BEST-EVER SAFETY PERFORMANCE

STRATEGIC EXPANSION OF FOOTPRINT CONTINUED

33% OF REVENUE GENERATED OUTSIDE SA

EMPLOYEE VALUE PROPOSITION ENHANCED

INTEGRATED
REPORT
2013

AECI®
good chemistry

CONTENTS

ABOUT THIS REPORT

THIS INTEGRATED REPORT TO STAKEHOLDERS, FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013, HAS BEEN PREPARED IN ACCORDANCE WITH THE PRINCIPLES CONTAINED IN THE KING REPORT ON GOVERNANCE FOR SOUTH AFRICA, 2009 ("KING III").

The primary objective of integrated reporting is to demonstrate an organisation's ability to create and sustain value over the short, medium and long term. This report aims to provide stakeholders with a greater understanding of the strategy, overall sustainability, operational performance, risks and opportunities, prospects and major impacts in economic, social and environmental terms of AECI and its operating businesses ("the AECI Group" or "the Group").

Issues which are identified as being of material significance to stakeholders guide integrated reporting. For the AECI Group, this identification is complicated by the diverse nature of its businesses. Accordingly AECI's overall risk framework, which mirrors issues of interest and concern to its stakeholders, underpins the determination of materiality for the purposes of the content and layout of this integrated report.

The methodology and framework for risk management are based on the Committee of Sponsoring Organisation of the Treadway Commission and enhanced with the adoption of ISO 31000 for managing risks, and King III principles on the governance of risks.

Other than the risk management framework and feedback from stakeholder engagement, the reporting principles applied in the preparation of this report include: the Companies Act, No. 71 of 2008 ("the Companies Act"), in South Africa; the Listings Requirements of the JSE Limited ("JSE") and the requirements of the JSE's Socially Responsible Investment ("SRI") Index in 2013; King III; International Financial Reporting Standards ("IFRS"); the South African Institute of Chartered Accountants ("SAICA") Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the Carbon Disclosure Project ("CDP") and the CDP Water Program; the international chemical industry's Responsible Care® programme, as well as AECI's own internal reporting standards and its Memorandum of Incorporation ("MOI").

SCOPE AND BOUNDARIES

The scope of this report includes all of AECI's subsidiaries and joint arrangements. A list of principal subsidiaries is provided in note 34 on page 179, information on joint

THE AECI GROUP ENGAGES WITH A BROAD SPECTRUM OF STAKEHOLDERS. THESE INCLUDE EMPLOYEES, TRADE UNIONS, SHAREHOLDERS AND FUND MANAGERS, FINANCIERS, CUSTOMERS, SUPPLIERS, TECHNOLOGY AND BUSINESS PARTNERS, LOCAL AND NATIONAL GOVERNMENT STRUCTURES IN COUNTRIES WHERE THE GROUP OPERATES, OTHER REGULATORY AND INDUSTRY BODIES, THE COMMUNITIES IN WHICH THE GROUP OPERATES, SPECIAL INTEREST GROUPS AND THE MEDIA.

arrangements is in note 6 on page 133, and the operational reviews commence on page 40. The report relates to the financial reporting period 1 January 2013 to 31 December 2013.

ASSURANCE AND COMPARABILITY

The Board of Directors ("the Board") is 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 and the cash flows for that period, in conformity with IFRS. The Company's external auditors are responsible for examining the financial statements of the Company and the Group and for expressing their opinion on these statements to shareholders. Furthermore, the external auditors must confirm whether the financial statements are in accordance with the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements.

Any necessary restatements of financial information are identified and explained in the annual financial statements.

As in prior years, external assurance obtained in 2013 also included limited assurance on selected sustainability information. See page 80.

The Group's Internal Audit function appraises Group companies' internal controls and submits its assessment of these to the Board on an annual basis. The management of each operating business also submits an annual self-assessment of internal controls (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively.

The combined assurance approach will be enhanced further in future years to confirm the appropriate application of integrated reporting principles and the integrity of data contained in future reports.

There are no material changes to the content of this report compared to 2012's integrated report. There is a continuing emphasis on providing more detailed information on the Company's strategic direction and sustainability initiatives.

STAKEHOLDER ENGAGEMENT

The AECI Group engages with a broad spectrum of stakeholders. These include employees, trade unions, shareholders and fund managers, financiers, customers, suppliers, technology and business partners, local and national government structures in countries where the Group operates, other regulatory and industry bodies, the communities in which the Group operates, special interest groups and the media. See page 12.

The Company welcomes written comments and feedback from its stakeholders on this integrated report and on other general matters. These should be addressed to: The Group Company Secretary, AECI Limited, Private Bag X21, Gallo Manor, 2052; or e-mailed to **groupcommunication@aeci.co.za**

APPROVAL OF THE INTEGRATED REPORT

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Directors confirm that individually and collectively they have reviewed the content of the integrated report and believe it addresses material issues, as determined by using AECI's risk framework as a screening mechanism, and is a fair presentation of the integrated performance of the Group.

The Board approved the release of the 2013 integrated report on 11 April 2014.

Schalk Engelbrecht
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
11 April 2014

GROUP PROFILE AND STRATEGIC POSITIONING

16 BUSINESSES

1924 2014 YEARS *of good chemistry*

AECI is a South African-based explosives and specialty chemicals group with regional international businesses in Africa, Brazil, Indonesia and the USA servicing the mining and manufacturing sectors. Other markets of interest are Australia and Latin America. It is listed on the JSE and has a total permanent employee complement of 6 279. Its market capitalisation at 31 December was R16,03 billion.

In 2014, AECI celebrates its 90th anniversary of incorporation. African Explosives and Industries ("AE&I") was registered as a company on 21 March 1924, with its headquarters in Johannesburg. It was formed through the merger of the South African interests of Nobel Industries (UK) and the manufacturing arm of De Beers Consolidated of Kimberley, with the primary purpose of providing blasting explosives and detonators to South Africa's gold and diamond mining sectors. Its three factories were at Modderfontein, Transvaal; Somerset West, Cape of Good Hope; and Umbogintwini, Natal.

Today, AECI's businesses are characterised by application know-how and service delivery. They often operate in niche markets and are supported by leading technologies which are developed in-house or are sourced from international partners. Where appropriate, so as to enhance the value add offering to customers in specific industries, Group companies collaborate and leverage each others' strengths. The alignment of AEL, Senmin and ImproChem in mining markets exemplifies this.

VISION

AECI's vision is to be the supplier of choice for customers in its chosen markets. The Group aims to be the leading supplier of explosives and mining solutions and specialty chemicals to the mining and manufacturing sectors in Africa and in other selected markets around the world.

FRAMEWORK

AECI's vision is underpinned by four strategic imperatives pertaining to a globally competitive cost base, world-class technology, value-adding customer-centric service, and excellence and professionalism in all areas of activity. Growth is achieved organically and via acquisitions. These imperatives in turn reflect AECI's foundational principles of being **B**old and **I**nnovative in the creation of value, of **G**oing **G**reen and of being **E**ngaged and **R**esponsible.

The model in place for AECI is summarised as "Freedom supported by a Framework", with the framework established by the Corporate Head Office complementing the businesses' pursuit of their own innovative product and service excellence. The model is represented schematically on page the facing page.

BUSINESS SEGMENT PROFILES

EXPLOSIVES

AEL is the leading developer, producer and supplier of commercial explosives, initiating systems and blasting services for the mining, quarrying and construction markets in Africa. In Indonesia, the company is the second largest supplier of explosives and services to the local mining industry. With its Head Office at Modderfontein in Johannesburg, South Africa, AEL has 58 plants and 34 sites in more than 20 countries.

SPECIALTY CHEMICALS

In the specialty chemicals cluster, 14 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 the rest of 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 led by Senmin, which operates from Sasolburg.

The cluster has a presence in 23 countries in the rest of Africa as well as in Brazil and the USA.

PROPERTY

In 2013 AECI reached agreement to sell the bulk of its surplus property assets in Modderfontein as well as the Heartland property development business to Shanghai Zendai Property Limited, a property developer listed on the Hong Kong Stock Exchange, for R1 061 million (including VAT). The transaction became effective in March 2014, when all the conditions precedent were met.

The Group's remaining property assets in Modderfontein and those elsewhere, including about 450 hectares of land available for redevelopment in Somerset West, will continue to be managed in the ordinary course of business under the brand name of Acacia Real Estate.

PRESENCE ON 6 CONTINENTS

LISTED ON THE JSE SINCE 1966

MARKET CAP R16,03 BILLION

GLOBAL HEAD COUNT 6 279

AECI'S MODEL

LEGAL COMPLIANCE AND GOVERNANCE	FINANCIAL CONTROL AND RISK MANAGEMENT
STRATEGIC DIRECTION AND REMIT	SAFETY, HEALTH AND ENVIRONMENT

GROUP VALUES AND ETHICS

SPACE FOR CREATIVE SELF-DETERMINATION BY GROUP COMPANIES

"FREEDOM SUPPORTED BY A FRAMEWORK"

GROUP VALUES AND ETHICS

INTERNATIONAL FOOTPRINT AND GROWTH STRATEGY

IN PURSUIT OF ITS GROWTH STRATEGY, THE GROUP IS LEVERAGING THE ADVANTAGES OF THE EXTENSIVE FOOTPRINT THAT IT HAS ALREADY ESTABLISHED IN AFRICA. GROWTH IS ALSO BEING TARGETED IN OTHER SELECTED MARKETS OF INTEREST IN SOUTH EAST ASIA, AUSTRALIA AND LATIN AMERICA.

AEL, Senmin and ImproChem are leading the delivery of AECI's comprehensive mining solutions package to customers – from blasting and explosives, to ore beneficiation and water treatment.

In the coming year AEL will expand further with the establishment of new plants in additional countries. Furthermore the ammonium nitrate plant in Indonesia, in which the AECI Group has a minority interest, is being ramped up and this will provide in-country access to a secure source of ammonium nitrate to support AEL's growth in the region.

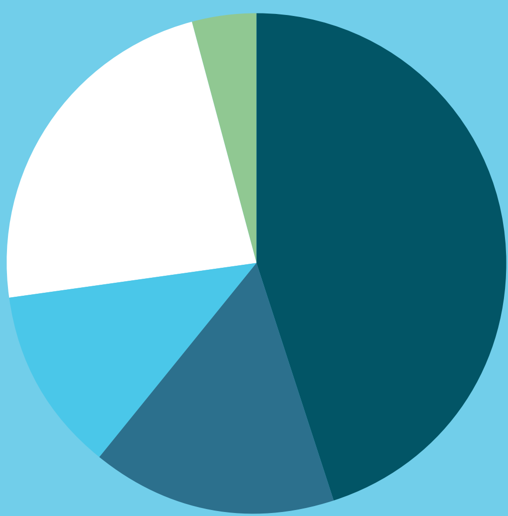
In addition to the focus on mining solutions, other businesses in the specialty chemicals cluster will continue to expand their activities in South Africa and the rest of Africa by partnering with their customers as they grow and by providing them with leading-edge products and services. Markets of particular interest are the water solutions, the agricultural and the specialty chemicals distribution sectors. The food additives and ingredients market in South Africa is also a focus.

Potential acquisition targets in South Africa, the rest of Africa and in other countries of interest continue to be identified and they will be pursued in line with the Group's risk/reward appetite.

MINING SOLUTIONS

61%

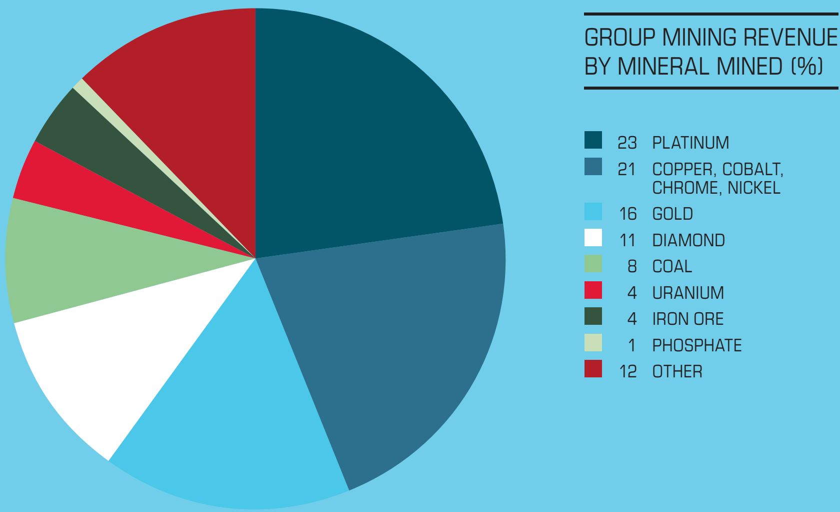
OF REVENUE



REVENUE SPLIT (%)

- 45 EXPLOSIVES
- 16 MINING CHEMICALS
- 12 AGRICULTURE
- 23 MANUFACTURING
- 4 PROPERTY

STRATEGICALLY **DIVERSIFIED** COMMODITY PORTFOLIO



RISK MANAGEMENT

The proactive management of risk is integral to the achievement of strategic goals in a sustainable manner. In 2013 the focus was on inculcating a risk-aware corporate culture and on encouraging the bottom-up approach to risk management. The Board's Risk Committee has created a platform for the continual monitoring of material risks and the assessment of these as they emerge. Management has been encouraged to undertake geo-political risk scans in areas of major operations for Group businesses. This has enabled the businesses to operate with less uncertainty and with more confidence, allowing for proactive business decision-making.

