day responsibilities for risk management and the design and implementation of appropriate processes to manage risk reside with management.

The Board is satisfied that there is an ongoing process for identifying and evaluating and managing significant risks and, where weaknesses are identified, these are addressed promptly within the Group and its operations as risk mitigation processes are part of the Group's overall risk management framework. Risk management is clearly defined within the risk management framework which has been implemented in all material subsidiaries and joint ventures under the Group's control.

A Board Risk Committee approves the risk strategy and the policies that are formulated and amended by the Executive Committee and Senior Management. This system assists the Board in discharging its responsibility for ensuring that the wide range of risks associated with all of the Group's operations are managed effectively in support of the creation and preservation of shareholder wealth. Full reviews of the risk control and disclosure processes are undertaken regularly.

AECI has established an Enterprise Risk Management Framework, with supporting standards, that provides an overarching and consistent framework for the assessment and management of risks. Risks are ranked using a common methodology. Where a risk is assessed as material, it is reported and reviewed by the Executive Committee and Senior Management as part of the risk management escalation process.

The risk management system meets regulatory requirements. In conducting its annual review of the effectiveness of risk management, the Board considers the key findings from the ongoing monitoring and reporting process, management assertions and independent assurance reports. The Board also takes into account material changes and trends in the risk profile and considers whether the control systems adequately support the Board in achieving its risk management objectives. The Board receives assurance, from regular internal auditing reports and, where considered necessary, from other reports on risk and internal control throughout the Group.

Key risks are reported to the Executive Committee and Senior Management to create assurance on business risks and to enable the prioritisation of risk management activities within the AECI Group.

The risk management process is designed to ensure that:

- all relevant risks are identified and evaluated, based on their potential impact and their likelihood of occurrence;
- risks and the required processes and controls to manage these risks are assessed in line with the Board's risk appetite; and
- appropriate management information and monitoring processes are in place to manage the exposure to each of the key risks to ensure that, where required, necessary corrective action can be taken.

KEY RISK PROFILE

To ensure the best financial performance possible in 2011 and beyond, the Group's Executive Committee will need to focus on and manage the following in the coming year:

- the successful ramp-up of AEL's ISAP plants and Senmin's PAM plant and the development of markets for the sale of new capacity;
- remaining cost competitive in a global procurement environment where the rand remains strong;
- continuing to enable a Group structure that ensures optimal performance in terms of good corporate governance to support the entrepreneurial spirit of the business;
- continuing to attract and retain talented and competent people;
- finalising a new Water Use Licence for Modderfontein, to the mutual satisfaction of the relevant authorities and the Company;
- safety, health and environmental (SHE) considerations. These are risks which remain inherent in AECI's businesses. The wellbeing of employees and contractors, customers and the community at large is of paramount importance. It is also essential that AECI protects the environment in which it operates so as to continue being an acceptable corporate citizen in the territories in which it has a presence;

- the ongoing integrity of key production facilities;
- remaining ahead of competitors in terms of technology and its application; and
- continuing to provide excellent products and customer service in an increasingly competitive environment characterised by skills shortages.

Overall responsibility for overseeing risk and its proper mitigation, where required, has been centralised as a corporate function for the benefit of AECI's individual businesses and for the Group as a whole.

In managing SHE risks, the Group is guided by a formal SHE policy, supported by a set of standards. Regular training and reporting are in place across the Group. More details are given in the Corporate Citizenship chapter of this Annual Report.

ETHICS

CODE OF ETHICS

AECI and all its operating companies are committed to a policy of fair dealing and integrity in the conduct of their businesses. In support of this, the Group has adopted a formal Code of Ethics with which all Directors and employees are required to comply. New employees also receive copies of the Code and, to maximise the Code's accessibility, it has been made available on AECI's intranet and on the intranets of operating companies, where these are available. The Code can only be amended by the Board. It is reviewed every three years, or more often if necessary, and such a review is currently in progress.

The Code addresses the following:

- compliance with all laws and regulations;
- conflicts of interest: outside activities, employment and directorships; relationships with clients, customers and suppliers;
- business practices: gifts, hospitality and favours; remuneration; anti-competitive behaviour;
- Group funds and property;
- accounting standards; and
- security of information: obtaining and safeguarding information; access to information; insider trading.

WHISTLE-BLOWING PROGRAMME

A service known as Tip-offs Anonymous is in place. It is aimed at enabling employees, customers, suppliers and managers or other stakeholders, on a confidential basis, to raise concern in cases where conduct is deemed to be contrary to ethical behaviour and the Code of Ethics. The service is administered by Deloitte & Touche. Therefore, it is totally independent of AECI and the anonymity of individuals reporting fraud or dishonest and inappropriate behaviour is protected. Legitimate issues and concerns reported are forwarded for appropriate action to the Financial Director and to the Head of Internal Audit. The service has gained acceptance over time, particularly among employees. It is an effective component of the Group's efforts to deal with theft, fraud and other misconduct in a professional manner.

CONFLICTS OF INTEREST

The Group has adopted a formal Conflicts of Interest Policy and all employees with the ability to bind the Company (contractually or otherwise) are required to complete and submit a Conflicts of Interest Declaration.

FRAUD AND ILLEGAL ACTS

The Group does not engage in or accept or condone engaging in any illegal acts in the conduct of its business. The Group's policy is to actively pursue and encourage prosecution of perpetrators of fraudulent or other illegal activities should it become aware of any such acts. A zero tolerance approach has been adopted.

Formal training for all employees on the Group's Code of Ethics, the whistle-blowing service and other applicable policies is conducted on an ongoing basis.

DEALING IN SECURITIES

In accordance with the Listings Requirements of the JSE, AECI has adopted a Trading in Securities Policy. In terms of the Policy, there is a "closed period" that endures from the end of the financial reporting period until the publication of financial results for this period. Additional closed periods may be declared from time to time if circumstances so warrant.

During closed periods, Directors and designated employees are prohibited from dealing in the Company's securities, either directly or indirectly. Identified employees are advised to that effect. The Company Secretary advises the Directors of all the closed periods.

Dealings in securities by Directors and Officers of the Company require prior approval by the Chairman or the Chief Executive, depending on the person dealing in the securities. Any share dealings by Directors and Officers of the Company are notified to the JSE for publication via the Securities Exchange News Service (SENS).

The Group also has in place an Information Disclosure and Communications Policy designed to:

- record AECI's procedures with regard to communicating with the media, the investment community, securities professionals and other audiences to avoid selective disclosure of material information; and
- govern the disclosure of price-sensitive information to the public in a broad, comprehensive and lawful manner.

This Policy has been brought to the attention of all AECI employees and must be adhered to by them.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has in place Directors' and Officers' liability insurance which provides some cover against legal action by third parties.

INVESTOR RELATIONS AND SHAREHOLDER COMMUNICATION

The Company's Chief Executive, Financial Director and members of the Executive Committee conduct regular presentations on the Group's performance and strategy to analysts, institutional investors and the media in South Africa.

Presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are published on the Company's website. Shareholders and other stakeholders are advised of such newly-published items via SENS. Other information on the Company, such as inter alia its management and history, is also available on the website. The website address is **www.aeci.co.za**

To ensure that AECI communicates with those shareholders and stakeholders without access to the electronic media, the Company also publishes and reports on details of its corporate actions and performance, including its half- and full-year financial results, in at least one daily national English newspaper and in one daily national Afrikaans newspaper.

AECI's Communications function maintains regular contact with the media by disseminating relevant information.

Shareholders are encouraged to attend the Annual General Meeting of the Company.

The Chairman of the Board and the Chairmen of Board Committees met formally with investors in 2010, without Executive Directors or any Senior Management representatives being present. This practice will continue, probably on a biennial basis. Furthermore, all Non-Executive Directors are invited to attend the Company's financial and business-specific presentations. This provides additional opportunity for interaction with investors.

This report is provided by the Audit Committee appointed in respect of the 2010 financial year of AECI Limited in compliance with Section 270A of the Companies Act, No. 61 of 1973, as amended (the Act). The Committee's operation is guided by a detailed charter that is informed by the Act and King III and is approved by the Board.

MEMBERSHIP

The Committee was appointed by the Board of Directors in respect of the 2010 financial year. Shareholders will be requested to approve the appointment of the members of the Audit Committee for the 2011 financial year at the Annual General Meeting scheduled for 30 May 2011. Attendance by members at meetings in 2010 is set out on page 93 of this Annual Report. The Committee comprises solely Independent Non-Executive Directors.

The current members are:

- MJ Leeming (Chairman)
- RMW Dunne
- AJ Morgan
- LM Nyhonyha

PURPOSE

The purpose of the Committee is to:

- assist the Board in discharging its responsibility for reporting financial information by playing a proactive role in enhancing the credibility of financial reporting and to provide a channel of communication between the Board, internal and external auditors and management;
- ensure that an effective control environment in the AECI Group is thereby maintained by supporting the Board in the discharge of its duties relating to the safeguarding of assets, the operation of adequate systems and controls, risk management and the integrity of financial statements and reporting;
- provide the Financial Director, external auditors and the Head of Internal Audit unrestricted access to the Committee and its Chairman as is required in relation to any matter falling within the remit of the Committee;
- meet with the external auditors with or without other Board members, as the Committee may elect;
- meet at least once per annum with the Head of Internal Audit and members of his team without the external auditors, other Executive Board members or the Company's Financial Director being present;
- review and recommend to the Company's Board, for approval, the Company's audited financial statements for the previous financial year ended 31 December;
- oversee the activities of and ensure coordination between the activities of the internal and external auditors;
- perform duties that are assigned to it by the Act, and as governed by other legislative requirements, including the statutory Audit Committee functions required for subsidiary companies;
- receive and deal with any complaints concerning the accounting practices, internal audit or the content and audit of its financial statements or related matters;
- conduct annual reviews of the Committee's work and terms of reference and make recommendations to the Board to ensure that the Committee operates at maximum effectiveness; and
- assess the performance and effectiveness of the Committee and its members on a regular basis.

EXECUTION OF FUNCTIONS

The Audit Committee has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

During the year under review:

- In respect of the external auditor and the external audit, the Committee among other matters:
  - nominated KPMG Inc. as the external auditor and designated auditor respectively to the shareholders for appointment as auditor for the financial year ended 31 December 2010, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The Committee confirms that the auditor and the designated auditor are accredited by the JSE Limited;
  - approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor;
  - reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures;
  - obtained an annual written statement from the auditor that its independence was not impaired;
  - determined the nature and extent of all non-audit services provided by the external auditor and preapproved all non-audit services undertaken;
  - obtained assurance that no member of the external audit team was hired by the Company or its subsidiaries during the year;
  - obtained assurances from the external auditor that adequate accounting records were being maintained;
  - considered whether any Reportable Irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005, and determined that there were none; and
  - nominated the external auditor and the designated independent auditor for each of the South African subsidiary companies.
- In respect of the financial statements, the Committee among other matters:
  - confirmed the going concern as the basis of preparation of the interim and annual financial statements;
  - reviewed compliance with the financial conditions of loan covenants and determined that the capital of the Company was adequate;
  - examined and reviewed the interim and annual financial statements, as well as all financial information disclosed to the public prior to submission to and approval by the Board;
  - ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the Company and the Group was determined to be a going concern;
  - considered accounting treatments, significant unusual transactions and accounting judgements;
  - considered the appropriateness of the accounting policies adopted and changes thereto;
  - reviewed the external auditor's audit report;
  - reviewed the representation letter relating to the Group financial statements which was signed by management;
  - considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
  - met separately with management, external audit and internal audit.

- In respect of internal control and internal audit, including forensic audit, the Committee among other matters:
  - reviewed and approved the Internal Audit charter and annual audit plan and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its charter;
  - considered the reports of the internal auditor and external auditor on the Group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
  - received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal thereof;
  - reviewed significant issues raised by the internal and forensic audit processes and the adequacy of corrective action in response to significant internal and forensic audit findings;
  - assessed the adequacy of the performance of the Internal Audit function, and assessed the performance of the Head of the Internal Audit function and the adequacy of the available internal audit resources and found them to be satisfactory; and
  - based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and maintaining effective material control systems.
- In respect of risk management and Information Technology, the Committee, insofar as relevant to its functions:
  - reviewed the Group's policies on risk assessment and risk management, including fraud risks and Information Technology risks as they pertain to financial reporting and the going concern assessment, and found them to be sound; and
  - considered and reviewed the findings and recommendations of the Risk Committee.
- In respect of sustainability issues the Committee has:
  - overseen the process of sustainability reporting and considered the findings and recommendations of the Risk and Corporate Citizenship Committees; and
  - met with KPMG Inc. and Company Senior Management to consider the KPMG Inc. findings on assurance, as well as to make appropriate enquiries from management and has, through this process, received the necessary assurances that material disclosures are reliable and do not conflict with the financial information.
- In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements, the Committee:
  - reviewed with management legal matters that could have a material impact on the Group;
  - reviewed with the Company's internal counsel the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities;
  - monitored complaints received via the Group's whistle-blowing service, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
  - considered reports provided by management, the internal auditor and the external auditor regarding compliance with legal and regulatory requirements.
- In respect of the coordination of assurance activities, the Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business.

- Considered the expertise, resources and experience of the Financial Director and concluded that these were appropriate.
- Considered the appropriateness of the experience and expertise of the Chief Financial Officer and concluded that these were appropriate.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The Audit Committee is satisfied that KPMG Inc. is independent of the Group after taking the following factors into account:

- representations made by KPMG Inc. to the Audit Committee;
- the auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Company;
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken by the auditor;
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Audit Committee of the annual financial statements of AECI Limited for the year ended 31 December 2010, the Committee is of the view that in all material respects they comply with the relevant provisions of the Act and IFRS and fairly present the consolidated and separate financial position at that date and the results of operations and cash flows for the year then ended. The Committee has also satisfied itself of the integrity of the remainder of the Annual Report.

Having achieved its objectives, the Committee has recommended the financial statements and Annual Report for the year ended 31 December 2010 for approval to the AECI Board. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming Annual General Meeting.

On behalf of the Audit Committee

Mike Leeming
Chairman

Woodmead, Sandton
30 March 2011

In 2010, the Remuneration Committee revised the Group's overall reward strategy and Remuneration Policy. The revised strategy and Policy were approved by the Board and were applied across the AECI Group during 2010.

Two of the three major elements of the remuneration structure, namely guaranteed packages and short-term incentives, were assessed and aligned to the Group's remuneration strategy. The third element, namely the long-term incentive scheme, is scheduled for review in 2011.

REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

The AECI remuneration philosophy is to establish fair reward levels that will attract and retain good calibre Executive Directors, Senior Managers and employees and will motivate them to develop and implement the Group's business strategy so as to optimise long-term shareholder value creation.

The guaranteed remuneration packages for Executive Directors, members of the Executive Committee and Senior Managers are benchmarked against the market median of similar-sized companies and industry. Each role has been evaluated on the Executive Evaluation System (Execeval™) of Deloitte & Touche. Over and above the role size and complexity, the system takes the following factors into consideration:

- skills and knowledge;
- conceptual abilities;
- interpersonal skills;
- job impact;
- problem-solving abilities; and
- decisions and resource control.

The guaranteed package comprises base pay, allowances, retirement and medical aid benefits.

For other employees basic salary is managed in relation to market median, having regard to individual performance against defined objectives. Benefits such as travel allowances and contributions to retirement and medical funds are maintained at market-competitive levels.

SUMMARY OF THE REMUNERATION STRUCTURE

Reward component	Elements of remuneration	Purpose	Paid/accrued
Guaranteed package	Base pay	Reflects the value of the individuals, their roles, skills and experience.	Paid monthly in cash after allocation to retirement and medical aid contributions and assured benefits. Reviewed annually at year-end.
	Benefits	Provides benefits comparable with other roles and ensures that the total remuneration package is competitive.	
	Retirement funding	Provides post-retirement remuneration and ensures that total remuneration is competitive.	
Short-term incentive scheme	Based on two components, namely predetermined financial targets and personal key performance indicators.	Incentivises the delivery of short- and long-term predefined objectives.	Paid annually in cash. Predetermined on a three-year crawling peg and reviewed annually.
Long-term incentives	Share option scheme. Earnings-based scheme.	Incentivises the generation of long-term shareholder value.	Allocated on an annual basis.

The short-term incentive scheme is designed to incentivise the attainment of short-term objectives for Executive Directors, Executive Committee members and Senior Managers. Details of the scheme are reported on pages 192 and 193 of this Annual Report.

The long-term incentive scheme is designed to incentivise the generation of long-term shareholder value by Executive Directors, Executive Committee members and Senior Managers. Details of allocation parameters are reported on page 104 of this Annual Report. The current long-term incentive scheme will be reviewed in 2011.

OVERVIEW OF REMUNERATION WITH KEY DECISIONS TAKEN DURING 2010

The Remuneration Committee commissioned Deloitte & Touche to evaluate and benchmark the roles of Executive Directors, Executive Committee members and Senior Managers in terms of the size and complexity of each role with reference to market median on guaranteed and short-term incentives.

21st Century Business and Pay Solutions was also commissioned to provide the same report for comparative purposes.

The Group's short-term incentive scheme was reviewed taking into consideration fair reward for superior performance, creation of shareholder value and management of investment risk. The Remuneration Committee was granted the discretion to amend and review the scheme to balance fair reward and shareholder value.

The Executive Committee, in consultation with the Remuneration Committee, has sanctioned an investigation into the impact of the defined-benefit pension scheme and the post-retirement medical aid subsidy on the Group's medium- and long-term ability to provide sustainable benefits. The results of this investigation will determine how this matter will be managed going forward.

GUARANTEED REMUNERATION

The Remuneration Committee reviewed guaranteed packages for Executive Directors, Executive Committee members and Senior Managers, as recommended by the Chief Executive, taking into consideration market data as provided by the results of Execeval™, individuals' experience and current levels of performance.

The Remuneration Committee approved that the target range of the guaranteed package should be between 95% and 105% of the market median. Progressive annual adjustments must be made for incumbents below this target range over the next two years, taking into consideration their performance levels.

To ensure that the different component elements of guaranteed packages are aligned across the Group, fringe benefits and allowances like medical aid subsidies and car allowance structures were standardised for the Executive Committee and for Senior Managers.

SHORT-TERM INCENTIVE SCHEME

The revised scheme as approved by the Remuneration Committee ensures that an equitable balance is achieved between shareholder interests and the incentivisation of superior performance. The salient points of the revised scheme follow.

The scheme has two separate components which will be measured independently of one another:

FINANCIAL COMPONENT (PROFIT PERFORMANCE-BASED INCENTIVE ELEMENT)

The profit element will account for 75% of the on-target bonus and will be determined by actual Group/business entity financial performance relative to predetermined targets. This element is a structured incentive where an incentive pool is created, having both a funding methodology and an allocation methodology.

The scheme operates on the principle that a full financial bonus is payable if headline earnings per share/net operating profit after tax (NOPAT) increases from the base year measurement by the targeted real growth rate. The base year for the short-term incentive cycle is 2010.

The base year uses the previous year's NOPAT as a starting point and is adjusted for windfall profits or unusual losses, and any other adjustments that the Remuneration Committee may deem necessary to arrive at a fair starting point.

NOPAT is adjusted for acquisitions and capital projects as agreed by the Executive Committee and the Remuneration Committee.

PERSONAL KPI/COMPANY NON-FINANCIAL COMPONENT (FORMULAIC ELEMENT)

The formulaic element will account for 25% of the on-target bonus and will be based solely on the results of individuals' scorecards (KPIs). It is measured solely on the achievement of personal targets and has no correlation with Group/business entity financial performance.

Three-year bonus parameters are set by the Executive Committee for approval by the Remuneration Committee, taking into account growth factors based on South Africa's Consumer Price Index (CPI) and growth in the country's Gross Domestic Product (GDP).

The Group has developed a bonus model for each business entity based on the above principles. Businesses which grow their earnings substantially above CPI and GDP rates could earn multiple bonus factors. The total bonus pool threshold is limited to 15% of the business' profit from operations before the incentive provision and the Economic Value Added (EVA) factor.

Short-term incentives are calculated as a percentage of annual basic salary and capped at 150% of guaranteed package.

The on-target bonus percentage for the Chief Executive and Executive Committee members is 50% and is between 33% and 50% for Senior Management.

In exceptional cases, the Remuneration Committee has the authority to extend the bonus cap to 250% of guaranteed package. This will only occur if there has been exceptional growth in profits and if the EVA and trading profit-sharing targets have been met by the business entity concerned.

The Remuneration Committee has the full authority to adjust bonuses and/or amend the rules of the scheme at its own discretion taking into account the balance between fair reward for the individual and shareholders' interests.

LONG-TERM INCENTIVE SCHEME

The Remuneration Committee approved the amendment of the vesting period rule for the share-based incentive scheme and the earnings-based incentive scheme from 20% per annum in years two, three, four and five to 33% per annum in years three, four and five in line with the Remuneration Guidelines of King III.

The Remuneration Committee has commissioned PricewaterhouseCoopers to review the long-term incentive scheme and its rules taking into account current market practice and King III corporate governance principles. This review will be completed in 2011, for implementation in 2012. Current allocation guidelines are as follows:

	Multiple of basic salary	Share-based incentive units %	Earnings-base incentive units %
Chief Executive	1,4	50	50
Chief Financial Officer	1,225	50	50
Executive Committee members	1,05	25	75
Business leaders	0,75 – 0,875	25	75
Senior Management	0,35 – 0,525	25	75

EXECUTIVE COMMITTEE MEMBERS' SERVICE CONTRACTS

Service contracts of Executive Directors and members of the Executive Committee are in accordance with AECI's standard terms and conditions of employment and their notice period is 30 days.

NON-EXECUTIVE DIRECTORS' TERMS OF APPOINTMENT

The Board applies principles of good corporate governance relating to Non-Executive Directors' remuneration and also keeps abreast of changing market trends. Governance of Non-Executive Directors' remuneration is undertaken by the Chief Executive for consideration by the Chairman and final approval by shareholders at the Annual General Meeting.

The remuneration of Non-Executive Directors takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new legislation and corporate governance principles.

Non-Executive Directors do not have service contracts. The Company does not grant options or shares to Non-Executive Directors. Non-Executive Directors receive an annual fee for their contribution. The annual fee comprises a base retainer fee and, where applicable, a Committee membership fee. Full details are set out in note 30 on page 193 of this Annual Report.

The Group pays for all travel and accommodation expenses incurred by Directors to attend Board meetings and visits to the Company's businesses. Details of the emoluments paid to Non-Executive Directors in 2010 are given in note 30 on page 193 to the financial statements.

PROPOSED INCREASE IN NON-EXECUTIVE DIRECTORS' FEES

At the Annual General Meeting of members of AECI Limited scheduled for 30 May 2011, members will be asked to pass ordinary resolutions to take effect from 1 June 2011, approving the proposed changes in Non-Executive Directors' fees, and the addition of attendance fees, as set out in the Notice of Annual General Meeting on page 207 of this Annual Report.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

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, guided by the Corporate Citizenship Committee, is 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.

STANDARDS

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 all the legal requirements of the countries in which it operates and accepted international criteria;
- to be prepared for and to deal with any 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; and
- to audit its performance against its policy, standards and procedures and to report this regularly to the AECI Executive Committee.

The goal remains no harm, to anyone, ever.

Graham Edwards

Graham Edwards
Chief Executive

Woodmead, Sandton
30 March 2011

SHE MANAGEMENT

AECI's management of SHE-related issues is guided by a formal SHE Policy, with performance being measured in the context of supporting SHE Standards. The Policy and Standards, which are agreed to and approved by the Group Chief Executive, are reviewed periodically, and most recently in 2008, by the Corporate Citizenship Committee on behalf of the Board to ensure that they remain appropriate to AECI's diverse businesses and the changing operating environment.

At the beginning of each year, the Managing Directors of AECI's businesses are required to submit a Letter of Assurance with respect to SHE-related issues to the Group Chief Executive. This, inter alia, provides confirmation that the particular business complies in all material respects with AECI's SHE Standards. In the event that such confirmation cannot be given, the Letter details the nature of the non-compliance, as well as the intended corrective action.

AECI comprises a broad spectrum of businesses, ranging from large manufacturing plants producing chemicals and explosives, to small operations on customer sites which provide application services, as well as property leasing and development activities. In addition, many of the Group's operational sites are situated outside of South Africa, sometimes in relatively undeveloped countries. Consequently, SHE-related issues faced by the 21 businesses in the portfolio are very diverse. It is inevitable, therefore, that a certain degree of generalisation occurs when commenting on such varied activities within a single report.

RESPONSIBLE CARE™

Responsible Care™ is the global chemical industry's voluntary initiative for continuous improvement of performance in safety, health and environmental practices. It is a public commitment to responsible management and stewardship of products and services through their lifecycle.

It is also the vehicle used by the industry in its pursuit of improved SHE performance and product stewardship.

Responsible Care™ was launched by the Canadian Chemical Producers' Association in 1984 and has since been adopted in 60 countries. The Chemical and Allied Industries' Association is the custodian of Responsible Care™ in South Africa, and 142 South African businesses are signatories. The Responsible Care™ Standing Committee, currently chaired by a Senior AECI Manager, is responsible for guiding the programme. In line with the guidelines of the International Council of Chemical Associations, the South African programme is based on eight fundamentals:

1. a formal commitment by each member company to a set of guiding principles;
2. a series of codes, guidance notes and checklists to help companies fulfill their commitment;
3. the development of indicators against which improvements in performance can be measured;
4. open communication on SHE matters with interested parties, both inside and outside the industry;
5. opportunities for companies to share views and exchange experiences on implementing Responsible Care™;
6. consideration of how best to encourage all member companies to commit themselves to, and participate in, Responsible Care™;
7. a title and logo which clearly identify national programmes as being consistent with, and part of, the Responsible Care™ concept; and
8. procedures for verifying that member companies have implemented the measurable or practical elements of Responsible Care™.

AECI and its chemicals and explosives businesses are signatories to Responsible Care™. In South Africa, signatories have their compliance with the Management Practice Standards verified by third-party auditors. The majority of signatory companies in the AECI Group have been audited successfully against these Standards.

In the broader area of corporate responsibility, AECI was again included in the JSE Limited's Socially Responsible Investment Index in 2010. This index was introduced by the JSE Limited a number of years ago to measure the triple-bottom line performance (environment, society and economy) and the governance performance of listed companies. Companies are assessed in terms of policy, performance and reporting. The criteria are updated each year and now include the consideration of factors such as climate change.

Responsible Care
OUR COMMITMENT TO SUSTAINABILITY

LAND REMEDIATION

The guiding principles underlying AECI's remediation activities are to protect human health and the environment; to use good science, proven concepts, and best available technologies not entailing excessive cost; and to work with regulatory authorities and share information with interested and affected parties.

A risk-based approach guides the remediation process. In addition, human health and environmental risk assessments are undertaken at appropriate stages of individual projects. These assessments influence subsequent activities.

Spending on remediation and related environmental management activities in 2010 amounted to R9 million, compared to R13 million in 2009. As noted in the previous reporting period, this expenditure is relatively low compared to that incurred a number of years ago. Most of AECI's environmental legacy remediation investment is now complete. Furthermore, market conditions in 2010 were such that little land was required to be released for sale.

Therefore, remediation requirements were restricted since the timing of such activities is closely aligned to that of the sale of parcels of land. It is unlikely that remediation expenditure will increase significantly in 2011.

At 31 December 2010, the environmental liability for the Group was estimated at R164 million for remediation and was fully provided for.

ENVIRONMENTAL PERFORMANCE

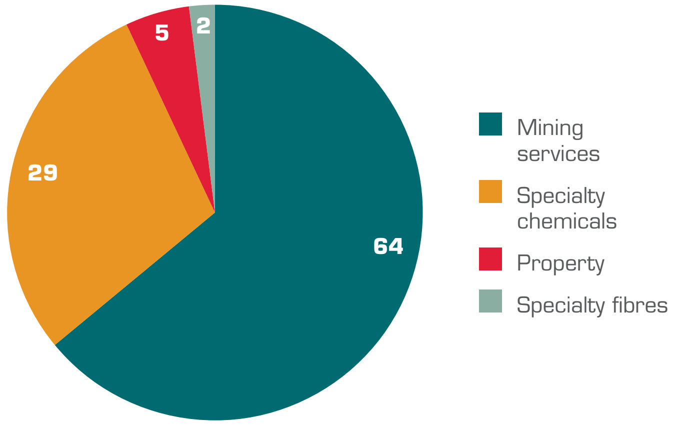
This section deals with current operations and excludes waste arisings from land remediation activities. Data from AEL Mining Services (AEL) operations outside of Modderfontein are included for the first time.

