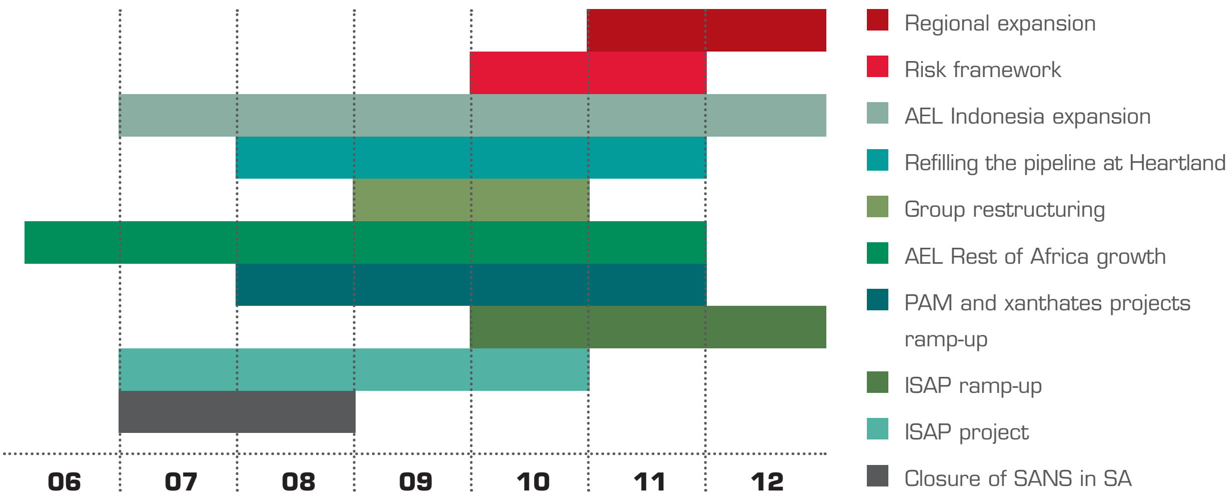
It is most gratifying to report that we delivered on our commitment to growth in an extremely challenging year. Revenue increased by 16% to R13 397 million, margins and volumes improved, our EVA was positive and EBITDA grew by R361 million to R1 746 million. The 25% increase in headline earnings per share to 720 cents exceeded expectations.

2011 was characterised by further restructuring and rightsizing. Many of the recommendations arising from the review of our operations undertaken in 2010 were executed. We closed certain plants where this was necessary to match changes in customer demand, combined some operations and focused on rightsizing our cost base for the changed environment in which our businesses operate.

With the right cost base now in place, AECI's strategy has moved into its next phase: regional expansion in our chosen geographies, most notably Africa, South America and South East Asia. The graphic below illustrates the timeline for major initiatives undertaken and progress made since 2006 in establishing AECI's growth platform. Major capital programmes in AEL and mining chemicals have been completed, the Group has been delayered, AEL has had steady growth outside of South Africa, Heartland has progressed the refilling of the pipeline of land ready for sale and the Group has installed a robust risk and governance framework.

To facilitate delivery in terms of this regional expansion strategy the Executive Committee was restructured early in 2012.

SETTING THE GROWTH PLATFORM



Executive resources have been dedicated to identifying and implementing opportunities for organic growth and acquisitions at a regional level. Edwin Ludick will focus on expansion of the specialty chemicals business in South America and Tobie Louw will concentrate on the international growth of our explosives business in South East Asia. We also appointed Khosi Matshitse as Human Capital Executive. She is tasked with delivering the strategic human resources necessary to execute our growth plan and to oversee the ongoing Transformation of our Company. Major steps in this Transformation were finalised in January 2012 with shareholders approving AECI's acquisition of the KTH Consortium's 25,1% interest in AEL in exchange for new ordinary shares in AECI, as well as a transaction that will see AECI employees and a Community Education and Development Trust benefiting at Company ownership level. More detail on this is given in the Sustainability Report commencing on page 100.

Against this backdrop of strategic progress the deterioration in our safety record was extremely disappointing. The death of Mr Manuel Marques Silva, an employee at Resitec in Brazil, is a tragedy and we extend our deepest condolences to his family and colleagues. Our target remains no injury to anyone, ever. Our Total Recordable Injury rate ("TRIR") deteriorated to 0,67 from 0,60 in 2010. The TRIR measures the number of incidents per 200 000 hours worked.
We are committed to working harder to improve the safety of our employees and contractors.
In this regard it is pleasing that AEL achieved a TRIR of 0,38 – its lowest ever. Safety will continue to be a key performance indicator for management Group-wide.

Chief Executive – Graham Edwards

LAST YEAR'S FOCUS AREAS

AECI's 2010 Annual Report detailed three focus areas for 2011 and progress on these is summarised below:

- **Complete the ramp-up of the ISAP and PAM projects so as to optimise their beneficial use and enhance the Group's financial performance**

  ISAP continued to be ramped up, albeit at slower rates than planned. Output of shock tube from ISAP ramped up from 60 million detonators in 2010 to 90 million in 2011. Ramp-up to full capacity and closure of conventional plants will be completed in 2012. This is expected to deliver future annualised costs savings in excess of R100 million. There were technical challenges with the driers on Senmin's xanthates plant, which have been resolved. Both this project and the PAM plant are now delivering positive economic returns.

- **Maintain a sharp focus on costs and working capital management and on enhanced product and service delivery to customers**

  Working capital management did not show the improvement we had hoped for due to increases in chemical input prices and an increase in imports. As we expand outside South Africa, our working capital cycle also lengthens. Cost management and containment were good with a number of pertinent initiatives taking effect during the year. Product and service delivery were hampered by the national transport strike early in the year and internal labour disputes later on, but overall our performance remained positive.

- **Successfully integrate the acquisitions into the specialty chemicals portfolio**

  Integration of 2011's acquisitions for a total consideration of R180 million is complete. More detail on this is given in the specialty chemical cluster's Operational Review.

2011 PERFORMANCE

EXPLOSIVES

AEL delivered a very good result given the difficult operating conditions in the mining sector. Revenue grew by 14% to R5 494 million and operating profit was 35% higher at R510 million. After adjusting for a provision of R39 million for retrenchments taken in 2010, earnings were up 10% – a good performance in the context of the prevailing environment.

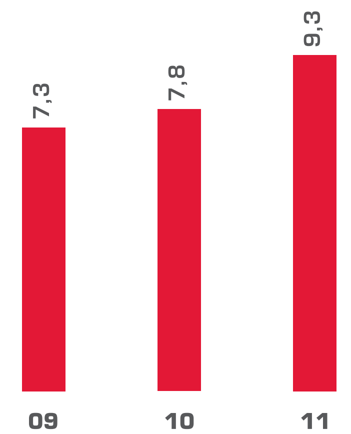
AEL was negatively impacted by raw material supply issues and production difficulties at its Modderfontein nitric acid plants. However, this was offset by foreign exchange gains in the latter part of the year as the rand weakened against the US dollar. Other challenges included a fire on the conventional shock tube plant, the slower than planned ramp-up of ISAP and labour unrest. Combined with the increased demand for exports, this delayed the original personnel reduction plans and prevented the full realisation of the anticipated cost benefits. Future annualised cost savings of R100 million are expected to result from the closure of conventional shock tube plants.

AEL's trading profit to revenue margin increased to 9,3% (2010: 7,8%). The immediate target for AEL is to improve this to above 10%.

AEL's international expansion strategy continues to deliver on its promise, although operations in Indonesia were negatively affected by heavy rainfall in the first half of the year. Strong results offset this in the second six months. Good progress was also made in sales via channel partners in Europe and South America.

Our explosives businesses in the rest of Africa enjoy an outstanding strategic position and are well placed for more growth. International interest in Africa is high and investment in mining is a key driver. While the fundamentals for future growth are solid, performance in the current period was inconsistent – business was pleasing in Central and West Africa but less buoyant in East Africa where some market share was lost.

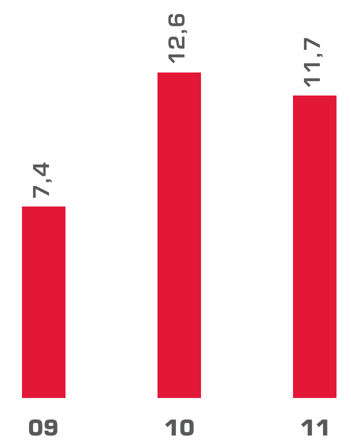
EXPLOSIVES – TRADING PROFIT MARGIN (%)

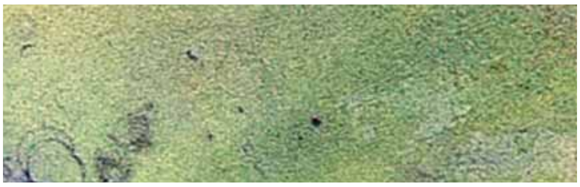


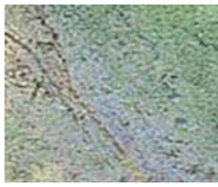
SPECIALTY CHEMICALS

The specialty chemicals cluster produced a creditable performance in one of the toughest years ever experienced by South Africa's manufacturing sector. Revenue rose by 17% to R7 558 million due to an 11% increase in volumes. The negative effects of the strong rand on selling prices for the first nine months of the year were offset by high commodity prices. Careful cost management and prudent buying resulted in margins remaining healthy at 11,7%. The strong rand also affected the mix of our business with volumes of manufactured products falling and traded products increasing strongly. In the third quarter of the year we closed two plants and combined two businesses. We were pleased to conclude a strategically advantageous distribution agreement with GE Betz, a General Electric company and a global leader in its field, to supply water treatment products and process technologies in African markets. The benefits of this are explained in further detail in the Operational Review.

SPECIALTY CHEMICALS – TRADING PROFIT MARGIN (%)







PROPERTY

AECI owns land previously used by our manufacturing operations which is now surplus to requirements. Heartland is tasked with realising the value of this asset for the benefit of all stakeholders. We are in the process of refreshing the valuation of these properties.

The property market remains extremely quiet and while we were pleased to conclude six land sales during the period, we continue to fill the pipeline of zoned land for future sales. We also continue to investigate new business models and alternative approaches to realising value from our property holdings.

SPECIALTY FIBRES

SANS Technical Fibers ("STF") produced excellent results with profits up 61% to R53 million. STF benefited from the improvement in the North American automotive sector as well as improved export volumes into Europe and Asia. AECI is currently reviewing its ownership of STF from a strategic perspective.

MATERIAL ISSUES

We have approached the preparation of this Integrated Report with the principles of King III and the discussion paper issued by the IIRC in mind. Accordingly, the Report focuses wherever feasible on the issues identified in our risk assessment process as being material to our long-term sustainability.

SAFETY, HEALTH AND ENVIRONMENT

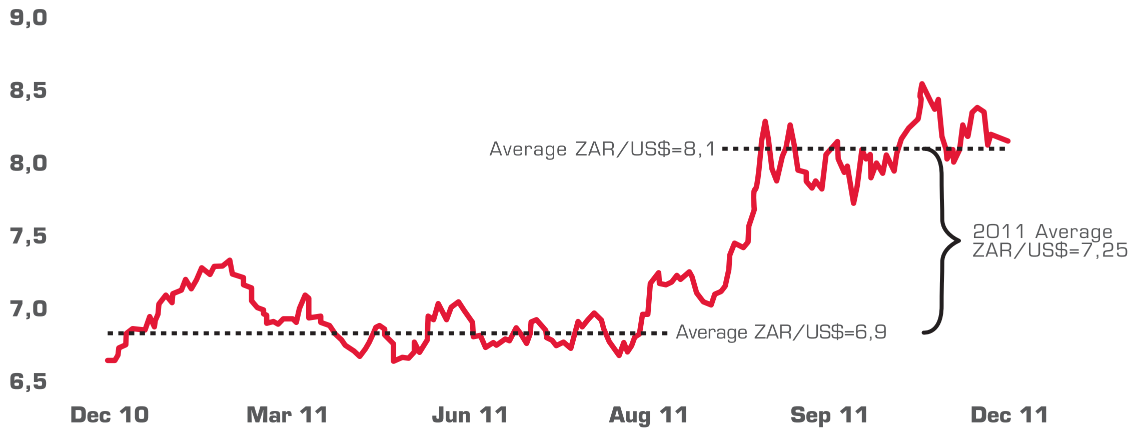
The long-term sustainability of the Group, as well as our ability to generate above average economic returns, depend on the integration of broader environmental, social and governance considerations into our business.

The working environment in the chemicals industry often involves potentially hazardous substances and emissions. As good corporate citizens we have a duty to provide a safe working environment for our employees and contractors and ensure that they are not exposed to any substances that may negatively affect their long-term health. Communities neighbouring our operations also need to be considered and we need to be conscious of our impact on the environment as a whole.

"Going Green" is not only part of our "Good Chemistry" brand descriptor and one of our Company values, it is also a business opportunity. As environmental considerations become more entrenched in society we have the opportunity to supply products that sustain this trend. A good example of this is the water treatment products and processes that assist customers in maximising their use of this scarce resource in Africa. Another of our businesses supplies products for insulating materials that assist in reducing energy consumption.

In-house we are continually evaluating ways in which we can use more efficient and environmentally friendly processes in our businesses.

ZAR/US$ EXCHANGE RATE



We launched Green Gauge, our internal environmental initiative, in the second half of the year. This initiative lays out environmental objectives for the Group. Targets have been set to 2020 with six key focus areas which are in line with our overall objectives, including a reduction in our carbon footprint. Details of the Green Gauge are given in the Sustainability Report commencing on page 100.

For the third consecutive year we were included in the JSE's SRI Index and it is most pleasing that we improved our rating in the CDP.

ECONOMIC CONDITIONS

RECESSIONARY TRENDS

Most of AECI's customers operate in the mining and manufacturing sectors. Both of these sectors, as well as the broader South African operating environment are directly affected by international developments. Developed world markets remain challenged by limited investment, poor employment levels in the face of austerity measures, bank recapitalisations and limited benefits arising from government stimuli. We cannot forecast how the European debt crisis will ultimately be resolved, but it is likely that its ramifications will be both significant and unpredictable for some time.

The Chinese economy faces its own challenges and will require nimble management. A return to normality in the global economy depends on many significant factors and is likely to be challenging and slow. While we expect moderate economic growth in the short to medium term, the downside risks are increasing.

FOREIGN EXCHANGE

The fluctuations of the rand against other currencies affect our business in a number of ways. The exchange rate impacts on the local manufacturing and mining sectors and therefore affects the demand for our products. A relatively strong rand, as was again the case during 2011, reduces the rand cost of many of our input chemicals, but also reduces what we can recover from our customers. It also favours the decision to import finished products over the local manufacture of those products and makes the local market more attractive for both international competitors and offshore principals in our businesses. Another consequence is the dilution of hard currency earnings in our offshore operations.

Although the rand weakened somewhat during the last quarter of the year (see graphic on page 35), for the bulk of the period its strength pressured margins and made for a challenging operating environment.

COMMODITY PRICES

Price increases for the major inputs into our businesses have been sustained in line with increases in Brent crude oil. The latter rose from US$95 per barrel in December 2010 to close 2011 at US$107 and ammonia prices remain high. While we were able to protect our margins, customer volumes fell and the sales mix shift affected our overall result.

EXPOSURE TO TRENDS IN MINING AND MANUFACTURING

South African manufacturing activity appears to be on a slow road to recovery but is still much behind the levels of 2007 and 2008 (see graphic on opposite page). This affects our specialty chemicals cluster directly and our strategy is to restructure or combine businesses where this helps us to match customer demand.

We continue to investigate compelling opportunities to expand our business outside the local market.

Mining volumes drive demand in AEL. The local mining industry started the year ahead of 2010 but remains volatile, as illustrated in the graphic on the opposite page. More than half of AEL's revenue is now generated by its businesses outside of South Africa.

CUSTOMERS

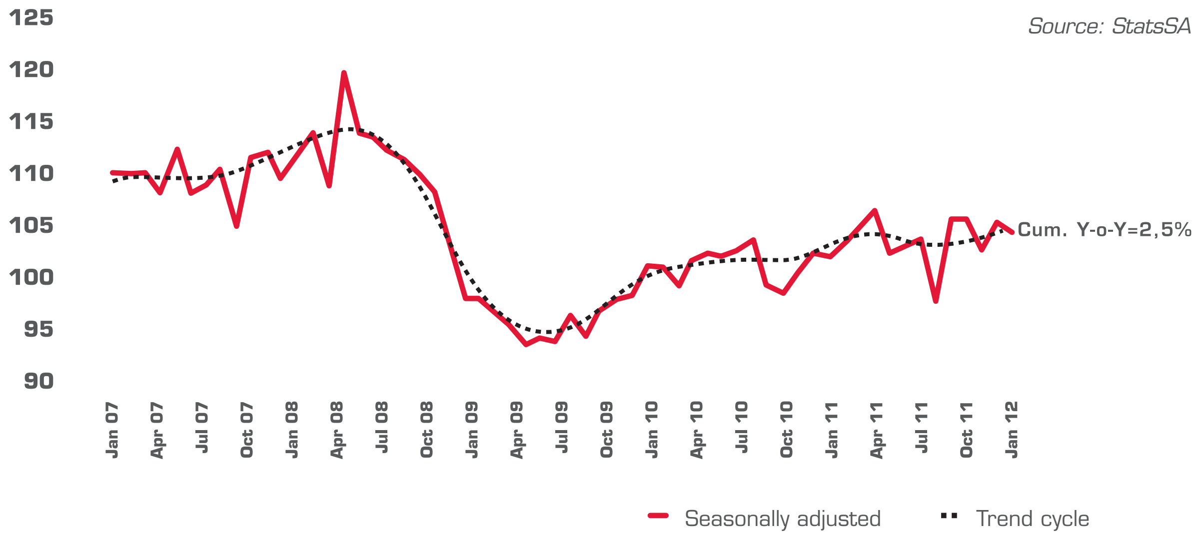
We have a customer-centric business model with long-term relationships as its foundation. Many of our products are designed and produced to meet the specific needs of individual customers. This close relationship has supported our businesses, particularly AEL, to grow with our customers as they expand outside South Africa. There is a risk that we may lose customers as more competitors enter the market, particularly in the rest of Africa, or where customers change their technology and we are not able to meet their new requirements.

Mining houses embarked on an extensive review of their procurement process in 2011. AEL lost market share in some areas but successfully renewed or gained business in others. Overall therefore market share remained constant.

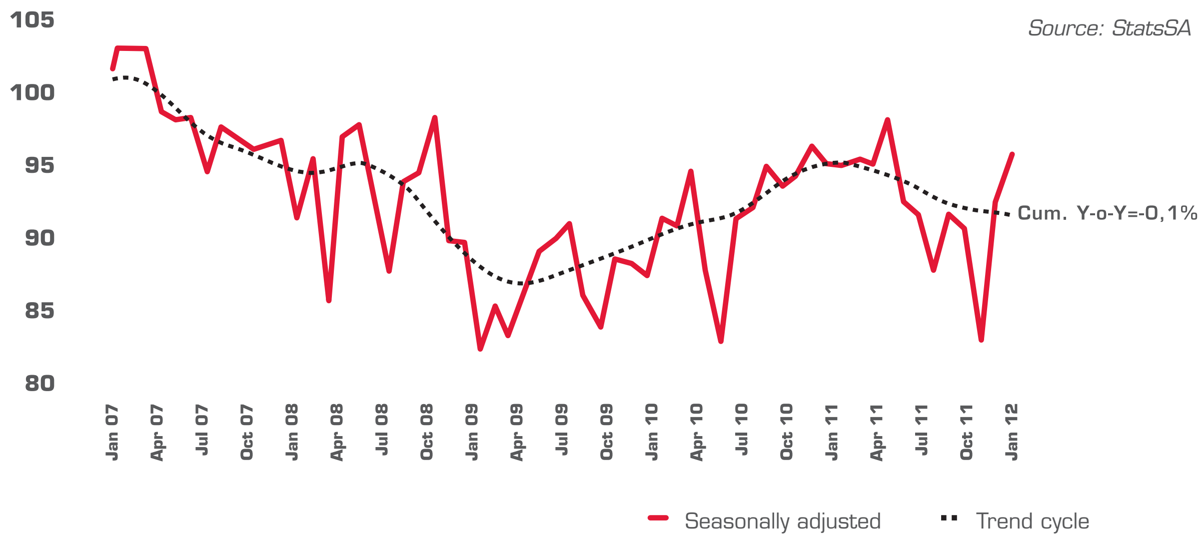
SUPPLIERS

We are dependent on certain key inputs in order to supply products and services to our customers. Ammonia and fuel for example, are key inputs for AEL, as is electricity for our manufacturing operations. Price volatility

SA MANUFACTURING VOLUMES JANUARY 2006 – DECEMBER 2011



SA MINING VOLUMES JANUARY 2006 – DECEMBER 2011



and any disruptions to the supply of these key inputs directly affect our ability to deliver to our customers. An ammonia shortage in 2011, subsequent to a supplier force majeure, is an example of this. Ongoing efforts to secure additional raw material sources and enhance supplier contract management are some of the mitigation measures that we pursue.

SUPPLY CHAIN

Plant failures or quality issues may affect our ability to service our customers' needs. Where our manufacturing technology does not keep pace with our customers or competitors, there is the risk that our products could become uncompetitive or inappropriate for customers' needs. These challenges are addressed on a number of fronts including new technology development and product innovation, inventory management, forecasting and planning, appropriate plant maintenance and operating standards and quality management processes.

COMPLIANCE

Our industry is tightly regulated and non-compliance with relevant legislation can lead to reputational damage, fines and loss of our operating licence. We view good practice as good business and we have a well-engrained compliance culture balanced with an understanding of our rights under the relevant laws in the countries in which we operate.

During 2011 the DWA issued a new Water Use Licence for operations at our Modderfontein site. This site had been operating for some years under a draft Water Use Licence. The new Licence was issued with stringent conditions which came into immediate effect upon issue. The site is not able to meet all of these conditions in the short term in line with the provisions of the Licence. Negotiations continue with the DWA in a spirit of cooperation in a bid to resolve this situation in a mutually satisfactory manner, whilst efforts to bring the site into compliance are progressed. Details in this regard are set out in the Sustainability Report commencing on page 100.

TRANSFORMATION

One of the factors that could impact on AECI's growth plans is our ability to attract and retain high calibre employees. Ensuring that we have excellent human resources in place in all our businesses across many countries will give us a competitive advantage. To assist us in gaining this advantage, the appointment of a Human Capital Executive has already been discussed.

The B-BBEE transactions concluded after year-end are significant events for AECI. Effective B-BBEE ownership using the flow through principle is now over 26%, bringing us in line with the requirements of the Mining Charter which applies to a significant proportion of our customer base. A full B-BBEE scorecard for AECI is expected to be completed by June 2012.

OUTLOOK

It seems that mining volume growth will be sustained in 2012, with high commodity prices supporting investment in the sector. It appears that South Africa's manufacturing industry is stabilising although the performance of the rand will continue to be a key factor. Our results for 2011 demonstrated our ability to deliver in challenging times and we believe the restructuring of the past two years positions us well for 2012 even if the external environment does not prove to be ideal.

Our focus for 2012 will be on the following main areas:

- optimising our new plants;
- pursuing and acting on opportunities for expansion of the specialty chemicals cluster in South America;
- continuing AEL's expansion in markets outside of South Africa;
- continuing to evaluate models to realise value from the property portfolio;
- improving the Group's safety performance; and
- pursuing environmental targets as set out in Green Gauge.

ACKNOWLEDGEMENTS

Without the dedication of the Group's Management teams and all of our employees, AECI would not have delivered such strong results in 2011. I thank them for their commitment and I would also like to thank the Group's shareholders, employees, business partners, suppliers, customers and other stakeholders for their ongoing support.

A special word of thanks is due to Fani Titi, our outgoing Chairman, who leaves us at the end of May 2012. He has guided the Company with distinction in his five years as Chairman and has overseen AECI through a pivotal phase in its history. We wish him well in his future endeavours and thank him for his commitment.

Schalk Engelbrecht will assume the role of Chairman. We look forward to working with him in his new capacity.

Graham Edwards
Chief Executive

Woodmead, Sandton
30 March 2012

Chief Financial Officer's Report

Chief Financial Officer – Mark Kathan

This report is intended to provide a high level overview of the financial performance of the AECI Group for the year ended 31 December 2011. The Report should be read in conjunction with the consolidated Annual Financial Statements presented on pages 163 to 236.

FINANCIAL PERFORMANCE

OVERVIEW

The Group delivered most pleasing results for the year with profit from operations and headline earnings per share ("HEPS") increasing by 24% and 25% respectively. The growth was made possible by improved performances in all of our operating segments and was particularly gratifying given a very challenging trading environment in which commodity prices were rising and the rand remained at strong levels against the US dollar for most of the year. Performances improved strongly in the last quarter of the year when there was a sharp and significant decline in the rand exchange rate within a short period. The Group was able to respond quickly, thereby enhancing its results for 2011.

Revenue for the year was R13 397 million, a 16% increase year-on-year. Volumes grew by 7%. Profit from operations increased to R1 316 million from R1 062 million in 2010 and EBITDA improved by 26% to R1 746 million from R1 385 million in the prior year.

The results included the positive effects of a net translation gain of R77 million, of which R35 million related to the realisation of an amount of foreign cash which was repatriated. Costs were well controlled and margins maintained or improved to deliver higher

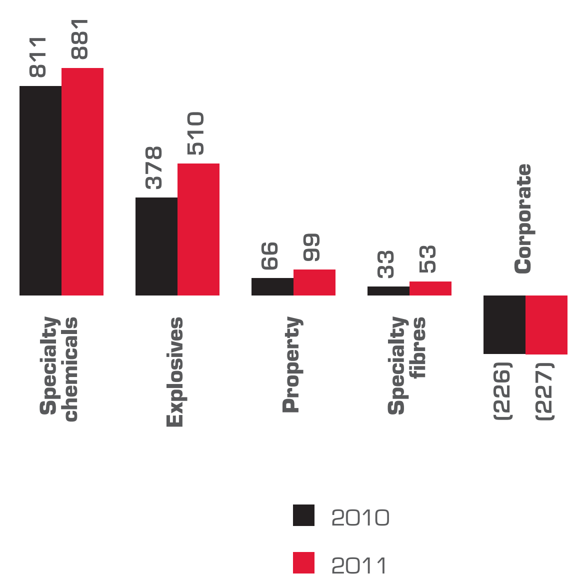
revenue despite increased energy costs, higher depreciation from the Group's capital expansion programme and the effects of nitrates shortages.

Profit after tax increased by 31% to R838 million. Interest expense increased by R61 million as a result of lower capitalisation of interest into projects, with R17 million capitalised in 2011 compared to R93 million in 2010. The Group's effective tax rate was 27%, due mainly to a proportion of the profits being earned in territories with lower tax rates. It is likely that the Group's overall tax rate will be slightly lower in future as secondary tax on companies in South Africa is replaced by dividends tax, whereby dividends will be taxed in the hands of shareholders.

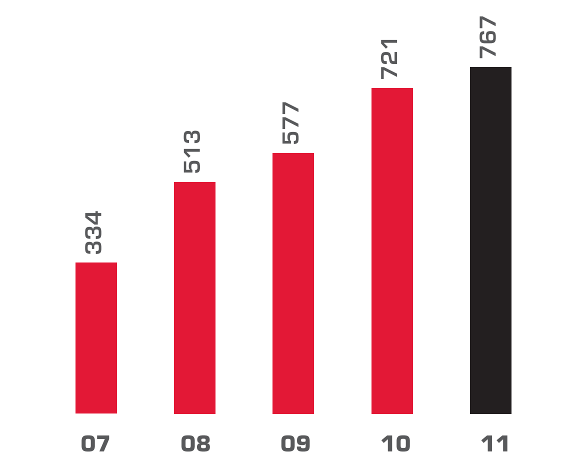
POST-RETIREMENT MEDICAL AID

The Group's post-retirement medical aid obligation is valued annually and adjusted in line with the revised valuation. There are a number of assumptions in valuing this long-term obligation and the charges are all recognised in the Income Statement. The 2010 charge of R168 million was largely the result of a number of additional pensioners being included. In 2011 the charge was R87 million even though the net discount rate used in the valuation was decreased from 1,75% to 1,25%. The net discount rate is the difference between the long-term interest rate used to discount the obligation to present value and the expected long-term inflation rate used for healthcare costs. This rate should be relatively stable over time and 1,25% is seen as an appropriate rate for the foreseeable future. For more details on this obligation, see note 15 on page 201 and note 30 on page 217 of the Annual Financial Statements.

SEGMENT OPERATING PROFIT (RM)



NET DEFINED BENEFIT OBLIGATION (RM)



IAS 19 is the Standard which governs the accounting for employee benefits. This Standard was revised in 2011 and becomes effective from 1 January 2013. One of the key changes in IAS 19 is that actuarial gains or losses determined in the annual valuation including changes in any of the underlying assumptions will be recognised in Other Comprehensive Income. This change should result in less volatility in the Income Statement but will not be adopted by the Group before 1 January 2013.

EMPLOYER SURPLUS ACCOUNTS

The Company has employer surplus accounts with the Group’s defined-benefit Pension Funds as described in note 5 on page 195. The Company earns a proportionate share of the returns of the Funds and utilises the surplus to fund contribution shortfalls calculated actuarially with reference to the benefits granted compared to the contributions received from the Group and its employees, without considering the assets and returns earned by the Funds. In 2011 a surplus apportionment was made in three of the funds to members and the Company in equal shares, resulting in the Company receiving further allocations of R49 million. Allocations are recognised as income and included in the Income Statement, which have been disclosed separately.

EARNINGS PER SHARE

As already outlined HEPS increased by 25%, to 720 cents and earnings per share (“EPS”) increased by 30% to 724 cents. EPS in 2010 were affected by a number of non-headline non-recurring transactions which negatively impacted on earnings for the prior year.

Note 24 on page 207 provides more detail in respect of the per share data. The 2011 earnings are indicative of the operating result and were not affected significantly by unusual or once-off items.

FINANCIAL POSITION

The Group’s non-current assets remained at similar levels to those for 2010, with the capital expansion programme reaching its conclusion. However, the reasonably moderate increase that did occur was the result of acquisitions made in 2011. The assets acquired included plant and equipment, intangible assets and working capital.

The working capital acquired contributed to the Group’s working capital ratio being significantly higher at the end of 2011 than at the end of 2010. The measure we use is the percentage of net working capital to revenue and our target range is between 16% and 18%. In 2010 working capital was at 15%. At the end of 2011 it was 17,7%, still within our target range. An impacting factor, in addition to working capital acquired through business combinations, was the sharp decline of the rand to R8,15 against the US dollar in the last quarter of the year. Commodity prices are largely US dollar based and this affects the rand value of purchases and sales, and hence working capital. As the international component of the Group’s business increases these effects will be greater, as will the effects of a longer supply chain to international markets. Management continues to have a strong focus on working capital so as to maintain it at appropriate levels.

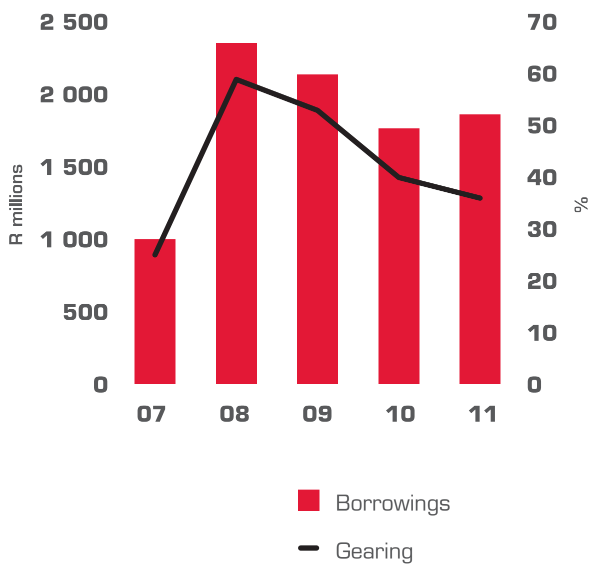
Net debt which includes long-term and short-term debt and cash increased by R98 million from 2010, but the Company's debt to equity percentage declined from 40% to 36%, placing us in an excellent financial position to fund future growth. We have repaid about half of the term debt obtained in 2008 and in 2011 we concluded an agreement for new floating rate debt of R1 000 million for a period of three years. Term debt represented 51% of the Group's borrowings at end 2011. All loan covenants were met in the year under review. Total debt is approximately R1 100 million below the existing facilities available to us.

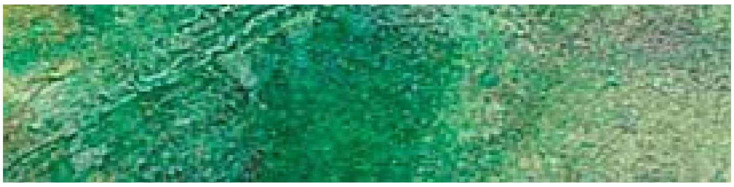
CASH FLOW

The Group's operations generated R1 883 million in 2011. These funds were utilised to pay interest, tax and dividends, as well as financing the increase in working capital. Interest paid for the year was R253 million and was slightly lower than in 2010 in an environment of stable interest rates. Tax increased in line with the Group's improved profitability and dividends paid increased by 62% to R237 million during the year in line with the higher earnings. Cash flow from operating activities was R425 million for the year, down from R984 million in 2010. It should be borne in mind that working capital levels at the end of 2010 were similar to those at the end of 2009.

Investments included R475 million for property, plant and equipment, with R182 million in respect of capital mainly related to the final stages of our R2 000 million strategic investment programme which commenced in 2007; investment property and intangible assets; and R173 million for the acquisition of new businesses and subsidiaries. These investments were funded mainly by increased long-term debt. The Statements of Cash Flows

BORROWINGS AND GEARING





on page 188 and the associated notes on page 189 provide further details.

ACQUISITIONS

The Group concluded a number of acquisitions during 2011 after a period of consolidation in 2009 and 2010. These acquisitions are the first business combinations by the Group since the introduction of the revised IFRS 3. The Group acquired businesses and subsidiaries with a combined purchase price of R180 million which included R49 million to acquire the non-controlling interest in Cobito and contingent consideration calculated and provided for as a liability of R7 million. Details of the consideration, assets and liabilities of the acquisitions can be found in note 33 on page 231.

The Group acquired the remaining 20% of Cobito, which has performed well since it was acquired in 2008. The original acquisition was accounted for prior to the effective date of the prospective application of IFRS 3. The transaction represents the acquisition of the non-controlling interest and is accounted for as a transaction between shareholders and not as a business combination.

The agricultural chemical distribution business of Qwemico Distributors was acquired in March 2011 and incorporated into Nulandis. This acquisition has enhanced Nulandis' distribution network in the northern regions of South Africa and has resulted in revenue growth in that business.

Crest Chemicals acquired the business of Croxton Chemicals and this company's investment in Protank, thereby adding bulk caustic soda supply to Crest Chemicals' range of products. The transaction involved the acquisition of storage tank facilities, which were recognised at fair value, and a beneficial supply chain arrangement which was recognised as an indefinite life intangible asset with reference to IFRS 3 and IAS 38.

The Group also acquired the chemical toll manufacturing business of T&C Chemicals, with water treatment technologies incorporated into ImproChem and the manufacturing facility combined with Chemisphere Technologies (formerly SA Paper Chemicals). Another acquisition was the business of Instavet, which has been added to the Chemfit portfolio. Instavet supplies medicated feed additives, diagnostic equipment and vaccines to the livestock industry.

In addition, ImproChem concluded a distribution agreement with GE Betz, a General Electric company, which will leverage ImproChem's extensive local expertise and GE's advanced technologies to create greater access to innovative water solutions for customers in Africa.

B-BBEE TRANSACTIONS

During 2011 the Group proposed two B-BBEE transactions, with both transactions being non-adjusting events occurring after the end of the reporting period.

The first transaction, which was approved by shareholders in November 2011 and was concluded in January 2012 with the fulfillment of the suspensive conditions contained in the agreement, was for the purchase of the 25,1% interest held by Kagiso Tiso Holdings ("KTH") and the AEL Tiso Development Trust in AEL Holdco Limited in exchange for shares in AECI Limited.

The transaction gives AECI full control of AEL and allows greater flexibility in managing the operations of AEL while allowing the entire Group to benefit from KTH's involvement as a long-term B-BBEE partner and strategic investor.

AEL Holdco Limited was already a subsidiary of AECI and as a result the transaction will not be accounted for as a business combination under IFRS 3, but rather as a change in the parent's ownership interest, with the carrying amounts of the controlling and non-controlling interest adjusted to reflect the changes. The fair value of the transaction is based on the closing AECI share price on the day prior to the listing of the shares, being R83,98 multiplied by the 4 678 667 shares issued. The difference between the fair value being R392,9 million and the carrying amount of the non-controlling interest will be recognised directly in equity and attributed to AECI's shareholders in accordance with IAS 27.

The second transaction involves an Employee Share Trust ("EST") and a Community Education and Development Trust ("CST"). The transactions were approved at a General Meeting of shareholders in January 2012 and the shares were allotted to the Trusts in February 2012. The transactions are equity-settled share-based payments and are accounted for in terms of IFRS 2. The CST transaction is recognised in the Income Statement on the grant date as there are no vesting conditions and the EST transaction is recognised over a seven year vesting period.

The CST subscribed for 4 426 604 ordinary shares in the Company, with funding advanced by the Company to the Trust to enable it to acquire the shares. The CST will earn dividends on its shares and these dividends are to be utilised for projects focused on improving education in Black communities in areas where AECI operates or has an interest. The AECI ordinary shares held by the CST will not be included in EPS or HEPS as they are contingently returnable in future and are excluded in terms of IAS 33, but will be included in the diluted per share calculations.

The CST will not be consolidated under the current IAS 27 and the impact of IFRS 10 will be determined during 2012 to assess whether this treatment will change once that Standard becomes effective.

The IFRS 2 cost to be recognised in the first half of 2012 is based on the fair value of the shares. Fair value is determined using an option pricing model with reference to the closing AECI share price on 9 February 2012, which is the grant date of the transaction. The IFRS 2 expense of R138 million will be recognised in the Income Statement with a corresponding credit directly to equity.

The EST subscribed for 10 117 951 newly created B ordinary shares which are a separate class of shares and are unlisted, redeemable, convertible shares of no par value. The shares carry the same voting rights as AECI ordinary shares and are subject to a separate dividend declaration from ordinary shares, subject to the condition that the B ordinary share dividend may not exceed the ordinary share dividend. The B ordinary share dividend is expected to be 10% of the ordinary share dividend.

The EST will allocate shares to eligible employees based on their years of service and to Black managers on a basis linked to their annual remuneration. 10% of the shares will be retained initially in the EST for allocation to future Black employees. The shares vesting in the employees will be subject to a forfeiture profile based on a seven year vesting period and on the circumstances of employees leaving the Group within the 10 year term of the EST. Employees will only be entitled to convert their B ordinary shares to AECI ordinary shares after 10 years.

The EST will be consolidated in the Group Financial Statements in terms of IAS 27 and IFRS 10 when it becomes effective. The costs of administering the EST will be included in the Group's results, but the shares and the dividends thereon will be eliminated in the consolidated accounts. The EST shares will not be included in the number of shares for EPS or HEPS calculations. However, the effects will be included in the corresponding dilution calculations.

The IFRS 2 cost of the transaction will be calculated at fair value from the grant date/s and will be recognised over the vesting period of the transaction. Eligible employees will have a prescribed period within which they can decline their share allocations, failing which they will be deemed to have agreed to the offer of shares. This date will become the grant date and has yet to be determined. The IFRS 2 expense will be recognised in the Income Statement on a straight-line basis over the vesting period with a corresponding credit directly to equity.

The full accounting effects as far as they can be determined at this time are detailed in note 34 on page 232.

TAX CASES

The Group's disputed tax assessments for Founders Hill Proprietary Limited ("Founders Hill") attracted media attention in 2011 as the appeal by the SARS to the Supreme Court of Appeal ("SCA") was heard and adjudicated. The SCA upheld the SARS appeal and confirmed the SARS assessment of the profit from the sale of land in the 2000 and 2001 years of assessment as revenue in nature and subject to income tax. The SCA made note of the fact that AECI had acted on legal advice obtained and had made full disclosure in its tax returns. Founders Hill made an application for leave to appeal the SCA judgement to the Constitutional Court. The application was dismissed with costs. Founders Hill has paid the tax raised on the SARS' additional assessments of R1 million and has requested the SARS to waive the interest calculated to date on the basis of the findings of the SCA and an agreement by the SARS to suspend the obligation to pay the assessed tax until conclusion of the legal process. There are three other Group companies where similar circumstances exist and assessments have been issued and the three disputes were placed on hold until the legal process in respect of the Founders Hill case had been completed.

There has been significant debate in both academic circles and in the media relating to the decision of the SCA, which has effectively reversed many years of accepted treatment with regard to realisation companies. A number of experienced professionals have openly disagreed with the decision of the SCA and the interpretation of the case presented. The Group still considers the arguments of the taxpayers concerned to have merit and the option of taking the remaining cases to court is still available. The Group has approached the SARS to discuss a resolution for the outstanding matters, given the length of time taken for the finalisation of the Founders Hill matter through the courts.

The Group previously disclosed the assessed tax and calculated interest as a contingent liability as there was a present obligation arising from a past event, but while the outcome of the Founders Hill case was still awaited, the amount of the obligation could not be measured with sufficient reliability. Having considered the outcome of the case and the surrounding debates on the decision, the Group has raised provisions in 2011.

DIVIDENDS AND DIVIDENDS TAX

The Company declared a cash dividend of 179 cents per share on 20 February 2012, taking the total cash dividend for the 2011 year to 257 cents. The final cash dividend for 2010 was 135 cents with a total dividend for the year of 205 cents.

The dividend will be paid on ordinary shares recorded in the books of the Company on 16 April 2012, which will include the 9 105 271 shares issued in terms of the KTH transaction and the CST component of the B-BBEE transaction. The declaration of the dividend prior to 1 April 2012 means that the dividend will be subject to secondary tax on companies at a rate of 10% which is payable by the Company. Due consideration was given to the impending introduction of dividends tax before the dividend was declared. Subsequent to the declaration the rate of dividends tax was announced at 15%.

Shareholders will now be liable to pay dividends tax on all dividends declared and paid to them after 1 April 2012, subject to certain exemptions. The tax is a withholding tax and, with listed shares, a regulated intermediary such as Computershare Investor Services Proprietary Limited will be responsible for withholding and paying the amount due to the SARS while paying the shareholder the net amount. Shareholders will be required to make a declaration and submit documents to the regulated intermediary should they qualify for exemption from or reduction of the dividends tax.

CONCLUSION

The financial position of the Company is sound after a challenging year in which a very pleasing performance was achieved. The AECI Group has positioned itself to facilitate the implementation of its strategies for future growth into new markets and geographies. 2011 was also a year in which the Company established a sound base, through its B-BBEE transactions, for advancement of its empowerment objectives which are fundamental to its growth strategy.

Mark Kathan

Mark Kathan
Chief Financial Officer

Woodmead, Sandton
30 March 2012

STAKEHOLDER REPORTS
Operational Review: Explosives

AEL MINING SERVICES ("AEL")

Managing Director:
Tobie Louw

www.ael.co.za

AEL IS A SOUTH AFRICAN BASED MULTI-REGIONAL COMPANY WITH INTERNATIONAL EXPLOSIVES TECHNOLOGY AND MINING SERVICE CAPABILITIES. IT IS THE LEADING DEVELOPER, PRODUCER AND SUPPLIER OF COMMERCIAL EXPLOSIVES, INITIATING SYSTEMS AND BLASTING SERVICES FOR THE MINING AND INFRASTRUCTURE SECTORS ON THE AFRICAN CONTINENT AND HAS A SIGNIFICANT FOOTPRINT ABROAD.

AEL's excellent technology and product positions in initiating systems and explosives have enabled it to enter into mutually beneficial channel partnerships with leading regional explosives players in Europe and Latin America and to secure direct mining contracts in these regions. Remote deployment, international services capability, global sourcing competencies and innovation, as well as productive customer relationships maintain AEL's advantage in local and remote regions.

PERFORMANCE

AEL achieved significant profit growth in 2011. A number of new contracts were secured and these offset the loss of other contracts in a year of intense tender activity. Profit from operations increased by 35% from R378 million in 2010 to R510 million. Revenue exceeded R5 billion for the first time and at R5 494 million was up 14% on that of the prior year. The trading profit margin increased from 7,8% to 9,3%. Trade working capital as a ratio of revenue increased from 14,6% to 17%.