The management of risk has been enhanced through the introduction and implementation of the Cura risk management system. This software facilitates greater focus on stress testing the control environment and the evaluation of the effectiveness of mitigating measures. The maturity of the risk management system means that there is now a process for critically assessing the material risks facing the Group and evaluating exposures to these, which may have financial, operational, reputational or compliance impacts. There has been a growing recognition that effective risk management supports the delivery of AECI's strategic objectives.

ROLES, RESPONSIBILITIES AND REPORTING

AECI's risk policy is supported by a risk management framework which provides a full guide on risk governance, reporting, and the assessment and treatment of material risks.

Management, with the guidance of the Group Risk Officer, is primarily responsible for monitoring the progress of actions to mitigate material risks and these are reported to the Risk Committee and the AECI Board ("the Board"). Management is also responsible for the Group's system of internal control and for assessing the effectiveness of risk mitigation measures. Through a robust process of engagement, management interrogates all key processes and controls to ensure that these are aligned with the delivery of sustainable stakeholder value.

The Internal Audit function plays a pivotal role in providing assurance to the Board on the effectiveness of the risk management process. Where shortcomings are identified these are addressed as part of the continual improvement of the risk management process and assurance framework.

In conducting its annual review of the effectiveness of risk management, the Board considers the key findings from the on-going monitoring and reporting process and independent assurance reports. The Board also takes into account material changes and trends in the risk profile and considers whether the control system and resources adequately support the Group's ability to achieve its strategic objectives. The Board receives assurance from regular internal audit reports and, where considered necessary, from other reports on risk and internal control throughout the Group.

PROCESS

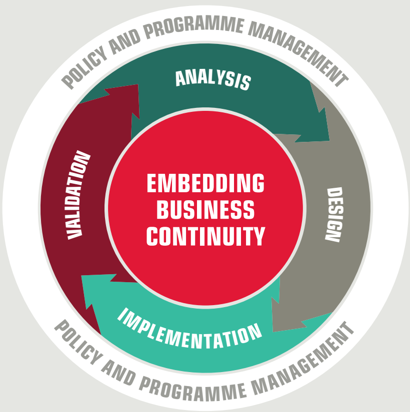
The Group follows the risk management methodology comprising both bottom-up and top-down elements as well as a holistic approach in identifying, analysing, evaluating, treating, monitoring and reviewing risks. The bottom-up identification and prioritisation process is supported by workshops with the management teams of the Group's businesses. The top-down element involves management at Corporate Head Office level. This ensures that potential risks are discussed at the top management level and are included in subsequent reports, if found to be relevant. Through this process, complemented by with the Cura software, AECI ensures that the management of risks is an integral part of its corporate governance system and that risk management is integrated into its day-to-day business activities.

The risk analysis is depicted on a 5 x 5 risk rating scale that sets out potential impacts and estimated probabilities. The potential impacts are classified as minor, moderate, serious, major or severe and are in turn linked to a qualitative and quantitative residual risk value. The estimated probability is based on:

› almost certain = monthly basis;
› likely = once in one year;
› possible = once in three years;
› unlikely = once in five years;
› rare = once in more than five years.

The Risk Committee and the Board are satisfied as to the integrity of the on-going process for identifying, evaluating and managing significant risks and that, where weaknesses are identified, these are addressed promptly in the Group and its operations.

THE BCM LIFECYCLE



BUSINESS CONTINUITY MANAGEMENT ("BCM")

Although AECI has a comprehensive risk management programme in place, global events such as natural disasters, power failures, major workforce disruptions, terrorist attacks and the like have highlighted the vulnerabilities that still exist in business. Such events cannot always be prevented by an organisation and emphasise the need to go beyond risk management and plan effective responses. In this regard, AECI engaged Deloitte in 2013 to assist and support management in implementing a BCM initiative in the Group.

BCM DEFINED

BCM, as defined by the Business Continuity Institute in London, is a "holistic management process that identifies potential threats to an organisation and the impacts to business operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities." Thus BCM mitigates the negative consequences of a disaster/disruption and ensures the continued delivery of products/services at an acceptable level.

BEST PRACTICE

The Group has aligned its BCM programme with international best practice, namely the ISO 22301 and 27031 standards as well as the Business Continuity Institute's Good Practice Guidelines 2013. During 2013 AECI developed a BCM policy and framework, based on these international practices, which are the basis of its BCM programme.

BCM PROGRAMME ROLL-OUT

In view of the diversity and geographical extent of AECI's businesses, roll-out of the BCM programme will take place on a progressive basis. In cooperation with its insurers, AECI has applied a strategic approach to selecting and prioritising businesses for BCM implementation. AEL Mining Services' ("AEL") Modderfontein operations, Senmin's Sasolburg operations and Lake Foods' and Lake Specialties' facilities at Umbogintwini, Linbro Park and Chloorkop were covered in 2013.

The process followed the phases of the BCM lifecycle (see graphic alongside). It included identifying and prioritising core business functions/processes, establishing and understanding key business dependencies, determining suitable business continuity strategies to be applied during business disruptions, documenting comprehensive business continuity plans ("BCPs"), performing BCP verifications and providing BCM awareness training.

Roll-out will continue in 2014.

AECI expects that an effective BCM programme will:

› minimise any potential legal liability;
› protect and enhance its brand/reputation;
› improve organisational resilience and the ability to respond to major incidents effectively;
› improve supply chain resilience;
› identify and protect time-critical business processes;
› meet customer and regulatory demands during a crisis;
› accelerate effective decision-making in a crisis; and
› embed a strong risk aware and continuous improvement culture Group-wide.

ASSURANCE

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 Group's Internal Audit function appraises Group companies' internal controls and submits its assessment of these to the Board on an annual basis. The management of each operating business also submits an annual self-assessment of internal controls (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively.

For sustainability reporting, independent limited external assurance is currently obtained on selected indicators as set out on page 80.

Good year-on-year progress was made towards implementing a combined assurance model in line with King III requirements through better and closer proactive engagement between the roles of risk management, Internal Audit, compliance management, safety, health and environment. There has been a steady improvement towards ensuring that all risks identified are subjected to the appropriate level of control and are assured by internal and external service providers as appropriate.

MATERIALITY

The material issues identified from internal and external processes in 2013 are aligned in the main with those identified in 2012. The principal change is that there was a concerted effort to improve internal issues, specifically in relation to IT governance, legal and regulatory compliance, as well as transformation and diversity. Consequently, these are no longer considered material risks.

For the purposes of this integrated report, management has again chosen to use the Group's risk management framework as a guide to materiality. From the risk identification process, seven main material issues were determined. These are summarised on page 10, along with key high level controls and the primary stakeholders to whom each issue pertains.

Management continued to manage and monitor these issues in 2013, with a focus on tracking the progress of mitigations. The results of the material risk management process are reported to the Executive and Risk Committees and to the Board at quarterly intervals.

The Board's Risk Committee and the full Board monitor strategic risks and strategies to manage these, as well as high impact operational risks. Progress in terms of the latter is provided on a monthly basis. Most operational risks identified as being material in 2012, such as an Integrated Water Use Licence for the Modderfontein site and the operational performance of the Initiating Systems Automated Plant ("ISAP"), also at Modderfontein, were downgraded from high to medium risk in 2013 after mitigation measures yielded the desired results.

MATERIAL ISSUES

The management of safety, health and environmental issues, in accordance with the Group's values. This is always the highest priority in a Group dominated by explosives and specialty chemicals businesses – from raw material handling to production, to the transport of products, their application and safe disposal at the end of their life cycle.

Local and international competitor activity in countries and markets where AECI operates could impact on the Group's growth strategy, as could changes in customer requirements in the areas of cost, quality, service and technology.

Labour unrest and/or strike action. This is disruptive and has a negative impact on the economy, investor confidence, the industries affected, and the people employed in those industries and businesses. As in the case of other industry supply chain participants, the losses and uncertainty that result from labour unrest or strikes affect not only AECI's businesses but also their suppliers, customers and employees.

Changes in the economic environment and industry trends. These potentially include recessionary conditions, movements in foreign exchange rates and commodity prices, and changing performance trends in the mining and manufacturing sectors in different geographic regions.

Supply chain failures could have severe consequences for the long-term sustainability of Group businesses and could jeopardise AECI's strategic growth plan. This issue has become increasingly significant as businesses have extended their geographical footprint outside of South Africa's borders.

The attraction and retention of skilled resources. AECI's people are key if it is to deliver future growth in line with its stated strategy. The attraction and retention of high performers, sometimes in countries and in disciplines where skills are scarce, is important.

Overdependence on a single supplier, business partner or customer can lead to vulnerability for individual Group businesses or product offerings.

KEY CONTROLS/ MITIGATION MEASURES	KEY STAKEHOLDERS
› Promote a culture of excellence and compliance. › Sustain awareness and appropriate training programmes. › Measure and verify performance against world-class standards. › Apply world-class technology. › Adopt learning points from incidents.	› Employees › Trade unions › Customers › Communities › Regulators
› Continue to offer existing and potential customers value-adding product and service solutions backed by world-class technology and a globally competitive cost base. › Maintain an unwavering customer-centric focus. › Demonstrate a sustained commitment to innovative product and service solutions.	› Customers › Suppliers › Technology partners › Business partners
› Engage with employees, including organised labour and contractors, in a professional manner in the context of applicable legislation and existing agreements, and through the maintenance and enhancement of long-established relationships. › Ensure that contingency plans (including adequate inventories) are in place in the event of strikes.	› Employees › Trade unions › Customers › Suppliers › Communities › Shareholders and fund managers › Financiers
› Interact continually with customers, suppliers and business partners to proactively identify trends and act speedily, timeously and appropriately. › Comply with AECI Group policies in the areas of hedging, foreign exchange cover and the like. › Scan and evaluate the external environment and emerging trends.	› Customers › Suppliers › Shareholders and fund managers › Business partners › Financiers
› Robustly monitor the supply chain and put in place early warning systems that are tested and reviewed continually. › Diversify sources of raw materials and distribution arrangements in line with customers' operational and geographic requirements. › Comply with relevant AECI Group policies, including BCM.	› Suppliers › Customers › Employees › Trade unions
› Promote and entrench the Group's position as the employer of choice through inter alia training and development, remuneration and long-term incentives that reward excellence. › Succession planning. › Comply with all applicable rules and legislation to maximise the benefits of diversity and to grow sustainably.	› Employees › Trade unions › Regulators › Shareholders and fund managers › Financiers
› Identify and engage with alternative suppliers. › Pursue growth through acquisitions and expansion in selected strategic markets. › Grow the customer base by providing innovative products and services.	› Customers › Suppliers › Technology partners › Business partners

STAKEHOLDER ENGAGEMENT: MANAGEMENT APPROACH AND STATUS

The AECI Group comprises a broad spectrum of activities in several geographical areas. There are currently 16 operating businesses reporting to the AECI Executive Committee ("Executive Committee") and, via this Committee, to the Board.

The spectrum of activities is matched by a range of stakeholders. These include employees, trade unions, internal and external auditors, shareholders, investors and financiers, customers, suppliers, technology and business partners, local and national government structures in countries where the Group operates, industry bodies, the communities in which the Group operates, special interest groups and the media. Engagement with certain stakeholders is largely the domain of either AECI or of its businesses, with others being of interest at both levels. The graphic on the facing page summarises stakeholder groupings and information flows. The approach to engaging with diverse stakeholder groups and AECI's efforts in this regard are summarised here.

INTERACTION BETWEEN AECI AND ITS BUSINESSES

All of the material issues set out on page 10 are of relevance in this regard.

Two-way interaction between AECI and its businesses occurs on an on-going basis, both formally and informally. Formal structures include operating business Board meetings, business reviews, Financial Review and Risk Committees and Executive Committee meetings. AECI's Executive Directors are in attendance at most of these meetings (except where businesses are not based in South Africa) and Non-executive Directors chair the Financial Review and Risk Committees.