WATER USAGE

Total water usage for the year was 4,87 million litres.[1]

The vast majority of the 43% increase in the Group's reported water consumption is due to the inclusion of AEL's operations outside of Modderfontein. With the significant expansions in Indonesia, these international operations now

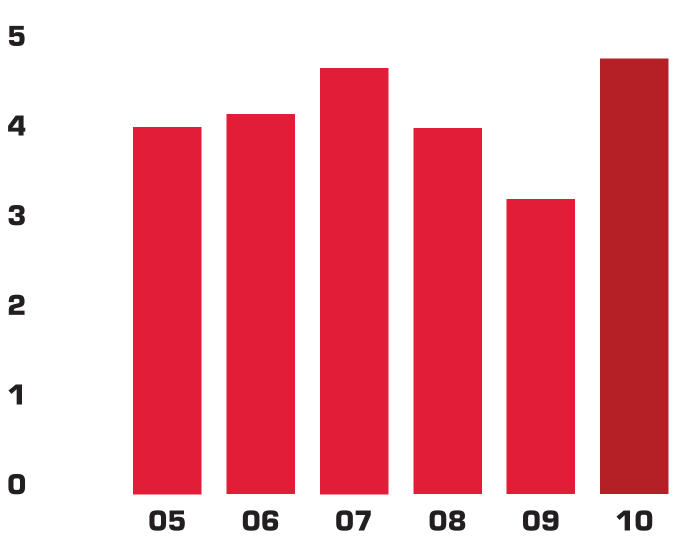
WATER USAGE BY BUSINESS SEGMENT (%)



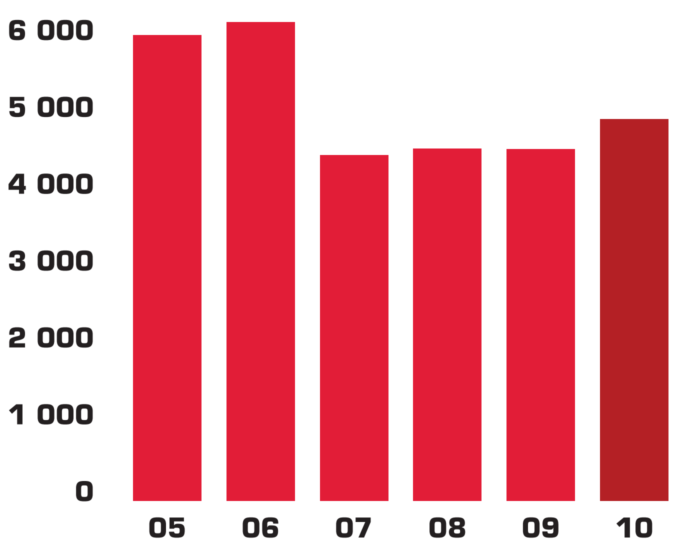
account for 39% of the water consumed by the mining services business. AEL's Modderfontein operations also increased their water consumption as a direct result of increased production.

The specialty chemicals cluster's use of water increased by 8% year-on-year, largely as a result of increased production. A similar situation prevailed at Heartland's Umbogintwini operations, where water consumption was 15% higher. Increased production at STF's upgraded manufacturing facilities also resulted in marginal increases in water consumption.

WATER USAGE (MILLION LITRES PER YEAR)

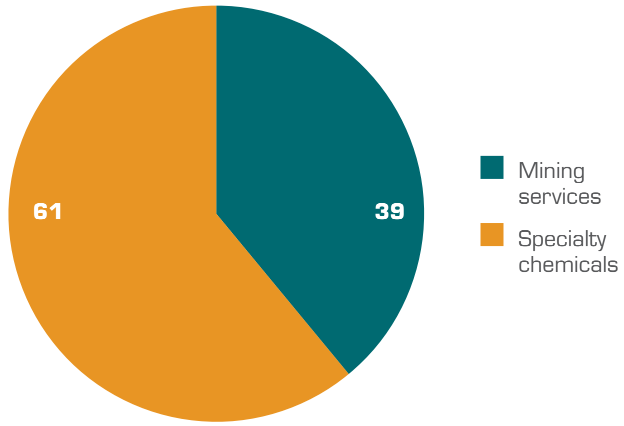


HAZARDOUS WASTE ARISINGS (TONNES)



1 Indicates Limited Assurance. See page 126.

HAZARDOUS WASTE ARISINGS BY BUSINESS SEGMENT



HAZARDOUS WASTE

Total hazardous waste arisings for the year were 4 971 tonnes.[1]

Businesses in the specialty chemicals cluster reduced their generation of hazardous waste by 24%. This was more than offset by the increase in waste generation reported by AEL. Part of this increase was due to the need to dispose of 592 tonnes of waste sulphuric acid during the year. This acid had previously been supplied to battery manufacturers. In 2010, however, there was insufficient market demand to absorb the full volume. The larger portion of the increase (1 496 tonnes) was attributable to arisings from AEL's operations outside of Modderfontein – sites not reported on in previous years. Hazardous waste arisings from Heartland were minimal.

TARGETS

Environmental improvement targets for all AECI businesses are being developed and it is anticipated that these will become applicable by mid-2011.

ENVIRONMENTAL INCIDENTS

There were 10 environmental incidents in the year as follows:[1]

- Clean-up of a sulphuric acid spillage from a road tanker dispatched from Chemical Initiatives in KwaZulu-Natal required the temporary closure of the N2 freeway;
- 500 litres of tall oil leaked from a tank at Resitec's site in Lages, Brazil;
- About 5 tonnes of emulsion from AEL were spilled on the side of a road near East London when a Mobile Manufacturing Unit overturned;
- About 10 tonnes of emulsion were spilled near Bogoso, Ghana, when a vehicle overturned;
- A vehicle transporting products for Plaaskem was involved in an accident on the Hexrivierpoort Pass, Western Cape, resulting in a chemical spill;
- About 5 tonnes of assorted chemicals were spilled on and next to the N3 highway when a contractor's vehicle transporting products for ImproChem was hit by another vehicle;
- 34 tonnes of bagged ammonium nitrate fell from a contractor's truck near Kapirimposhi, Zambia, following a head-on collision with another truck carrying lime;
- 24 tonnes of emulsion were spilled near Chililabombwe, Zambia, when a contractor's truck overturned;
- About 5 tonnes of ammonium nitrate were spilled near Chingola, Zambia, when a contractor's truck was hit by another vehicle;
- 16 tonnes of emulsion were spilled near Solwezi, Zambia, when a contractor's tanker overturned.

In all cases, clean-up was carried out successfully, with no significant permanent environmental impact.

CLIMATE CHANGE ISSUES

There is an overwhelming preponderance of scientific evidence showing the effect that increased concentrations of greenhouse gases are having on the earth's climate. As a result, it has become increasingly important for companies to measure and report on their emissions of these gases. The Carbon Disclosure Project is an international organisation that works with stakeholders and organisations to encourage the measurement and disclosure of greenhouse gas emissions. The Project is being promoted in South Africa by the National Business Initiative, and AECI again took part in this initiative in 2010.

1 Indicates Limited Assurance. See page 126.

The term "carbon footprint" is commonly used to describe the total quantity of carbon dioxide (CO_2) and other greenhouse gas emissions for which an organisation is responsible. AECI's carbon footprint has been calculated with the assistance of external consultants, ERM South Africa, using the 2006 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories and the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standards, as developed by the World Resources Institute and the World Business Council for Sustainable Development.

In terms of the organisational boundaries of the study, the financial control approach was followed. In terms of this approach, all operations under the financial control of AECI were included within the carbon footprint boundary, and 100% of emissions from these operations were included.

In terms of the operating boundaries of the carbon footprint, the following were included:

- **Scope 1 direct emissions –** emissions from the consumption of fuel in mobile equipment; emissions from the consumption of fuel in stationary equipment; emissions released from processes occurring at operations; refrigerant usage in air-conditioners and refrigeration equipment.
- **Scope 2 indirect emissions –** indirect emissions which arise from the generation of purchased electricity and purchased steam consumed by the Group.

The organisational boundaries for which the footprint was determined were as follows:

- all significant AEL operations, including those outside of South Africa, together with the footprint associated with rock-on-floor contracts;
- all specialty chemical cluster operations, including those outside of South Africa;
- all Heartland operations;
- the operations of SANS Technical Fibers, USA.

1 Indicates Limited Assurance. See page 126.

CARBON FOOTPRINT FOR 2010[1]

Tonnes	Scope 1	Scope 2	Total
Mining services	219 310	77 768	297 078
Specialty chemicals	24 665	103 446	128 111
Property	65 941	10 050	75 991
Specialty fibres	976	25 041	26 017
AECI GROUP	**310 892**	**216 305**	**527 197**

The carbon footprint calculated for 2009 is presented for comparative purposes. There is an increase in the quantities reported in 2010, for the following reasons:

- in 2009, only AEL's operations at Modderfontein were included, whereas in 2010 operations elsewhere in Africa and in Indonesia were added;
- the changes in the figures reported by the other businesses are largely as a result of an improvement in the quality of reporting, and the inclusion of information related to individually small sources of carbon emissions.

CARBON FOOTPRINT FOR 2009

Tonnes	Scope 1	Scope 2	Total
Mining services	216 000	71 000	287 000
Specialty chemicals	15 500	80 700	96 200
Property	67 000	6 300	73 300
Specialty fibres	500	19 400	19 900
AECI GROUP	**299 000**	**177 400**	**476 400**

Emissions other than CO_2 can also have a significant impact in terms of global warming potential. Ammonium nitrate is used extensively in the explosives and fertilizer industries and is manufactured from nitric acid and ammonia. AEL has two nitric acid plants at Modderfontein. Nitrogen oxide gases are produced through the oxidation of ammonia on a platinum-rhodium metal catalyst gauze in the ammonia burners of AEL's nitric acid plants.

The ammonia is first oxidised to nitric oxide and then to nitrogen dioxide, which in the final reaction is absorbed in water to form nitric acid. Some of the ammonia is converted to nitrous oxide in a side reaction, which is usually released into the atmosphere as it does not have any economic value or toxicity at typical emission levels.

However, it is a greenhouse gas with a global warming potential approximately 310 times per unit mass as that of CO_2.

To combat global warming, a number of countries have ratified the Kyoto Protocol, thereby committing to reducing their emissions of greenhouse gases, or to engage in emissions trading if they are to maintain or increase emissions of these gases.

Provision was made in the Kyoto Protocol for the registration of Clean Development Mechanism (CDM) projects, which allow participants in developing countries to generate Certified Emissions Reductions (CERs) by lowering their emissions of greenhouse gases. CERs can then be sold to those entities that are under an obligation to reduce greenhouse gases but are unable to achieve the required reductions.

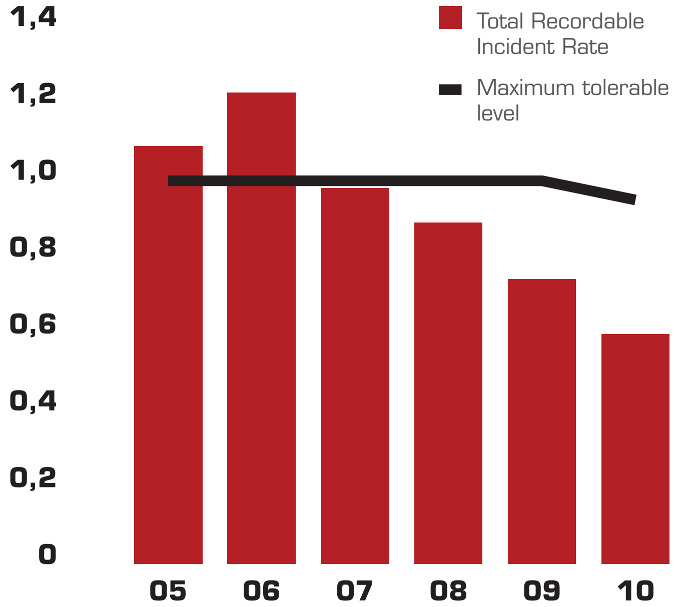
AEL has registered two CDM projects with the United Nations Framework Convention on Climate Change. These are for the No. 9 and No. 11 nitric acid plants, and they were registered in November 2007 and February 2008 respectively. The projects involve the installation of secondary catalysts in the ammonia burners of the plants, below the primary gauze catalyst. This secondary catalyst decomposes the residual nitrous oxide without affecting the production of nitric acid.

During 2010, the Heraeus secondary catalyst on No. 9 nitric acid plant achieved an average reduction of 59%. The total reduction for the campaign period was the equivalent of 33 922 tonnes of CO_2. Owing to cost considerations, performance issues and the good performance of the Johnson Matthey secondary catalyst on No. 11 nitric acid plant, a decision was taken to convert No. 9 to the same catalyst from September. The plant experienced a mechanical breakdown at the end of October and this precluded the proper testing of the newly-installed catalyst. However, all initial indications are that this catalyst performs better.

No. 11 completed its second campaign, with the Johnson Matthey secondary catalyst achieving a reduction of 89%. This translates into a reduction of 171 759 tonnes of CO_2 equivalent.

SAFETY AND HEALTH PERFORMANCE

ALL WORKERS TRIR



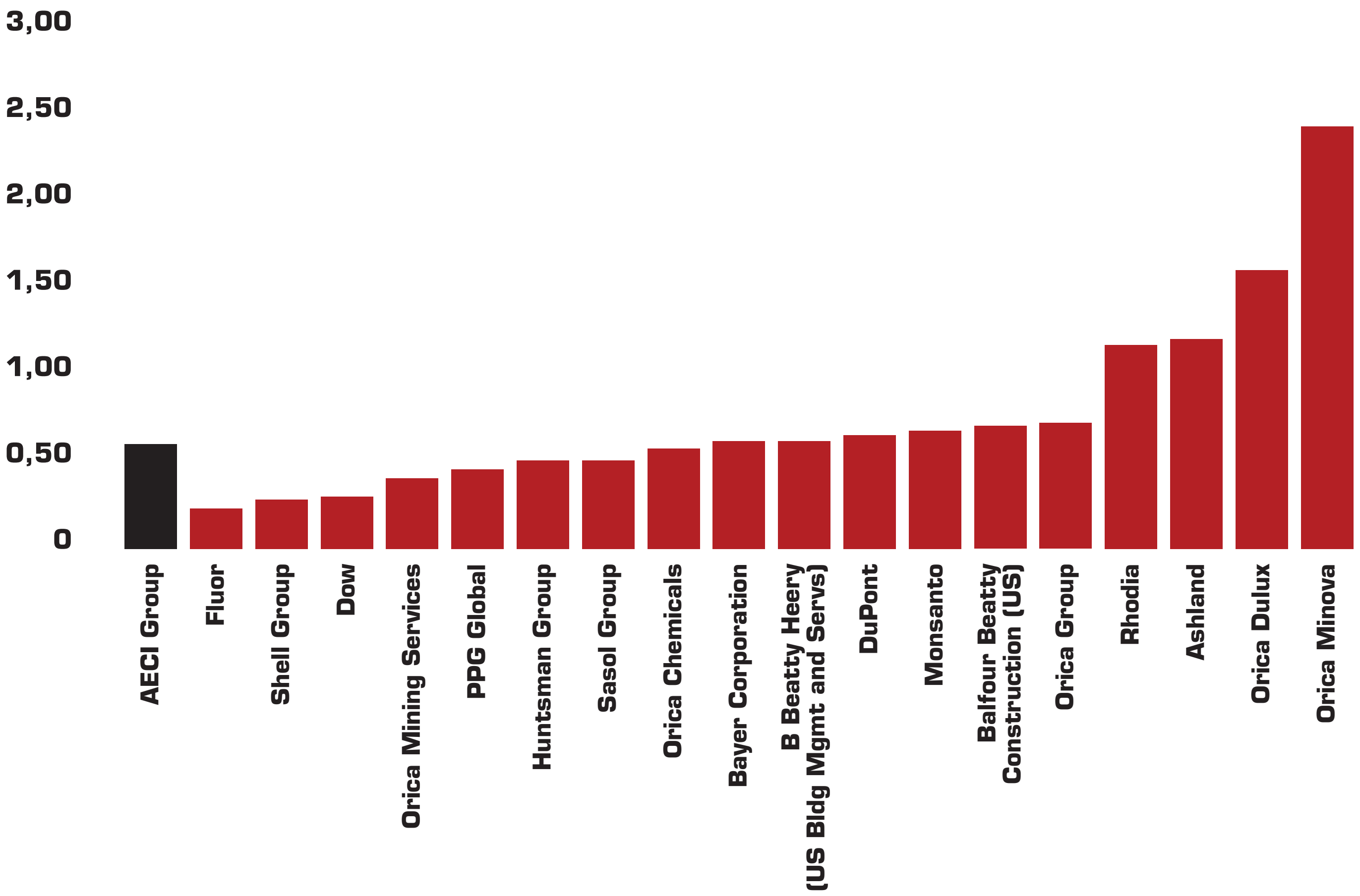
Safety and health performance is expressed as the Total Recordable Incident Rate (TRIR). Prior to 2010, AECI reported statistics separately for employees and contractors. From this year, the two statistics are combined to reflect the incident rate for all who work at AECI's facilities. For information, the separate figures are still shown in the table on page 114, per business segment.

It is gratifying to report that in 2010 AECI achieved its lowest ever level of worker injuries and illnesses. The rate of 0,60[1] represents a 23% reduction from the level recorded in the prior reporting period.

AECI benchmarks itself against an appropriate grouping of international companies, with zero incidents being the ultimate target. Given the need for continual improvement, AECI's Executive Committee has adjusted the maximum tolerable level for the TRIR for 2011 to 0,90 from 0,95 in 2010.

1 Indicates Limited Assurance. See page 126.

BENCHMARKED TRIR



The benchmarked TRIR graph presented here has been compiled by an independent consultant, Rob Ferrie, from the latest information publicly available from the various companies' websites at the time of writing. These companies were selected on the basis of their operations being similar to those of AECI's businesses. Due to minor variations in reporting formats, the rate was recalculated in certain cases to provide results uniform with the USA's Occupational Safety and Health Administration system of reporting, which is the basis for AECI's own reporting.

The majority of these companies report their statistics on the basis of all workers, as AECI has done for 2010. However, unlike AECI, some companies have not included occupational illnesses in their figures.

TRIR performance by business segment

TRIR PERFORMANCE [1]

	Employees	Contractors	Combined
Mining services	0,44	0,54	0,46
Specialty chemicals	0,71	0,96	0,75
Property	0,00	0,89	0,63
Specialty fibres	1,96	0,00	1,96
AECI GROUP	**0,55**	**0,80**	**0,60**

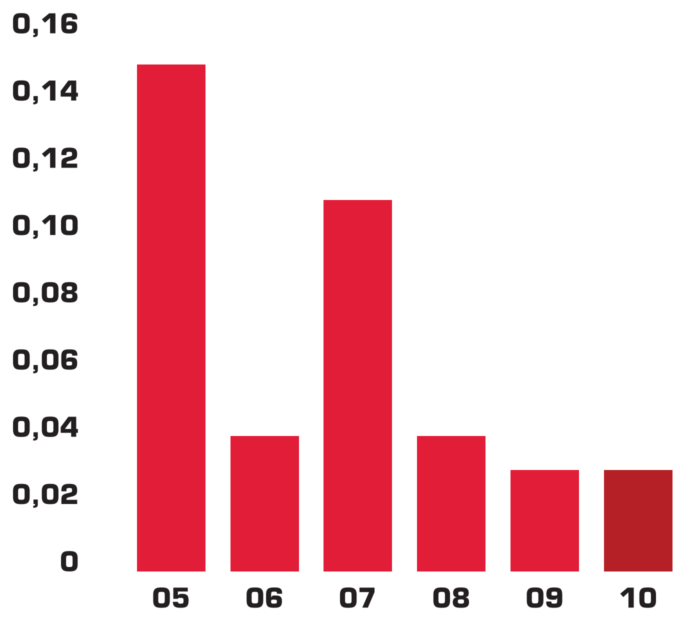
The mining services and specialty chemicals businesses showed exceptionally pleasing reductions in their incident rates. The property business recorded an increase in incidents, largely relating to a substantial demolition project under way in the Western Cape. The injury rate for the fibres business, while still unacceptably high, was half that for 2009 and none of the injuries that occurred were serious.

1 Indicates Limited Assurance. See page 126.

No fatalities occurred in the Group's operations in 2010.

OCCUPATIONAL ILLNESS RATE

The occupational illness rate for 2010 was 0,03. [1]



Three occupational illnesses were reported in 2010. An employee at AEL's Modderfontein site was diagnosed with silicosis and another was removed temporarily from the workplace due to elevated blood lead levels. A third AEL employee, working on a mine, was diagnosed with contact dermatitis. The underlying causes of all three illnesses were rigorously investigated and action plans were put in place to prevent similar illnesses in the future.

WELLNESS AND HIV/AIDS

The welfare and wellbeing of employees is a priority for the AECI Group. All permanent employees are encouraged to join the AECI Medical Aid Society. This Society offers an option for comprehensive cover as well as a more affordable option, which is fully subsidised for lower income earners. Some 90% of permanent employees and their dependants therefore have access to affordable medical care.

In line with the Group's proactive and holistic approach to healthcare, a Wellness Steering Committee is in place. It is fully representative of management, employees and trade unions and has the responsibility of driving and monitoring wellness initiatives and strategy across the Group. The aim is to move from an illness focus to general wellness, acknowledging that overall good health involves a multitude of facets, including lifestyle elements.

To date, the Committee's achievements include the development of peer educators to fully trained Champions of Wellness (Champions). These Champions educate and assist their colleagues in understanding, preventing and managing HIV/Aids and other chronic diseases. Advice on healthy lifestyles is another area of focus.

During 2010, 47 new Champions were trained, bringing the Group-wide total to 116. A Wellness conference was held for the first time. Representatives from all of AECI's South African operations were joined by colleagues from AEL Mining Services in Ghana and Zambia, as well as a delegate from the Ghana Chamber of Mines. Going forward, it is intended that Champions be trained in all countries where AECI's businesses operate.

The Champions' objectives for 2011 are to promote health-seeking behaviour among employees, to enhance their involvement in their respective communities, and to proactively assist employees in a variety of ways, such as improving retirement planning knowledge.

Wellness walks were held simultaneously in Gauteng, KwaZulu-Natal and in the Western Cape. Proceeds from these walks were donated to Ikusasa High School (Gauteng), Inkatha Primary School (KwaZulu-Natal) and Cotlands (Western Cape).

1 Indicates Limited Assurance. See page 126.

Business-specific initiatives in wellness-related matters were as follows:

MINING SERVICES

Two Voluntary Counselling and Testing (VCT) sessions for HIV/Aids were held at AEL. The second drive coincided with World Aids Day in early December. Employee participation was above expectation and additional resources were needed to accommodate the 263 individuals who volunteered for testing. Better HIV/Aids and Wellness awareness is attributed directly to the work of the Champions.

Professional staff from the Employee Assistance Resources (EAR) function again provided employees with counselling on a variety of issues at their places of work, their homes or in hospitals. EAR noted a significant increase in the number of requests for personal loans and salary advances in the year. With the planned reduction in the number of AEL operational personnel at Modderfontein in 2011, it is anticipated that the company's outplacement services will be in great demand.

SPECIALTY CHEMICALS

HIV/Aids-specific programmes are now fully integrated into a broader Wellness programme and the specialty chemical cluster's Wellness Committee has played a leading role in the establishment of the Group-wide Steering Committee. Primary health services and EAR-specific expertise continue to be available to employees through well-established occupational health centres.

PROPERTY

A system to ensure that all employees and contractors receive annual medical examinations through an approved occupational health facility was formalised by Heartland. In terms of HIV/Aids, Heartland's awareness and prevention programme continued with 76% of all employees and contractors at the company's Umbogintwini site undergoing VCT during the year.

Employees at Umbogintwini and Somerset West also participated in the Wellness walk at their sites.

TRAINING AND DEVELOPMENT

The training and development of employees is a key contributor to initiatives in the area of continuous productivity improvements, talent management and the achievement of broader transformation objectives in terms of Employment Equity. In line with their strategic business goals, AECI's businesses implemented the following initiatives:

MINING SERVICES

To develop the skills required to operate its cutting-edge automated detonator manufacturing facility, AEL is training employees in the electrical, fitting, instrumentation and turning trades.
Seventy-five employees participated in the programme, ranging from National Qualifications Framework (NQF) Level 2 to NQF Level 4.
Nineteen learners were engaged in the chemical operations learnership programme, at NQF Level 1 while 59 learners completed NQF Levels 2 and 3 of the same qualification.

As part of AEL's initiative to develop in-house expertise, various courses are conducted internally on mining operations. A total of 144 employees attended mining-related courses, including the Basic Explosives Introductory Course, the Blasting Certificate Course, the Blasting Competency Programme, as well as courses for Blasting in Open Cast Mines/Quarries, Blasting Operations and Mining Engineering. AEL's Management Development Programme is being finalised and aligned to the AECI Group's talent management strategy.

SPECIALTY CHEMICALS

The accelerated development of employees from designated groups remains a strategic focus of training and development. The main emphasis is on developing competent supervisors, managers and operators from these groups.

The improvement of supervisors' skills is achieved through the Super Management Programme. With this approach teamwork is enhanced and the transfer of best practices among employees is facilitated. Ninety eight employees have benefited from this training.

The Management Development Programme continued to be effective with 155 employees participating. The first intake of participants began the Programme in 2007, with completion expected by end-2011.

The Technical Training Centre at Umbogintwini has achieved full accreditation from the Chemical Industries Education and Training Authority (CHIETA) for the provision of Chemical Operations NQF 2 learnerships. Application for the registration of the Training Centre as a Further Education and Training College has been submitted to Umalusi and the Department of Further Education and Training. Umalusi is the quality assurer in the general and further education and training bands of the National Qualifications Framework. Nineteen of the 52 learners trained in 2010 were previously unemployed. The presentation of NQF 3 learnerships, will commence in the latter part of 2011.

A total of 39 apprenticeships and learnerships in various trades were also offered, mainly to unemployed individuals.

Senior Human Resources personnel continue to represent AECI at Governing Board and Chamber level of the CHIETA. Functional experts from the Group are providing assistance in writing unit standards by the Standards Generating Body as well as the National Artisan Training Committee. Internships were offered to 12 students for completion of their in-service training year.

PROPERTY

Heartland provided training for eight apprentices in the year, four each in the mechanical and electrical trades. Five previously unemployed trainees were assisted in the disciplines of analytical chemistry, property valuation, accounting and environmental sciences. In addition, 91 Heartland employees, or 55% of its total staff complement, participated in formal generic and non-generic training programmes.

AECI Group companies submitted their annual Workplace Skills Plans and Training Reports to the CHIETA, as required. Application for Discretionary Grant funding was made to the CHIETA in respect of apprenticeships, analytical chemistry in-service trainees, and learnerships in water/waste water management.

TRADE UNIONS AND EMPLOYEE PARTICIPATION

Trade unions are recognised by AECI as legitimate stakeholders in its businesses and formal recognition agreements are in place with major chemical industry trade unions, namely the Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU), the South African Chemical Workers Union (SACWU), the General Industries Workers Union of South Africa (GIWUSA), Solidarity and the National Employees Trade Union (NETU) at various employment centres across the country. These unions participate in consultative and negotiation structures such as Management/Shop Stewards' Consultative Forums, Employment Equity and Skills Development Steering Committees, and Safety, Health and Environment Committees that deal with issues affecting employees' interests.

With the exception of Heartland, all AECI businesses in South Africa are members of the National Bargaining Council for the Chemical Industry (NBCCI). Substantive collective agreements for the bargaining unit are negotiated on an annual basis with representative trade unions, under the auspices of the Industrial Chemical Sector.

Senior Industrial Relations Managers from AECI participate in this forum as employer representatives.

MINING SERVICES

Several dispute referrals to the NBCCI occurred in the year. As a result, the NBCCI scheduled a relationship-building intervention where it was established that inter-union rivalry still prevails. An action plan was developed to assist in re-establishing relationships. The dispute with regard to the definition of the bargaining unit remains unresolved.

A number of meetings were held in the latter half of 2010 regarding the anticipated Section 189(A) of the Labour Relations Act downsizing in AEL's manufacturing environment. The process is being facilitated by an external party contracted through a private dispute resolution agency. Union demands include increased ex gratia retrenchment packages, permanency of temporary employees, training and development, and share scheme options. It is expected that the consultation process will be completed in the first half of 2011.

SPECIALTY CHEMICALS

National substantive wage negotiations were conducted under the auspices of the NBCCI. Despite challenges and the pressure of a compressed negotiation period to finalise negotiations before the FIFA World Cup, settlement was reached by the parties within the set period, without any interruption to work.

The planned restructuring of Plastamid and the closure of its factory at Elsies Rivier resulted in the transfer of the finance, administration, warehouse and trading business to Industrial Urethanes and unavoidable reductions in manpower.

A dispute was declared by SACWU and CEPPWAWU as representative trade unions against Akulu Marchon and Chemserve Systems at the Group's Chloorkop site regarding wage gaps between employees. The dispute resulted in four weeks of protected industrial action. The dispute was resolved after a mediation process conducted by the Chemical Industry Bargaining Council.

PROPERTY

Activity in the industrial relations arena was very limited. Whilst Heartland's unionised workforce is employed at Umbogintwini and is not party to the Chemical Sector Bargaining Council, in-house agreements provide for the alignment of annual wage adjustments to follow awards agreed to within the Council.

Joint union (SACWU and NETU) and management consultations take place on a quarterly basis and this has resulted in the evolution of a mature approach to resolving matters of mutual interest. Formal disciplinary action was applied in five separate cases, with no resultant terminations, due to misconduct or referrals in terms of the Labour Relations Act. No formal grievance issues were initiated in the year.