EXECUTIVE TEAM

From left:

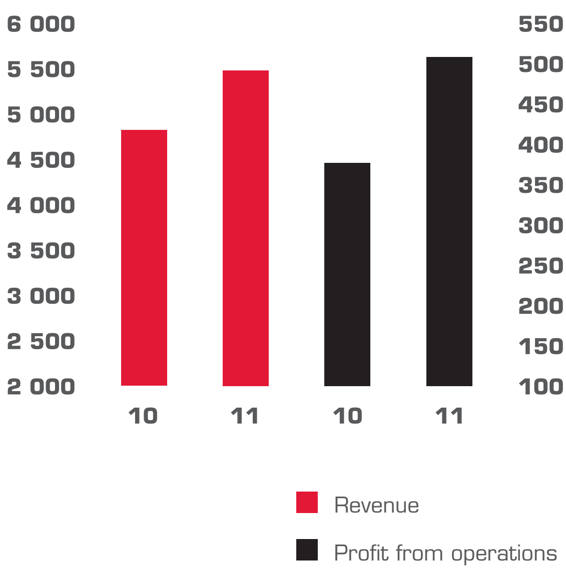
Tobie Louw
Liesel de Villiers
Wayne du Chenne
Rafael Fernandes
Piet Halliday
Sepadi Mohlabeng
Stuart Wade
Colin Wilson

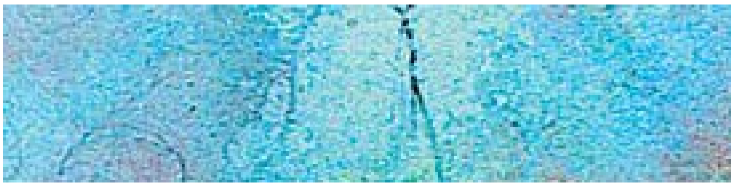
The company maintained its focus on risk management whilst pursuing steady growth in its existing customer base and in target markets. Ammonia input costs increased significantly and global ammonium nitrate supply went short late in the year, driving benchmark explosives prices higher.

Overall volumes improved, albeit at uneven rates owing to variations in mining volumes and a higher level of tender activity in some regions. The effects of the strong rand for most of the year were somewhat offset by the currency's relative weakness in the last quarter.

The South African market continues to be core to AEL's growth strategy. The country's surface mining sector grew steadily whereas its underground counterpart remained under pressure. Mining houses increased their mining optimisation requirements after the cost reduction initiatives of 2010. This benefited AEL's value-add product and service packages. Overall market share was maintained, although some key contracts were lost due to tender activity.

FINANCIAL PERFORMANCE (RM)





Activity in the infrastructure sector improved after a decline in the prior year.

In the rest of Africa growth in key markets was recorded, varying by region and mineral mined. Several greenfield and brownfield projects present new investment opportunities. Socio-political change in 2011 was significant, especially in North Africa. Peaceful elections were held in a number of countries and this bodes well for investment in the future.

AEL's main markets in Africa remain the coal, copper, diamond, gold and iron ore mining sectors. The company's value proposition of mining safety, security of supply and mining optimisation remained attractive for customers operating in a challenging environment. Significant attention was given to enhancing supply chain efficiencies and reach in preparation for potential growth in Mozambique and in pursuit of further growth in most African regions.

Internationally there was satisfying growth notwithstanding the challenges of remote deployment and strong competition. AEL focused on business development and results from the coal mining sector as well as sales of initiating systems were noteworthy in this regard. AEL's footprint in Indonesia was extended further.

In electronic detonators, global sales of the SHOT™ range grew as these accurate and reliable products satisfy customers' needs to maximise mining operations. Existing channel partnerships were enhanced with higher sales of initiating system components and more local assembly plants.

HIGHLIGHTS

AEL achieved a third consecutive year of improvement in its safety performance. The TRIR of 0,38 was at an all-time low. The company strives for continual improvement across all its operations in environmental regulatory compliance and in progress towards its in-house targets. The environmental management programmes at major sites are based on the ISO 14001 standard and these sites have been accredited by external auditors. Waste, effluent and emission reduction projects have delivered some satisfying results although substantial improvement is still required in certain instances.

Significant capital allocations have been made in expectation of continued tightening of environmental requirements. This is particularly true of the Modderfontein site where full compliance with all conditions of the Water Use Licence, issued by the DWA, is difficult to achieve in the current operating environment. Constructive dialogue with the DWA continues in this regard and AEL has presented a schedule of effluent reduction projects to this authority. Certain projects are already in progress and some noticeable improvements are expected by the end of 2012 and 2013.

In 2011 the AECI Group risk management systems were extended to additional AEL operations and this enhanced the mitigation of key risks across AEL as a whole.

Skills shortages in the mining and explosives services sectors remain a challenge. Therefore, in-house training and development initiatives are gaining importance. Employment Equity imperatives continue to be addressed with some excellent progress in South Africa and in other regions. AEL in South Africa was rated a Level 4 B-BBEE Contributor.

STRATEGIC PROGRESS

AEL continued to provide innovative solutions for its core South African market. Centralised blasting for underground safety and efficiency and underground emulsion solutions were two examples in this regard. In surface mining, the company's development programmes of 2010 and 2011 for this sector yielded results.

Output from ISAP increased from 60 million detonators in 2010 to over 90 million in 2011. The capital expenditure component of the ISAP project was closed. The remaining portion of ramp-up and closure of conventional plants will be completed in 2012 with the realisation of related cost savings.

Plant and service operations on seven mine sites in Indonesia have been established with a further sub-site tender won in 2011, to be deployed in 2012.

Sales to channel partners in South America increased most notably in electronic and shock tube initiation systems and local channel assembly capability was installed.

In Africa, market development initiatives continued with new prospects identified and pursued in North and West Africa and in Mozambique.

AEL's supply chain management project yielded benefits in terms of costs and reliability and also in terms of improved deep sea shipping solutions for Africa and South East Asia.

OUTLOOK

New contracts secured by AEL in South Africa, Africa and Indonesia will be rolled out in the first half of the year and the company is well placed to maintain its growth trend.

Tender activity by global mining houses, though ongoing, is expected to be at a much lower level than in 2011.

Factors that could impact on performance in 2012 include an expectation that the global supply of ammonium nitrate will be short for most of the year; currency and commodity fluctuations; socio-political developments in regions serviced by AEL; and purchasing trends in China and in other countries in the Far East.

AECI'S SPECIALTY CHEMICALS CLUSTER COMPRISES 16 BUSINESSES, EACH FOCUSED ON SPECIFIC MARKETS WITH COMMON VALUES OF INNOVATIVE CUSTOMER SERVICE AND BOTTOM LINE DELIVERY. HISTORICALLY, THE CLUSTER HAS GROWN BY ACQUISITION AND BY ORGANIC GROWTH.

Each business 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 with 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 customers.

In 2011 the remaining major capital investment projects which commenced in 2007 were completed and commissioned.

The cluster's strategy is to:

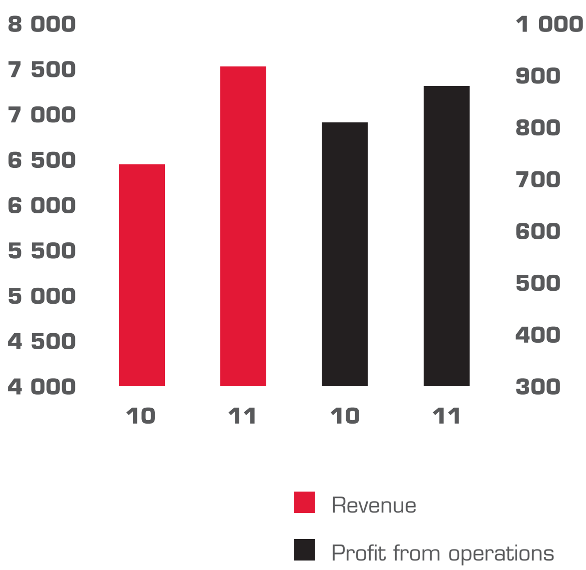
- expand its mining chemicals product and service offering in South Africa, the rest of Africa and in other geographical areas where the full service model is valued and the mining profile fits the cluster companies' capabilities. Senmin, Chemical Initiatives and ImproChem are driving this strategic thrust;

EXECUTIVE MANAGEMENT TEAM

From left:
Mark Dytor
Graham Edwards
Mark Kathan
Edwin Ludick
Schalk Venter

- expand its 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;
- explore opportunities for sales of specialist products and services offered by the global and regional focus on food production and preservation and agriculture. Lake International Technologies is at the forefront of this;
- grow its joint venture business in Brazil, based on oleochemical expertise it shares with its partner, move into other sectors where the partnership has appropriate expertise and seek other investment opportunities; and
- manage and grow its South African portfolio.

FINANCIAL PERFORMANCE (RM)



BUSINESS ENVIRONMENT

The cluster delivered a commendable performance in a generally less than buoyant trading environment. The start to 2011 was particularly difficult for the mining sector where activities were suspended or reduced. In the manufacturing sector large operations, including paper mills, operated on short time or care- and maintenance-shutdowns. For the first nine months manufacturing volumes in South Africa declined by 13% overall and capacity utilisation dropped to 79%. Mining production volumes dropped 7% from 2008's levels and 15% from the peak highs of 2007.

The ZAR/US$ exchange rate remained strong before weakening late in the year. The oil price remained firm, supporting base chemical prices despite sluggish global demand.

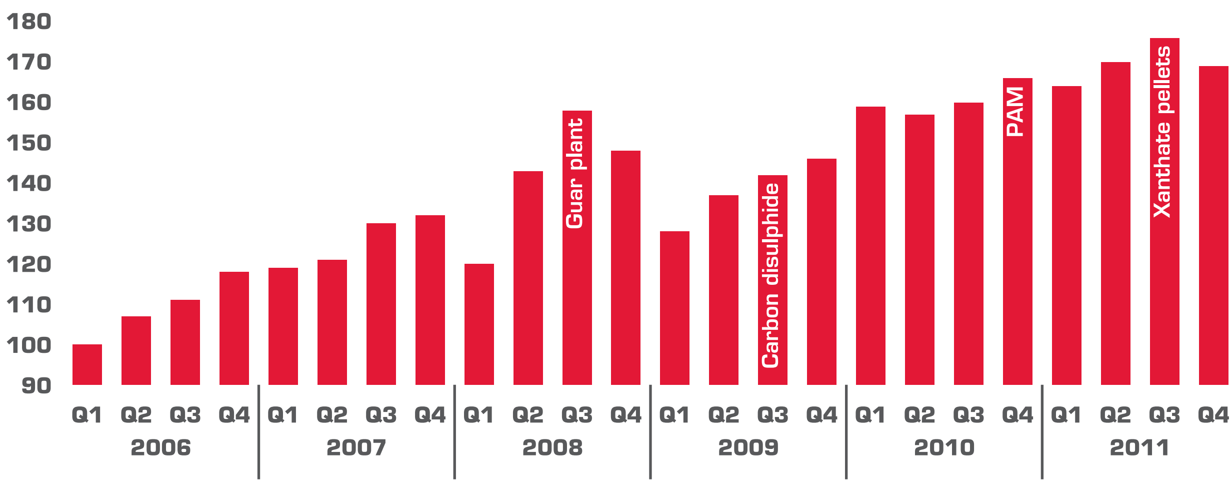
PERFORMANCE

Year-on-year revenue improved by 17% to R7 558 million (2010: R6 453 million) and trading profit increased by 9% to R881 million (2010: R811 million). Overall volumes grew by 10,9% and this growth came mainly from high demand for sulphur from the copper mining sector in Africa. As a result of the higher revenue value of sulphur at lower margins, the overall trading margin declined slightly to 11,7% from 12,6% in 2010.

Prices were under pressure in the first nine months owing to the rand strength, but this was partly offset by increases in global commodity prices. For the full year the cluster increased its prices by 6,2% overall.

MINING CHEMICALS VOLUME GROWTH AND NEW CAPACITY

SALES VOLUME INDEX (2006 = 100)



COSTS, MARGINS AND GROWTH

All businesses reduced their costs by reviewing expenditure and by bottom-slicing to minimise resources allocated to less profitable products and markets. The focus on margin maintenance resulted in better purchasing, inventory management and pricing.

Although the manufacturing environment made organic growth difficult, most companies in the cluster retained or improved their market share thanks to enhanced service levels.

STRATEGIC PROGRESS

Substantial investments have been made in mining chemicals production capacity to supply local and international markets and on infrastructure at mines to supply the related services. Senmin in particular 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.

In 2011 ImproChem secured a distribution agreement with GE Betz. This provides ImproChem and its customers in Africa with world-class technology and equipment for the water treatment industry. More detail is given in ImproChem's Operational Review.

Through Lake International Technologies, in particular, medium-term opportunities in the food and agricultural chemicals markets are being assessed to determine the most promising areas.

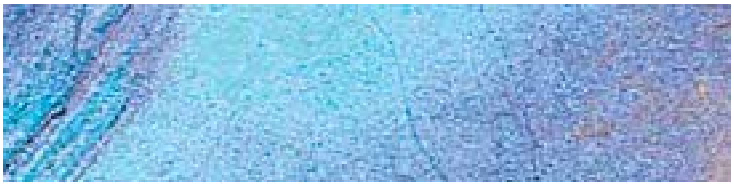
In Brazil acquisition opportunities are emerging and these will receive much attention in 2012. As already discussed elsewhere in this Integrated Report, Executive resources have been allocated to this strategic objective.

Local acquisitions for a total consideration of R180 million were concluded in the year under review: the business of T&C Chemicals was integrated into ImproChem and Chemisphere; Qwemico Distributors was consolidated with Nulandis; and Croxton Chemicals was merged into Crest Chemicals. Lake International Technologies now owns 100% of Cobito, its subsidiary which operates in the food and beverages sector. Instavet was merged into Chemfit.

As always, several acquisition opportunities have been identified and a number of transactions are expected in 2012.

STAKEHOLDER REPORTS

Operational Review: Specialty Chemicals



AKULU MARCHON ("AKULU")

Managing Director:
Schalk Venter

www.akulu.co.za

Akulu supplies chemical raw materials to the personal and home care, toiletries and cosmetics manufacturing industries in Southern Africa. It operates manufacturing and warehousing sites at Chloorkop in Gauteng and at Mobeni in KwaZulu-Natal. Akulu supplies customers with locally manufactured products, imported specialties from its overseas principals and expert technical know-how and service backup. The Chloorkop and Mobeni sites are ISO 9001, ISO 14001 and OHSAS 18001 certified.

The company delivered a satisfactory performance in a difficult economic environment where consumer spending decreased and resulted in an overall decline in Akulu's volumes. Profit margins were also challenged as the strength of the rand encouraged imports of alternative raw materials. Akulu nevertheless maintained its market share.

Initiatives for continual improvement and cost reductions launched in 2010 began yielding results with the full benefit expected in 2012.

Progress in 2011 included the installation of a new effluent treatment plant to enhance the Chloorkop site's environmental performance.

Akulu also completed the implementation of the Mercuri sales and key account management model and this will contribute to maintaining the company's leading position in its markets.

Good progress was made in expanding business activities with key principals.

The focus on customer service excellence and operational efficiency will continue in 2012 and the outlook for Akulu is positive, particularly should a weaker rand environment prevail.

CHEMFIT

Managing Director:
Ryan Harrison

www.chemfit.co.za

Chemfit supplies traded and blended specialty chemicals to a broad range of industries including animal feeds, water treatment, soil fumigation, petrochemical, detergents, lubricants, polymers and plastics. It has ISO 9001 certification.

The company benefited from the restructuring of its business units and the enhancement of its sales function in 2010. Although the ZAR/US$ exchange rate resulted in lower selling prices and pressurised margins, Chemfit achieved an increase in volumes. The company pursued its product diversification strategy and commercial relationships were established with a number of new suppliers, including a distribution agreement with BASF for personal and home care products. The business of Instavet was acquired. This company supplies medicated feed additives, diagnostic equipment and vaccines to the livestock industry.

In addition to further product diversification and potential investment opportunities, Chemfit's focus in 2012 will be on extending its footprint into sub-Saharan African countries and building critical mass in these geographies. A number of projects are in the pipeline and the aim is to commercialise these in 2012.

CHEMICAL INITIATIVES ("CI")

Managing Director:
Graham Sanders

www.cheminit.co.za

CI is the market leader in manufacturing and trading bulk chemicals as well as balancing the supply and demand of these in the mining, industrial and agricultural sectors. CI's competitive advantage is its guarantee of supply to and/or offtake from customers through innovative and flexible manufacturing, logistics and storage practices. The company is ISO 9001, ISO 14001 and OHSAS 18001 certified and its product range has been expanded to include a range of "green chemicals" that have a lesser environmental impact than more established alternatives.

CI delivered an excellent performance in 2011, driven by its sulphur trading activities. In South Africa the local currency strength challenged the company and its exports-dependent customers. Raw material and commodity prices were volatile. The sulphuric acid market was oversupplied.

CI continued to fulfill its guarantees to contracted generators of waste sulphuric acid and to customers requiring a continual, reliable supply of this recycled product. By placing extensive volumes of waste acid in the market, CI took a substantial step towards meeting its 2011 environmental objectives.

Restructuring of CI's agricultural interests into a new division, Ecologika™, was completed. Ecologika™ focuses on specialty products and services for sustainable agriculture. The benefits of the new structure include product diversification and the consequent maximisation of growth opportunities.

The company's safety performance was disappointing. After extensive investigation and analysis of technical and behavioural parameters, a broad range of corrective actions was instituted, including new practical safety initiatives and personnel changes. The effects of these will be monitored closely in the coming year.

Looking to 2012, the closure of a zinc producer at the end of 2011 will remove a large portion of waste sulphuric acid from the market and will result in a countrywide shortage. Some of the shortfall will be met through increased output from CI's manufacturing facility at Umbogintwini. Additional storage capacity will be installed to enhance CI's flexibility in terms of meeting customers' needs. In Ecologika™ research and development is underway for more innovative products. These will complement the existing range of soil additives and micronutrients.

CHEMIPHOS

Managing Director (until 31 December 2011):
Mike Peach

Chemiphos manufactures poly-phosphoric acid (for fuel catalyst and pharmaceutical manufacturing) and ortho-phosphoric acid (for inter alia beverage manufacture as well as metal and water treatment).

The company also provides a range of specialised traded and manufactured construction chemicals.

Chemiphos maintained its ISO 9001, ISO 14001 and OSHAS 18001 accreditations in 2011 and it is most pleasing that the company has not recorded a Lost Time Injury in three years.

From the second quarter of 2012, Chemiphos will no longer operate as a stand-alone entity. Its Acid and Constructichem divisions will be integrated into CI and ChemSystems respectively.

Chemiphos delivered a creditable result for the year under review and defended its position as a preferred supplier of locally manufactured acids, notwithstanding sustained pressure from competitors in the Far East. Although overall acid volumes declined as more local bulk users imported product directly, the implementation of a sustainable acid value proposition with high product availability, a wide range of concentrations and flexible packaging solutions assisted Chemiphos in counteracting this trend.

Constructichem grew by capitalising on opportunities in the construction sector. This strategy will be sustained in 2012 with the focus on maximising in-house technical capability in developing one-pack customer solutions. Efforts continue to identify new principals and technology sources to provide more comprehensive products and services.

CHEMISPHERE TECHNOLOGIES

Managing Director:
Jaco Engelbrecht

www.chemisphere.co.za

Chemisphere Technologies ("Chemisphere") was formed in 2011 through the merger of Infigro Natural Technologies ("Infigro") and SA Paper Chemicals to address adverse trading conditions in both businesses. Chemisphere now delivers value to its customers through three divisions: Chemisphere Paper Technologies, Infigro Natural Technologies and Simitri Specialty Chemicals. Accordingly, the company supplies chemical products and expertise to the pulp, paper, board and tissue and the leather treatment industries. The Infigro division manufactures and markets a range of products derived from the mineral perlite as well as complementary products.

In 2011 Chemisphere sustained its revenue but margins were under pressure. In South Africa the pulp and paper industry's ongoing downsizing and mill and paper machine closures resulted in lower demand for products and value-add services. Reduced consumer spending translated into less demand for board products used in packaging. With the strong rand, competition from imports was fierce and the impact was felt mostly in sales to the paper sector and in sales of filter aids to South Africa's wine industry. The latter had an adverse effect on Infigro.

Going forward, a distribution and licensing agreement with Ashland Hercules Water Technologies, a USA-based leading specialty chemical supplier to the pulp and paper, mining, food and beverage, paper, chemical processing and other markets, will boost Chemisphere's competitive advantage. New structures in its paper division will enable the delivery of improved products, new technology and enhanced technical expertise to the market timeously and efficiently.

CHEMSYSTEMS

Managing Director (until 31 December 2011):
Edwin Ludick

www.chemsystems.co.za

ChemSystems 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 while 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, metalworking, non-destructive testing, fire protection and marine services. ChemSystems Metal Chemicals' products are used in a variety of processes including electroplating, phosphating and anodising.

ChemSystems has ISO 9001 and ISO 14001 accreditations.

Although growth was delivered by two of the business units, ChemSystems had a challenging year overall. Depressed market conditions and increased competition resulted in lower overall sales volumes. The company nevertheless continued to deliver a quality value-added service to its broader customer base.

All business units identified new growth areas and are well positioned to capitalise on opportunities in 2012. ChemSystems' prospects have also been boosted by several new licence and distribution agencies including BASF (electro-coatings), ASK Chemicals (foundry applications) and Lubrimetal (wire drawing applications).

Crest Chemicals

CREST CHEMICALS ("CREST")
(joint venture with Brenntag AG)

Managing Director:
Michiel Vijverberg

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 the following key markets: food and beverage, paints and coatings, pharmaceutical and personal care, mining and water treatment, surfactants and general industry. The company's site in Prospecton, KwaZulu-Natal, is 5 Star accredited by the National Occupational Safety Association of South Africa ("NOSA") and is ISO 9001 certified.

Crest's business is a good proxy for South Africa's manufacturing industry as a whole. Accordingly, volumes in 2011 were under pressure owing to prevailing economic conditions and exports suffered due to the strength of the rand for most of the year.

Highlights for Crest included the acquisition of the assets of Croxton Chemicals as well as this company's investment in Protank. This has placed Crest in a strong position as a supplier of caustic soda and a number of other commodities. The investment in Protank, which operates a tank terminal in Durban, will enhance Crest's logistical capability for high volume liquid products.

These strategic additions to the company's product offering are expected to have a positive effect on its business as a whole, particularly if the economic climate begins improving in line with forecasts.

Duco achieved a creditable performance in a year when factors such as the earthquake in Japan and floods in Malaysia negatively impacted automotive sales in those regions. The company is well positioned for 2012 as growth appears to be taking hold in both the automotive and the refinish markets.

It was pleasing that concerted efforts in the areas of safety, health and environmental management and performance showed good results. Initiatives to reduce risks in these areas further will be sustained in 2012.

DUCO SPECIALITY COATINGS ("DUCO")

Managing Director:
Llewellyn Mulder

Duco is a leading supplier of high-tech paint finishes for South Africa's transportation, refinishing and general industrial market. Customers also benefit from the company's online technical support service. From a company that traditionally served the automotive market, Duco has grown to offering a spectrum of technologies to an expanding number of customers outside this sector. The company is ISO 9001 and ISO 14001 certified.

IMPROCHEM

Managing Director:
Louis du Toit

www.improchem.co.za

ImproChem provides hydrocarbon process, chemical process, water treatment, water optimisation, total water management and hygiene and sanitation process solutions for the industrial and public sectors in Southern Africa. The company will take its products and services to other countries in sub-Saharan Africa in 2012. Customers are mainly in the mining, industrial production, municipal water treatment, food and beverage and oil and refining sectors.

ImproChem's site at Umbogintwini has certifications for ISO 9001, ISO 14001 and OHSAS 18001.

Excellent cost and cash flow management enabled the company to deliver very pleasing results for 2011, notwithstanding moderate revenue growth. This performance was achieved in an environment where investment in capital projects by customers remained subdued, although some activity was noted in the mining and power sectors.

The food and beverage sector retained its position as one of the strongest growth areas in Africa. Implementation of ImproChem's differentiating technologies for this sector is gaining momentum and good rewards are expected going forward.

The gold mining industry showed some improvement in 2011 and the platinum mining sector was stable. Conditions remained difficult in South Africa's oil refining industry with a number of unplanned shutdowns compounding the challenges faced. In the rest of Africa there are opportunities for ImproChem in oil exploration and production activities.

ImproChem's dust control solutions were also applied to good effect in the year under review.

STRATEGIC PROGRESS

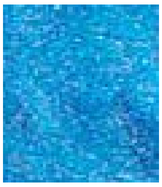
Competitor activity and price pressures required that ImproChem secure globally recognised and advanced technology in support of its value-add imperative. In this regard ImproChem was pleased to conclude a distribution agreement with GE Betz ("GE"), a General Electric company and a leading global supplier of products and process technologies to the water treatment and process chemical industries. In terms of the agreement signed, ImproChem will distribute GE's water and chemical process technologies, monitoring solutions and water and process equipment systems in Africa. ImproChem gains immediate access to all of GE's chemical and monitoring solutions technologies as well as to the engineered systems packages of General Electric's Power and Water Division.

The agreement leverages ImproChem's local expertise and GE's technologies to create innovative water solutions for African markets and covers South Africa, Angola, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Reunion, Tanzania, Uganda, Zambia and Zimbabwe. GE and ImproChem have entered into a Memorandum of Understanding to explore further business opportunities.

Also of significance in 2011 was ImproChem's establishment of an enterprise development initiative to handle its warehousing and distribution in KwaZulu-Natal.

OUTLOOK

Water usage optimisation and conservation are becoming more challenging in Africa. With GE's technology, ImproChem is well placed to assist customers in addressing their effluent- and water conservation-related targets in the coming year. The focus will shift from product development to market development in sub-Saharan Africa in the oil exploration, water utilisation and optimisation and food and beverage sectors in line with the AECI Group's strategy to become the supplier of



choice of specialty chemicals and services for customers in these sectors in Africa.

INDUSTRIAL OLEOCHEMICAL PRODUCTS ("IOP")

Managing Director:
Martin Godbolt

www.oleo.co.za

IOP manufactures fatty acids, resins, rosin and rosin derivatives using by-products from paper pulp and vegetable-based crops as raw materials. Customers are mainly in the mining, coatings, adhesives, synthetic rubber and bitumen industries. In addition, IOP produces a range of packaging coating resins for the food and beverage industry. These products are manufactured under licence to Akzo Nobel.

The company's site in Jacobs, KwaZulu-Natal, is ISO 9001, ISO 14001 and OHSAS 18001 accredited.

IOP delivered excellent results in an environment characterised by shortages and higher prices of raw materials. The mining and rubber sectors were buoyant, unlike the coatings, adhesives and general chemical markets.

The company's packaging coatings plant supplies the local and African food and beverage can markets. Projects including a new effluent treatment plant and other general site upgrades resulted in pleasing improvements in IOP's environmental performance and operational management capabilities.

The focus on growth and the development of IOP's products for the mining industry will be maintained in 2012. In packaging coatings further opportunities identified in this sector will also be pursued.

INDUSTRIAL URETHANES ("IU")

Managing Director:
Gavin Gerber

www.indur.co.za

IU manufactures and supplies a range of polyurethane products, technologies, systems and solutions for customers in Southern Africa. Products are applied in the automotive, mining, white goods, construction, footwear, furniture and other industries. The Plastamid division supplies engineering polymers and technical compounds to the South African and selected export plastic conversion markets.

IU's site at Umbogintwini has ISO 9001 accreditation.

While sales into the furniture and mining sectors were strong, the company's profits were depressed and volumes decreased.

Erratic supply of the raw material propylene oxide and reduced production volumes led IU to a re-evaluation of its business model. A polyols production operation at Umbogintwini was mothballed and an equivalent range of products is now imported. The Plastamid business was incorporated into IU and complementary processes were streamlined.

In the elastomer business, investments were made to develop alternatives to mercury-catalysed systems. Work related to a new "green" blowing agent with zero ozone depleting potential, zero volatile organic content and zero global warming potential progressed.

With the new business model in place, IU's outlook for 2012 is optimistic. Further developments are planned for products and services across all customer sectors with a focus on improved efficiencies and environmentally-related benefits.

LAKE INTERNATIONAL TECHNOLOGIES ("LAKE")

Managing Director:
Dean Murray

www.lake.co.za

Lake is a diversified manufacturer and distributor of products, delivery systems and services to South African and international markets. It provides ingredients and value-adding blends for the food industry, surfactants for the explosives and fertilizer industries and chemical raw materials for local manufacturers.

Lake is 5 Star accredited by NOSA. Umbogintwini site also has certifications for ISO 9001, ISO 14001 and OHSAS 18001.

In another good year for Lake, the company pursued its growth strategy which is focused on providing customers with innovative products and solutions. In this regard technical and sales functions were bolstered and resulted in enhanced products and services and a better cost structure.

International growth continued mainly in Africa and in South East Asia with the proportion of Lake's revenue from outside South Africa increasing by more than 20% year-on-year. Further growth is expected in 2012.

To ensure that adequate human resources are in place to meet its growth targets and in line with its commitment to Employment Equity imperatives, Lake initiated a development programme for technical graduates as part of its succession planning.

FOOD

The now wholly owned Cobito division recorded volume growth in spite of unfavourable market conditions, with local food inflation spiralling in the year owing to higher animal feed prices and competitive imports. Since this cost trend is expected to persist in the coming year, Cobito will concentrate on further product improvements and cost reductions for its customers.

MINING SURFACTANTS

Sales volumes for the Experse™ range of surfactants also increased. The company's expertise in optimising feedstock supply is integral to its competitive advantage in the international explosives market. In 2012 further opportunities will be pursued in Africa, Australia and Europe.

FERTILIZER COATINGS

Lake achieved a breakthrough for its Biofix™ range in the South African market. These environmentally-friendly coating agents deliver trace elements and micronutrients to soil, thereby enhancing soil nutrition. The prospects for the business are good since new fertilizer capacity is expected to be brought on line in South Africa in 2012. Sales of Biofix™ have also grown in Australia and expansion in South American markets is the next target.

CHEMICALS

Lower global demand and the negative effects of South Africa's industrial action during the year exacerbated the already subdued trading environment for the manufacturing sector. Most of Lake's customers in this sector recorded lower outputs.

Although the soda ash market in the USA showed signs of firming towards year-end, this commodity was generally long in the year and prices were depressed.

The coatings, inks and plastic markets were unstable with global shortages and consequent price fluctuations for major raw materials.

Refractory manufacturers noted a year-on-year improvement with stable pricing and marginally better volumes.

In 2012 Lake will concentrate on further improvements in its service levels and on leveraging key products and customers to grow market share. This should result in the company sustaining its growth trend.

NULANDIS

Managing Director:
Hugo Minnaar

www.nulandis.com

In 2011 the activities of Plaaskem and UAP Crop Care, its distribution arm, were consolidated with those of newly-acquired Qwemico Distributors ("Qwemico") to form Nulandis. This company is a prominent player in the field of agricultural chemicals and develops, manufactures and distributes specialised and generic products. It is also the largest supplier of insecticides, fungicides, herbicides, adjuvants and plant nutritional products to the South African agrochemical industry.

Nulandis recorded a good increase in production volumes and therefore a greatly improved financial performance notwithstanding volatility in the farming environment due to the strong rand, varying rainfall and crop yields and adverse conditions in the wine industry.

ISO 9001, ISO 14001 and OSHAS 18001 accreditations were completed at a number of sites in 2011.

The Qwemico acquisition strengthened Nulandis' footprint in the agrochemicals market. The company is now well represented in the northern provinces of South Africa. This, together with ongoing product and service innovation and expansion sees Nulandis well placed to maximise growth opportunities in 2012.

RESINKEM

(joint venture with Georgia Pacific Resins LLC)

Managing Director:
Bruce McDonald

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 production capacity of the company's plant at Umbogintwini. This site has ISO 9001 accreditation.

In an unfavourable economic environment where commercial shutdowns at customers' manufacturing facilities were frequent and the rand strength encouraged imports, volumes in the flat panel industry nonetheless recorded a year-on-year improvement.

Resinkem reaped the benefits of its new reactor and gas cooler installed in 2010 with improved conversion efficiencies. It was also pleasing that the volume of effluent requiring treatment halved from the prior year. In 2012 further effluent reduction programmes will be implemented, as will more efficiency improvement plans to enhance resin consistency.

The company will move towards manufacturing lower formaldehyde-emitting resin and is collaborating with its technology partners on new generation foundry resins for local use and for export markets.

RESITEC

RESITEC
(joint venture with MeadWestvaco)

Managing Director:
Bernardo Mello

www.resitec.com.br

Based in Brazil, Resitec is an international manufacturer and supplier of emulsifiers for synthetic rubber production. It also supplies fatty acids and tall oil rosin to general industry. The company serves customers in the food, lubricants, adhesives, construction, surfacing and coatings, mining, rubber processing, oil refining and printing industries. Resitec distributes MeadWestvaco's products in South America, including emulsifiers for asphalt manufacture.

Resitec has a number of safety, health, environmental and quality certifications for its sites in Lages and Rio de Janeiro.

The company delivered a greatly improved financial performance for 2011. Better volumes of tall oil fatty acids and other fractionated products from its upgraded plant were key in this regard. Operational stability improved and boosted capacity.

Tragically, Resitec recorded a fatality as a result of an accident at its Rio de Janeiro plant. Measures to prevent a recurrence have been well understood and implemented to avert similar incidents in future.

Brazil's economic growth in 2012 will be boosted by government investment in infrastructure in preparation for hosting the FIFA World Cup in 2014 and the Olympic Games in 2016. Industries served by Resitec that will benefit from this investment programme include oil refining, construction and automotive. The latter is the largest end user of Resitec's products, predominantly for tyre manufacture. Brazil's automotive industry is the sixth largest in global terms and the government intends investing significantly in the tyre sector over the next five years. This will increase the demand for rubber emulsifiers.

The growing recognition of the importance of sustainability in the chemical industry also presents opportunities since all of Resitec's raw materials are based on renewable resources.

SENMIN

Managing Director:
Theunis Botha

www.senmin.co.za

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. Senmin also provides customers with value-adding expertise in the handling and dosage of its products.

Senmin's Sasolburg site is ISO 9001 and ISO 14001 certified and is 5 Star accredited by NOSA.

In 2011 African and international mining market growth counterbalanced difficult trading conditions in South Africa where the rand strength and rising raw material and energy costs put pressure on margins. Demand for Senmin's products was buoyant, albeit in the context of a slow global economic recovery and delayed investments in new mining capacity.

Prices of acrylonitrile, a major feedstock for polyacrylamide production, peaked during the year and those for guar splits used in the manufacture of depressants for the platinum mining industry reached all-time records. Fortunately Senmin is able to offer its customers alternative depressants as a result of ongoing product research and development.

Some market growth was noted in uranium and other base metals. The demand for service excellence in key performance areas in the platinum, diamond and copper concentrator markets continues to offer opportunities for the company's comprehensive service and product business model that adds value to customers who favour vendor management.

Senmin's service model is gaining international acceptance. Demand for the installation of additional integrated bulk storage and automated chemical preparation and dilution equipment at several mine sites is indicative of the need for alternatives that are more environmentally friendly and also improve efficiencies. During 2011 bulk handling warehouses were established in countries beyond South Africa to complete the integrated supply chain for those markets.

CAPITAL INVESTMENT PROGRAMME

Bio-acrylamide and polyacrylamide flocculant production was ramped-up successfully. The polyacrylamide plant, a joint venture with BASF, delivered products of excellent quality and these were well accepted by the international market.

Plant capacity is adequate to meet growing demand and further increases in output are targeted for 2012.

The carbon disulphide plant met its production and energy efficiency targets for the year and driers on the xanthates plant were modified to debottleneck the process. Production is being ramped up.

The Sasolburg site continued to be upgraded to globally acceptable standards and further projects in this regard are being evaluated. Senmin again achieved ISO 14000 and SABS 9000 certifications.

OUTLOOK

Thanks to its new capacities and site improvements Senmin is well placed to maximise opportunities for its specialised products in international markets. Although competitor activity will remain a consideration, the shortage of skills and professional experience in African markets bodes well for Senmin's competitive advantage. Its service model will continue to be a platform for footprint expansion.

It is expected that demand growth in Africa will be greatest in commodities such as copper, nickel, iron ore and uranium mining.

SPECIALTY MINERALS SA ("SMSA")

(joint venture with Specialty Minerals Inc.)

Production Manager:
Avindra Boodhram

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 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.

Like other suppliers to the paper industry, SMSA had a difficult year owing to the prevailing environment in this industry in South Africa.

OUTLOOK FOR THE SPECIALTY CHEMICALS CLUSTER

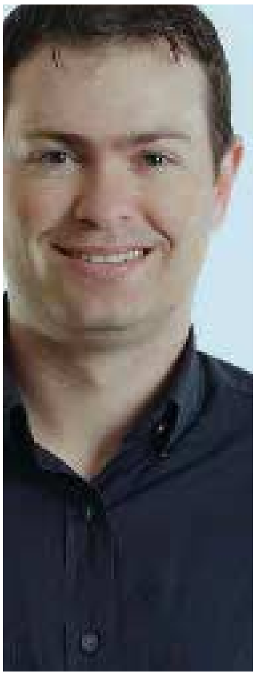
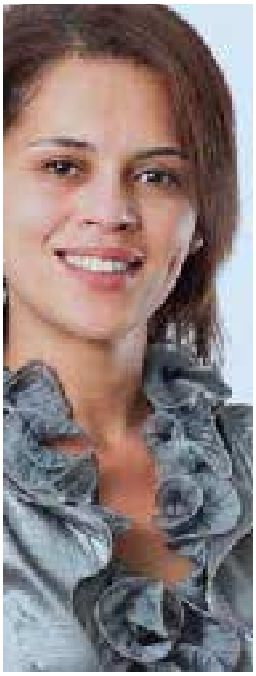
The performance of the rand against the US dollar, the continued recovery of the South African economy and the evident resurgence of Africa's mining industry will underpin prospects for 2012.

The capital programme in the specialty chemicals cluster which required considerable resources in the last four years is complete. Indications are that markets served by these investments are expanding and this will ensure that new plants are adequately loaded.

Akulu, Resitec and Senmin will focus on growth from their new capacities and from improved efficiencies. Strategically, businesses in the cluster are well placed to take full advantage of excellent opportunities on the African continent.

STAKEHOLDER REPORTS
Operational Review: Property



HEARTLAND

Managing Director:
Anthony Diepenbroek

www.heartland.co.za

Revenue for Heartland's combined activities was R476 million in 2011 (2010: R370 million), trading profit improved by 50% from R66 million in 2010 to R99 million and trading cash flow of R43 million was generated (2010: R7 million trading cash outflow). Included in the cash flow is R25 million invested in infrastructure development (2010: R25 million) and R14 million spent for environmental projects (2010: R9 million).

HEARTLAND SEEKS TO OPTIMISE THE VALUE OF REAL ESTATE HOLDINGS SURPLUS TO AECI'S OPERATIONAL REQUIREMENTS BY SELLING LAND AND BY SELECTIVELY INVESTING IN REVENUE-PRODUCING BUILDINGS TO GROW THE PORTFOLIO OF RENTAL PROPERTIES.

BUSINESS ENVIRONMENT

South Africa's financial institutions remained reluctant to make funding available for speculative development and residential projects. This encouraged house price stagnation as lenders are constantly reassessing their exposure to the residential market and being cautious in granting new bonds.

Vacancy rates in decentralised office nodes, to which Heartland, is exposed continued to rise. As long as the vacancies in primary nodes remain elevated, new developments will be commercially unfeasible unless driven by owner-occupier needs.

MANAGEMENT TEAM

From left:
Anthony Diepenbroek
Reg Bhikum
Neil Hayes
Chantelle Mathomes
Leticia Potts
Heidi Rix
Mike Walsh

Industrial end-use property performed better than its commercial counterpart. At Modderfontein, and to a lesser degree Somerset West, Heartland's nodes are considered primary for industrial needs and an increase in enquiries was a signal that market conditions may be improving.

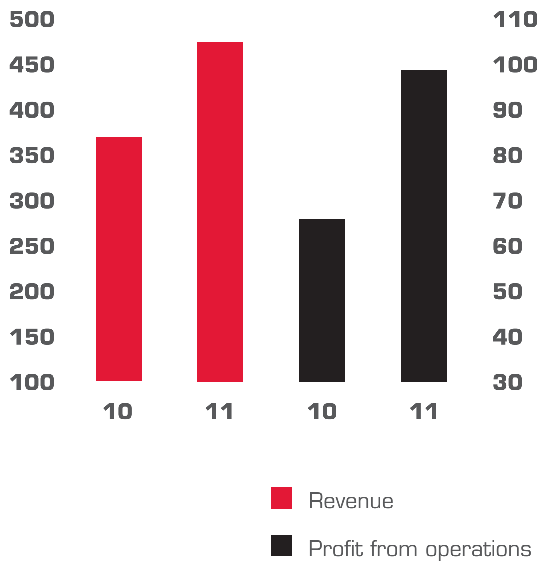
Continued consolidation in business for retail, logistics and distribution space was evident with some companies exploring the possibility of moving to larger premises for expansion.

LAND DEVELOPMENT

Efforts in the last three years have focused on filling the pipeline with land that is zoned and has the necessary environmental approvals for all end-uses. In 2011 development approval was obtained for a further 40 hectares of land. The graphic overleaf illustrates the cumulative pipeline of land which has been prepared for sale since 2010 and also indicates the extent of approvals expected for the next three years.

Heartland installs bulk services and releases land on a phased basis to cater for market demand.

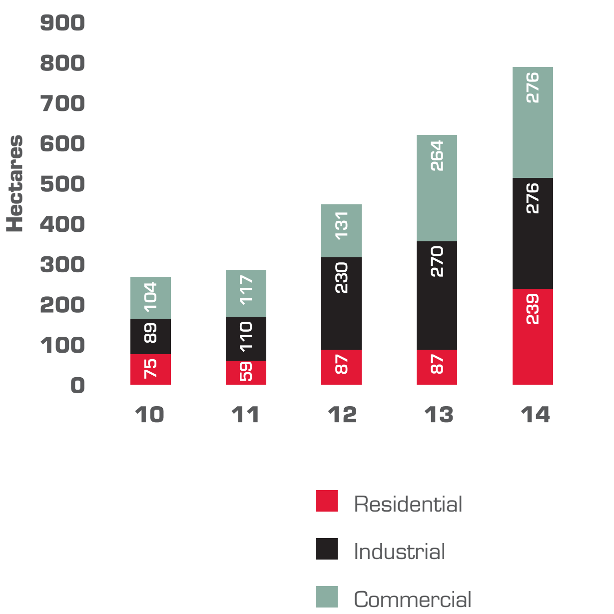
FINANCIAL PERFORMANCE (RM)



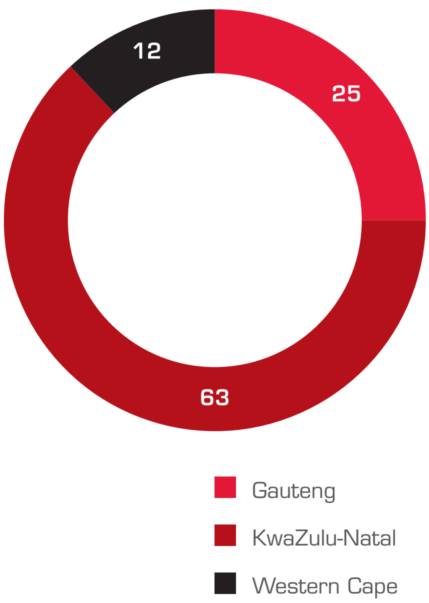
STAKEHOLDER REPORTS

Operational Review: Property

PIPELINE – CUMULATIVE (NET OF SALES)



REGIONAL GLA ALLOCATION (%)



TOWNSHIP APPROVALS

In 2011 Westlake View and Founders Hill Erf 19 townships were approved. Westlake View comprises 60 hectares that cater for industrial and commercial uses up to 170 000m² and is an extension of the almost fully developed Longmeadow Business Estate. The commercial component includes 850 residential opportunities for first time homeowners. Founders Hill Erf 19 is a six hectare office estate and is an extension of the Founders Hill Office Estate launched in 2010.

Prudent business practice precluded the installation of services on risk in anticipation of improvement in the South African property market. The long lead time on services installation means that such activities in 2012 will be limited to the construction of roads and to the provision of electricity, sewer and stormwater infrastructure for a total investment of R130 million. This work had commenced by end 2011.

PROPERTY PORTFOLIO OVERVIEW

Rental income is from office and industrial leases in Gauteng (Modderfontein), KwaZulu-Natal (Umbogintwini) and the Western Cape (Somerset West). Additional income is generated by leasing unutilised or underutilised land which is not saleable in the medium term. The exception is the Umbogintwini Industrial Complex where long-term land leases exist with AECI Group companies and other industrial or chemical companies that benefit from the site's industrial zoning status. Modderfontein offers niche letting opportunities in the price sensitive B and C accommodation grades in old but well located buildings.

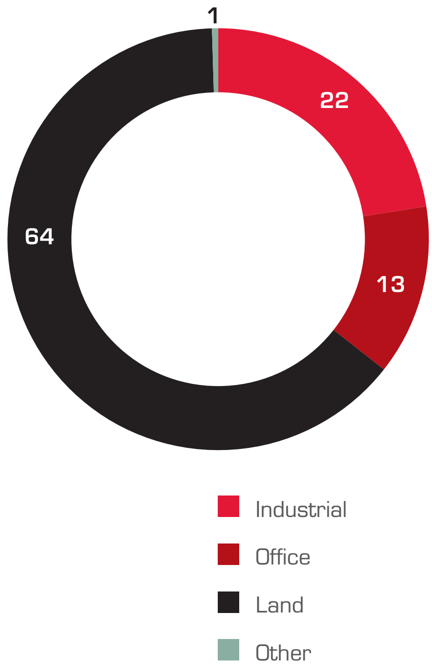
Owing to the age and grade of the office buildings in its portfolio, Heartland is finding it challenging to compete with modern office accommodation in recognised office nodes where rentals are being offered at reduced rates in the prevailing economic climate. As a result vacancy rates did not reduce in 2011. The strategy going forward is to modernise selected office offerings to provide A grade office accommodation, most notably in Modderfontein's Historic Village.