Other forums, such as cluster-specific or Group-wide conferences and management meetings, also provide opportunities for information sharing and relationship building.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA AECI

SHAREHOLDERS AND FUND MANAGERS, FINANCIERS, FINANCIAL ANALYSTS

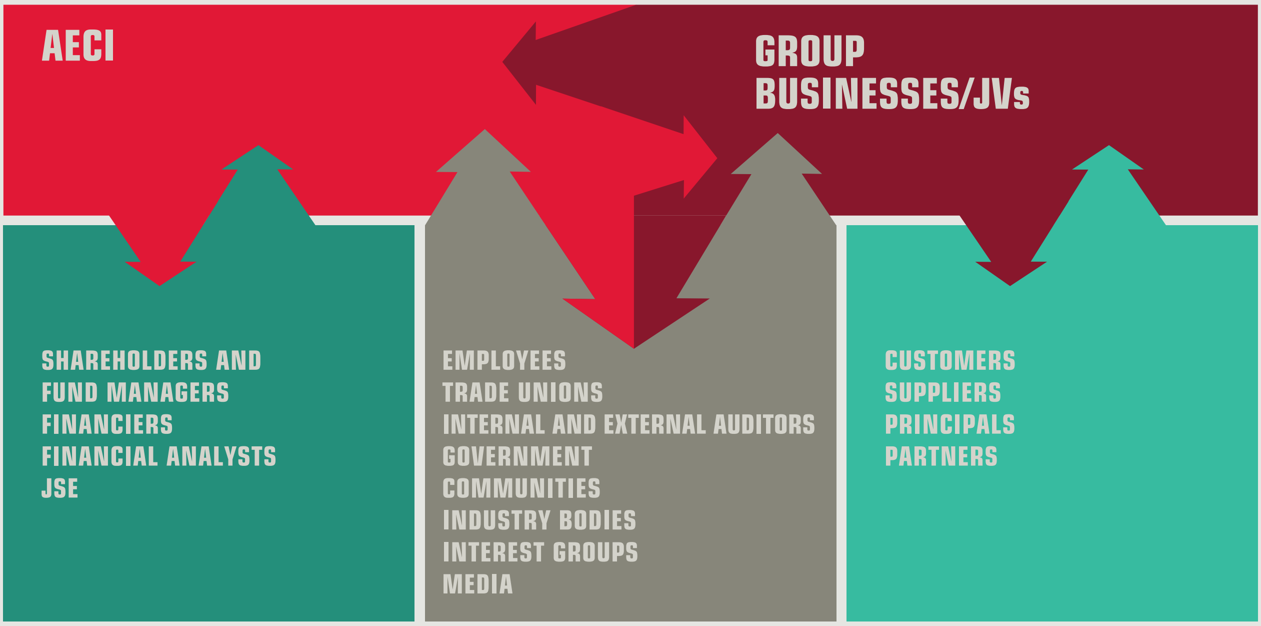
Of primary interest to this stakeholder group are the material issues relating to economic conditions and industry trends, political and labour stability, transformation in the workplace, and compliance with legislation and standards.

AECI communicates with these stakeholders by way of a number of processes, including announcements released on the JSE's Stock Exchange News Service ("SENS"), the dissemination of financial results and reports electronically and in print, results presentations, business-specific site visits and meetings.

The Company's Chief Executive, Chief Financial Officer and members of the Executive Committee conduct timely presentations on the Group's performance and strategy to financial analysts, institutional investors, financiers, and the media in South Africa. The Executive Directors also undertake roadshows in Europe and the USA, aimed mostly at potential investors.

Presentations, corporate actions and financial results, as well as any other information deemed relevant, are published on the Company's website. 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.

To ensure that shareholders without access to electronic communication are not prejudiced, AECI currently publishes and reports on details of its corporate actions and financial performance in at least one daily national English newspaper as required by the JSE.



AECI AND THE JSE

Compliance with relevant legislation, regulations and standards is key in this engagement.

As an entity listed in South Africa, AECI is required to comply with the legal framework of the JSE Listings Requirements, the Companies Act and King III. Compliance is managed largely through the Company's Legal and Secretariat and Corporate Communications functions. Further liaison with the JSE, such as work related to the annual assessment for inclusion in the SRI Index, is undertaken as required.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS VIA AECI AS WELL AS ITS BUSINESSES

THE GROUP AND ITS EMPLOYEES

Of major relevance to employees and their representative trade unions are the management of safety, health and environmental issues, skills training and development, transformation in the workplace, and legislation and standards applicable to their status as employees as well as those pertinent to the financial performance and sustainability of the Group's business as a whole.

The same information that is shared with investors and other financially-based stakeholders is made available and often presented to employees Group-wide and to representative trade unions. This takes place via newsletters and e-mails from the Chief Executive, presentations by him to Group management and similar interactions between Group management teams and the businesses for which they are responsible.

Across all businesses, Human Capital Departments and specialists are primarily responsible for the Group's policies, procedures and practices in employment, benefits and related human resource matters.

THE GROUP AND TRADE UNIONS

The AECI Group 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.

In South Africa formal recognition agreements exist with the Chemical, Energy, Paper, Printing, Wood and Allied Workers' Union ("CEPPWAWU"), the General Industries Workers Union of South Africa ("GIWUSA"), the National Employees Trade Union ("NETU"), Solidarity and the South African Chemical Workers' Union ("SACWU").

These unions participate in various consultative and negotiation structures such as Management/Shop Stewards Consultative Forums, Employment Equity and Skills Development Steering Committees, Wellness Committees and Safety, Health and Environment Committees that deal with issues that affect employees' interests.

With the exception of AECI's property business, all 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.

Formal engagement with employees and their representative structures in businesses outside South Africa will be a focus in 2014.

THE GROUP AND INTERNAL AND EXTERNAL AUDITORS

This engagement is driven by good governance requirements, including compliance with relevant legislation and standards.

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 external auditors are responsible for auditing the financial statements of the Company and its subsidiaries and for expressing their opinion on these statements to shareholders. In addition, the external auditors are responsible for confirming whether the financial statements meet the requirements of the Companies Act, IFRS and the JSE Listings Requirements. In 2013, the external auditors were engaged to carry out an Agreed Upon Procedures Review in respect of the interim results to 30 June.

The Directors must ensure that Group companies maintain adequate accounting records, and 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. 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 Group's Internal Audit function appraises Group companies' internal controls and submits its assessment of these to the Board on an annual basis. The management of each operating business also submits an annual self-assessment of internal controls (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively.

THE GROUP AND GOVERNMENT/ AUTHORITIES IN SOUTH AFRICA

Of key interest here are the management of safety, health and environmental issues, skills training and development for employees, transformation in the workplace and compliance with legislation and standards applicable to the Group.

Engagement with government regulatory structures is undertaken by AECI and its businesses directly and indirectly via industry forums, as deemed most effective and appropriate in any given circumstance. Direct engagement is usually site- or business-specific. Examples in 2013 included on-going interaction with the Department of Water Affairs ("DWA") at local and national level, and engagement with the Competition Commission regarding proposed corporate actions.

A key industry forum for regulatory engagement in South Africa is the Chemical and Allied Industries' Association ("CAIA"). CAIA engages with government and various international agencies on a range of matters, predominantly in the areas of safety, health and the environment. 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, No. 59 of 2008. AECI is represented on the Board of CAIA.

Engagement with authorities, particularly in other countries where the Group has a presence, has been identified as an area requiring enhancement and this will be pursued in the coming year.

THE GROUP AND NEIGHBOURING COMMUNITIES

The proper management of safety, health and environmental issues as well as compliance with all other applicable legislation and standards are of primary interest to the communities in which the Group operates. Also of interest is broad-based participation in the wealth generated by AECI.

AECI has had structures in place for engaging with its neighbouring communities for several years. In the mid-1990s, the Umbogintwini Industrial Complex ("UIC") was the first in the Group (and South Africa) to sign a formal charter with its neighbours. The charter sets out principles, responsibilities and procedures to serve as a framework for interaction between the parties.

Communities living within the footprint of influence of manufacturing and storage sites are most often concerned about the potential effects of site incidents and the management of these. Emergency preparedness and emergency response information, therefore, is shared with neighbouring communities using channels such as the distribution of pamphlets, local newspaper articles and advertisements, and invitations to participate in site-based emergency exercises. The latter participation is via representatives mandated by communities to represent them in these matters.

Structures in place at AECI's largest operating sites include:

› at Modderfontein, AEL oversees the functioning of a Community Awareness and Emergency Response ("CAER") Committee; and
› at the UIC, the CAER Committee has been replaced by issue-specific stakeholder and community liaison forums that deal with inter alia water quality (including discharges to sea), air emissions and development plans. Although stakeholder engagements are generally managed by the Umbogintwini Industrial Association, the AECI Group provides assistance with logistical arrangements and, more importantly, through the site's Community Liaison Officer.

Minutes of meetings and other information for these structures are available on the AECI website via the link **http://www.aeci.co.za/cc_engagement.php**.

Other interactions include local corporate social investment projects in the areas of education, health, charitable contributions, and skills and enterprise development. Most often, contributions are not only in cash but also in the form of expertise and guidance. This is also true for a growing number of businesses beyond South Africa's borders.

Communities in which the Group operates or has an interest in South Africa are the intended beneficiaries of the AECI Community Education and Development Trust. More detail in this regard is given on page 79.

THE GROUP AND THE MEDIA

All issues pertaining to the Group and its stakeholders are of potential interest to the media in its role as a conduit for public information.

AECI's Corporate Communications function maintains regular contact with the media by disseminating relevant information. Group businesses also interact with the media regarding matters specific to their sites or businesses. Other than in instances where media comment/coverage relates to marketing or product news, businesses are required to keep the AECI Head Office informed of likely media coverage. This is particularly true in instances where potentially controversial or negative comment is expected, or when it is possible that coverage will impact on/refer to the Group as a whole.

Where businesses do not have the necessary resources to deal with media requests or enquiries on their own, AECI's Corporate Communications function provides guidance or responds on that business' behalf after having confirmed the content of the response with management.

For communication in any situation which can be defined as a crisis or potential crisis (operational, industrial action, legal issues etc.), the preparedness of each business for such an eventuality is confirmed by annual Letters of Assurance submitted by Managing Directors to the Chief Executive.

Depending on the type and scale of an emergency, Corporate Head Office resources are made available to assist the affected site or business. The hierarchy for escalating notifications of crises, and subsequent progress reports, is clearly defined and has been communicated to all businesses.

THE GROUP AND INDUSTRY BODIES

In addition to its involvement in CAIA, AECI and its businesses are involved in a number of initiatives and associations pertinent to all or some of their business activities. In this way, issues relevant to every aspect of the sustainability of the Company or that of one or more of its businesses are addressed. Initiatives include:

- longstanding membership of and involvement in SAFEX International, which aims to protect people and property against dangers and damage by sharing experiences in the global explosives industry. An AEL representative serves on the organisation's Board of Governors;
- active membership of the Process Safety Forum for South Africa's chemical industry;
- 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;
- 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 57 countries. CAIA is the custodian of Responsible Care® in South Africa, with 144 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 companies in the specialty chemicals cluster which are based in South Africa are also signatories in their own right. In South Africa signatories have their compliance with the Management Practice Standards verified by independent assurance providers. The majority of signatory companies in the Group have been audited successfully against these standards;
- participation in the CDP and the CDP Water Program. The CDP is a global initiative administered locally by the National Business Initiative, of which AECI is a member.

  The CDP is an international voluntary disclosure programme. Data on greenhouse gas emissions and climate change response actions by business are collated on behalf of global investors managing assets of US$87 trillion in 2013.

  The CDP Water Program is a newer global programme, aimed at catalysing sustainable corporate water management.

THE GROUP AND SPECIAL INTEREST GROUPS

These stakeholders are often, but not always, aligned with communities in which the Group operates and issues of concern to them are similarly aligned. Although their engagement requirements often overlap with those of communities, their needs are recognised separately.

Wherever possible, such stakeholders are encouraged to participate in the Group's affairs via existing structures (liaison forums and the like). Where this is not possible separate arrangements are made to meet the needs of such stakeholders who, as a rule, are concerned mainly with matters broadly classified as being environmentally- and health-based. Arrangements include meetings, site/business visits and participation in/support of interest group initiatives such as conferences.

Examples of interest groups in South Africa include the Modderfontein Conservation Society and the Wildlife and Environment Society of South Africa.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA GROUP BUSINESSES

GROUP BUSINESSES AND CUSTOMERS/SUPPLIERS

Customer service and engagement is at the heart of the daily business of AECI's subsidiaries and joint arrangements. It is fundamental to the value add business model and, as such, it embraces the spectrum of business-related issues that could affect performance as well as addressing external considerations such as labour relations and socio-political stability.