EQUAL OPPORTUNITIES

EMPLOYMENT EQUITY AND BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

Employment Equity: background and strategy

AECI is committed to transforming itself into a fully representative South African-based Group of companies and recognises that meeting the requirements of the Employment Equity Act, in terms of representative employment and human resource development, is a business imperative. Closely aligned to this is the achievement of acceptable Broad-Based Black Economic Empowerment (B-BBEE) scorecards.

Accordingly, AECI's Employment Equity and B-BBEE targets were set to ensure that all operations in South Africa achieve Contributor Level 8 (excluding the ownership element) by the end of 2009, with AEL Mining Services maintaining its Level 5 Contributor status. Of the Group's 20 businesses (excluding US-based SANS Technical Fibers), 13 achieved or exceeded their goals and seven were non-compliant.

Plans are in place to ensure that all Group companies are compliant. Accordingly, all operations in South Africa will improve by one level by the end of 2010 (to be measured in 2011); that is, Level 7 for all operations except AEL, which must achieve Level 4.

These targets are part of the Key Performance Indicators which influence individual performance bonuses for Managing Directors of Group businesses.

By mid-2011 AECI is planning to progress a B-BBEE transaction along the lines of the transaction contemplated in 2008 but which was postponed owing to volatility in financial markets at the time. Following the completion of the contemplated transaction, the Group as a whole will be a Level 6 Contributor. Thereafter, AECI will review its B-BBEE performance against existing targets and will set new targets for 2014 and beyond.

AECI's Executive Committee recognises the slow progress made by the Group with regard to the representation of designated groups. This is especially true for the top three occupational levels, namely Top Management, Senior Management and Professionals. To accelerate progress, and in terms of a formal Executive Committee decision, 70% of external appointments at these levels must be from previously disadvantaged groups. Any appointment of a candidate from non-designated groups must be approved by the Chairman of the business entity concerned.

Business-specific commentary is as follows:

Mining services

Efforts to improve AEL's Employment Equity rating continued in 2010, with the company making progress with regard to appointments in support of the Employment Equity component of its B-BBEE objectives.

Specialty chemicals

In compliance with the Employment Equity Act, use of the two-tier consultation process continued.

To redress imbalances in the demographic representation of Senior Management at businesses in the cluster, only Black candidates will be recruited externally for positions in the Skilled category and above, except where a thorough and diligent search has not identified a suitable qualified candidate.

External consultants are advising the businesses on how to improve their performance in respect of B-BBEE. Each chemicals business has appointed a Senior Manager to act as a B-BBEE Champion and to drive transformation initiatives. These Champions have received training on relevant legislation and its interpretation and their knowledge is refreshed as required.

Property

The Employment Equity plan put in place in 2009 will serve as Heartland's platform for its programmes and interventions until 2013.

In 2010, the company achieved a net gain of five previously disadvantaged individuals at the Skilled Technical and Academically-qualified occupational levels. There was a net loss of one white female at the Semi-skilled occupational level.

As in other AECI businesses, there remains a shortage of individuals from designated groups at the Top Management, Senior Management and Professional levels. Appointments at these levels will be in line with the Employment Equity plan.

Heartland Properties and Heartland Leasing undertook a B-BBEE Contributor rating verification in 2009/10. Heartland Properties was rated as non-compliant while Heartland Leasing was rated as a Level 8 Contributor. Emphasis will continue to be placed on management control, Employment Equity and enterprise development.

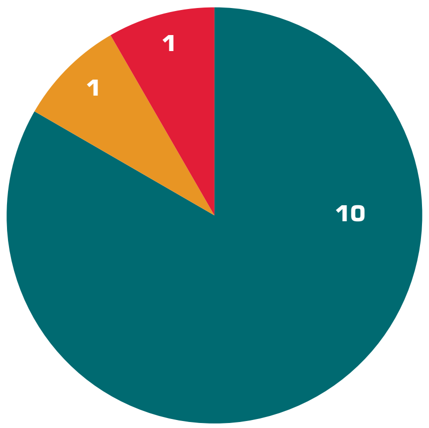
AECI's businesses continue to submit their Employment Equity reports to the Department of Labour as is required by law.

EMPLOYMENT EQUITY STATISTICS

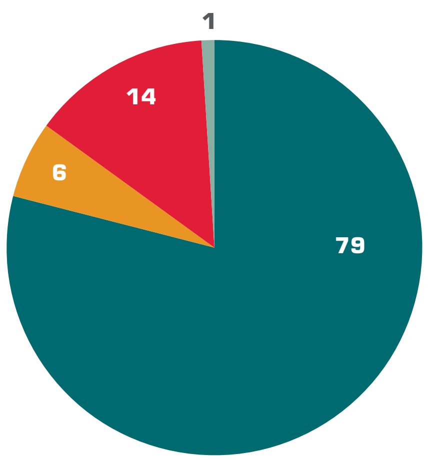
(AECI Group – excluded here are employees at manufacturing and business activities outside of South Africa).
% = percentage of employees from designated groups per category.
Figures in all the graphs refer to employee numbers.

2010[1]

TOP MANAGEMENT – 17%

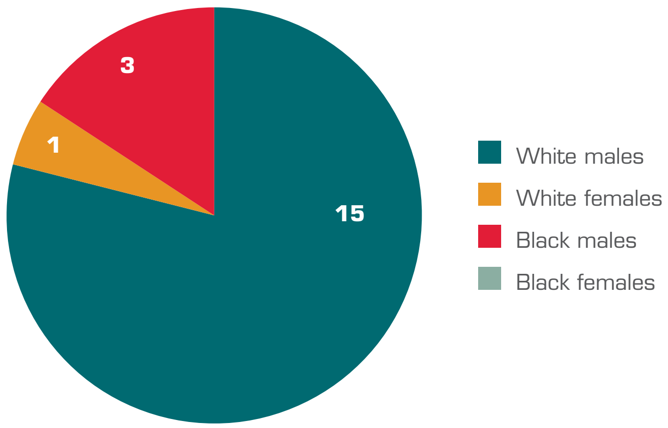


SENIOR MANAGEMENT – 21%

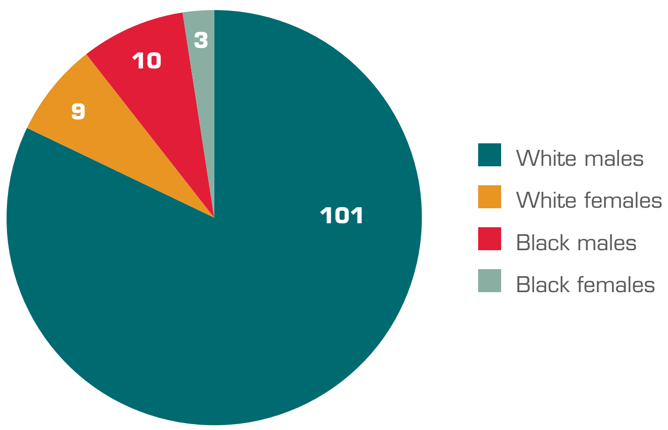


2009

TOP MANAGEMENT – 21%



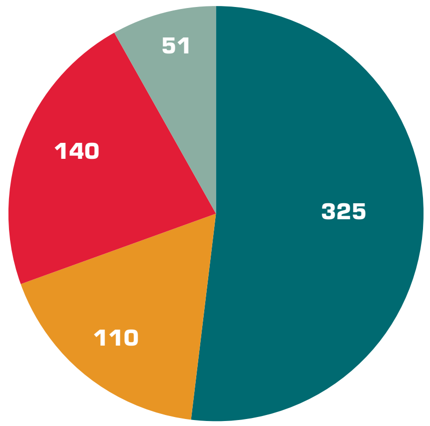
SENIOR MANAGEMENT – 19%



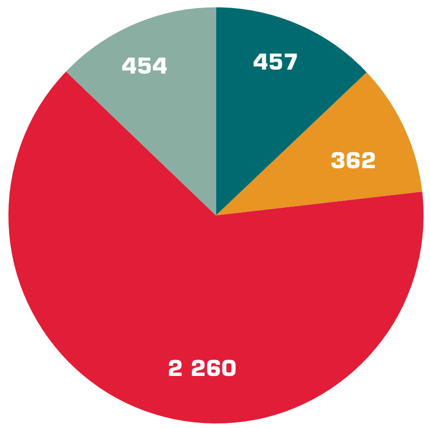
1 Indicates Limited Assurance. See page 126.

2010[1]

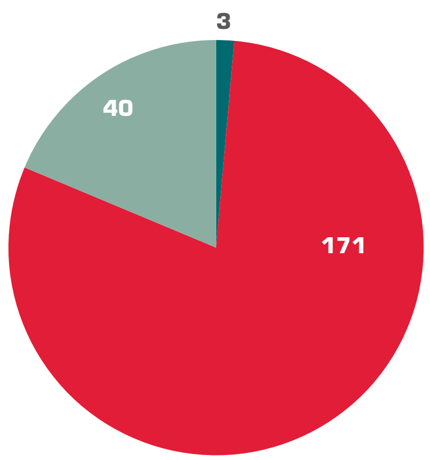
MIDDLE MANAGEMENT AND PROFESSIONALS – 48%



SKILLED AND SEMI-SKILLED – 87%

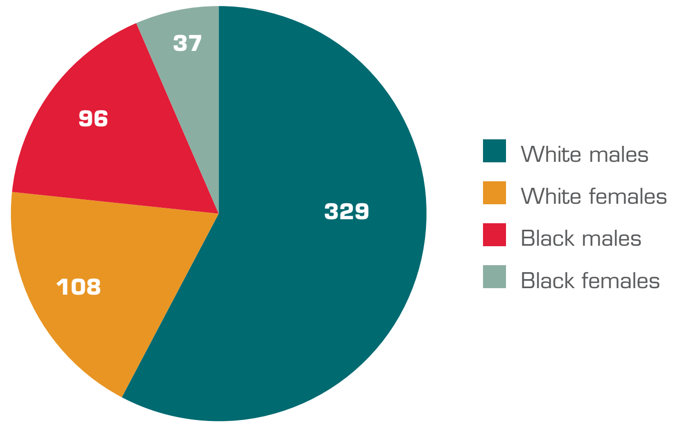


UNSKILLED – 99%

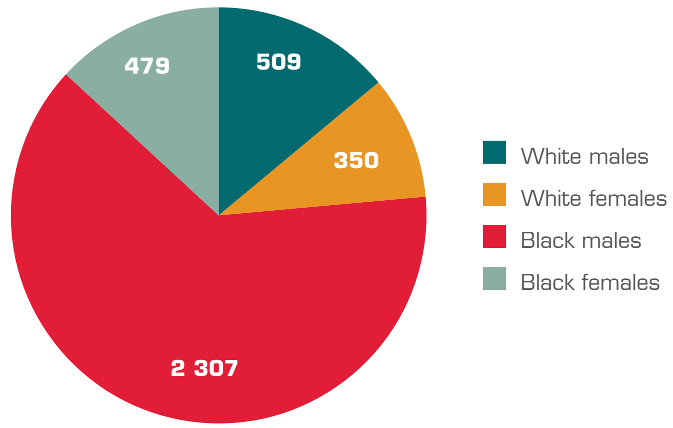


2009

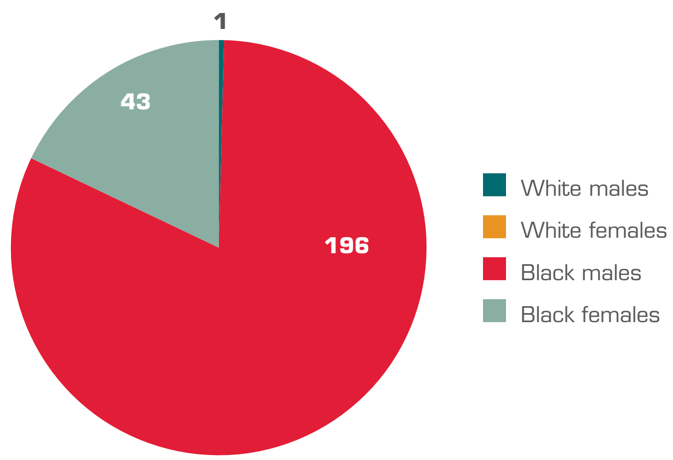
MIDDLE MANAGEMENT AND PROFESSIONALS – 43%



SKILLED AND SEMI-SKILLED – 87%



UNSKILLED – 99%



1 Indicates Limited Assurance. See page 126.

COMMUNITY INVOLVEMENT

The AECI Group recognises its responsibility as a corporate citizen to make a positive contribution to communities, especially those previously disadvantaged and located in areas where AECI businesses operate. The main thrusts of the Group's social investment initiatives are in education, health and environmental projects. Some of the major contributions made in 2010, in money or in kind, are described here.

AECI LIMITED

AECI Chemistry Laboratory – University of the Witwatersrand, Johannesburg

AECI has committed an amount of R15 million, over the next five years from 2011, towards the building of a chemistry laboratory as part of the new Science Stadium under construction on the University of the Witwatersrand's West Campus. It is expected that the laboratory will be in use from February 2012. In addition to being used by the University's students, the University intends establishing an outreach programme which will see secondary school learners from previously disadvantaged areas, where facilities and equipment are often sorely lacking, having access to the laboratory so as to enhance their learning and appreciation of chemistry.

AECI views this investment as a worthwhile longer-term step in addressing the skills shortages that prevail in the chemicals sector.

Sparrow Schools Educational Trust

AECI continued to support the Sparrow Schools Educational Trust. In addition to financial assistance in the amount of R250 000, the Trust received furnishings and artwork that were surplus to requirements at AECI's Head Office. Sparrow fills some of the service delivery gaps that exist in South Africa's education system which result in children and youth who cannot cope academically, in addition to coming from low income or child-headed households or children's homes, not receiving appropriate schooling. They are vulnerable to dropping out of the education system and often face exclusion from the country's economic activity as a consequence.

Sparrow concentrates on the provision of Adult Basic Education and Training in numeracy and literacy; vocational skills training in catering, motor mechanics, carpentry, clothing production, creative design and technology, and welding; computer literacy; entrepreneurship and lifeskills training. Programmes are complemented by learner support services, such as psychosocial assessments and interventions, participation in work experience initiatives, and cultural activities.

MINING SERVICES

AEL together with the TISO AEL Development Trust, a trust established by TISO Capital, a shareholder in AEL, contributed about R1 million to social investment in 2010. The projects included:

Tembisa Schools

Under the auspices of the Maths Centre, four primary and four secondary schools in Tembisa were supported again. The Centre concentrates on upgrading mathematics and science education. Sixty workshops were held for learners in Grades 10, 11 and 12. Year-end results for Grade 12s for mathematics and science improved by an average of 17%.

CIDA

The Trust also continued to support five students studying Business Administration at CIDA City Campus. The financial assistance provided covered tuition fees and a monthly subsistence allowance. An additional investment in the students was made via the provision by AEL of vacation work. All five completed their studies in 2010 and were employed as students by AEL.

Internship Programme

Six interns worked at AEL at different times in 2010. One was placed in the Engineering Training function, one in the Nitrates Department, two in Finance and two joined AEL's Human Resources function. Regrettably, difficulties were experienced in placing a disabled intern into AEL owing to the limited scope of options available. Possibilities continue to be investigated. Six new interns will join the programme in 2011.

SPECIALTY CHEMICALS

Inkatha Primary School

The construction of two, fully equipped classrooms and a fully furnished office block for the school management team is under way at Inkatha Primary School in KwaMakhutha, KwaZulu-Natal. About R866 000 is being invested in this project.

Science and environmental outreach project

The chemicals cluster continued to fund an outreach programme in Hoedspruit coordinated by Southern Cross School, a nature-based schooling system. The programme includes environmental education, mathematics, physical science, technology and computer literacy. It is targeted at educators from disadvantaged surrounding rural areas in Hoedspruit, Limpopo. The contribution for 2010 totalled R460 000.

An amount of R60 000 was also donated to Southern Cross School towards the funding of bursaries for students from the surrounding Hoedspruit area.

Cancer Association of South Africa (CANSA)

CANSA received R300 000 for the renovation and running costs of lodging facilities for parents of children with cancer at Polokwane Hospital, in the North West, and for outreach support to the children in the wards.

This project began nine years ago, with the aim of reducing the impact of cancer on children and their families. The project is comprehensive and offers the child and his/her family the necessary devices, accommodation, support and information. CANSA hopes to extend this concept to the rest of South Africa in future. The initiative demonstrates that with the right knowledge, support and stimulation, children and their families can be motivated and empowered to fight cancer.

Bursaries

Bursaries continue to be offered to university students who are selected on academic merit, with an emphasis on candidates from previously disadvantaged backgrounds.

The chemicals cluster has introduced an employee dependant bursary scheme to assist the deserving children of employees who wish to pursue a tertiary education. Ten such bursaries were awarded in the year. In total, 39 students were funded in 2010. This represents an investment of about R1,5 million.

Other

A number of smaller donations, for a combined sum of about R150 000, were made to charity organisations that focus on education, health and people with disabilities.

PROPERTY

R116 000 was committed to a range of social investment projects in the year. These were in the areas of enterprise development, secondary and tertiary education, HIV/Aids education and prevention, environmental awareness, community upliftment, and sport sponsorship.

Heartland's Quality of Life Committee considers all requests for assistance, using as the overriding criterion the desire to maximise benefits to the greatest number of disadvantaged people in the local communities in which the business operates.

Rental subsidies to previously disadvantaged individuals totalled R3,2 million in the year.

Cotlands

Over several years, AECI and Heartland have developed a relationship with Cotlands, particularly at Somerset West. Cotlands is a non-profit organisation that offers shelter for abused, abandoned, HIV-infected, orphaned and terminally ill children from birth to six years. In addition, community-based services are provided for vulnerable children from birth to 12 years in five of South Africa's provinces.

Cotlands in the Western Cape has a hospice and a sanctuary. Thanks to the successful introduction of antiretroviral therapy, the children now move through the units, depending on their needs at any given time. As part of its residential care programmes the organisation promotes independence and competency for people living with HIV/Aids and, through its community outreach activities, it addresses the social impact of the HIV/Aids epidemic in the province.

A key to Cotland's success is the provision of holistic care, ensuring that the particular needs of each child are met from medical, developmental and emotional status perspectives.

Cotlands commenced its work at Somerset West in an old disused factory building on the AECI site. Its community programme services have outgrown the premises which it occupies rent-free as a beneficiary of Heartland's corporate social investment.

More recently, it was recognised that redevelopment and conversion of the land to a zoned township meant that the existing site occupied by Cotlands would have to make way for an electricity servitude.

Cotlands and Heartland mutually identified an alternative, permanent site within the new township. An existing heritage building, which can be redeveloped, and sufficient land to cater for all of Cotlands' future growth needs have been earmarked for the purpose.

The building and land made available for the new facility afford Cotlands the opportunity to achieve optimal design in terms of its facilities requirements and specialised service offering. It has provided the organisation with security of tenure to establish a permanent presence in Somerset West.

The proposed site, with an estimated value of R10 million, will be handed over once the appropriate rezoning approvals have been procured by Heartland. Construction of the new facility will then be possible. AECI and Heartland are confident that the partnership with Cotlands represents a worthwhile contribution to the local community.

It is currently envisaged that the new building will be ready for occupation in three years' time. In the interim, Heartland has assisted Cotlands further by reducing its monthly rental by more than 60%.

STAKEHOLDER ENGAGEMENT

As already reported, management consults with employees and representative trade unions in a variety of forums on issues that affect employees before decisions are finalised.

Other stakeholders, such as local and national government authorities, neighbours, special interest groups, and other interested and affected parties are engaged both formally and informally at Group sites.

At Modderfontein and Umbogintwini, AECI's largest and oldest manufacturing bases, communication and external party involvement in environmental and development matters as well as other issues of common interest is actively sought and appreciated.

OUTLOOK

In the safety and health arena, a sustained focus will be required to maintain and build upon the significant reduction in incident rates that was achieved in 2010. The management of contractors remains an area of concern, requiring substantial input by management.

Within the Group, an action plan is also being developed with the objective of improving the management of process safety. This discipline of safety management has particular reference to the prevention of fires, explosions and large chemical releases.

The management of environmental issues grows ever more complex in South Africa. The development of appropriate targets in this area will be an important step forward in the Group's efforts to reduce the environmental impact of its operations in a progressive manner. In addition, a number of improvement projects are being evaluated to improve the level of compliance at the Modderfontein manufacturing site, where negotiations are taking place with regulators prior to the finalisation of the site's Water Use Licence. At this site, the Group operates under a Draft Water Use Licence issued in 2006. The current operating environment makes it increasingly difficult to comply fully with the requirements of this Licence. The authorities have proposed a new Licence, the requirements of which will be even more difficult to meet. Discussions with the relevant authorities in 2011 will focus on negotiating these requirements to achieve mutually satisfactory finalisation.

In terms of human capital, it is planned that a comprehensive Group-wide Leadership Development Framework will be rolled out in the second half of 2011. This Framework is part of efforts to enhance leadership talent and Employment Equity initiatives. Specifically, its purposes are to:

- enhance leadership capacity, commitment, alignment and performance to ensure that leaders not only meet current and future organisational requirements, but also lead a high performance, continuous learning and improvement culture; and
- embed a proactive approach to identifying, planning, attracting, developing, retaining and monitoring the supply and demand of key talent.

In addition, the Executive Committee has identified the need to reinforce professional selling skills across all levels in the sales teams of the Group's businesses. During 2011, a Sales Academy will be established in support of each business' sales strategy.

Gary Cundill
Group Technical and Safety, Health and Environment Manager

John Mahlase

John Mahlase
Group Human Resources Manager

Woodmead, Sandton
30 March 2011

INDEPENDENT ASSURANCE REPORT ON SELECTED SUSTAINABILITY INFORMATION

TO THE DIRECTORS OF AECI LIMITED

We have undertaken an assurance engagement on selected sustainability information, as described below and presented in the Corporate Citizenship chapter of the 2010 Annual Report of AECI Limited (AECI) for the year ended 31 December 2010 (the Report).

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

SELECTED SUSTAINABILITY INFORMATION AND LEVEL OF ASSURANCE

We are required to provide limited assurance on the indicators below, marked with the footnote [1] on the relevant pages of the Report:

- **Environmental Indicators**
  Water usage (page 110); Hazardous waste arisings (page 111); Scope 1 and Scope 2 carbon dioxide (CO_2) emissions (page 112); and number of environmental incidents (page 111).
- **Health and Safety Indicators**
  Total Recordable Incident Rate (employees) (page 113); Total Recordable Incident Rate (contractors) (page 114); and Occupational Illness Rate (page 115).
- **Employment Equity Indicators** (expressed as the percentage of employees from designated groups per category) – Black males, Black females, White males, and White females representation at Top Management; Senior Management; Middle Management and Professionals; Skilled and Semi-skilled; and Unskilled levels (pages 120 and 121).

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the sustainability information, the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance, and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived, and for such internal control as the Directors determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for the selection and application of the criteria, which are the Global Reporting Initiative (GRI) G3 Guidelines, supported by AECI's internally developed reporting guidelines which are available on request from AECI, applied to the selected sustainability information.

OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the selected sustainability information based on our work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than the Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures and the extent of our procedures depend on our judgement including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal control relevant to AECI's preparation of the Report. In a limited assurance engagement, the evidence gathering procedures are less than where reasonable assurance is expressed. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

SUMMARY OF WORK PERFORMED

Our work included the following evidence gathering procedures:

- interviewing management to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- testing the controls which generate, collate, aggregate and monitor the selected sustainability information;
- inspecting supporting documentation and performing analytical procedures;
- evaluating whether the selected sustainability information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at AECI.

CONCLUSION

Based on our work performed, nothing has come to our attention that causes us to believe that the selected sustainability information set out above, for the year ended 31 December 2010, is not fairly stated in all material respects in accordance with the GRI G3 Guidelines, supported by AECI's internally developed reporting guidelines.

RESTRICTION ON LIABILITY

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the Directors of AECI in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than AECI for our work, for this report, or for the conclusion we have reached.

KPMG Services (Pty) Limited

Per PD Naidoo
Director

85 Empire Road, Parktown, 2193, Johannesburg
30 March 2011

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:

Rand	**2010**	2009
Euro	**8,88**	10,63
Japanese yen	**0,08**	0,08
Pound sterling	**10,31**	11,89
Swiss franc	**7,10**	7,16
US dollar	**6,65**	7,38

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AECI LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group annual financial statements and the annual financial statements of AECI Limited, which comprise the statements of financial position at 31 December 2010, and the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report as set out on pages 134 to 205.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, No. 61 of 1973, as amended, and for such internal control as the Directors determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of AECI Limited at 31 December 2010, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, No. 61 of 1973, as amended.

KPMG Inc.

Per N van Niekerk
Chartered Accountant (SA)
Registered Auditor
Director
85 Empire Road, Parktown, 2193, Johannesburg
30 March 2011

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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

Overview
Chief Executive's review
Corporate governance
Audit Committee's report
Remuneration report
Corporate citizenship
Directors' report
Basis of reporting
Significant accounting policies
Statements of financial position
Income statements
Statements of comprehensive income
Statements of changes in equity
Statements of cash flows
Notes to the statements of cash flows
Notes to the financial statements

For and on behalf of the Board

Fani Titi
Chairman

Graham Edwards
Chief Executive

Woodmead, Sandton
30 March 2011

DECLARATION BY THE COMPANY SECRETARY

I hereby confirm that AECI Limited has lodged with the Registrar of Companies all such returns in respect of the year under review, 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, to the best of my knowledge and belief, true, correct and up-to-date.

EA Rea
Acting Company Secretary

Woodmead, Sandton
30 March 2011

The Directors have pleasure in submitting their report together with the Group and Company annual financial statements for the year ended 31 December 2010.

NATURE OF BUSINESS

AECI is a specialty product and services Group of companies which provides value-adding solutions to customers through science, technology and industry knowledge. The focus is on serving the mining and manufacturing sectors. The Group has substantially completed a R2 billion strategic capital investment programme to enhance its future growth in these areas, with particular emphasis on mining chemicals.

AECI's core businesses serve global and regional markets. The businesses are characterised by application know-how and service delivery, operate in niche markets, and are supported by leading international technology alliances.

The Company's businesses include AEL Mining Services (AEL), a cluster of specialty chemicals business units, Heartland and SANS Technical Fibers.

AEL is a developer, producer and supplier of commercial explosives, initiating systems and blasting services for the mining, quarrying and construction sectors in Africa and further afield, particularly Indonesia. The business has a presence in 23 countries. It is well established across the African continent and, in line with its international strategy, it has moved successfully into South East Asia. AEL's excellent technology and product positions in initiating systems and bulk explosives have enabled it to enter into mutually beneficial channel partnerships with leading regional explosives players in Europe and in Latin America. AEL's largest site is at Modderfontein, Johannesburg, Gauteng.

In the specialty chemicals cluster, 18 business units supply specialty chemical raw materials and related services for industrial use across a broad spectrum of customers in the manufacturing and mining sectors in South Africa and Southern Africa.

Sales, distribution, production and laboratory facilities are extensive. The cluster has major sites in Johannesburg and Durban, with a number of smaller operations country-wide.

The Group's mining chemicals thrust is anchored in Senmin, part of the specialty chemicals cluster. Senmin operates at Sasolburg in the Free State.

In addition to its core businesses, the Group has a valuable land asset, the release of which is managed carefully. The property activities are managed by Heartland and this company seeks to optimise the value of the property holdings surplus to AECI's operational requirements by selling land and by selectively investing in revenue-producing buildings in order to grow an existing portfolio of rental properties.

The land holdings are significant and are located in prime locations near Johannesburg and Cape Town. More than 3 000 hectares of excess land are available for redevelopment over the next 25 years for residential, commercial and industrial end uses and for leasing purposes.

SANS Technical Fibers, in the USA, is the Group's fourth business. It manufactures and markets a range of high performance, specialty nylon industrial fibres for niche market applications in the USA, Asia and Europe.

AECI has a total employee complement of 6 800, many of whom are engaged in the Group's extensive sales, technical service and distribution networks.

The Company is domiciled in South Africa and is listed on the JSE Limited. At 31 December 2010, its market capitalisation was R9,8 billion.

GROUP RESULTS

The activities and results of the Group are covered on pages 40 to 125 of this Annual Report.

GOING CONCERN

The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The Directors are of the opinion that the Group has adequate resources to continue as a going concern in the foreseeable future.

BORROWING POWERS

In terms of its Articles of Association, the Company has unlimited borrowing powers.

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretation in line with the International Accounting Standards Board (IASB), the Listings Requirements of the JSE Limited (JSE) and the Companies Act, No. 61 of 1973, as amended, and is consistent with that applied at 31 December 2009.

INDEPENDENT AUDITORS

The independent auditors, KPMG Inc., will be recommended for reappointment at the forthcoming Annual General Meeting. Mr N van Niekerk will be recommended for reappointment as the individual designated auditor who will undertake the audit of the Company for the ensuing year. All non-audit services provided by KPMG Inc. are tabled at and approved by the Audit Committee.

SHARE CAPITAL AND SHARE PREMIUM

The issued ordinary share capital of the Company, at 31 December 2010, was 119 135 869 (2009: 119 135 869). No shares were issued during the year under review. The Company also has in issue 3 000 000 5,5% cumulative preference shares of R2 each.