By contrast, letting activity for industrial buildings was pleasing as a result of competitive rentals in the small to medium warehouse market. In line with Heartland's strategy to invest selectively in catalyst and infill developments, existing industrial buildings will be upgraded and new developments initiated to provide a more competitive range of industrial space. Other strategic priorities include sustainable tenant retention; infrastructure upgrades; improved cost-to-income ratios; and better space and cost efficiencies.

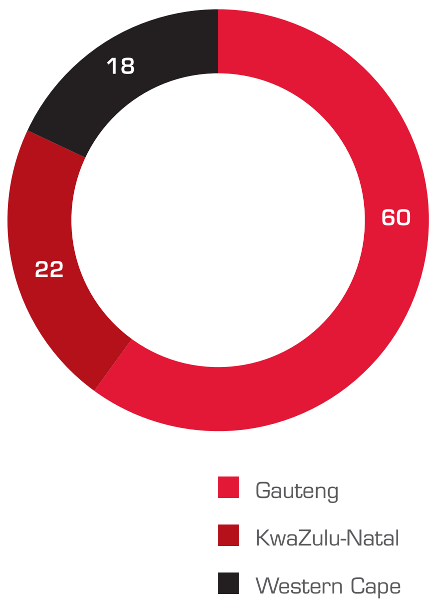
PORTFOLIO STATISTICS

Gross Lettable Area ("GLA"), excluding land	283 000m^2
Lettable land, excluding opportunistic lettings	502 000m^2
Opportunistic lettings on land to be developed	375 000m^2
Number of properties	626
Number of tenants	364

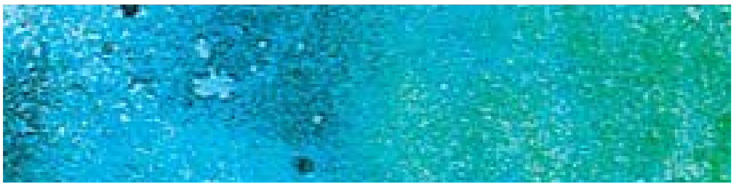
SECTORAL ALLOCATION OF GLA (%)



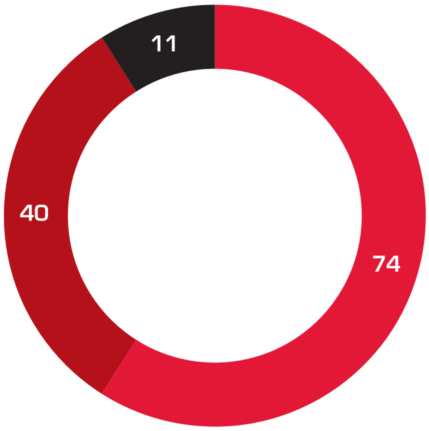
REGIONAL GLA (%)



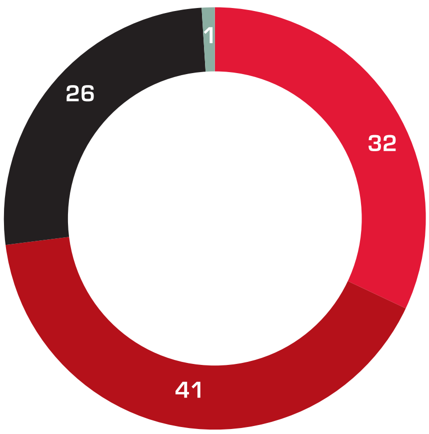
STAKEHOLDER REPORTS
Operational Review: Property



NET RENTAL GENERATED FROM OCCUPIED GLA (RM)



SECTORAL CONTRIBUTIONS TO ANNUAL NET RENTAL (%)



PORTFOLIO PERFORMANCE

Annual net income	R89 million
Average cost-to-income ratio	40%
Average annual tenant retention	70%
Annual income lost to lease terminations and not recovered by new leases	0,5%
Lease profile	
– Average office lease length	2 years
– Average industrial lease length	2 – 3 years
– Average annual rental escalations	8% – 10%

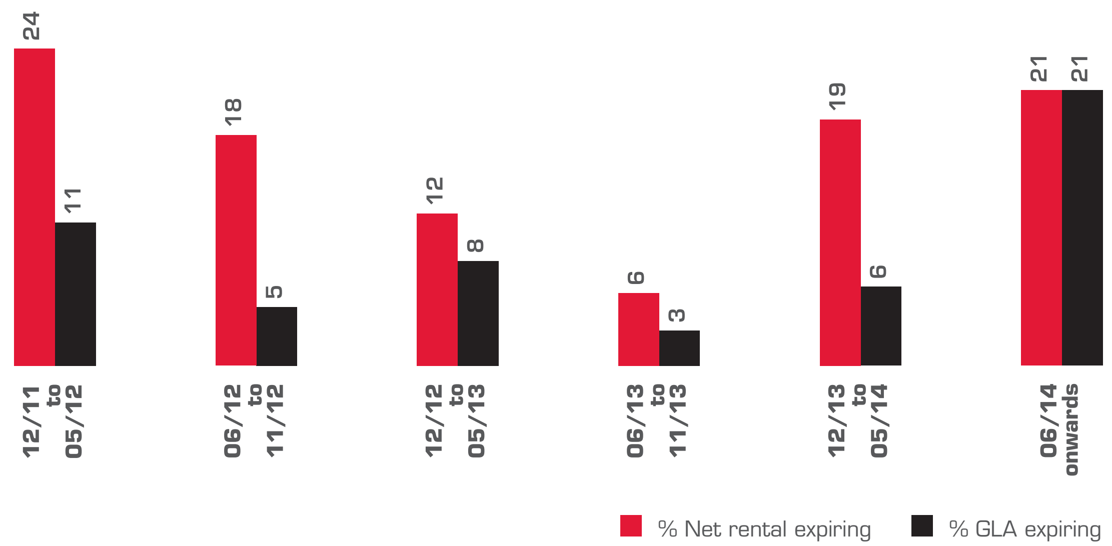
OPERATION SERVICES

These services are the third component of Heartland's activities. Operation Services supplies utilities and services at the Umbogintwini Industrial Complex. Heartland's facilities management skills ensure that services required by large and smaller manufacturing customers are provided appropriately and professionally. Services include superheated steam, potable water, electricity, effluent handling and a comprehensive rail network.

The Complex's "licence to operate" as a good corporate citizen, and various utility distribution licences, demand the protection of assets in a responsible manner and a robust maintenance regime to ensure reliable service delivery and the sustainability of operating customers.

The heavy industrial zoning of the site implies close public scrutiny of the conduct of operations and their environmental impacts in terms of liquid effluent, gaseous emissions, water usage and risk profiles. Accordingly a focus on safety, health and environmental issues is a priority at the Complex.

36 MONTH LEASE EXPIRY PROFILE: NET RENTALS AND GLA



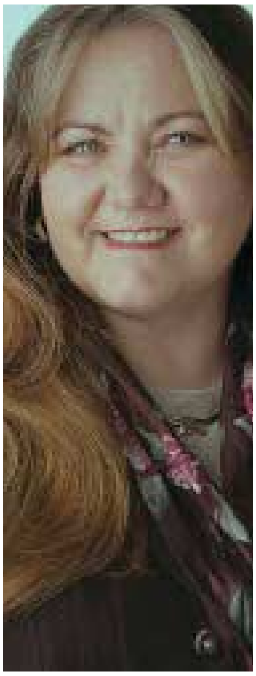
SUSTAINABILITY

All of the land available to Heartland for development is subject to a land release protocol which ensures that there are no identified chemical remediation requirements. It should be recognised however that such land was previously used for manufacturing purposes and accordingly Heartland's offering is overwhelmingly for brownfield development.

In preparing land for sale by inter alia installing bulk services, Heartland removes redundant services and structures as part of rehabilitating former operational areas. This results in the creation of open spaces, parks and the re-establishment of certain wetland areas.

In 2011 Heartland secured private urban space zoning for its urban park at Modderfontein. This area is about 275 hectares in extent and with its tributary waterways the park will be used for recreation, conservation and education.

At the Umbogintwini Industrial Complex the Umbogavango, Vumbuka and Mamba Valley Nature Reserves are well established. The reserves occupy about 77 hectares of space, most of which served as part of the site's effluent disposal system for an extended period during the Complex's history dating back more than 100 years. As in the case of Modderfontein's park the focus is on recreation, conservation and education for the benefit of local communities and special interest groups.



SANS TECHNICAL FIBERS (USA) ("STF")

Managing Director:
Zach Zacharias

STF IS A NORTH CAROLINA BASED NYLON YARN MANUFACTURER WHICH SERVES GLOBAL SPECIALTY MARKETS WITH NYLON 66 YARN SOLUTIONS.

Record profits of R53 million were delivered by the business (2010: R33 million), with production of 7 000 tonnes also being its highest ever. Plant output was fully sold. Revenue improved to R333 million from R294 million in 2010.

In the first half of the year there was strong demand for nylon yarns from the automotive industry. The number of vehicles produced in the USA increased by 11% after a 10% increase in 2010. There were simultaneous improvements in the automotive sectors in Asia and Europe and this resulted in product shortages and higher prices for industrial yarn. In addition, nylon polymer shortages occurred as a consequence of adverse weather conditions and created additional market turmoil. Yarn customers had to contend with product allocations and placed higher orders to build inventory. Demand was also robust from a number of other end-use markets.

Supply and demand were more balanced in the second six months. In the last quarter of the year however, nervousness about a possible global slowdown and the European financial crisis caused customers to become overly conservative and orders declined sharply.


MANAGEMENT TEAM

From left:
Zach Zacharias
Tim Cole
Kim Crenshaw
John Nagle
Sharon Schmid

STRATEGIC PROGRESS

STF consolidated its production capacity expansion installed in 2010 through improvements in production efficiencies. A number of plant areas were debottlenecked and another second stage drawing machine with a 2 000 tonne capacity was installed.

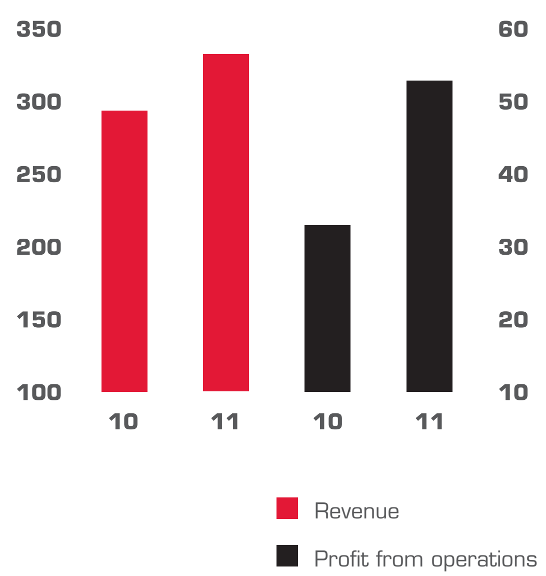
Some improvement in safety performance was achieved and concerted efforts to reduce the TRIR further will be sustained in the coming year.

OUTLOOK

Raw material prices are likely to increase after the first quarter of 2012 when a long-term supply contract expires. STF should be in a position to recover these increases in its key markets.

STF expects demand for its products from the automotive sector to continue to grow, albeit in an environment that is likely to become increasingly competitive. The business is well placed to take advantage of further market growth.

FINANCIAL PERFORMANCE (RM)



INTRODUCTION

ETHICAL LEADERSHIP AND GOOD CORPORATE GOVERNANCE

The AECI Board fully subscribes to the statement that "good corporate governance makes good business sense" and consequently, in the year under review, the Board sought to streamline a number of its processes and bring the Company towards full compliance with King III and other best practices.

The Board's approach to corporate governance is anchored in the Company's values.

Corporate governance in AECI is managed through three broad, distinct but interconnected pillars:

- compliance management;
- risk management; and
- internal and external assurance.

This overview deals with the three pillars in terms of:

- **landscape requirements** detailing what is required of a company in order to "conform, comply or adhere" to best practice. These requirements include relevant legislation, Codes and frameworks;
- **structures** in place to facilitate management of the landscape requirements;
- **efforts** undertaken by the Group in the year under review;
- **governance status** as at year-end; and
- **governance outlook** for the year ahead.

REVIEW OF 2011 KEY FOCUS AREAS

Progress was made in all of the areas identified for attention in 2011, namely:

- 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.

GOVERNANCE LANDSCAPE REQUIREMENTS

COMPLIANCE MANAGEMENT

In a changing governance landscape, companies operating in South Africa need to review their compliance structures and processes on an ongoing basis.

The new Companies Act for example, places additional compliance requirements on companies. The King III Report and Code require adherence to their principles with regard to integrated reporting.

The Consumer Protection Act, as another example, requires that consumers be protected in all dealings with institutions. AECI's efforts to respond appropriately to such changes were sustained in 2011.

RISK MANAGEMENT

The Board firmly believes that effective risk management is key to AECI achieving its strategic goals in a sustainable manner. By understanding and properly managing our risks, we provide greater certainty and security for our employees, customers, shareholders and other stakeholders and are better informed and more decisive in moving with greater confidence towards our goals.

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 aims to protect the Group against hazards and uncertainties which may prevent the achievement of business goals and strategic objectives.

INTERNAL AND EXTERNAL ASSURANCE

AECI's current landscape is detailed on page 2 ("Assurance and Comparability") and on page 6 ("Assurance").

STRUCTURES

In line with the Companies Act, AECI's corporate governance and processes are led by the Board supported by six sub-Committees:

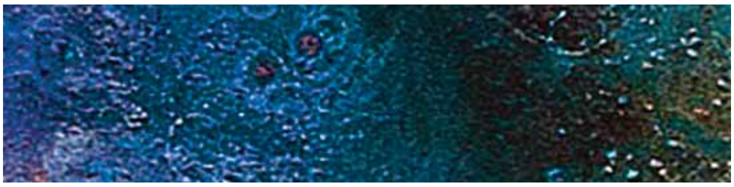
- Audit Committee
- Risk Committee
- Social and Ethics Committee
- Remuneration Committee
- Nominations Committee
- Executive Committee

THE BOARD OF DIRECTORS

The AECI Board comprises a majority of Independent Non-Executive Directors and it operates with a unitary structure that provides for interaction among all of its members in the decision making process on strategy, planning and performance, allocation of resources, business ethics, risk management and communication with stakeholders. The Board exercises control through a governance framework that includes appropriate reporting to the Board and its Committees. In 2011 the Board approved a delegation matrix that formally sets out the authority limits for itself and Management.

BOARD COMPOSITION

The Board is committed to building a diverse and appropriately skilled Board and accordingly it appointed Ms LL Mda in 2011 as an Independent Non-Executive Director. The AECI Board is now comprised of 11 Directors, nine of whom as at the date of this Report are Independent Non-Executives and two are Executives. We believe this represents a balanced Board that is in line with best practice guidelines and has a representative set of skills and experience that will benefit the Board as a whole in its oversight role.



The guidelines in the JSE Listings Requirements were used to determine whether the Directors were Independent. Mr S Engelbrecht met all the criteria for independence from 5 March 2012, when he sold directly beneficial ordinary shares held by him in the Company and exercised his outstanding options as detailed in note 31 commencing on page 224. The current Board members are:

Independent Non-Executive Directors

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

Executive Directors

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

APPOINTMENTS

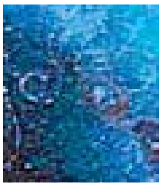
A balance of skills and experience, gender and demographic representation is taken into account in determining an effective composition of the Board. Board appointments are done in accordance with a formal Appointment Policy which includes proper screening of candidates, formal interviews conducted by the Nominations Committee and the completion of a Director's declaration by successful applicants.

SKILLS AND EXPERIENCE OF THE BOARD

The Board is comprised of 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 is optimally placed 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 their own 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 involvement with an excessive number of Boards.

INFORMATION REQUIREMENTS

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. 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 Committee members 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 2011 financial year. Attendance by Directors at Board meetings is set out on page 90 of this Report.

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 (see page 19) to enable shareholders to make an informed decision in respect of their re-election.

Directors who will present themselves for re-election at the forthcoming Annual General Meeting are:

- LL Mda
- AJ Morgan
- R Ramashia

TERMS OF EMPLOYMENT OF DIRECTORS

Executive Directors are employees of the Company and have standard terms and conditions of employment. They do not receive any special remuneration or other benefits for their additional duties as Directors. Neither of the Executive Directors has an employment contract with a notice period 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 as underpinned by the remuneration philosophy of the Company. 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 a Board assessment was undertaken by an external party. Such an assessment is performed every three years. In the intervening years, a self-assessment is conducted by the Board. Accordingly, after confirming the corporate strategy with the Chairman and the Chief Executive, arrangements were made for a self-evaluation process to be undertaken assessing 45 key performance indicators. This was aimed at giving Board members the opportunity to express their individual opinions on and assessment of the performance of the Board and its Committees. The Board received feedback at its meeting in February 2012. Based on the areas identified as being of concern to Directors, action plans are being developed to address these appropriately.

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 assessment process were, 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 and approval of 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 the Committees. Composition is re-evaluated on an ongoing basis to ensure a balance between the competencies 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 Managers and other such issues. The Remuneration Committee provides feedback to the full Board.

Through the Board assessment process, the Board also evaluates the performance of the Chairman of the Board and the Chairmen of the Board Committees on an annual basis.

THE BOARD'S ROLE 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, performance criteria for Senior Managers and business plans;
- to review and approve financial objectives, plans and actions, including significant capital allocations and expenditure;
- to define its mission as representing the interests of the Company and its stakeholders in perpetuating a successful business that adheres to the vision and values of the Company and creates long-term value for stakeholders;
- to be accountable and responsible to stakeholders 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 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 matters relating to sustainability 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, inter alia, 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, defense or settlement of, where material and except in the ordinary course of business;
- Pension and/or Provident Funds: approval of rules and amendments thereto having a material effect on the actuarial liabilities of the Funds where applicable;
- prioritisation of resources: prioritising the allocation of capital and technical and human resources; and
- any other matters the Board deems necessary it should decide on.

BOARD RELATIONSHIPS WITH 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 AUTHORITY

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

On 1 June 2011 the Board appointed Ms EN Rapoo as the Company Secretary to oversee the portfolio of secretariat, legal services, risk and compliance management. Ms Rapoo replaced Mr EA Rea who was acting in this capacity. The Board has access to the Company Secretary who provides guidance on how Directors' duties and responsibilities should be discharged in the best interests of the Company. In the year under review, the Company Secretary has overseen the induction and ongoing informal training of Board members and assisted the Board and its Committees in the formulation of annual plans, agendas, minutes and terms of reference.

BOARD COMMITTEES

In line with the provisions of the Companies Act the Board reconstituted the Corporate Citizenship Committee as the Social and Ethics Committee in 2011. The Board has established six Committees through which it discharges its mandate. The Committees submit reports to each Board meeting detailing progress on activities undertaken. All members of Board Committees are elected by the Board. Members of the Audit Committee are confirmed by shareholders at the Annual General Meeting.

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. Attendance at Board and Committee meetings by Directors, during their tenure as Directors in 2011, is disclosed on page 90.

AUDIT COMMITTEE

The Audit Committee is comprised of four Independent Non-Executive Directors. The Audit Committee's statutory duties, as set out in the Companies Act, include inter alia, considering the Company's Annual and Interim Financial

Statements, its Accounting Policies as well as its mechanisms for safeguarding Company assets.

The Audit Committee met four times in the year under review. Both the internal and external auditors have unrestricted access to the Chairman of the Audit Committee and may meet privately with the Committee if required. The report of the Audit Committee, including more details on its responsibilities, is published on page 151.

Current members of Audit Committee are:

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

RISK COMMITTEE

Composition

The Risk Committee comprises three Independent Non-Executive Directors, two Executive Directors and five Executive Committee members. In view of the number of portfolios that Mr Dunne held in Board structures, the Board elected Mr Morgan to succeed Mr Dunne as Chairman of the Risk Committee in 2011. Messrs Dunne and Engelbrecht resigned from the Risk Committee at the end of the year. The Company Secretary attends all meetings as secretary.

The Risk Committee's mandate includes reviewing and assessing risk and compliance management processes, including safety, health and environmental management. For the period under review, the Committee focused on monitoring the entrenchment of the risk management process in the Group and also initiated an integrated process of compliance management across Group companies.

The latter project will continue in 2012. The Risk Committee met four times in 2011. Its members are:

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

** Member of the Executive Committee.*
† Executive Director.
 # Resigned on 21 November 2011.

Responsibilities

The Committee's responsibilities are, 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 in 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 risk identification and measurement methodologies;
- 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 in the AECI Group;
- reviewing the impact that significant litigation could have on the AECI Group;
- reviewing the adequacy of the Company's insurance coverage;
- 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 information pertaining to risk management that is to be included in stakeholder reports in order to ensure that such information is timely, comprehensive and relevant;
- monitoring procedures to deal with and review the disclosure of information to stakeholders; and
- assessing the performance and effectiveness of the Committee and its members on a regular basis.

SOCIAL AND ETHICS COMMITTEE

Composition

The Social and Ethics Committee is comprised of five members, four of whom, including the Chairman, are Independent Non-Executive Directors. 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. Three meetings were held in 2011.

Current members of the Committee are:

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

Responsibilities

In addition to ensuring compliance with relevant legislation, the Committee's responsibilities are:

- to consider, formulate and recommend to the Board policies and implementation plans in the areas of:
  - Broad-based Black Economic Empowerment;
  - Employment Equity, including education and training;
  - corporate social investment;

  - ethical business conduct; and
  - safety, occupational health and environmental practice and performance;
- to monitor and advance the implementation of policies and plans approved by the Board regarding these matters; and
- to assess the performance and effectiveness of the Committee and its members on a regular basis.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee comprises three Independent Non-Executive Directors. The Committee meets at least twice per year and additional meetings are scheduled as the Committee deems appropriate. Three meetings were held in 2011. The Chief Executive and Chief Financial Officer attend by invitation when necessary to discuss the remuneration of Executive Directors and Senior Management. The Company Secretary attends all meetings as secretary. The Company's Remuneration Report, including details on the Remuneration Committee's responsibilities is published on pages 127 to 137.

Current members of the Committee are:

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

NOMINATIONS COMMITTEE

Composition

The Nominations Committee comprises three Independent Non-Executive Directors.

The Committee meets at least twice per year and additional meeting are scheduled as the Committee deems appropriate. Three meetings were held in 2011. The Company Secretary 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.

Current members of the Committee are:

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

Responsibilities

Responsibilities of the Committee are, 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 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.

EXECUTIVE COMMITTEE

Composition

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 Board has delegated the day-to-day running of the Company to the Chief Executive who works with other Executive Committee members to assist him in this task. The Executive Committee is the highest executive decision making structure in AECI. Its role is focused on formulating and implementing the Group's strategy and policies and ensuring that business activities are aligned in this respect.

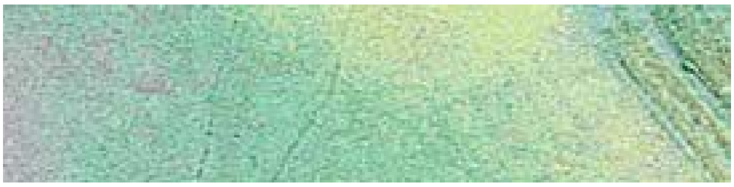
The operational framework of businesses in the Group is a decentralised one, known in AECI as "Freedom supported by a Framework". Most operating businesses have their own Boards and management structures and decision making is in line with the provisions of the Group's delegation matrix.

The AECI 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 20 and 21.

Responsibilities

The responsibilities of the Chief Executive are, 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.



2011 ATTENDANCE: BOARD AND COMMITTEE MEETINGS

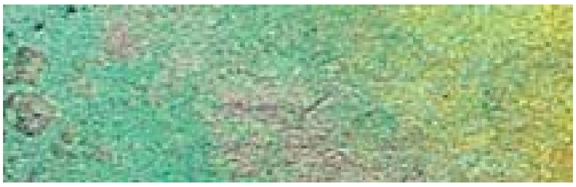
DIRECTOR	BOARD	AUDIT	RISK	NOMI-NATIONS	REMUNE-RATION	SOCIAL & ETHICS
Number of meetings held	5	4	4	3	3	3
RMW Dunne	5 of 5	4 of 4	4 of 4	3 of 3	3 of 3[1]	
GN Edwards	5 of 5	4 of 4[2]	4 of 4	3 of 3[2]	3 of 3[2]	3 of 3
S Engelbrecht	5 of 5		3 of 4	3 of 3	3 of 3	
Z Fuphe	4 of 5					2 of 3
KM Kathan	5 of 5	4 of 4[2]	4 of 4			3 of 3[2]
MJ Leeming	5 of 5	4 of 4[1]				3 of 3
LL Mda	3 of 5[3]		1 of 4[4]			
AJ Morgan	5 of 5	4 of 4	4 of 4[1]			
LM Nyhonyha	5 of 5	4 of 4				3 of 3[1]
R Ramashia	5 of 5		4 of 4			3 of 3
F Titi	5 of 5[1]			3 of 3[1]	3 of 3	

1 Chairman.
2 Attendance by invitation.
3 Appointed to the Board on 1 April 2011.
4 Appointed to the Risk Committee on 4 October 2011.

CORPORATE GOVERNANCE PROGRESS IN 2011

COMPLIANCE MANAGEMENT

In the year under review the Company established a compliance function apart from its Legal Department with the specific aim of formalising and integrating the Group's compliance processes. The objective is to establish a system to facilitate the effectiveness and efficiency of Group operations and assist with general compliance with the regulatory universe in an integrated manner. Work is ongoing in this regard and is aimed at ensuring that AECI is not adversely exposed to legal and compliance risks.



Further progress towards achieving compliance with many of the principles of King III was made and a compliance framework was designed and distributed to the Board for guidance and monitoring.

The Company has conducted a gap analysis on its adherence to King III. The table below provides a detailed analysis of adherence. In future years, only progress in adherence to those principles not fully met in 2011 will be reported.

KING III INDEX

PRINCIPLES	APPLY	PARTIALLY APPLY	UNDER REVIEW/DO NOT APPLY
1. Ethical leadership and corporate citizenship			
The Board should provide effective leadership based on an ethical foundation	x		
The Board should ensure that the Company is and is seen to be a responsible corporate citizen	x		
The Board should ensure that the Company's ethics are managed effectively	x		
Assurance statement on ethics in Integrated Report	x		
2. Boards and Directors			
The Board should act as the focal point for and custodian of corporate governance	x		
The Board should appreciate that strategy, risk performance and sustainability are inseparable	x		
Directors act in the best interests of the Company	x		
The Chairman of the Board is an Independent Non-Executive Director	x		
The Board should provide effective leadership based on an ethical foundation	x		
The Board should ensure that the Company is and is seen to be a responsible corporate citizen	x		
The Board should ensure that the Company's ethics are managed effectively	x		
The Board should ensure that the Company has an effective and independent Audit Committee	x		
The Board should be responsible for the governance of risk	x		
The Board should be responsible for Information Technology ("IT") governance		x	
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	x		
The Board should ensure that there is an effective, risk-based Internal Audit	x		
The Board should appreciate that stakeholders' perceptions affect the Company's reputation	x		
The Board should ensure the integrity of the Company's Integrated Report	x		
The Board should report on the effectiveness of the Company's system of internal control	x		

PRINCIPLES	APPLY	PARTIALLY APPLY	UNDER REVIEW/DO NOT APPLY
The Board and its Directors should act in the best interests of the Company	x		
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed, as defined in the Act	x		
The Board should elect a Chairman of the Board who is an Independent Non-Executive Director. The Chief Executive of the Company should not also fulfill the role of Chairman of the Board	x		
The Board should appoint the Chief Executive and establish a framework for the delegation of authority	x		
The Board should comprise a balance of power, with a majority of Non-Executive Directors. The majority of Non-Executive Directors should be Independent	x		
Directors should be appointed through a formal process	x		
The induction and ongoing training and development of Directors should be conducted through formal processes	x		
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary	x		
The evaluation of the Board, its Committees and individual Directors should be performed every year	x		
The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities	x		
A governance framework should be agreed between the Group and its subsidiary Boards		x	
Companies should remunerate Directors and Executives fairly and responsibly	x		
Companies should disclose the remuneration of each individual Director and certain Senior Executives	x		
Shareholders should approve the Company's remuneration policy	x		
3. Audit Committee			
The Board should ensure that the Company has an effective and independent Audit Committee	x		
Audit Committee members should be suitably skilled and experienced Independent Non-Executive Directors	x		
The Audit Committee should be chaired by an Independent Non-Executive Director	x		
The Audit Committee should oversee integrated reporting	x		
The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	x		
The Audit Committee should satisfy itself of the expertise, resources and experience of the Company's finance function	x		

PRINCIPLES	APPLY	PARTIALLY APPLY	UNDER REVIEW/DO NOT APPLY
The Audit Committee should be responsible for overseeing Internal Audit	x		
The Audit Committee should be an integral component of the risk management process	x		
The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	x		
The Audit Committee should report to the Board and stakeholders on how it has discharged its duties	x		
4. The governance of risk			
The Board should be responsible for the governance of risk	x		
The Board should determine the levels of risk tolerance	x		
The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities	x		
The Board should delegate to Management the responsibility to design, implement and monitor the risk management plan	x		
The Board should ensure that risk assessments are performed on a continual basis	x		
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	x		
The Board should ensure that Management considers and implements appropriate risk responses	x		
The Board should ensure continual risk monitoring by Management	x		
The Board should receive assurance regarding the effectiveness of the risk management process	x		
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	x		
5. The governance of IT			
The Board should be responsible for IT governance		x	
IT should be aligned with the performance and sustainability objectives of the Company		x	
The Board should delegate to Management the responsibility for the implementation of an IT governance framework		x	
The Board should monitor and evaluate significant IT investments and expenditure		x	
IT should form part of the Company's risk management		x	
The Board should ensure that information assets are managed effectively		x	
The Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities		x	

STAKEHOLDER REPORTS
Corporate Governance

PRINCIPLES	APPLY	PARTIALLY APPLY	UNDER REVIEW/DO NOT APPLY
6. Compliance with laws, rules, codes and standards			
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards	x		
The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business	x		
Compliance risk should form an integral part of the Company's risk management process	x		
The Board should delegate to Management the implementation of an effective compliance framework and processes	x		
7. Internal Audit			
The Board should ensure that there is an effective risk-based Internal Audit	x		
Internal Audit should follow a risk-based approach to its plan	x		
Internal Audit should provide a written assessment of the effectiveness of the Company's system of internal control and risk management	x		
The Audit Committee should be responsible for overseeing Internal Audit	x		
Internal Audit should be strategically positioned to achieve its objectives	x		
8. Governing stakeholder relations			
The Board should appreciate that stakeholders' perceptions affect a Company's reputation	x		
The Board should delegate to Management the task of dealing with stakeholder relationships proactively	x		
The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company	x		
Companies should ensure the equitable treatment of shareholders	x		
Transparent and effective communication with stakeholders is essential for building and maintaining their trust	x		
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	x		
9. Integrated reporting and disclosure			
The Board should ensure the integrity of the Company's Integrated Report	x		
Sustainability reporting and disclosure should be integrated with the Company's financial reporting	x		
Sustainability reporting and disclosure should be independently assured	x		

With regard to the new Companies Act, the Board endorsed a plan to achieve full compliance with this Act.

With regard to the JSE Listings Requirements, Management reviewed the changes to the rules and regulations and the implications of these were presented to the Board to confirm common understanding.

An impact analysis of the Consumer Protection Act was conducted and business contracts were realigned with this Act where necessary. Training on the provisions of the Act was conducted for relevant staff.

In the area of stakeholder engagement, which is highly valued by the Board, the formalising of stakeholder identification processes will be pursued in 2012. The objective is to enhance the Company's understanding of the information needs of key stakeholders in order to address these needs in its reporting processes. To ensure transparency, risk information affecting stakeholders will continue to be shared with stakeholders without compromising commercially privileged information.

RISK MANAGEMENT

Risk management is pivotal to good governance. The Group's efforts in measuring and managing risks were extensive in the year under review. The output of these efforts was used, inter alia, to determine material issues for inclusion and discussion in this Integrated Report.

Accordingly, detailed risk-related commentary is included separately and is presented on pages 4 to 6.

ACCOUNTABILITY AND INTERNAL CONTROL

The Directors are required in terms of the Companies Act and the JSE Listings Requirements 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 IFRS. The Company's external auditors are responsible for examining the Annual Financial Statements of the Company and its subsidiaries and for reporting their opinion on these Statements to shareholders. Furthermore, the external auditors must determine whether the Annual Financial Statements are in accordance with the Act, IFRS and the JSE Listings Requirements.

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. 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 insured appropriately and are used as intended with appropriate authorisation.

ETHICS

CODE OF ETHICS

The AECI Code of Ethics and Business Conduct ("the Code") is designed to provide clear guidelines for engaging with all stakeholders associated with AECI and its businesses. The Code sets out five values that drive the ethical and responsible business conduct that is expected of all AECI and related businesses' employees and other stakeholders. These values are supported by underlying principles and they in turn give rise to specific "do's" and "don'ts".

Through the Code, AECI has adopted and upholds the highest ethical standards to be reflected in the way it conducts its business. The Code is supported by, and should be interpreted against the backdrop of all relevant legislation in the countries in which the Group operates, the regulatory environment applicable to the various industries served by Group businesses and AECI's internal controls and systems, policies, standards and procedures.

A formal review of the Code was completed in 2011 and the redrafted Code was approved by the Board. The Code is available on AECI's website via the link http://www.aeci.co.za/pdf/policy_documents/code_of_ethics_3.pdf The Code can only be amended by the Board. It is reviewed every three years, or more often if necessary.

WHISTLE BLOWING PROGRAMME

A service known as Tip-offs Anonymous is in place and it was reinvigorated to good effect in 2011. The number of legitimate issues and concerns reported doubled, albeit off a low base, and were dealt with as appropriate by the Financial Director and the Head of Internal Audit.

The service is aimed at enabling employees, customers, suppliers and/or other stakeholders, on a confidential basis, to raise concern in cases where conduct is deemed to be contrary to ethical behaviour and AECI's Code. 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. Tip-offs Anonymous is a useful 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 which it updated in 2011 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 JSE Listings Requirements, 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 stakeholders 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 timely 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

The Company currently 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.

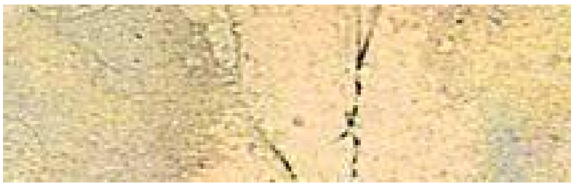
The Chairman of the Board and the Chairmen of Board Committees met formally with investors in 2010 without Executive Directors or any Senior Management representatives being present. This practice will continue and a meeting for 2012 has been scheduled.

All Non-Executive Directors are invited to attend the Company's financial and business-specific presentations.

2011 CONCLUSION

The Board is satisfied that in the 2011 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 full compliance with the recommendations of King III, other good governance practices and changes in legislation.



CORPORATE GOVERNANCE KEY FOCUS AREAS FOR 2012

In matters of compliance AECI will:

- continue to evaluate the implications and implement the principles of King III;
- maintain a focus on strategic issues at Board level;
- further develop its understanding of the legislative universe and prioritise relevant instruments in this regard;
- improve and maintain relationships, based on trust and transparency, with all regulators;
- continue to evaluate and manage business risks;
- develop and formalise a succession plan for Executive Directors and Senior Management;
- continue the training relevant to the Group's Code of Ethics, whistle blowing and competition matters;
- continue the training and development of Non-Executive Directors;
- work with individuals designated as risk and compliance champions in AECI's businesses to enhance risk controls and ensure full compliance; and
- continue training and awareness relevant to the Consumer Protection Act.

In matters of risk management the Board and the Executive Committee will:

- focus on further refining the Company's risk appetite and risk-bearing capacity to fully entrench the management of the business in the context of the Group's tolerance levels;
- implement a fully automated risk management system throughout the Group, which will further streamline and embed the risk management process;
- further integrate audit findings and suitable responses thereto into the risk management process;
- continue to enable a Group structure that ensures optimal performance in terms of good corporate governance in support of the entrepreneurial spirit of the business;
- continue to monitor the cost base to enable competitiveness;
- pursue finalisation of a new Water Use Licence for the Modderfontein site, to the mutual satisfaction of the relevant authorities and the Company;
- continue monitoring safety, health and environmental issues, as well as the integrity of key production facilities;
- continue to provide excellent products and customer service in an increasingly competitive environment characterised by skills shortages; and
- maintain the focus on attracting and retaining talented and competent people.

IN MATTERS OF INTERNAL ASSURANCE THE COMPANY WILL:

- review its IT policies and the governance thereof; and
- focus on implementing its compliance plan.

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 Social and Ethics 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 is no harm, to anyone, ever.

Graham Edwards.

Graham Edwards
Chief Executive

Woodmead, Sandton
30 March 2012

SHE MANAGEMENT

AECI's management of SHE-related issues is guided by a formal SHE Policy, with performance being measured within a framework of supporting SHE Standards. The Policy and Standards, which are agreed to and approved by the Chief Executive, are reviewed periodically by the Social and Ethics Committee on behalf of the Board to ensure that they remain appropriate for AECI's diverse businesses and the changing operating environment.

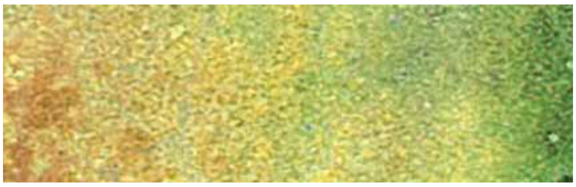
A significant development in AECI's management approach during 2011 was the introduction of Green Gauge, a framework of Group-wide environmental objectives and targets. The first phase of this comprises resource efficiency assessments. Water, waste and energy efficiency assessments were conducted at prioritised Group operating sites. The objective is to achieve reductions in waste disposal as well as water and energy consumption so as to reduce the environmental impact of operations while making a positive contribution to the Group's cost base. For each site, the assessments will be used to develop:

- a water conservation ("WC") and water demand management ("WDM") plan;
- a waste inventory;
- a waste management plan ("WMP") (incorporating the waste hierarchy); and
- an energy reduction action plan ("ERP").

The Green Gauge programme is not restricted to these assessments. Full details and updates are available on AECI's website via the link http://www.aeci.co.za/green_gauge/introduction.html

SUMMARY OF GREEN GAUGE KEY FOCUS AREAS ("KFAs")

KFA	ACTIVITY	PROGRESS AS AT END 2011
KFA 1: Resource Conservation	Development of a Group Water Policy and Strategy by end 2012.	A specialist team has been appointed by AECI to conduct water, waste and energy assessments at prioritised sites. The assessments began with a pilot phase in November 2011. The sites selected for this phase were Senmin (Sasolburg) and ImproChem (Umbogintwini). Lessons learnt during the pilot phase have been used in the planning of water, waste and energy assessments at 10 additional Group sites. Each assessment will result in the formulation of: ■ a WC and WDM plan; ■ a waste inventory; ■ a WMP; and ■ an ERP. As part of the assessment process at each site, the site's Management team is provided with a business case highlighting project options which can be implemented to achieve improvements. The business case provides information pertaining to costs, achievable savings and payback periods. Based on the assessments, the specialist team, with Management, will devise a set of achievable targets to be met by that business. Once all the planned site assessments have been concluded, consolidation of the assessments will be done to develop a Group: ■ Water Policy and Strategy; ■ Waste Management Strategy; ■ Energy Reduction Strategy; and ■ a set of reduction targets.
	Conduct a situation analysis, identify issues of concern and prioritise these to prevent further deterioration of the existing water quality in river courses impacted by AECI's activities.	
	Implement "Clean up the River" campaigns.	
	Develop a Waste Audit Toolkit.	
	Develop identified areas to serve as ecological reserves.	
KFA 2: Energy Conservation	Conduct energy audits by end 2012.	
	Assess existing operations for improving energy efficiency to reduce greenhouse gas ("GHG") emissions.	
	Identify key actions required to reduce GHG emissions.	
	Develop action plans for implementation of priority activities.	
KFA 3: Chemical Substances Management	Conduct a review at each business to determine the appropriateness of the risk assessment system related to hazardous chemical substances.	As a first step, reviews are planned for the fourth quarter of 2012.



KFA	ACTIVITY	PROGRESS AS AT END 2011
KFA 4: Remediation	Develop and implement remediation strategies to cater for future eventualities.	Strategies for future work have been formulated for AECI's main historical sites (Modderfontein, Somerset West, Umbogintwini). Regional authorities in the respective areas have been informed of the strategies and as progress is made in the implementation of these, ongoing communication will be maintained with the authorities.
KFA 5: Communication and Awareness	Embark on a communication campaign to create awareness of Green Gauge goals and targets before end 2011.	The Green Gauge process was initiated with official launches and interactive workshops in October 2011. During 2012 a communication and awareness process will be extended with the development of appropriate awareness material, ranging from general to technical information pertinent to the achievement of stated targets and goals.
KFA 6: Management Aspects	ISO 14001 certification for identified sites.	A preliminary assessment of all Group companies has been conducted to determine the status of ISO 14001 certification at individual sites. A follow-up evaluation of sites with no certification will be undertaken to ascertain the need for and relevance of certification. Once this has been completed, a programme to obtain certification will be initiated as relevant.

In many cases it is appropriate for businesses and/or individual sites to align their SHE management systems with an external standard against which third-party audits can be undertaken. The most commonly adopted such systems in AECI are:

- OHSAS 18001 (an international health and safety management standard);
- ISO 14001 (an international environmental management standard); and
- NOSA 5 Star (a South African SHE management system).

Alignment with these management systems is indicated, per business, in the Operational Review.

Most Group companies also participate in Responsible Care™, an international set of management practice standards which are verified externally in certain jurisdictions including South Africa. More details in this regard follow in this Sustainability Report.

AECI comprises a broad spectrum of businesses, ranging from large manufacturing plants producing explosives and chemicals, 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 outside of South Africa, sometimes in relatively underdeveloped countries. Consequently, SHE-related issues faced by the 19 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.

RECOGNISING STAKEHOLDER NEEDS

There are external stakeholders with an interest in the AECI Group's SHE-related matters. To address their respective needs, AECI is involved in a number of initiatives and associations in this important area. The most all-encompassing of these is the Responsible Care™ initiative. Other initiatives include:

- longstanding membership of and involvement in SAFEX International, which aims to protect people and property against dangers and damage by sharing experience in the global explosives industry; a representative of AEL serves on the organisation's Board of Governors;
- the Chemical and Allied Industries' Association ("CAIA"), of which AECI is a member, engages with both the South African government and various international agencies on a range of SHE-related matters. Some of the interactions with the authorities are carried out under the auspices of Business Unity South Africa of which CAIA is a member. CAIA's engagements include the Department of Labour's working group on occupational health and safety, climate change matters, and the National Waste Act. AECI is represented on the Board of CAIA;
- a Process Safety Forum has been set up for the chemical industry in South Africa. AECI representatives are active members of this Forum;
- the Chemicals Handling and Environmental Forum is tasked with promoting the responsible handling of chemicals throughout their lifecycle by providing a forum for stakeholders to discuss critical issues pertaining to the handling, storage, transport and distribution of hazardous chemicals. The Forum comprises representatives of CAIA member companies, government departments, other allied industry associations and various industry experts. AECI is represented at this Forum;
- AECI's Wellness Programme has been well received by the unions and there has been significant interaction with the national structures of the South African Chemical Workers' Union ("SACWU") and the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union ("CEPPWAWU") in this regard. More detail on the Wellness Programme is given later in this Sustainability Report; and
- Community Liaison Forums, Community Awareness and Emergency Response Committees as well as Stakeholder Forums are in place at major sites in the AECI Group. These structures manage the interaction on SHE-related matters between local communities, interest groups and other Interested and Affected Parties ("IAPs") and the Group.

Responsible Care™ is the global chemical industry's voluntary initiative for the continual 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 product stewardship.

Responsible Care™ was launched by the Canadian Chemical Producers' Association in 1984 and has since been adopted in 53 countries. CAIA is the custodian of Responsible Care™ in South Africa, with 147 South African businesses being signatories. The Responsible Care™ Standing Committee, currently chaired by an AECI Senior Manager, is responsible for guiding the programme.

AECI Limited is a signatory to Responsible Care™, as is AEL in South Africa. All 16 companies in the specialty chemicals cluster are also signatories in their own right. In South Africa signatories have their compliance with the Management Practice Standards verified by independent third party auditors. The majority of signatory companies in the Group have been audited successfully against these standards.

Shareholders are naturally important stakeholders for AECI. Two SHE-related initiatives with which AECI is involved that are of direct relevance to shareholders are the JSE SRI Index, and the CDP, a global initiative administered locally by the National Business Initiative.

The JSE established the SRI index in 2004. Initially only the Top 40 companies were assessed automatically. The automatic assessment of Mid-Caps, including AECI, followed. With the addition of some Small-Caps, a total of 109 potential Index constituents were measured in 2011. The evaluation process includes four areas being Environment, Society, Governance and (from 2010) Climate Change.

Seventy four of the 109 companies, or 68%, were included in the Index. While 90% of the Top 40 qualified, the success rate for Mid-Caps was only 52%. AECI was included for the third successive year.

The CDP is an international voluntary disclosure programme. Data on GHG emissions and climate change response actions by business are collated on behalf of global investors with assets of US$71 trillion.