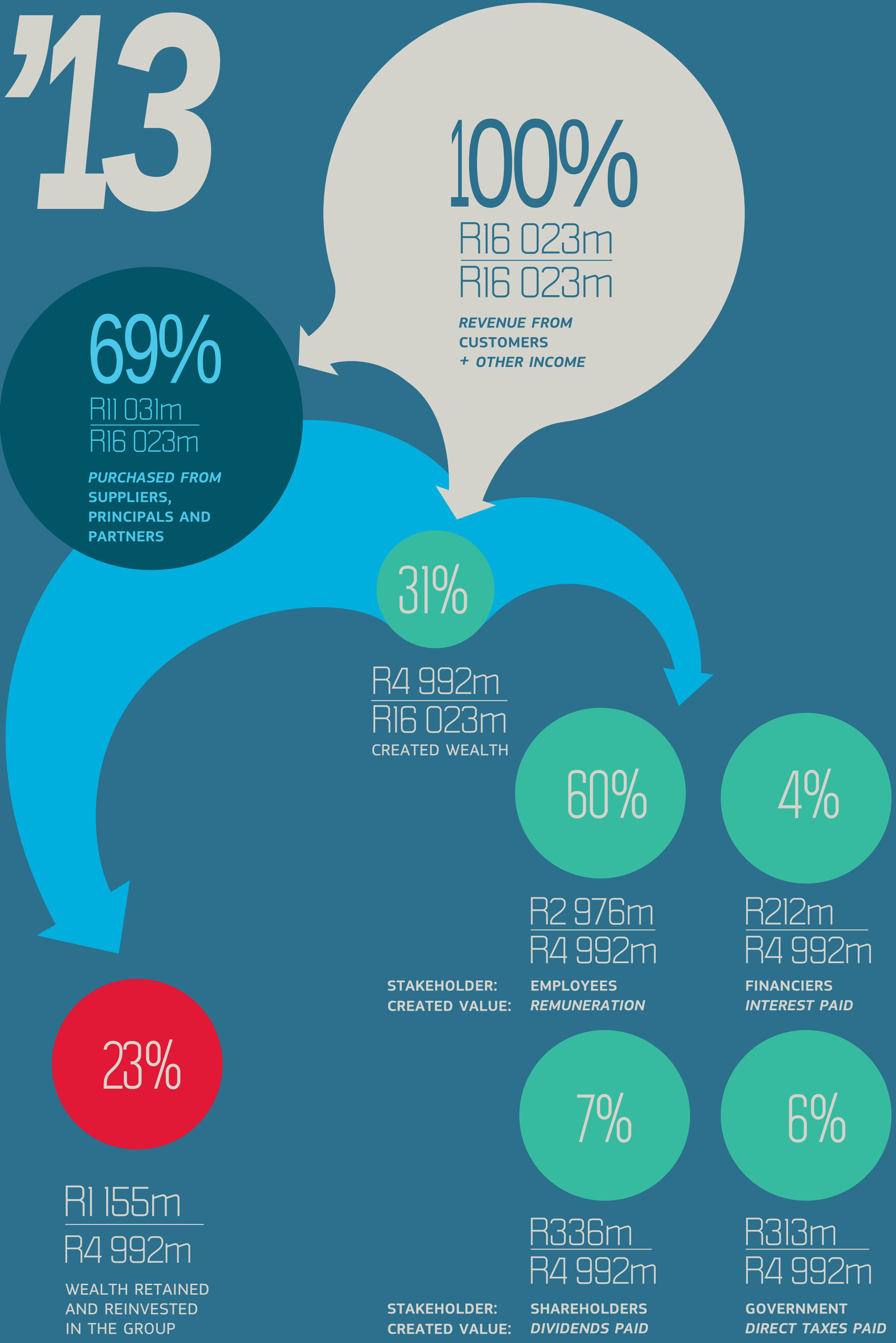
Each business has a robust system in place to ensure that any changes in customers' needs are met quickly and efficiently. Equally, relationships with suppliers are monitored continually and modified as required. Terms of engagement with customers and suppliers are clearly defined and, where appropriate, Group-wide policies and procedures guide the businesses to ensure that customer- or supplier-related risks are properly understood and managed in line with AECI's risk appetite.

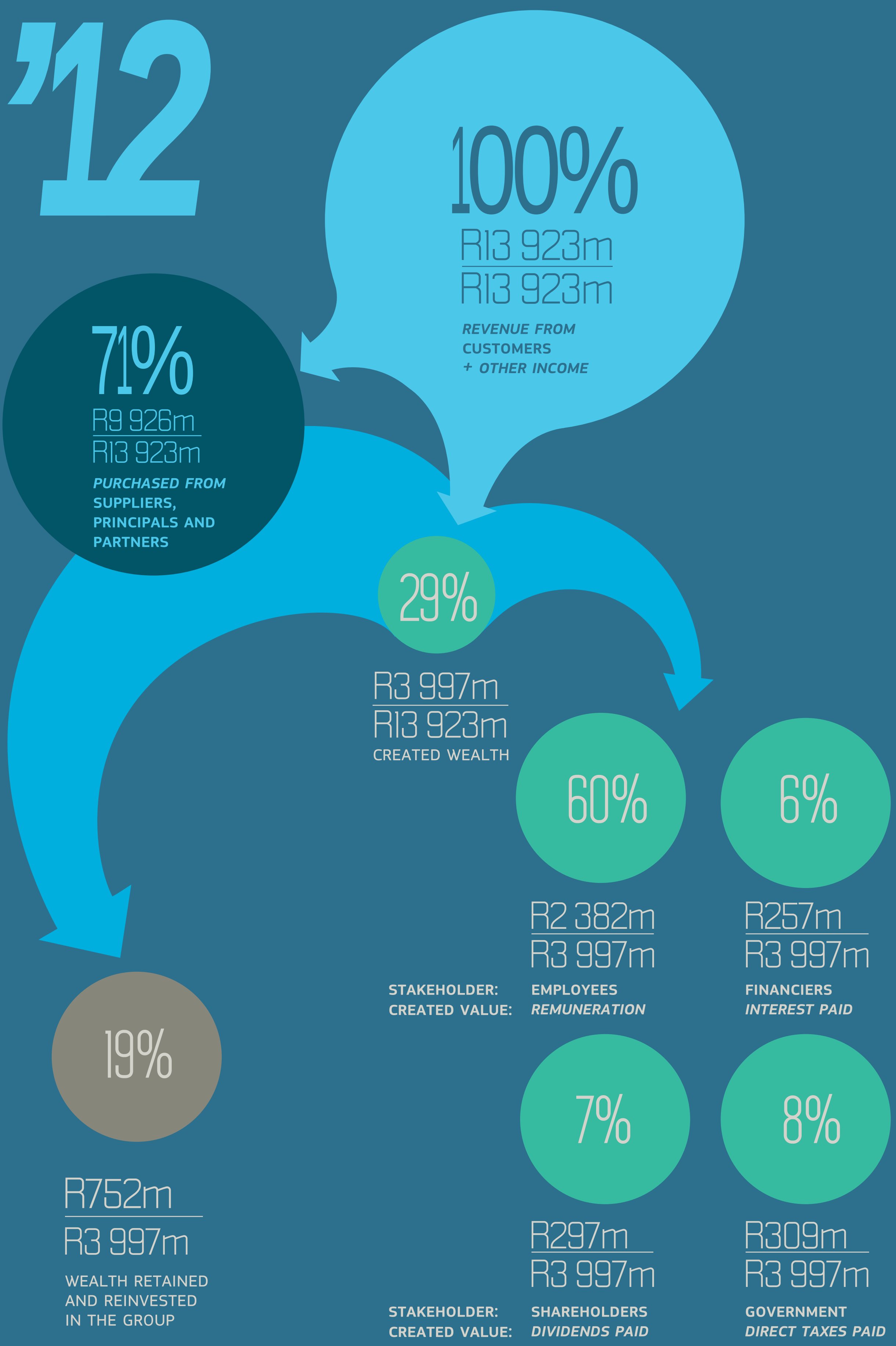
GROUP BUSINESSES AND TECHNOLOGY AND BUSINESS PARTNERS

Long-term technology and other agreements, as well as strategically advantageous partnerships, are one of the bases for the AECI Group's growth. Individual businesses engage with their principals and partners as a matter of course. Major changes, developments or opportunities are escalated to the Executive Committee and then to the Board, depending on the significance of the real or proposed change, development or opportunity.

This ensures that issues such as competitor and customer trends, economic conditions and industry trends, and the appropriateness of technologies, products and services are addressed.

WEALTH GENERATED AND DISTRIBUTED TO STAKEHOLDERS




'12
100%
R13 923m
R13 923m
REVENUE FROM
CUSTOMERS
+ OTHER INCOME
71%
R9 926m
R13 923m
PURCHASED FROM
SUPPLIERS,
PRINCIPALS AND
PARTNERS
29%
R3 997m
R13 923m
CREATED WEALTH
60%
R2 382m
R3 997m
6%
R257m
R3 997m
STAKEHOLDER:
CREATED VALUE:
EMPLOYEES
REMUNERATION
FINANCIERS
INTEREST PAID
19%
R752m
R3 997m
WEALTH RETAINED
AND REINVESTED
IN THE GROUP
7%
R297m
R3 997m
8%
R309m
R3 997m
STAKEHOLDER:
CREATED VALUE:
SHAREHOLDERS
DIVIDENDS PAID
GOVERNMENT
DIRECT TAXES PAID

BIGGER VALUES

AECI GROUP STRUCTURE

BOARD

EXECUTIVE COMMITTEE

HEAD OFFICE FUNCTIONS

BOLD

WE WILL TACKLE THE DIFFICULT CHALLENGES IN OUR BUSINESSES AND WILL OFFER CUSTOMERS INNOVATIVE TECHNICAL AND SERVICE SOLUTIONS.

INNOVATIVE

WE ARE PASSIONATE ABOUT THE INNOVATIVE CREATION OF VALUE FOR OUR CUSTOMERS, OUR SHAREHOLDERS AND OUR PEOPLE.

GOING GREEN

WE ACKNOWLEDGE THAT OUR OPERATIONS HAVE AN IMPACT ON THE ENVIRONMENT AND WE ARE COMMITTED TO THE DILIGENT MANAGEMENT OF OUR ENVIRONMENTAL FOOTPRINT.

ENGAGED

WE BELIEVE IN ENGAGING FULLY WITH OUR PEOPLE AND ARE COMMITTED TO A CULTURE OF HONESTY, TRANSPARENCY AND GROWTH.

RESPONSIBLE

AS A RESPONSIBLE CORPORATE CITIZEN WE EMBRACE THE CONCEPT OF “PEOPLE, PLANET, PROFIT” AND HOLD OURSELVES ACCOUNTABLE TO OPERATE SAFELY AND ETHICALLY TO MEET THE NEEDS OF ALL OUR STAKEHOLDERS.