Details of the share premium and the movements during the year are provided in note 12 on page 171 in the annual financial statements.

STRATE

The 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 Transfer Secretaries on telephone number +27 (0)861 100 950 in South Africa or +44 (0)870 889 3176 in the United Kingdom.

DIVIDENDS TO ORDINARY AND PREFERENCE SHAREHOLDERS

A final cash dividend of 135 cents per share was declared on 21 February 2011 and is payable on 18 April 2011.

Details of the dividends declared and paid on the Company's ordinary and preference shares during the 2010 financial year are set out in note 25 on page 182 of the annual financial statements.

DIRECTORATE AND SECRETARY

Details of the Directorate and Secretary of the Company, as at the date of this Report, are shown on pages 26 to 30 of this Annual Report.

In terms of the Company's Articles of Association Messrs RMW Dunne, S Engelbrecht and LM Nyhonyha retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

CHANGES TO THE BOARD

- Mr FPP Baker retired as an Executive Director of the Board on 31 March 2010.
- Mr AJ Morgan and Adv R Ramashia were appointed as Independent Non-Executive Directors with effect from 1 July 2010. They hold office to the conclusion of the next Annual General Meeting in terms of the Company's Articles of Association and, being eligible, offer themselves for appointment at the Annual General Meeting.

DIRECTORS' AND COMPANY SECRETARY'S INTERESTS IN SHARES

	NUMBER OF SHARES		NUMBER OF SHARES	
	2010 Direct	2010 Indirect	2009 Direct	2009 Indirect
EXECUTIVE DIRECTORS				
FPP Baker[1]			2 500	–
GN Edwards	**2 010**	**–**	2 010	–
	2 010	**–**	4 510	–
NON-EXECUTIVE DIRECTORS				
S Engelbrecht	**46 629**	**600**	46 629	600
MJ Leeming	**2 500**	**7 000**	2 500	7 000
	49 129	**7 600**	49 129	7 600
	51 139	**7 600**	53 639	7 600

1 Retired on 31 March 2010.

At 31 December 2010, the Directors and their associates (as defined in terms of the JSE Listings Requirements) had direct and indirect beneficial interests in the share capital of the Company as set out in the table above. There have been no changes in the above interests between the end of the financial year and the date of this Report.

In addition to the above, certain Directors have been allocated share options as detailed in note 31 of the financial statements.

MAJOR SHAREHOLDERS

Details of the interests of shareholders who are directly or indirectly beneficially interested in 3% or more of the Company's capital are included on pages 18 to 23 of this Annual Report.

SUBSIDIARIES AND JOINT VENTURES

Details of each trading subsidiary and joint venture are set out in notes 34 and 33, on pages 204 and 203 respectively, of this Annual Report.

The aggregate net profits and losses, after tax, of subsidiaries and joint ventures attributable to the Company for 2010 were as follows:

Profits: R661 million (2009: R554 million).
Losses: R130 million (2009: R207 million).

SPECIAL RESOLUTION

The Company passed a special resolution, to grant the Directors the general authority to buy back a maximum of 5% of the Company's issued shares, at the Annual General Meeting held on 25 May 2010.

MATERIAL CHANGES

There have been no material changes in the financial or trading position of the Company and its subsidiaries since 31 December 2010.

MAJOR CAPITAL EXPENDITURE

The Group made total additions to its property, plant and equipment and investment property of R633 million (2009: R1 150 million) in the past financial year.

LITIGATION STATEMENT

The Directors are not aware of any litigation or arbitration proceedings, including proceedings that are pending or threatened, that may have or had in the recent past, being at least the previous 12 months, a material effect on the Company's financial position.

COMPLIANCE

At its Modderfontein site, the Group operates under a Draft Water Use Licence issued in 2006. The emission limits specified in this Draft Licence have tightened to the point where the site is no longer in full compliance with the requirements of the Draft Licence. The authorities have proposed a new Licence, the requirements of which will be even more difficult to meet. Discussions with the relevant authorities in 2011 will focus on negotiating these requirements to achieve mutually satisfactory finalisation.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear on pages 26 to 28 of this Annual Report collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this statement contains all information required by law and the JSE Listings Requirements.

The Directors acknowledge that their responsibility includes:

- designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

INTERESTS OF DIRECTORS AND OFFICERS

During 2010, no contracts were entered into in which Directors and Officers of the Company had an interest and which significantly affected the business of the Group. The Directors had no interests in any third party or company responsible for managing any of the business activities of the Group.

REMUNERATION AND EMPLOYEE INCENTIVE PARTICIPATION SCHEMES

Full details regarding Directors' remuneration and the Group's long-term incentive schemes are disclosed in notes 30 and 31, on pages 192 to 201, of this Annual Report.

REPORTING ENTITY

AECI Limited (the Company) is a public company domiciled in South Africa. The address of the Company's registered office is AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton. The consolidated financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities" or "business entities") and the Group's interest in associates and jointly-controlled entities. The Group is involved primarily in the manufacture and distribution of commercial explosives, mainly to the mining sector; chemicals to the mining and manufacturing sectors; specialty fibres, mainly for industrial purposes; as well as the realisation of property surplus to the Group's operational requirements.

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements and the separate financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), and interpretations of those standards, as adopted by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Companies Act of South Africa, No. 61 of 1973, as amended.

The following accounting standards, interpretations and amendments to published accounting standards, which are relevant to the Group but not yet effective, have not been adopted in the current year and will be applied in the reporting period in which they become effective:

- IFRS 7 – relating to revision of the standard on financial instrument disclosures (effective for annual periods commencing on or after 1 January 2011 or 1 July 2011).

  The amended IFRS 7 clarified the interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments, removed certain disclosure requirements and provided for additional disclosure on transfer transactions of financial assets. These amendments to IFRS 7, which will become mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

- IFRS 9 – relating to the recognition and measurement of financial instruments (effective for annual periods commencing on or after 1 January 2013).

  IFRS 9 is a new standard which will replace IAS 39. Due to the phased approach adopted to replacing IAS 39, components of both IFRS 9 and IAS 39 would have to be applied without a full understanding of the entire revised standard and its implications. As a result, an assessment of the impact of IFRS 9 on the consolidated financial statements has not been determined. This assessment will be performed when all three phases have been completed or better clarity on the application of IFRS 9 is presented.

- IAS 24 – relating to revision of the standard on related party disclosures (effective for annual periods commencing on or after 1 January 2011).

  The amended IAS 24 has simplified the definition of a related party, clarified its intended meaning and eliminated inconsistencies from the definition. The amendments to IAS 24, which will become mandatory for the Group's 2011 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

BASIS OF MEASUREMENT

The consolidated financial statements and the separate financial statements have been prepared on the going-concern basis using the historical cost convention, except for available-for-sale financial assets, derivative instruments, the Pension Fund employer surplus accounts and liabilities and for cash-settled share-based payment arrangements which are measured at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements and the separate financial statements have been prepared in South African rand, which is the Company's functional currency. All the financial information has been rounded to the nearest million of rand, except where otherwise stated.

JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

The accounting policies which have been identified as involving particularly complex or subjective judgements or assessments are as follows:

DEFERRED TAX ASSETS

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest and inflation and competitive forces.

ENVIRONMENTAL REMEDIATION

Estimating the future costs of environmental and rehabilitation obligations is complex and requires management to make estimates and judgements because most of the obligations will be fulfilled in the future and laws are often not clear regarding what is required. The resulting provisions are further influenced by changing technologies and political, environmental, safety, business and statutory considerations. As explained in note 14 to the financial statements, the Group has to apply judgement in determining the environmental remediation provision. The provision may need to be adjusted when detailed characterisation of the land is performed or when the end use is determined.

ASSET LIVES AND RESIDUAL VALUES

Property, plant and equipment is depreciated over its estimated useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product lifecycles and maintenance programmes are taken into account. Residual value assessments consider issues such as current market conditions, the remaining useful life of an asset and disposal values.

POST-RETIREMENT BENEFIT OBLIGATIONS

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare inflation costs and rates of increase in compensation costs. The net present value of current estimates for post-retirement medical aid benefits has been discounted to its present value at 9,0% per annum (2009: 10,0%) being the estimated investment return assuming the liability is fully funded.

Medical cost inflation of 7,1% per annum has been assumed (2009: 7,8%). See note 31 to the financial statements.

RESTATEMENT OF COMPARATIVES

The Group has made enhancements to disclosure in the 2010 annual financial statements. This has resulted in expanded disclosure of certain Group and Company comparative information. The changes affect the 2009 disclosures and do not affect the opening statement of financial position for that year.

There is no effect on the face of the income statement, or the statement of changes in equity of the Group or the Company or the statement of financial position of the Group.

The statement of cash flows has changed to provide more detailed disclosure relating to the cash-settled share-based incentive scheme provision disclosed in note 14. The increase in the provision is disclosed under non-cash adjustments to cash generated by operations and cash paid against the provision is disclosed on the face of the statement of cash flows as expenditure relating to non-current provisions. The cash flows were previously disclosed in changes in working capital.

Some of the underlying amounts on the statement of financial position of the Company have changed as a result of changes made to the presentation of loans with subsidiary entities. All loans were previously disclosed as non-current and viewed as part of the net investment in the subsidiary entities. Certain loans have now been disclosed as current due to the fact that regular transactions occur which increase or decrease the loans. These loans are now considered to be more appropriately disclosed as current assets or liabilities. Disclosure has also been amended to reflect interest-bearing loans separately and not to include loans, as part of the net investment in subsidiaries, which are expected to be repaid.

The significant accounting policies of the Group, as set out herein, have been applied consistently throughout the Group and are consistent with those followed in the previous year in all material respects, except as otherwise stated. Unless specifically stated otherwise, the Company also applies all Group accounting policies.

BASIS OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are those entities controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries, including those acquired or disposed of during the year, are included from the dates control commenced and up to the dates control ceased. Intergroup transactions and balances between Group entities as well as any unrealised income and expenditure arising from such transactions are eliminated on consolidation. Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity therein.

JOINT VENTURES

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 Group's participation in joint ventures is accounted for using the proportionate consolidation method by including its share of the underlying assets and liabilities and income statement items with items of a similar nature on a line-by-line basis from the dates of their acquisition until their disposal. Intergroup transactions and balances between Group entities are eliminated on proportionate consolidation to the extent of the Group's interest in the joint venture.

ASSOCIATES

An associate is an entity in which the Group holds an equity interest, over which the Group has significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associate but is no control or joint control over those policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

The post-acquisition results of associate companies are accounted for in the consolidated financial statements using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases. Where a Group entity transacts with an associate of the Group, unrealised profits are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation to or has made payments on behalf of the investee.

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Investments in subsidiaries, associates and joint ventures in the separate financial statements are recognised at cost less impairment losses.

CHANGE IN ACCOUNTING POLICY

From 1 January 2010 the Group has applied IFRS 3 Business Combinations in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on earnings per share. Further details are included in the policy for goodwill.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of or is classified as held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When the operation is classified as a discontinued operation, the comparative income statement and the net cash flows attributable to operating, investing and financing activities are re-presented as if the operation had been discontinued from the start of the comparative period.

GOODWILL

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Goodwill is not amortised. Goodwill of associates is included in the carrying amount of the relevant associate. Goodwill acquired in a business combination for which the agreement date was before 31 March 2004 was previously amortised on a systematic basis over its estimated useful life. The accumulated amortisation previously raised has been set off against the cost.

ACQUISITIONS ON OR AFTER 1 JANUARY 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

If, on a business combination, the fair value of the Group's interest in the identifiable assets and liabilities exceeds the cost of acquisition, this excess, a bargain purchase gain, is recognised in the income statement immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

ACQUISITIONS BETWEEN 31 MARCH 2004 AND 1 JANUARY 2010

For acquisitions between 31 March 2004 and 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in the income statement.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

ACQUISITIONS PRIOR TO 31 MARCH 2004

As part of its transition to IFRS, the Group elected not to restate those business combinations that occurred on or prior to 31 March 2004. In respect of acquisitions prior to 31 March 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

On disposal of a subsidiary, associate, jointly controlled entity or business unit to which the goodwill was allocated on acquisition, the amount attributable to such goodwill is included in the determination of the profit or loss on disposal.

DEFERRED TAX

A deferred tax asset is the amount of income tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and unused tax credits. A deferred tax liability is the amount of income tax payable in future periods in respect of taxable temporary differences.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable, or is the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods.

Deferred tax is recognised in respect of temporary differences between the carrying values of assets and liabilities for accounting purposes and their corresponding values for tax purposes. Deferred tax is also recognised on tax losses. No deferred tax is recognised on temporary differences relating to the initial recognition of goodwill; the initial recognition (other than in a business combination) of an asset or a liability to the extent that neither accounting nor tax profit is affected on acquisition; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is only 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. Deferred tax assets are reviewed at each reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is measured at rates that have been enacted or substantively enacted at the reporting date.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset into a working condition for its intended use, as well as gains and losses on qualifying cash flow hedges and borrowing costs attributable to that asset. Depreciation is provided on property, plant and equipment, other than land, on the straight-line basis at rates which will write off the assets over their estimated useful lives. Assets under construction are not depreciated until they are available for use. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives are as follows:

Property	
– land	unlimited
– buildings	5 to 56 years
Plant and equipment	
– plant and equipment	3 to 30 years
– furniture and fittings	3 to 15 years
– computer equipment	3 to 10 years
– motor vehicles	3 to 12 years

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amounts of the items sold and are recognised in the income statement.

Specific plant spares are measured at cost and are depreciated over the estimated useful lives of the plants to which they relate.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of maintaining property, plant and equipment is recognised in the income statement.

INVESTMENT PROPERTIES

Certain of the Group's land, which was originally acquired as an item of property, plant and equipment and which was subsequently determined to be surplus to the Group's operational requirements, is included at deemed cost on transition to IFRS. The deemed cost is at values determined by sworn appraisers in a period prior to the implementation of IFRS.

The basis of the valuation was the open market value at the time and the surplus over original cost was recognised in other comprehensive income as a separate reserve. When such land is eventually sold to third parties, the proportion of the reserve relating to that land is transferred to distributable reserves.

Investment properties comprising properties surplus to the Group's operational requirements, and leased to third parties, are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated and buildings are estimated to have useful lives of 20 years.

Transfers to and from investment property are made when there is evidence of a change of use. Transfers are measured at the carrying amount immediately prior to transfer and no changes to the carrying amount are made unless the change in use results in an indication of impairment.

ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered principally through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal groups) are measured at the lower of their carrying amount and the fair value less costs to sell. Property, plant and equipment is not depreciated once it has been classified as held for sale.

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis except that no loss is allocated to inventories, financial assets, deferred tax assets, and employee benefits, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment losses.

IMPAIRMENT

FINANCIAL ASSETS

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events occurred after initial recognition of the asset and had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in other comprehensive income is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities the reversal is recognised directly in other comprehensive income.

NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting 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 in order to determine the extent of the impairment loss. The recoverable amount is the higher of its fair value, less costs to sell, and its value in use.

Value in use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Subsequent to the recognition of an impairment loss, the depreciation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses recognised in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets of the cash-generating unit.

An impairment loss is reversed only to the extent that the carrying amount of the asset or cash-generating unit does not exceed the net carrying amount that would have been determined if no impairment loss had been recognised. A reversal of an impairment loss is recognised in the income statement.

Goodwill and the cash-generating units to which it has been allocated are tested for impairment on an annual basis even if there is no indication of impairment. Impairment losses on goodwill are not reversed.

INVENTORIES

Inventories of raw and packing materials, products and intermediates and merchandise are measured at cost using the first-in first-out (FIFO) method or the weighted average cost method depending on the nature or use of the inventories to businesses in the Group.

The cost of products and intermediates comprises raw and packing materials, manufacturing costs, depreciation and an appropriate allocation of production overheads. Costs may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases.

Spares not specific to particular plants are carried at weighted average cost.

Property developments include the cost of properties transferred from investment property and development costs.

In all cases inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, taking into account obsolescence.

PROVISIONS

A provision is 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. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Non-current provisions are determined by discounting the expected future cash flows to their present value at a pre-tax rate that reflects current market assessment of the time value of money.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

ENVIRONMENTAL REMEDIATION

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 annually at the reporting date against changed circumstances, legislation and technology.

REVENUE

Revenue is measured at the fair value of the consideration received or receivable, being invoiced sales of goods and services to customers, net of returns, trade discounts, rebates and value added tax; rental income from investment properties; and sales of land that is surplus to the Group's operational requirements.

Revenue in respect of goods and services sold is recognised when the significant risks and rewards of ownership have been transferred to the purchaser; when delivery has been made and title has passed; when the amount of the revenue and the related costs can be measured reliably; and when recovery of the sale consideration is probable.

Revenue in respect of rentals received from leasing activities is recognised on a straight-line basis over the period of the lease, where fixed escalation clauses apply, and when there is a reasonable expectation that recovery of the lease rental is probable. Where no fixed escalation clauses are applicable to a lease, rental income is recognised in the period in which it is due by the lessee.

Revenue in respect of property transactions is recognised when it is highly probable that the significant risks and rewards of ownership have transferred to the buyer (when there is a binding, unconditional sale agreement). Agreements are unconditional only when the purchase price is covered, in full, by either cash deposited with the conveyancing attorney or by means of an irrevocable guarantee from an acceptable bank in favour of the Group, and when servicing arrangements and costs are substantially finalised.

FOREIGN CURRENCIES

FOREIGN CURRENCY TRANSLATIONS

Transactions in foreign currencies are translated into the functional currencies of each entity within the Group at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency of the entity concerned at the rates of exchange ruling at the dates of the transactions.

Gains or losses arising on exchange differences are recognised in the income statement. Costs associated with forward cover contracts linked to borrowings are included in financing costs.

FOREIGN OPERATIONS

The financial statements of foreign operations within the Group are translated into South African rand as follows:

- assets, including goodwill, and liabilities at the rates of exchange ruling at the reporting date;
- income, expenditure and cash flow items at the weighted average rate of exchange during the accounting period;
- equity at historical rates;
- differences arising on translation are recognised in other comprehensive income and disclosed under the foreign currency translation reserve in non-distributable reserves;
- when a foreign operation is disposed of in full, the relevant amount in the foreign currency translation reserve is recognised in the income statement; and
- differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income in the foreign currency translation reserve.

FINANCIAL INSTRUMENTS

Financial instruments are initially recognised at fair value. Directly attributable transaction costs are included in the amount recognised only when changes in fair value are not subsequently recognised in the income statement. Subsequent to initial recognition these instruments are measured as set out below in respect of derivative and non-derivative financial instruments.

OFFSET

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

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group recognises loans and receivables on the date that they are originated. All other financial assets are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Investments

Listed investments are classified as financial assets at fair value through profit and loss and are carried at market value, calculated by reference to securities exchange prices ruling at the close of business on the reporting date. Changes in the market value are taken to the income statement.

Unlisted investments classified as available-for-sale financial assets are measured at fair value. Changes in fair value are reflected in other comprehensive income unless there is objective evidence that the asset is impaired, in which event the impairment loss is recognised in the income statement. Fair value, for this purpose, is a value arrived at by using appropriate valuation techniques. When an instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to the income statement.

Accounts receivable

Accounts receivable are measured at amortised cost using the effective interest method, less any impairment losses.

Cash

Cash is measured at amortised cost.

Loans to subsidiaries, joint ventures and associates

Loans by the Company to subsidiaries, joint ventures and associates are measured at amortised cost using the effective interest method, less any impairment losses.

Other financial assets

Other financial assets are measured at fair value with changes in fair value being included in the income statement.

Financial liabilities

Financial liabilities, including borrowings and accounts payable, are measured at amortised cost using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments including currency and interest rate 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.

Derivative instruments

Derivative instruments are recognised and measured at fair value with changes in fair value being included in the income statement, other than derivatives designated as cash flow hedges.

Hedge accounting

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

If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in the income statement.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses recognised in other comprehensive income are transferred to the income statement in the same period in which the asset or liability affects the income statement.

If the hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the associated gains or losses recognised in other comprehensive income are included in the initial measurement of the cost of the asset or liability.

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

INVESTMENT INCOME

Interest income is recognised in the income statement as it accrues, and measured using the effective interest method. Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

BORROWING COSTS

Borrowing costs (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

RESEARCH AND DEVELOPMENT

Research costs are written off in the income statement in the year in which they are incurred. Development costs are reviewed on an ongoing basis and are capitalised if they can be measured reliably, the product or process is technically and commercially feasible, it is probable that the asset will generate future economic benefits and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Development costs are expensed in the income statement if they do not qualify for capitalisation. If a project is abandoned during the development stage, the total accumulated expenditure is written off in the income statement.

LEASES

FINANCE LEASES

Leases that transfer substantially all the risks and rewards of ownership 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 the inception of the lease and depreciated over the estimated useful life of the asset or the lease term, if shorter. Lease payments are allocated using the effective interest method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the finance lease liability to the lessor.

Amounts receivable under finance leases, where the Group is the lessor, are recognised in the statement of financial position as a loan receivable at the amount of the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease. Profit or loss on manufactured assets under finance leases is recognised in the income statement when the finance lease is recognised.

OPERATING LEASES

All other leases 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 in the income statement during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, performance bonuses and annual leave represent the amount of the Group's present obligation as a result of employees' services provided up to the reporting date.

Accruals are calculated at undiscounted amounts based on current salary rates.

RETIREMENT BENEFITS

The Group provides defined-contribution and defined-benefit funds for the benefit of employees, the assets of which are held in separate funds. These funds are financed by payments from employees and the Group, taking account of the recommendations of independent actuaries.

DEFINED-CONTRIBUTION PLANS

A defined-contribution plan is a post-retirement benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined-contribution pension plans are recognised in the income statement as incurred.

DEFINED-BENEFIT PLANS

A defined-benefit plan is a post-retirement benefit other than a defined-contribution plan.

The Group's net obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.
Any unrecognised past service costs and the fair value of any plan assets are deducted.
The discount rate is the yield at the reporting date on suitable corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in rand as the benefits are expected to be paid in rand. Actuarial valuations are conducted at least every three years and interim adjustments to those valuations are made annually. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.
In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

To the extent that there is uncertainty as to entitlement to a surplus, the Group does not recognise that surplus as an asset to the extent that it exceeds the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group recognises all actuarial gains and losses arising from entitlements to a surplus and all subsequent actuarial gains and losses in the income statement in the period in which they occur.

If there is a deficit, the Group recognises a liability for the deficit and all subsequent actuarial gains and losses in the income statement in the period in which they occur.

The Group recognises gains and losses on the curtailment or settlement of a defined-benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined-benefit obligations and any related actuarial gains and losses and past service costs that had not previously been recognised.

POST-RETIREMENT MEDICAL AID BENEFITS

The Group provides post-retirement healthcare benefits to certain of its retirees. The present value of the post-retirement medical aid obligations is actuarially determined annually on the projected unit credit method. Actuarial gains and losses are recognised immediately in the income statement.

EQUITY COMPENSATION BENEFITS

The Group has granted share options to certain employees under a share option scheme. In respect of options granted prior to 7 November 2002, no costs are recognised in the income statement other than costs incurred in administering the scheme. In respect of options granted after 7 November 2002, the fair value of the options is measured at grant date and is recognised in the income statement over the vesting period with reference to the costs determined in accordance with the binomial option pricing model. The Group has also granted cash-settled share appreciation rights to certain employees under an equity-based incentive scheme. The fair value is measured initially at the grant date using the binomial option pricing model and is recognised in the income statement over the vesting period, with a corresponding increase in liabilities. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised in the income statement.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal and detailed plan to terminate employment before the normal retirement age. If the benefits are payable more than 12 months after the reporting date, they are discounted to their present value.

INCOME TAX

Income tax comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to a business combination or items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

DIVIDENDS

Dividends are recognised as a liability when declared and are included in the statement of changes in equity. Scrip dividends are recognised, when declared, in share capital and retained earnings in the statement of changes in equity, and are measured at the par value of the shares issued. Secondary tax on companies in respect of such dividends is recognised as a liability when the dividends are recognised as a liability and is included in the tax charge in the income statement.

SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results of all segments are reviewed monthly by the Group's Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance.

Inter-segmental transactions are made on an arm's length basis.

The Group reports on its segments based on the nature of the products or services offered, as follows:

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

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

AT 31 DECEMBER 2010

		GROUP		COMPANY	
R millions	Note	2010	2009	2010	2009
ASSETS					
NON-CURRENT ASSETS		**5 667**	5 360	**4 234**	4 261
Property, plant and equipment	1	**3 564**	3 260	**398**	368
Investment property	2	**440**	430	**73**	73
Goodwill	3	**1 035**	1 063	**882**	905
Pension Fund employer surplus accounts	4	**230**	236	**230**	236
Investment in subsidiaries	5			**1 560**	1 541
Loans to subsidiaries	5			**877**	935
Other investments	6	**20**	13	**56**	59
Deferred tax	7	**356**	344	**158**	144
Loans receivable	8	**22**	14	**–**	–
CURRENT ASSETS		**4 647**	4 668	**3 825**	3 669
Inventories	9	**1 892**	1 827	**561**	607
Accounts receivable	10	**2 023**	2 159	**653**	657
Assets classified as held for sale	11	**–**	14	**–**	14
Loans to subsidiaries	5			**2 608**	2 387
Cash and cash equivalents		**732**	668	**3**	4
TOTAL ASSETS		**10 314**	10 028	**8 059**	7 930
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**4 314**	3 937	**3 224**	3 168
Share capital and share premium	12	**215**	215	**333**	333
Reserves		**164**	251	**203**	224
Retained earnings		**3 935**	3 471	**2 688**	2 611
PREFERENCE SHARE CAPITAL	12	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**4 320**	3 943	**3 230**	3 174
NON-CONTROLLING INTEREST		**148**	115		
TOTAL EQUITY		**4 468**	4 058	**3 230**	3 174
NON-CURRENT LIABILITIES		**2 200**	2 564	**2 078**	2 526
Deferred tax	7	**121**	85	**–**	–
Loans from subsidiaries	5			**442**	458
Non-current borrowings	13	**1 133**	1 731	**920**	1 489
Non-current provisions	14	**946**	748	**716**	579
CURRENT LIABILITIES		**3 646**	3 406	**2 751**	2 230
Accounts payable	15	**2 176**	2 208	**908**	995
Current borrowings	16	**1 368**	1 080	**1 550**	1 148
Loans from joint ventures	5			**83**	–
Loans from subsidiaries	5			**173**	56
Tax payable		**102**	118	**37**	31
TOTAL LIABILITIES		**5 846**	5 970	**4 829**	4 756
TOTAL EQUITY AND LIABILITIES		**10 314**	10 028	**8 059**	7 930

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

R millions	Note	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
CONTINUING OPERATIONS					
REVENUE	17	**11 569**	10 709	**3 598**	3 685
Net operating costs	18	**(10 507)**	(9 942)	**(3 406)**	(3 566)
PROFIT FROM OPERATIONS		**1 062**	767	**192**	119
Net (loss)/income from Pension Fund employer surplus accounts	4	**(6)**	23	**(6)**	23
Net (loss)/income from plan assets for post-retirement medical aid liabilities	14	**(5)**	11	**(6)**	7
		1 051	801	**180**	149
Fair value adjustments – interest		**2**	4	**(1)**	2
Interest expense	19	**(175)**	(243)	**(273)**	(349)
Interest received	20	**21**	21	**307**	369
Investment income	21	**–**	9	**88**	145
Share of profit/(loss) of associate companies	6	**2**	(2)		
		901	590	**301**	316
Impairment of goodwill	3	**(28)**	(18)	**(23)**	(18)
Impairment of property, plant and equipment	1	**(4)**	(16)	**–**	(4)
Gain on acquisition of subsidiary		**4**	–	**–**	–
Reversal of impairment of property, plant and equipment	1	**–**	7	**–**	–
Reversal of impairment of investments	18	**–**	–	**28**	29
PROFIT BEFORE TAX		**873**	563	**306**	323
Income tax expense	22	**(233)**	(176)	**(74)**	(69)
PROFIT FROM CONTINUING OPERATIONS		**640**	387	**232**	254
DISCONTINUED OPERATIONS					
Profit/(loss) from discontinued operations, net of tax	23	**–**	53	**–**	(5)
PROFIT FOR THE YEAR		**640**	440	**232**	249
ATTRIBUTABLE TO:					
Ordinary shareholders		**600**	421	**230**	247
Preference shareholders		**2**	2	**2**	2
Non-controlling interest		**38**	17		
		640	440	**232**	249
PER ORDINARY SHARE (CENTS)					
– Basic earnings	24	**559**	393		
– Diluted basic earnings	24	**558**	392		
– Headline earnings	24	**577**	346		
– Diluted headline earnings	24	**575**	344		
Continuing operations					
– Basic earnings	24	**559**	344		
– Diluted basic earnings	24	**558**	343		
– Ordinary dividends paid	25	**132**	169		
– Ordinary dividends declared after the reporting date	25	**135**	62		