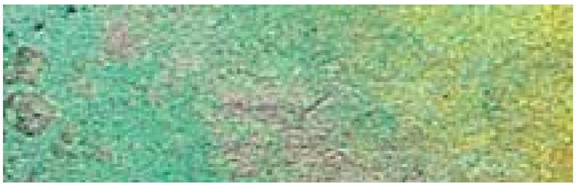
In South Africa the JSE Top 100 companies were invited to submit data in 2011. AECI participated for the third consecutive year and achieved a disclosure score of 83%, a significant improvement on 2010's performance when a score of 36% was obtained.

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 the best available technologies without entailing excessive cost; and to work with regulatory authorities as well as sharing information with IAPS.

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 2011 amounted to R14 million, compared to R9 million in 2010. At 31 December 2011 the environmental liability for the Group was estimated at R171 million for remediation and was fully provided for.



ENVIRONMENTAL PERFORMANCE

The sustainability key performance indicators that follow have been measured and reported using AECI's internal Standards and guidelines which are available on request.

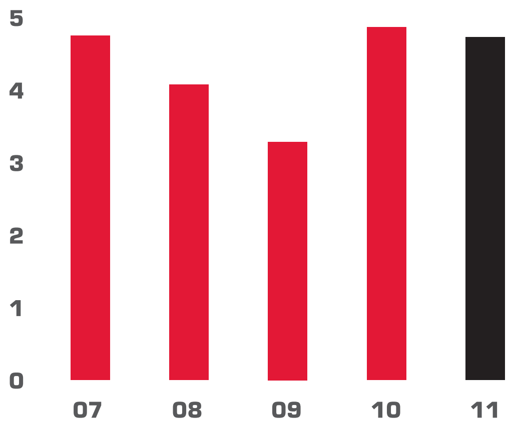
WATER USAGE

As stated in last year's Annual Report, there was a substantial increase in the Group's water usage in 2010. The main reason for this was the inclusion, for the first time, of environmental performance figures for AEL's operations outside of Modderfontein. It is pleasing to report that the Group's water consumption for 2011 was 3% lower at 4 748 000 m^3* (2010: 4 870 000 m^3*). This reduction was due to a range of efficiency improvements in AEL and the specialty chemicals cluster. Heartland and STF recorded small increases in water consumption related to increased production rates.

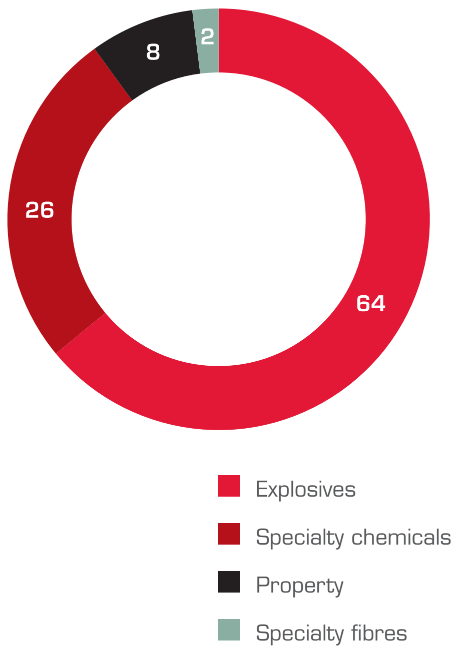
HAZARDOUS WASTE

The reported quantity of hazardous waste generated by the Group's operations rose by 19% year-on-year, from 4 971 tonnes* to 5 920 tonnes*. The specialty chemicals cluster reduced its hazardous waste arisings by 21% in 2011. However, AEL's reported hazardous waste rose from 1 910 tonnes in 2010 to 3 475 tonnes. This significant increase is attributable to two main factors: while the environmental performance figures from AEL's operations outside of Modderfontein were included for the first time in 2010, during 2011 it was determined that not all waste streams at certain remote operations had been included. In addition, increased production at AEL's Indonesian operations led to an increase in waste arisings.

WATER USAGE (MILLION CUBIC METRES PER YEAR)

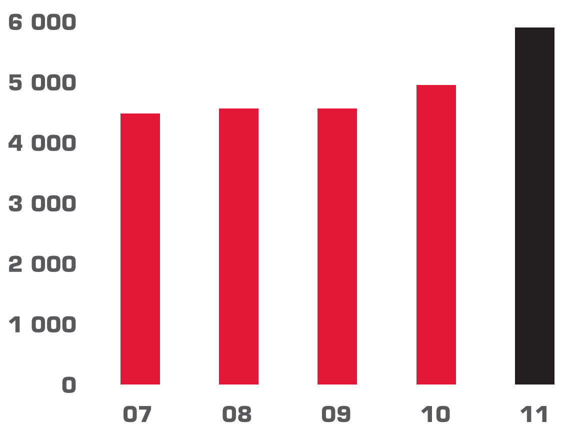


WATER USAGE BY BUSINESS SEGMENT (%)

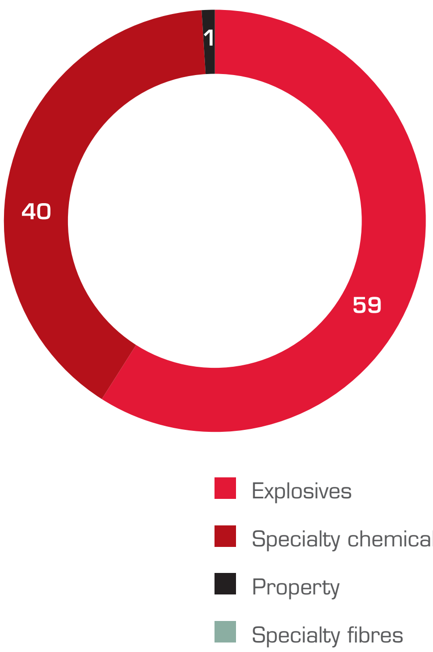


** Indicates Limited Assurance.* *See page 125.*

HAZARDOUS WASTE ARISINGS (TONNES)



HAZARDOUS WASTE ARISINGS BY BUSINESS SEGMENT (%)



* *Indicates Limited Assurance. See page 125.*

ENVIRONMENTAL INCIDENTS

There were six* significant environmental incidents in the year (2010: 10* significant incidents). No major incidents (as defined in AECI's reporting Standards which are available on request) occurred:

- during a heavy downpour, contaminated stormwater from Resinkem's operations at Umbogintwini was inadvertently released into the Umbogintwini Industrial Complex's stormwater system;
- a third party contractor was moving Crest's products from Durban to Cape Town. The driver suffered a heart attack and lost control of the vehicle, which ploughed into the Orange River;
- at AEL, Modderfontein, approximately 10 tonnes of nitric acid overflowed from a tank during pumping operations. Some of this acid ran into the effluent system where it was neutralised;
- also at AEL's Modderfontein operations, approximately 1,5 tonnes of nitric acid was spilled due to an operator error. This acid flowed into the effluent system where most of it was contained and neutralised;
- a truck belonging to a third party contractor moving product for AEL was involved in a collision near Rustenburg in conditions of poor visibility. Approximately one tonne of product was spilled; and
- a tanker belonging to a third party contractor moving product for AEL in Botswana swerved to miss a cow and overturned, leading to the spillage of six tonnes of product.

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

ENVIRONMENTAL COMPLIANCE

The Group's Modderfontein site has operated under the requirements of a draft Water Use Licence issued in 2006. Negotiations had been underway with the DWA to have this draft Licence replaced by a new Licence. The DWA issued a new Licence during 2011. However, it contained stringent conditions, effective immediately, which posed compliance constraints for the Group.

Prior to the Licence being issued, the Group had already commenced a programme of projects aimed at reducing effluent arising from operations at the site. Good progress is being made in this regard. Certain projects have been completed and their impact is already being felt. However, others involve the design and purchase of equipment with long lead times.

The approach being followed to achieve full compliance therefore is as follows:

- proceed with all appropriate effluent reduction projects;
- negotiate with the DWA to agree on a phased application of the tightened emission limits to match the rate at which the projects can be delivered; and
- negotiate with the DWA to ensure that the limits take into account contaminants that are originating upstream of the site and not from the Group's operations.

CARBON FOOTPRINT

The term "carbon footprint" is used to describe the total quantity of carbon dioxide ("CO_2") and other GHG emissions for which an organisation is responsible.

AECI's carbon footprint has been calculated 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 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.

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

In prior years the Eskom sold factor was used to calculate the CO_2 emission factor of electricity consumed. In the current year the Eskom generated factor was applied. This change is attributed to more progressive reporting and better understanding of the GHG Protocol.

CARBON FOOTPRINT

	SCOPE 1 TONNES OF CO_2 EQUIVALENT			SCOPE 2 TONNES OF CO_2 EQUIVALENT		
	2009	2010*	**2011***	2009	2010*	**2011***
Explosives	216 000	219 310	**201 499**	71 000	77 768	**76 622**
Specialty chemicals	15 500	24 665	**59 801**	80 700	103 446	**135 297**
Property	67 000	65 941	**68 075**	6 300	10 050	**8 315**
Specialty fibres	500	976	**534**	19 400	25 041	**27 335**
AECI GROUP	299 000	310 892	**329 909**	177 400	216 305	**247 569**

The organisational boundaries for the footprint were determined as follows:

- all significant AEL operations, together with the footprint associated with rock-on-ground contracts. AEL's international operations were also included. Although South African emissions factors relating to electricity generation were used throughout, there was no material impact on the resultant figures; the impact of process emissions from nitric acid production at Modderfontein was calculated from measured values using a factor of 310 for global warming potential for nitrous oxide ("N_2O"); emissions resulting from the burning of emulsion wastes have not been included due to reporting difficulties;
- all specialty chemical operations; uniform emission factors were used as the impact on the reported emissions from Resitec's Brazilian operations was not material;
- all Heartland operations, which are all in South Africa; and
- the operations of STF in the USA. In this case the emissions factor for Duke Power Utility was used due to there being a significant impact on the final result.

* *Indicates Limited Assurance. See page 125.*

The total CO_2 emission equivalent for the Group increased to 577 478 tonnes* (2010: 527 197 tonnes*). The increase in direct (Scope 1) CO_2 emissions results from process emissions at Resitec's manufacturing facilities in Brazil. A small increase in indirect (Scope 2) emissions occurred at STF as a result of higher electricity consumption due to increased production. A larger increase occurred in the specialty chemicals cluster. This related to increased steam consumption as the new manufacturing plants at Senmin's site ramped up their production.

Emissions other than CO_2 can have a significant impact in terms of their 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. In these plants, nitrogen oxide gases are produced through the oxidation of ammonia on a platinum-rhodium metal catalyst gauze in the plants' ammonia burners. These gases are oxidised to form nitrogen dioxide, which in the final reaction is absorbed in water to form nitric acid.

Some of the ammonia is converted to N_2O in a side reaction which is usually released into the atmosphere as it has neither economic value nor is it toxic at typical emission levels. However, it is a GHG with a global warming potential approximately 310 times that of CO_2.

To combat global warming, a number of countries have ratified the Kyoto Protocol, thereby committing to reducing their emissions of GHGs, 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 GHGs. CERs can then be sold to those entities that are under an obligation to reduce these 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 were registered in November 2007 and February 2008 respectively. The projects involve the installation of secondary catalysts in the ammonia burners of the plants. This secondary catalyst decomposes the residual N_2O without affecting the production of nitric acid.

During 2011 the emission reduction achieved on the No. 9 plant averaged 92%, with No. 11 achieving 85%. The No. 9 plant catalyst performed well throughout the year in spite of a number of stoppages. The starting and stopping of the plants has a negative effect not only on the plant performance but also on the performance of the secondary catalyst.

Total abatement from the No. 9 plant was 84 467 tonnes CO_2 equivalent (2010: 33 922 tonnes) in the first full year of operation with a new type of secondary catalyst.

A number of operational problems led to reduced performance of the No. 11 nitric acid plant's secondary catalyst. However, emissions abatement for 2011 still exceeded 2010's figure of 171 759 tonnes, with 212 421 tonnes CO_2 equivalent being achieved.

CASE STUDY:
MAKING THE ENVIRONMENTAL LINK

AECI'S Head Office is at The Woodlands, a 43-hectare low density office park in Woodmead, Sandton. The Woodlands incorporates a game park with a wide variety of animals and birds as well as indigenous flora. It is appropriate that this is where the Company has taken steps to make "green" an integral part of its brand promise and work experience.

Following a significant organisational restructure in 2009/10, a number of separate offices were brought together under one roof. The additional headcount required a complete redesign of the office space and the AECI Executive Committee decided to maximise the opportunity by initiating a full-scale renovation to reflect the brand values of BIGGER, namely **B**old, **I**nnovative, **G**oing **G**reen, **E**ngaged and **R**esponsible.

Occupancy of an adjacent building was secured and two specialist firms were appointed to undertake the project. Their mandate was clear: reconfigure the space to meet the current and future needs of the business, while incorporating the guidelines contained in the South African Green Building Codes. The Company emphasised the importance of complying, wherever feasible, with international best practices in the areas of material sources and energy and water consumption. Central to the design was the concept of an Environmental Link that joins the two buildings and provides a dynamic focal point for staff and visitors. As a single point of reference it showcases AECI's commitment to Going Green in an Innovative and Responsible manner.

As one approaches the triple volume entrance, a series of gabion columns track the curvature of the building. Hand-packed with recycled building materials, they filter the morning sun and enhance the general aesthetic. An indigenous water-wise planting scheme flanks the entrance walkway, while a self-sustaining green roof offers shelter from the elements, as well as a natural habitat that reduces airborne pollutants and heat.

Inside the Environmental Link the space has the appearance of an atrium. However, the skylight is designed so that the southfacing panels capture natural daylight without the buildup of heat, while the north-facing panels utilise solar energy that heats the water for some of the ablution facilities and kitchenettes. Special opening sections allow hot air to escape. The main roof is a lightweight structure, which means that fewer materials were used in the construction process. It is built to harvest rainwater that is stored for flushing a number of toilets in the building.

The back of the Environmental Link comprises a reflective westfacing wall with adjustable solar fins to block out the afternoon sun.

The carbon footprint was reduced further through a series of interventions such as reusing an existing staircase, discontinuing the use of stone materials in the interior and incorporating sustainable and renewable timber flooring in the design.

The green theme continues throughout AECI's new building. Thanks to a passive heating/ cooling system, the air-conditioning is more energy efficient. Likewise, the absence of incandescent light bulbs throughout and the addition of motion sensors in places have cut the energy requirement for lighting.

All the carpeting is made from renewable materials that use less fossil fuels and water in production. Similarly, the décor, desks and seating were sourced from environmentally friendly suppliers.

SAFETY AND HEALTH PERFORMANCE

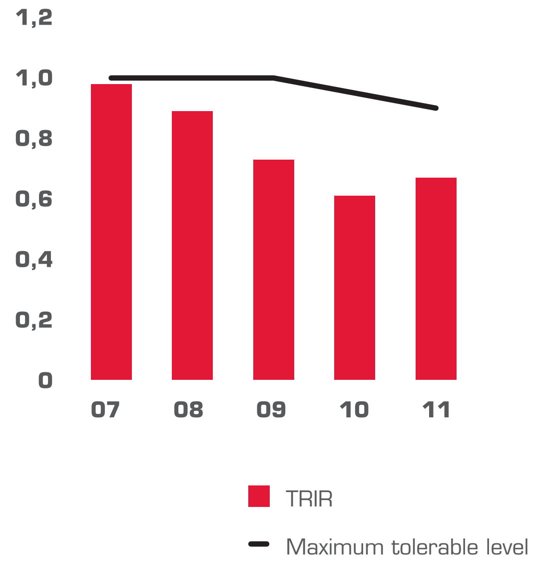
Safety and health performance is expressed as the Total Recordable Incident Rate ("TRIR"). The TRIR measures the number of incidents per 200 000 hours worked. In the past, AECI reported statistics separately for employees and contractors. From 2010 however, the two statistics were combined to reflect the incident rate for all who work in whatever capacity at AECI's facilities. For information, the separate figures are still shown in the table on page 112, per business segment.

In 2010 AECI achieved its lowest ever level of worker injuries and illnesses (0,60*). It was disappointing that this level of performance was not maintained in 2011 and the TRIR rose to 0,67*.

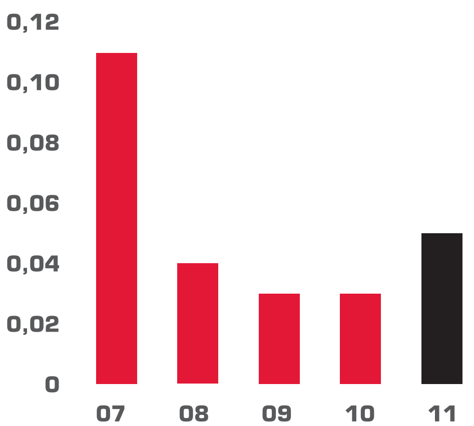
Tragically, a fatality occurred in August 2011 subsequent to a plant fire while operators were loading a vessel at the Resitec joint venture's site in Rio de Janeiro, Brazil.

* *Indicates Limited Assurance. See page 125.*

ALL WORKERS TRIR



OCCUPATIONAL ILLNESS RATE



* *Indicates Limited Assurance. See page 125.*

TRIR PERFORMANCE BY BUSINESS SEGMENT

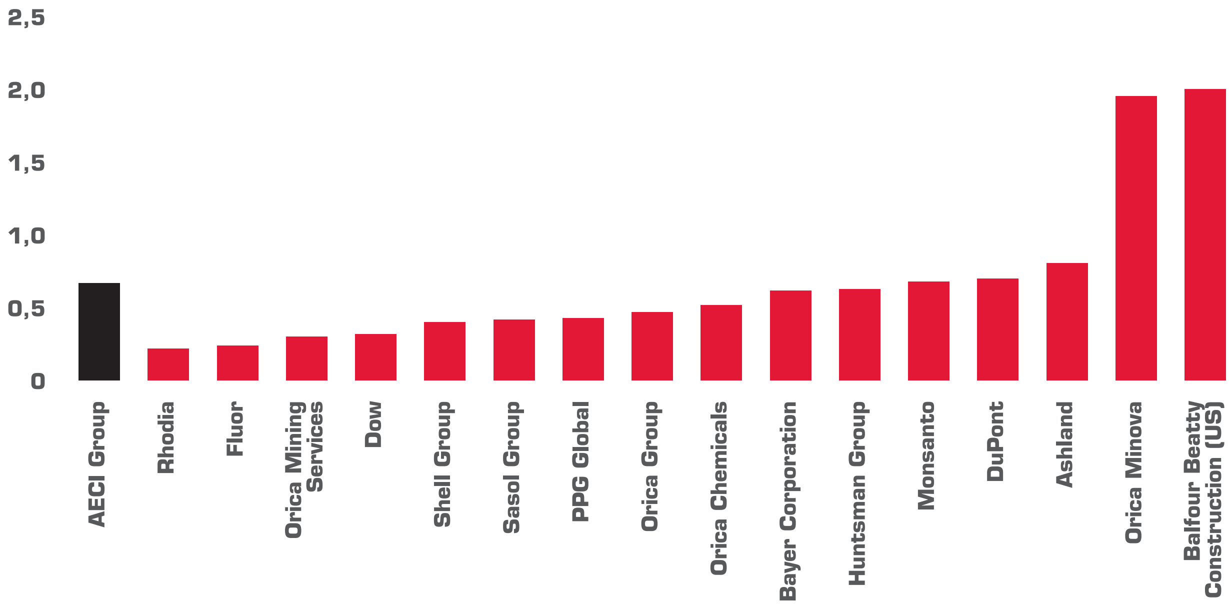
	Employees	Contractors	Combined
Explosives	0,31	0,68	0,38
Specialty chemicals	1,27	1,18	1,25
Property	0,47	0,20	0,28
Specialty fibres	1,15	0,00	1,15
AECI GROUP	**0,65**	**0,74**	**0,67***

AEL and Heartland had particularly pleasing reductions in their incident rates with both achieving their best ever performance in this area. The incident rate at STF is still higher than desirable. However, having halved the rate from 2009 to 2010, the business achieved a further reduction of 41% and there is every indication that this downward trend will continue. The main area of concern is the specialty chemicals cluster, where incident rates rose by 67% year-on-year. Significant efforts are being made by the relevant business leaders to reverse this unacceptable trend.

The Occupational Illness Rate in 2011 was 0,05* (2010: 0,03*). Five occupational illnesses were reported in the year under review. Three of these were forms of asthma related to operations in the specialty chemicals businesses. The remaining two occurred in AEL, where two employees had to be temporarily removed from their workplace due to exposure to lead.

AECI benchmarks itself against an appropriate grouping of international companies with zero incidents being the ultimate target. The benchmarked TRIR graph presented here has been compiled by an independent consultant from the latest information publicly available from the various companies' websites at the time of writing. These companies were selected on the

BENCHMARKED TRIR



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, the basis for AECI's own reporting.

The majority of these companies report their statistics for all workers and not only employees, as AECI has done since 2010. However, unlike AECI, some companies have not included occupational illnesses in their figures. This may result in their TRIR statistics being marginally understated in this benchmark.

WELLNESS AND HIV/AIDS

As pointed out in the recently published Diagnostic Report of the National Planning Commission, one of the challenges facing South Africa is an unusually high disease burden among its population. The welfare and well-being of employees as fundamentally important stakeholders is a priority for the AECI Group. All permanent employees domiciled in South Africa are encouraged to join the AECI Medical Aid Society. This Society offers an option for comprehensive cover as well as a more affordable option, the latter being fully subsidised for lower income earners.

In line with the Group's proactive and holistic approach to healthcare, a Wellness Steering Committee is in place. It is representative of Management, employees and trade unions and has the responsibility of driving and monitoring wellness initiatives and related strategies across the Group. The aim is to move from an illness focus to one of general well-being, acknowledging that overall good health involves a multitude of facets including lifestyle elements. Employee assistance programmes are in place and are accessible to the majority of the Group's workforce. These programmes provide counselling on a variety of issues ranging from financial guidance to help with post-traumatic stress.

To implement the Group's wellness programme, peer educators have been trained to become Champions of Wellness. These Champions are employees who volunteer to assist their colleagues in understanding, preventing and managing HIV/Aids and other chronic diseases. Advice on healthy lifestyles is another area of focus. Emphasis is also placed on helping needy people in the communities in which the Group operates. For example, money raised through sponsored Wellness and Aids Awareness walks was used to provide school shoes and to pay school fees for children at an orphanage.

Once fully trained as Champions of Wellness, volunteers can continue their training to become Champions of Life. At this advanced stage, trainees are taught to set objectives, deal with sensitive issues and sustain a meaningful quality of life ("lead by example"). In the next phases of the initiative, namely Champions of Change and Champion Buddies, volunteers learn how to act as agents to facilitate change in the way their colleagues and community members view HIV/Aids. The following wellness training took place in 2011:

- 49 employees were trained as Peer Educators (the first level of training towards becoming a Champion);
- 16 completed the Champions of Wellness course;
- eight qualified as Champions of Life;
- five completed the Champions of Change training; and
- 10 completed the Champion Buddies course.

The Group now has 108 trained Champions of Wellness. Regional conferences were held during 2011 and objectives for 2012 were agreed upon. Key among these is a Knowledge, Attitude and Practices survey to evaluate the current employee programme in respect of HIV/Aids and wellness. The survey's findings will be used to modify current initiatives if so required.

Other activities undertaken in 2011 included monthly talks on overall wellness topics, ongoing HIV testing and counselling, retirement planning workshops and Death in Service Benefit talks.

HUMAN CAPITAL

The AECI Human Capital function is currently repositioning itself from being a transactional support service to a strategic resource contributing to delivery of the Group's growth and sustainability plans. The necessity for an integrated Transformation process has been acknowledged as being inherent to this repositioning.

TRAINING AND DEVELOPMENT

Training and development is one of the key drivers that will contribute towards the attainment of diversity at all levels of the Group's businesses. During the year under review, the Group's training and development initiatives focused mainly on skills acquisition as well as growth and the accelerated advancement of employees in line with the Transformation agenda. In the context of strategic goals, AECI's businesses continued or launched the initiatives that follow.

EXPLOSIVES

AEL's efforts in training and employee development yielded pleasing results, with 1 368 training courses completed. Interventions included learnerships in both Mining and Chemical Operations as well as Compliance and Artisan training:

- 47 employees participated in the artisan training programme (electrical, fitting, instrumentation and turning) from National Qualifications Framework ("NQF") Level 2 to NQF Level 4;
- 24 learners were engaged in the Chemical Operations learnership at NQF Level 1;
- nine interns were engaged as part of engineering training at NQF Level 4 in Chemical Engineering; and
- 278 employees attended mining related courses including: Basic Explosives Introductory Course, Blasting Certificate, Blasting Competency Programme, Blasting in Open Cast Mines/Quarries, Blasting Operations and Mining Engineering.

SPECIALTY CHEMICALS

In addition to skills acquisition and safety training courses, the following interventions were implemented:

- the Rainmakers Sales Management Academy was launched to reinforce professional selling skills for Sales Directors and Managers across all sales teams in the specialty chemicals cluster. A total of 35 candidates are enrolled on this programme. On completion of the programme, participants are expected to transfer their learning to their respective teams;
- 136 employees are participating in the AECI Group Management Development Programme to fast-track their managerial skills and promotion potential;
- 22 students were offered internship training primarily in Analytical Chemistry and Chemical and Mechanical Engineering;
- 41 Apprenticeships, Artisan and Chemical Operations learnership agreements were entered into with unemployed learners;
- 30 Apprenticeship, Artisan, Chemical Operations and Freight Handling learnership agreements were entered into with employed learners;
- 44 supervisors and potential supervisors have completed the Super Management Programme for entry level supervisors. In addition, 23 supervisors were assessed using recognition of prior learning for preparation towards attaining a Chemical Operations NQF Level 4 qualification; and
- 68 employees completed Adult Basic Education and Training at various levels.

PROPERTY

Annual Workplace Skills Plans and Training Reports were submitted to the Chemical Industries Education and Training Authority ("CHIETA"). Application for Discretionary Grant funding was made to the CHIETA and was approved in respect of Apprenticeships and Analytical Chemistry In-service Trainees.

During the reporting period Heartland provided training for four apprentices in the Mechanical and Electrical disciplines and five unemployed learners received training in Analytical Chemistry, Property Valuation, Accounting and Environmental Sciences.

In addition 73 employees, or 44% of Heartland's complement, participated in formal generic and non-generic training programmes in 2011.

TRADE UNION AND EMPLOYEE PARTICIPATION

AECI subscribes to the freedom of association principle and recognises the right of all employees to join a trade union of their choice. Representative trade unions therefore are recognised as one of the Group's stakeholders. Formal recognition agreements exist with CEPPWAWU, SACWU, the General Industries Workers Union of South Africa, Solidarity and the National Employees Trade Union at employment centres across the country. These unions participate in various 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 that affect employees' interests.

With the exception of Heartland, all AECI Group 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 NBCCI – Industrial Chemical Sector. Senior Industrial Relations Managers from the Group participate in this Forum as employer representatives.

In 2011 the Group's South African operations were affected by industrial action when wage negotiations ended in deadlock. The strike lasted for about four weeks in June/July until a settlement was reached by the negotiating parties.

As AEL ramps up its new automated plants and closes old plants, it will be necessary to complete planned restructuring initiatives to achieve the anticipated cost savings.

In the specialty chemicals cluster, unavoidable restructuring processes were driven by cost base considerations. The businesses affected were Akulu, ChemSystems, IOP and IU.

At Heartland, organised labour in the Services division did not participate in industrial action in the middle of the year.

While Heartland's unionised workforce is not party to the NBCCI, in-house agreements provide for the alignment of annual wage adjustments to follow awards agreed to in that Bargaining Council.

EMPLOYMENT EQUITY AND B-BBEE

AECI recognises the social and commercial imperative to achieve economic transformation in South Africa. To that end, it is committed to the implementation and success of broad-based empowerment across the Group in a comprehensive and sustainable manner. Over several years AECI has implemented a number of initiatives relating to Employment Equity, skills development, preferential procurement, enterprise development and corporate social investment, including a transaction in 2004 with a consortium led by the Tiso Group Limited that empowered AEL and created significant benefits for all its stakeholders. AECI's commitment to broad-based empowerment was enhanced further with two B-BBEE transactions announced in 2011 and finalised in January 2012:

THE KTH TRANSACTION

Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") was formed in July 2011 through the merger of Kagiso Trust Investments Proprietary Limited and the Tiso Group Limited. AECI acquired the KTH Consortium's empowerment shareholding in AEL in exchange for new ordinary shares in AECI. AECI now has full control of AEL, giving it greater flexibility in managing the operations of AEL. Whereas the AEL empowerment transaction benefited only AEL and its direct stakeholders, the KTH transaction will allow the Group as a whole to extract the full benefit of having KTH as an empowerment partner and a long-term strategic investor.

B-BBEE TRANSACTION

In this transaction, AECI facilitated the subscription by an Employees Share Trust ("EST") and the AECI Community Education and Development Trust ("CST") of an effective 11,5% of its share capital. About 3 900 employees are beneficiaries of the EST with 72% being Black, 12% of whom being Black women.

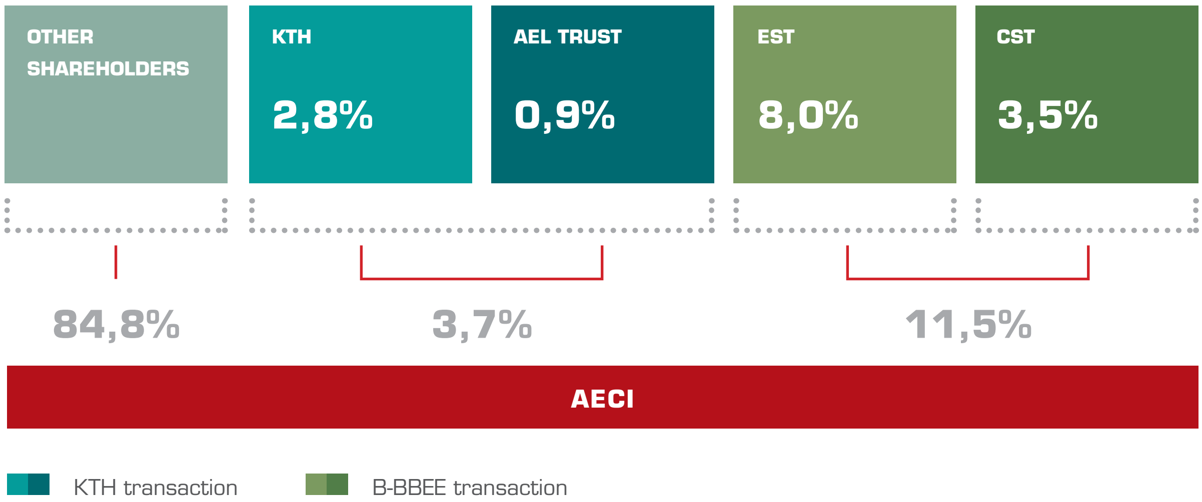
At least 85% of the economic benefit accruing to the CST will benefit Black people and at least 30% of this will benefit Black women. The CST will complement AECI's existing initiatives to uplift and develop skills pertinent to its businesses, the development of South Africa as a whole and Black communities where the Group operates or has an interest.

After full implementation of the KTH transaction and the B-BBEE transaction, it is expected that AECI will have an effective Black equity ownership in excess of 26% in terms of the Department of Trade and Industry's Broad-Based Black Economic Empowerment Codes of Good Practice, having applied the principles relating to mandated investments and foreign operations as defined therein.

The diagram overleaf illustrates AECI's new ownership structure subsequent to the two B-BBEE transactions.

Circulars and announcements relating to the B-BBEE transactions are available on the AECI website via the link http://www.aeci.co.za/cl_bbbee_transactions.asp

SHAREHOLDING STRUCTURE AFTER THE B-BBEE TRANSACTIONS



EMPLOYMENT EQUITY

Under the leadership of the Chief Executive, a task team has been formed to develop a clearer Group strategy that will accelerate the achievement of stretch Employment Equity targets. AECI is committed to being an organisation that embraces diversity and strives for continual Transformation in order to be representative of the environment in which it operates. Accordingly, the target in 2011 for all Group operations in South Africa was to achieve a minimum Level 6 B-BBEE Contributor status, excluding the ownership element while AEL was required to achieve Level 4, which this company did successfully. AEL scored maximum points on Enterprise Development and Socio-Economic Development in the pillars of its B-BBEE 2011 assessment. Employment Equity and B-BBEE targets are key performance indicators for management.

Of the 18 Group businesses based in South Africa in 2011, 10 achieved or exceeded their goals for the year and of the eight which did not meet their target, most recorded year-on-year improvements. All businesses must improve their ratings by one Level in 2012. AEL is required to maintain its status.

In mid 2012 the Group will review its B-BBEE performance against set targets and will set new targets for 2014 and beyond.

All businesses submitted their annual Employment Equity reports to the Department of Labour.

In compliance with the Employment Equity Act, businesses in the specialty chemicals cluster continue to use the two-tier consultation process. Each business has appointed a Senior Manager as a B-BBEE Champion to drive Transformation initiatives. These Champions have been trained on B-BBEE legislation and its interpretation and a refresher course is planned for 2012.

At Heartland, Employment Equity plans are in place until 2013. The company gained five individuals from designated groups in the Skilled Technical and Academically Qualified categories in 2011. The need to address the lack of designated individuals at Professional, Senior and Top Management levels remains. Measures are in place to ensure that appointments in these categories not only meet the requirements of the position but also those of the Employment Equity plan.

EMPLOYMENT EQUITY STATISTICS

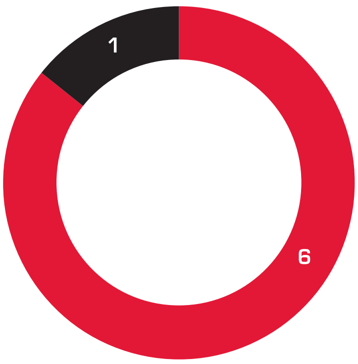
(AECI Group – Excluded here are employees at manufacturing and business activities outside of South Africa).

% = percentage of employees from designated groups per category.

Figures in all the graphs refer to employee numbers.

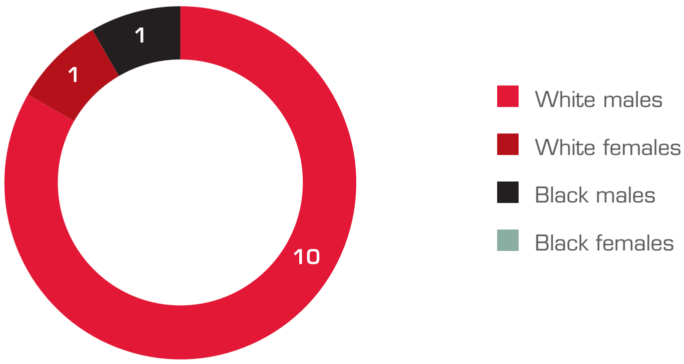
2011*

TOP MANAGEMENT: 14%

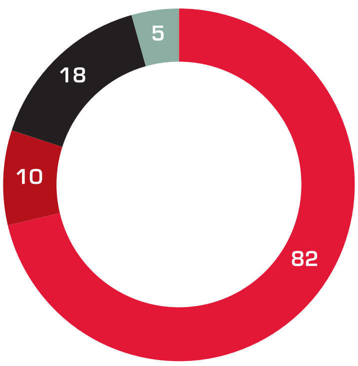


2010*

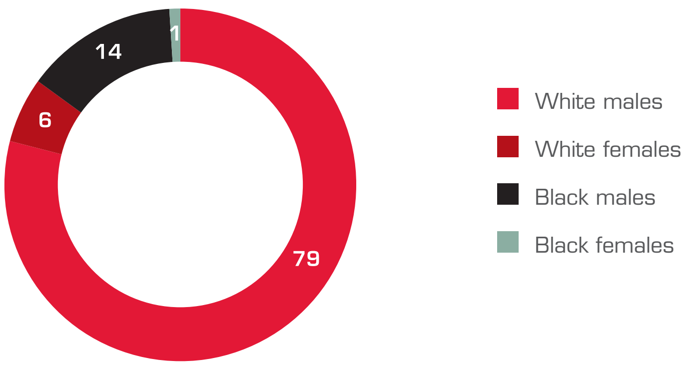
TOP MANAGEMENT: 17%



SENIOR MANAGEMENT: 26%



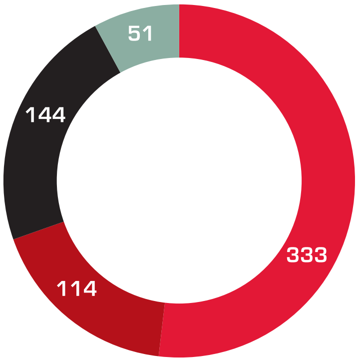
SENIOR MANAGEMENT: 21%



* *Indicates Limited Assurance. See page 125.*

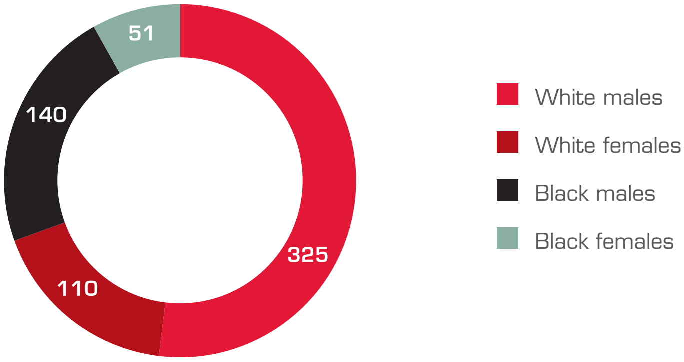
2011*

MIDDLE MANAGEMENT AND PROFESSIONALS: 46%

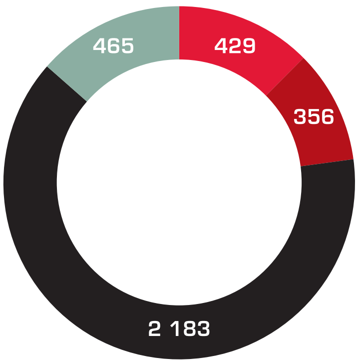


2010*

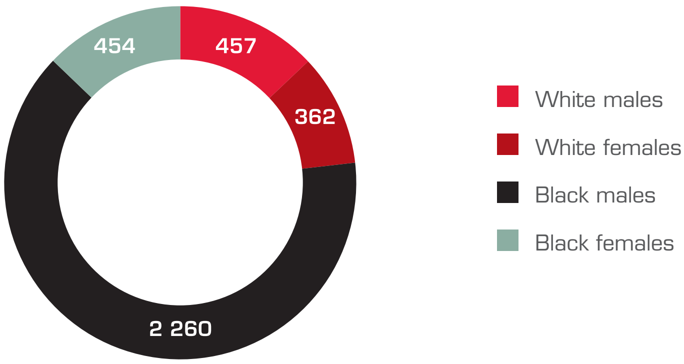
MIDDLE MANAGEMENT AND PROFESSIONALS: 48%



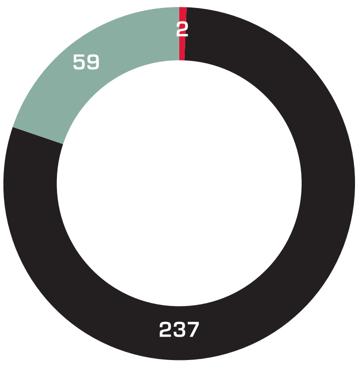
SKILLED AND SEMI-SKILLED: 86%



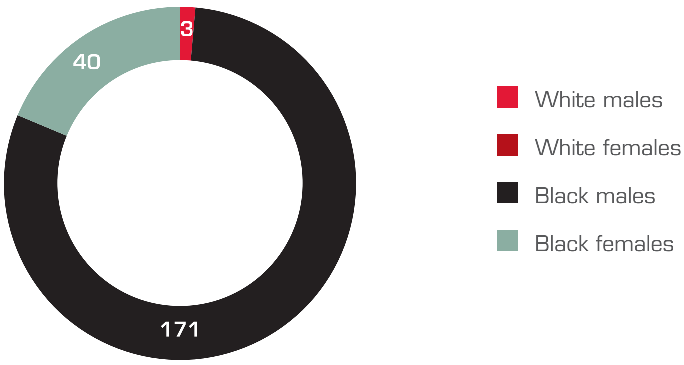
SKILLED AND SEMI-SKILLED: 87%



UNSKILLED: 99%



UNSKILLED: 99%



* *Indicates Limited Assurance. See page 125.*

COMMUNITY INVOLVEMENT

AECI CHEMISTRY LABORATORY, UNIVERSITY OF THE WITWATERSRAND

Construction of the AECI Chemistry Laboratory at the University of the Witwatersrand was completed in 2011 and was branded with the message "inspiring Good Chemistry". The laboratory is now functional and is being used by more than 2 000 students enrolled in a spectrum of science and engineering disciplines. The University is advancing its plans to establish an outreach programme aimed at secondary school learners from previously disadvantaged areas where facilities and equipment are often lacking. Having access to the laboratory, the learners will enhance their appreciation for chemistry and it is hoped that they will be encouraged to make this discipline a career choice.

AECI is contributing R15 million over five years to the University and views this investment as a step towards addressing the skills shortages that prevail in the chemicals sector in South Africa.

SPARROW SCHOOLS EDUCATIONAL TRUST ("SPARROW")

Sparrow addresses some of the challenges that exist in South Africa's education system, offering a high standard of education to learners who are academically challenged or come from disadvantaged backgrounds. Such learners 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 life skills training. Programmes are complemented by learner support services such as psychosocial assessments and interventions, participation in work experience initiatives, and cultural activities.

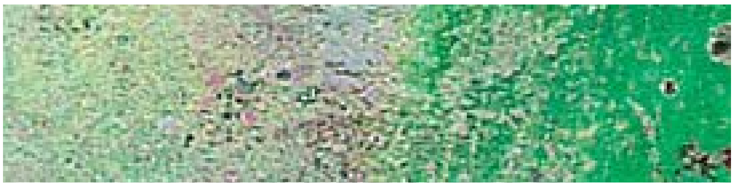
R100 000 was donated by AECI in 2011.

COTLANDS

AECI and Heartland have a longstanding relationship with Cotlands, particularly in Somerset West. This nonprofit organisation offers shelter for abused, abandoned, HIV-infected, orphaned and terminally ill children from birth to the age of six years, as well as community based services to vulnerable children from birth to 12 years in five provinces in South Africa.

In Somerset West, Cotlands has a Hospice and a sanctuary. Thanks to the successful introduction of antiretroviral therapy, the children now move through the Cotlands accommodations and programmes 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 HIV/Aids in the Western Cape.

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 identified education as a high priority and opened an Early Childhood Development Centre in January 2009.



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

Recently it was also recognised that redevelopment and conversion of the land to zoned township land meant that the site occupied by Cotlands would have to make way for an electricity servitude. The organisation 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 has an estimated value of R10 million and it is currently envisaged that the new building in Somerset West will be ready for occupation in about two years' time.

Heartland also invested R137 000 in the year in smaller projects in areas that included secondary and tertiary education, enterprise development and HIV/Aids awareness.

FOOD AND TREES FOR AFRICA ("FTFA")

On 1 May 2011 the new Companies Act came into effect in South Africa. In terms of the Act and the JSE Listings Requirements, it is now possible to distribute certain documentation to shareholders electronically or by facsimile as alternatives to printed matter. AECI views such alternatives as highly desirable not only from a cost savings point of view but also from a socially responsible perspective. Going Green is one of AECI's values in terms of which " … we are committed to the diligent management of our environmental footprint". Reducing the Company's carbon footprint by decreasing the volume of paper generated in the course of business exemplifies efforts in this regard.

Accordingly, shareholders were urged to opt for electronic forms of communication and in return AECI undertook to make a contribution to FTFA for every option form returned.

FTFA is a South African social enterprise that realises sustainable development through greening, climate change action, sustainable natural resource management and permaculture food security programmes. Since its establishment in 1990, FTFA has distributed over four million trees, facilitated the creation of thousands of organic food gardens and launched the first carbon calculator, namely the Climate Change Leadership Awards and the Carbon Protocol of South Africa.

In partnership with government, the private and public sectors, aid agencies, organisations, media and individuals FTFA implements six programmes that lead to healthier lives for

impoverished communities, more sustainable green environments and increased awareness of our impact on the planet and the need to address this.

Trees for All, through which AECI's funding was allocated, is a successful and effective programme that greens, educates, offsets carbon emissions and transforms schools, clinics, old age homes, orphanages, hospices, community centres and churches into more sustainable environments. FTFA receives applications for trees from disadvantaged community groups across South Africa and provides trees for as many as possible with assistance from funders. Trees are ordered from the nearest tree grower to support local economic development and are delivered with branded instructions on how to plant and maintain them.

One hundred trees were planted at three primary schools in Tembisa, near the Group's Modderfontein and Chloorkop sites, as a result of AECI's contribution of R10 000.

MATHS CENTRE

In Tembisa eight schools benefited from AEL's support of the Maths Centre. 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 more than 15%.

AEL contributed R1 million.

CIDA

AEL continued to support students studying Business Administration at CIDA City Campus. The financial assistance, totalling R90 000, 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. Three students are continuing their studies and one was offered a permanent position after an internship with AEL.

SCIENCE AND ENVIRONMENTAL OUTREACH PROJECT

The specialty chemicals cluster funds 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.

The contribution in 2011 was R500 000.

INKATHA PRIMARY SCHOOL

Two classrooms that are now fully equipped and an office block that is fully furnished have been built at this school in KwaMakhutha, KwaZulu-Natal. The Group invested R866 000 in this project in 2010 and the balance of R245 00 was handed over in 2011.