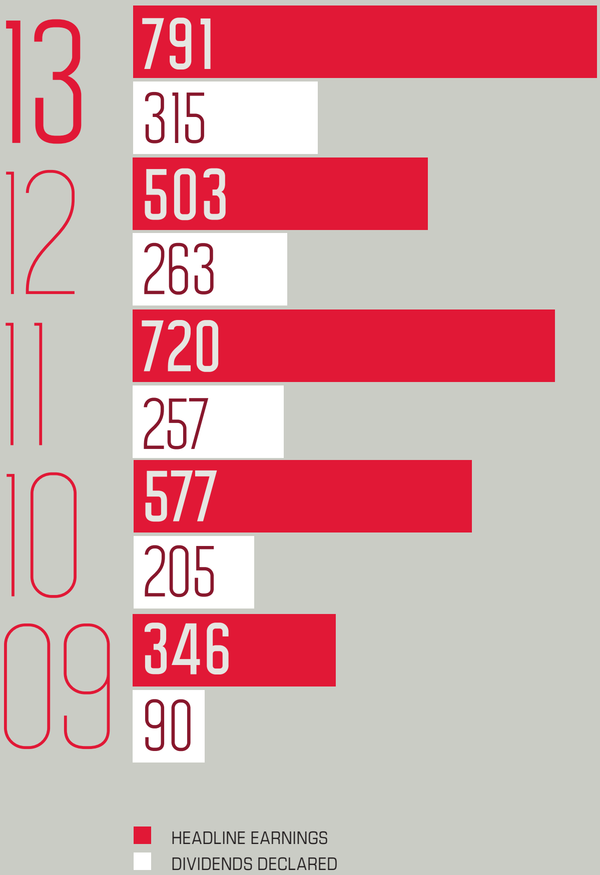
Lake Foods
Lake Specialties

GROUP RESULTS AT A GLANCE

FOR THE YEAR ENDED 31 DECEMBER 2013

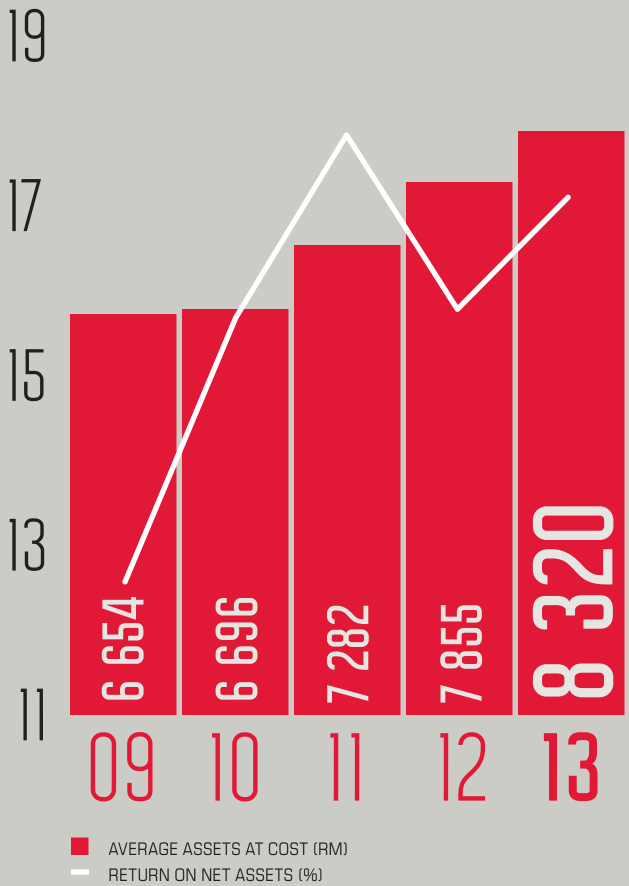
	2013	2012	% CHANGE
Revenue (R millions)	**15 942**	13 827	15
Profit from operations (R millions)	**1 398**	1 197	17
Headline earnings (R millions)	**885**	562	57
Net profit attributable to ordinary shareholders (R millions)	**946**	581	63
Headline earnings per ordinary share (cents)	**791**	503	57
Dividends declared per ordinary share (cents)	**315**	263	20
Market capitalisation at 31 December (R millions)	**16 030**	10 234	57
Profit from operations to revenue (%)	**8,8**	8,7	
Net working capital to revenue (%)	**19,6**	18,6	
Return on net assets (%)	**17,3**	16,0	
Return on invested capital (%)	**13,5**	12,0	
Return on shareholders' interest (%)	**14,1**	10,5	
Net borrowings as a percentage of shareholders' interest (%)	**25**	33	

HEADLINE EARNINGS AND DIVIDENDS PER ORDINARY SHARE (CENTS)

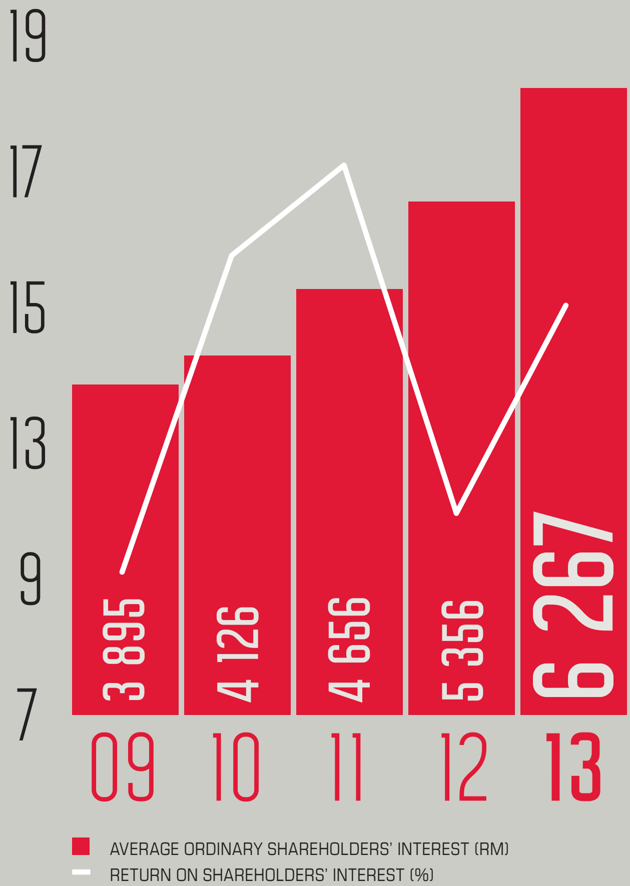


RETURN ON INVESTED CAPITAL (%)

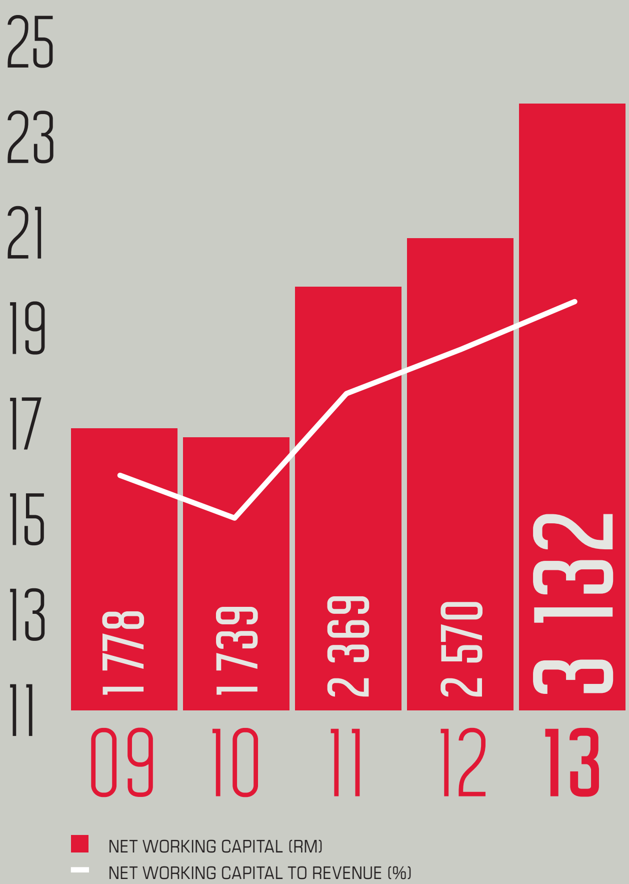
RETURN ON NET ASSETS



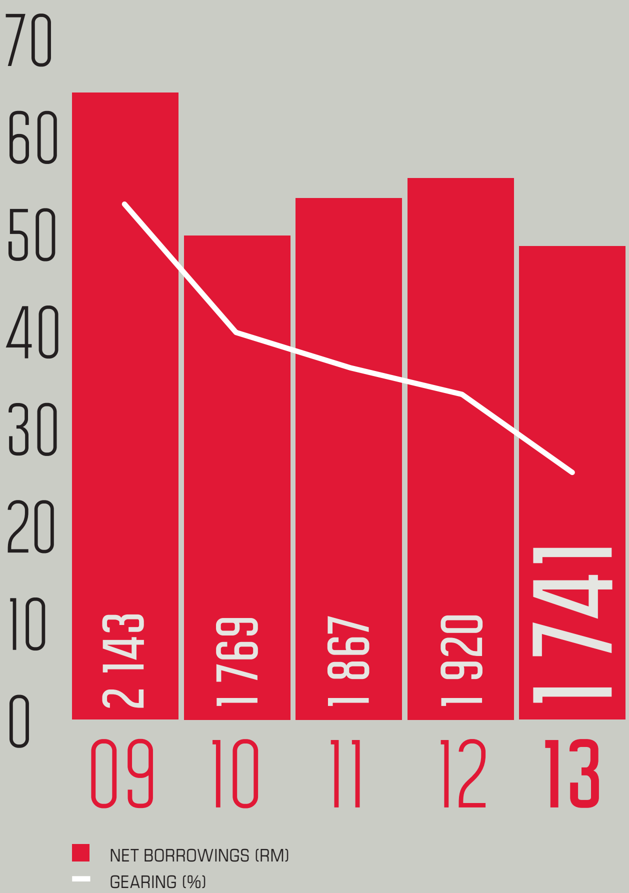
RETURN ON SHAREHOLDERS' INTEREST



NET WORKING CAPITAL TO REVENUE



BORROWINGS AND GEARING



NON-EXECUTIVE DIRECTORS

SCHALK ENGELBRECHT

(67) BSc, MBL

Schalk took up his position as AECI's Chairman in 2012. He is also Chairman of the Nominations Committee and a member of the Remuneration Committee. Schalk serves on the Board of Imperial Holdings. He was AECI's Chief Executive from 2003 to 2008.

RICHARD DUNNE

(65) CA(SA)

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

ZELLAH FUPHE

(45) BSocialSc

Zellah joined the AECI Board in 2007 and chairs the Social and Ethics Committee. She is an Executive at Dimension Data. She was previously an Executive at Plessey where she served as Managing Executive of Plessey Broadband Investments and Managing Director of Plessey South Africa for a number of years. Zellah is a member of the Engen Board. Previously she served on the Boards of Afric Oil (Chair), Worldwide Coal Carolina (Chair), the Oceana Group, Worldwide African Investment Holdings and the Unisa School of Business Leadership.

MIKE LEEMING

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

A Non-executive member of the AECI Board since 2002, Mike is Chairman of the Audit Committee, a member of the Social and Ethics Committee and Chairman of Heartland's Financial Review and Risk Committee. He is a retired Executive Director of Nedcor and past Chairman of the Banking Council of South Africa and President of the Institute of Bankers. He also serves on the Boards and Audit Committees of Altron, Imperial Holdings and Woolworths. He will retire from the AECI Board and from the Committees on which he serves at the Annual General Meeting in June 2014.

LIZIWE MDA

(48) MSc (Chem Eng), MBA

Liziwe joined AECI's Board in 2011 and is a member of the Risk Committee. She is head of strategy at a large company in the oil and gas sector in Africa. Prior to taking up this position in 2013, Liziwe was Refinery Operations Manager at SAPREF's petrochemical refinery in Durban. She has extensive experience in the manufacturing, process engineering and projects fields, gained during her career at SAPREF, Sasol Technology and Unilever SA.

ALLEN MORGAN

(66) BSc, BEng (Elect), Pr Eng

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

LITHA NYHONYHA

(54) CA(SA)

Appointed to the AECI Board in 2006, Litha is a member of the Audit, Nominations and Remuneration Committees. He is also a member of AEL's Financial Review and Risk Committee. Litha is Executive Chairman and a founding member of Regiments Capital, a Black-controlled and managed financial services group. He is also a Director of several listed and unlisted companies including Kumba Iron Ore and Sovereign Foods.

RAMS RAMASHIA

(56) BIuris, LLB, LLM

Rams joined the AECI Board in 2010 and serves on the Social and Ethics and Risk Committees. He is Non-executive Chairman of Rand Refinery Limited and also chairs this company's Nomination and Remuneration Committee. Rams is past Chairman of BP Southern Africa, SAPREF and the South African Petroleum Industry Association. Between 2000 and 2004 he was Director General of the national Department of Labour and government Chief Negotiator at the National Economic Development and Labour Council. Rams is a practising advocate of the High Court and a member of the Pretoria Society of Advocates.

EXECUTIVE COMMITTEE

MARK DYTOR*

(52)

Mark assumed his role as AECI Chief Executive in March 2013. He was appointed to AECI's Executive Committee in 2010 and to its Board in January 2013. Having joined Chemical Services Limited ("Chemserve") as a sales representative in 1984, and after managing two Chemserve companies, Mark was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board.

* *Executive Director*

MARK KATHAN*

(43) CA(SA), AMP (Harvard)

Mark is AECI's Financial Director and Chief Financial Officer, which positions he took up in 2008. Prior to joining AECI, he held a senior finance position at Nampak and served on that company's Group Executive Committee. In addition to overall responsibility for the finance and treasury functions, Mark oversees the Group's Corporate Communications and Investor Relations, Legal and Secretariat, Internal Audit and IT functions as well as its retirement funds. He also plays a leading role in AECI's Mergers and Acquisitions activities.