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
PROFIT FOR THE YEAR	**640**	440	**232**	249
OTHER COMPREHENSIVE INCOME BEFORE TAX:	**(94)**	(205)	**(23)**	(61)
Foreign currency loan translation differences	**(4)**	(82)	**(23)**	(67)
Foreign operation translation differences	**(90)**	(114)	**–**	–
Cash flow hedge fair value adjustments	*****	(9)	*****	6
TAX EFFECTS ON OTHER COMPREHENSIVE INCOME:	**10**	30	**6**	18
Foreign currency loan translation differences	**10**	27	**6**	18
Cash flow hedge fair value adjustments	*****	3	*****	*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**556**	265	**215**	206
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Ordinary shareholders	**516**	250	**213**	204
Preference shareholders	**2**	2	**2**	2
Non-controlling interest	**38**	13	**–**	–
	556	265	**215**	206

* Nominal amount.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

R millions	Ordinary share capital	Share premium	**Total ordinary capital**	Property revaluation surplus	Foreign currency translation reserve	Other reserves	**Total other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Preference share capital**	**Total equity**
GROUP												
Balance at 1 January 2009	107	108	**215**	240	168	19	**427**	**3 210**	**3 852**	**111**	**6**	**3 969**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				(3)	(165)	(8)	**(176)**	**426**	**250**	**13**	**2**	**265**
Profit for the year								**421**	**421**	**17**	**2**	**440**
Foreign currency loan translation differences					(82)		**(82)**		**(82)**			**(82)**
Deferred tax on foreign currency loan translation differences					27		**27**		**27**			**27**
Transfers to retained earnings				(3)		(2)	**(5)**	**5**	**–**			**–**
Foreign operation translation differences					(110)		**(110)**		**(110)**	**(4)**		**(114)**
Cash flow hedge fair value adjustments						(9)	**(9)**		**(9)**			**(9)**
Deferred tax on cash flow hedge fair value adjustments						3	**3**		**3**			**3**
TRANSACTIONS WITH OWNERS	*		*				*	**(165)**	**(165)**	**(9)**	**(2)**	**(176)**
Dividends paid	*		*				*	**(165)**	**(165)**		**(2)**	**(167)**
Business combinations										**(9)**		**(9)**
BALANCE AT 31 DECEMBER 2009	**107**	**108**	**215**	**237**	**3**	**11**	**251**	**3 471**	**3 937**	**115**	**6**	**4 058**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				–	(84)	(3)	**(87)**	**603**	**516**	**38**	**2**	**556**
Profit for the year					(3)		**(3)**	**600**	**600**	**41**	**2**	**640**
Foreign currency loan translation differences					(4)		**(4)**		**(4)**			**(4)**
Deferred tax on foreign currency loan translation differences					10		**10**		**10**			**10**
Transfers to retained earnings						(3)	**(3)**	**3**	**–**			**–**
Foreign operation translation differences					(87)		**(87)**		**(87)**	**(3)**		**(90)**
Cash flow hedge fair value adjustments						*	*		*			*
Deferred tax on cash flow hedge fair value adjustments						*	*		*			*
TRANSACTIONS WITH OWNERS								**(142)**	**(142)**	**(2)**	**(2)**	**(146)**
Dividends paid								**(142)**	**(142)**	**(2)**	**(2)**	**(146)**
BALANCE AT 31 DECEMBER 2010	**107**	**108**	**215**	**237**	**(81)**	**8**	**164**	**3 935**	**4 314**	**148**	**6**	**4 468**

* Nominal amount.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

R millions	Ordinary share capital	Share premium	**Total ordinary capital**	Property revaluation surplus	Foreign currency translation reserve	Other reserves	**Total other reserves**	**Retained earnings**	**Total**	**Preference share capital**	**Total equity**
COMPANY											
Balance at 1 January 2009	119	214	**333**	241	29	(3)	**267**	**2 549**	**3 149**	**6**	**3 155**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					(49)	6	**(43)**	**247**	**204**	**2**	**206**
Profit for the year								**247**	**247**	**2**	**249**
Foreign currency loan translation differences					(67)		**(67)**		**(67)**		**(67)**
Deferred tax on foreign currency loan translation differences					18		**18**		**18**		**18**
Cash flow hedge fair value adjustments						6	**6**		**6**		**6**
Deferred tax on fair value adjustments						*	*		*		*
TRANSACTIONS WITH OWNERS	*		*				*	**(185)**	**(185)**	**(2)**	**(187)**
Dividends paid	*		*				*	**(185)**	**(185)**	**(2)**	**(187)**
BALANCE AT 31 DECEMBER 2009	**119**	**214**	**333**	**241**	**(20)**	**3**	**224**	**2 611**	**3 168**	**6**	**3 174**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					(17)	(4)	**(21)**	**234**	**213**	**2**	**215**
Profit for the year								**230**	**230**	**2**	**232**
Foreign currency loan translation differences					(23)		**(23)**		**(23)**		**(23)**
Deferred tax on foreign currency loan translation differences					6		**6**		**6**		**6**
Transfers to retained earnings						(4)	**(4)**	**4**	**–**		**–**
Cash flow hedge fair value adjustments						*	*		*		*
Deferred tax on fair value adjustments						*	*		*		*
TRANSACTIONS WITH OWNERS								**(157)**	**(157)**	**(2)**	**(159)**
Dividends paid								**(157)**	**(157)**	**(2)**	**(159)**
BALANCE AT 31 DECEMBER 2010	**119**	**214**	**333**	**241**	**(37)**	**(1)**	**203**	**2 688**	**3 224**	**6**	**3 230**

* Nominal amount.

FOREIGN CURRENCY TRANSLATION RESERVE
The foreign currency translation reserve comprises all foreign exchange differences from the translation of the financial statements of foreign operations, as well as from the translation of monetary items receivable from or payable to a foreign operation.

PROPERTY REVALUATION SURPLUS RESERVE
The surplus on revaluation of property arose on the revaluation of all Group property on a date prior to the transition to International Financial Reporting Standards and is used as deemed cost in accordance with IFRS 1. The surplus is released to retained earnings as and when the related investment property is disposed of.

OTHER RESERVES
Included in reserves is a revaluation reserve for cash flow hedges and the statutory reserve required for the Group's captive insurance subsidiary company.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

			GROUP		COMPANY	
R millions		Note	**2010**	2009	**2010**	2009
CASH GENERATED BY OPERATIONS		i	**1 654**	1 145	**421**	235
Dividends received			**2**	12	**88**	145
Interest paid			**(268)**	(349)	**(273)**	(363)
Interest received			**21**	22	**307**	372
Income tax paid		ii	**(209)**	(333)	**(76)**	(110)
Changes in working capital		iii	*****	1 153	**(39)**	992
Expenditure relating to non-current provisions			**(37)**	(93)	**(29)**	(59)
Expenditure relating to retrenchments and restructuring			**(33)**	(105)	**(33)**	(105)
Cash available from operating activities			**1 130**	1 452	**366**	1 107
Dividends paid		iv	**(146)**	(167)	**(159)**	(187)
Cash flows from operating activities			**984**	1 285	**207**	920
Cash flows from investing activities			**(581)**	(981)	**(41)**	(1 000)
Net replacement of property, plant and equipment to maintain operations			**(212)**	(20)	**(65)**	(53)
Replacement of property, plant and equipment			**(236)**	(187)	**(66)**	(80)
Proceeds from disposal of property, plant and equipment			**24**	167	**1**	27
Investments to expand operations			**(404)**	(1 055)	**(8)**	(947)
Acquisition of	– property, plant and equipment		**(397)**	(963)	**(19)**	(17)
	– investments		**(6)**	(6)	**–**	–
	– subsidiaries	v	*****	(53)	**–**	–
	– businesses	v	**(1)**	(33)	**–**	–
Loans with subsidiaries and joint ventures					**11**	(930)
Proceeds from disposal of investments and businesses			**35**	94	**32**	–
Proceeds from disposal of	– associate companies		**3**	–	**–**	–
	– unlisted investments		**32**	–	**32**	–
	– listed investments		**–**	94	**–**	–
NET CASH GENERATED/(UTILISED)			**403**	304	**166**	(80)
Cash flows from financing activities			**(299)**	(6)	**(167)**	18
Non-current borrowings	– raised		**39**	188	**38**	180
	– repaid		**(223)**	(109)	**(185)**	(74)
Current borrowings	– raised		**201**	306	**307**	289
	– repaid		**(327)**	(377)	**(327)**	(377)
Finance lease receivables	– raised		**–**	(14)	**–**	–
	– received		**11**	–	**–**	–
Increase/(decrease) in cash			**104**	298	**(1)**	(62)
Cash and cash equivalents at the beginning of the year			**668**	444	**4**	67
Translation loss on cash			**(40)**	(74)	**–**	(1)
Cash at the end of the year			**732**	668	**3**	4

* Nominal amount.

NOTES TO THE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	GROUP		COMPANY	
R millions	**2010**	2009	**2010**	2009
i. CASH GENERATED BY OPERATIONS				
Profit from continuing operations	**1 062**	767	**192**	119
Profit from discontinued operations	**–**	66	**–**	13
Profit from operations	**1 062**	833	**192**	132
Adjusted for non-cash movements:				
Closure costs	**15**	16	**15**	16
Depreciation and amortisation	**332**	267	**55**	49
Non-current provisions	**252**	126	**179**	63
Surplus on disposal of property, plant and equipment	**(5)**	(88)	*****	(25)
Surplus on disposal of associate company	**(4)**	–	**–**	–
Surplus on disposal of investment classified as held for sale	**(18)**	–	**(18)**	–
Loss/(surplus) on disposal of subsidiaries	**20**	–	**(2)**	–
Surplus on disposal of listed investments	**–**	(34)	**–**	–
Change in fair value of investments	**–**	25	**–**	–
	1 654	1 145	**421**	235
ii. INCOME TAX PAID				
Owing at the beginning of the year	**(118)**	(314)	**(31)**	(134)
Current charge for the year	**(198)**	(145)	**(82)**	(7)
Translation differences	**5**	8	**–**	–
Owing at the end of the year	**102**	118	**37**	31
	(209)	(333)	**(76)**	(110)
iii. CHANGES IN WORKING CAPITAL				
(Increase)/decrease in inventories	**(65)**	968	**46**	586
Decrease in accounts receivable	**139**	1 029	**4**	935
Decrease in accounts payable	**(36)**	(781)	**(88)**	(470)
	38	1 216	**(38)**	1 051
Translation differences	**(38)**	(72)	**(1)**	(59)
Business combinations	*****	9	**–**	–
	*****	1 153	**(39)**	992
iv. DIVIDENDS PAID				
Paid during the year (see note 25)	**144**	167	**159**	187
Paid to minority shareholders	**2**	–	**–**	–
	146	167	**159**	187
v. BUSINESS COMBINATIONS				
Property, plant and equipment	**–**	1	**–**	–
Working capital	*****	9	**–**	–
Deferred tax	**(1)**	–	**–**	–
Non-controlling interest	**–**	9	**–**	–
Goodwill	**2**	67	**–**	–
Net cash outflow	**1**	86	**–**	–
Acquisition of businesses and subsidiaries (see note 34)	**1**	86	**–**	–
Net consideration paid to acquire subsidiaries	*****	53	**–**	–
Consideration paid to acquire businesses	**1**	33	**–**	–
	1	86	**–**	–

* Nominal amount.

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
1. PROPERTY, PLANT AND EQUIPMENT							
GROUP							
2010							
Cost	**585**	**3 429**	**92**	**211**	**268**	**1 096**	**5 681**
At the beginning of the year	**528**	**3 093**	**89**	**196**	**232**	**1 083**	**5 221**
Additions	**76**	**295**	**10**	**28**	**60**	**162**	**631**
Borrowing costs capitalised	**–**	**–**	**–**	**–**	**–**	**93**	**93**
Disposals	**(5)**	**(141)**	**(6)**	**(12)**	**(11)**	**(4)**	**(179)**
Transfers and other	**2**	**199**	**(1)**	**–**	**–**	**(200)**	**–**
Transferred to investment property	**(11)**	**–**	**–**	**–**	**–**	**–**	**(11)**
Translation differences	**(5)**	**(17)**	*****	**(1)**	**(13)**	**(38)**	**(74)**
***Less*: Accumulated depreciation and impairment**	**173**	**1 588**	**64**	**148**	**144**	**–**	**2 117**
At the beginning of the year	**161**	**1 483**	**60**	**133**	**124**	**–**	**1 961**
Disposals	**(4)**	**(108)**	**(6)**	**(11)**	**(9)**	**–**	**(138)**
Transferred to investment property	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**
Translation differences	**(3)**	**(25)**	**1**	**(2)**	**(6)**	**–**	**(35)**
Impairment during the year	**–**	**–**	**–**	**4**	**–**	**–**	**4**
Depreciation for the year	**23**	**238**	**9**	**24**	**35**	**–**	**329**
Carrying amount	**412**	**1 841**	**28**	**63**	**124**	**1 096**	**3 564**
2009							
Cost	528	3 093	89	196	232	1 083	5 221
At the beginning of the year	507	3 137	85	183	187	1 063	5 162
Additions	75	451	9	37	32	543	1 147
Additions through business combinations	–	1	*	*	*	–	1
Borrowing costs capitalised	–	33	–	–	–	72	105
Disposals	(45)	(981)	(2)	(21)	(8)	–	(1 057)
Transfers and other	6	547	*	(2)	33	(585)	(1)
Transferred to investment property	(6)	–	–	–	–	–	(6)
Translation differences	(9)	(95)	(3)	(1)	(12)	(10)	(130)
***Less*: Accumulated depreciation and impairment**	161	1 483	60	133	124	–	1 961
At the beginning of the year	167	2 261	55	135	113	–	2 731
Disposals	(24)	(925)	(1)	(21)	(7)	–	(978)
Transfers and other	1	*	*	*	(1)	–	–
Translation differences	(4)	(48)	(3)	(4)	(7)	–	(66)
Impairment reversals during the year	–	(7)	–	–	–	–	(7)
Impairment during the year	–	16	–	–	–	–	16
Depreciation for the year	21	186	9	23	26		265
Carrying amount	367	1 610	29	63	108	1 083	3 260

* Nominal amount.

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
1. PROPERTY, PLANT AND EQUIPMENT (continued)							
COMPANY							
2010							
Cost	**44**	**683**	**25**	**40**	**20**	**22**	**834**
At the beginning of the year	**38**	**651**	**25**	**38**	**19**	**22**	**793**
Additions	**4**	**45**	**2**	**4**	**2**	**27**	**84**
Disposals	**–**	**(40)**	*****	**(2)**	**(1)**	*****	**(43)**
Transfers and other	**2**	**27**	**(2)**	**–**	**–**	**(27)**	**–**
***Less*: Accumulated depreciation and impairment**	**10**	**371**	**18**	**22**	**15**	**–**	**436**
At the beginning of the year	**8**	**367**	**16**	**20**	**14**	**–**	**425**
Disposals	**–**	**(39)**	*****	**(2)**	**(1)**	**–**	**(42)**
Depreciation for the year	**2**	**43**	**2**	**4**	**2**	**–**	**53**
Carrying amount	**34**	**312**	**7**	**18**	**5**	**22**	**398**
2009							
Cost	38	651	25	38	19	22	793
At the beginning of the year	35	1 496	23	42	18	84	1 698
Additions	10	59	2	14	2	8	95
Borrowing costs capitalised	–	–	–	–	–	4	4
Disposals	(1)	(978)	*	(18)	(1)	–	(998)
Transfers and other	–	74	*	*	–	(74)	–
Transferred to investment property	(6)	–	–	–	–	–	(6)
***Less*: Accumulated depreciation and impairment**	8	367	16	20	14	–	425
At the beginning of the year	8	1 299	15	34	13	–	1 369
Disposals	(1)	(976)	*	(17)	(1)	–	(995)
Transfers and other	*	*	*	*	–	–	–
Impairment during the year	–	4	–	–	–	–	4
Depreciation for the year	1	40	1	3	2	–	47
Carrying amount	30	284	9	18	5	22	368

* Nominal amount.

ADDITIONAL INFORMATION

	GROUP		COMPANY	
R millions	**2010**	2009	**2010**	2009
Insured value of property, plant and equipment	**14 731**	9 330	**3 345**	1 750

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.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
2. INVESTMENT PROPERTY				
COST	**504**	487	**133**	131
At the beginning of the year	**487**	477	**131**	123
Additions	**3**	4	**2**	2
Disposals	**–**	*	**–**	*
Transfers from property, plant and equipment	**11**	6	**–**	6
Transferred to property development	**3**	–	**–**	–
***Less*: Accumulated depreciation**	**64**	57	**60**	58
At the beginning of the year	**57**	55	**58**	56
Transfers from property, plant and equipment	**4**	–	**–**	–
Depreciation for the year	**3**	2	**2**	2
Carrying amount	**440**	430	**73**	73
ADDITIONAL INFORMATION				
Fair value	**2 898**	2 898	**872**	872
Rental and service income from investment property	**277**	244	**300**	263
Direct operating expenses – relating to rental and service income	**(149)**	(120)	**(149)**	(120)

* Nominal amount.

The Company leases property, offices and industrial sites to external customers as well as to its subsidiary companies under operating leases. The lease periods are between three and five years, with most leases having a three-year term, with annual escalations between 8% and 10%. The gross lettable area of the office and industrial sites is approximately 320 000m² (2009: 342 000m²). Revenue from the investment property also includes amounts related to the provision of steam, water, effluent management, rail services and bulk electricity, mainly at the Umbogintwini site.

The Valuation Division of Old Mutual Investment Group Property Investments compiled an independent valuation of the Group-owned investment property in 2008 and 2009 to assist management in determining the fair value of the investment property. The valuation was performed to determine an indicative market value. Market value is based on the concept of highest and best use, which can be defined as the optimum likely use to which a property can be exploited, given the physical feasibility, the economic viability and legal constraints. A number of valuation techniques were used depending on the optimum likely use of the property. These techniques included the comparable sales approach, the residual sales approach based on a discounted cash flow and the income approach for the income-producing properties.

The comparable sales approach is based on recent sales of comparable properties in the surrounding area, which are analysed to provide an estimate of value for the subject property with adjustments for differing characteristics. The comparable transactions are analysed in terms of their use and the purchase price adjusted for variances in the quality of the space. This purchase price is then divided by the Gross Lettable Area to determine a value rate per square metre which is applied to the subject property in order to derive a value. The residual sales approach determines the present value of the difference between the income that will be derived from the sale of the subdivided erven less the costs to be incurred to produce the income generated from the sale of the subdivided erven to arrive at a residual land value.

The income approach is based on a discounted cash flow incorporating the lease obligations, including escalations, to termination. At lease expiry, a new lease is assumed and the commencing rent is assumed to be the current gross market rental escalated at an appropriate growth rate. The present value of the future cash flow is added to the present value of the hypothetical exit value, being the hypothetical net annual income capitalised into perpetuity at an appropriate market-related rate. The discount and exit capitalisation rates are determined by reference to comparable sales, appropriate surveys prepared by industry professionals, benchmarking against other comparable valuations, and after consultation with experienced and informed people in the property industry including other valuers, brokers, managers and investors.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
3. GOODWILL				
COST	**1 159**	1 159	**977**	977
At the beginning of the year	**1 159**	1 091	**977**	977
Additions	**2**	67	**–**	–
Foreign currency translation	**(2)**	1	**–**	–
***Less*: Accumulated impairment losses**	**124**	96	**95**	72
At the beginning of the year	**96**	78	**72**	54
Impairment charge for the year	**28**	18	**23**	18
Carrying amount	**1 035**	1 063	**882**	905
Goodwill is allocated to groups of cash-generating units based on Group business segments as follows:				
Mining services	**273**	273	**–**	–
Specialty chemicals	**762**	790	**882**	905
Carrying amount	**1 035**	1 063	**882**	905

The goodwill arose on the acquisition of subsidiaries and businesses by the Group. The goodwill within the specialty chemicals segment is allocated to individual business units. During the year, three business units experienced reductions in their trading volumes which are expected to remain low. This resulted in the impairment of the related goodwill allocated to those business units.

IMPAIRMENT OF GOODWILL
Goodwill is tested for impairment by calculating the value-in-use of the cash-generating unit or units to which the goodwill is allocated.

Value-in-use was determined by discounting the future cash flows generated from the continuing use of the cash-generating unit and was based on the following key assumptions:

- cash flows were projected based on actual operating results and the business plan;
- a discount rate of 13,0% (2009: 14,0%) was applied in determining the recoverable amount of the units. The discount rate was estimated based on the Group's weighted average cost of capital.

A reasonably possible change in the assumptions used to calculate the value-in-use is not likely to cause the carrying value of the remaining cash-generating units to exceed their recoverable amount.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
4. PENSION FUND EMPLOYER SURPLUS ACCOUNTS				
AECI PENSION FUND				
At the beginning of the year	**227**	213	**227**	213
Net (loss)/income for the year	**(11)**	14	**(11)**	14
Apportionment of surplus during the year	**–**	100	**–**	100
Utilised during the year				
– Transferred to the AECI Supplementary Pension Fund	**–**	(90)	**–**	(90)
– Settlement of contribution shortfalls	**(31)**	(22)	**(31)**	(22)
Pro rata share of investment returns earned	**20**	26	**20**	26
At the end of the year	**216**	227	**216**	227
AECI SUPPLEMENTARY PENSION FUND				
At the beginning of the year	**9**	–	**9**	–
Net income for the year	**5**	9	**5**	9
Transferred from the AECI Pension Fund	**–**	90	**–**	90
Utilised during the year				
– Settlement of shortfall on reserves of the Fund	**–**	(81)	**–**	(81)
Pro rata share of investment returns earned	**5**	–	**5**	–
At the end of the year	**14**	9	**14**	9
Total Pension Fund employer surplus accounts	**230**	236	**230**	236

Employer surplus accounts, belonging to the Company, in the AECI Pension Fund and the AECI Supplementary Pension Fund are recognised as assets (see note 31). The employer surplus account in the AECI Pension Fund is invested specifically in the AECI Pension Fund's property portfolio and in cash with returns earned from net rental income, revaluation of the property and cash interest. The employer surplus account in the AECI Supplementary Pension Fund earns a pro rata share of the investment returns on the AECI Supplementary Pension Fund's assets. The profit or loss is recognised in the income statement.

R millions	COMPANY 2010	COMPANY 2009
5. INVESTMENT IN SUBSIDIARIES AND LOANS WITH GROUP COMPANIES		
Unlisted shares (see note 34)	**937**	919
– At cost	**987**	971
– *Less*: Impairment losses	**(50)**	(52)
Non-current loans to subsidiaries	**623**	622
– Amounts owing	**630**	634
– *Less*: Impairment losses	**(7)**	(12)
Investment in subsidiaries	**1 560**	1 541
Non-current loans from subsidiaries	**(404)**	(420)
Net investment in subsidiaries	**1 156**	1 121
Interest-bearing non-current loans to subsidiaries	**877**	935
– Amounts owing	**949**	1 034
– *Less*: Impairment losses	**(72)**	(99)
Interest-bearing current loans to subsidiaries	**2 608**	2 387
Loans to Group companies	**3 485**	3 322
Interest-bearing non-current loans from subsidiaries	**(38)**	(38)
Interest-bearing current loans from subsidiaries	**(173)**	(56)
Interest-bearing current loans from joint ventures	**(83)**	–
Loans from Group companies	**(294)**	(94)
Net loans with subsidiaries (see note 34)	**3 493**	3 430

5. INVESTMENT IN SUBSIDIARIES AND LOANS WITH GROUP COMPANIES (continued)

All subsidiaries' financial information included in the financial statements is prepared as at the reporting date of the parent.

Impairment losses on investments in unlisted shares of dormant companies were made with reference to the net asset value of those companies. Where this resulted in the value of the investment having a fair value lower than the carrying value, the investments were impaired (see note 18).

Impairment losses on the loans to subsidiary companies were made with reference to the net asset value of those companies and their ability to repay the loans. Where this resulted in the loan having a fair value lower than its carrying value, the loans were impaired. Impairment losses on loans were reversed as a result of the related loan being recovered during the year (see note 18).

Loans bear interest at market-related variable rates, are unsecured and have no fixed terms of repayment.

Operating companies are funded through the Group Treasury of the Company and such loans are classified as current. Other loans provided by the Company are not expected to be repaid within 12 months and are classified as non-current. The loans with non-operating companies are considered as part of the net investment in the companies and do not bear interest.

	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
6. OTHER INVESTMENTS				
ASSOCIATE COMPANIES				
Effective holding (%)				
Dussek Campbell (Pty) Limited	**–**	49,0	**–**	–
agVantage (Pty) Limited	**17,5**	17,5	**–**	–
Mining Explosives Limited	**49,0**	49,0	**–**	–

The Group disposed of its shareholding in Dussek Campbell (Pty) Limited on 1 August 2010 to the majority shareholder for a consideration of R7 million. The carrying value was R3 million and this resulted in a surplus on disposal of R4 million.

The Group has significant influence in agVantage (Pty) Limited as the actual holding is 35% but the investment is held by a joint venture company in which the Group has a 50% interest.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Summarised financial information				
Total assets	**24**	59	**–**	–
Total liabilities	**(17)**	(24)	**–**	–
Revenue	**105**	85	**–**	–
Profit/(loss) for the year	**7**	(7)	**–**	–
Carrying amount				
Unlisted shares at fair value	**10**	10	**–**	–
Loans	**4**	(4)	**–**	–
Post-acquisition retained income	**(4)**	–	**–**	–
Balance at the beginning of the year	**–**	5		
Dividend received	**(2)**	(3)		
Disposal of investment in associate company	**(3)**	–		
Translation difference	**(1)**	–		
Current year's share of profits/(losses) of associate companies	**2**	(2)		
Total investment in associate companies	**10**	6	**–**	–

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
6. OTHER INVESTMENTS (continued)				
JOINT VENTURES (see note 33)			**50**	53
Unlisted shares at cost			**28**	28
Interest-bearing non-current loans to joint ventures			**22**	25
AVAILABLE-FOR-SALE INVESTMENTS				
Unlisted investments at fair value	**10**	7	**6**	6
Shares	**2**	2	**–**	–
Loans	**8**	5	**6**	6
Total other investments	**20**	13	**56**	59

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
7. DEFERRED TAX				
At the beginning of the year	**(259)**	(272)	**(144)**	(201)
Recognised in the income statement				
– normal activities	**35**	43	**(8)**	75
Recognised directly in other comprehensive income				
– foreign currency loan translation differences	**(10)**	(27)	**(6)**	(18)
– fair value adjustments	*****	(3)	*****	*
Business combinations	**(1)**	–	**–**	–
At the end of the year	**(235)**	(259)	**(158)**	(144)
Analysis by major temporary differences:				
Property, plant and equipment	**250**	190	**59**	42
Provisions	**(430)**	(311)	**(291)**	(238)
Share options hedge premium	**(2)**	(3)	**(1)**	(2)
Pension Fund employer surplus accounts	**64**	66	**64**	66
Deferred foreign exchange differences	*****	(6)	**(3)**	(10)
Computed tax losses	**(146)**	(204)	**–**	(3)
Fair value adjustments	*****	(2)	*****	(1)
Other	**29**	11	**14**	2
	(235)	(259)	**(158)**	(144)
Comprising:				
Deferred tax assets	**(356)**	(344)	**(158)**	(144)
Deferred tax liabilities	**121**	85	**–**	–
	(235)	(259)	**(158)**	(144)

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
8. LOANS RECEIVABLE				
Gross investment in finance leases	**33**	23	**–**	–
Unearned finance income	**(3)**	(4)	**–**	–
Present value of minimum lease payments	**30**	19	**–**	–
Current portion included in accounts receivable (see note 10)	**(8)**	(5)	**–**	–
At the end of the year	**22**	14	**–**	–

* Nominal amount.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
8. LOANS RECEIVABLE (continued)				
Gross investment in finance leases receivable				
– within 1 year	**8**	7	**–**	–
– from 2 to 5 years	**20**	16	**–**	–
– later than 5 years	**5**	–	**–**	–
	33	23	**–**	–
Present value of minimum lease payments receivable				
– within 1 year	**8**	5	**–**	–
– from 2 to 5 years	**18**	14	**–**	–
– later than 5 years	**4**	–	**–**	–
	30	19	**–**	–

Loans receivable consist of finance leases where the Group is the lessor. The finance leases are in respect of plant and equipment constructed on customer sites and the terms of the leases are between two and eight years.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
9. INVENTORIES				
Raw and packing materials	**578**	634	**147**	178
In progress	**110**	101	**3**	3
Finished goods and merchandise	**908**	825	**397**	414
Spares	**59**	42	**14**	12
Property developments	**237**	225	**–**	–
	1 892	1 827	**561**	607

Property developments have a development cycle which is longer than normal cycles of other items of inventory and are not expected to be realised within 12 months of the reporting date.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
10. ACCOUNTS RECEIVABLE				
Trade	**1 684**	1 694	**548**	544
Pre-payments	**77**	104	**15**	9
Other	**254**	356	**31**	49
Subsidiaries and joint ventures			**59**	55
	2 015	2 154	**653**	657
Current portion of loans receivable (see note 8)	**8**	5	**–**	–
	2 023	2 159	**653**	657

Trade receivables are exposed to credit risk as described in note 28.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
10. ACCOUNTS RECEIVABLE (continued)				
The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:				
South Africa	**1 199**	1 207	**514**	485
Rest of Africa	**250**	256	**25**	24
North America	**72**	35	**–**	–
South America	**17**	20	**3**	–
Asia	**132**	134	**1**	13
Australia	**3**	4	**2**	2
Rest of Europe	**9**	24	**2**	9
United Kingdom	**2**	14	**1**	11
	1 684	1 694	**548**	544
The ageing of gross trade receivables at 31 December was:				
Not past due	**1 354**	1 286	**433**	413
Past due 0 to 30 days	**204**	244	**90**	93
Past due 30 to 90 days	**107**	117	**18**	22
Past due more than 90 days	**108**	161	**54**	92
Gross trade receivables	**1 773**	1 808	**595**	620
The ageing of impairments of trade receivables at 31 December was:				
Not past due	**(3)**	(1)	**(3)**	–
Past due 0 to 30 days	*****	(4)	*****	(3)
Past due 30 to 90 days	**(3)**	(5)	**(2)**	(2)
Past due more than 90 days	**(83)**	(104)	**(42)**	(71)
	(89)	(114)	**(47)**	(76)
Net trade receivables	**1 684**	1 694	**548**	544
IMPAIRMENT OF TRADE RECEIVABLES				
At the beginning of the year	**(114)**	(76)	**(76)**	(42)
Additional impairments recognised during the year	**(10)**	(76)	**(1)**	(60)
Impairments reversed during the year	**25**	24	**28**	17
Impairments applied to trade receivables deemed irrecoverable	**10**	14	**2**	9
At the end of the year	**(89)**	(114)	**(47)**	(76)

* Nominal amount.