BURSARIES

The Group continues to offer bursaries to university students who are selected on academic merit, with emphasis on candidates from previously disadvantaged backgrounds. In addition, an employee dependant bursary scheme assists deserving children of employees in the specialty chemicals cluster who wish to pursue tertiary education. In total, 57 students were funded in 2011 with an investment of R1,8 million.

OTHER

The Group made a number of smaller donations, for a combined sum of R565 000, to charity organisations that focus on education, health, environmental preservation and people with disabilities.

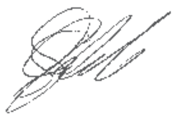
OUTLOOK

Focused strategies and plans will be formalised to ensure that AECI has an employee complement that is optimally placed to assist in the delivery of the Group's growth aspirations. Group-wide Management Development Programmes are still being finalised. Furthermore, with a Human Capital Executive now in office, it is expected that the Group's Transformation drive will be enhanced in the coming year.

The full implementation of the EST and CST is a key deliverable for the first quarter of 2012.

From a SHE perspective, improving the management of health and safety issues in the specialty chemicals cluster will be a key focus area throughout 2012.

The extensive programme of projects identified to achieve compliance with conditions of the Water Use Licence at the Modderfontein site will continue to receive the necessary attention and funding. In addition, the Green Gauge initiative outlined in this Report should start to impact materially on the Group's environmental footprint.



Gary Cundill
Group Technical and Safety, Health and Environment Manager

John Mahlase
Group Human Resources Manager

Woodmead, Sandton
30 March 2012

INDEPENDENT ASSURANCE REPORT ON SELECTED SUSTAINABILITY INFORMATION

TO THE DIRECTORS OF AECI LIMITED

We have undertaken a limited assurance engagement on selected sustainability information as described below and presented in the Sustainability Report included in the 2011 Integrated Report of AECI Limited ("AECI") for the year ended 31 December 2011 ("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.

LEVEL OF ASSURANCE ON SELECTED SUSTAINABILITY INFORMATION

We are required to provide limited assurance on the following key performance indicators prepared in accordance with AECI's internally developed guidelines and marked with a footnote * on the relevant pages in the Report:

- **Environmental indicators**
  - total water usage (page 105);
  - hazardous waste arisings (pages 105 and 106);
  - number of environmental incidents (total major and serious) (page 106).
  - carbon footprint – total of Scope 1 and 2 (page 108);
- **Health and safety indicators**
  - Total Recordable Incident Rate (employees and contractors combined) (page 112);
  - occupational illness rate (employees and contractors combined) (page 112).
- **Employment Equity indicators**
  The total number of Black males, Black females, White males and White females per category of Top Management, Senior Management, Middle Management and Professionals, Skilled and Semi-skilled and Unskilled (pages 119 and 120).

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 for 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 sustainability criteria based on AECI's internally developed reporting guidelines (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 the International Standard on Assurance Engagements 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;
- inspecting supporting documentation and performing analytical procedures; and
- 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 2011 is not prepared, in all material respects, in accordance with AECI's internally developed reporting guidelines.

LIMITATION OF 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 Proprietary Limited

Per PD Naidoo
Director

1 Albany Road, Parktown, 2193
Johannesburg, South Africa
30 March 2012

The AECI Board and its Remuneration Committee ("the Committee") present herewith their Remuneration Report setting out information applicable to the Company's remuneration Policy, Executive remuneration – both fixed and variable – and Directors' fees. The information provided in this Report has been approved by the Board on the recommendation of the Committee.

AECI's Executive Remuneration Policy continues to be driven by performance and it rewards Executives for value-add that results in targeted shareholder returns. For this purpose financial performance measures and Executives' scorecards determine the extent of rewards provided to Executives and Management.

AECI has taken a balanced approach with regard to remuneration ensuring that both the short- and long-term strategic objectives of the Company are incentivised. Short-term performance is measured against net operating profit before tax and headline earnings per share ("HEPS") and scorecards of key financial and non-financial indicators. Long-term incentives are currently linked to HEPS and share price performances but are proposed to be enhanced by the addition of an element addressing total shareholder return against a comparator group.

With King III applying to financial years commencing after 1 March 2010, the Committee performed a detailed analysis of the extent to which the Company's Remuneration Report complies with these principles. Following this review, the level of disclosure included in the Remuneration Report has been enhanced and the requirements of the Companies Act have also been incorporated.

The issues covered by this Remuneration Report are:

- a summary of the Company's remuneration policy, philosophy and strategy;
- the Remuneration Committee and its role;
- key remuneration decisions taken during the 2011 financial year;
- guaranteed remuneration;
- reward strategy – pay mix;
- short-term incentives ("STIs");
- long-term (share-based) incentives ("LTIs");
- Executive Committee members' service contracts; and
- Non-Executive Directors' compensation.

REMUNERATION POLICY, PHILOSOPHY AND STRATEGY

The AECI remuneration philosophy is to establish fair and equitable reward levels that will attract and retain high calibre Executive Directors, Executive Committee members, Senior Managers and key talent and which will motivate them to develop and implement AECI's business strategy.

The primary intention of the reward strategy is to enhance shareholder value through focus on, and support of, AECI's overall strategic goals. Its objectives are to enable the business to recruit highly competent and qualified individuals and to retain high performers.

AECI has an integrated approach to reward strategy, encompassing a balanced design in which all components are aligned to the strategic direction and business-specific value drivers of AECI and fully integrated into other management processes. In this context, AECI is committed to maintaining pay levels on a total cost to employer basis that reflect an individual's worth to AECI, a Performance Management system that serves both to differentiate individual and/or team performance and incentives that recognise and reward where appropriate both operational performance and strategic performance in a volatile business environment.

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

STIs are designed to motivate and reward the attainment of short-term objectives for Executive Directors, Executive Committee members and Senior Managers, while LTIs are designed to incentivise the generation of long-term shareholder value.

The current LTI schemes were reviewed in 2011 and a revised scheme will be proposed for approval by shareholders at the Annual General Meeting on 28 May 2012.

THE REMUNERATION COMMITTEE AND ITS ROLE

COMPOSITION

The Committee comprises at least three Non-Executive Directors the majority of whom, including the Chairman, are Independent. Meetings of the Committee are held at least twice a year and additional meetings are held when deemed necessary. The Company Secretary attends all meetings as secretary. The Chief Executive and Chief Financial Officer are invited to attend, when necessary, to discuss the remuneration of Executive Directors and Senior Management. No attendee may participate in any discussion or decision regarding his or her own remuneration. Current members of the Committee, all of whom are Independent Non-Executive Directors, are:

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

The Committee complies with the King III Code of Corporate Practice and Conduct and the Board considers its composition to be appropriate in terms of the necessary blend of knowledge, skill and experience of its members.

RESPONSIBILITIES

The responsibilities of the Committee are in accordance with its charter/terms of reference set by the Board and include:

- recommending appropriate levels of remuneration to be paid to the members of the Board of Directors;
- upholding, reviewing and amending if appropriate the Company'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 for their individual contributions to the Company's overall performance, having regard to the interests of stakeholders and the financial condition of the Group;
- approving remuneration packages designed to attract, retain and motivate high-performing Executive Directors and Senior Managers, including but not limited to basic salary, performance-based short- and long-term (and share-based) incentives, pensions and other benefits;
- establishing appropriate criteria to measure the performance of Executive Directors and Senior Managers; and
- reviewing the effectiveness and approving the operation of the Company's share-based and other incentive schemes.

KEY REMUNERATION DECISIONS TAKEN IN RESPECT OF THE 2011 FINANCIAL YEAR

The Committee discussed the following matters in 2011 and took some key decisions:

- approval of awards under the earnings-per-share-based scheme and the benefit unit scheme;
- review of existing LTIs and motivation to the Board for approval of a revised LTI plan;
- approval of the targets and weighting of the performance measures of the STI plan;
- approval of Executive salary increases;
- approval of the STI payments;
- review and approval of the Company's Remuneration Report and Policy;
- review and recommendation of Non-Executive Directors' fees; and
- review of King III principles and alignment of the remuneration approach to best practice guidelines.

ATTENDANCE

The Committee met three times during the year. Attendance at meetings is set out on page 90.

REMUNERATION REVIEW

In 2010 AECI commissioned PwC South Africa ("PwC") to review its current schemes for long-term (share-based) incentivisation for comparative purposes. Resulting from this review and its recommendations, Deloitte was requested to assist AECI in the design of an appropriate long-term (share-based) incentive plan which is in line with emerging best practice in South Africa, addresses some of the deficiencies highlighted in PwC's report, and serves to reward the required attributes of shareholder alignment, retention of key talent and long-term, sustained performance.

GUARANTEED REMUNERATION

AECI is committed to establishing an integrated pay line with pay levels throughout the Group that ensure that it is able to remain competitive, while managing costs.

AECI currently compares itself to the general market as represented in surveys published annually, but also looks to compare itself to appropriate sectoral surveys where such exist. Market surveys are used as a basis for establishing market remuneration information for most positions, including Executives and Senior Managers. Benefits such as travel allowances and contributions to retirement and medical funds are maintained at market-competitive levels.

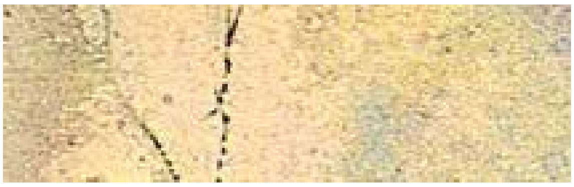
The guaranteed remuneration packages for Executive Directors, Executive Committee members and Senior Managers are benchmarked against the market median of similar sized companies and industry.

Each role has been evaluated using Deloitte's Executive Evaluation System (Execeval™). Over and above the role size and complexity, Execeval™ takes the following into consideration:

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

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



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

Details of the basic salary and guaranteed packages (basic salary plus benefits) paid to each of the Executive Directors and Prescribed Officers in 2011 are set out on in note 31 commencing on page 224 of the Integrated Report.

King III recommends that the remuneration of the top three earners who are not Directors should be disclosed. This recommendation has in effect been incorporated into the Act with the Prescribed Officers' disclosure. The latter has been included in note 31. For this reason no further disclosure has been made in addition to that prescribed in the Act.

The increases applicable to the guaranteed packages which will be applicable with effect from 1 January 2012 were in the range of 6% to 7,5% for Executives, except where there had been changes in responsibilities. The remainder of the employees in South Africa generally received average increases in line with this, but slightly higher increases on average were awarded at the lower levels.

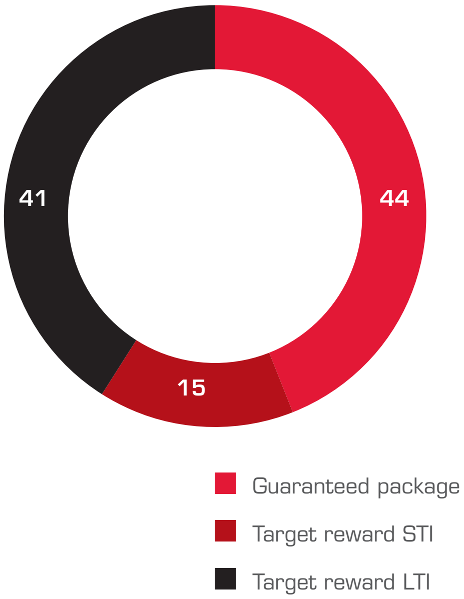
REWARD STRATEGY – PAY MIX

AECI is moving towards a pay mix Policy that supports the philosophy that the performance-based pay of Senior Executives should form a greater portion of their expected total compensation than guaranteed pay and furthermore, that within the performance-based pay of the most Senior Executives the orientation should be towards rewarding long-term sustainable performance (through long-term and/or share-based incentives), more so than operational performance (through annual cash incentives).

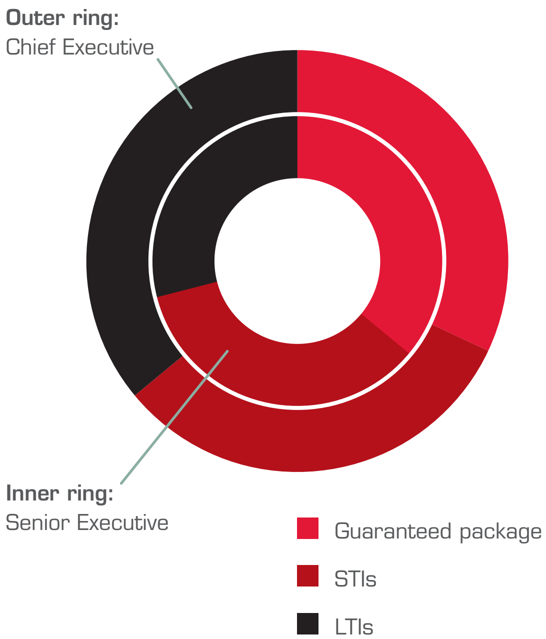
The mix of fixed and variable pay is thus designed to meet AECI's operational needs and strategic objectives, based on targets that are stretching, verifiable and relevant. An AECI Standard has been adopted for the Group, while recognising that the different nature of its major businesses requires a differential approach between them and other subsidiary companies.

The pay mix proportionality of the Chief Executive and of a Senior Executive is shown in the schematics on page 132. The term "target reward" used in the schematic is defined as the present value of the future reward outcome of an offer, given the targeted future performance of the Company and/or its share price. It should not be confused with the term "fair value" which is used when establishing the accounting cost for reflection in a company's financial statements. Neither should it be confused with the term "face value" which is used to define the current value of the underlying unit or share at the time of an allocation/award.

ON-TARGET CE REMUNERATION (%)



CE vs SENIOR EXECUTIVE – ACTUAL 2011



It should be borne in mind however, that both on-target reward from annual cash incentives and the target reward from long-term (share-based) incentives will vary in practice from the norms depicted as the result of individual and Company performance and the impact of external factors.

This is illustrated in the schematic (below left) which shows the actual proportionality of the Chief Executive and of a Senior Executive in 2011.

STIs

The STI scheme is offered to all Executives (including Executive Directors) and all levels of Management. It has two separate components which are measured independently. There are various incentive schemes in place in AECI, tailor-made to specific parts of the Group and its businesses. They incentivise various categories of staff and are reviewed regularly to ensure they remain appropriate.

FINANCIAL COMPONENT (PROFIT PERFORMANCE-BASED ELEMENT)

For Executive Committee members and Senior Managers, the profit element accounts for 75% of the on-target bonus and is 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 predominant scheme for Executives and Senior Management, operating at Group level and, with minor variations in AEL and Heartland, consists of a weighted scorecard of Group and/or business and personal components.

The Group/business financial rating is determined by actual financial performance relative to predetermined targets for trading profit or net profit before tax or HEPS. In Heartland, due to the nature of its business model and the longer-term nature of the property development and realisation cycle, the financial measure is replaced to some extent by an assessment of project progress.

For HEPS, a three year "crawling peg" methodology is used, in which thresholds, targets and doubling points are set from the "base year" for three years ahead, based on targeted growth in relation to inflation plus Gross Domestic Product ("GDP") applied to the preceding "base year" performance. The doubling point is set at a growth of inflation plus GDP plus 9%. After the third year, the "base year" performance is reset prior to the next three year cycle. The "base year" for the STI cycle is 2010.

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

Individual bonuses are capped at 1,5 times guaranteed package. However, under certain circumstances where the profitability targets as well as the growth targets have been significantly exceeded, the Committee may, at its discretion, increase the bonus cap to 2,5 times guaranteed package.

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.

It is measured 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 GDP.

The Group has developed a bonus model for each business entity based on the above principles.

BONUS PARAMETERS

Businesses which grow their earnings substantially above CPI and GDP rates could earn multiple bonus factors. The bonus curve is designed so that significant bonus payments are made only to businesses that exceed their EVA targets.

STIs 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% of basic salary and is between 33% and 50% of basic salary for Senior Managers.

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

Annual bonus payments made to Executive Directors and Prescribed Officers are disclosed in note 31 on pages 224 to 229.

In this context, in the financial year to 31 December 2011:

- Group operating profit increased by 24% to R1 316 million;
- HEPS increased by 25% to 720 cents;
- this represents a total shareholder return of 16,6% for the 2011 year.

Other milestones were completion of the capital phase of a R2 billion strategic investment programme and in January 2012 final approval of two B-BBEE transactions.

The Group's performance, analysed by segments, is disclosed in note 32 on page 230.

LONG-TERM (SHARE-BASED) INCENTIVES

Executives and Senior Management in the past participated in a vanilla "share option scheme" approved by shareholders in 2001. An "earnings-per-share-based scheme" was introduced in 2003. This scheme supplemented the option scheme and linked long-term Executive reward more directly to the actual financial performance of the Company.

In 2005 a cash-settled "benefit unit scheme", which emulated the performance of share options was adopted essentially to replace the "share option scheme" and to run in parallel with the "earnings-per-share-based scheme".

Equal offers have been made in both schemes and participants are able to exercise 33% of the units in both schemes on the third, fourth and fifth anniversaries of their offer. All units need to be exercised within a 10 year period from the date of offer.

Offers made to Executive Directors during the 2011 financial year, details of vesting/exercise and a summary of holdings are disclosed in note 31 on pages 224 to 229.

These offers will run their course in terms of vesting and exercise but no further offers will be made in either scheme as AECI now intends to replace these two schemes with the AECI 2012 Long-term Incentive Plan ("LTIP"), should shareholder approval be gained.

EXECUTIVE COMMITTEE MEMBERS' SERVICE CONTRACTS

None of the Executive Directors have extended employment contracts or special termination benefits and there are no restraints of trade in place. 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' COMPENSATION

TERMS OF APPOINTMENT

Non-Executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Chief Executive and the approval by shareholders at the Annual General Meeting of the proposed compensation. In arriving at the proposed compensation, cognizance is taken 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 plus meeting attendance fees. Hourly fees are also paid to Non-Executive Directors for any ad hoc work that may be required of them.

The Group pays for all travel and accommodation expenses incurred by Directors to attend Board and Committee meetings and visits to Company businesses. No Non-Executive Director has an employment contract with the Company.

Details of the emoluments paid to Non-Executive Directors in 2011 are given in note 31 commencing on page 224 in the Annual Financial Statements.

PROPOSED INCREASE IN NON-EXECUTIVE DIRECTORS' FEES

At the Annual General Meeting of shareholders scheduled for 28 May 2012, shareholders will be asked to pass Special Resolutions to take effect from 1 June 2012, approving the proposed changes in Non-Executive Directors' fees as set out in the Notice of Annual General Meeting which appears on page 237 of this Integrated Report.

PROPOSED AECI 2012 LTIP

The purpose of the LTIP is to attract, retain, motivate and reward Executives and Managers who are able to influence the performance of AECI and its subsidiaries on a basis which aligns their interests with those of the Company's stakeholders. Executives and selected Managers of the Company and its subsidiaries will be offered annually a weighted combination of:

- allocations of earnings growth units; and
- awards of performance shares.

Offers will be governed by AECI's reward strategy (pay mix) in which, inter alia, the "target reward" of long-term incentivisation is set for defined categories of Executives and Senior Managers.

It is envisaged that the combined, weighted implementation of the two long-term incentive elements will allow AECI to remain competitive in long-term incentives, reward long-term sustainable Company performance, act as a retention tool and ensure that Executives share a significant level of personal risk with the Company's stakeholders. As previously, some 280 Executives and Managers will participate with a targeted economic cost of some R90 million per annum (2012 money), split 40% earnings growth units, 60% performance shares.

EARNINGS GROWTH UNIT ELEMENT

The earnings growth unit element is similar in architecture to AECI's existing earnings-per-share-based incentive scheme but will be documented more thoroughly to address the provisions of the scheme under conditions of termination, adjustment, change of control and the like, on which the previous scheme documentation was silent.

Annual allocations of earnings growth units will be made to Executives and selected Managers. They will be available to be settled in equal thirds on no earlier than the third, fourth and fifth anniversaries but need not be exercised until the seventh anniversary, at which time they must be exercised or they will lapse.

On settlement, the value accruing to participants will be their share of the full appreciation in AECI's HEPS, adjusted as deemed appropriate by the Committee.

A performance underpin may, at the discretion of the Board, be stipulated which will take the form of a minimum Company financial performance that must be achieved prior to vesting, notwithstanding the passage of time, and which must be met by at least the seventh anniversary, or all units will lapse.

Earnings growth units will continue to offer a form of earnings growth/appreciation-linked long-term incentive, as in the past, but now at a reduced level in terms of targeted reward, the balance being made by the performance share element described below.

PERFORMANCE SHARE ELEMENT

Annual conditional awards of performance shares will be made to Executives. Performance shares will vest on the third anniversary of their award, to the extent that the Company has met specified performance criteria over the intervening period. Essentially the value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest will depend on whether the Company's performance over the intervening three year period has been on target, or an under- or an over-performance against the target/s set at the award date.

The Board will dictate the performance criteria for each award. However, for the first award and until further notice for subsequent awards, the methodology of vesting will target the Company's comparative Total Shareholder Return ("TSR") in relation to a peer group of 18 companies.

As such, the Company's TSR is compared to a peer group of companies, selected not because they are direct competitors of AECI, but because they represent a portfolio of companies:

- of similar size to AECI in terms of market capitalisation;
- they are similarly impacted, both negatively and positively, by external factors; and
- they represent essentially a balanced portfolio of alternative investments to an investment in AECI.

Constituents of the comparator group (far right) are ranked by market capitalisation at the time the research was conducted.

If AECI's TSR over the three year period places it in:

- fourteenth position or worse, then all performance shares awarded will lapse;
- ninth position, the targeted number (one third of the maximum number) of performance shares awarded will vest;
- fourth position or better, then the full maximum number (three times the targeted number) of performance shares awarded will vest; and
- between any of the above points, then a pro rated number of performance shares will vest.

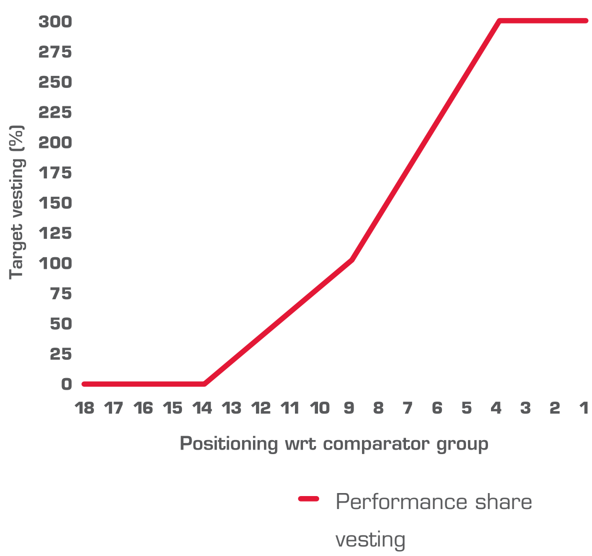
The performance curve (bottom right) illustrates the above relationships.

The performance share element aligns the interests of stakeholders and Executives closely by rewarding superior shareholder returns and financial performance in the future. Because annual awards are made, each award requiring the resetting of the performance criteria, it is only with the continued and sustained outperformance by the Company that significant reward accrues to participants.

As such, it is envisaged that the awards of performance shares will feature at all Executive and Senior Management levels, but will feature more strongly the higher the participants' grade within the Group.

COMPARATOR GROUP	
1	Barloworld
2	Nampak
3	Aveng
4	Sappi
5	Reunert
6	Illovo
7	Pioneer
8	JD Group
9	Tongaat Hulett
10	Grindrod
11	Altech
12	Omnia
13	Rainbow
14	Astral
15	PPC
16	Northam Platinum
17	Metorex
18	Afrox

VESTING vs POSITIONING wrt COMPARATOR GROUP



Contents

The Annual Financial Statements were published on 30 March 2012 and are for the year ended 31 December 2011. The Financial Statements have been audited as required by the Companies Act and their preparation was supervised by the Chief Financial Officer, Mr KM Kathan CA(SA).

Source: JP Morgan

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms that the spread of registered shareholders as detailed in the Integrated Report and Annual Financial Statements dated 30 December 2011 was:

REGISTERED SHAREHOLDER SPREAD

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 426	58,19	876 879	0,74
1 001 – 10 000 shares	1 164	27,92	3 779 753	3,17
10 001 – 100 000 shares	416	9,98	13 306 973	11,17
100 001 – 1 000 000 shares	141	3,38	42 670 254	35,82
1 000 001 shares and above	22	0,53	58 502 010	49,10
TOTAL	**4 169**	**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 & NON-PUBLIC SHAREHOLDINGS

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	4	0,09	11 943 438	10,03
– Treasury shares	1	0,02	11 884 699	9,98
– Own holdings	3	0,07	58 739	0,05
Public shareholders	4 165	99,91	107 192 431	89,97
TOTAL	**4 169**	**100,00**	**119 135 869**	**100,00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

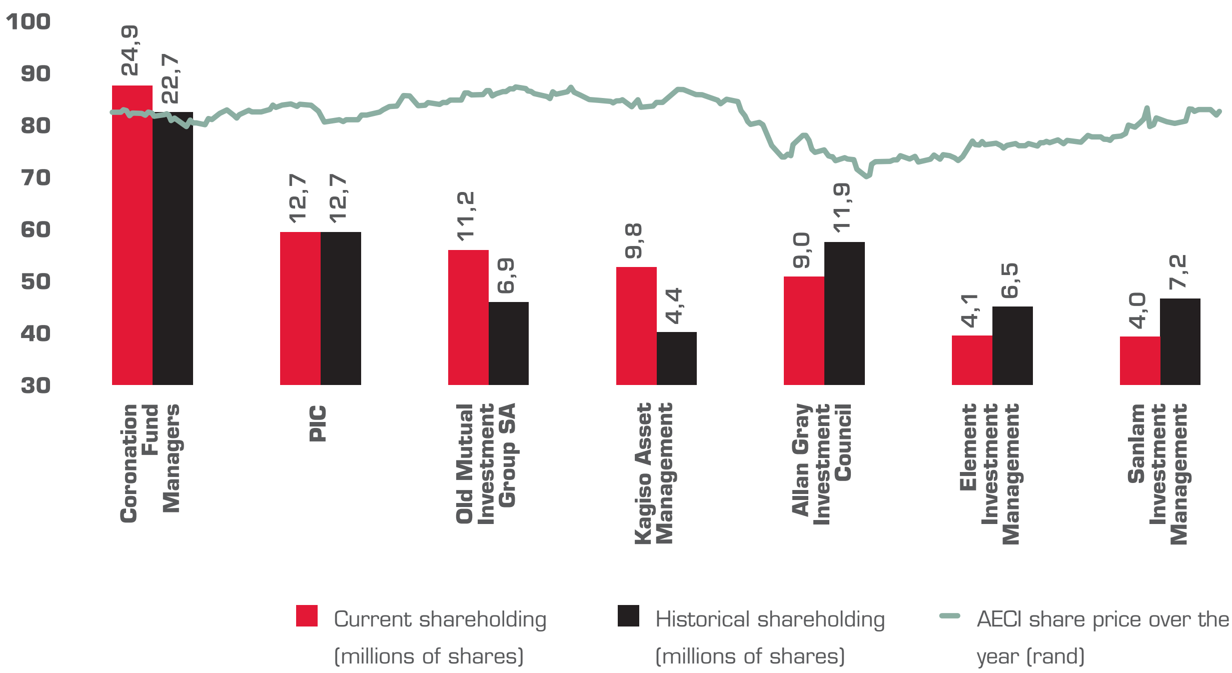
SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 30 December 2011:

INVESTMENT MANAGEMENT SHAREHOLDINGS, EXCLUDING TREASURY SHARES

Investment manager	Total shareholding (number of shares)	% of issued capital
Coronation Fund Managers	24 874 175	23,19
Public Investment Corporation ("PIC")	12 705 493	11,85
Old Mutual Investment Group SA	11 155 784	10,40
Kagiso Asset Management Proprietary Limited	9 796 595	9,13
Allan Gray Investment Council	8 988 516	8,38
Element Investment Management	4 098 597	3,82
Sanlam Investment Management	3 954 262	3,69
TOTAL	**75 573 422**	**70,46**

INVESTMENT MANAGEMENT SHAREHOLDING POSITIONS ABOVE 3% WITH 12 MONTH CHANGE

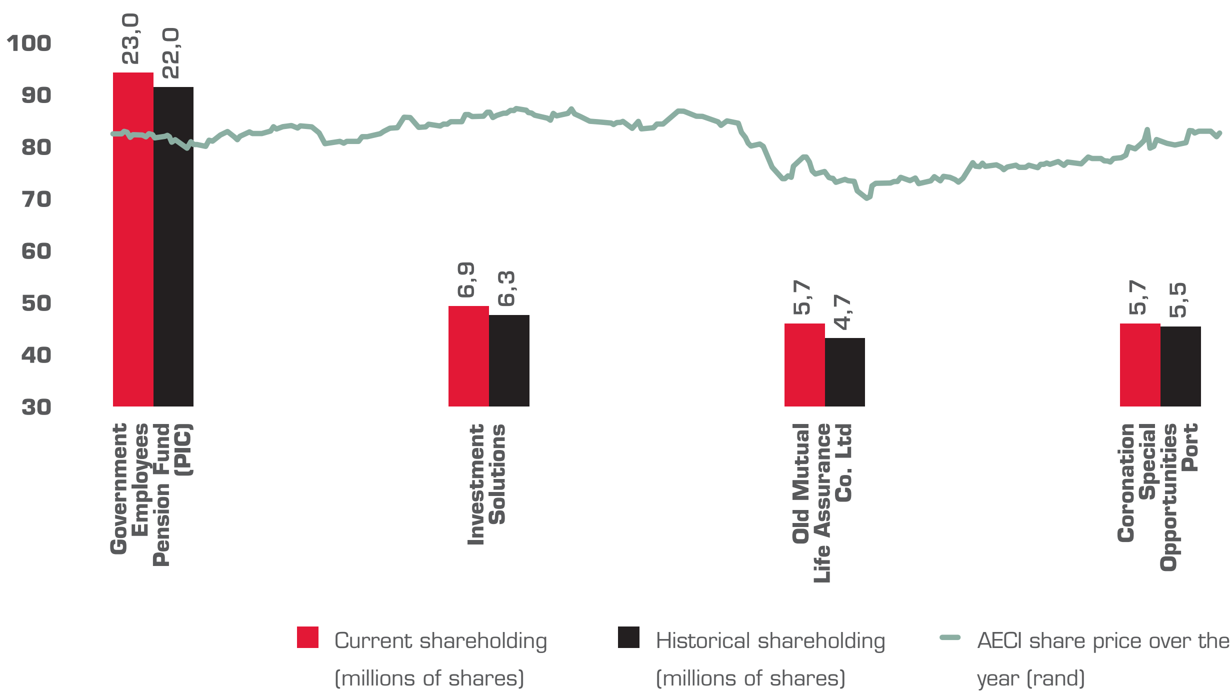


2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

BENEFICIAL SHAREHOLDINGS, EXCLUDING TREASURY SHARES

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund (PIC)	23 008 341	21,45
Investment Solutions	6 921 452	6,45
Old Mutual Life Assurance Company Limited	5 717 774	5,33
Coronation Special Opportunities Port	5 715 249	5,33
TOTAL	**41 362 816**	**38,56**

BENEFICIAL SHAREHOLDING POSITIONS ABOVE 3% WITH 12 MONTH CHANGE



3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS

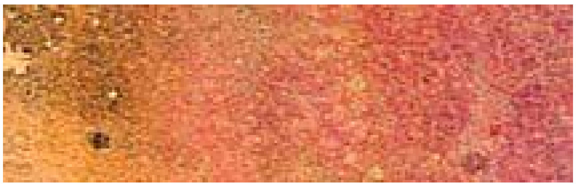
Region	Total shareholding (number of shares)	% of issued capital
South Africa	91 105 345	76,47
United States of America	5 292 016	4,44
United Kingdom	2 341 570	1,97
Rest of Europe	730 782	0,61
Rest of the world*	19 666 156	16,51
TOTAL	**119 135 869**	**100,00**

* *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	96 600 978	81,09
United States of America	5 036 974	4,23
United Kingdom	989 904	0,83
Rest of Europe	2 220 395	1,86
Rest of the world*	14 287 618	11,99
TOTAL	**119 135 869**	**100,00**

* *Represents all shareholdings except those in the above regions.*



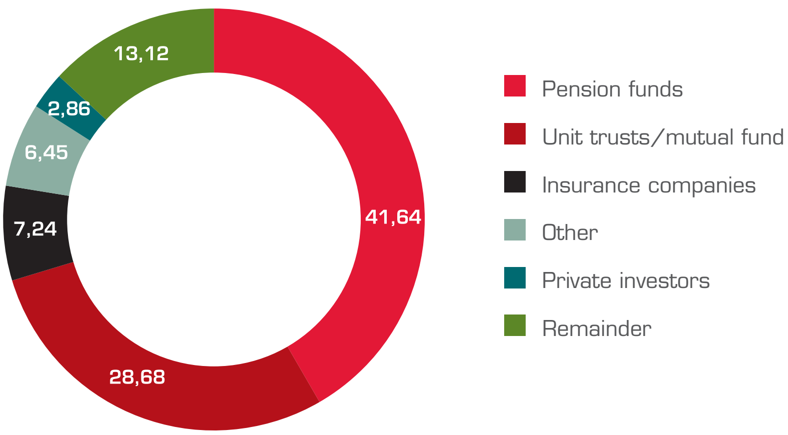
4. SHAREHOLDER CATEGORIES

An analysis of beneficial shareholdings, supported by the Section 56 of the Companies Act enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding (number of shares)	% of issued capital
Pension funds	49 614 929	41,64
Unit trusts/mutual fund	34 168 886	28,68
Insurance companies	8 629 547	7,24
Other	7 684 892	6,45
Private investor	3 402 453	2,86
Sovereign wealth	780 577	0,66
Exchange-traded fund	593 178	0,50
University	402 469	0,34
Investment trust	59 343	0,05
Remainder	13 799 595	11,58
TOTAL	**119 135 869**	**100,00**

BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY (EXCLUDING CORPORATE HOLDING) (%)*

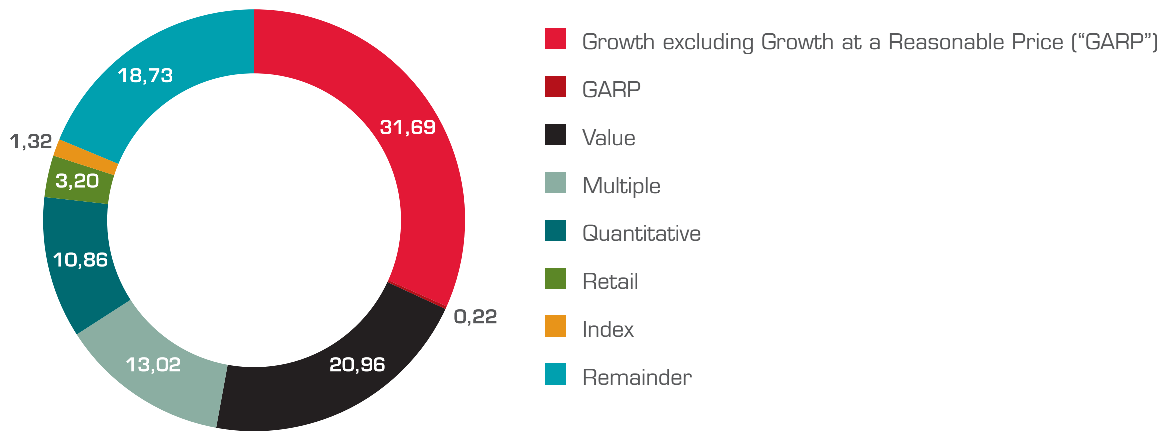


* *Includes categories above 2% only.*

5. ANALYSIS OF INVESTMENT STYLES

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

ANALYSIS OF INVESTMENT STYLES (%)*



* *Includes categories above 1% only.*

2011 FINAL ORDINARY DIVIDEND NO. 156

Declaration date	20 February
Last date to trade cum dividend	4 April
Ex dividend trade	5 April
Record date	13 April
Payment date	16 April

5,5% PREFERENCE SHARES DIVIDEND NO. 148

Declaration date	18 May
Last day to trade cum dividend	1 June
Ex dividend trade	4 June
Record date	8 June
Payment date	15 June

88TH ANNUAL GENERAL MEETING — 28 MAY

2012 INTERIM ORDINARY DIVIDEND NO. 157

Declaration date	24 July
Last date to trade cum dividend	31 August
Ex dividend trade	3 September
Record date	7 September
Payment date	10 September

2012 INTERIM REPORT RELEASED — 25 JULY

5,5% PREFERENCE SHARES DIVIDEND NO. 149

Declaration date	16 November
Last day to trade cum dividend	30 November
Ex dividend trade	3 December
Record date	7 December
Payment date	14 December

FINANCIAL YEAR-END — 31 DECEMBER

2012 FINANCIAL RESULTS RELEASED — FEBRUARY 2013

2012 ANNUAL REPORT ISSUED — APRIL 2013

ANNUAL FINANCIAL STATEMENTS

Historical Reviews

ABRIDGED FINANCIAL STATEMENTS

R millions	**2011**	2010	2009	2008	2007
INCOME STATEMENTS [1]					
Revenue	**13 397**	11 569	11 178	14 340	11 328
Local	**9 538**	8 458	8 449	10 347	8 702
Foreign	**3 859**	3 111	2 729	3 993	2 626
Profit from operations	**1 316**	1 062	833	986	807
Net financing costs	**207**	152	218	222	130
Tax	**306**	233	188	226	217
Profit attributable to ordinary shareholders	**777**	600	421	385	455
Headline earnings	**772**	619	370	443	392
STATEMENTS OF FINANCIAL POSITION					
Total shareholders' interest	**5 214**	4 468	4 058	3 969	3 929
Deferred tax (net)	**(228)**	(235)	(259)	(272)	(165)
Net interest-bearing debt	**1 867**	1 769	2 143	2 359	1 001
Capital employed	**6 853**	6 002	5 942	6 056	4 765
Represented by:					
Non-current assets excluding deferred tax assets	**5 617**	5 311	5 016	4 177	3 314
Net current assets, excluding cash, less non-current provisions	**1 236**	691	926	1 879	1 451
Employment of capital	**6 853**	6 002	5 942	6 056	4 765
STATEMENTS OF CASH FLOWS					
Cash generated by operations [2]	**1 338**	1 200	497	1 224	821
Changes in working capital	**(598)**	–	1 153	(978)	(627)
Expenditure relating to non-current provisions and restructuring	**(78)**	(70)	(198)	(217)	(68)
Net investments to maintain operations	**(260)**	(212)	(20)	(279)	(272)
	402	918	1 432	(250)	(146)
Dividends paid	**(237)**	(146)	(167)	(250)	(237)
	165	772	1 265	(500)	(383)
Investment to expand operations	**(355)**	(404)	(1 055)	(747)	(432)
Proceeds from disposal of investments and businesses	**–**	35	94	24	778
Net cash (utilised)/generated	**(190)**	403	304	(1 223)	(37)
Depreciation charges	**395**	332	267	216	233
COMMITMENTS					
Capital expenditure authorised	**360**	88	737	978	1 251
Future rentals on property, plant and equipment leased	**173**	196	185	317	253
	533	284	922	1 295	1 504

1 *Includes the results of discontinued operations.*

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

RATIOS AND EMPLOYEE DETAILS

	2011	2010	2009	2008	2007
PROFITABILITY AND ASSET MANAGEMENT					
Profit from operations to revenue (%)	**9,8**	9,2	7,5	6,9	7,1
Trading cash flow to revenue (%)	**12,8**	12,0	9,8	8,4	9,2
Return on average net assets (%)[1]	**18,1**	15,9	12,6	16,9	16,5
Return on invested capital (%)[2]	**14,0**	12,4	10,0	13,6	13,2
Return on average ordinary shareholders' interest (%)[3]	**16,6**	15,0	9,5	11,6	10,6
Net working capital to revenue (%)[4]	**17,7**	15,0	15,9	19,2	17,8
Inventory cover (days)[5]	**79**	67	67	85	79
Average credit extended to customers (days)[5]	**61**	53	55	73	70
LIQUIDITY					
Cash interest cover[6]	**7,7**	5,6	3,5	4,7	7,0
Interest-bearing debt to cash generated by operations	**1,0**	1,1	1,9	1,4	0,9
Gearing (%)[7]	**35,8**	39,6	52,8	59,4	25,5
Current assets to current liabilities	**1,4**	1,3	1,4	1,4	1,4
EMPLOYEES					
Number of employees at year-end[8]	**7 141**	6 821	6 459	6 474	7 123
Employee remuneration (R millions)	**2 390**	2 224	1 923	1 804	1 640
Value-added per rand of employee remuneration (rand)	**1,73**	1,64	1,59	1,68	1,59

1 Profit from operations plus investment income related to average property, plant, equipment, investment property, intangible assets, goodwill, investments, loans receivable, 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, intangible assets, 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.

ORDINARY SHARE STATISTICS

	2011	2010	2009	2008	2007
MARKET PRICE (CENTS PER SHARE)					
High	**9 000**	8 544	6 698	7 999	9 600
Low	**6 599**	5 755	4 005	4 250	6 300
31 December	**8 264**	8 250	6 200	5 099	7 899
Earnings yield (%)	**8,7**	7,0	5,6	8,1	4,5
Dividend yield (%)*	**3,1**	2,5	1,5	4,5	2,7
Dividend cover*	**2,8**	2,8	3,8	1,8	1,7
In issue (millions)	**119,1**	119,1	119,1	118,8	120,7
Value traded (R millions)	**3 651**	2 753	1 992	3 665	5 898
Volume traded (millions)	**45,5**	40,2	37,9	58,7	73,3
Volume traded (%)	**38,2**	33,7	31,8	49,4	60,7
Market capitalisation (R millions)	**9 845**	9 829	7 386	6 060	9 537

ORDINARY SHARE PERFORMANCE

(CENTS PER SHARE)					
Headline earnings	**720**	577	346	412	355
Dividends declared*	**257**	205	90	231	213
Net asset value	**4 660**	4 022	3 671	3 601	3 430

* *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 (RAND)

This report is provided by the Audit Committee ("the Committee") appointed in respect of the 2011 financial year of AECI Limited. This report incorporates the requirements of Section 94(7)f of the Companies Act, the King III principles and other regulatory requirements. The Committee's operation is guided by a detailed charter that is informed by the Companies Act and King III and is approved by the Board.

MEMBERSHIP

The Committee was nominated by the Board in respect of the 2011 financial year and its members were confirmed by shareholders at the Annual General Meeting held on 31 May 2011. Shareholders will be requested to confirm the appointment of the members of the Audit Committee for the 2012 financial year at the Annual General Meeting scheduled for 28 May 2012. All members attended all four meetings held in the year, as detailed in the table on page 90 of this Integrated Report. The Committee comprises solely Independent Non-Executive Directors.

The current members are:

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

Abridged biographies of these Directors are published on pages 18 and 19. Mr Leeming, has served on the Audit Committee since 2002, Mr Nyhonyha since 2007, Mr Dunne since 2008 and Mr Morgan since 2010.

PURPOSE

The purpose of the Committee is to:

- assist the Board in overseeing the quality and integrity of the Company's integrated reporting process, including the Financial Statements and Sustainability reporting, and announcements in respect of the Financial Results, thereby enhancing the credibility of financial reporting and providing a channel for communication between the Board, internal and external auditors and Management;
- ensure that an effective control environment in the AECI Group is 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 with 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, Senior Management and Executive Directors 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 Interim Financial Results for the previous half-year ended 30 June;

- 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 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 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 integrated 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. and N van Niekerk as the external auditor and designated auditor respectively to the shareholders for appointment as auditor for the financial year ended 31 December 2011, 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;
  - 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;
  - 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;
  - developed and implemented a Policy setting out the categories of non-audit services that the external auditor may and may not provide, split between permitted, permissible and prohibited services;

- pre-approved all non-audit services with KPMG Inc.;
- 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 subsidiary company.

■ 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 stakeholders 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; 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 IT, the Committee, insofar as relevant to its functions:
  - reviewed the Group's Policies on risk assessment and risk management, including fraud risks and IT 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 the Social and Ethics Committees; and
  - met with KPMG Inc. and Company Senior Management to consider KPMG Inc., findings on limited 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 these 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, including its risk management framework, 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 appropriateness of the experience and expertise of the Chief Financial Officer and the Finance team and concluded that these were appropriate.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The 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 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.

INTEGRATED REPORT

Following the review by the Committee of the Annual Financial Statements of AECI Limited for the year ended 31 December 2011, 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 Integrated Report.

Having achieved its objectives, the Committee has recommended the Integrated Report for the year ended 31 December 2011 for approval to the AECI Board. The Board has subsequently approved the Report, 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 2012

To the shareholders 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 2011, 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 158 to 236.

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 IFRS, and in the manner required by the Companies Act of South Africa, 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 2011, and its consolidated and separate Financial Performance and consolidated and separate Cash Flows for the year then ended, in accordance with IFRS, and in the manner required by the Companies Act of South Africa.

KPMG Inc.

Per N van Niekerk
Chartered Accountant (SA), Registered Auditor
Director

85 Empire Road, Parktown, 2193, Johannesburg
30 March 2012

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, and that all such returns are, to the best of my knowledge and belief, true, correct and up-to-date.

Nomini Rapoo
Company Secretary

Woodmead, Sandton
30 March 2012

The Directors have pleasure in submitting their Report together with the Group and Company Annual Financial Statements for the year ended 31 December 2011.