ANTHONY DIEPENBROEK

(57) BSc (Civil Eng), MBA, Pr Eng

Anthony joined the Group as Managing Director of Heartland, and an AECI Executive Committee member, in 2008. His experience in property- and development-related fields includes construction and project management; sales and marketing; infrastructure and facilities planning and the management of property portfolios, assets and investment funds. Anthony has served as Managing Director of iProp (formerly Rand Mines Properties) and iFour Properties.

With the completion of the Modderfontein property transaction in March 2014, Anthony transferred to Shanghai Zendai.

EDWIN LUDICK

(49) BCom (Hons)

Edwin joined Chemserve as a Human Resources Manager in 1991, was appointed to its Executive Committee in 2008 and to its Board in January 2010. He joined AECI's Executive Committee later in 2010. Edwin has served as Managing Director at four companies in the specialty chemicals cluster and is currently Chairman of a number of companies in that cluster. He is also tasked with leading the growth of AECI's chemicals business outside of South Africa.

KHOSI MATSHITSE

(57) BA (English Literature), MA (African Literature and Art of Teaching), Certificate in Strategic Human Resources, Senior Leadership Development Programme Certificate

Khosi joined AECI as Human Capital Executive and a member of the Executive Committee in 2012. She oversees the transformation of the Group, assists in the internationalisation of AECI's businesses and is transforming Human Capital into a strategic service provider. Khosi has worked as a consultant in the Organisation Design and Development and Change disciplines and has held senior Human Capital positions at other companies.

SCHALK VENTER

(46) HND (Analytical Chemistry)

Schalk is Managing Director of AEL, having served as Managing Director of Akulu Marchon prior to this. He joined ChemSystems in 1991 as a sales representative. He was appointed Managing Director of this subsidiary in 1997 and moved to AECI Coatings in the same capacity in 2001. Schalk was appointed to the Chemserve Executive Committee in 2005 and to its Board in 2007, serving also as Chairman of a number of specialty chemicals subsidiaries. He joined AECI's Executive Committee in 2010.

SENIOR MANAGERS

GARY CUNDILL

(46) BSc Eng (Chem), BEng Hons (Water), GDE (Civil), MPhil (Environmental Management), Pr Eng

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

GUGU MTHETHWA

(54) BSc Eng (Chem), MBA

Gugu is Group Mergers and Acquisitions Manager. She joined AECI in 2011. Her work experience includes various roles in the chemical processing and pulp manufacturing industries, as well as investment banking.

FULVIA PUTERO

(51) MA (Translation)

Fulvia is AECI's Corporate Communications and Investor Relations Manager. A graduate of the University of the Witwatersrand, she joined the Group's Publicity Department as a Junior Press Officer in 1986.

NOMINI RAPOO

(50) BCom (Law), UED, LLB, Admitted Attorney of the High Court, Certificate in Corporate Governance

Nomini joined AECI in 2011 as Group Company Secretary. In addition to her commercial and legal degrees, she has qualifications and extensive experience across a broad spectrum of disciplines including risk and compliance management, internal audit, legal services and corporate governance functions.

IWAN SCHUTTE

(41) CA(SA), CIA

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

TREVOR STARKE

(45) CA(SA)

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

DARYL TARR

(52) Dip Elec Eng LC

Daryl is the Group's IT Manager with overall responsibility for managing IT operations. He joined AECI Industrial Chemicals in 1989 and then moved to Nitrogen Products as Distribution Manager. After implementing SAP at Kynoch Fertilizer he ultimately transferred to AEL as IT Manager. He took up his current position in 2011.

GRAHAM THOMPSON

(38) CA(SA)

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

LOUIS VAN DER WALT

(59) Bluris, LLB, CFP, Advocate of the High Court

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

CHAIRMAN'S LETTER TO STAKEHOLDERS

SCHALK ENGELBRECHT

CHAIRMAN

BEST-EVER
SAFETY PERFORMANCE WITH A
TRIR OF
0,52

Dear stakeholders

This year was a progressive one on several fronts with many achievements contributing to AECI's commendable performance despite turbulent market conditions.

I share with you some of the year's milestones and highlights, from the Board of Directors' perspective.

BOARD ACTIVITIES

BOARD EVALUATION

The Board undertook an evaluation process, engaging the Institute of Directors in Southern Africa ("IoDSA") to assess its overall objectivity, effectiveness and independence. The scope of the exercise was to review the Board's performance against accepted good corporate governance principles and practices.

The assessment covered the Board composition, its responsibilities, the Board Committees, the relationship between the Board and management, stakeholder relationships and the effectiveness of Board meetings.

The outcome of the assessment was heartening, revealing that AECI's Board views its processes as satisfactory and, based on the IoDSA's experience, the final score ranked the Board in the top quartile of companies for which the IoDSA has facilitated similar work in Southern Africa.

Succession planning and IT governance were areas highlighted for improvement. The Board has agreed to ensure that the correct programmes are put in place to close the gaps identified in the assessment. Further details in this regard are contained in the Corporate Governance report commencing on page 53.

OVERSIGHT OF THE PROPERTY TRANSACTION

During the period under review AECI concluded a process of protracted negotiations, which was overseen by the Board, that led to an agreement being signed in November for the disposal by the AECI Group of the bulk of its surplus property assets at Modderfontein and its property development business to Hong Kong-listed Shanghai Zendai Property Limited for R1 061 million (including VAT). All conditions precedent to the transaction were met on 20 March 2014 and AECI received the cash consideration in full.

The Board will evaluate options for the application of the cash proceeds in the first half of 2014.

OVERSIGHT OF PROPOSED CHANGES TO THE GROUP'S RETIREMENT FUNDS

These proposals will be progressed in 2014 and the Board will continue to be involved. From the outset the overriding objective has been that any changes to the retirement funds should be undertaken in a manner that satisfies the interests of all stakeholders in an open and transparent manner. Further details in this regard can be found in the Chief Financial Officer's report on page 36.

SITE VISITS

As in the past, site visits were organised to afford the Non-executive Directors access to and engagement with the management teams of individual businesses. The areas of specific focus in 2013 were foreign-based operations in Brazil, Ghana, Indonesia and the USA. The Non-executive Directors, accompanied by members of the Executive Committee, were split into groups for these visits, whereafter they submitted reports to the full Board setting out matters of interest and concern. The Board also visited AEL's Initiating Systems Automated Plant ("ISAP") at Modderfontein as part of its on-going assessment of that investment and to confirm first-hand the success of the improvement projects executed there over the last year.

The Board is pleased to report that ISAP is commercially complete and is achieving its targeted design outputs consistently, in line with market demand.

OPERATIONAL STRATEGY

VALUE-ADDED CUSTOMER-CENTRIC SERVICES

Innovation is at the centre of our business model, with intense focus on the unique product offerings that build solid long-term relationships with our customers. This focus adds value and aids in the on-going sustainability of both our customers' businesses and ours.

A prime example of this was illustrated by AEL which enabled a new African record on 6 November 2013 for the largest number of DigiShot™ Plus electronic detonators fired simultaneously, at Kumba Iron Ore's Kolomela Mine in the Northern Cape. A blast containing 4 786 detonators was fired in the newly opened Klipbankfontein pit. The success of the blast has enabled the mine to change its methodology by having the confidence to fire fewer and larger blasts to minimise mining interruptions.

COST BASE COMPETITIVENESS

We continually apply ourselves to finding ways of providing superior quality products and services at globally cost-competitive prices.

Active portfolio management is undertaken to ensure that the Group comprises the right product and services mix. We review whether there is a need to close, restructure or consolidate any of our Group companies or parts thereof.

In 2013, AEL progressed the restructuring of its initiating systems operations and certain businesses in the specialty chemicals cluster were also restructured. The benefits of some of these changes are already evident while others will be seen from 2014. Further details are given in the Chief Executive's report commencing on page 32 and in the operational reviews commencing on page 40.

WORLD-CLASS TECHNOLOGY

We invest in technology and product development to meet our customers' changing needs and expectations to ensure adherence to world-class quality and production standards at a competitive price. Our role as licencees or partners in many of our specialty chemicals businesses gives us exposure to the leading technology of our principals, such as access to the proprietary formulations AECI gained as part of the GE Chemicals and Monitoring Solutions acquisition in 2012.

Strategic acquisitions add further products and technologies to the portfolio, aligned with the Group's long-term aspirations. In June 2013, the acquisition of SA Premix was finalised and was integrated into Chemfit's business in the fourth quarter. SA Premix produces and distributes animal feed formulations that fortify and enhance the nutritional content of feeds.

In February 2014 we were pleased to announce the acquisition of Clariant's water treatment business in Africa, subject to conditions precedent. This acquisition will enhance our footprint in this sector on our continent.

RESPONSIBILITY

We approach everything we do with professionalism and we are committed to business excellence. Embracing the requirements of good corporate governance is a constant endeavour and it was pleasing that year-on-year progress was made.

The Board conducted a review of AECI's delegation of authority to ensure that it continues to support the Group's decision-making matrix and compliance with this requirement is now the norm.

Headway was also made in implementing a governance framework for the Group. A phased approach has been adopted and further steps will be taken in 2014.

King III states that "Compliance with applicable laws should be understood not only in terms of the obligations they create, but also for the rights and protection they afford". We recognise that compliance and ethical behaviour are fundamental underpins for sustainable growth and the protection of the Group's standing as a corporate citizen acceptable to its stakeholders.

A phased, proactive and systematic compliance programme is being implemented. In 2013, a process of scoping all legal requirements was undertaken for businesses in Botswana, the DRC, Zambia and Indonesia for the purposes of compiling the compliance universe for those countries. Similar scoping initiatives are planned for other countries in 2014. Further information on the Group's integrated compliance programme is contained in the Corporate Governance report.

Following the revision of AECI's Code of Ethics and Business Conduct in 2012, the focus in 2013 was on its roll-out to international operations. The Code was translated into the local languages where our businesses operate and was bolstered by additional training sessions where necessary.

AECI has a comprehensive risk management programme in place but a level of vulnerability in business always remains. An organisation cannot foresee every eventuality and this emphasises the need to go beyond risk management in planning effective responses. In this regard, AECI engaged Deloitte in 2013 to assist and support management in implementing a Business Continuity Management ("BCM") initiative in the Group.

A BCM policy and framework were developed, based on international best practice. A strategic approach has been applied to selecting and prioritising businesses for BCM implementation. Further pertinent information is contained in the Risk Management report commencing on page 8.

Good progress was also made in other aspects of our business. The best-ever safety performance was achieved with a Total Recordable Incident Rate of 0,52. Meaningful advancements were made in our Green Gauge environmental and Process Safety Management programmes and further progress was made towards finalising an Integrated Water Use Licence for Modderfontein.

The AECI Employees Share Trust and the AECI Community Education and Development Trust Boards of Trustees were put in place during 2013 and the Trusts are now functional. In line with the AECI Employees Share Trust Agreement, a dividend in the sum of 29 cents per B ordinary share was approved by the AECI Board in February 2014 and will be paid to beneficiaries of this Trust in the second quarter of 2014.

DIRECTORATE

As indicated in my letter to you last year, Graham Edwards retired at the end of February 2013 after five years as AECI's Chief Executive and a 34-year career with the Group. I thank him again for his contribution. Mark Dytor succeeded Graham as Chief Executive, with effect from 1 March. Mark has been with the Group since 1984, when he joined Chemserve. He was appointed to Chemserve's Executive Committee in 1998 and subsequently to its Board. Mark has adapted well to his position as Chief Executive and I would like to congratulate him on his contribution to the Group's success during the course of this year.

Mike Leeming will retire as a Non-executive Director of the Company at the Annual General Meeting to be held on 2 June 2014. Mike has served on the Board and several Board Committees since 2002. The Board thanks him for his dedicated service over the past 12 years.

Zellah Fuphe succeeded Litha Nyhonyha as Chairman of the Social and Ethics Committee during 2013. I would like to thank Litha for his valued input over the years as Social and Ethics Committee Chairman.

OUTLOOK

Over the last few years we have managed our costs and invested in improving our production capacity to ensure that the Group remains ideally placed to meet the challenges of an ever-changing business landscape. We continue to review the Group's portfolio and cost base to ensure the best possible alignment with customer requirements and the maximisation of growth opportunities in all countries where we operate. Further restructuring in the explosives business as well as the specialty chemicals cluster can be expected in 2014.

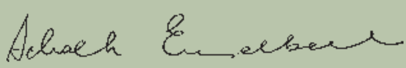
Our strategic focus has shifted to the realisation of our growth ambitions. Acquisition opportunities in South Africa and other countries in AECI's markets of interest will continue to be pursued in the coming year. We adopt a cautious approach and only proceed where there is a good strategic rationale, a strong cultural fit, where the targeted acquisition is correctly priced and the risk/reward balance is appropriate.