Impairments of trade receivables are recognised with reference to the ageing of trade receivables that are past due, payments received after the reporting date, payment history of the specific customer and the length of the relationship with that customer, as well as objective evidence relating to the economic environment, the credit status of the customer and the market in which the customer operates.

11. ASSETS CLASSIFIED AS HELD FOR SALE

The Group disposed of its investment in Botswana Ash (Pty) Limited during the year. The Group entered into an agreement to sell its shares in that company in 2008. There were a number of conditions precedent which had to be met before the disposal could be finalised and the asset derecognised. All the conditions precedent were met during the year and the sale was concluded and payment of the purchase price, of R32 million, was received. A surplus on disposal of R18 million was recognised in the income statement in profit from operations.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Available-for-sale investments	**–**	14	**–**	14

	NUMBER OF SHARES 2010	NUMBER OF SHARES 2009	GROUP 2010 R millions	GROUP 2009 R millions	COMPANY 2010 R millions	COMPANY 2009 R millions
12. SHARE CAPITAL AND SHARE PREMIUM						
ORDINARY SHARES						
Authorised						
Shares of R1 each	**180 000 000**	180 000 000	**180**	180	**180**	180
Issued						
At the beginning of the year						
Group	**107 251 170**	106 962 287	**107**	107		
Company	**119 135 869**	118 846 986			**119**	119
Issued during the year						
Group	**–**	288 883	**–**	*		
Company	**–**	288 883			**–**	*
At the end of the year						
Group	**107 251 170**	107 251 170	**107**	107		
Company	**119 135 869**	119 135 869			**119**	119
Share premium less share issue expenses			**108**	108	**214**	214
			215	215	**333**	333
Treasury shares held by a subsidiary company	**11 884 699**	11 884 699	**12**	12		

* Nominal amount.

	NUMBER OF SHARES 2010	NUMBER OF SHARES 2009	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
PREFERENCE SHARES						
Authorised and issued						
5,5% cumulative shares of R2 each	**3 000 000**	3 000 000	**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. 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).

CAPITAL MANAGEMENT

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The Board of Directors monitors the spread of shareholders, the level of dividends to ordinary shareholders and return on capital. Return on capital is defined as profit from operations plus investment income related to average property, plant and equipment, goodwill, investments, inventories and accounts receivable less accounts payable.

R millions	Weighted closing interest rate %	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
13. NON-CURRENT BORROWINGS					
UNSECURED					
Local					
Loans					
2008/2013	**10,39**	**1 360**	1 430	**1 360**	1 430
2009/2010		**–**	103	**–**	100
Foreign					
Loans – US dollar	**2,29**	**116**	129	**116**	129
Loans – other currencies	**12,61**	**37**	8	**37**	–
Secured					
Local					
Loans – other [1]	**18,00**	**4**	10	**–**	1
Foreign					
Loans – other [1]	**10,70**	**1**	1	**–**	–
		1 518	1 681	**1 513**	1 660
Minority shareholder loan to subsidiary					
2004/2012 [2]	**8,27**	**234**	255		
		1 752	1 936	**1 513**	1 660
Current portion (see note 16)		**(619)**	(205)	**(593)**	(171)
		1 133	1 731	**920**	1 489

1 Secured in terms of capitalised finance lease agreements over plant and equipment having a net book value of R1 million (2009: R1 million) and mortgages over property having a net book value of R21 million (2009: R21 million).

2 Equity loan from empowerment consortium to AEL Holdco Limited. Interest and capital repayments of the loan have been guaranteed by the Company.

SUMMARY OF REPAYMENTS

R millions	Year	Local	Foreign	Total
GROUP				
	2011	586	34	620
	2012	547	83	630
	2013	465	37	502
		1 598	154	1 752
COMPANY				
	2011	559	33	592
	2012	336	83	419
	2013	465	37	502
		1 360	153	1 513

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
14. NON-CURRENT PROVISIONS				
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**144**	146	**127**	141
Expenditure incurred during the year	**(5)**	(11)	**(3)**	(11)
Liability for property acquired during the year	**–**	5	**–**	–
Charged to net operating costs during the year				
– Additional provision made	**25**	4	**17**	(3)
At the end of the year	**164**	144	**141**	127
EARNINGS-BASED INCENTIVE SCHEMES				
At the beginning of the year	**53**	101	**36**	67
Expenditure incurred during the year	**(2)**	(53)	**(1)**	(25)
Charged to net operating costs during the year				
– Additional provision made	**39**	26	**32**	15
– Reversal of provision	*****	(21)	*****	(21)
	90	53	**67**	36
Current portion included in accounts payable (see note 15)	**(43)**	(26)	**(31)**	(17)
At the end of the year	**47**	27	**36**	19
CASH-SETTLED SHARE-BASED INCENTIVE SCHEME				
At the beginning of the year	**21**	13	**21**	13
Expenditure incurred during the year	**(1)**	*	**(1)**	*
Charged to net operating costs during the year				
– Additional provision made	**20**	8	**20**	8
	40	21	**40**	21
Current portion included in accounts payable (see note 15)	**(26)**	(21)	**(26)**	(21)
At the end of the year	**14**	–	**14**	–
POST-RETIREMENT MEDICAL AID BENEFITS				
At the beginning of the year	**577**	513	**433**	399
Benefits paid during the year	**(29)**	(29)	**(24)**	(23)
Charged to net operating costs during the year	**168**	104	**110**	64
– Current service cost	**6**	5	**2**	2
– Interest cost	**95**	69	**72**	53
– Additional provision made	**67**	30	**36**	9
– Net loss/(income) from plan assets for post-retirement medical aid liabilities	**5**	(11)	**6**	(7)
At the end of the year	**721**	577	**525**	433
Made up as follows:				
Actuarial valuation of obligations (see note 31)	**1 133**	994	**839**	753
Plan assets to meet post-retirement medical aid contribution liability	**(412)**	(417)	**(314)**	(320)
At the beginning of the year	**(417)**	(406)	**(320)**	(313)
Pro rata share of investment return earned by the AECI Pension Fund	**(36)**	(49)	**(28)**	(39)
Benefits paid during the year	**41**	38	**34**	32
	721	577	**525**	433
Total non-current provisions	**946**	748	**716**	579

* Nominal amount.

14. NON-CURRENT PROVISIONS (continued)

ENVIRONMENTAL REMEDIATION

The environmental remediation provision is based on the Group's environmental policy and obligations in terms of legislation to remediate land. The expenditure is expected to be incurred as and when legally required to do so. When detailed characterisation of the land is performed, the provision may need to be adjusted.

EARNINGS-BASED AND SHARE PRICE-BASED INCENTIVE SCHEMES

The earnings-based incentive scheme and share price-based incentive scheme provisions represent the present value of obligations to employees who have been granted units in terms of the incentive schemes (see note 31). The amount payable depends on employees meeting the vesting period and the earnings of the Group or the Company share price during the life of the units.

POST-RETIREMENT MEDICAL AID BENEFITS

Details of the nature of the post-retirement medical aid benefits provision are contained in note 31. The costs will be incurred over the lifetime of all eligible employees and will vary depending on expected lives, changes to salary inflation, healthcare costs and discount rates. Assumptions used to determine the provision are also detailed in note 31.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
15. ACCOUNTS PAYABLE				
Trade	**1 262**	1 460	**529**	634
Non-trade	**782**	620	**230**	228
Subsidiaries and joint ventures			**29**	14
	2 044	2 080	**788**	876
Closure costs	**63**	81	**63**	81
Current portion of non-current provisions (see note 14)	**69**	47	**57**	38
	2 176	2 208	**908**	995
16. CURRENT BORROWINGS				
Current portion of non-current borrowings (see note 13)	**619**	205	**593**	171
Unsecured interest-bearing short-term borrowings	**749**	875	**957**	977
	1 368	1 080	**1 550**	1 148
17. REVENUE				
Sale of goods and related services	**11 269**	11 024	**2 978**	3 595
Leasing and related services	**277**	244	**273**	244
Sale of surplus land	**23**	(90)	**–**	11
Sales to subsidiary companies			**320**	285
Leasing and related services to subsidiary companies			**27**	19
	11 569	11 178	**3 598**	4 154
Continuing operations	**11 569**	10 709	**3 598**	3 685
Local	**8 458**	8 189	**3 067**	3 166
Foreign	**3 111**	2 520	**184**	215
Subsidiary companies			**347**	304
Discontinued operations	**–**	469	**–**	469
Local	**–**	260	**–**	260
Foreign	**–**	209	**–**	209
	11 569	11 178	**3 598**	4 154

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
18. NET OPERATING COSTS				
Cost of sales	**7 881**	8 004	**2 512**	3 177
Selling and distribution expenses	**857**	1 012	**395**	541
Closure costs and related impairments	**–**	16	**–**	16
Administrative expenses	**1 769**	1 313	**499**	288
Net operating costs	**10 507**	10 345	**3 406**	4 022
Continuing operations	**10 507**	9 942	**3 406**	3 566
Discontinued operations – closure costs and related impairments	**–**	16	**–**	16
Discontinued operations	**–**	387	**–**	440
Net operating costs have been arrived at after taking into account:				
Auditors' remuneration	**16**	15	**5**	5
– Audit fees	**15**	14	**5**	5
– Other services	**1**	1	*****	*
Auditors' remuneration	**16**	15	**5**	5
– Continuing operations	**16**	15	**5**	5
– Discontinued operations	**–**	*	**–**	*
Change in fair value of listed investments classified as at fair value through profit and loss – continuing operations	**–**	25	**–**	–
Depreciation and amortisation – continuing operations	**332**	267	**55**	49
– Property, plant and equipment	**329**	265	**53**	47
– Investment property	**3**	2	**2**	2
Foreign exchange gains	**(200)**	(400)	**(60)**	(296)
– Realised	**(138)**	(342)	**(47)**	(241)
– Unrealised	**(62)**	(58)	**(13)**	(55)
Foreign exchange gains	**(200)**	(400)	**(60)**	(296)
– Continuing operations	**(200)**	(373)	**(60)**	(269)
– Discontinued operations	**–**	(27)	**–**	(27)
Foreign exchange losses	**210**	451	**51**	323
– Realised	**135**	347	**46**	245
– Unrealised	**75**	104	**5**	78
Foreign exchange losses	**210**	451	**51**	323
– Continuing operations	**210**	423	**51**	295
– Discontinued operations	**–**	28	**–**	28
Inventory	**58**	139	**13**	64
– Losses and write-downs	**65**	144	**13**	66
– Reversal of losses and write-downs	**(7)**	(5)	*****	(2)
Inventory losses and write-downs and reversals	**58**	139	**13**	64
– Continuing operations	**58**	135	**13**	60
– Discontinued operations	**–**	4	**–**	4
Reversal of impairments of investments and loans with subsidiary companies – continuing operations	**–**	–	**(28)**	(29)

* Nominal amount.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
18. NET OPERATING COSTS (continued)				
Increase/(decrease) in non-current provisions – continuing operations	**252**	121	**179**	63
– Environmental remediation	**25**	4	**17**	(3)
– Earnings-based incentive schemes	**39**	5	**32**	(6)
– Post-retirement medical aid benefits	**168**	104	**110**	64
– Cash-settled share-based incentive scheme	**20**	8	**20**	8
Operating lease costs	**114**	100	**20**	22
– Continuing operations	**114**	97	**20**	19
– Discontinued operations	**–**	3	**–**	3
Research and development expenditure – continuing operations	**26**	12	**10**	7
Loss/(surplus) on derecognition of subsidiary companies disposed – continuing operations	**20**	–	**(2)**	–
Surplus on disposal of unlisted investments classified as held for sale – continuing operations	**(18)**	–	**(18)**	–
Surplus on disposal of unlisted investments in associate company – continuing operations	**(4)**	–	**–**	–
Surplus on disposal of listed investments – continuing operations	**–**	(34)	**–**	–
Surplus on disposal of property, plant and equipment	**(5)**	(88)	*	(25)
– Property	**–**	(59)	**–**	–
– Plant and equipment	**(5)**	(29)	*	(25)
Surplus on disposal of property, plant and equipment	**(5)**	(88)	*	(25)
– Continuing operations	**(5)**	(9)	*	–
– Discontinued operations	**–**	(79)	**–**	(25)
Total salaries and other staff costs [1]	**2 224**	1 923	**513**	495
Salaries and other staff costs	**2 130**	1 839	**489**	472
Company contributions to retirement funds	**94**	84	**24**	23
Total salaries and other staff costs	**2 224**	1 923	**513**	495
– Continuing operations	**2 224**	1 873	**513**	445
– Discontinued operations	**–**	50	**–**	50

* Nominal amount.

1 Includes movements in the provisions for earnings-based incentive schemes, post-retirement medical aid benefits and cash-settled share-based incentive scheme disclosed above.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
19. INTEREST EXPENSE				
Interest paid	**(268)**	(349)	**(273)**	(363)
Non-current borrowings	**(179)**	(208)	**(152)**	(174)
Current borrowings	**(89)**	(141)	**(82)**	(133)
Subsidiary companies			**(39)**	(56)
Interest capitalised	**93**	105	**–**	4
	(175)	(244)	**(273)**	(359)
Continuing operations	**(175)**	(243)	**(273)**	(349)
Discontinued operations	**–**	(1)	**–**	(10)
20. INTEREST RECEIVED				
Subsidiary companies and joint ventures			**302**	363
Loans and receivables	**21**	22	**5**	9
	21	22	**307**	372
Continuing operations	**21**	21	**307**	369
Discontinued operations	**–**	1	**–**	3
21. INVESTMENT INCOME				
Dividends from investments – continuing operations	**–**	9	**–**	7
– Listed	**–**	2	**–**	–
– Unlisted	**–**	7	**–**	7
Dividends from unlisted South African subsidiaries			**88**	138
	–	9	**88**	145
Aggregate income from subsidiaries and joint ventures				
Dividends			**88**	138
Net interest received			**263**	307
Secretarial and administrative fees			**3**	15
			354	460

22. INCOME TAX EXPENSE

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Current tax	**(198)**	(161)	**(83)**	(8)
South African and foreign normal tax	**(183)**	(142)	**(71)**	*
Foreign withholding taxes	**(1)**	(2)	**–**	*
Secondary tax on companies	**(14)**	(17)	**(12)**	(8)
Deferred tax	**(49)**	(43)	**3**	(51)
	(247)	(204)	**(80)**	(59)
Adjustment for prior years	**14**	16	**6**	(21)
South African normal tax	*****	16	**1**	1
Deferred tax	**14**	*	**5**	(22)
	(233)	(188)	**(74)**	(80)
Continuing operations	**(233)**	(176)	**(74)**	(69)
Discontinued operations	**–**	(12)	**–**	(11)
Analysis of deferred tax charge by major temporary differences:				
Property, plant and equipment	**(60)**	(106)	**(16)**	(29)
Provisions	**119**	(25)	**53**	(46)
Share options hedge premium	**(2)**	(2)	**(1)**	(1)
Pension Fund employer surplus accounts	**2**	(6)	**2**	(6)
Deferred foreign exchange differences	**(16)**	(2)	**(13)**	3
Computed tax losses	**(58)**	89	**(3)**	3
Fair value adjustments	**(3)**	20	**(1)**	(1)
Other	**(31)**	(11)	**(18)**	26
	(49)	(43)	**3**	(51)
Prior year adjustment	**14**	*	**5**	(22)
	(35)	(43)	**8**	(73)
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	**538**	738	**–**	11
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	**107**	181	**–**	–
	645	919	**–**	11
	%	%	**%**	%
Reconciliation of tax rate computed in relation to profit before tax				
Effective rate	**26,7**	29,9	**24,1**	24,3
Capital and non-taxable receipts	**1,4**	6,2	**9,5**	14,0
Non-deductible expenses	**(3,7)**	(3,5)	**(3,6)**	(0,8)
Secondary tax on companies	**(1,7)**	(2,7)	**(3,8)**	(2,4)
Adjustment for prior years	**1,6**	2,6	**2,0**	(6,4)
Capital gains	**(0,3)**	(1,7)	**(0,2)**	(0,7)
Other	**4,0**	(2,8)	**–**	–
South African standard rate	**28,0**	28,0	**28,0**	28,0

* Nominal amount.

23. DISCONTINUED OPERATIONS

The South African businesses of SANS Fibres have been closed. The plant on the Bellville site has been or is in the process of being dismantled and sold, either as operating plant or as scrap. A portion of the Bellville site was also disposed of in 2009. Any remaining items are now included in the Group services segment and no further items have been classified to discontinued operations.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
RESULTS OF DISCONTINUED OPERATIONS				
Revenue	**–**	469	**–**	469
Net operating costs	**–**	(387)	**–**	(440)
	–	82	**–**	29
Closure costs and inventory impairments	**–**	(16)	**–**	(16)
Profit from operations	**–**	66	**–**	13
Interest paid	**–**	(1)	**–**	(10)
Interest received	**–**	*	**–**	3
Profit before tax	**–**	65	**–**	6
Tax	**–**	(12)	**–**	(11)
Profit/(loss) for the year	**–**	53	**–**	(5)
CASH FLOWS FROM/(UTILISED BY) DISCONTINUED OPERATIONS				
Net cash from operating activities	**–**	112	**–**	168
Net cash from investing activities	**–**	80	**–**	25
Net cash from financing activities	**–**	(4)	**–**	(4)
	–	188	**–**	189

* Nominal amount.

	GROUP	
R millions	**2010**	2009
24. EARNINGS PER SHARE		
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to ordinary shareholders	**600**	421
Continuing operations		
Impairment of goodwill	**28**	18
Impairments of property, plant and equipment	**4**	16
Tax effects of impairments of property, plant and equipment	**(1)**	(5)
Reversal of impairments of property, plant and equipment	**–**	(7)
Tax effects of reversal of impairments of property, plant and equipment	**–**	2
Surplus on disposal of property, plant and equipment	**(5)**	(9)
Tax effects of surplus on disposal of property, plant and equipment	**2**	1
Surplus on disposal of investment classified as held for sale	**(18)**	–
Tax effect of surplus on disposal of investment classified as held for sale	*****	–
Surplus on disposal of investment in associate company	**(4)**	–
Tax effect of surplus on disposal of investment in associate company	**1**	–
Gain on acquisition of subsidiary company	**(4)**	–
Loss on disposal of subsidiaries	**20**	–
Non-controlling interest effect of loss on disposal of subsidiaries	**(4)**	–
Discontinued operations		
Surplus on disposal of property, plant and equipment	**–**	(79)
Tax effects of surplus on disposal of property, plant and equipment	**–**	12
Headline earnings	**619**	370

	GROUP	
	2010	2009
EARNINGS PER ORDINARY SHARE (CENTS)		
Basic	**559**	393
– Continuing operations	**559**	344
– Discontinued operations	**–**	49
Headline	**577**	346
– Continuing operations	**577**	359
– Discontinued operations	**–**	(13)
Weighted average number of ordinary shares in issue	**119 135 869**	118 915 843
Deduct Treasury shares held	**11 884 699**	11 884 699
	107 251 170	107 031 144

Basic and headline earnings per share have been calculated on the profit for the financial year as shown above and on the weighted average number of ordinary shares in issue of 107 251 170, net of Treasury shares (2009: 107 031 144).

* Nominal amount.

	GROUP	
	2010	2009
24. EARNINGS PER SHARE (continued)		
Diluted earnings per ordinary share (cents)		
Basic	**558**	392
– Continuing operations	**558**	343
– Discontinued operations	**–**	49
Headline	**575**	344
– Continuing operations	**575**	357
– Discontinued operations	**–**	(13)

At 31 December 2010 there were 491 500 (2009: 630 800) options outstanding under the employees' share option scheme. Taking these share options into account, diluted earnings per ordinary share and diluted headline earnings per ordinary share have been calculated on the profit for the financial year as shown above and on a weighted average number of shares of 107 596 526 (2009: 107 414 535).

The average share price of AECI Limited since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, is R70,15 (2009: R52,06) compared with an average exercise price on the outstanding options of R20,86 (2009: R20,42).

	GROUP	
	2010	2009
Reconciliation of the weighted average number of ordinary shares for diluted earnings per share:		
Weighted average number of ordinary shares	**107 251 170**	107 031 144
Number of options available for future exercise	**491 500**	630 800
Number of shares that would be issued at fair value	**(146 144)**	(247 409)
Weighted average number of ordinary shares for diluted earnings per share	**107 596 526**	107 414 535

The diluted earnings per ordinary share have been shown in accordance with the provisions of IAS 33 (earnings per share). The Company has purchased call options over AECI ordinary shares which will obviate the need for the Company to issue new shares in terms of the AECI share option scheme. In practice, therefore, there will be no future dilution of earnings from this source.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
25. DIVIDENDS				
ORDINARY				
Final for the previous year: No. 152 of 62 cents (2009: 141 cents) paid 19 April 2010	**67**	151	**74**	168
Interim for the current year: No. 153 of 70 cents (2009: 28 cents) paid 13 September 2010	**75**	14	**83**	17
Total ordinary dividends paid 132 cents (2009: 169 cents)	**142**	165	**157**	185
PREFERENCE				
Nos. 144 and 145 paid 15 June 2010 and 15 December 2010 respectively	**2**	2	**2**	2
	144	167	**159**	187
Proposed final dividend No. 154 for the year ended 31 December 2010 of 135 cents (2009: 62 cents) per share payable on 18 April 2011	**145**	66	**161**	74
Secondary tax on companies thereon	**14**	7	**16**	7
26. CONTINGENT LIABILITIES				
Disputes with the SA Revenue Service in respect of property realisation companies	**87**	83	**–**	–

Four subsidiary companies objected to assessments issued by the SA Revenue Service in respect of various years of assessment from 1995 to 2002. The objections were disallowed and appeals were made to the Tax Court. Judgement was handed down in favour of the Group on 28 October 2009 in one of the cases but the SA Revenue Service lodged an appeal in the Supreme Court of Appeal which was heard on 17 March 2011. No date has been set for the hearing of the remaining cases.

The contingent liability represents the assessed liabilities and computed interest up to the reporting date. There is no clear indication of the timing of the cases.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
27. COMMITMENTS				
Capital commitments authorised	**88**	737	**31**	32
Contracted for	**49**	71	**3**	8
Not contracted for	**39**	666	**28**	24

The expenditure will be financed from funds on hand and internally generated, supplemented by borrowings against facilities available to the Group.

All capital commitments relate to additions of property, plant and equipment, mostly relating to the expansion of operations.

The above includes the Group's share of capital commitments of joint ventures.

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Future rentals on property, plant and equipment leased	**196**	185	**26**	38
Payable within one year	**96**	84	**17**	17
Payable between 1 year and 5 years	**88**	91	**8**	20
Payable thereafter	**12**	10	**1**	1

The Group's leasing arrangements relate primarily to property and vehicles and the lease periods range from three to six years. Certain of the properties have renewal options either at the option of the lessor or of the Group.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group finances its operations by a combination of retained profits, current borrowings, non-current borrowings and financial instruments 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 non-current and current 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. 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, forward rate agreements, interest rate swaps and interest rate caps and floors.

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. This note presents information about the Group's exposure to these risks and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included with other relevant notes as indicated.

The Board of Directors is responsible for the risk management activities in the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Committee. The Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

R millions	CARRYING AMOUNT 2010	2009	FAIR VALUE 2010	2009
28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)				
Categories of financial instruments and fair values				
GROUP				
Financial assets				
Available-for-sale financial assets[1]	**2**	16	**2**	16
– Unlisted investments	**2**	2	**2**	2
– Unlisted investments classified as held for sale	**–**	14	**–**	14
Financial assets at fair value through profit and loss	**23**	7	**23**	7
– Forward exchange contracts	**23**	7	**23**	7
Loans and receivables	**2 689**	2 735	**2 689**	2 735
– Accounts receivable	**1 915**	2 043	**1 915**	2 043
– Cash	**732**	668	**732**	668
– Finance lease receivables	**30**	19	**30**	19
– Loans to associate companies	**4**	–	**4**	–
– Loans relating to unlisted investments	**8**	5	**8**	5
	2 714	2 758	**2 714**	2 758
Financial liabilities				
– Loans from associate companies	**–**	(4)	**–**	(4)
– Accounts payable	**(2 036)**	(2 051)	**(2 036)**	(2 051)
– Forward exchange contracts	**(8)**	(23)	**(8)**	(23)
– Interest rate swap agreements	**–**	(6)	**–**	(6)
– Borrowings	**(2 501)**	(2 811)	**(2 501)**	(2 811)
	(4 545)	(4 895)	**(4 545)**	(4 895)
COMPANY				
Financial assets				
Available-for-sale financial assets[1]	**–**	14	**–**	14
– Unlisted investments classified as held for sale	**–**	14	**–**	14
Financial assets at fair value through profit and loss	**14**	3	**14**	3
– Forward exchange contracts	**14**	3	**14**	3
Loans and receivables	**633**	655	**633**	664
– Accounts receivable	**624**	645	**624**	654
– Cash	**3**	4	**3**	4
– Loans relating to unlisted investments	**6**	6	**6**	6
	647	672	**647**	681
Financial liabilities				
– Accounts payable	**(789)**	(855)	**(789)**	(855)
– Forward exchange contracts	**1**	(15)	**1**	(15)
– Interest rate swap agreements	**–**	(6)	**–**	(6)
– Borrowings	**(2 470)**	(2 637)	**(2 470)**	(2 637)
	(3 258)	(3 513)	**(3 258)**	(3 513)

1 Items are classified as available-for-sale when they are not classified in another category or when specifically designated as such.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS
The carrying amounts of financial instruments are either at fair value based on the methods and assumptions for determining the fair value as stated in the accounting policies or at values which approximate fair value based on the nature or maturity period of the financial instrument.

Fair value measurements can be classified into three levels based on the observability and significance of the inputs used in making the measurement:

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

The fair values disclosed are all measured using inputs as described in Level 2.

MARKET RISK
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits.

(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.

Currency risk arises as a result of sale and purchase transactions and borrowings in currencies other than rand. The currencies giving rise to currency risk are mainly US dollar, Japanese yen, euro and pound sterling. Currency exposures are managed using appropriate exposure management techniques.

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.

Hedge accounting
Fair value hedges
Fair value hedges have been recognised for the net exposure to trading in foreign currency. Forward exchange contracts have been designated as hedging instruments in respect of amounts denominated in US dollars, pound sterling, euro and Japanese yen.

The rand value of the hedged items, based on the contract rates, at 31 December 2010 for the Group was R112 million (2009: R250 million).

The profit on the hedging instruments for the year for the Group was R15 million (2009: loss of R1 million) and was recognised in the income statement.

Cash flow hedges
The Group has hedged its foreign currency exposure on the import of raw materials by entering into forward exchange contracts for the purchase commitments. The rand value of the forward exchange contracts, based on the contract rates, at 31 December 2010 was R22 million (2009: R17 million).

The cash flows relating to the hedging instruments will occur in 2011 and will not affect the income statement if the hedge is effective as the amount recognised in equity will be removed from equity and recognised in the initial cost of the items of plant and equipment and inventory.

The amount recognised directly in other comprehensive income for the year in respect of the cash flow hedges for the Group was a debit of R0,3 million (2009: debit of R9 million).