NATURE OF BUSINESS

AECI is an explosives and specialty chemicals company domiciled in South Africa. Group businesses service the mining and manufacturing sectors both locally and internationally. The focus for growth is on Africa, South America and South East Asia. AECI's businesses are characterised by application know-how and service delivery, they often operate in niche markets, and are supported by leading technology which is developed in-house or is sourced from international partners.

In the last five years, the Group has invested R2 billion in a strategic capital investment programme to enhance its future growth in the mining and manufacturing areas, with particular emphasis on mining chemicals.

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. The business has a presence in 23 countries. It is well established across the African continent and, in line with its international strategy, has moved successfully into South East Asia. AEL's 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, 16 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, mainly in South Africa and in 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.

AECI's mining chemicals thrust is anchored in Senmin, which operates in Sasolburg in the Free State.

In addition to its core businesses, the Group has a valuable land asset, the release of which is overseen carefully. These 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 land are available for redevelopment over the longer term 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 yarns for niche market applications in the USA, Asia and Europe.

AECI has a total employee complement of 7 141.

The Company is domiciled in South Africa and is listed on the JSE. At 31 December 2011, its market capitalisation was R9,8 billion.

GROUP RESULTS

The activities and results of the Group are covered on pages 30 to 124 of this Integrated 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 compliance with IFRS, the AC 500 Series issued by the Accounting Practices Board ("AC 500"), the JSE Listings Requirements and in accordance with the requirements of the Companies Act, and is consistent with that applied at 31 December 2010.

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 as the individual designated auditor who will undertake the audit of the Company for the financial year ending 31 December 2012. 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 2011, was 119 135 869 (2010: 119 135 869). Approval was obtained from shareholders on 24 November 2011 to allot and issue 4 678 667 ordinary shares in respect of the KTH transaction. 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 13 on page 199.

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 179 cents per share was declared on 20 February 2012 and is payable on 16 April 2012.

Details of the dividends declared and paid on the Company's ordinary and preference shares during the 2011 financial year are set out in note 25 on page 207.

DIRECTORATE AND SECRETARY

Details of the Directorate and Secretary of the Company, as at the date of this Report, are shown on pages 18 to 22.

In terms of the Company's Articles of Association Ms LL Mda, Mr AJ Morgan and Adv R Ramashia retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

CHANGES TO THE BOARD

- Ms LL Mda was appointed as an Independent Non-Executive Director on 1 April 2011.
- Ms EN Rapoo was appointed as Company Secretary on 1 June 2011.

At 31 December 2011, 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 below. On 5 March 2012, Mr S Engelbrecht sold 40 000 shares in which he had a direct beneficial interest. In addition to the above, certain Directors have been allocated share options as detailed in note 31 on page 224.

DIRECTORS' AND COMPANY SECRETARY'S INTERESTS IN SHARES

	NUMBER OF SHARES		NUMBER OF SHARES	
	2011 Direct	**2011 Indirect**	2010 Direct	2010 Indirect
EXECUTIVE DIRECTORS				
GN Edwards	**2 010**	**–**	2 010	–
	2 010	**–**	2 010	–
NON-EXECUTIVE DIRECTORS				
S Engelbrecht	**46 629**	**600**	46 629	600
MJ Leeming	**2 500**	**2 000**	2 500	7 000
	49 129	**2 600**	49 129	7 600
	51 139	**2 600**	51 139	7 600

MAJOR SHAREHOLDERS

Details of the interests of shareholders who are directly or indirectly beneficially interested in 3% or more of the Company's share capital are included in the Shareholder Analysis on pages 141 to 146.

SUBSIDIARIES AND JOINT VENTURES

Details of each trading subsidiary and joint venture are set out in notes 36 and 35, respectively, on pages 235 and 234.

The aggregate net profits and losses, after tax, of subsidiaries and joint ventures attributable to the Company for 2011 were as follows:

Profits: R882 million (2010: R661 million).

Losses: R130 million (2010: R130 million).

SPECIAL RESOLUTIONS

The Company passed the following Special Resolutions at the Annual General Meeting held on 31 May 2011:

1. to approve the fees and remuneration payable by the Company to its Directors;
2. to grant the Directors a general authority to repurchase the Company's issued shares; and
3. to grant the Directors the authority to cause the Company to provide financial assistance to any company or other legal entity which is related or inter-related to the Company.

MATERIAL CHANGES

There have been no material changes in the financial or trading position of the Company and its subsidiaries since 31 December 2011.

MAJOR CAPITAL EXPENDITURE

The Group made total additions to its property, plant and equipment, investment property and intangible assets of R475 million (2010: R633 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

During 2011, the DWA issued a new Water Use Licence for the Group's operations at the Modderfontein site. This site had been operating for some years under a draft Water Use Licence. The new licence was issued with stringent conditions which came into immediate effect upon issue. The site is not able to meet all of these conditions in the short term in line with the provisions of the licence. Negotiations continue with the DWA in a spirit of cooperation in a bid to resolve this situation in a mutually satisfactory manner, while efforts to bring the site into compliance are progressed.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear on pages 18 to 20 of this Integrated 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 2011, no contracts were entered into in which Directors or Prescribed Officers of the Company had an interest and which significantly affected the business of the Group. The Directors and Prescribed Officers 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' and Prescribed Officers' remuneration and the Group's long-term incentive schemes are disclosed in note 31 to the Annual Financial Statements.

REPORTING ENTITY

AECI Limited ("AECI" or "the Company") is a public company domiciled in South Africa. The address of the Company's registered office is First Floor, 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 2011 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 for the mining and manufacturing sectors; specialty fibres, mainly for industrial purposes; as well as the realisation of property assets 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 IFRS, AC 500, the JSE Listings Requirements and in accordance with the requirements of the Companies Act.

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 9 – relating to the recognition and measurement of financial instruments (effective for annual periods commencing on or after 1 January 2015).

  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 performed. This assessment will be performed when all three phases have been completed or better clarity on the application of IFRS 9 is presented.

- IFRS 10 – relating to consolidated Financial Statements (effective for annual periods commencing on or after 1 January 2013).

  IFRS 10 is a new Standard which will replace IAS 27 and SIC-12. The Standard identifies the concept of control as the determining factor for inclusion in consolidated Financial Statements and provides additional guidance on determining control in cases where this is difficult to assess. IFRS 10, which will become mandatory for the Group's 2013 consolidated Financial Statements, is not expected to have a significant impact on the consolidated Financial Statements, subject to the determination of the impact of IFRS 11.

- IFRS 11 – relating to joint arrangements (effective for annual periods commencing on or after 1 January 2013).

IFRS 11 is a new Standard which will replace IAS 31 – Interests in Joint Ventures. The Standard focuses on the rights and obligations of the arrangement, rather than on legal form; amends the definition of joint control; specifies two types of joint arrangements, as well as defining the requirements for each type; and the methods for accounting for each type of joint arrangement. The key amendments relate to the definition of joint control; the two types of arrangements; the accounting treatment of each type of arrangement; and the concept of proportional consolidation has been removed. IFRS 11 will become mandatory for the Group's 2013 consolidated Financial Statements. The extent of the impact of IFRS 11 has not yet been determined.

- IFRS 12 – relating to the disclosure of interests in other entities (effective for annual periods commencing on or after 1 January 2013).

  IFRS 12 is a new Standard addressing the disclosure requirements of all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The Standard relates to disclosures to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's Financial Position, Financial Performance and Cash Flows. IFRS 12, which will become mandatory for the Group's 2013 consolidated Financial Statements, is not expected to have a significant impact on the consolidated Financial Statements but will require more disclosure in respect of these interests.

- IFRS 13 – relating to guidance for fair value measurement and disclosure requirements (effective for annual periods commencing on or after 1 January 2013).

  IFRS 13 is a new Standard which defines fair value, establishes a single framework for measuring fair value and requires disclosure related to fair value. IFRS 13, which will become mandatory for the Group's 2013 consolidated Financial Statements, is not expected to have a significant impact on the consolidated Financial Statements but will require expanded disclosure in respect of fair value determination.

- IAS 1 – relating to the revision of the Standard on the presentation of Financial Statements (effective for annual periods commencing on or after 1 July 2012).

  The amendment to IAS 1 requires grouping of items within other Comprehensive Income that may be reclassified to the profit or loss section of the Income Statement in order to assist with assessing their impact on the overall performance of an entity. The amendment to IAS 1, which will become mandatory for the Group's 2013 consolidated Financial Statements, is not expected to have a significant impact on the consolidated Financial Statements.

- IAS 12 – relating to the revision of the Standard on income taxes (effective for annual periods commencing on or after 1 January 2012).

The amendment to IAS 12 introduced a rebuttable presumption that an investment property will be recovered in its entirety through sale. The amendment to IAS 12, which will become mandatory for the Group's 2012 consolidated Financial Statements, is not expected to have a significant impact on the consolidated Financial Statements as the Group measures investment property using historical cost.

- IAS 19 – relating to employee benefits (effective for annual periods commencing on or after 1 January 2013).

  The amendments to IAS 19 introduce changes to accounting for current and future obligations resulting from defined-benefit plans and amended disclosure requirements. The accounting changes relate to the recognition of remeasurements in Other Comprehensive Income and not in the Income Statement and the recognition of a net interest income or expense, which is based on the discount rate used for a plan, instead of recognising interest cost on the liabilities and expected return on plan assets. Remeasurements include actuarial gains and losses, both from experience and changes in underlying assumptions, and the difference between the interest cost and expected return on plan assets and the net interest income or expense recognised in the Income Statement. The presentation of the post-retirement benefit cost has been addressed with a requirement to separate the components of the post-retirement benefit cost into an employment component, included in operating costs, a financing component recognised in finance costs and a remeasurement component recognised in Other Comprehensive Income. Disclosures will also be expanded to include information on the characteristics of and risks associated with defined-benefit plans, identification and explanation of the effects on the Financial Statements and how defined-benefit plans affect the amount, timing and uncertainty of future cash flows. The amendments to IAS 19 will become mandatory for the Group's 2013 consolidated Financial Statements and the extent of the impact has not yet been determined.

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 influenced further by changing technologies and political, environmental, safety, business and statutory considerations. As explained in note 15 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, investment property and intangible assets are depreciated or amortised over their estimated useful lives 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 9,25% per annum (2010: 9,0%), being the estimated investment return assuming the liability is fully funded. Medical cost inflation of 7,9% per annum has been assumed (2010: 7,1%). See note 30 to the Financial Statements.

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. Inter-group 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. Inter-group 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 not 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.

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 in 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 are 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 in 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.

INTANGIBLE ASSETS

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Intangible assets are recognised if it is probable that future economic benefits will flow from the intangible assets and the costs of the intangible assets can be measured reliably. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Income Statement as incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually.

Intangible assets with indefinite useful lives are not amortised but are tested at each reporting date for impairment. The assessment that the estimated useful lives of these assets are indefinite is reviewed at least annually.

The estimated useful lives are as follows:

Patents and trademarks	20 years
Supply chain relationships	Indefinite
Other	3 to 10 years

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the Income Statement when the asset is derecognised.

INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination, and recognised separately from goodwill, are recognised initially at their fair value at the acquisition date. Subsequently, these intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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.

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 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 measured using the weighted average cost method.

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, either by 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 in 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 in 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 recognised at fair value initially. 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.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

INVESTMENTS

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.

LOANS AND ACCOUNTS RECEIVABLE

Loans and 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, loans from subsidiaries and joint ventures 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 is 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 using the effective interest method.

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 annually and interim adjustments to those valuations are made at the reporting date. The calculation is performed 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 been recognised previously.

POST-RETIREMENT MEDICAL AID BENEFITS

The Group provides post-retirement healthcare benefits to certain of its retirees. The Group's net obligation is calculated 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. The fair value of any plan assets is 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 annually by a qualified actuary and the calculation is performed using 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 equity or 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:

- explosives, 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.

Statements of Financial Position at 31 December 2011

		GROUP		COMPANY	
R millions	Note	2011	2010	2011	2010
ASSETS					
NON-CURRENT ASSETS		**6 024**	5 667	**4 293**	4 212
Property, plant and equipment	1	**3 721**	3 564	**423**	398
Investment property	2	**436**	440	**75**	73
Intangible assets	3	**77**	–	**5**	–
Goodwill	4	**1 078**	1 035	**918**	882
Pension Fund employer surplus accounts	5	**259**	230	**259**	230
Investment in subsidiaries	6			**1 524**	1 560
Loans to subsidiaries	6			**900**	877
Other investments	7	**22**	20	**34**	34
Deferred tax	8	**407**	356	**155**	158
Loans receivable	9	**24**	22	**–**	–
CURRENT ASSETS		**6 433**	4 647	**5 920**	3 847
Inventories	10	**2 584**	1 892	**877**	561
Accounts receivable	11	**2 772**	2 023	**1 050**	653
Assets classified as held for sale	12	**16**	–	**–**	–
Loans to joint ventures	7			**11**	22
Loans to subsidiaries	6			**3 960**	2 608
Cash		**1 061**	732	**22**	3
TOTAL ASSETS		**12 457**	10 314	**10 213**	8 059
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**4 998**	4 314	**3 303**	3 224
Share capital and share premium	13	**215**	215	**333**	333
Reserves		**344**	164	**239**	203
Retained earnings		**4 439**	3 935	**2 731**	2 688
PREFERENCE SHARE CAPITAL	13	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**5 004**	4 320	**3 309**	3 230
NON-CONTROLLING INTEREST		**210**	148		
TOTAL EQUITY		**5 214**	4 468	**3 309**	3 230
NON-CURRENT LIABILITIES		**2 702**	2 200	**2 741**	2 078
Deferred tax	8	**179**	121	**–**	–
Loans from subsidiaries	6			**459**	442
Non-current borrowings	14	**1 507**	1 133	**1 506**	920
Non-current provisions	15	**1 016**	946	**776**	716
CURRENT LIABILITIES		**4 541**	3 646	**4 163**	2 751
Accounts payable	16	**2 987**	2 176	**1 352**	908
Current borrowings	17	**1 421**	1 368	**1 464**	1 550
Loans from joint ventures	7			**31**	83
Loans from subsidiaries	6			**1 274**	173
Tax payable		**133**	102	**42**	37
TOTAL LIABILITIES		**7 243**	5 846	**6 904**	4 829
TOTAL EQUITY AND LIABILITIES		**12 457**	10 314	**10 213**	8 059

Income Statements for the year ended 31 December 2011

		GROUP		COMPANY	
R millions	Note	**2011**	2010	**2011**	2010
REVENUE	18	**13 397**	11 569	**4 341**	3 598
Net operating costs	19	**(12 081)**	(10 507)	**(4 134)**	(3 406)
PROFIT FROM OPERATIONS		**1 316**	1 062	**207**	192
Net income/(loss) from Pension Fund employer surplus accounts	5	**29**	(6)	**29**	(6)
Net income/(loss) from plan assets for post-retirement medical aid liabilities	15	**5**	(5)	**2**	(6)
		1 350	1 051	**238**	180
Fair value adjustments – interest		**2**	2	**(1)**	(1)
Interest expense	20	**(236)**	(175)	**(257)**	(273)
Interest received	21	**27**	21	**279**	307
Investment income	22	**–**	–	**113**	88
Share of profit of associate companies	7	**1**	2		
		1 144	901	**372**	301
Impairment of goodwill	4	**–**	(28)	**–**	(23)
Impairment of property, plant and equipment	1	**–**	(4)	**–**	–
Profit on acquisition of subsidiary		**–**	4	**–**	–
Reversal of impairment of investments	19	**–**	–	**26**	28
PROFIT BEFORE TAX		**1 144**	873	**398**	306
Income tax expense	23	**(306)**	(233)	**(98)**	(74)
PROFIT FOR THE YEAR		**838**	640	**300**	232
ATTRIBUTABLE TO:					
Ordinary shareholders		**777**	600	**298**	230
Preference shareholders		**2**	2	**2**	2
Non-controlling interest		**59**	38		
		838	640	**300**	232
PER ORDINARY SHARE (CENTS)					
– Basic earnings	24	**724**	559		
– Diluted basic earnings	24	**723**	558		
– Headline earnings	24	**720**	577		
– Diluted headline earnings	24	**719**	575		
– Ordinary dividends paid	25	**213**	132		
– Ordinary dividends declared after the reporting date	25	**179**	135		

Statements of Comprehensive Income for the year ended 31 December 2011

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
PROFIT FOR THE YEAR	**838**	640	**300**	232
OTHER COMPREHENSIVE INCOME BEFORE TAX:	**207**	(94)	**49**	(23)
Foreign currency loan translation differences	**32**	(4)	**49**	(23)
Foreign operations translation differences	**175**	(90)	**–**	–
Cash flow hedge fair value adjustments	*	*	*	*
TAX EFFECTS ON OTHER COMPREHENSIVE INCOME:	**(25)**	10	**(14)**	6
Foreign currency loan translation differences	**(25)**	10	**(14)**	6
Cash flow hedge fair value adjustments	*	*	*	*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 020**	556	**335**	215
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Ordinary shareholders	**954**	516	**333**	213
Preference shareholders	**2**	2	**2**	2
Non-controlling interest	**64**	38		
	1 020	556	**335**	215

* *Nominal amount.*

ANNUAL FINANCIAL STATEMENTS

Statements of Changes in Equity for the year ended 31 December 2011

GROUP

R millions	Ordinary share capital	Share premium	**Total ordinary capital**	Property revaluation surplus
Balance at 1 January 2010	107	108	**215**	237
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				–
Profit for the year				
Foreign currency loan translation differences				
Deferred tax on foreign currency loan translation differences				
Transfers to retained earnings				
Foreign operations translation differences				
Cash flow hedge fair value adjustments				
Deferred tax on fair value adjustments				
TRANSACTIONS WITH OWNERS				
Dividends paid				
Business combinations				
BALANCE AT 31 DECEMBER 2010	**107**	**108**	**215**	**237**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				–
Profit for the year				
Foreign currency loan translation differences				
Deferred tax on foreign currency loan translation differences				
Transfers to retained earnings				
Foreign operations translation differences				
Cash flow hedge fair value adjustments				
Deferred tax on fair value adjustments				
TRANSACTIONS WITH OWNERS				
Dividends paid				
Acquisition of non-controlling interest				
Business combinations				
BALANCE AT 31 DECEMBER 2011	**107**	**108**	**215**	**237**

* *Nominal amount.*

Foreign currency translation reserve	Other reserves	Total other reserves	Retained earnings	Total	Non-controlling interest	Preference share capital	Total equity
3	11	251	3 471	3 937	115	6	4 058
(84)	(3)	(87)	603	516	38	2	556
			600	600	38	2	640
(4)		(4)		(4)			(4)
10		10		10			10
	(3)	(3)	3	–			–
(90)		(90)		(90)			(90)
	*	*		*			*
	*	*		*			*
			(139)	(139)	(5)	(2)	(146)
			(142)	(142)	(2)	(2)	(146)
			3	3	(3)		–
(81)	8	164	3 935	4 314	148	6	4 468
182	(2)	180	774	954	64	2	1 020
		–	777	777	59	2	838
32	(3)	29		29			29
(25)		(25)		(25)			(25)
	3	3	(3)	–			–
175	(2)	173		173	5		178
	*	*		*			*
	*	*		*			*
			(270)	(270)	(2)	(2)	(274)
			(228)	(228)	(7)	(2)	(237)
			(42)	(42)	(7)		(49)
					12		12
101	6	344	4 439	4 998	210	6	5 214

ANNUAL FINANCIAL STATEMENTS

Statements of Changes in Equity for the year ended 31 December 2011

COMPANY

R millions	Ordinary share capital	Share premium	**Total ordinary capital**	Property revaluation surplus
Balance at 1 January 2010	119	214	**333**	241
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				–
Profit for the year				
Foreign currency loan translation differences				
Deferred tax on foreign currency loan translation differences				
Transfers to retained earnings				
Cash flow hedge fair value adjustments				
Deferred tax on fair value adjustments				
TRANSACTIONS WITH OWNERS				
Dividends paid				
BALANCE AT 31 DECEMBER 2010	119	214	**333**	241
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				–
Profit for the year				
Foreign currency loan translation differences				
Deferred tax on foreign currency loan translation differences				
Transfers to retained earnings				
Cash flow hedge fair value adjustments				
Deferred tax on fair value adjustments				
TRANSACTIONS WITH OWNERS				
Dividends paid				
BALANCE AT 31 DECEMBER 2011	119	214	**333**	241

* *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 IFRS 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 Changes in Equity for the year ended 31 December 2011

Foreign currency translation reserve	Other reserves	Total other reserves	Retained earnings	Total	Preference share capital	Total equity
(20)	3	224	2 611	3 168	6	3 174
(17)	(4)	(21)	234	213	2	215
			230	230	2	232
(23)		(23)		(23)		(23)
6		6		6		6
	(4)	(4)	4	–		–
	*	*		*		*
	*	*		*		*
			(157)	(157)	(2)	(159)
			(157)	(157)	(2)	(159)
(37)	(1)	203	2 688	3 224	6	3 230
36	–	36	297	333	2	335
			298	298	2	300
50	(1)	49		49		49
(14)		(14)		(14)		(14)
	1	1	(1)	–		–
	*	*		*		*
	*	*		*		*
			(254)	(254)	(2)	(256)
			(254)	(254)	(2)	(256)
(1)	(1)	239	2 731	3 303	6	3 309

Statements of Cash Flows for the year ended 31 December 2011

R millions		Note	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
CASH GENERATED BY OPERATIONS		i	**1 883**	1 654	**401**	421
Dividends received			**–**	2	**113**	88
Interest paid			**(253)**	(268)	**(257)**	(273)
Interest received			**27**	21	**279**	307
Income tax paid		ii	**(319)**	(209)	**(103)**	(76)
Changes in working capital		iii	**(598)**	*	**(234)**	(39)
Expenditure relating to non-current provisions			**(78)**	(37)	**(57)**	(29)
Expenditure relating to retrenchments and restructuring			**–**	(33)	**–**	(33)
CASH AVAILABLE FROM OPERATING ACTIVITIES			**662**	1 130	**142**	366
Dividends paid		iv	**(237)**	(146)	**(256)**	(159)
CASH FLOWS FROM OPERATING ACTIVITIES			**425**	984	**(114)**	207
CASH FLOWS FROM INVESTING ACTIVITIES			**(615)**	(581)	**(366)**	(41)
Net replacement to maintain operations			**(260)**	(212)	**(75)**	(65)
Replacement of property, plant and equipment			**(273)**	(233)	**(66)**	(64)
Replacement of investment property			**(12)**	(3)	**(4)**	(2)
Replacement of intangible assets			**(8)**	–	**(6)**	–
Proceeds from disposal of property, plant and equipment			**33**	24	**1**	1
Investments to expand operations			**(355)**	(404)	**(291)**	(8)
Acquisition of	– property, plant and equipment		**(182)**	(397)	**(9)**	(19)
	– investments		**–**	(6)	**–**	–
	– subsidiaries	v	**(36)**	*	**(46)**	–
	– businesses	v	**(88)**	(1)	**–**	–
	– non-controlling interest		**(49)**	–	**–**	–
Loans with subsidiaries and joint ventures					**(236)**	11
Proceeds from disposal of investments and businesses			**–**	35	**–**	32
	– associate companies		**–**	3	**–**	–
	– unlisted investments		**–**	32	**–**	32
NET CASH (UTILISED)/GENERATED BEFORE FINANCING ACTIVITIES			**(190)**	403	**(480)**	166
CASH FLOWS FROM FINANCING ACTIVITIES			**424**	(299)	**500**	(167)
Non-current borrowings	– raised		**1 000**	39	**1 000**	38
	– repaid		**(626)**	(223)	**(414)**	(185)
Current borrowings	– raised		**261**	201	**122**	307
	– repaid		**(208)**	(327)	**(208)**	(327)
Finance lease receivables	– raised		**(3)**	–	**–**	–
	– received		**–**	11	**–**	–
INCREASE/(DECREASE) IN CASH			**234**	104	**20**	(1)
Cash at the beginning of the year			**732**	668	**3**	4
Translation gain/(loss) on cash			**95**	(40)	**(1)**	–
CASH AT THE END OF THE YEAR			**1 061**	732	**22**	3

* *Nominal amount.*

Notes to the Statements of Cash Flows for the year ended 31 December 2011

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
i. CASH GENERATED BY OPERATIONS				
Profit from operations	**1 316**	1 062	**207**	192
Adjusted for non-cash movements:				
Closure costs	**(23)**	15	**(23)**	15
Depreciation and amortisation	**395**	332	**58**	55
Non-current provisions	**201**	252	**159**	179
(Surplus)/loss on disposal of property, plant and equipment	**(7)**	(5)	**2**	*
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	**1**	20	**(2)**	(2)
	1 883	1 654	**401**	421
ii. INCOME TAX PAID				
Owing at the beginning of the year	**(102)**	(118)	**(37)**	(31)
Current charge for the year	**(350)**	(198)	**(108)**	(82)
Translation differences	*****	5	**–**	–
Owing at the end of the year	**133**	102	**42**	37
	(319)	(209)	**(103)**	(76)
iii. CHANGES IN WORKING CAPITAL				
(Increase)/decrease in inventories	**(692)**	(65)	**(316)**	46
(Increase)/decrease in accounts receivable	**(752)**	139	**(397)**	4
Increase/(decrease) in accounts payable	**786**	(36)	**427**	(88)
	(658)	38	**(286)**	(38)
Translation differences	**47**	(38)	**51**	(1)
Business combinations	**13**	*	**1**	–
	(598)	–	**(234)**	(39)
iv. DIVIDENDS PAID				
Paid during the year (see note 25)	**230**	144	**256**	159
Paid to minority shareholders	**7**	2		
	237	146	**256**	159
v. BUSINESS COMBINATIONS				
Property, plant and equipment	**48**	–	**9**	–
Intangible assets	**62**	–	**–**	–
Working capital	**13**	*	**1**	–
Cash	**4**	–	**–**	–
Deferred and current tax	**(26)**	(1)	**–**	–
Non-controlling interest	**(12)**	–	**–**	–
Goodwill	**42**	–	**36**	–
Less: contingency payment outstanding	**(7)**	2	**–**	–
Net cash outflow	**124**	1	**46**	–
Acquisition of businesses and subsidiaries (see note 33)	**124**	1	**46**	–
Net consideration paid to acquire subsidiaries	**36**	*	**46**	–
Consideration paid to acquire businesses	**88**	1	**–**	–

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
1. PROPERTY, PLANT AND EQUIPMENT							
GROUP							
2011							
COST	**836**	**4 491**	**108**	**241**	**332**	**223**	**6 231**
At the beginning of the year	585	3 429	92	211	268	1 096	5 681
Additions	74	184	9	27	43	118	455
Additions through business combinations	1	57	*	*	1	–	59
Borrowing costs capitalised	–	–	–	–	–	17	17
Disposals	(7)	(55)	(4)	(9)	(16)	(12)	(103)
Transferred to assets held for sale	(20)	–	–	–	–	–	(20)
Transferred to intangible assets	–	(10)	–	–	–	–	(10)
Transfers	195	781	8	7	9	(1 000)	–
Translation differences	8	105	3	5	27	4	152
***LESS*: ACCUMULATED DEPRECIATION AND IMPAIRMENT**	**234**	**1 855**	**68**	**169**	**184**		**2 510**
At the beginning of the year	173	1 588	64	148	144		2 117
Additions through business combinations	1	10	*	*	*		11
Disposals	(1)	(47)	(4)	(9)	(15)		(76)
Transferred to assets held for sale	(4)	–	–	–	–		(4)
Transferred to intangible assets	–	(2)	–	–	–		(2)
Transfers	27	(26)	(3)	2	–		–
Translation differences	5	52	2	3	11		73
Depreciation for the year	33	280	9	25	44		391
CARRYING AMOUNT	**602**	**2 636**	**40**	**72**	**148**	**223**	**3 721**
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)
Transferred to investment property	(11)	–	–	–	–	–	(11)
Transfers	2	199	(1)	–	–	(200)	–
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)
Impairment during the year	–	–	–	4	–		4
Transfers	(4)	*	*	*	–		(4)
Translation differences	(3)	(25)	1	(2)	(6)		(35)
Depreciation for the year	23	238	9	24	35		329
CARRYING AMOUNT	412	1 841	28	63	124	1 096	3 564

* *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							
2011							
COST	**52**	**704**	**35**	**48**	**23**	**19**	**881**
At the beginning of the year	**44**	**683**	**25**	**40**	**20**	**22**	**834**
Additions	**1**	**24**	**2**	**10**	**5**	**33**	**75**
Additions through business combinations	**–**	**9**	*	*	**–**	**–**	**9**
Disposals	**–**	**(32)**	**(1)**	**(2)**	**(2)**	**–**	**(37)**
Transfers	**7**	**20**	**9**	*	**–**	**(36)**	**–**
***LESS*: ACCUMULATED DEPRECIATION AND IMPAIRMENT**	**10**	**389**	**17**	**26**	**16**		**458**
At the beginning of the year	**10**	**371**	**18**	**22**	**15**		**436**
Disposals	**–**	**(30)**	**(1)**	**(1)**	**(1)**		**(33)**
Transferred to intangible assets	**–**	**(1)**	**–**	**–**	**–**		**(1)**
Transfers	**(2)**	**4**	**(2)**	*	**–**		**–**
Depreciation for the year	**2**	**45**	**2**	**5**	**2**		**56**
CARRYING AMOUNT	**42**	**315**	**18**	**22**	**7**	**19**	**423**
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	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)
Transfers	*	*	*	*	–		–
Depreciation for the year	2	43	2	4	2		53
CARRYING AMOUNT	34	312	7	18	5	22	398

* *Nominal amount.*

ADDITIONAL INFORMATION

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
Insured value of property, plant and equipment	**14 802**	14 731	**2 626**	3 345

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 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
2. INVESTMENT PROPERTY				
COST	**503**	504	**137**	133
At the beginning of the year	**504**	487	**133**	131
Additions	**12**	3	**4**	2
Transfers from property, plant and equipment	**–**	11	**–**	–
Transferred (to)/from property development	**(13)**	3	**–**	–
***LESS*: ACCUMULATED DEPRECIATION**	**67**	64	**62**	60
At the beginning of the year	**64**	57	**60**	58
Transfers from property, plant and equipment	**–**	4	**–**	–
Depreciation for the year	**3**	3	**2**	2
CARRYING AMOUNT	**436**	440	**75**	73
ADDITIONAL INFORMATION				
Fair value	**2 898**	2 898	**872**	872
Rental and service income from investment property	**348**	277	**278**	273
Direct operating expenses – relating to rental and service income	**(151)**	(149)	**(151)**	(149)

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 rental escalations between 8% and 10%. The Gross Lettable Area ("GLA") of the office and industrial sites is approximately 283 000m² (2010: 320 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 Industrial Complex.

The fair value indicated above was determined by Management, with the assistance of the Valuation Division of Old Mutual Investment Group Property Investments. The latter compiled an independent valuation of the Group-owned property investment 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 optimal 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 sale 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 GLA 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 rental 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	Patents and trademarks	Supply chain relationship	Other	Total
3. INTANGIBLE ASSETS				
GROUP				
2011				
COST	12	61	7	80
At the beginning of the year	–	–	–	–
Additions	2	–	6	8
Additions through business combinations	–	61	1	62
Transferred from property, plant and equipment	10	–	–	10
Translation differences	*	–	*	*
***LESS*: ACCUMULATED AMORTISATION AND IMPAIRMENT**	3	–	–	3
At the beginning of the year	–	–	–	–
Transferred from property, plant and equipment	2	–	–	2
Amortisation for the year	1	–	*	1
Translation differences	*	–	–	*
CARRYING AMOUNT	9	61	7	77
COMPANY				
2011				
COST			6	6
At the beginning of the year			–	–
Additions			6	6
***LESS*: ACCUMULATED AMORTISATION AND IMPAIRMENT**			1	1
At the beginning of the year			–	–
Transferred from property, plant and equipment			1	1
Amortisation for the year			*	*
CARRYING AMOUNT			5	5

** Nominal amount.*

In the prior years the carrying amount of Intangible Assets was aggregated with related items of plant and equipment as the carrying amounts were not material to the Group or Company Financial Statements. During the current year the Group acquired intangible assets through acquisitions and these were identified and recognised separately in terms of IFRS 3 and IAS 38. As a result, relevant intangible assets were disaggregated from plant and equipment and recognised together with acquired intangible assets. The comparatives have not been restated.

USEFUL LIFE AND IMPAIRMENT

The Group holds intellectual property for R61 million from the acquisitions of Croxton Chemicals and Protank. The supply chain relationship useful life has been deemed indefinite as there is no foreseeable limit to the period over which the relationship is expected to generate net cash inflows for the business and that the value of this asset would not be consumed over time. No impairment test was required in 2011 as the fair value was determined close to year-end.

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
4. GOODWILL				
COST	**1 202**	1 159	**1 013**	977
At the beginning of the year	**1 159**	1 159	**977**	977
Additions through business combinations	**42**	2	**36**	–
Translation differences	**1**	(2)	**–**	–
***LESS*: ACCUMULATED IMPAIRMENT LOSSES**	**124**	124	**95**	95
At the beginning of the year	**124**	96	**95**	72
Impairment charge for the year	**–**	28	**–**	23
CARRYING AMOUNT	**1 078**	1 035	**918**	882
Goodwill is allocated to groups of cash-generating units based on Group business segments as follows:				
Explosives	**273**	273	**–**	–
Specialty chemicals	**805**	762	**918**	882
CARRYING AMOUNT	**1 078**	1 035	**918**	882

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.

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; and
- a discount rate of 13,0% (2010: 13,0%) 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 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
5. PENSION FUND EMPLOYER SURPLUS ACCOUNTS				
AECI PENSION FUND				
At the beginning of the year	**216**	227	**216**	227
Net income/(loss) for the year	**23**	(11)	**23**	(11)
Apportionment of surplus during the year	**43**	–	**43**	–
Settlement of contribution shortfalls	**(47)**	(31)	**(47)**	(31)
Pro rata share of investment returns earned	**27**	20	**27**	20
At the end of the year	**239**	216	**239**	216
AECI SUPPLEMENTARY PENSION FUND				
At the beginning of the year	**14**	9	**14**	9
Net income for the year	**1**	5	**1**	5
At the end of the year	**15**	14	**15**	14
AECI EMPLOYEES PENSION FUND				
At the beginning of the year	**–**	–	**–**	–
Net income for the year	**5**	–	**5**	–
Apportionment of surplus during the year	**6**	–	**6**	–
Settlement of contribution shortfalls	**(1)**	–	**(1)**	–
At the end of the year	**5**	–	**5**	–
TOTAL PENSION FUND EMPLOYER SURPLUS ACCOUNTS	**259**	230	**259**	230

Employer surplus accounts, belonging to the Company, in the AECI Pension Fund, the AECI Supplementary Pension Fund and the AECI Employees Pension Fund are recognised as assets (see note 30). During the year, a surplus apportionment was granted by the AECI Pension Fund and the AECI Employees Pension Fund. 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 accounts in the other funds earn a pro rata share of the investment returns on the assets of those funds. The profit or loss is recognised in the Income Statement.

R millions	COMPANY 2011	COMPANY 2010
6. INVESTMENT IN SUBSIDIARIES AND LOANS WITH GROUP COMPANIES		
Unlisted shares (see note 36)	**936**	937
– At cost	**986**	987
– *Less*: impairment losses	**(50)**	(50)
Non-current loans to subsidiaries	**588**	623
– Amounts owing	**595**	630
– *Less*: impairment losses	**(7)**	(7)
Investment in subsidiaries	**1 524**	1 560
Non-current loans from subsidiaries	**(459)**	(404)
NET INVESTMENT IN SUBSIDIARIES	**1 065**	1 156
Interest-bearing non-current loans to subsidiaries	**900**	877
– Amounts owing	**946**	949
– *Less*: impairment losses	**(46)**	(72)
Interest-bearing current loans to subsidiaries	**3 960**	2 608
LOANS TO GROUP COMPANIES	**4 860**	3 485
Interest-bearing non-current loans from subsidiaries	**–**	(38)
Interest-bearing current loans from subsidiaries	**(1 274)**	(173)
LOANS FROM GROUP COMPANIES	**(1 274)**	(211)
NET LOANS WITH SUBSIDIARIES (see note 36)	**3 715**	3 493

6. INVESTMENT IN SUBSIDIARIES AND LOANS WITH GROUP COMPANIES (continued)

All subsidiaries' financial information included in the Financial Statements are 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 19).

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 19). Loans bear interest at market-related variable rates, are unsecured and have no fixed terms of repayment.

Operating companies are funded through the central 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.

	GROUP		COMPANY	
Effective holding (%)	**2011**	2010	**2011**	2010
7. OTHER INVESTMENTS				
ASSOCIATE COMPANIES				
agVantage (Pty) Ltd	**17,5**	17,5	**–**	–
Mining Explosives Ltd	**49,0**	49,0	**–**	–

The Group has significant influence in agVantage (Pty) Ltd. Although the actual holding is 35%, the investment is held by a joint venture company in which the Group has a 50% interest.

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
SUMMARISED FINANCIAL INFORMATION				
Total assets	**76**	24	**–**	–
Total liabilities	**(20)**	(17)	**–**	–
Revenue	**49**	105	**–**	–
Profit for the year	**3**	7	**–**	–
CARRYING AMOUNT				
Unlisted shares at cost	**10**	10	**–**	–
Loans	**3**	4	**–**	–
Post-acquisition retained income	**–**	(4)	**–**	–
Balance at the beginning of the year	**(4)**	–		
Dividend received	**–**	(2)		
Disposal of investment in associate company	**–**	(3)		
Translation difference	**3**	(1)		
Current year's share of profit of associate companies	**1**	2		
TOTAL INVESTMENT IN ASSOCIATE COMPANIES	**13**	10	**–**	–
JOINT VENTURES (see note 35)				
Unlisted shares at cost			**28**	28
AVAILABLE-FOR-SALE INVESTMENTS				
Unlisted investments at fair value	**9**	10	**6**	6
Shares	**2**	2	**–**	–
Loans	**7**	8	**6**	6
TOTAL OTHER INVESTMENTS	**22**	20	**34**	34
Net loans with joint ventures			**(20)**	(61)
Interest-bearing current loans to joint ventures			**11**	22
Interest-bearing current loans from joint ventures			**(31)**	(83)

	GROUP		COMPANY	
R millions	2011	2010	2011	2010
8. DEFERRED TAX				
At the beginning of the year	**(235)**	(259)	**(158)**	(144)
Recognised in the Income Statement				
– normal activities	**(44)**	35	**(11)**	(8)
Recognised directly in Other Comprehensive Income				
– foreign currency loan translation	**25**	(10)	**14**	(6)
– fair value adjustments	**–**	*	**–**	*
Business combinations	**26**	(1)	**–**	–
At the end of the year	**(228)**	(235)	**(155)**	(158)
Analysis by major temporary differences:				
Property, plant and equipment	**462**	250	**62**	59
Provisions	**(474)**	(430)	**(318)**	(291)
Share options hedge premium	*****	(2)	*****	(1)
Pension Fund employer surplus accounts	**72**	64	**72**	64
Deferred foreign exchange differences	**30**	*	**17**	(3)
Computed tax losses	**(347)**	(146)	**–**	–
Fair value adjustments	*****	*	**–**	*
Other	**29**	29	**12**	14
	(228)	(235)	**(155)**	(158)
Comprising:				
Deferred tax assets	**(407)**	(356)	**(155)**	(158)
Deferred tax liabilities	**179**	121	**–**	–
	(228)	(235)	**(155)**	(158)

	GROUP		COMPANY	
R millions	2011	2010	2011	2010
9. LOANS RECEIVABLE				
Gross investment in finance leases	**32**	33	**–**	–
Unearned finance income	**(3)**	(3)	**–**	–
Present value of minimum lease payments	**29**	30	**–**	–
Current portion included in accounts receivable (see note 11)	**(5)**	(8)	**–**	–
At the end of the year	**24**	22	**–**	–
Gross investment in finance leases receivable				
– within 1 year	**5**	8	**–**	–
– from 2 to 5 years	**24**	20	**–**	–
– later than 5 years	**3**	5	**–**	–
	32	33		
Present value of minimum lease payments receivable				
– within 1 year	**5**	8	**–**	–
– from 2 to 5 years	**22**	18	**–**	–
– later than 5 years	**2**	4	**–**	–
	29	30	**–**	–

** Nominal amount.*

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 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
10. INVENTORIES				
Raw and packing materials	**710**	578	**194**	147
In progress	**14**	110	**10**	3
Finished goods and merchandise	**1 446**	908	**599**	397
Spares	**166**	59	**74**	14
Property developments	**248**	237	**–**	–
	2 584	1 892	**877**	561

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 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
11. ACCOUNTS RECEIVABLE				
Trade	**2 252**	1 684	**831**	548
Pre-payments	**170**	77	**13**	15
Other	**345**	254	**103**	31
Subsidiaries and joint ventures			**103**	59
	2 767	2 015	**1 050**	653
Current portion of loans receivable (see note 9)	**5**	8	**–**	–
	2 772	2 023	**1 050**	653
Trade receivables are exposed to credit risk as described in note 28.				
The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:				
South Africa	**1 670**	1 199	**790**	514
Rest of Africa	**338**	250	**35**	25
North America	**5**	72	**–**	–
South America	**37**	17	**3**	3
Asia	**187**	132	**1**	1
Australia	**6**	3	**2**	2
Europe	**8**	9	*****	2
United Kingdom	**1**	2	*****	1
	2 252	1 684	**831**	548
The ageing of gross trade receivables at 31 December was:				
Not past due	**1 830**	1 354	**709**	433
Past due 0 to 30 days	**260**	204	**104**	90
Past due 30 to 90 days	**162**	107	**31**	18
Past due more than 90 days	**51**	108	**8**	54
Gross trade receivables	**2 303**	1 773	**852**	595
The ageing of impairments of trade receivables at 31 December was:				
Not past due	*****	(3)	*****	(3)
Past due 0 to 30 days	**(2)**	*	**(2)**	*
Past due 30 to 90 days	**(19)**	(3)	**(19)**	(2)
Past due more than 90 days	**(30)**	(83)	*****	(42)
Total impairments	**(51)**	(89)	**(21)**	(47)
NET TRADE RECEIVABLES	**2 252**	1 684	**831**	548

* *Nominal amount.*

R millions	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
11. ACCOUNTS RECEIVABLE (continued)				
IMPAIRMENT OF TRADE RECEIVABLES				
At the beginning of the year	**(89)**	(114)	**(47)**	(76)
Additional impairments recognised during the year	**(17)**	(10)	**(12)**	(1)
Impairments reversed during the year	**28**	25	**8**	28
Impairments applied to trade receivables deemed irrecoverable	**27**	10	**30**	2
At the end of the year	**(51)**	(89)	**(21)**	(47)

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.

12. ASSETS CLASSIFIED AS HELD FOR SALE

In 2011 the Group entered into an agreement to sell Portion 3 of Erf 5509, Bryanston, Gauteng. There are suspensive conditions which need to be fulfilled before the disposal can be finalised and the asset derecognised for a purchase price of R40 million.

R millions	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Land – cost	**4**	–	**–**	–
Buildings – cost	**16**	–	**–**	–
Buildings – accumulated depreciation	**(4)**	–	**–**	–
Carrying amount	**16**	–	**–**	–

	NUMBER OF SHARES 2011	NUMBER OF SHARES 2010	GROUP 2011 R millions	GROUP 2010 R millions	COMPANY 2011 R millions	COMPANY 2010 R millions
13. SHARE CAPITAL AND SHARE PREMIUM						
ORDINARY SHARES						
Authorised						
Shares of R1 each	**180 000 000**	180 000 000	**180**	180	**180**	180
Issued						
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		
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).

13. SHARE CAPITAL AND SHARE PREMIUM (continued)

R millions	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Unissued shares under the control of the Directors:				
4 678 677 shares reserved to meet the requirements of the KTH transaction	**5**	–	**5**	–

A further 4 426 604 shares were placed under the control of the Directors at a General Meeting of shareholders held on 25 January 2012. Details in respect of these subsequent events is disclosed in note 34.

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, investment property, intangible assets, goodwill, investments, inventories and accounts receivable less accounts payable.

R millions	Weighted closing interest rate %	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
14. NON-CURRENT BORROWINGS					
UNSECURED					
LOCAL					
LOANS					
2008/2013	10,04	**801**	1 360	**801**	1 360
2011/2014	7,28	**1 000**	–	**1 000**	–
FOREIGN					
Loans – US dollar	1,93	**190**	116	**190**	116
Loans - other currencies	12,84	**41**	37	**41**	37
SECURED					
LOCAL					
Loans – other [1]		**–**	4	**–**	–
FOREIGN					
Loans – other [1]	10,70	**2**	1	**–**	–
		2 034	1 518	**2 032**	1 513
MINORITY SHAREHOLDER LOAN TO SUBSIDIARY					
2004/2012 [2]	7,30	**212**	234		
		2 246	1 752	**2 032**	1 513
Current portion (see note 17)		**(739)**	(619)	**(526)**	(593)
		1 507	1 133	**1 506**	920

1 Secured in terms of capitalised finance lease agreements over plant and equipment having a net book value of R1 million (2010: R1 million) and mortgages over property having a net book value of R21 million in 2010. The mortgage was settled in 2011.