The volatile labour relations climate in South Africa continues to be of concern. The protracted strike in the platinum mining sector at the time of writing is a case in hand that will have adverse consequences for the Group, the South African mining industry and the country as a whole. Business, government and organised labour will need to continue to seek sustainable solutions in the interests of all stakeholders.

South Africa will celebrate 20 years of democracy in 2014 just months after the death of former President, Nelson Mandela. Mr Mandela was acknowledged as an iconic leader across the world and the immediate outpouring of sentiment that greeted the news of his death shows just how much he was admired by millions of people from all corners of the globe and across every spectrum of society.

He left behind an unparalleled legacy for all the right reasons, not least of which was his exemplary ability to forgive, engender reconciliation among all South Africans and African nations, and an unwavering dedication to a better future for generations to come. History will never forget Nelson Mandela and there is no greater honour that each of us can pay him than continuing to uphold the principles and commitments that were his life's work.

I would like to thank the Board, the management team and all of our employees for their dedication and valued contributions during the year. I also thank AECI's shareholders, business partners and other stakeholders for their on-going support of the Group.



Schalk Engelbrecht
Chairman

Woodmead, Sandton
11 April 2014

CHIEF EXECUTIVE'S REPORT

MARK DYTOR

CHIEF EXECUTIVE

AECI produced commendable results in 2013 notwithstanding the effects of an environment where trading and market conditions remained challenging. Excellent results were delivered by Heartland. Heartland's results excluded income from the bulk sale of surplus property at Modderfontein to Shanghai Zendai Property Limited ("Shanghai Zendai").

There was a pleasing turnaround in AEL and the specialty chemicals cluster achieved another solid performance overall. Particularly gratifying were the results of Chemfit, Chemical Initiatives, ImproChem, Nulandis and Senmin.

Results also benefited from the non-recurrence of the non-cash IFRS charge relating to the community share trust component of the B-BBEE transactions concluded in 2012.

BUSINESS ENVIRONMENT

Macro-economic factors that impacted on AECI's financial performance in the year were the ZAR/US$ exchange rate, the improved fortunes of the global mining industry, and conditions in South Africa's manufacturing sector.

The rand depreciated by 17% against the US dollar in 2013. Given that 33% of our revenue is now generated outside South Africa and is predominantly denominated in US dollars, net foreign currency gains added R92 million to trading profit. This included a once-off R38 million gain realised by repatriating foreign cash to the Group's central offshore Treasury. Revenue growth from business activity in the rest of Africa and other countries of interest, particularly Indonesia, demonstrates the positive effects of our internationalisation strategy in the core areas of mining solutions (61% of revenue), water solutions (10%) and agriculture (12%).

According to Stats SA, South Africa's mining industry recorded a cumulative 4% year-on-year increase in output. Fortunately, the strike action of 2012 did not recur and resulted in a more stable environment from a labour relations perspective although cost pressures remained. Demand from the local open cast mining sector grew while the performance of narrow reef mines continued to be adversely impacted by lower gold and platinum prices and cost issues.

Mining activity in the rest of Africa, from existing customers as well as new mining projects, was buoyant. This benefited AEL and Senmin, in particular. In Indonesia, growth was tempered by lower thermal coal prices.

The manufacturing sector in South Africa remained lacklustre overall with cumulative annual growth of 1,3% (Stats SA), lagging that of GDP. This weak demand environment was detrimental to volumes and profit margins. Customers saw no significant upswing in export volumes notwithstanding the decline in the local currency. Instead, rationalisation and reductions in production capacity due to cost competitiveness factors were trends.

In both the manufacturing and mining sectors, international competition for market share in South Africa and the rest of Africa remained keen.

FINANCIAL PERFORMANCE

Revenue increased by 15% to R15 942 million (2012: R13 827 million). Revenue generated outside South Africa was 20% higher at R5 224 million. Headline earnings improved by 57% to R885 million (2012: R562 million). Profit from operations increased by 17% to R1 398 million compared to R1 197 million in 2012, the trading margin was 8,8% (2012: 8,7%), earnings per share ("EPS") were 845 cents (2012: 520 cents) and headline earnings per share ("HEPS") were 791 cents (2012: 503 cents).

The Board declared a final cash dividend of 210 cents per ordinary share (2012: 185 cents) bringing the total cash dividend for the year to 315 cents per share, a 20% increase on 2012's 263 cents per share.

The Group generated R2 261 million in cash from its operations (2012: R1 838 million) and the financial position remained strong notwithstanding the higher than targeted level of working capital owing to the weaker rand, longer supply chains associated with businesses outside South Africa, and some building of inventories in the middle of the year in anticipation of potential strike action. Fortunately, this strike disruption did not materialise and it was gratifying that annual negotiations with representative trade unions were concluded timeously.

R633 million was invested in capital expenditure (2012: R538 million). R293 million of this was for expansion projects at customer sites, largely in the explosives and mining chemicals businesses, and at SANS Technical Fibers in the USA where a conversion to single stage nylon-spinning equipment is nearing completion.

The performances of each business segment and their outlook for 2014 are commented on in detail in the operational reviews commencing on page 40.

INVESTMENTS AND ACQUISITIONS

In 2012 the Group signed an agreement to acquire a 42,6% minority shareholding in an equity partnership with PT Black Bear Resources Indonesia ("BBRI") in Indonesia. The investment is for a total consideration of US$23 million, in three phases.

REVENUE UP 15%

FOREIGN REVENUE UP TO 33% OF TOTAL

BBRI's 60 000 tonnes/annum ammonium nitrate plant will improve AEL's supply chain in the region. The plant was in production in March 2014 and product was supplied to AEL's largest customer in Indonesia. Plant ramp-up to full capacity is a key deliverable for the coming year. At the end of 2013 the total investment in BBRI amounted to R201 million, comprising share capital and an equity convertible loan. By the end of the first quarter of 2014 AEL held 37% of BBRI's equity.

The acquisition of SA Premix was finalised and integrated into Chemfit's business in the fourth quarter of 2013. SA Premix produces and distributes animal feed formulations that fortify and enhance the nutritional content of feeds. A new blending plant came on line in March 2014 and design capacity was reached.

In February 2014 we announced that agreement had been reached with Clariant Southern Africa Proprietary Limited ("Clariant") for ImproChem to acquire Clariant's water treatment business in Africa and its South African assets for a total cash consideration of R409 million. Also included in the acquisition is a 50% shareholding in Blendtech, Clariant's B-BBEE partner in South Africa.

The acquisition, which is subject to certain conditions precedent including approval by the relevant competition authorities, is in line with our strategy to extend our presence in Africa in the provision of water treatment solutions for a broad range of industrial and municipal customers, principally through ImproChem. ImproChem has established a footprint on the continent subsequent to the acquisition of GE's Chemical and Monitoring Solutions business in Africa and the Indian Ocean Islands in 2012. On completion of the Clariant acquisition, which will also be merged with ImproChem, this footprint will be enhanced since ImproChem's direct sales capability in many African countries will enable it to leverage Clariant's penetration of these markets.

Our expansion into Africa will be guided by our strategic imperatives of enhancing our footprint in the mining (explosives and chemicals), water solutions and agricultural sectors. The distribution of specialty chemicals in Southern Africa is also of strategic interest, as is the food additives and ingredients market in South Africa.

We have already seen some positive results from our chemicals cluster leveraging AEL's footprint in Africa, particularly in Senmin, by capitalising on AEL's established structures and networks.

Next we intend targeting further growth in South East Asia and exploring opportunities in Australia and Latin America. In support of this, AECI offices have been established in China, Brazil and Australia.

PROPERTY TRANSACTION

In November 2013, an agreement was concluded for of the disposal by the AECI Group of the bulk of its surplus property assets at Modderfontein and its property development business, to Shanghai Zendai for R1 061 million (including VAT). The transaction was subject to certain conditions precedent, all of which were met by 20 March 2014. Accordingly the transaction became effective and AECI received the transaction price in full, in cash.

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

As pleasing as the Group's 2013 financial performance was its safety record in the year. The improvement trend was maintained, with a best-ever Total Recordable Incident Rate ("TRIR") of 0,52. The TRIR measures the number of incidents per 200 000 hours worked. Safety remains a key performance indicator for management and sustained efforts in this regard are having positive results.

Further inroads were made on the roll-out of Process Safety Management with an additional four elements of the 18-element programme having been implemented across the Group. This initiative commenced in 2012 and another four elements will be covered in the coming year.

A Group-wide wellness campaign, "Shintsha for Life", was launched in August. It will run over the course of a year to bolster long-term employee wellness by encouraging small but important lifestyle changes which reduce the risk of chronic illnesses. Participation is voluntary but strongly encouraged.

Green Gauge, the Group's environmental initiative, continued at pace and several businesses have noted financial and other benefits of improved practices and behaviours.

HUMAN CAPITAL

The focus was on enhancing the Group's Employee Value Proposition. Aspects of the Group that appeal to employees and potential candidates were identified and helped to define the Human Capital agenda more clearly.

The Talent Acquisition function assisted Group businesses in making progress towards their Employment Equity targets by building a database of highly skilled designated group candidates. Employee retention factors were monitored via feedback from anonymous exit questionnaires and face-to-face interviews.

Performance management, and remuneration in line with performance, has been identified as a key area of focus. There is a need to align workforce performance across all businesses in support of our growth strategy. Accordingly, a Group-wide project to standardise processes and systems commenced. Key drivers include entrenching a uniform performance culture and fairness in differentiation between performance levels.

In management development, the customised AECI Management Development Ladder was launched in partnership with the Gordon Institute of Business Science. 27 employees started the Foundation Management Development Programme and 92% of the participants are from designated groups, 63% of whom are women. The Middle Management Development Programme also commenced with 84% of the 32 employees participating being designated group members and 56% being women. Both groups are expected to graduate in 2014 and the Senior Management Development Programme will commence.

In 2012, our transformation initiatives took a meaningful step forward with the conclusion of our Broad-based Black Economic Empowerment ("B-BBEE") transactions.

In terms of these transactions, AECI facilitated the subscription by the AECI Employees Share Trust ("EST") and the AECI Community Education and Development Trust for an effective 11,5% of its enlarged share capital. 4 225 employees are beneficiaries of the EST with 73% being Black, 13% of whom being Black women. Eligible employees are permanent employees of AECI companies in South Africa who are not participants in other Group long-term incentive schemes, and Black managers.

Boards of Trustees to oversee the two Trusts, with the majority of Trustees being Independent, were put in place during 2013. In line with the EST Trust Agreement, a dividend of 29 cents per B ordinary share was approved by the AECI Board in February 2014 and will be paid to EST beneficiaries in the second quarter.

AECI maintained its Level 4 B-BBEE Contributor status and Group companies improved or maintained their individual ratings.

Our performance in SHE and Human Capital matters is discussed in detail in the Sustainability report on page 66.

BUSINESS CONTINUITY MANAGEMENT ("BCM")

AECI has a comprehensive risk management framework in place but vulnerabilities will always remain in any business. It is not possible for an organisation to prepare for every unforeseen eventually and this emphasises the need to go beyond risk management in planning effective responses. In this regard AECI engaged Deloitte in 2013 to assist and support management in implementing a BCM initiative in the Group.

Due to the diversity and geographical extent of AECI's business, the roll-out of the BCM programme will be incremental. In cooperation with our insurers, a strategic approach has been applied to selecting and prioritising businesses for BCM implementation. Further information is contained in the Risk Management report on page 8.

ETHICS

Stakeholders' trust must be earned and maintained through honesty, transparency and accountability across all Group companies in all countries of operation.

An ethical culture drives long-term business value. AECI's efforts to entrench such a culture continued in 2013. The Group's Code of Ethics and Business Conduct ("the Code") was translated into the languages of employees in the countries in which we operate. Training on the content and application of the Code was rolled out in these countries and reinforced in South Africa. More detail is given in the Corporate Governance report on page 53.

COMMUNICATION WITH STAKEHOLDERS

Through our processes of engagement, it was established that there is a need for greater emphasis on communication with stakeholders, and employees in particular, and the manner in which this takes place.

I now communicate with employees through a regular e-newsletter which covers a variety of topics such as strategy, achievements, challenges, employee initiatives and upcoming events of interest to the whole Group.

In December 2013, the AECI Medical Aid Society launched its quarterly newsletter to members. It discusses topical issues and highlights Society changes and upcoming events. It is distributed electronically and by post. Additional Society policy information was distributed to members as relevant.

In February 2014 we embarked on the "going Above&Beyond" advertising campaign with the aim of enhancing the position of the AECI brand with our customers, suppliers and employees, to create more brand awareness in the market and to elaborate on the role we play as a Group. It showcases employees who are going Above&Beyond in service to customers. The series was flighted at Cape Town International Airport in the run-up to the Investing in African Mining Indaba in February 2014, as well as the 2013 financial results announcement. Further exposure was driven through industry-specific multimedia platforms. The new performance management system will measure how each of us is going Above&Beyond in everything we do.