Millions	Foreign currency	FOREIGN AMOUNT 2010	FOREIGN AMOUNT 2009	RAND AMOUNT# 2010	RAND AMOUNT# 2009
28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)					
(a) Currency risk (continued)					
Transactions in foreign currencies					
GROUP					
Forward exchange contracts at 31 December, relating to specific items in the statement of financial position					
Accounts receivable				**43**	59
	Euro	**–**	*	**–**	2
	US dollar	**6**	7	**43**	57
Accounts payable				**301**	366
	Euro	**8**	7	**76**	78
	Japanese yen	**57**	100	**5**	8
	Pound sterling	**1**	3	**16**	35
	Swiss franc	**–**	1	**–**	4
	US dollar	**29**	31	**204**	241
Non-current borrowings				**33**	*
	US dollar	**5**	*	**33**	*
Forward exchange contracts at 31 December, not relating to specific items in the statement of financial position but which were entered into to cover firm import and export commitments not yet due					
Imports				**60**	158
	Euro	*	3	**1**	29
	Pound sterling	*	1	**3**	10
	US dollar	**8**	16	**56**	119
Exports				**193**	171
	US dollar	**28**	23	**193**	171
COMPANY					
Forward exchange contracts at 31 December, relating to specific items in the statement of financial position					
Accounts receivable				**43**	41
	US dollar	**6**	5	**43**	41
Accounts payable				**225**	240
	Euro	**5**	5	**46**	52
	Pound sterling	*	*	**1**	1
	US dollar	**25**	24	**178**	187
Non-current borrowings				**33**	*
	US dollar	**5**	*	**33**	*
Forward exchange contracts at 31 December, not relating to specific items in the statement of financial position but which were entered into to cover firm import and export commitments not yet due					
Imports				**25**	88
	Euro	*	2	**1**	20
	US dollar	**4**	9	**24**	68
Exports				**33**	1
	US dollar	**5**	*	**33**	1

Rand amount calculated with reference to the rate per the underlying forward exchange contracts.

* Nominal amount.

Millions	2010 Euro	2010 Pound sterling	2010 US dollar	2010 Other	2009 Euro	2009 Pound sterling	2009 US dollar	2009 Other
28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)								
Exposure to currency risk								
The Group's exposure to foreign currency risk at 31 December was:								
Cash and cash equivalents	**11**	**1**	**153**	**115**	3	2	255	95
Trade receivables	**9**	*	**110**	**6**	10	1	395	20
Other receivables	**–**	**–**	**–**	**–**	–	–	12	–
Finance lease receivables	**–**	**–**	**12**	**19**	–	–	17	–
Interest-bearing liabilities	**–**	**–**	**(116)**	**(38)**	–	–	(136)	(1)
Trade payables	**(61)**	**(19)**	**(204)**	**(48)**	(92)	(31)	(362)	(17)
Other payables	**–**	**–**	**(12)**	**–**	–	–	–	–
Gross exposure	**(41)**	**(18)**	**(57)**	**54**	(79)	(28)	181	97
Forward exchange contracts	**77**	**19**	**57**	**5**	105	45	132	12
Net exposure	**36**	**1**	**–**	**59**	26	17	313	109
The Company's exposure to foreign currency risk at 31 December was:								
Cash and cash equivalents	**1**	**–**	**2**	*	*	*	3	*
Trade receivables	**4**	**–**	**23**	**–**	*	–	39	–
Loans to subsidiaries	**–**	**–**	**175**	**–**	–	–	167	–
Interest-bearing liabilities	**–**	**–**	**(116)**	**(38)**	–	–	(129)	–
Trade payables	**(31)**	**(1)**	**(134)**	**–**	(53)	(2)	(219)	–
Other payables	**–**	**–**	**(12)**	**–**	–	–	–	–
Loans from subsidiaries	**–**	**–**	**(38)**	**–**	–	–	(2)	–
Gross exposure	**(26)**	**(1)**	**(100)**	**(38)**	(53)	(2)	(141)	–
Forward exchange contracts	**47**	**1**	**159**	**–**	72	1	214	–
Net exposure	**21**	**–**	**59**	**(38)**	19	(1)	73	–

* Nominal amount.

The following significant exchange rates applied during the year:

Rand	CLOSING RATE 2010	CLOSING RATE 2009	AVERAGE RATE 2010	AVERAGE RATE 2009
Euro	**8,88**	10,63	**9,62**	11,48
Japanese yen	**0,08**	0,08	**0,08**	0,09
Pound sterling	**10,31**	11,89	**11,23**	12,93
US dollar	**6,65**	7,38	**7,32**	8,27

Sensitivity analysis

Based on the Group's net exposure to currency risk, a 10% strengthening of the rand at 31 December would have increased/(decreased) other comprehensive income and profit by the amounts shown below, assuming all other variables remained constant:

R millions	GROUP 2010	GROUP 2009	COMPANY 2010	COMPANY 2009
Other comprehensive income	*	(46)	**(14)**	(17)
Profit for the year before tax	**6**	2	**30**	2

* Nominal amount.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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, interest rate swaps and interest rate caps and floors to generate the desired interest rate profile and to manage exposure to interest rate fluctuations. No target levels of exposure are maintained.

The interest rate risk profile of financial liabilities at 31 December was:

	TOTAL		FLOATING RATE FINANCIAL LIABILITIES		FIXED RATE FINANCIAL LIABILITIES	
R millions	**2010**	2009	**2010**	2009	**2010**	2009
GROUP						
Rand						
– Current	**586**	1 073	**22**	998	**564**	75
– Non-current	**1 013**	1 601	**312**	337	**701**	1 264
Other						
– Current	**33**	7	**33**	–	**–**	7
– Non-current	**120**	130	**120**	129	**–**	1
Total	**1 752**	2 811	**487**	1 464	**1 265**	1 347
COMPANY						
Rand						
– Current	**559**	1 148	**–**	1 078	**559**	70
– Non-current	**801**	1 360	**100**	100	**701**	1 260
Other						
– Current	**33**	–	**33**	–	**–**	–
– Non-current	**120**	129	**120**	129	**–**	–
Total	**1 513**	2 637	**253**	1 307	**1 260**	1 330

	FIXED RATE FINANCIAL LIABILITIES		WEIGHTED AVERAGE INTEREST RATE (%)		WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED (MONTHS)	
R millions	**2010**	2009	**2010**	2009	**2010**	2009
GROUP						
Rand						
– Current	**564**	75	**10,9**	10,4	**10,0**	12,0
– Non-current	**701**	1 264	**10,4**	10,6	**30,3**	40,6
Other						
– Current	**–**	7	**10,7**	7,3	**12,0**	18,4
– Non-current	**–**	1	**10,7**	12,0	**48,0**	3,0
Total	**1 265**	1 347	**10,6**	10,6	**21,2**	42,7
COMPANY						
Rand						
– Current	**559**	70	**10,8**	10,1	**10,0**	12,0
– Non-current	**701**	1 260	**10,4**	10,6	**30,3**	40,8
Total	**1 260**	1 330	**10,6**	10,6	**21,3**	43,0

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISKS
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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.

(i) Maturity profile of financial liabilities at 31 December

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
GROUP						
2010						
Financial liabilities						
Secured non-current borrowings	**5**	**5**	**5**	**–**	**–**	**–**
Unsecured non-current borrowings	**1 747**	**1 747**	**615**	**630**	**502**	**–**
Unsecured short-term borrowings	**749**	**749**	**749**	**–**	**–**	**–**
Interest on non-current borrowings [1]	**31**	**410**	**164**	**130**	**116**	
Trade payables and closure costs	**1 325**	**1 325**	**1 325**	**–**	**–**	**–**
Other payables	**743**	**743**	**743**	**–**	**–**	**–**
Derivative financial liabilities						
Forward exchange contracts						
– inflows	**(23)**	**(193)**	**(193)**	**–**	**–**	**–**
– outflows	**8**	**60**	**60**	**–**	**–**	**–**
Total financial liabilities	**4 585**	**4 846**	**3 468**	**760**	**618**	**–**
Percentage profile (%)		**100**	**72**	**15**	**13**	**–**
2009						
Financial liabilities						
Secured non-current borrowings	11	11	6	5	–	–
Unsecured non-current borrowings	1 925	1 925	199	621	1 105	–
Unsecured short-term borrowings	875	875	875	–	–	–
Interest on non-current borrowings [1]	34	586	182	161	243	
Loans by associate companies	4	4	4	–	–	–
Trade payables and closure costs	1 541	1 541	1 541	–	–	–
Other payables	557	557	557	–	–	–
Derivative financial liabilities						
Forward exchange contracts						
– inflows	(7)	(171)	(171)	–	–	–
– outflows	23	158	158	–	–	–
Forward rate agreements	6	6	6	–	–	–
Total financial liabilities	4 969	5 492	3 357	787	1 348	–
Percentage profile (%)		100	61	14	25	–

1 Interest is based on the closing rate at 31 December and the repayment dates of the borrowings.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risks (continued)

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
COMPANY						
2010						
Financial liabilities						
Unsecured non-current borrowings	**1 513**	**1 513**	**592**	**419**	**502**	**–**
Unsecured short-term borrowings	**957**	**957**	**957**	**–**	**–**	**–**
Interest on non-current borrowings [1]	**31**	**380**	**144**	**120**	**116**	**–**
Trade payables and closure costs	**592**	**592**	**592**	**–**	**–**	**–**
Other payables	**229**	**229**	**229**	**–**	**–**	**–**
Derivative financial liabilities						
Forward exchange contracts						
– inflows	**(14)**	**(33)**	**(33)**	**–**	**–**	**–**
– outflows	**(1)**	**25**	**25**	**–**	**–**	**–**
Total financial liabilities	**3 307**	**3 663**	**2 506**	**539**	**618**	**–**
Percentage profile (%)		**100**	**68**	**15**	**17**	**–**
2009						
Financial liabilities						
Secured non-current borrowings	1	1	1	–	–	–
Unsecured non-current borrowings	1 659	1 659	170	596	893	–
Unsecured short-term borrowings	977	977	977	–	–	–
Interest on non-current borrowings [1]	34	547	156	148	243	
Trade payables and closure costs	715	715	715	–	–	–
Other payables	187	187	187	–	–	–
Derivative financial liabilities						
Forward exchange contracts						
– inflows	(3)	(1)	(1)	–	–	–
– outflows	15	88	88	–	–	–
Forward rate agreements	6	6	6	–	–	–
Total financial liabilities	3 591	4 179	2 299	744	1 136	–
Percentage profile (%)		100	55	18	27	–

1 Interest is based on the closing rate at 31 December and the repayment dates of the borrowings.

(ii) Borrowing facilities
The Group ensures that adequate 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.

Some of the Group's loan agreements contain financial covenants. The Group complied with all such covenants.

Credit risks
Credit risks arise on cash and cash equivalents, investments and accounts receivable. 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 policies 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 impairment losses. Details of the carrying amounts and exposure to credit risk of trade receivables, as well as impairments recognised, are contained in note 10.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

29. RELATED PARTY INFORMATION

The subsidiaries of the Group are identified in note 34, joint ventures in note 33 and associate companies in note 6.

All transactions and balances with these related parties have been eliminated in accordance with, and to the extent required by, IAS 27 – consolidated and separate financial statements, IAS 28 – investments in associates and IAS 31 – interests in joint ventures.

Dividends received from associate companies amounted to R2 million (2009: R3 million) and loans to associate companies amounted to R4 million (2009: R4 million was loaned from associate companies) (see note 6).

Transactions with Directors are disclosed in notes 30 and 31.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

The transactions that took place with related parties of the Company were as follows:

	COMPANY	
R millions	**2010**	2009
Sales by the Company to		
– Subsidiaries	**347**	304
Sales to the Company by		
– Subsidiaries	**46**	62
Dividends received by the Company from		
– Subsidiaries	**88**	138
Interest received by the Company from		
– Subsidiaries	**300**	361
– Joint ventures	**2**	2
Interest paid by the Company to		
– Subsidiaries	**35**	54
– Joint ventures	**4**	2
Rental of premises to the Company by		
– AECI Pension Fund	**5**	4
– Subsidiaries	**19**	20
Commission and administration fees paid by the Company to		
– Subsidiaries	**36**	40
Fees received by the Company from		
– Subsidiaries	*****	15
– Joint ventures	*****	*
Company contributions to pension and provident funds		
– AECI Pension Fund	**22**	35
– AECI Supplementary Pension Fund	**2**	2
– AECI Employees Provident Fund	**10**	10
Outstanding balances with related parties of the Company at 31 December were as follows:		
Amounts owing to the Company by		
– Subsidiaries	**4 108**	3 944
– Joint ventures	**22**	25
Amounts owing by the Company to		
– Subsidiaries	**615**	514
– Joint ventures	**83**	–

* Nominal amount.

29. RELATED PARTY INFORMATION (continued)

R thousands	GROUP 2010	2009
KEY MANAGEMENT PERSONNEL COMPENSATION		
– short-term employee benefits	**46 561**	45 964
– post-retirement benefits	**2 957**	4 069
– other long-term benefits	**3 951**	12 854
– termination benefits	**1 023**	931
	54 492	63 818

Key management personnel are the Managing Directors or equivalent of operating businesses. The compensation above excludes Directors' remuneration which is included in note 30.

30. DIRECTORS' EMOLUMENTS AND INTERESTS

EXECUTIVE DIRECTORS

R thousands	FPP Baker[1]	GN Edwards	KM Kathan	Total
2010				
Basic salary	**533**	**2 806**	**2 310**	**5 649**
Bonus and performance-related payments[2]	**–**	**2 708**	**2 308**	**5 016**
Expense allowances, medical aid and insurance contributions	**108**	**425**	**393**	**926**
Leave pay	**157**	**–**	**–**	**157**
Retirement fund contributions	**105**	**377**	**262**	**744**
Share options exercised	**–**	**–**	**–**	**–**
Earnings-based incentive scheme payments	**–**	**–**	**–**	**–**
Benefit unit payments	**–**	**–**	**–**	**–**
Aggregate emoluments	**903**	**6 316**	**5 273**	**12 492**
Aggregate emoluments paid by subsidiaries	**(903)**	**–**	**–**	**(903)**
Aggregate emoluments paid by the Company	**–**	**6 316**	**5 273**	**11 589**
2009				
Basic salary	2 137	2 553	2 117	6 807
Bonus and performance-related payments[2]	–	–	750	750
Expense allowances, medical aid and insurance contributions	502	407	382	1 291
Retirement fund contributions	508	334	249	1 091
Share options exercised	–	–	–	–
Earnings-based incentive scheme payments	2 998	–	–	2 998
Benefit unit payments	–	–	–	–
Aggregate emoluments	6 145	3 294	3 498	12 937
Aggregate emoluments paid by subsidiaries	(6 145)	–	–	(6 145)
Aggregate emoluments paid by the Company	–	3 294	3 498	6 792

1 Retired on 31 March 2010.
2 Bonus and performance-related amounts are in respect of current year performance but are paid in the following year.
3 Share options issued to Directors are set out in note 31. None of the Directors exercised any of their options in either the current or the previous year.
4 There were no pensions paid by the Company to Directors or past Directors of the Company.
5 No compensation was paid to any Director or past Director for loss of office.
6 There are no service contracts with any Director which have a notice period of longer than one month.

30. DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

NON-EXECUTIVE DIRECTORS

R thousands	Directors' fees	Chairman/ Committee fees	Ad hoc fees	2010 Total	2009 Total
RMW Dunne	**178**	**319**	**59**	**556**	**370**
S Engelbrecht	**178**	**97**	**59**	**334**	**210**
Z Fuphe	**178**	**49**	**–**	**227**	**210**
MJ Leeming	**178**	**257**	**93**	**528**	**403**
AJ Morgan[1]	**89**	**62**	**–**	**151**	
LM Nyhonyha	**178**	**222**	**–**	**400**	**370**
AC Parker[2]					**210**
R Ramashia[1]	**89**	**49**	**–**	**138**	
F Titi	**178**	**546**	**–**	**724**	**670**
	1 246	**1 601**	**211**	**3 058**	**2 443**

Aggregate emoluments

R thousands	2010 Total	2009 Total
Executive directors	**12 492**	**12 937**
Non-executive directors	**3 058**	**2 443**
	15 550	**15 380**

Interest of Directors in the share capital of the Company
The aggregate beneficial holdings of the Directors of the Company in the issued ordinary shares of the Company at 31 December were as follows:

	NUMBER OF SHARES 2010 Direct	2010 Indirect	2009 Direct	2009 Indirect
Executive directors				
FPP Baker[3]			2 500	–
GN Edwards	**2 010**	**–**	2 010	–
	2 010	**–**	4 510	–
Non-executive directors				
S Engelbrecht	**46 629**	**600**	46 629	600
MJ Leeming	**2 500**	**7 000**	2 500	7 000
	49 129	**7 600**	49 129	7 600
	51 139	**7 600**	53 639	7 600

Certain Directors have outstanding share options as detailed in note 31.

1 Appointed on 1 July 2010.
2 Resigned on 31 December 2009.
3 Retired on 31 March 2010.

31. EMPLOYEE BENEFITS

RETIREMENT BENEFITS

The Group provides retirement benefits for all its permanent employees by means of a number of independent defined-benefit pension schemes and defined-contribution provident funds. The disclosures have been provided on a combined basis as all funds are in surplus and there is no cross-subsidising of funds.

At 31 December 2010 the following funds were in existence:

	Date of last statutory valuation
Defined-benefit funds	
– AECI Employees Pension Fund	1 March 2010
– AECI Pension Fund	1 March 2010
– AECI Supplementary Pension Fund	1 March 2010
– Dulux Employees Pension Fund	1 March 2010
Defined-contribution funds	
– AECI Employees Provident Fund	n/a
– Chemical Services Group Provident Fund	n/a

Members pay a maximum contribution of 7,5% of earnings, with the employer's contribution being 9%.

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, No. 24 of 1956, as amended. Defined-benefit funds are actuarially valued every three years using the projected unit credit method of valuation by independent firms of consulting actuaries, while for defined-contribution funds no statutory valuations are required.

Principal actuarial assumptions at 31 December were as follows:

%	**2010**	2009
Discount rate	**9,00**	10,00
Expected return on plan assets	**9,00**	10,00
Future price inflation	**5,20**	5,70
Future salary increases	**6,70**	7,20
Future pension increases	**4,70**	5,10

The total cost recognised in the income statement of R44 million (2009: R37 million) in respect of the defined-contribution funds represents contributions payable by the Group at the rates specified in the rules of the schemes. Amounts recognised in the income statement in respect of the defined-benefit funds were as follows:

	GROUP	
R millions	**2010**	2009
Current service cost	**72**	65
Interest cost	**623**	488
Expected return on plan assets	**(999)**	(761)
Net actuarial loss in the year	**304**	227
Recognised in the income statement in respect of defined-benefit funds	**–**	19
Actual return on plan assets	**1 429**	1 170

31. EMPLOYEE BENEFITS (continued)

RETIREMENT BENEFITS (continued)

Based on interim valuations by the funds' actuaries, the funded status of the defined-benefit funds at 31 December was as follows:

	GROUP	
R millions	**2010**	2009
Fair value of plan assets	**11 132**	10 565
At the beginning of the year	**10 565**	9 880
Expected return on plan assets	**999**	761
Net actuarial gain	**430**	409
Employer contributions	**67**	62
Employee contributions	**38**	36
Benefits paid	**(967)**	(583)
Present actuarial value of defined-benefit obligations	**7 143**	6 766
At the beginning of the year	**6 766**	6 390
Current service cost	**72**	65
Interest cost	**623**	488
Employee contributions	**38**	36
Benefits paid	**(967)**	(583)
Net actuarial loss	**611**	370
	3 989	3 799
Less: Pension Fund employer surplus accounts	**230**	236
Surplus of plan assets over defined-benefit obligations	**3 759**	3 563
Included in the fair value of plan assets were:		
300 005 AECI Limited ordinary shares (2009: 307 438)	**25**	19
60% share of The Woodlands Office Park	**1 015**	930
AECI Limited occupies Building 24, being approximately 2,3%, of The Woodlands		
The fair value is determined annually at the fund's reporting date		

The estimated employer's contribution to the Group's defined-benefit funds for the coming financial year is R72 million.

The surplus of assets over liabilities has not been recognised in the Group financial statements because:

- a substantial portion thereof is required to meet the solvency reserves determined to be necessary by the funds' actuaries; and
- the Company has no legal entitlement to the surplus, either during the life of the funds or on their dissolution, beyond the amount credited to the employer surplus accounts.

Historical information on retirement benefits:

			GROUP		
R millions	**2010**	2009	2008	2007	2006
Fair value of plan assets	**11 132**	10 565	9 880	10 758	9 651
Present actuarial value of defined-benefit obligations	**(7 143)**	(6 766)	(6 390)	(6 274)	(5 901)
	3 989	3 799	3 490	4 484	3 750
Less: Pension Fund employer surplus accounts	**230**	236	213	226	196
Surplus of plan assets over defined-benefit obligations	**3 759**	3 563	3 277	4 258	3 554

31. EMPLOYEE BENEFITS (continued)

POST-RETIREMENT MEDICAL BENEFITS

The Group provides medical aid benefits for all its permanent employees, principally via the AECI Medical Aid Society. Historically, qualifying employees were granted a subsidy on their medical aid contributions after retirement. The obligation of the employer to continue to subsidise medical aid contributions after retirement is no longer a condition of employment for new employees.

Principal actuarial assumptions for the post-retirement medical aid benefits were as follows:

	GROUP	
%	**2010**	2009
Annual increase in healthcare costs	**7,1**	7,8
Discount rate	**9,0**	10,0

Based on interim valuations by the funds' actuaries, the funded status of the defined-benefit funds at 31 December 2010 was as follows:

	GROUP		COMPANY	
R millions	**2010**	2009	**2010**	2009
Present actuarial value of defined-benefit obligations	**1 133**	994	**839**	753
At the beginning of the year	**994**	919	**753**	712
Current service cost	**6**	5	**2**	2
Interest cost	**95**	69	**73**	53
Liabilities extinguished on settlements	**(70)**	(67)	**(58)**	(55)
Net actuarial loss	**108**	68	**69**	41

Historical information on post-retirement medical aid benefits

	GROUP				
R millions	**2010**	2009	2008	2007	2006
Fair value of plan assets (see note 14)	**412**	417	406	463	427
Present actuarial value of defined-benefit obligations	**(1 133)**	(994)	(919)	(797)	(767)
Net liabilities	**(721)**	(577)	(513)	(334)	(340)

	COMPANY				
R millions	**2010**	2009	2008	2007	2006
Fair value of plan assets (see note 14)	**314**	320	313	359	333
Present actuarial value of defined-benefit obligations	**(839)**	(753)	(712)	(616)	(598)
Net liabilities	**(525)**	(433)	(399)	(257)	(265)

Estimated employer's contribution in respect of post-retirement medical aid benefits for the coming financial year: Group – R32 million; Company – R26 million.

Sensitivity analysis

An increase of 1% and a decrease of 1% in the assumed medical cost trend rates would have affected the obligation as follows:

	GROUP		COMPANY	
	1% increase	1% decrease	1% increase	1% decrease
Current service cost	–	–	–	–
Interest cost	–	–	–	–
Increase/(decrease) in carrying amount of post-retirement medical aid obligations	**141**	**(116)**	**104**	**(85)**

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 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% of the shares
After 3 years – up to 40% of the shares
After 4 years – up to 60% of the shares
After 5 years – up to 100% of the shares

31. EMPLOYEE BENEFITS (continued)

SHARE OPTION SCHEME (continued)

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 reasons approved by the Board of Directors, any option not yet exercised will lapse.

Details of outstanding share options at 31 December 2010 were:

		NUMBER OF SHARES			
Expiry date	Exercise price (Rand)	Originally granted	Since exercised	Lapsed or forfeited	Still outstanding
October 2008	4,50	4 804 000	4 644 000	160 000	–
December 2008	7,52	40 000	40 000	–	–
May 2009	7,00 – 7,20	95 000	95 000	–	–
June 2009	7,50	35 000	35 000		–
July 2009	15,80	40 000	–	40 000	–
August 2009	9,00	80 000	16 000	64 000	–
October 2009	11,00	80 000	80 000	–	–
December 2009	12,65	40 000	40 000	–	–
December 2009	12,77	200 000	200 000		–
March 2010	13,45	100 000	100 000	–	–
April 2010	13,78	20 000	–	20 000	–
June 2010	13,05	90 000	90 000	–	–
July 2010	13,23	32 000	–	32 000	–
October 2010	11,45	35 000	35 000	–	–
December 2011	17,50	1 460 000	1 239 000	–	221 000
May 2013	23,60	413 900	143 400	–	270 500
		7 564 900	**6 757 400**	**316 000**	**491 500**

Movements in the number of share options held by employees were as follows:

	NUMBER OF OPTIONS	
	2010	2009
Outstanding at the beginning of the year	**630 800**	793 100
Lapsed or forfeited during the year	**(20 000)**	–
Exercised during the year		
– Exercised against share options hedge[1]	**(119 300)**	(162 300)
Outstanding at the end of the year	**491 500**	630 800

Details of share options exercised during the year were as follows:

Expiry date	**2010 – 2013**	2009 – 2013
Weighted average exercise price per share (rand)	**19,71**	14,14

1 The Company has purchased call options which will be exercised instead of issuing new ordinary shares which would otherwise have been issued when employees exercise their share options.

31. EMPLOYEE BENEFITS (continued)

SHARE OPTION SCHEME (continued)
Included in outstanding share options were the following options granted to Directors:

		NUMBER OF SHARES			
Expiry date	Exercise price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
GN Edwards	23,60	14 000	–	–	14 000
S Engelbrecht	4,50	50 000	50 000	–	–
S Engelbrecht	17,50	40 000	40 000	–	–
S Engelbrecht	23,60	67 600	–	–	67 600
		171 600	**90 000**	**–**	**81 600**

Movements in the number of share options held by Directors were as follows:

	NUMBER OF OPTIONS	
	2010	2009
Outstanding at the beginning of the year	**115 600**	115 600
Changes in Directors during the year	**(34 000)**	–
Outstanding at the end of the year	**81 600**	115 600

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS)
AECI Limited offers benefit units, without payment, to those employees of the Company or its subsidiary companies who the Board of Directors, in its absolute discretion, considers play a role in the management of the Company or subsidiary companies and contribute to their growth and profitability.

The terms and conditions of the benefit units scheme are identical to those of the share option scheme except that they are settled in cash instead of by the issue of new ordinary shares.

The benefit units were issued for the first time in 2005.

Details of outstanding benefit units at 31 December 2010 were:

			NUMBER OF UNITS			
Expiry date	**Date granted**	**Issue price (Rand)**	**Granted**	**Exercised**	**Lapsed or forfeited**	**Outstanding**
February 2015	March 2005	41,00	332 200	61 510	38 710	231 980
July 2016	August 2006	56,00	221 085	11 316	32 748	177 021
February 2017	March 2007	70,90	199 725	300	32 375	167 050
July 2017	August 2007	80,45	29 200	–	29 200	–
February 2018	March 2008	67,25	184 550	1 470	41 440	141 640
February 2019	March 2009	43,42	382 650	–	28 400	354 250
February 2020	March 2010	59,80	404 038	–	–	404 038
			1 753 448	**74 596**	**202 873**	**1 475 979**

	GROUP		COMPANY	
R millions	**2010**	2009	**2010**	2009
Cash-settled share-based payment transactions recognised in the income statement	**20**	8	**20**	8
Total carrying amount of cash-settled share-based transaction liabilities	**40**	21	**40**	21

31. EMPLOYEE BENEFITS (continued)

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS) (continued)
Included in outstanding benefit units were the following units granted to Directors:

			NUMBER OF UNITS			
	Date granted	**Issue price (Rand)**	**Granted**	**Exercised**	**Lapsed or forfeited**	**Outstanding**
GN Edwards	March 2005	41,00	10 300	–	–	10 300
GN Edwards	August 2006	56,00	6 700	–	–	6 700
GN Edwards	March 2007	70,90	5 750	–	–	5 750
GN Edwards	March 2008	67,25	26 000	–	–	26 000
GN Edwards	March 2009	43,42	41 300	–	–	41 300
GN Edwards	March 2010	59,80	32 542	–	–	32 542
S Engelbrecht	March 2005	41,00	57 000	–	–	57 000
S Engelbrecht	August 2006	56,00	28 125	–	–	28 125
S Engelbrecht	March 2007	70,90	26 200	–	–	26 200
KM Kathan	March 2009	43,42	59 700	–	–	59 700
KM Kathan	March 2010	59,80	47 320	–	–	47 320
			340 937	**–**	**–**	**340 937**

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS)
AECI Limited offers EBIS units, without payment, to those employees of the Company or its subsidiary companies who the Board of Directors, in its absolute discretion, considers play a role in the management of the Company or subsidiary companies and contribute to their growth and profitability.

The benefit on realisation of an EBIS unit is calculated on an earnings number, similar to headline earnings per share of the Group, as published at every reporting date of the Group after deducting the issue price of that unit.

Participants are entitled to exercise their units as follows:

For units issued in 2010

After 3 years – up to 33,3% of the units
After 4 years – up to 66,6% of the units
After 5 years – up to 100% of the units

For units issued prior to 2010

After 2 years – up to 20% of the units
After 3 years – up to 40% of the units
After 4 years – up to 60% of the units
After 5 years – up to 100% of the units

If a unit is not exercised within 10 years from the date such unit 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 units 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 reasons approved by the Board of Directors, any units not yet exercised will lapse.

The EBIS units were issued for the first time in 2003. The units issued in 2010 incorporated employees that previously participated in the Chemical Services Limited EBIS scheme which was closed in 2010.