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				
	2012	548	191	739
	2013	465	42	507
	2014	1 000	–	1 000
		2 013	233	2 246
COMPANY				
	2012	336	190	526
	2013	465	41	506
	2014	1 000	–	1 000
		1 801	231	2 032

	GROUP		COMPANY	
R millions	2011	2010	2011	2010
15. NON-CURRENT PROVISIONS				
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**164**	144	**141**	127
Expenditure incurred during the year	**(9)**	(5)	**(8)**	(3)
Charged to net operating costs during the year				
– Additional provision made	**16**	25	**14**	17
At the end of the year	**171**	164	**147**	141
EARNINGS-BASED INCENTIVE SCHEMES				
At the beginning of the year	**90**	53	**67**	36
Expenditure incurred during the year	**(32)**	(2)	**(19)**	(1)
Charged to net operating costs during the year				
– Additional provision made	**93**	39	**80**	32
– Reversal of provision	**–**	*	**–**	*
	151	90	**128**	67
Current portion included in accounts payable (see note 16)	**(89)**	(43)	**(69)**	(31)
At the end of the year	**62**	47	**59**	36
CASH-SETTLED SHARE-BASED INCENTIVE SCHEME				
At the beginning of the year	**40**	21	**40**	21
Expenditure incurred during the year	**(1)**	(1)	**(1)**	(1)
Charged to net operating costs during the year				
– Additional provision made	**5**	20	**5**	20
	44	40	**44**	40
Current portion included in accounts payable (see note 16)	**(28)**	(26)	**(28)**	(26)
At the end of the year	**16**	14	**16**	14
POST-RETIREMENT MEDICAL AID BENEFITS				
At the beginning of the year	**721**	577	**525**	433
Benefits paid during the year	**(36)**	(29)	**(29)**	(24)
Charged to net operating costs during the year	**87**	168	**60**	110
– Current service cost	**6**	6	**2**	2
– Interest cost	**99**	95	**73**	72
– (Reversal of)/additional provision made	**(18)**	67	**(15)**	36
– Net (income)/loss from plan assets for post-retirement medical aid liabilities	**(5)**	5	**(2)**	6
At the end of the year	**767**	721	**554**	525
Made up as follows :				
Actuarial valuation of obligations (see note 30)	**1 184**	1 133	**870**	839
Plan assets to meet post-retirement medical aid contribution liability	**(417)**	(412)	**(316)**	(314)
At the beginning of the year	**(412)**	(417)	**(314)**	(320)
Pro rata share of investment return earned by the AECI Pension Fund	**(50)**	(36)	**(38)**	(28)
Benefits paid during the year	**45**	41	**36**	34
	767	721	**554**	525
TOTAL NON-CURRENT PROVISIONS	**1 016**	946	**776**	716

* *Nominal amount.*

15. NON-CURRENT PROVISIONS (continued)

ENVIRONMENTAL REMEDIATION

The environmental remediation provision is based on the Group's environmental Policy and obligation in terms of legislation to remediate land. The expenditure is expected to be incurred as and when the Group is legally required to do so, depending on end use. When detailed characterisation of the land is performed, the provision may need to be adjusted.

EARNINGS-BASED AND CASH-SETTLED SHARE-BASED INCENTIVE SCHEMES

The earnings-based incentive scheme and cash-settled share-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 30). The amount payable depends on employees meeting the vesting period and the earnings of the Group or 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 30. 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 30.

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
16. ACCOUNTS PAYABLE				
Trade	**1 923**	1 262	**936**	529
Non-trade	**907**	782	**275**	230
Subsidiaries and joint ventures			**4**	29
	2 830	2 044	**1 215**	788
Closure costs	**40**	63	**40**	63
Current portion of non-current provisions (see note 15)	**117**	69	**97**	57
	2 987	2 176	**1 352**	908
17. CURRENT BORROWINGS				
Current portion of non-current borrowings (see note 14)	**739**	619	**526**	593
Unsecured interest-bearing short-term borrowings	**682**	749	**938**	957
	1 421	1 368	**1 464**	1 550
18. REVENUE				
Sale of goods and related services	**12 920**	11 269	**3 648**	2 978
Leasing and related services	**348**	277	**278**	273
Sale of surplus land	**129**	23	**–**	–
Sales to subsidiary companies			**387**	320
Leasing and related services to subsidiary companies			**28**	27
	13 397	11 569	**4 341**	3 598
Local	**9 538**	8 458	**3 788**	3 067
Foreign	**3 859**	3 111	**138**	184
Subsidiary companies			**415**	347
	13 397	11 569	**4 341**	3 598

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
19. NET OPERATING COSTS				
Cost of sales	**8 928**	7 881	**3 418**	2 512
Selling and distribution expenses	**1 126**	857	**304**	395
Administrative expenses	**2 027**	1 769	**386**	499
Net operating costs	**12 081**	10 507	**4 108**	3 406
Net operating costs have been arrived at after taking into account:				
Auditors' remuneration	**18**	16	**5**	5
– Audit fees	**16**	15	**4**	5
– Other services	**2**	1	**1**	*
Depreciation and amortisation	**395**	332	**58**	55
– Property, plant and equipment	**391**	329	**56**	53
– Investment property	**3**	3	**2**	2
– Intangible assets	**1**	–	*****	–
Foreign exchange gains	**(224)**	(200)	**(17)**	(60)
– Realised	**(117)**	(138)	**–**	(47)
– Unrealised	**(107)**	(62)	**(17)**	(13)
Foreign exchange losses	**147**	210	**10**	51
– Realised	**91**	135	**10**	46
– Unrealised	**56**	75	**–**	5
Inventory	**71**	58	**1**	13
– Losses and write-downs	**79**	65	**6**	13
– Reversal of losses and write-downs	**(8)**	(7)	**(5)**	*
Reversal of impairments of investments and loans with subsidiary companies	**–**	–	**(26)**	(28)
Increase in non-current provisions	**201**	252	**159**	179
– Environmental remediation	**16**	25	**14**	17
– Earnings-based incentive scheme	**93**	39	**80**	32
– Cash-settled share-based incentive scheme	**5**	20	**5**	20
– Post-retirement medical aid benefits	**87**	168	**60**	110
Operating lease costs	**90**	114	**28**	20
Research and development expenditure	**42**	26	*****	10
Loss/(surplus) on derecognition of subsidiary companies disposed of	**1**	20	**(2)**	(2)
Surplus on disposal of unlisted investments classified as held for sale	**–**	(18)	**–**	(18)
Surplus on disposal of unlisted investments in associate company	**–**	(4)	**–**	–
(Surplus)/loss on disposal of property, plant and equipment	**(7)**	(5)	**2**	*
– Property	**(8)**	–	**–**	–
– Plant and equipment	**1**	(5)	**2**	*
Total salaries and other staff costs	**2 390**	2 224	**588**	513
Salaries and other staff costs	**2 275**	2 130	**581**	489
Company contributions to Retirement Funds	**115**	94	**7**	24

** Nominal amount.*

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
20. INTEREST EXPENSE				
Interest paid	**(253)**	(268)	**(257)**	(273)
Non-current borrowings	**(104)**	(179)	**(104)**	(152)
Current borrowings	**(149)**	(89)	**(115)**	(82)
Subsidiary companies			**(38)**	(39)
Interest capitalised	**17**	93	**–**	–
	(236)	(175)	**(257)**	(273)
21. INTEREST RECEIVED				
Subsidiary companies and joint ventures			**265**	302
Loans and receivables	**27**	21	**14**	5
	27	21	**279**	307
22. INVESTMENT INCOME				
Dividends from unlisted South African subsidiaries			**113**	88
			113	88
Aggregate income from subsidiaries and joint ventures				
Dividends			**113**	88
Net interest received			**227**	263
Secretarial and administrative fees			**20**	3
			360	354

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
23. INCOME TAX EXPENSE				
Current tax	**(345)**	(198)	**(114)**	(83)
South African and foreign normal tax	**(311)**	(183)	**(94)**	(71)
Foreign withholding taxes	**(11)**	(1)	**–**	–
Secondary tax on companies	**(23)**	(14)	**(20)**	(12)
Deferred tax	**(9)**	(49)	**15**	3
	(354)	(247)	**(99)**	(80)
Adjustment for prior years	**48**	14	**1**	6
South African normal tax	**(5)**	*	**6**	1
Deferred tax	**53**	14	**(5)**	5
	(306)	(233)	**(98)**	(74)
Analysis of deferred tax charge by major temporary differences:				
Property, plant and equipment	**(78)**	(60)	**(4)**	(16)
Provisions	**30**	119	**32**	53
Share options hedge premium	**(1)**	(2)	**(1)**	(1)
Pension Fund employer surplus accounts	**(8)**	2	**(8)**	2
Deferred foreign exchange differences	**(8)**	(16)	**(5)**	(13)
Computed tax losses	**65**	(58)	**–**	(3)
Fair value adjustments	**1**	(3)	**–**	(1)
Other	**(10)**	(31)	**1**	(18)
	(9)	(49)	**15**	3
Prior year adjustment	**53**	14	**(5)**	5
	44	(35)	**10**	8
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	**1 240**	538	**–**	–
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	**26**	107	**–**	–
	1 266	645	**–**	–
	%	%	%	%
Reconciliation of tax rate computed in relation to profit before tax				
Effective rate	**26,8**	26,7	**24,6**	24,1
Capital and non-taxable receipts	**3,3**	1,4	**8,4**	9,5
Non-deductible expenses	**(3,4)**	(3,7)	**(0,2)**	(3,6)
Secondary tax on companies	**(2,0)**	(1,7)	**(5,0)**	(3,8)
Adjustment for prior years	**4,2**	1,6	**0,3**	2,0
Capital gains	**(0,6)**	(0,3)	**–**	(0,2)
Other	**(0,3)**	4,0	**(0,1)**	–
South African standard rate	**28,0**	28,0	**28,0**	28,0

* *Nominal amount.*

R millions	GROUP 2011	2010
24. EARNINGS PER SHARE		
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to ordinary shareholders	**777**	600
Impairment of goodwill	**–**	28
Impairments of property, plant and equipment	**–**	4
Tax effects of impairments of property, plant and equipment	**–**	(1)
Surplus on disposal of property, plant and equipment	**(7)**	(5)
Tax effects of surplus on disposal of property, plant and equipment	**3**	2
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
Profit on acquisition of subsidiary company	**–**	(4)
(Loss)/profit on disposal of subsidiaries	**(1)**	20
Non-controlling interest effect of loss on disposal of subsidiaries	**–**	(4)
HEADLINE EARNINGS	**772**	619

* *Nominal amount.*

	GROUP 2011	2010
EARNINGS PER ORDINARY SHARE (CENTS)		
Basic	**724**	559
Headline	**720**	577
Weighted average number of ordinary shares in issue	**119 135 869**	119 135 869
Deduct Treasury shares held	**11 884 699**	11 884 699
	107 251 170	107 251 170

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 (2010: 107 251 170).

	GROUP 2011	2010
DILUTED EARNINGS PER ORDINARY SHARE (CENTS)		
Basic	**723**	558
Headline	**719**	575

At 31 December 2011 there were 236 680 (2010: 491 500) 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 107 418 320 (2010: 107 596 526).

The average share price of AECI since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, is R80,33 (2010: R70,15) compared with an average exercise price on the outstanding options of R23,60 (2010: R20,86).

	GROUP	
	2011	2010
24. EARNINGS PER SHARE (continued)		
RECONCILIATION OF THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE:		
Weighted average number of ordinary shares	**107 251 170**	107 251 170
Number of options available for future exercise	**236 680**	491 500
Number of shares that would be issued at fair value	**(69 530)**	(146 144)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**107 418 320**	107 596 526

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.

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
25. DIVIDENDS				
ORDINARY				
Final for the previous year: No. 154 of 135 cents (2010: 62 cents) paid 18 April 2011	**145**	67	**161**	74
Interim for the current year: No. 155 of 78 cents (2010: 70 cents) paid 12 September 2011	**83**	75	**93**	83
Total ordinary dividends paid 213 cents (2010: 132 cents)	**228**	142	**254**	157
PREFERENCE				
Nos. 146 and 147 paid 15 June 2011 and 15 December 2011 respectively	**2**	2	**2**	2
	230	144	**256**	159
Proposed final dividend No. 156 for the year ended 31 December 2011 of 179 cents (2010: 135 cents) payable on 16 April 2012	**205**	145	**226**	161
Secondary tax on companies thereon	**21**	14	**23**	16

The proposed final dividend will be payable on the ordinary shares in issue at 31 December 2011, as well as on the 4 678 667 shares issued to KTH as a result of the acquisition of the KTH consortium's shareholding in AEL Holdco and the 4 426 604 shares issued as a result of the establishment of the AECI Community Education and Development Trust as part of the B-BBEE transaction approved by shareholders on 25 January 2012. See note 34.

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
26. CONTINGENT LIABILITIES				
Disputes with the SARS in respect of property realisation companies	**–**	87	**–**	–
	–	87	**–**	–

Four subsidiary companies objected to assessments issued by the SARS 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 the Founders Hill case. The SARS lodged an appeal to the Supreme Court of Appeal and, in a judgement delivered on 10 May 2011, this Court upheld the appeal with the proviso that Founders Hill was not liable for the payment of interest in terms of Section 89 quat of the Income Tax Act, No. 58 of 1962. A further appeal by Founders Hill to the Constitutional Court was dismissed with costs. Founders Hill has paid the assessed tax.

In light of the outcome of the Founders Hill case, the remaining companies have determined that it is probable that an outflow will be required to settle the obligations, for which provisions have been made.

R millions	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
27. COMMITMENTS				
Capital commitments authorised	**360**	88	**12**	31
Contracted for	**116**	49	**6**	3
Not contracted for	**244**	39	**6**	28
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.				
Future rentals on property, plant and equipment leased	**173**	196	**11**	26
Payable within one year	**43**	96	**4**	17
Payable between 1 year and 5 years	**112**	88	**7**	8
Payable thereafter	**18**	12	*****	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 the Group.				

** Nominal amount.*

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 them. Further quantitative disclosures are included with other relevant notes as indicated.

The Board 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.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

	CARRYING AMOUNT		FAIR VALUE	
R millions	**2011**	2010	**2011**	2010
GROUP				
FINANCIAL ASSETS				
Available-for-sale financial assets[1]	**2**	2	**2**	2
– Unlisted investments	**2**	2	**2**	2
Financial assets at fair value through profit and loss	**22**	23	**22**	23
– Forward exchange contracts	**22**	23	**22**	23
Loans and receivables	**3 675**	2 689	**3 675**	2 689
– Accounts receivable	**2 575**	1 915	**2 575**	1 915
– Cash	**1 061**	732	**1 061**	732
– Finance lease receivables	**29**	30	**29**	30
– Loans to associate companies	**3**	4	**3**	4
– Loans relating to unlisted investments	**7**	8	**7**	8
	3 699	2 714	**3 699**	2 714
FINANCIAL LIABILITIES				
– Accounts payable	**(2 822)**	(2 036)	**(2 822)**	(2 036)
– Forward exchange contracts	**(8)**	(8)	**(8)**	(8)
– Borrowings	**(2 928)**	(2 501)	**(2 928)**	(2 501)
	(5 758)	(4 545)	**(5 758)**	(4 545)
COMPANY				
FINANCIAL ASSETS				
Financial assets at fair value through profit and loss	**17**	14	**17**	14
– Forward exchange contracts	**17**	14	**17**	14
Loans and receivables	**1 065**	633	**1 065**	633
– Accounts receivable	**1 037**	624	**1 037**	624
– Cash	**22**	3	**22**	3
– Loans relating to unlisted investments	**6**	6	**6**	6
	1 082	647	**1 082**	647
FINANCIAL LIABILITIES				
– Accounts payable	**(1 212)**	(789)	**(1 212)**	(789)
– Forward exchange contracts	**(3)**	1	**(3)**	1
– Borrowings	**(2 970)**	(2 470)	**(2 970)**	(2 470)
	(4 185)	(3 258)	**(4 185)**	(3 258)

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 in 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 euro, Japanese yen, pound sterling and US dollar. 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 euro, Japanese yen, pound sterling and US dollar.

The rand value of the hedged items, based on the contract rates, at 31 December 2011 for the Group was R75 million (2010: R112 million).

The Group's profit on the hedging instruments for the year was R14 million (2010: R15 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 2011 was minimal (2010: R22 million).

The cash flows relating to the hedging instruments will occur in 2012 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 R200 000 (2010: debit of R300 000).

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Currency risk (continued)

Millions	Foreign currency	FOREIGN AMOUNT 2011	FOREIGN AMOUNT 2010	RAND AMOUNT 2011	RAND AMOUNT 2010
Transactions in foreign currencies					
GROUP					
Forward exchange contracts at 31 December, relating to specific items in the Statement of Financial Position					
Accounts receivable				**31**	43
	US dollar	**4**	6	**31**	43
Accounts payable				**335**	301
	Euro	**4**	8	**50**	76
	Japanese yen	**32**	57	**4**	5
	Pound sterling	**1**	1	**15**	16
	US dollar	**34**	29	**266**	204
Borrowings				**146**	33
	US dollar	**18**	5	**146**	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				**89**	60
	Euro	**4**	*	**40**	1
	Japanese yen	**112**	–	**12**	–
	Pound sterling	*	*	*	3
	US dollar	**4**	8	**37**	56
Exports				**293**	193
	US dollar	**36**	28	**293**	193
COMPANY					
Forward exchange contracts at 31 December, relating to specific items in the Statement of Financial Position					
Accounts receivable				**16**	43
	US dollar	**2**	6	**16**	43
Accounts payable				**258**	225
	Euro	**3**	5	**35**	46
	Pound sterling	**–**	*	**–**	1
	US dollar	**29**	25	**223**	178
Borrowings				**146**	33
	US dollar	**18**	5	**146**	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				**53**	25
	Euro	**3**	*	**29**	1
	US dollar	**3**	4	**24**	24
Exports				**–**	33
	US dollar	**–**	5	**–**	33

* *Nominal amount.*

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

	2011				2010			
Millions	Euro	Pound sterling	US dollar	Other	Euro	Pound sterling	US dollar	Other
EXPOSURE TO CURRENCY RISK								
THE GROUP'S EXPOSURE TO FOREIGN CURRENCY RISK AT 31 DECEMBER WAS:								
Cash and cash equivalents	**14**	**2**	**85**	**20**	11	1	153	115
Trade receivables	**8**	*	**354**	**36**	9	*	110	6
Other receivables	*	*	**1**	*	–	–	–	–
Finance lease receivables	–	–	–	**18**	–	–	12	19
Interest-bearing liabilities	–	–	**(191)**	**(41)**	–	–	(116)	(38)
Trade payables	**(64)**	**(22)**	**(419)**	**(35)**	(61)	(19)	(204)	(48)
Other payables	–	–	–	–	–	–	(12)	–
Gross exposure	**(42)**	**(20)**	**(170)**	**(2)**	(41)	(18)	(57)	54
Forward exchange contracts	**90**	**15**	**125**	**16**	77	19	57	5
Net exposure	**48**	**(5)**	**(45)**	**14**	36	1	–	59
THE COMPANY'S EXPOSURE TO FOREIGN CURRENCY RISK AT 31 DECEMBER WAS:								
Cash and cash equivalents	**(2)**	*	**4**	*	1	*	2	*
Trade receivables	**6**	–	**27**	**9**	4	–	23	–
Loans to subsidiaries	–	–	**260**	–	–	–	175	–
Interest-bearing liabilities	–	–	**(191)**	**(41)**	–	–	(116)	(38)
Trade payables	**(35)**	**(1)**	**(286)**	*	(31)	(1)	(134)	–
Other payables	–	–	–	–	–	–	(12)	–
Loans from subsidiaries	–	–	**(40)**	–	–	–	(38)	–
Gross exposure	**(31)**	**(1)**	**(226)**	**(32)**	(26)	(1)	(100)	(38)
Forward exchange contracts	**64**	–	**377**	–	47	1	159	–
Net exposure	**33**	**(1)**	**151**	**(32)**	21	–	59	(38)

** Nominal amount.*

The following significant exchange rates applied during the year:

	CLOSING RATE		AVERAGE RATE	
Rand	**2011**	2010	**2011**	2010
Euro	**10,51**	8,88	**10,08**	9,62
Japanese yen	**0,10**	0,08	**0,09**	0,08
Pound sterling	**12,53**	10,31	**11,61**	11,23
US dollar	**8,15**	6,65	**7,25**	7,32

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:

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
Other Comprehensive Income	*	*	**(22)**	(14)
Profit for the year before tax	**(1)**	6	**7**	30

** 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	**2011**	2010	**2011**	2010	**2011**	2010
GROUP						
Rand						
– Current	**548**	586	**212**	22	**336**	564
– Non-current	**1 465**	1 013	**1 100**	312	**365**	701
Other						
– Current	**191**	33	**190**	33	**1**	–
– Non-current	**42**	120	**41**	120	**1**	–
TOTAL	**2 246**	1 752	**1 543**	487	**703**	1 265
COMPANY						
Rand						
– Current	**336**	559	**–**	–	**336**	559
– Non-current	**1 465**	801	**1 100**	100	**365**	701
Other						
– Current	**190**	33	**190**	33	**–**	–
– Non-current	**41**	120	**41**	120	**–**	–
TOTAL	**2 032**	1 513	**1 331**	253	**701**	1 260

	FIXED RATE FINANCIAL LIABILITIES		WEIGHTED AVERAGE INTEREST RATE (%)		WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED (months)	
R millions	**2011**	2010	**2011**	2010	**2011**	2010
GROUP						
Rand						
– Current	**336**	564	**10,4**	10,9	**12,0**	10,0
– Non-current	**365**	701	**10,4**	10,4	**24,0**	30,3
Other						
– Current	**1**	–	**10,7**	10,7	**12,0**	12,0
– Non-current	**1**	–	**10,7**	10,7	**24,0**	48,0
TOTAL	**703**	1 265	**10,4**	10,6	**18,3**	21,2
COMPANY						
Rand						
– Current	**336**	559	**10,4**	10,8	**12,0**	10,0
– Non-current	**365**	701	**10,4**	10,4	**24,0**	30,3
TOTAL	**701**	1 260	**10,4**	10,6	**18,3**	21,3

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						
2011						
FINANCIAL LIABILITIES						
Secured non-current borrowings	**2**	**2**	**1**	**1**	**–**	**–**
Unsecured non-current borrowings	**2 244**	**2 244**	**738**	**506**	**1 000**	**–**
Unsecured current borrowings	**682**	**682**	**682**	**–**	**–**	**–**
Interest on non-current borrowings[1]	**25**	**394**	**169**	**138**	**87**	**–**
Trade payables and closure costs	**1 963**	**1 963**	**1 963**	**–**	**–**	**–**
Other payables	**874**	**874**	**874**	**–**	**–**	**–**
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
– inflows	**(22)**	**(293)**	**(293)**	**–**	**–**	**–**
– outflows	**8**	**89**	**89**	**–**	**–**	**–**
Total financial liabilities	**5 776**	**5 955**	**4 223**	**645**	**1 087**	**–**
Percentage profile (%)		**100**	**71**	**11**	**18**	**–**
2010						
FINANCIAL LIABILITIES						
Secured non-current borrowings	5	5	5	–	–	–
Unsecured non-current borrowings	1 747	1 747	615	630	502	–
Unsecured current 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	–

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)

(i) Maturity profile of financial liabilities at 31 December (continued)

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
COMPANY						
2011						
FINANCIAL LIABILITIES						
Unsecured non-current borrowings	**2 032**	**2 032**	**526**	**506**	**1 000**	**–**
Unsecured current borrowings	**938**	**938**	**938**	**–**	**–**	**–**
Interest on non-current borrowings [1]	**25**	**386**	**161**	**138**	**87**	**–**
Trade payables and closure costs	**976**	**976**	**976**	**–**	**–**	**–**
Other payables	**251**	**251**	**251**	**–**	**–**	**–**
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
– inflows	**–**	**–**	**–**	**–**	**–**	**–**
– outflows	**3**	**53**	**53**	**–**	**–**	**–**
Total financial liabilities	**4 225**	**4 636**	**2 905**	**644**	**1 087**	**–**
Percentage profile (%)		**100**	**63**	**14**	**23**	**–**
2010						
FINANCIAL LIABILITIES						
Unsecured non-current borrowings	1 513	1 513	592	419	502	
Unsecured current 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	–

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 investing with financially sound institutions only 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 11.

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 36, joint ventures in note 35 and associate companies in note 7.

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.

No dividends were received from associate companies (2010: R2 million) and loans to associate companies amounted to R3 million (2010: R4 million was loaned from associate companies) (see note 7).

Transactions with Directors are disclosed in note 31.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

	COMPANY	
R millions	**2011**	2010
THE TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE AS FOLLOWS:		
Sales by the Company to		
– Subsidiaries	**415**	347
Sales to the Company by		
– Subsidiaries	**98**	46
Dividends received by the Company from		
– Subsidiaries	**113**	88
Interest received by the Company from		
– Subsidiaries	**263**	300
– Joint ventures	**2**	2
Interest paid by the Company to		
– Subsidiaries	**34**	35
– Joint ventures	**4**	4
Rental of premises to the Company by		
– AECI Pension Fund	**10**	5
– Subsidiaries	**13**	19
Commission and administration fees paid by the Company to		
– Subsidiaries	**43**	36
Company contributions to pension and provident funds		
– AECI Pension Fund	**16**	22
– AECI Supplementary Pension Fund	**2**	2
– AECI Employees Provident Fund	**9**	10
OUTSTANDING BALANCES WITH RELATED PARTIES OF THE COMPANY AT 31 DECEMBER WERE AS FOLLOWS:		
Amounts owing to the Company by		
– Subsidiaries	**5 448**	4 108
– Joint ventures	**11**	22
Amounts owing by the Company to		
– Subsidiaries	**1 733**	615
– Joint ventures	**31**	83

29. RELATED PARTY INFORMATION

	GROUP	
R millions	**2011**	2010
Key Management personnel compensation:		
– short-term employee benefits	**32**	30
– post-retirement benefits	**2**	2
– other long-term benefits	**4**	4
– termination benefits	**–**	1
	38	37

Key Management personnel are the Managing Directors or equivalent of operating businesses.

The key Management personnel compensation above excludes Directors' and Prescribed Officers' remuneration which is included in note 31.

30. 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.

At 31 December 2011 the following funds were in existence:

	Date of last statutory valuation
Defined-benefit funds	
– AECI Pension Fund	1 March 2011
– AECI Employees Pension Fund	1 March 2011
– AECI Supplementary Pension Fund	1 March 2011
– Dulux Employees Pension Fund	1 March 2011
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% of earnings.

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 applied at 31 December in the valuation were as follows:

%	**2011**	2010
Discount rate	**9,25**	9,00
Expected return on plan assets	**9,25**	9,00
Future price inflation	**5,90**	5,20
Future salary increases	**7,40**	6,70
Future pension increases	**5,30**	4,70

30. EMPLOYEE BENEFITS (continued)

RETIREMENT BENEFITS (continued)

The total cost in the Income Statement of R45 million (2010: R44 million) in respect of the defined-contribution funds represents contributions payable by the Group at the rates specified in the rules of schemes. Amounts recognised in the Income Statement in respect of the defined-benefit funds were as follows:

	GROUP	
R millions	**2011**	2010
Current service cost	**(88)**	(72)
Interest cost	**(625)**	(623)
Expected return on plan assets	**979**	999
Net actuarial loss in the year	**(299)**	(377)
Recognised in the Income Statement in respect of defined-benefit funds	**(33)**	(73)
Actual return on plan assets	**1 127**	1 429

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	**2011**	2010
Fair value of plan assets	**11 751**	11 132
At the beginning of the year	**11 132**	10 565
Expected return on plan assets	**979**	999
Net actuarial gain	**148**	430
Employer contributions	**62**	67
Employee contributions	**41**	38
Benefits paid	**(611)**	(967)
Present actuarial value of defined-benefit obligations	**(7 693)**	(7 143)
At the beginning of the year	**(7 143)**	(6 766)
Current service cost	**(88)**	(72)
Interest cost	**(625)**	(623)
Employee contributions	**(41)**	(38)
Benefits paid	**611**	967
Net actuarial loss	**(407)**	(611)
	4 058	3 989
Less: Pension Fund employer surplus accounts	**(259)**	(230)
Surplus of plan assets over defined-benefit obligations	**3 799**	3 759
INCLUDED IN THE FAIR VALUE OF PLAN ASSETS WERE:		
279 158 AECI Limited ordinary shares (2010: 300 005)	**23**	25
60% share of The Woodlands Office Park	**1 194**	1 015
AECI occupies Buildings 23 and 24, being approximately 4,1%, of The Woodlands		
The fair value is determined annually at the fund's reporting date		

The estimated employer contributions for the next financial year to the Group's defined-benefit funds is R66 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.

30. EMPLOYEE BENEFITS (continued)

HISTORICAL INFORMATION ON RETIREMENT BENEFITS

	GROUP				
R millions	**2011**	2010	2009	2008	2007
Fair value of plan assets	**11 751**	11 132	10 565	9 880	10 758
Present actuarial value of defined-benefit obligations	**(7 693)**	(7 143)	(6 766)	(6 390)	(6 274)
	4 058	3 989	3 799	3 490	4 484
Less: Pension Fund employer surplus accounts	**259**	230	236	213	226
Surplus of plan assets over defined-benefit obligations	**3 799**	3 759	3 563	3 277	4 258

POST-RETIREMENT MEDICAL AID BENEFITS

The Group provides medical aid benefits for 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	
%	**2011**	2010
Annual increase in healthcare costs	**7,90**	7,13
Discount rate	**9,25**	9,00

Based on interim valuations by the funds' actuaries, the funded status of the defined-benefit funds at 31 December was as follows:

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
Present actuarial value of defined-benefit obligations	**1 184**	1 133	**870**	839
At the beginning of the year	**1 133**	994	**839**	753
Current service cost	**6**	6	**2**	2
Interest cost	**99**	95	**73**	73
Liabilities extinguished on settlements	**(81)**	(70)	**(65)**	(58)
Net actuarial loss	**27**	108	**21**	69

Estimated employer's contributions in respect of post-retirement medical aid benefits for the coming year: Group – R33 million; Company – R27 million.

HISTORICAL INFORMATION ON POST-RETIREMENT MEDICAL AID BENEFITS

	GROUP				
R millions	**2011**	2010	2009	2008	2007
Present actuarial value of defined-benefit obligations	**(1 184)**	(1 133)	(994)	(919)	(797)
Fair value of plan assets (see note 15)	**417**	412	417	406	463
Net liabilities	**(767)**	(721)	(577)	(513)	(334)

30. EMPLOYEE BENEFITS (continued)

POST-RETIREMENT MEDICAL AID BENEFITS (continued)

	COMPANY				
R millions	**2011**	2010	2009	2008	2007
Present actuarial value of defined-benefit obligations	**(870)**	(839)	(753)	(712)	(616)
Fair value of plan assets (see note 15)	**316**	314	320	313	359
Net liabilities	**(554)**	(525)	(433)	(399)	(257)

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	
R millions	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Current service cost	–	–	–	–
Interest cost	–	–	–	–
Increase/(decrease) in carrying amount of post-retirement medical aid obligation	**106**	**(153)**	**78**	**(111)**

SHARE OPTION SCHEME

AECI 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

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 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.

30. EMPLOYEE BENEFITS (continued)

SHARE OPTION SCHEME (continued)

Details of outstanding share options at 31 December 2011 were:

		NUMBER OF SHARES			
Expiry date	Exercise price (Rand)	Granted	Exercised	Lapsed or forfeited	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	1 431 000	29 000	–
May 2013	23,60	413 900	177 220	–	236 680
		7 564 900	**6 983 220**	**345 000**	**236 680**

Movements in the number of share options held by employees were as follows:

	NUMBER OF OPTIONS	
	2011	2010
Outstanding at the beginning of the year	**491 500**	630 800
Lapsed or forfeited during the year	**(29 000)**	(20 000)
Exercised during the year		
– Exercised against share options hedge[1]	**(225 820)**	(119 300)
Outstanding at the end of the year	**236 680**	491 500
Details of share options exercised during the year		
Expiry date	**2011 – 2013**	2010 – 2013
Weighted average exercise price per share (rand)	**18,41**	19,71

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.

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS)

AECI 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 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.

30. EMPLOYEE BENEFITS (continued)

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS) (continued)

Details of outstanding benefit units at 31 December 2011 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	87 560	38 710	205 930
July 2016	August 2006	56,00	221 085	17 936	32 748	170 401
February 2017	March 2007	70,90	199 725	2 850	32 375	164 500
July 2017	August 2007	80,45	29 200	–	29 200	–
February 2018	March 2008	67,25	184 550	2 110	41 440	141 000
February 2019	March 2009	43,42	382 650	980	28 400	353 270
February 2020	March 2010	59,80	399 316	–	–	399 316
February 2021	March 2011	83,82	447 640	–	–	447 640
			2 196 366	**111 436**	**202 873**	**1 882 057**

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
Cash-settled share-based payment transactions recognised in the Income Statement	**5**	20	**5**	20
Total carrying amount of cash-settled share-based transaction liabilities	**44**	40	**44**	40

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS)

AECI 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 from 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 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.

30. EMPLOYEE BENEFITS (continued)

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS) (continued)

Details of outstanding EBIS units at 31 December 2011 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	4 739 500	457 500	2 453 000
February 2015	March 2005	3,92	7 927 350	2 846 580	1 034 610	4 046 160
July 2016	August 2006	5,16	5 519 000	364 700	1 044 080	4 110 220
February 2017	March 2007	5,42	6 137 100	234 190	1 084 610	4 818 300
July 2017	August 2007	5,97	394 000	–	394 000	–
February 2018	March 2008	5,12	5 417 800	63 600	936 800	4 417 400
February 2019	March 2009	5,96	6 258 700	–	337 800	5 920 900
February 2020	March 2010	3,34	18 594 101	–	–	18 594 101
February 2021	March 2011	5,84	17 643 920	–	–	17 643 920
			75 541 971	**8 248 570**	**5 289 400**	**62 004 001**

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 significant 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.

30. EMPLOYEE BENEFITS (continued)

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS) (continued)

Details of outstanding EBIS units at 31 December 2011 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	2 963 400	422 400	211 200
February 2013	March 2003	2,35	8 298 400	7 170 400	730 000	398 000
August 2013	September 2003	2,50	860 000	750 000	70 000	40 000
February 2015	March 2005	2,97	10 472 000	8 330 900	710 100	1 431 000
July 2016	August 2006	3,45	9 332 500	4 708 000	1 492 200	3 132 300
February 2017	March 2007	4,30	8 090 300	3 283 440	1 305 430	3 501 430
February 2018	March 2008	4,77	8 224 600	2 206 700	1 491 640	4 526 260
February 2019	March 2009	7,37	5 820 000	17 000	1 062 000	4 741 000
			54 694 800	**29 429 840**	**7 283 770**	**17 981 190**

	GROUP		COMPANY	
R millions	**2011**	2010	**2011**	2010
Total carrying amount of EBIS liabilities (see note 15)	**151**	90	**128**	67

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS

INTEREST OF DIRECTORS AND PRESCRIBED OFFICERS IN THE SHARE CAPITAL OF THE COMPANY

The aggregate beneficial holdings of the Directors and Prescribed Officers of the Company in the issued ordinary shares of the Company at 31 December 2011 were as follows:

	NUMBER OF SHARES			
	2011 Direct	**2011 Indirect**	2010 Direct	2010 Indirect
Executive Directors				
GN Edwards	**2 010**	**–**	2 010	–
	2 010	**–**	2 010	–
Non-Executive Directors				
S Engelbrecht	**46 629**	**600**	46 629	600
MJ Leeming	**2 500**	**2 000**	2 500	7 000
	49 129	**2 600**	49 129	7 600
	51 139	**2 600**	51 139	7 600

On 5 March 2012, S Engelbrecht sold 40 000 shares, in which he had a direct beneficial interest, which generated proceeds of R3 677 200. There were no other changes subsequent to the end of the reporting period.

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (continued)

NON-EXECUTIVE DIRECTORS' REMUNERATION

R thousands	Directors' fees	Chairman/ Committee fees	Attendance fees [1]	**2011 Total**	2010 Total
RMW Dunne	170	345	112	**627**	556
S Engelbrecht	170	128	72	**370**	334
Z Fuphe	170	81	32	**283**	227
MJ Leeming	170	242	88	**500**	528
LL Mda (appointed on 1 April 2011)	126	–	24	**150**	–
AJ Morgan	170	189	88	**447**	151
LM Nyhonyha	170	213	88	**471**	400
R Ramashia	170	93	56	**319**	138
F Titi	74	704	64	**842**	724
	1 390	1 995	624	**4 009**	3 058

EXECUTIVE DIRECTORS' REMUNERATION

R thousands	FPP Baker [2]	GN Edwards	KM Kathan	**Total**
2011				
Basic salary		**3 002**	**2 472**	**5 474**
Bonus and performance-related payments [3]		**3 736**	**3 162**	**6 898**
Expense allowances, medical aid and insurance contributions		**430**	**409**	**839**
Retirement fund contributions		**410**	**283**	**693**
Aggregate emoluments paid by the Company		**7 578**	**6 326**	**13 904**
2010				
Basic salary	533	2 806	2 310	5 649
Bonus and performance-related payments [3]	–	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
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

1 From 1 June 2011 the structure of Non-Executive Directors' remuneration was amended to incorporate a meeting attendance fee of R8 000 per meeting.

2 FPP Baker retired on 31 March 2010.

3 Bonus and performance-related amounts are in respect of current year performance but are paid in the following year.

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (continued)

PRESCRIBED OFFICERS REMUNERATION [1]

R thousands	JAA Diepenbroek	MA Dytor	TJ Louw	EE Ludick	SM Venter	Total
2011						
Basic salary	**1 903**	**2 093**	**2 087**	**1 614**	**1 751**	**9 448**
Bonus and performance-related payments [2]	**1 837**	**2 644**	**1 881**	**1 100**	**1 149**	**8 611**
Expense allowances, medical aid and insurance contributions	**376**	**514**	**456**	**497**	**479**	**2 322**
Leave pay and long service award	**–**	**91**	**–**	**17**	**–**	**108**
Retirement fund contributions	**186**	**249**	**203**	**190**	**201**	**1 029**
Earnings-based incentive scheme payments	**–**	**906**	**–**	**762**	**949**	**2 617**
Benefit unit payments	**–**	**–**	**–**	**–**	**–**	**–**
Aggregate emoluments	**4 302**	**6 497**	**4 627**	**4 180**	**4 529**	**24 135**
Aggregate emoluments paid by subsidiaries	**(4 302)**	**(6 352)**	**(4 627)**	**(4 180)**	**(4 529)**	**(23 990)**
Aggregate emoluments paid by the Company	**–**	**145**	**–**	**–**	**–**	**145**
2010						
Basic salary	1 730	1 817	1 950	1 376	1 492	8 365
Bonus and performance-related payments [2]	1 422	1 755	1 934	1 153	1 555	7 819
Expense allowances, medical aid and insurance contributions	351	334	364	303	301	1 653
Retirement fund contributions	262	201	190	153	164	970
Earnings-based incentive scheme payments	–	–	–	63	–	63
Benefit unit payments	–	206	–	–	–	206
Aggregate emoluments	3 765	4 313	4 438	3 048	3 512	19 076
Aggregate emoluments paid by subsidiaries	(3 765)	(4 107)	(4 438)	(3 048)	(3 512)	(18 870)
Aggregate emoluments paid by the Company	–	206	–	–	–	206

AGGREGATE REMUNERATION

R thousands	**2011 Total**	2010 Total
Non-Executive Directors	**4 009**	3 058
Executive Directors	**13 904**	12 492
Prescribed Officers	**24 135**	19 076
	42 048	34 626

1 Members of the AECI Executive Committee exercise general control over and management of the business and activities of the company. There are no other persons who exercise such control over the business or a significant portion thereof. The AECI Executive Committee members are the Company's Prescribed Officers.

2 Bonus and performance-related amounts are in respect of current year performance but are paid in the following year.

3 There were no pensions paid by the Company to any Directors, Prescribed Officers, past Directors or past Prescribed Officers of the Company.

4 No compensation was paid to any Directors, Prescribed Officers, past Directors or past Prescribed Officers for loss of office.

5 There are no service contracts with any Executive Directors or Prescribed Officers which have a notice period of longer than one month.

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (continued)

LONG-TERM INCENTIVE SCHEMES

Certain Directors and Prescribed Officers have outstanding share options and long-term incentive units under the long-term incentive schemes as described in note 30.

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS)

Included in outstanding benefit units were the following units granted to Directors and Prescribed Officers:

			NUMBER OF UNITS		
	Date granted	Issue price (Rand)	Granted	Exercised	Outstanding
MA Dytor	March 2005	41,00	7 300	7 300	–
	August 2006	56,00	4 300	–	4 300
	March 2007	70,90	3 500	–	3 500
	March 2008	67,25	4 250	–	4 250
	March 2009	43,42	7 910	–	7 910
	March 2010	59,80	7 600	–	7 600
	March 2011	83,82	6 600	–	6 600
JAA Diepenbroek	March 2009	43,42	19 000	–	19 000
	March 2010	59,80	7 594	–	7 594
	March 2011	83,82	6 000	–	6 000
GN Edwards	March 2005	41,00	10 300	–	10 300
	August 2006	56,00	6 700	–	6 700
	March 2007	70,90	5 750	–	5 750
	March 2008	67,25	26 000	–	26 000
	March 2009	43,42	41 300	–	41 300
	March 2010	59,80	32 542	–	32 542
	March 2011	83,82	25 100	–	25 100
S Engelbrecht	March 2005	41,00	57 000	–	57 000
	August 2006	56,00	28 125	–	28 125
	March 2007	70,90	26 200	–	26 200
KM Kathan	March 2009	43,42	59 700	–	59 700
	March 2010	59,80	47 320	–	47 320
	March 2011	83,82	18 100	–	18 100
TJ Louw	August 2006	56,00	2 950	–	2 950
	March 2007	70,90	2 500	–	2 500
	March 2008	67,25	5 100	–	5 100
	March 2009	43,42	9 500	–	9 500
	March 2010	59,80	8 560	–	8 560
	March 2011	83,82	6 500	–	6 500
EE Ludick	March 2010	59,80	5 800	–	5 800
	March 2011	83,82	5 100	–	5 100
SM Venter	August 2006	56,00	2 950	–	2 950
	March 2007	70,90	2 500	–	2 500
	March 2010	59,80	6 200	–	6 200
	March 2011	83,82	5 500	–	5 500
			521 351	**7 300**	**514 051**

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (continued)

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS) (continued)

Movements in the number of benefit units held by Directors and Prescribed Officers were as follows:

	NUMBER OF UNITS	
	2011	2010
Outstanding at the beginning of the year	**441 151**	332 835
Issued during the year	**72 900**	115 616
Exercised during the year	**–**	(7 300)
Outstanding at the end of the year	**514 051**	441 151

In 2010, MA Dytor exercised 7 300 benefit units which generated a benefit of R206 225 before tax. None of the other Directors or Prescribed Officers exercised any benefit units in either the current or the prior year.

On 7 March 2012, S Engelbrecht exercised all of his outstanding benefit units, which generated a benefit of R4 505 718 before tax.

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS)

Included in outstanding EBIS units are the following units granted to directors and prescribed officers:

			NUMBER OF UNITS		
	Date granted	Issue price (Rand)	Granted	Exercised	Outstanding
MA Dytor	March 2005	3,92	75 500	75 500	–
	August 2006	5,16	46 600	–	46 600
	March 2007	5,42	45 800	–	45 800
	March 2010	3,34	407 900	–	407 900
	March 2011	5,84	282 300	–	282 300
JAA Diepenbroek	March 2009	5,96	415 000	–	415 000
	March 2010	3,34	407 898	–	407 898
	March 2011	5,84	256 600	–	256 600
GN Edwards	March 2003	3,40	275 000	–	275 000
	March 2005	3,92	323 000	–	323 000
	August 2006	5,16	220 000	–	220 000
	March 2007	5,42	225 400	–	225 400
	March 2008	5,12	340 700	–	340 700
	March 2009	5,96	300 700	–	300 700
	March 2010	3,34	582 636	–	582 636
	March 2011	5,84	359 900	–	359 900
S Engelbrecht	March 2003	3,40	470 000	–	470 000
	March 2005	3,92	596 400	–	596 400
	August 2006	5,16	305 250	–	305 250
	March 2007	5,42	342 500	–	342 500
KM Kathan	March 2009	5,96	435 000	–	435 000
	March 2010	3,34	847 231	–	847 231
	March 2011	5,84	259 200	–	259 200
TJ Louw	March 2008	5,12	200 300	–	200 300
	March 2009	5,96	207 500	–	207 500
	March 2010	3,34	459 768	–	459 768
	March 2011	5,84	281 400	–	281 400
EE Ludick	March 2010	3,34	308 900	–	308 900
	March 2011	5,84	217 600	–	217 600
SM Venter	March 2010	3,34	335 100	–	335 100
	March 2011	5,84	236 100	–	236 100
			10 067 183	**75 500**	**9 991 683**

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (continued)

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS) (continued)

Movements in the number of EBIS units held by Directors and Prescribed Officers were as follows:

	NUMBER OF UNITS	
	2011	2010
Outstanding at the beginning of the year	**8 174 083**	4 824 650
Issued during the year	**1 893 100**	3 349 433
Exercised during the year	**(75 500)**	–
Outstanding at the end of the year	**9 991 683**	8 174 083

During the year, MA Dytor exercised 75 500 EBIS units which generated a benefit of R144 960 before tax. None of the other Directors or Prescribed Officers exercised any EBIS units in either the current or the prior year.

On 7 March 2012, S Engelbrecht exercised all of his outstanding EBIS units which generated a benefit of R4 991 694 before tax.

EARNINGS-BASED INCENTIVE SCHEMES (EBIS UNITS)

Included in outstanding EBIS units were the following units granted to by a subsidiary to certain Prescribed Officers:

			NUMBER OF UNITS		
	Date granted	Issue price (Rand)	Granted	Exercised	Outstanding
MA Dytor	March 2005	2,97	190 000	190 000	–
	August 2006	3,45	130 000	78 000	52 000
	March 2007	4,30	120 000	72 000	48 000
	March 2008	4,77	108 000	72 000	36 000
	March 2009	7,37	135 000	–	135 000
TJ Louw	March 2005	2,97	190 000	–	190 000
	August 2006	3,45	160 000	–	160 000
	March 2007	4,30	145 000	–	145 000
EE Ludick	March 2005	2,97	190 000	190 000	–
	August 2006	3,45	125 000	75 000	50 000
	March 2007	4,30	115 000	69 000	46 000
	March 2008	4,77	190 000	76 000	114 000
	March 2009	7,37	150 000	–	150 000
SM Venter	March 2005	2,97	190 000	190 000	–
	August 2006	3,45	160 000	96 000	64 000
	March 2007	4,30	145 000	87 000	58 000
	March 2008	4,77	190 000	76 000	114 000
	March 2009	7,37	150 000	–	150 000
			2 783 000	**1 271 000**	**1 512 000**

Movements in the number of EBIS units held by Directors and Prescribed Officers were as follows:

	NUMBER OF UNITS	
	2011	2010
Outstanding at the beginning of the year	**2 155 000**	2 180 000
Exercised during the year	**(643 000)**	(25 000)
Outstanding at the end of the year	**1 512 000**	2 155 000

MA Dytor exercised 222 000 EBIS units which generated a benefit of R761 432 before tax, EE Ludick exercised 147 000 (2010: 25 000) EBIS units which generated a benefit of R761 732 (2010: R63 250) before tax, and SM Venter exercised 274 000 EBIS units which generated a benefit of R949 298 before tax.

None of the other Directors or Prescribed Officers exercised any EBIS units in either the current or the prior year.

31. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS AND INTERESTS (continued)

SHARE OPTION SCHEME

Included in outstanding share options were the following options granted to Directors and Prescribed Officers:

	Exercise price (Rand)	NUMBER OF OPTIONS Granted	Exercised	Outstanding	Value
GN Edwards	23,60	14 000	–	14 000	826 560
S Engelbrecht	4,50	50 000	50 000	–	–
	17,50	40 000	40 000	–	–
	23,60	67 600	–	67 600	3 991 104
		171 600	**90 000**	**81 600**	**4 817 664**

The value of the options is based on the closing price of R82,64 of AECI shares on 30 December 2011.

On 5 March 2012, S Engelbrecht exercised 67 600 options which generated a benefit of R4 596 462 before tax.

Movements in the number of share options held by Directors and Prescribed Officers were as follows:

	NUMBER OF OPTIONS 2011	2010
Outstanding at the beginning of the year	**81 600**	115 600
Changes in Directors during the year	**–**	(34 000)
Outstanding at the end of the year	**81 600**	81 600

None of the Directors or Prescribed Officers exercised any share options in either the current or the prior year.

32. OPERATING SEGMENTS

R millions	EXTERNAL REVENUE 2011	2010	INTERSEGMENT REVENUE 2011	2010	TOTAL SEGMENT REVENUE 2011	2010
Explosives	**5 448**	4 790	**46**	42	**5 494**	4 832
Specialty chemicals	**7 217**	6 178	**341**	275	**7 558**	6 453
Property	**402**	307	**74**	63	**476**	370
Specialty fibres	**330**	294	**3**	–	**333**	294
Inter-segment	**–**	–	**(464)**	(380)	**(464)**	(380)
	13 397	11 569	**–**	–	**13 397**	11 569

R millions	PROFIT FROM OPERATIONS 2011	2010	DEPRECIATION AND AMORTISATION 2011	2010	IMPAIRMENTS/ (REVERSALS) 2011	2010
Explosives	**510**	378	**224**	172	**–**	–
Specialty chemicals	**881**	811	**154**	146	**–**	32
Property	**99**	66	**5**	5	**–**	–
Specialty fibres	**53**	33	**10**	9	**–**	–
Group services	**(227)**	(226)	**2**	*	**–**	–
	1 316	1 062	**395**	332	**–**	32

R millions	ASSETS 2011	2010	LIABILITIES 2011	2010	CAPITAL EXPENDITURE 2011	2010
Explosives	**3 536**	3 041	**967**	747	**150**	344
Specialty chemicals	**5 952**	4 912	**1 904**	1 195	**276**	241
Property	**856**	786	**94**	60	**14**	6
Specialty fibres	**197**	162	**22**	19	**5**	24
Group services	**143**	53	**–**	155	**30**	19
	10 684	8 954	**2 987**	2 176	**475**	634

* *Nominal amount.*

Transactions between segments are at prices considered to be at arm's length.

32. OPERATING SEGMENTS (continued)

R millions	GROUP 2011	2010
ASSETS CONSIST OF		
Property, plant and equipment	**3 721**	3 564
Investment property	**436**	440
Intangible assets	**77**	–
Goodwill	**1 078**	1 035
Inventory	**2 584**	1 892
Accounts receivable	**2 772**	2 023
Assets classified as held for sale	**16**	–
	10 684	8 954
LIABILITIES CONSIST OF		
Accounts payable	**2 987**	2 176

33. BUSINESS COMBINATIONS

The following acquisitions, paid for in cash, were made by the Group during the year:

Acquiree	Date of acquisition	% shares acquired	Consideration R millions
SUBSIDIARY ACQUIRED			
Protank[†1]	1 September 2011	32	17
Instavet[1]	1 October 2011	100	20
BUSINESSES ACQUIRED			
T&C Chemicals[2]	1 February 2011		18
Qwemico Distributors[2]	1 March 2011		34
Croxton Chemicals[2]	1 September 2011		42
			131

Acquisitions during the year had the following effect on the Group's assets and liabilities:

R millions	
Acquirees' net assets at the acquisition date	
Property, plant and equipment	48
Intangible assets	62
Inventory	30
Accounts receivable	175
Cash and cash equivalents	4
Tax payable and deferred tax	(26)
Accounts payable	(192)
Net identifiable assets and liabilities	101
Non-controlling interest acquired	(12)
Goodwill on acquisition	42
Consideration	131
Less: contingency payment outstanding	(7)
Net cash flow	124

† Crest Chemicals acquired a 64% shareholding in Protank.

1 The profit after tax from the date of acquisition was not material to the Group, given the date acquired.

2 The acquirees' profit or loss since the acquisition date cannot be determined due to the fact the businesses acquired were merged with existing cash-generating units in the Group.

34. SUBSEQUENT EVENTS

During the year, the Company proposed two B-BBEE transactions, as described on page 117. The first of these was the Kagiso Tiso Holdings ("KTH") transaction. The second involved subscription by an employee share trust ("EST") and a community education and development trust ("CST") for shares in the Company. The transactions require no external bank funding.

The KTH transaction involved the purchase of the 25,1% interest in AEL Holdco Limited held by Kagiso Tiso Holdings Proprietary Limited (RF) (75% of the holding) and the TISO AEL Development Trust ("the Trust") (25% of the holding), in exchange for ordinary shares in AECI. AECI shareholders passed ordinary resolutions on 24 November 2011 placing 4 678 667 ordinary shares under the control of the Directors and authorised the Directors to issue those shares only for the purpose of the proposed transaction between the Company, KTH and the Trust.

The Company entered into an agreement with KTH and the Trust on 15 December 2011 in terms of which the Company acquired KTH's interest in AEL Holdco Limited in exchange for 3 509 000 ordinary shares and the Trust's interest in exchange for 1 169 667 ordinary shares, subject to certain suspensive conditions including the issuance of a compliance or exemption certificate by the Take-over and Regulations Panel. All suspensive conditions were fulfilled by 15 January 2012 and the shares were issued and listed on the JSE on 18 January 2012.

The transaction will be recognised as a change in ownership interest in terms of IAS 27, with the carrying amounts of controlling and non-controlling interests being adjusted. The transaction will be measured at the fair value of the consideration paid and is based on the closing price of R83,98 of the Company's shares on 17 January 2012. The shares issued will be recognised in equity with R5 million in share capital, R1 par value shares issued, and R388 million in share premium. The non-controlling interest will be reduced by the carrying amount of the non-controlling interest in AEL Holdco Limited, which was R172 million, and the balance of R221 million will be recognised directly to retained earnings. The Company will also recognise the shares and share premium as above with the fair value of the consideration being recognised as an additional investment in subsidiaries.

The CST and EST transactions were approved at a General Meeting of shareholders on 25 January 2012. The CST transaction involves the establishment of a community education and development trust which is aimed at education in Black communities situated in areas in which the Group operates or has an interest. The EST transaction entails the allocation of shares to eligible employees through the mechanism of an employee share trust. The transactions will be accounted for in terms of IFRS 2 – Share-based payments.

The CST will be granted 4 426 604 ordinary shares for a period of 10 years. During this period, the CST will be entitled to receive any distributions in specie and capitalisation shares and 60% of any other distributions made by the Company. The CST has waived its right to receive 40% of the other distributions but the dividends waived will be taken into account in determining the number of shares that the CST may retain.

At the end of the 10 year period, a portion, up to 100%, of the shares granted to the CST will be repurchased and cancelled by the Company for no consideration with the remaining shares, if any, retained by the CST. The number of shares to be retained will be determined with reference to the Company's share price at the end of the term, the notional issue price of R75,82 increased in line with the prime rate and adjusted for the distributions received and the distributions waived.

The Company does not have control of the CST as defined by IAS 27 or by SIC 12 and, as a result, the CST will not be consolidated. The effects of IFRS 10, effective for periods after 1 January 2013, have not yet been determined in relation to the CST.

As a result of the shares being contingently returnable, the shares will not be included in the calculation of weighted average number of shares in issue used to determine basic or headline earnings per share for the 10 year period in accordance with IAS 33, but will be included in the equivalent diluted per share calculations. The Company made a capital contribution to the CST and the CST subscribes for shares at par value and the share capital and an investment will be recognised at the par value of R4 million.

The share-based payment is recognised under IFRS 2 as an equity-settled share-based payment and, as there are no vesting conditions, the transaction is recognised in full on the grant date. The grant date was 10 February 2012. The services received by the Group cannot be measured reliably, so the transaction is measured at the fair value of the equity instruments granted and will be recognised in the Income Statement with a corresponding recognition directly in equity. The fair value of the transaction is R138 million and this charge will affect both earnings per share and headline earnings per share.

On 9 February 2012, the Company created 10 117 951 unlisted redeemable convertible B ordinary shares and issued the shares to the EST for no cash consideration. The shares will be allocated to current eligible employees, with approximately 10% retained by the EST for allocation to future eligible employees. The shares allocated to employees have a lock-in period of 10 years. At the end of the lock-in period, the employees will be entitled to retain a portion of the shares with the balance of the shares, up to 100%, redeemed by the Company for no consideration, after which the B ordinary shares will be converted to ordinary shares. The number of shares to be retained will be determined with reference to the Company's share price at the end of the term, the notional issue price of R75,82 increased in line with the prime rate and adjusted for the distributions that would have been received had the employees held ordinary shares, the distributions actually received and the aggregate administration costs of the EST.

The Company will consolidate the EST in line with the guidance provided in SIC 12 Consolidation – Special Purpose Entities and consolidation is likely to continue after IFRS 10 becomes effective. The full effects of the consolidation of the EST have not yet been fully determined but it is expected that the B ordinary shares will be treated as treasury shares. Any dividends retained in the EST will be eliminated and administration costs and dividends paid on vested shares will be included in the Group results.

The shares will not be included in the calculation of weighted average number of shares in issue used to determine basic or headline earnings per share for the 10 year period, but will be included in the equivalent diluted per share calculations.

The share-based payment is recognised under IFRS 2 as an equity-settled share-based payment and will be recognised over the vesting period of the shares. The vesting period is based on a forfeiture profile as follows:

Completed years of service during the EST lock-in period	Percentage of B ordinary shares to be forfeited (%)
Less than 3	100
3 but less than 4	80
4 but less than 5	60
5 but less than 6	40
6 but less than 7	20
More than 7	0

The transaction is measured at the fair value of the equity instruments granted and will be recognised in the Income Statement with a corresponding recognition directly in equity. The grant date is still to be determined as the employees will be given a specified period before acceptance will be deemed to have occurred and, as a result, the value cannot be determined reliably at this stage.

When pool shares are granted to new eligible employees, these allocations will have a separate grant date and a different fair value and will add to the IFRS 2 cost recognised initially. The IFRS 2 cost relating to employees who forfeit their shares will cease to be recognised from the date of forfeiture and prior costs recognised may be reversed in that year.

35. INTERESTS IN JOINT VENTURES

	EFFECTIVE PERCENTAGE HELD BY AECI LIMITED	
	2011	2010
Crest Chemicals (Pty) Ltd †	**50**	50
DetNet International Ltd [1]	**50**	50
DetNet South Africa (Pty) Ltd	**50**	50
Resinkem (Pty) Ltd	**50**	50
Resitec Industria Quimica Ltd [2]	**50**	50
Specialty Minerals South Africa (Pty) Ltd	**50**	50

R millions	**2011**	2010
THE PROPORTIONATE AMOUNTS RELATING TO JOINT VENTURES WERE AS FOLLOWS:		
STATEMENTS OF FINANCIAL POSITION		
Property, plant, equipment and other non-current assets	**237**	135
Current assets	**437**	402
Total assets	**674**	537
Equity	**324**	331
Non-controlling interest †	**12**	–
Non-current liabilities	**124**	42
Current liabilities	**214**	164
Total equity and liabilities	**674**	537
INCOME STATEMENTS		
Income	**1 044**	913
Expenses	**(959)**	(822)
Profit before tax	**85**	91
COMMITMENTS		
Capital expenditure authorised	**2**	1

† Crest Chemicals (Pty) Ltd acquired a 64% shareholding in Protank during the year.

1 Ireland.

2 Brazil.

36. PRINCIPAL SUBSIDIARIES

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LIMITED# SHARES		LOANS TO/(FROM)	
	2011 Number of shares	2011 %	2010 %	2011 R millions	2010 R millions	2011 R millions	2010 R millions
HOLDING COMPANIES							
Directly held							
AECI International (Ireland) Ltd	1	100	100	*	*	4	–
AECI Treasury Holdings (Pty) Ltd	100	100	100	*	*	258	258
Athena Paint Investments SA [1 †]	230 000	–	100	–	1	–	(38)
Indirectly held							
African Explosives Holdings (Pty) Ltd	43 311 779	75	75	–	–	–	–
African Explosives International Ltd [2]	1 307	75	75	–	–	–	–
INSURANCE							
Directly held							
AECI Captive Insurance Company Ltd	810 000	100	100	11	11	(67)	(61)
MINING SERVICES							
Directly held							
AEL Holdco Ltd	99 800 000	75	75	75	75	2 987	2 753
Indirectly held							
AEL Burkina SARL [3]	100 000	75	75	–	–	–	–
AEL Chile	2	75	75				
AEL DRC SPRL [4]	10 000	75	75	–	–	–	–
AEL Mali SARL	8 659	75	75	–	–	–	–
AEL (Mauritius) Ltd	866	75	75	–	–	51	83
AEL Morocco	2 500	75	75	–	–	–	–
AEL Namibia (Pty) Ltd	100	75	75	–	–	–	–
AEL Zambia plc	25 508 250	60	60	–	–	–	–
AEL Mining Services Ltd [++]	100	75	75	–	–	–	–
African Explosives (Botswana) Ltd	3	75	75	–	–	–	–
African Explosives (Ghana) Ltd	1 000 000	75	75	–	–	–	–
African Explosives (Tanzania) Ltd	26	75	75	–	–	–	–
Pt AEL Indonesia	1 150	75	75	–	–	–	–
PROPERTY							
Heartland Leasing (Pty) Ltd	1 000	100	100	*	*	*	*
Heartland Properties (Pty) Ltd	100	100	100	*	*	646	496
Other property subsidiaries				21	21	(210)	(83)

36. PRINCIPAL SUBSIDIARIES (continued)

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LIMITED# SHARES		LOANS TO/(FROM)	
	2011 Number of shares	2011 %	2010 %	2011 R millions	2010 R millions	2011 R millions	2010 R millions
SPECIALTY CHEMICALS							
Directly held							
Chemical Services Ltd	83 127 950	100	100	818	818	(367)	(112)
Indirectly held							
Akulu Marchon (Pty) Ltd+	410 000	100	100	–	–	–	–
Atlas Consolidated Industries (Pty) Ltd+	200	100	100	–	–	–	–
Chemfit (Pty) Ltd	4 000	100	100	–	–	4	10
Chemical Initiatives (Pty) Ltd+	1	100	100	–	–	–	–
Chemiphos SA (Pty) Ltd	170	100	100	–	–	9	12
Chemserve Systems (Pty) Ltd+	625 000	100	100	–	–	–	–
Cobito (Pty) Ltd	300	100	80	–	–	1	–
Duco Speciality Coatings (Pty) Ltd	100 000	100	100	–	–	106	98
Extractive Technologies (Pty) Ltd	100	77	77	–	–	–	–
ImproChem (Pty) Ltd	4 000	100	100	–	–	9	2
Industrial Oleochemical Products (Pty) Ltd+	4 001	100	100	–	–	–	–
Lake International Technologies (Pty) Ltd+	13 395	100	100	–	–	–	–
Nulandis (Pty) Ltd+	400	100	100	–	–	–	11
Plastamid (Pty) Ltd	128 500	100	100	–	–	92	21
Senmin International (Pty) Ltd	8 008 500	100	100	–	–	22	2
Senmin SA (Pty) Ltd	50 000	100	100	–	–	–	–
Other specialty chemical subsidiaries				–	–	9	–
SPECIALTY FIBRES							
Directly held							
SANS Fibres (Pty) Ltd+	17 979 433	100	100	8	8	(40)	(48)
SANS Fibers Inc.5	100	100	100	–	–	260	180
Indirectly held							
SANS Technical Fibers LLC5		100	100	–	–	–	–
OTHER				3	3	(59)	(91)
				936	937	3 715	3 493

\# *Cost less impairments.*

\+ *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 if 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

† *Athena Paint Investments SA was liquidated on 15 December 2011.*

AECI LIMITED

("AECI" or "the Company" or "the Group")
Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
JSE Share code: AFE
ISIN code: ZAE000000220

NOTICE OF MEETING

Notice is hereby given that the 88th Annual General Meeting of shareholders of the Company will be held on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton on Monday, 28 May 2012 at 09h00.

PURPOSE OF 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 2011;
- present the Audit Committee's 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

Resolved that the audited Annual Financial Statements of the Company and Group for the period ended 31 December 2011 be received and adopted.

2. ORDINARY RESOLUTION NUMBER 2:

REAPPOINTMENT OF INDEPENDENT AUDITORS

Resolved that, upon the recommendation of the current Audit Committee, KPMG Inc. be reappointed as the independent registered auditors of the Company and to note that Mr N van Niekerk, as the individual registered auditor, will undertake the audit during the financial year ending 31 December 2012.

3. ORDINARY RESOLUTION NUMBERS 3.1 TO 3.3:

RE-ELECTION OF DIRECTORS

Resolved that the following Directors who are retiring in terms of the Company's Memorandum of Incorporation ("MOI") and who, being eligible, be re-elected:

3.1 Ms LL Mda
3.2 Mr AJ Morgan
3.3 Adv R Ramashia

A brief curriculum vitae of each of the Directors standing for re-election is provided on page 19 of the Integrated Report of which this Notice forms part.

Note: Until the Companies Act, No. 71 of 2008, as amended, ("the Companies Act") came into effect on 1 May 2011, the Memorandum of Incorporation ("MOI") of the Company comprised its Memorandum of Association and its Articles of Association. On the date that the Companies Act came into effect, the Memorandum of Association and Articles of Association of the Company automatically converted into the Company's MOI.

Accordingly, for consistency of reference in this Notice of Annual General Meeting, the term MOI is used throughout to refer to the Company's Memorandum of Association and its Articles of Association (which now form the Company's MOI, as aforesaid). All references to a provision in the Company's MOI in this Notice of Annual General Meeting (including all of the relevant ordinary and special resolutions contained herein) refer to provisions of that portion of the Company's MOI that was previously called the Company's Articles of Association.

4. ORDINARY RESOLUTION NUMBERS 4.1 TO 4.4:

ELECTION OF AUDIT COMMITTEE MEMBERS

Resolved that the following Independent Non-Executive Directors of the Company be appointed as members of the Audit Committee until the next Annual General Meeting:

4.1 Mr RMW Dunne
4.2 Mr MJ Leeming
4.3 Mr AJ Morgan
4.4 Mr LM Nyhonyha

A brief curriculum vitae of each of the Independent Non-Executive Directors offering themselves for election as members of the Audit Committee is provided on pages 18 and 19 of the Integrated Report of which this Notice forms part.

5. ORDINARY RESOLUTION NUMBER 5:

REMUNERATION POLICY

Resolved to endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the in the Integrated Report, of which this Notice forms part, as follows:

Remuneration of employees: pages 127 to 135.
Remuneration of Directors: pages 134 and 135.

6. ORDINARY RESOLUTION NUMBER 6:

LONG-TERM INCENTIVE SCHEME

Resolved that the AECI Limited 2012 Long-term Incentive Plan ("Plan") be adopted, the Plan being a share incentive scheme contemplated in terms of Schedule 14 of the JSE Listings Requirement.

The Salient Features of the Plan are appended to this Notice.

The full Plan document is available for inspection by shareholders during normal business hours at AECI's registered office, from the date of issue of this Notice up to 09h00 on Thursday, 24 May 2012.

In terms of the JSE Listings Requirements, 75% of the votes cast by shareholders present or represented by proxy at the Annual General Meeting must be cast in favour of this ordinary resolution for it to be approved.

7. SPECIAL RESOLUTION NUMBER 1:

DIRECTORS' FEES AND REMUNERATION

RESOLUTION

Resolved that the annual fees payable by the Company to its Non-Executive Directors, with effect from 1 June 2012, be approved as follows:

	RAND PER ANNUM	
	Current	Proposed
BOARD		
1.1 Chairman	660 000	706 000
1.2 Non-Executive Directors	164 900	176 500
AUDIT COMMITTEE		
1.3 Chairman	140 200	150 000
1.4 Members	70 100	75 000
OTHER BOARD COMMITTEES		
1.5 Chairman	90 700	97 100
1.6 Members	45 400	48 600
SUBSIDIARIES' FINANCIAL REVIEW AND RISK COMMITTEE		
1.7 Chairman	90 700	97 100
1.8 Non-Executive Members	45 400	48 500
1.9 Meeting attendance fee	8 000	8 500
1.10 Hourly fee for ad hoc services	2 500	2 750

EXPLANATION

Section 66(9) of the Companies Act requires that a company may pay to its Directors, for their services as Directors, only in accordance with a Special Resolution approved by the shareholders within the previous two years.

The reason for and effect of Special Resolutions Numbers 1.1 to 1.10 is to grant the Company the authority to pay fees or remuneration to its Non-Executive Directors for their services as Directors.

Each of the Special Resolutions Number 1.1 to 1.10 will be considered by way of a separate vote.

8. SPECIAL RESOLUTION NUMBER 2:

GENERAL AUTHORITY TO REPURCHASE SHARES

RESOLUTION

Resolved that the Company be and is hereby granted a general authority authorising the acquisition by the Company and/or its subsidiaries of shares issued by the Company, on such terms and conditions and in such amounts as the Directors of the Company may from time to time deem fit, and in terms of Section 48(8) of the Companies Act, the Company's MOI and the JSE Listings Requirements provided that:

- the number of ordinary shares acquired in aggregate in any one financial year shall not exceed 5% of the Company's issued ordinary share capital;
- this general authority shall only be valid until the Company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of adoption of this special resolution;
- 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;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately preceding the date on which the transaction is effected;

- any such general repurchase is subject to exchange control regulations and approval at that point in time;
- the repurchase of securities will be effected through the order book operated by the JSE's 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, a Company may only appoint one agent to effect any repurchases on the Company's behalf;
- an announcement giving such details as may be required in terms of the JSE Listings Requirements be released when the Company or its subsidiaries have cumulatively repurchased 3% of the initial number of the relevant class of shares and for each 3% in aggregate of the initial number of that class acquired thereafter;
- a general repurchase may not in the aggregate in any one financial year exceed 10% of the number of shares in the Company's issued share capital at the time this authority is given provided that a subsidiary of the Company may not hold at any one time more than 10% of the number of issued shares of the Company; and
- 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 the JSE's Securities Exchange News Service prior to the commencement of the prohibited period.

EXPLANATION

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 Company's Directors undertake that they will not effect any such repurchases while the general authority is valid, unless:

(i) the Company and its subsidiaries (collectively "the Group") will be able, in the ordinary course of business, to pay its debts for a period of 12 months after the date of the general repurchase;

(ii) the assets of the Company and the Group will exceed their liabilities for a period of 12 months after the date of general repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the Company's latest audited Annual Group Financial Statements;

(iii) the Company and the Group will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the general repurchase;

(iv) the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and

(v) upon entering the market to proceed with the repurchase, the Company's sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

The reason for and effect of Special Resolution Number 2 is to grant the Company a general authority to facilitate 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 months from the date of adoption of this Special Resolution.

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.

9. SPECIAL RESOLUTION NUMBER 3:

FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANY

RESOLUTION

Resolved that, in terms of and subject to the provision of Section 45 of the Companies Act, the Directors of the Company be and they are hereby authorised and empowered to cause the Company to provide any direct or indirect financial assistance to any company or other legal entity which is related or inter-related to the Company.

EXPLANATION

On a regular basis, and in the ordinary course of business, the Company provides loan financing, guarantees and other support to the related and inter-related companies or legal entities in the Group.

Section 45(2) of the Companies Act empowers the Board of Directors ("the Board") of a company to provide direct or indirect financial assistance to a related or inter-related company or corporation. However, Section 45(3) of the Companies Act provides that the Board of a company may only authorise any financial assistance contemplated in Section 45(2) thereof pursuant to a Special Resolution of the shareholders of the company adopted within the previous two years.

The AECI Board undertakes that:

(i) it will not adopt a resolution to authorise such financial assistance, unless it is satisfied that:
- immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act, and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and

(ii) written notice of any such resolution by the Board shall be given to all shareholders of the Company and any trade union representing its employees:
- within 10 business days after the Board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds one-tenth of 1% of the Company's net worth at the time of the resolution; or
- within 30 business days after the end of the financial year, in any other case.

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 other legal entity which is related or inter-related to the Company.

RECORD DATE

The Board has, in terms of Section 59(1)(a) of the Companies Act, set the record date, for the purpose of determining which shareholders of the Company are entitled to receive Notice of the Annual General Meeting as being Friday, 13 April 2012, and has, in terms of Section 59(1)(b) of the Companies Act, set the record date, for purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting, as being Friday, 18 May 2012. Accordingly, the last day to trade in order to be registered in the register of shareholders of the Company and therefore eligible to participate in and vote at the Annual General Meeting is Friday, 11 May 2012.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary Resolutions Numbers 1 to 5 contained in this Notice of Annual General Meeting require the approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

Ordinary Resolution Number 6 and Special Resolutions Numbers 1 to 3 contained in this Notice of Annual General Meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the MOI of the Company and the JSE Listings Requirements.

GENERAL INFORMATION

The following additional information appears elsewhere in the Integrated Report of which this Notice forms part:

i. Directors and Management of the Company (refer to the Non-Executive Directors, Executive Committee and Senior Managers on pages 18 to 23);
ii. Major shareholders of the Company (refer to Shareholder Analysis on pages 141 to 146);
iii. Directors' interest in the Company (refer to the Directors' Report on page 158); and
iv. Share capital of the Company (refer to the Directors' Report on page 158).

NO MATERIAL CHANGES TO REPORT

There has been no material change in the financial or trading position of the Company and its subsidiaries since the date of signature of the Independent Auditors' Report and the date of this Notice.

LITIGATION STATEMENT

There are no legal or arbitration proceedings which may have, or have had, during the 12 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 Integrated Report of which this Notice forms part collectively and individually accept full responsibility for the accuracy of the information contained in these resolutions 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 these resolutions contain all information required by law and the JSE Listings Requirements.

VOTING AND PROXIES

Shareholders or their proxies may participate in the Annual General Meeting by way of a teleconference call and, if they wish to do so:

- should make application by email to the Company Secretary (nominir@aeci.co.za) by no later than 16h00 on Wednesday, 23 May 2012 in order for the Company Secretary to provide the shareholder or such shareholder's representative with details as to how to access the Annual General Meeting for telephonic participation;
- will be required to provide reasonably satisfactory identification;

- the costs of enabling a shareholder to access the Annual General Meeting for telephonic participation will be borne by the shareholder so accessing the Annual General Meeting;
- shareholders are advised that accessing the Annual General Meeting by way of telephonic participation will not entitle a shareholder to vote at the Annual General Meeting;
- should a shareholder wish to vote at the Annual General Meeting, such shareholder may do so by attending and voting at the Annual General Meeting either in person or by proxy; and
- the Company reserves the right to elect not to provide for telephonic or any other form of electronic participation at the Annual General Meeting in the event that it determines that it is not practical to do so.

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is included) to attend, speak and vote in their stead. The person so appointed need not be a shareholder of the Company.

Proxy forms must be forwarded to reach the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, to reach them not later than 09h00 on Thursday, 24 May 2012. Any forms of proxy not received by this time must be handed to the Chairperson of the Annual General Meeting immediately prior to the meeting.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:

- to furnish their CSDP or broker with their voting instructions; and
- in the event that they wish to attend the Meeting, to obtain the necessary authority to do so with a letter of representation in terms of the custody agreement. Such letter of representation must be lodged with the Company's Transfer Secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, to reach them not later than 09h00 on Thursday, 24 May 2012.

Equity securities held by a share trust or scheme or unlisted securities will not have their votes taken into account at the Annual General Meeting for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

All participants at the Annual General Meeting will be required to provide identification reasonably satisfactory to the Chairman of the meeting.

By order of the Board

Nomini Rapoo
Company Secretary

Woodmead, Sandton
30 March 2012

APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

Salient features of the AECI 2012 Long-term Incentive Plan

1. PURPOSE

The purpose of the AECI 2012 Long-term Incentive Plan ("LTIP") is to attract, retain, motivate and reward Executives and Managers who are able to influence the performance of AECI and its subsidiaries on a basis which aligns their interests with those of the Company's shareholders.

2. INTRODUCTION

In early 2011, AECI commissioned PwC to review its current provisions for long-term (share-based) incentivisation. Resulting from this review and its recommendations, Deloitte was requested to assist AECI in the design of an appropriate LTIP which is in line with emerging South African best practice, addresses some of the deficiencies highlighted in the PwC report, and which serves to reward the required attributes of shareholder alignment, retention of key talent and long-term, sustained performance.

At a meeting in March 2012, the Remuneration Committee of AECI approved the detailed conceptual design of the LTIP and provided a mandate for its implementation.

The LTIP will provide for the inclusion of a number of performance conditions, designed to align the interests of participants with those of AECI's shareholders, and to reward Company and individual performance more so than merely the performance of the economy or the sector in which the Company operates.

3. GENERAL DESCRIPTION OF THE LTIP

Under the LTIP, Executives and selected Managers of the Company and its subsidiaries will be offered annually a weighted combination from:

- allocations of earnings growth units; and
- awards of performance shares.

Offers will be governed by AECI's reward philosophy and strategy (pay mix) in which, inter alia, the "target reward" of long-term incentivisation is set for defined categories of Executives and Senior Management.

"Target reward" is defined as the present value of the future reward outcome of an allocation/award, given the targeted future performance of the Company and/or its share price. It should not be confused with the term "fair value" which is used when establishing the accounting cost for reflection in a company's financial statements. Neither should it be confused with the term "face value" which is used to define the current value of the underlying unit or share at the time of allocation/award.

It is envisaged that the combined, weighted implementation of the two long-term incentive elements will allow AECI to remain competitive in long-term incentives, reward long-term sustainable Company performance, act as a retention tool, and ensure that Executives share a significant level of personal risk with the Company's shareholders. As previously, some 280 Executives and Managers will participate with a targeted economic cost of some R90 million per annum (2012 money), split 40% earnings growth units, 60% performance shares.

EARNINGS GROWTH UNIT ELEMENT

The earnings growth unit element is similar in architecture to AECI's existing earnings-per-share-based incentive scheme, but will be documented more thoroughly to address the provisions of the scheme under conditions of termination, adjustment, change of control and the like, on which the previous scheme documentation was silent.

Annual allocations of earnings growth units will be made to Executives and selected Managers. They will be available to be settled in equal thirds on no earlier than the third, fourth and fifth anniversaries but need not be exercised until the seventh anniversary, at which time they must be exercised or they will lapse.

On settlement, the value accruing to participants will be their share of the full appreciation in AECI's headline earnings per share ("HEPS") adjusted as deemed appropriate by the Remuneration Committee.

A performance underpin may, at the discretion of the Board, be stipulated which will take the form of a minimum Company financial performance that must be achieved prior to vesting, notwithstanding the passage of time, and which must be met by at least the seventh anniversary, or all units will lapse.

Earnings growth units will continue to offer a form of earnings growth/appreciation-linked long-term incentive, as in the past, but now at a reduced level in terms of targeted reward, the balance being made up from the performance share element described below.

PERFORMANCE SHARE ELEMENT

Annual conditional awards of performance shares will be made to Executives. Performance shares will vest on the third anniversary of their award, to the extent that the Company has met specified performance criteria over the intervening period. Essentially the value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest will depend on whether the Company's performance over the intervening three year period has been on target, an under- or an over-performance against the target(s) set at the award date.

The Board will dictate the performance criteria for each award. However, for the first award and until further notice for subsequent awards, the methodology of vesting will target the Company's comparative Total Shareholder Return ("TSR") in relation to a peer group of 18 companies.

As such, the Company's TSR is compared to a peer group of companies, selected not because they are direct competitors of AECI, but because they represent a portfolio of companies:

- of similar size to AECI in terms of market capitalisation;
- they are similarly impacted (both negatively and positively) by external factors; and
- they represent essentially a balanced portfolio of alternative investments to an investment in AECI.

Constituents of the comparator group (on page 246) are ranked by market capitalisation at the time the research was conducted.

If AECI's TSR over the three year period places it in:

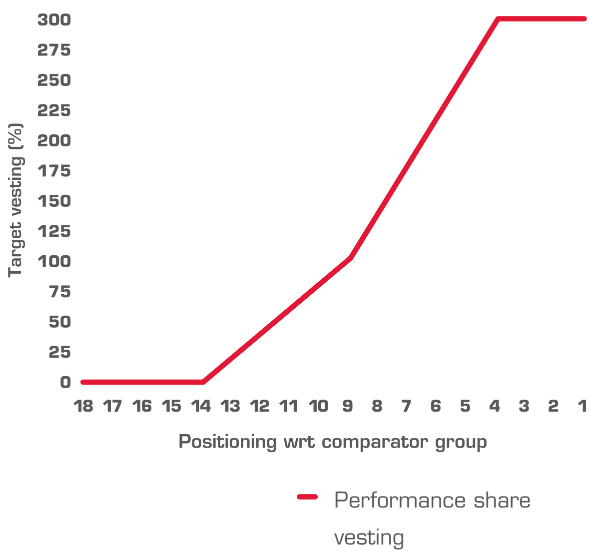
- fourteenth position or worse, then all performance shares awarded will lapse;
- ninth position, the targeted number (one third of the maximum number) of performance shares awarded will vest;
- fourth position or better, then the full maximum number (three times the targeted number) of performance shares awarded will vest;
- between any of the above points, then a pro rated number of performance shares will vest.

APPENDIX TO NOTICE OF ANNUAL GENERAL MEETING

Salient features of the AECI 2012 Long-term Incentive Plan

The performance curve below illustrates these relationships:

VESTING vs POSITIONING wrt COMPARATOR GROUP



COMPARATOR GROUP	
1	Barloworld
2	Nampak
3	Aveng
4	Sappi
5	Reunert
6	Illovo
7	Pioneer
8	JD Group
9	Tongaat Hulett
10	Grindrod
11	Altech
12	Omnia
13	Rainbow
14	Astral
15	PPC
16	Northam Platinum
17	Metorex
18	Afrox

No retesting against the performance criteria will be allowed. Any performance shares which do not vest at the end of the three year period will lapse.

The performance share element aligns the interests of shareholders and Executives closely by rewarding superior shareholder returns and financial performance in the future. Because annual awards are made, each award requiring the re-setting of the performance criteria, it is only with the continued and sustained out-performance of the Company that significant reward accrues to participants.

As such, it is envisaged that the awards of performance shares will feature at all Executive and Senior Management levels, but will feature more strongly the higher the participant's grade within the organisation.

4. ADMINISTRATION OF THE LTIP

The Board will be ultimately responsible for the administration of the LTIP, but may delegate these functions to the Remuneration Committee and/or the Company Secretary. Extensive modelling has been undertaken to arrive at an implementation Policy which supports AECI's reward Policy, as described in the Remuneration Report.

5. ELIGIBILITY

Any Executive or Manager of AECI or its subsidiaries may be selected by the Board to be participants in the LTIP. It is envisaged that all Executives and Senior Managers will receive, on an annual basis, allocations in terms of the earnings growth unit element and awards in terms of the performance share element.

6. SETTLEMENT

The earnings growth units, when exercised by a participant, will be settled in cash.

The performance shares will be settled, at the sole election of the Board, in equity or in cash. If they are to be settled in equity, then the required settlement will, again at the sole election of the Board, be either via the purchase of shares on the JSE and their transfer to the participant or via issue and allotment of shares to the participant.

7. LIMITS

Those shares that are to be issued and allotted to the participant in settlement will not exceed in total 2 327 129 (two million three hundred and twenty seven thousand one hundred and twenty nine) shares, currently representing approximately 2% of equity. For any one individual, those shares that are to be issued and allotted in settlement will not exceed in total 290 891 (two hundred and ninety thousand eight hundred and ninety one) shares, currently representing approximately 0,25% of equity.

8. TERMINATION OF EMPLOYMENT

Termination of employment is based on the definition of no fault termination versus that of fault termination. No fault termination is the termination of employment of a participant by the Company by reason of:

- death;
- injury, disability or ill health, in each case as certified by a qualified medical practitioner nominated by the Company;
- dismissal based on Operational Requirements as contemplated in the Labour Relations Act;
- retirement on or after his retirement date;
- the company by which he is employed ceasing to be a member of AECI;
- Company-initiated early retirement;
- mutual agreement; or
- the undertaking in which he is employed being transferred to a transferee which is not a member of AECI.

Fault termination will be a dismissal for misconduct or poor performance, a resignation by the participant, or an employee-initiated early retirement.

The following provisions will apply under circumstances of termination:

EARNINGS GROWTH UNITS

If employment is terminated for the reason of death prior to the settlement of earnings growth units, all earnings growth units allocated, whether vested or not, will be settled immediately.

If employment is terminated for any no fault reason other than death, then the rules on vesting and exercise shall in all respects continue to apply as if the participant's employment had not been terminated.

If a participant ceases to be employed by reason of a fault termination, all earnings growth units not previously settled shall be deemed to have been cancelled.

PERFORMANCE SHARES

If employment is terminated for the reason of death, then the Board shall in its sole and absolute discretion assess and determine the extent to which the performance criteria have been met and the award shall vest to that extent and be settled.

If employment is terminated for any no fault reason other than death, then the rules on vesting and settlement shall in all respects continue to apply as if the participant's employment had not been terminated.

If employment is terminated for fault reasons, then the performance shares will be cancelled.

9. CHANGE OF CONTROL

"Change of Control" is defined as all circumstances where a party (or parties acting in concert), directly or indirectly, obtains:

- beneficial ownership of the specified percentage of 35% or more of AECI's issued shares; or
- control of the specified percentage or more of the voting rights at meetings of AECI; or
- the right to control the management of AECI or the composition of the Board; or
- the right to appoint or remove Directors holding a majority of voting rights at Board meetings; or
- the approval by AECI's shareholders of, or the consummation of, a merger or consolidation of AECI with any other business or entity, or upon a sale of the whole or a major part of AECI's assets or undertaking.

If the Company undergoes a Change of Control after an allocation or award, then the rights of participants will be accommodated on a basis which shall be determined by the Board to be fair and reasonable, provided that a participant shall be entitled in his own discretion to resign within 1 (one) year following the Change of Control, in which case such participant's awards or allocations shall be treated as if the termination of employment is a no fault termination.

10. GENERAL

The Plan Rules of the AECI 2012 Long-term Incentive Plan, to which this document is an accompaniment, contain additional clauses, not summarised above, that address the further rights and obligations of the Company, its shareholders and its employees.

They include clauses under the following headings:

- Participation of Directors
- Insolvency
- Poor performance and disciplinary procedures
- Family entities
- Adjustments
- Cancellation
- Tax liability
- Employer company liabilities
- Listing and legal requirements
- Amendment of the plan
- STRATE
- Disputes
- Profits and losses and termination of the plan
- Domicilium and notices
- Compliance
- General provisions

AECI LIMITED

Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
JSE Share code: AFE ISIN code: ZAE000000220
("the Company")

This proxy form relates to the 88th Annual General Meeting to be held on Monday, 28 May 2012 at 09h00 on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, for use by registered holders of certificated ordinary shares in the Company and the holders of dematerialised ordinary shares in the capital of the Company in "own name" form.

Holders of ordinary shares in the Company (whether certificated or dematerialised) through a nominee must not complete this form of proxy but should timeously inform that nominee, or, if applicable, their Central Securities Depository Participant ("CSDP") or stockbroker of their intention to attend the Annual General Meeting and request such nominee, CSDP or stockbroker to issue them with the necessary authorisation to attend or provide such nominee, CSDP or stockbroker with their voting instructions should they not wish to attend the Annual General Meeting in person but wish to be represented thereat.

I/We (Please print name/s in full) ______________________________

of (address) ______________________________

Telephone (work) ______________________________ (home/cellular) ______________________________

being the registered holder/s of ______________________________ ordinary shares in the Company, do hereby appoint

1. or failing him/her ______________________________

2. or failing him/her ______________________________

3. the Chairman of the Annual General Meeting, as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering and if deemed fit passing, with or without modification, the Ordinary and Special Resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the Ordinary and Special Resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions:

(* Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast.) Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

		Number of votes		
		For*	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 Ms LL Mda			
	3.2 Mr AJ Morgan			
	3.3 Adv R Ramashia			
Ordinary Resolution No. 4:	Election of Audit Committee Members			
	4.1 Mr RMW Dunne			
	4.2 Mr MJ Leeming			
	4.3 Mr AJ Morgan			
	4.4 Mr LM Nyhonyha			
Ordinary Resolution No. 5:	Remuneration policy			
Ordinary Resolution No. 6:	Long-term incentive scheme			
Special Resolution No. 1:	Directors' fees and remuneration			
	1.1 Board: Chairman			
	1.2 Board: Non-Executive Directors			
	1.3 Audit Committee: Chairman			
	1.4 Audit Committee: Members			
	1.5 Other Board Committees: Chairman			
	1.6 Other Board Committees: Members			
	1.7 Subsidiaries' FRRC: Chairman			
	1.8 Subsidiaries' FRRC: Non-Executive Members			
	1.9 Meeting attendance fee			
	1.10 Ad hoc services fee			
Special resolution No. 2:	General authority to repurchase shares			
Special resolution No. 3:	Financial assistance to related or inter-related company			

Signed at ______________________________ on this ______________ day of ______________ 2012

Signature ______________________________

Assisted by (if applicable) ______________________________

Please read the notes on the reverse side of this Form of Proxy.

NOTES TO THE FORM OF PROXY

1. On a poll a shareholder is entitled to one vote for each share held.
2. Forms of Proxy must be lodged at, posted to or faxed to Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107 Fax +27 11 688 5238), to reach the Company by no later than 09h00 on Thursday, 24 May 2012.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting the words "the Chairman of the Annual General Meeting". Any such deletion must be individually initialled by the shareholder, failing which any deletion will not have been validly effected. The person present at the Annual General Meeting whose name appears first on the Form of Proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
4. Any alterations or corrections to this Form of Proxy have to be initialled by the relevant signatory/ies.
5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the Annual General Meeting.
6. Voting instructions for each of the Resolutions must be completed by filling in the number of votes (one per ordinary share) under the "For", "Against" or "Abstain" headings on the Form of Proxy. If no instructions are filled in on the Form of Proxy, the Chairman of the Annual General Meeting, if the Chairman is the authorised proxy, or any other proxy shall be authorised to vote for, against or abstain from voting as he/she deems fit.
7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the Ordinary and Special Resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.
8. Documentary evidence establishing the authority of a person signing this Form must be attached to this Form of Proxy unless previously recorded by the Transfer Secretaries of the Company or waived by the Chairman of the Annual General Meeting.
9. This Form of Proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.
10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the Annual General Meeting must contact their Central Securities Depository Participant ("CSDP") or broker who will furnish them with the necessary letter of authority to attend the Annual General Meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.
11. Shareholders who wish to attend and vote at the Meeting must ensure that their letters of authority from their CSDP or broker reach the Transfer Secretaries not later than 09h00 on Thursday, 24 May 2012.
12. 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.
13. 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

COMPANY SECRETARY AND REGISTERED OFFICE

EN Rapoo
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
Email: groupcommunication@aeci.co.za

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 Proprietary 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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