31. EMPLOYEE BENEFITS (continued)

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS) (continued)
Details of outstanding EBIS units at 31 December 2010 were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
February 2013	March 2003	3,40	7 650 000	3 597 500	457 500	3 595 000
February 2015	March 2005	3,92	7 927 350	1 684 120	1 034 610	5 208 620
July 2016	August 2006	5,16	5 519 000	75 500	1 044 080	4 399 420
February 2017	March 2007	5,42	6 137 100	42 280	1 084 610	5 010 210
July 2017	August 2007	5,97	394 000	–	394 000	–
February 2018	March 2008	5,12	5 417 800	–	936 800	4 481 000
February 2019	March 2009	5,96	6 258 700	–	337 800	5 920 900
February 2020	March 2010	3,34	18 847 712	–	–	18 847 712
			58 151 662	**5 399 400**	**5 289 400**	**47 462 862**

Included in outstanding EBIS units were the following units granted to Directors:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
GN Edwards	March 2003	3,40	275 000	–	–	275 000
GN Edwards	March 2005	3,92	323 000	–	–	323 000
GN Edwards	August 2006	5,16	220 000	–	–	220 000
GN Edwards	March 2007	5,42	225 400	–	–	225 400
GN Edwards	March 2008	5,12	340 700	–	–	340 700
GN Edwards	March 2009	5,96	300 700	–	–	300 700
GN Edwards	March 2010	3,34	582 636	–	–	582 636
S Engelbrecht	March 2003	3,40	470 000	–	–	470 000
S Engelbrecht	March 2005	3,92	596 400	–	–	596 400
S Engelbrecht	August 2006	5,16	305 250	–	–	305 250
S Engelbrecht	March 2007	5,42	342 500	–	–	342 500
KM Kathan	March 2009	5,96	435 000	–	–	435 000
KM Kathan	March 2010	3,34	847 231	–	–	847 231
			5 263 817	**–**	**–**	**5 263 817**

31. EMPLOYEE BENEFITS (continued)

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS) (continued)
Chemical Services Limited (CSL) (now referred to as the Group's specialty chemicals cluster) offered EBIS units, without payment, to those employees of CSL or its subsidiary companies who the former CSL Board of Directors, in its absolute discretion, considered played a role in the management of CSL or its subsidiary companies and contributed to their growth and profitability.

The benefit on realisation of an EBIS unit is calculated based on an earnings number, similar to headline earnings per share of the Group, after deducting the issue price of that unit.

Participants are entitled to exercise their units as follows:

After 2 years – up to 20% of the units
After 3 years – up to 40% of the units
After 4 years – up to 60% of the units
After 5 years – up to 100% of the units

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

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

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

The EBIS units were issued for the first time in 2002 and for the last time in 2009.

Details of outstanding EBIS units at 31 December 2010 were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
February 2012	March 2002	1,81	3 597 000	2 919 400	422 400	255 200
February 2013	March 2003	2,35	8 298 400	6 910 400	730 000	658 000
August 2013	September 2003	2,50	860 000	750 000	70 000	40 000
February 2015	March 2005	2,97	10 472 000	6 705 100	710 100	3 056 800
July 2016	August 2006	3,45	9 332 500	2 698 600	1 274 400	5 359 500
February 2017	March 2007	4,30	8 090 300	1 585 030	1 027 700	5 477 570
February 2018	March 2008	4,77	8 224 600	501 160	1 107 400	6 616 040
February 2019	March 2009	7,37	5 820 000	–	690 000	5 130 000
			54 694 800	**22 069 690**	**6 032 000**	**26 593 110**

	GROUP		COMPANY	
R millions	**2010**	2009	**2010**	2009
Total carrying amount of EBIS liabilities (see note 14)	**90**	53	**67**	36

32. OPERATING SEGMENTS

R millions	2010	2009	2010	2009	2010	2009
	External revenue		Intersegment revenue		Total segment revenue	
Continuing operations	**11 569**	10 709	**–**	–	**11 569**	10 709
Mining services	**4 790**	4 023	**42**	47	**4 832**	4 070
Specialty chemicals	**6 178**	6 304	**275**	220	**6 453**	6 524
Property	**307**	160	**63**	51	**370**	211
Specialty fibres	**294**	222	**–**	–	**294**	222
Intersegment	**–**	–	**(380)**	(318)	**(380)**	(318)
Discontinued operations	**–**	469	**–**	–	**–**	469
SANS Fibres – Bellville	**–**	469	**–**	–	**–**	469
	11 569	11 178	**–**	–	**11 569**	11 178
	Profit from operations		Depreciation		Impairments/(reversals)	
Continuing operations	**1 062**	767	**332**	267	**32**	27
Mining services	**378**	298	**172**	142	**–**	–
Specialty chemicals	**811**	483	**146**	111	**32**	34
Property	**66**	33	**5**	4	**–**	–
Specialty fibres	**33**	9	**9**	10	**–**	(7)
Group services	**(226)**	(56)	*****	*	**–**	–
Discontinued operations	**–**	66	**–**	–	**–**	–
SANS Fibres – Bellville	**–**	66	**–**	–	**–**	–
	1 062	833	**332**	267	**32**	27
	Assets		Liabilities		Capital expenditure	
Continuing operations	**8 954**	8 676	**2 176**	2 112	**634**	1 151
Mining services	**3 041**	2 797	**747**	610	**344**	407
Specialty chemicals	**4 912**	4 941	**1 195**	1 298	**241**	729
Property	**786**	724	**60**	55	**6**	9
Specialty fibres	**162**	149	**19**	33	**24**	5
Group services	**53**	65	**155**	116	**19**	1
Discontinued operations	**–**	63	**–**	96	**–**	–
SANS Fibres – Bellville	**–**	63	**–**	96	**–**	–
	8 954	8 739	**2 176**	2 208	**634**	1 151

* Nominal amount.

1 Transactions between segments are at prices considered to be at arm's length.

32. OPERATING SEGMENTS (continued)

R millions	2010	2009
Assets consist of		
Property, plant and equipment	**3 564**	3 260
Investment property	**440**	430
Goodwill	**1 035**	1 063
Inventory	**1 892**	1 827
Accounts receivable	**2 023**	2 159
	8 954	8 739
Liabilities consist of		
Accounts payable	**2 176**	2 208

33. INTERESTS IN JOINT VENTURES

	EFFECTIVE PERCENTAGE HELD BY AECI LIMITED 2010	2009
Crest Chemicals (Pty) Limited	**50**	50
DetNet International Limited[1]	**50**	50
DetNet South Africa (Pty) Limited	**50**	50
DetNet Detonadores Electronicos Limitada[2†]		50
Resinkem (Pty) Limited	**50**	50
Resitec Industria Quimica Limited[3]	**50**	50
Specialty Minerals South Africa (Pty) Limited	**50**	50

R millions	2010	2009
The proportionate amounts relating to joint ventures were as follows:		
Statements of financial position		
Property, plant, equipment and other non-current assets	**135**	129
Current assets	**402**	330
Total assets	**537**	459
Equity	**331**	301
Non-current liabilities	**42**	36
Current liabilities	**164**	122
Total equity and liabilities	**537**	459
Income statements		
Income	**913**	818
Expenses	**(822)**	(754)
Profit before tax	**91**	64
Impairments	**–**	2
Commitments		
Capital expenditure authorised	**1**	6

1 Ireland

2 Chile

3 Brazil

† The Group purchased the remaining shares in this company from the joint venture partner during the year. See note 34.

34. PRINCIPAL SUBSIDIARIES

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LIMITED[#] SHARES		LOANS TO/(FROM)	
	2010 Number of shares	2010 %	2009 %	2010 R millions	2009 R millions	2010 R millions	2009 R millions
HOLDING COMPANIES							
Directly held							
AECI International (Ireland) Limited	1	100	100	*	*	–	–
AECI Treasury Holdings (Pty) Limited	100	100	100	*	*	258	258
Athena Paint Investments SA[1]	230 000	100	100	1	1	(38)	(38)
Indirectly held							
African Explosives Holdings (Pty) Limited	43 311 779	75	75	–	–	–	–
African Explosives International Limited[2]	1 307	75	75	–	–	–	–
INSURANCE							
Directly held							
AECI Captive Insurance Company Limited	810 000	100	100	11	11	(61)	(56)
MINING SERVICES							
Directly held							
AEL Holdco Limited	99 800 000	75	75	75	75	2 753	2 587
Indirectly held							
AEL Burkina SARL[3]	100 000	75	75	–	–	–	–
AEL Chile[±]	2	75					
AEL DRC SPRL[4]	10 000	75	75	–	–	–	–
AEL Mali SARL	8 659	75	75	–	–	–	–
AEL (Mauritius) Limited	866	75	75	–	–	83	92
AEL Morocco	2 500	75	75	–	–	–	–
AEL Namibia (Pty) Limited	100	75	75	–	–	–	–
AEL Zambia Plc	25 508 250	60	60	–	–	–	–
African Explosives Limited[++]	100	75	75	–	–	–	–
African Explosives (Botswana) Limited	3	75	75	–	–	–	–
African Explosives (Ghana) Limited	1 000 000	75	75	–	–	–	–
African Explosives (Tanzania) Limited	26	75	75	–	–	–	–
Pt AEL Indonesia	1 150	75	75	–	–	–	–
PROPERTY							
Directly held							
Heartland Leasing (Pty) Limited	1 000	100	100	*	*	*	*
Heartland Properties (Pty) Limited	100	100	100	*	*	496	443
Other property subsidiaries				21	3	(83)	(95)

34. PRINCIPAL SUBSIDIARIES (continued)

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LIMITED[#] SHARES		LOANS TO/(FROM)	
	2010 Number of shares	2010 %	2009 %	2010 R millions	2009 R millions	2010 R millions	2009 R millions
SPECIALTY CHEMICALS							
Directly held							
Chemical Services Limited	83 127 950	100	100	818	818	(112)	129
Indirectly held							
Akulu Marchon (Pty) Limited[+]	410 000	100	100	–	–	–	–
Atlas Consolidated Industries (Pty) Limited[+]	200	100	100	–	–	–	–
Chemfit (Pty) Limited	4 000	100	100	–	–	10	–
Chemical Initiatives (Pty) Limited[+]	1	100	100	–	–	–	–
Chemiphos SA (Pty) Limited	170	100	100	–	–	12	1
Chemserve Perlite (Pty) Limited[+]	800 000	100	100	–	–	–	–
Chemserve Systems (Pty) Limited[+]	625 000	100	100	–	–	–	–
Cobito (Pty) Limited	300	80	80	–	–	–	–
Duco Speciality Coatings (Pty) Limited	100 000	100	100	–	–	98	107
ImproChem (Pty) Limited	4 000	100	100	–	–	2	3
Industrial Oleochemical Products (Pty) Limited[+]	4 001	100	100	–	–	–	–
Lake International Technologies (Pty) Limited[+]	13 395	100	100	–	–	–	–
Plaaskem (Pty) Limited[+]	400	100	100	–	–	11	12
Plastamid (Pty) Limited	128 500	100	100	–	–	21	3
SA Paper Chemicals (Pty) Limited[+]	220 443	100	100	–	–	–	–
Senmin International (Pty) Limited	8 008 500	100	100	–	–	2	8
Senmin SA (Pty) Limited	50 000	100	100	–	–	–	–
Simitri Specialty Chemicals (Pty) Limited	100	100	100	–	–	–	–
SPECIALTY FIBRES							
Directly held							
SANS Fibres (Pty) Limited[+]	17 979 433	100	100	8	8	(48)	(48)
SANS Fibers Incorporated[5]	100	100	100	–	–	180	167
Indirectly held							
SANS Technical Fibers LLC[+]		100	100	–	–	–	–
Other				3	3	(91)	(143)
				937	919	3 493	3 430

\# Cost less impairments.

± AEL Chile (previously DetNet Detonadores Electronicos Limitada) was a joint venture of the Company. During the year, the remaining share was purchased by the Group.

\+ Trading as an agent on behalf of AECI Limited.

++ Trading as an agent on behalf of AEL Holdco Limited.

* Nominal amount.

All companies are incorporated in the Republic of South Africa except for those whose country of incorporation is indicated by their registered company name, and those annotated as follows: 1 Grand Duchy of Luxembourg 2 United Kingdom 3 Burkina Faso 4 Democratic Republic of Congo 5 United States of America.

NOTICE OF ANNUAL GENERAL MEETING AND FORM OF PROXY

9 MAY 2011

AECI

good chemistry

AECI LIMITED

Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
("AECI" or "the Company" or "the Group")
JSE Share code: AFE
ISIN code: ZAE000000220

A. NOTICE OF MEETING

Notice is hereby given that the 87th Annual General Meeting ("meeting") of shareholders of the Company will be held on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton on Tuesday, 31 May 2011 at 09h00.

Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:

- must contact the Acting Company Secretary (by email at the address tedr@aeci.co.za) by no later than 16h00 on Thursday 26 May 2011 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

This notice of meeting includes the attached proxy form.

B. ATTENDANCE AND VOTING

The date on which an individual must be registered as a shareholder in the Company's register for purposes of being entitled to attend and vote at the meeting is the date of the meeting ("record date").

If you are a registered shareholder as at the record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the Company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

If you are a beneficial shareholder and not a registered shareholder as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

All participants at the meeting will be required to provide identification reasonably satisfactory to the chairman of the meeting.

C. PURPOSE OF THE MEETING

The purpose of this meeting is to:

- present the Directors' report and the audited annual financial statements of the Company and the Group for the year ended 31 December 2010;
- present the Audit Committee Report;
- consider any matters raised by shareholders; and
- consider and if deemed fit to pass, with or without modification, the resolutions set out below:

1. ORDINARY RESOLUTION NUMBER 1: ADOPTION OF ANNUAL FINANCIAL STATEMENTS

Resolution

To adopt the annual financial statements for the Company and the Group for the year ended 31 December 2010.

Explanation

In order for this ordinary resolution number 1 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

2. ORDINARY RESOLUTION NUMBER 2: REAPPOINTMENT OF INDEPENDENT AUDITORS

Resolution

To reappoint KPMG Inc. upon the recommendation of the current Audit Committee, as the independent registered auditor of the Company and to note Mr N van Niekerk as the registered individual auditor who will undertake the audit of the Company for the ensuing year.

Explanation

In order for this ordinary resolution number 2 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

3. ORDINARY RESOLUTIONS NUMBER 3.1 TO 3.3: RE-ELECTION OF DIRECTORS

Resolution

To elect each of the following Directors (who are retiring but are eligible for and have offered their services for re-election) in terms of the Articles:

3.1 Mr RMW Dunne
3.2 Mr S Engelbrecht
3.3 Mr LM Nyhonyha

Explanation

A brief curriculum vitae of the Directors standing for re-election are provided on pages 26 and 27 of the Annual Report.

Each of ordinary resolutions number 3.1 to 3.3 will be considered by way of a separate vote and, in order for each such resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

4. ORDINARY RESOLUTIONS NUMBER 4.1 TO 4.3: APPOINTMENT OF DIRECTORS

Resolution

To appoint each of the following Directors who were appointed by the Board of Directors during the 2010 financial year, in terms of the Articles:

4.1 Mr AJ Morgan
4.2 Adv R Ramashia
4.3 Ms LL Mda

Explanation

A brief curriculum vitae of the directors standing for appointment are provided on page 26 of the Annual Report.

Ms Mda's brief curriculum vitae is as follows:

Liziwe Mda (45)

MSc (Chem Eng)

Liziwe joined the AECI Board on 1 April 2011. She has a Masters degree in Chemical Engineering and has gained extensive experience at leadership level in the petrochemical industry.

Each of ordinary resolutions number 4.1 to 4.3 will be considered by way of a separate vote and, in order for each such resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

5. ORDINARY RESOLUTIONS NUMBER 5.1 TO 5.4: ELECTION OF AUDIT COMMITTEE MEMBERS

Resolution

To elect each of the following Independent Non-Executive Directors as members of the Company's Audit Committee:

5.1 Mr MJ Leeming Chairman
5.2 Mr RMW Dunne
5.3 Mr AJ Morgan
5.4 Mr LM Nyhonyha

Explanation

A brief curriculum vitae of the Independent Non-Executive Directors offering themselves for election as members of the Audit Committee are provided on pages 26 and 27 of the Annual Report.

Each of ordinary resolutions number 5.1 to 5.4 will be considered by way of a separate vote and, in order for each such resolution to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

6. ORDINARY RESOLUTION NUMBER 6: REMUNERATION POLICY

Resolution

To endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the Annual Report as follows:

Remuneration of employees – pages 102 to 104
Remuneration of Directors – pages 102 to 105

7. ORDINARY RESOLUTION NUMBER 7: PLACE UNISSUED ORDINARY SHARES UNDER THE CONTROL OF THE DIRECTORS

Resolution

To place all the unissued ordinary shares of the Company under the control of the Directors who are hereby authorised, subject to the provisions of the Companies Act and the JSE Listings Requirements to allot and issue such shares in their discretion when, and on such terms and conditions as, they deem it fit to do so.

Explanation

In order for this ordinary resolution number 7 to be adopted, the support of a majority of votes cast by shareholders present or represented by proxy at this meeting is required.

8. SPECIAL RESOLUTION NUMBERS 1.1 TO 1.11: DIRECTORS' FEES AND REMUNERATION

Resolution

To approve that the annual fees or remuneration payable to the Directors of the Company be increased with effect from 1 June 2011 as follows:

1.1 Chairman of the Board from a fixed fee of R723 600 to a retainer of R660 000;
1.2 Audit Committee Chairman's fee from a fixed fee of R159 840 to a retainer of R140 200;
1.3 Audit Committee members' fee from a fixed fee of R75 600 to a retainer of R70 100;
1.4 Non-Executive Directors' fee from a fixed fee of R178 200 to a retainer of R164 900;
1.5 Chairman of other Board Committees from a fixed fee of R97 200 (in addition) to a retainer of R90 700 (in addition);
1.6 Members of other Board Committees from a fixed fee of R48 600 (in addition) to a retainer of R45 400 (in addition);
1.7 An attendance fee of R8 000 (in addition) per member per Board meeting and per Committee meeting attended by the member;
1.8 Chairman and Non-Executive members of the Financial Review Committees of AEL Mining Services, the specialty chemicals cluster, and Heartland from R48 600 (in addition) to R45 400 (in addition);
1.9 The hourly fee for ad hoc services provided remains unchanged at R2 500;
1.10 Chief Executive's guaranteed remuneration for the 2011 financial year from R3 608 000 to R3 850 000; and
1.11 Chief Financial Officer's guaranteed remuneration for the 2011 financial year from R2 965 000 to R3 170 000.

Explanation

The reason for and effect of special resolutions number 1.1 to 1.11 is to grant the Company the authority to pay fees or remuneration to its Non-Executive Directors and its Executive Directors for their services as Directors.

Each of special resolutions number 1.1 to 1.11 will be considered by way of a separate vote and, in order for each such resolution to be adopted, the support of at least 75% (seventy-five per cent) of the total number of the votes which the shareholders present or represented by proxy at this meeting are entitled to cast is required.

9. SPECIAL RESOLUTION NUMBER 2: GENERAL AUTHORITY TO REPURCHASE SHARES

To authorise the Directors to facilitate the acquisition by the Company and/or a subsidiary of the Company, from time to time, of the issued shares of the Company from any person whatsoever (including any Director or prescribed officer of the Company or any person related to any Director or prescribed officer of the Company) upon such terms and conditions and in such amounts as the Directors of the Company may from time to time decide, but subject to the provisions of the Companies Act and the JSE Listings Requirements provided that:

- the number of ordinary shares acquired in aggregate in any one financial year shall not exceed 5% (five per cent) of the Company's issued ordinary share capital as at 31 December 2010;
- this general approval shall lapse on the earlier of the date of the next Annual General Meeting of the Company or the date 15 (fifteen) months from the date of adoption of this special resolution number 2;
- a resolution has been passed by the Board of Directors confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group;
- any such general repurchase is subject to exchange control regulations and approval at that point in time;
- the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% (ten per cent) in aggregate of the number of issued shares in the Company at the relevant times;
- the Company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- upon entering the market to proceed with the general repurchase, the Company's sponsor has confirmed the adequacy of the Company's and the Group's working capital for the purposes of undertaking a general repurchase of shares, in writing to the JSE.

Explanation

It is recorded that the JSE Listings Requirements currently require, inter alia, that the Company may make a general repurchase of securities only if:

- repurchases are not made at a price more than 10% (ten per cent) above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the repurchase;
- the repurchase of securities is being effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- at any point in time, the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- an announcement containing full details of the share repurchase, in accordance with the JSE Listings Requirements, will be made as soon as the Company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of shares of that class acquired thereafter.

At the present time, the Directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

The reason for and effect of special resolution number 2 is to grant the Company a general authority to facility the acquisition of the Company's own shares, which general authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that this general authority shall not extend beyond 15 (fifteen) months from the date of adoption of special resolution number 2.

Such general authority will provide the Directors with flexibility to effect a repurchase of the Company's shares, should it be in the interest of the Company to do so at any time while the general authority is in force.

Additional information required to be disclosed in connection with special resolution number 2 in terms of the JSE Listings Requirements is contained under Section D of this Notice.

In order for this special resolution number 2 to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast is required.

10. SPECIAL RESOLUTION NUMBER 3: FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANY

Resolution

To authorise the Directors, in terms of and subject to the provision of Section 45 of the Companies Act to cause the Company to provide any financial assistance to any company or corporation which is related or inter-related to the Company.

Explanation

The reason for and effect of special resolution number 3 is to grant the Directors of the Company the authority to cause the Company to provide financial assistance to any company or corporation which is related or inter-related to the Company. It does not authorise the provision of financial assistance to a Director or prescribed officer of the Company.

In order for this special resolution number 3 to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast is required.

D. ADDITIONAL DISCLOSURE REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS RELATING TO SPECIAL RESOLUTION NUMBER 2

Solvency and liquidity statement

The Board of Directors of the Company confirm that the Company will not enter into the repurchase of shares in terms of special resolution number 2 unless:

i. the Company and its subsidiaries (collectively "the Group") will be able to pay its debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of the repurchase;

ii. The assets of the Company and the Group, valued in accordance with the accounting policies used in the latest audited Group annual financial statements will exceed the liabilities of the Company and the Group for a period of 12 (twelve) months after the date of the repurchase;

iii. the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the repurchase; and

iv. the working capital available to the Company and the Group will be adequate for the ordinary business purposes for a period of 12 (twelve) months after the date of the repurchase.

General information

The following additional information, some of which may appear elsewhere in the Annual Report, is provided:

i. Directors and Management (refer to the Non-Executive Directors, Executive Committee and Senior Managers on pages 26 to 31);

ii. major shareholders (refer to Shareholder Analysis on pages 18 to 23);

iii. Directors' interest in securities (refer to the Directors' Report on page 136); and

iv. share capital of the Company (refer to the Directors' Report on page 135).

No material changes to report

There has been no material change in the financial or trading position of the Company and its subsidiaries subsequent to the publication of the Company's reviewed condensed consolidated financial results for the year ended 31 December 2010.

Litigation statement

There is no legal or arbitration proceedings which may have, or have had, during the 12 (twelve) month period preceding the date of this notice, a material effect on the Group's financial position and the Company is not aware of any such pending or threatened proceedings.

Directors' responsibility statement

The Directors whose names appear in the Annual Report collectively and individually accept full responsibility for the accuracy of the information given in ordinary resolution number 7 and special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and ordinary resolution number 7 and special resolution number 2 contain all information required by the JSE Listings Requirements.

E. INTERPRETATION OF THIS NOTICE

In this notice (including the proxy form attached hereto) the term:

- "Articles" means Articles of Association of the Company;
- "beneficial shareholder" means the holder of a beneficial interest in shares of the Company who is entitled to cast the votes attaching to those shares but is not the registered shareholder of those shares;
- "Companies Act" means the Companies Act 71 of 2008, as amended;
- "CSDP" means Central Securities Depositary Participant;
- "JSE Listings Requirements" means the Listings Requirements of the JSE Limited as amended from time to time and as interpreted and applied or disapplied by the JSE Limited;
- "register" means the Company's securities register and the Company's register of disclosures of beneficial interest in securities;
- "registered shareholder" or "shareholder" in relation to the shares means the holder of those shares whose own name is entered in the Company's register as such and who is entitled to cast the votes attaching to those shares.

By order of the Board

EA Rea
Acting Company Secretary

Woodmead, Sandton
9 May 2011

AECI LIMITED

FORM OF PROXY

Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
Share code: AFE ISIN code: ZAE000000220
("the Company")

This proxy form relates to the 87th Annual General Meeting to be held on Tuesday, 31 May 2011 at 09h00 on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton ("meeting") *(see note 1)* and is for use by registered shareholders whose shares are registered in their own names on the date of the meeting ("record date") *(see note 2)*.

Terms used in this proxy form have the meanings given to them in the notice of meeting to which this proxy form is attached.

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/We (name in block letters) ______________________________

of (address) ______________________________

Telephone (work) ______________________________ (home/cellular) ______________________________

being a shareholder of the Company and being the registered owner/s of ______________________________ ordinary shares

in the Company *(see note 3)* hereby appoint ______________________________ or failing him the Chairman of the meeting *(see note 4)* to attend and participate in the meeting and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment *(see note 5)*.

My/Our proxy shall vote as follows:

* Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion *(see note 6)*.

		In favour of	Against	Abstain
Ordinary resolution no 1	Adoption of annual financial statements			
Ordinary resolution no 2	Reappointment of independent auditors			
Ordinary resolution no 3	Re-election of Directors			
	3.1 Mr RMW Dunne			
	3.2 Mr S Engelbrecht			
	3.3 Mr LM Nyhonyha			
Ordinary resolution no 4	Appointment of Directors			
	4.1 Mr AJ Morgan			
	4.2 Adv R Ramashia			
	4.3 Ms LL Mda			
Ordinary resolution no 5	Election of Audit Committee members			
	5.1 Mr MJ Leeming			
	5.2 Mr RMW Dunne			
	5.3 Mr AJ Morgan			
	5.4 Mr LM Nyhonyha			
Ordinary resolution no 6	Remuneration Policy			
Ordinary resolution no 7	Place unissued shares under the control of the Directors			
Special resolution no 1	Directors' fees and remuneration			
	1.1 Chairman of the Board			
	1.2 Audit Committee Chairman			
	1.3 Audit Committee Member			
	1.4 Non-Executive Directors' fee			
	1.5 Chairman of other Board Committees			
	1.6 Members of other Board Committees			
	1.7 Attendance fee			
	1.8 Chairman and Directors' fees for Financial Review Committees			
	1.9 Hourly fee for ad hoc services			
	1.10 Chief Executive			
	1.11 Chief Financial Officer			
Special resolution no 2	General authority to repurchase shares			
Special resolution no 3	Financial assistance to related or inter-related company			

Dated this ______________________________ day of ______________________________ 2011

Signature *(see note 1)* ______________________________

Please read the notes on the reverse side of this form of proxy.

INSTRUCTIONS AND NOTES TO THE FORM OF PROXY

1. This proxy form will not be effective at the meeting unless received at the Company's transfer office, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, by no later than 09h00 on Friday 27 May 2011. If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Limited, PO Box 61051, Marshalltown, 2107.

2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 12 below.

   Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.

3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the record date unless a lesser number of shares is inserted.

4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the Company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.

5. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.

6. If:

   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   6.2 the shareholder gives contradictory instructions in relation to any matter; or
   6.3 any additional resolution/s which are properly put before the meeting; or
   6.4 any resolution listed in the proxy form is modified or amended,

   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.

7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:

   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   7.2 the Company has already received a certified copy of that authority.

8. The Chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

9. Any alternations made in this proxy form must be initialled by the authorised signatory/ies.

10. This proxy form is revoked if the shareholder who granted the proxy:

    10.1 gives written notice of such revocation to the Company, so that it is received by the Company by not later than 09h00 on Friday 27 May 2011; or
    10.2 subsequently appoints another proxy for the meeting; or
    10.3 attends the meeting himself in person.

11. All notices which a shareholder is entitled to receive in relation to the Company shall continue to be sent to that shareholder and shall not be sent to the proxy.

12. If duly authorised, companies and other corporate bodies who are shareholders of the Company having shares registered in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the Company's transfer offices in Johannesburg by not later than 09h00 on Friday 27 May 2011. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder to Computershare Investor Services (Pty) Limited, PO Box 61061, Marshalltown, 2107.

13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.

14. The Chairman of the Annual General Meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

ADMINISTRATION

SECRETARY AND REGISTERED OFFICE
EA Rea (Acting)
First Floor
AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton
(no postal deliveries to this address)

POSTAL ADDRESS
Private Bag X21
Gallo Manor
2052
Telephone: +27 (0)11 806 8700
Telefax: +27 (0)11 806 8701

WEB ADDRESS
www.aeci.co.za

LONDON SECRETARY
St James's Corporate Services Limited
6 St James's Place
London SW1A 1NP, England

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg
and
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH, England

AUDITORS
KPMG Inc.

PRIMARY TRANSACTIONAL AND FUNDING BANKS
First National Bank of Southern Africa Limited
Nedbank Limited
The Standard Bank of South Africa Limited

SOUTH AFRICAN SPONSOR
Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton

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