OUTLOOK AND STRATEGIC FOCUS

AECI's explosives and mining chemicals businesses are poised for further growth in South Africa in open cast mining, particularly in iron ore and coal, while the narrow reef platinum and gold sectors are expected to remain under pressure owing to weaker commodity prices and escalating costs. Industrial action will have a negative effect on local markets. Strikes in the platinum mining industry in 2014 have already impacted on AECI's results in the early part of the year.

The benefits of growth outside South Africa from both green- and brownfield expansion projects in the copper, gold and iron ore mining sectors, as well as those of the BBRI investment, are expected from 2014.

The expansion of the Group's African footprint will continue to be supported not only in mining solutions but also in other markets of strategic interest as already outlined.

Further restructuring in the explosives business as well as the specialty chemicals cluster can be expected as the Group continues to review its portfolio and cost base to ensure the best possible alignment with customer requirements and the maximisation of growth opportunities in all countries where we operate.

Acquisitions in South Africa, the rest of Africa and in selected other regions in markets of interest will continue to be pursued.

ACKNOWLEDGEMENTS

I would like to extend a heartfelt thank you to the Board, the Group's management teams and all of our employees for their dedication and commitment, without which AECI would not have delivered such strong results in 2013. I also thank the Group's business partners, customers, suppliers and other stakeholders for their on-going support.

I succeeded Graham Edwards as Chief Executive on 1 March 2013. I would like to thank him for his guidance and input over the many years we worked together. A special word of thanks is also due to Mike Leeming, who leaves the AECI Board in June 2014. His commitment and sage advice over the past 12 years have guided AECI through a pivotal phase in its history. We thank him sincerely for his contributions.

Mark Dytor
Chief Executive

Woodmead, Sandton
11 April 2014

CHIEF FINANCIAL OFFICER'S REPORT

MARK KATHAN

CHIEF FINANCIAL OFFICER

This report is intended to provide a high level overview of the financial performance of the AECI Group for the year ended 31 December 2013. It should be read in conjunction with the consolidated annual financial statements commencing on page 117.

IFRS

A number of changes to IFRS took effect in 2013, with four significant new standards, as did material changes to IAS 19 relating to employee benefits, particularly defined-benefit obligations. The new standards were IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement.

IFRS 10 amended the definition of control for the purposes of consolidation. However, the Group was unaffected owing to the nature of its holdings.

IFRS 11, in contrast, represented a significant change for the Group as three joint arrangements which were previously proportionately consolidated were re-assessed in terms of the new standard. They are now "joint ventures" and have been reclassified retrospectively and recognised as investments in joint ventures, accounted for using the equity-accounted method. The effects of these amendments are indicated in commentary on the changes in accounting policies on page 110 and in note 6 on page 133. Although there was no effect on profit for the year and headline earnings, impacts on individual line items in the income statement and the statement of financial position were substantial.

IAS 19 revisions meant a change to the Group's accounting for its defined-benefit obligations in the income statement. In the past, all changes in the obligations were recognised immediately in profit and loss. The new standard, however, requires a split between profit and loss and other comprehensive income for the actuarial gains and losses taken into account in determining the liabilities. The Group managed these on the net basis and actuarial gains were included in profit from operations in 2012. The positive aspect of the amended accounting standard is that the income statement charges will be less volatile in future periods.

The most significant impact of IFRS 12 and IFRS 13 was the need for additional disclosure in the consolidated annual financial statements of the Group.

FINANCIAL PERFORMANCE

The AECI Group delivered an excellent performance in 2013 as the positive effects of our internationalisation strategy emerged. There was good growth in the mining industry in Africa while the local industry was more stable than in 2012 from a labour relations perspective. However, cost pressures persisted. The South African manufacturing sector remained subdued and trading conditions in the global environment were challenging overall. The volatility of the rand and of certain commodity prices added to the pressure on our margins.

Revenue grew by 15% to R15 942 million, with 33% of this consolidated revenue being generated outside South Africa. Profit from operations was R1 398 million, 17% higher than in 2012, after accounting for a R84 million restructuring charge in AEL. HEPS showed a 57% year-on-year improvement to 791 cents. Excellent results were achieved by the explosives and the property segments. There was also growth in the specialty chemicals segments notwithstanding the prevailing manufacturing environment in South Africa.

Corporate charges increased substantially. Costs relating to the Group's defined-benefit obligations were higher as was the provision for long-term incentives. The defined-benefit costs increased as a consequence of the lower market yield on bonds used as the basis for the discount rate applied in the valuation of the liabilities at the end of 2012. The lower yield increased the current service costs recognised in 2013. The higher provision for long-term incentives was a consequence of higher HEPS as well as the 57% increase in the AECI share price over the year.

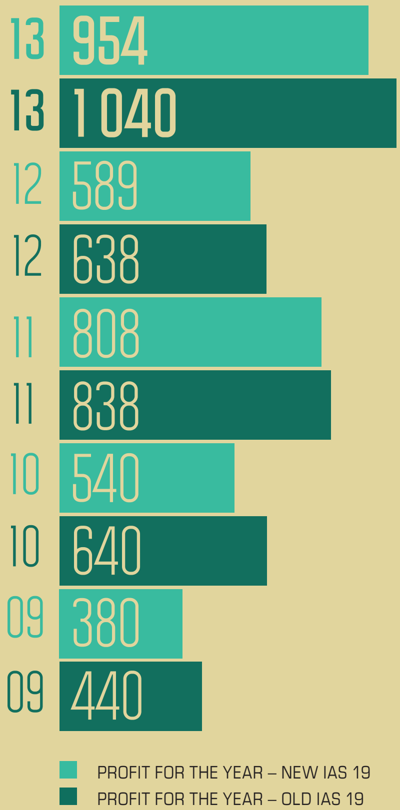
EBITDA grew by 15% to R2 billion, an all-time high for the Group. This growth was assisted by the non-recurrence of 2012's strikes in the mining industry and supply chain issues at AEL. We also benefited from exchange rate gains as a result of the decline of the rand against the US dollar.

Profit after tax for 2013 increased by 62% over 2012's results owing to improvements in operating profit, the non-recurrence of the IFRS 2 charge relating to the community share trust component of our B-BBEE transactions concluded in the prior year, the positive impact of a lower effective tax rate arising from lower non-deductible costs, and the impact of lower tax rates in certain countries where our businesses operate.

HEPS UP 57%

NORMALISED HEPS UP 26%

EFFECT OF ACTUARIAL GAINS AND LOSSES (RM)



DEFINED-BENEFIT OBLIGATIONS

AECI has been investigating options to de-risk its defined-benefit obligations and to this end concluded an agreement with the AECI Pension Fund on 7 March 2014. The agreement outlined proposals and options for the treatment of all obligations of the Fund, as well as the apportionment and application of actuarial surplus. The Company and the Fund's Trustees have 75 days from the agreement date to agree on proposed implementation. If the principles are agreed, communication will be made to all active members, deferred pensioners and pensioners and they will be granted a period in which to comment and/or object to the proposals. Only when this consultation period has been completed and the necessary regulatory approvals have been obtained will any changes be implemented.

The interests of active members, deferred pensioners and pensioners of the Fund are integral to the process. The current benefits and obligations in respect of the Fund will remain in place until agreement from all parties has been confirmed.

AECI and the Fund's Trustees have agreed that no changes will take place if specific future events, such as a major decline in equity markets, result in any change no longer being affordable or unreasonably prejudicial to the needs and expectations of the Company or the Fund and all its members.

The Company intends to embark on a similar initiative with its other three defined-benefit funds.

EARNINGS PER SHARE

HEPS increased by 57% to 791 cents per share and basic EPS increased by 63% to 845 cents per share in 2013. The non-recurrence of the non-cash IFRS 2 share-based payment charge in respect of the community share trust transaction made a significant contribution to the increase. Excluding this effect, HEPS were nonetheless up 26%. HEPS were lower than basic EPS due to the exclusion of a gain on the realisation of a loan to a foreign subsidiary, which was treated as a partial disposal of the net investment in that foreign operation, and the profit made on the disposal of the remaining portion of the former SANS Fibres site in Bellville, Cape Town.

FINANCIAL POSITION

The Group's non-current assets remained at similar levels to those in 2012 despite the increase in the translated value of foreign operations owing to the depreciation of the rand. The assets previously proportionately consolidated in respect of three of the Group's joint arrangements were reclassified to investments in joint ventures as the requirements of the new IFRS 11 dictate that these joint arrangements be equity-accounted as joint ventures. In addition, a large proportion of the Group's investment property was reclassified as current assets held for sale following the conclusion of the agreements with Shanghai Zendai in November 2013. More detail on these agreements follows.

Working capital was 21,9% higher year-on-year, due mainly to property sales in the second half of the year which increased receivables by approximately R200 million and are payable only on transfer of the affected properties. The increase excluding these effects was 14%, which relates favourably to the increase in revenue and cost of sales of 15%. Net working capital to revenue increased from 18,6% in 2012 to 19,6% with the measure improving for the explosives and specialty chemicals segments.

Non-current provisions declined due to the actuarial gains in respect of defined-benefit obligations, despite the increase in the provision for long-term incentives. Net debt, which includes long-term and short-term debt and cash, decreased by 9% year-on-year and the Group's debt to equity percentage was 25% (33% in December 2012) further strengthening our financial position to fund future growth. R465 million of the Group's term debt was repaid during 2013 and additional term debt of R1 231 million was secured. All loan covenants were met in the year.

CASH FLOW

The Group's operations generated cash flows of R2 261 million, up 23% from 2012's levels. The reduction in the Group's borrowings had a positive effect on the amount of interest paid. While a greater amount was paid in tax with the improvement in profitability and an increase in cash invested in working capital, the cash generation remains pleasing. Dividends paid in the year increased by 13% and represented 30% of the cash available from operating activities.

The available cash was utilised for investment in property, plant and equipment with R293 million spent on expansion projects as the Group extends its international footprint. Included in this amount was investment in single stage nylon-spinning technology at SANS Technical Fibers in the USA. R254 million was invested in capital to maintain operations. In addition, the Group invested R75 million in SA Premix, a business which produces and distributes animal feed nutrition formulations, and also increased its minority investment in BBRI in Indonesia. This ammonium nitrate plant was commissioned early in 2014.

NON-EXECUTIVE DIRECTORS
EXECUTIVE COMMITTEE
SENIOR MANAGERS
CHAIRMAN'S LETTER TO STAKEHOLDERS
CHIEF EXECUTIVE'S REPORT
CHIEF FINANCIAL OFFICER'S REPORT

BUSINESS COMBINATIONS AND INVESTMENTS

In addition to the acquisition of the SA Premix business, in February 2014 the Group concluded an agreement with Clariant to acquire its water treatment business in Africa and the related South African assets. The acquisition will strengthen AECI's footprint in the water treatment business on the continent and will also provide additional scope for its South African business in the water treatment sector, particularly through Blendtech. The latter is Clariant's local B-BBEE partner and the Group's acquisition includes 50% of this company. There are a number of conditions precedent which are still to be met for the acquisition, including approval by the relevant competition authorities.

The AECI Group acquired the first tranche of its equity stake in BBRI during 2013. R93 million was paid for 16,2% of the equity. An additional amount of R105 million was advanced to finalise the construction of the ammonium nitrate plant. In the first quarter of 2014, the equity stake increased to 37% with a corresponding reduction in the outstanding loan balance. A further investment will be made once the plant reaches nameplate production levels. This will increase the Group's holding to 42,6%. The investment is accounted for as an associate and the results have been equity-accounted for 2013.

PROPERTY TRANSACTION

The Group concluded agreements with Shanghai Zendai in November 2013 for the disposal of the bulk of its surplus property assets in Modderfontein and its property development business. The conditions precedent to the agreements were met in January 2014. The transaction became effective on 20 March 2014 with the transfer of a parcel of the land, for a value of R513 million (including VAT), to Shanghai Zendai's South African subsidiaries. Accordingly, the recognition in the 2013 annual financial statements has been limited to the reclassification of R286 million of undeveloped land and leased properties (previously held as investment properties) as assets held for sale. There is R214 million of developed land and related costs included in inventory which is also included in the agreements with Shanghai Zendai and which will be disposed of in the normal course of the Group's property development business.

With the completion of the transaction on 20 March 2014, the full cash consideration of R1 061 million (including VAT) for all the property included in the transaction was paid to the AECI Group. The disposals of the properties to date will be recognised as disposals in 2014. The remaining cash will be recognised in the statement of financial position until any remaining conditions have been met and the transactions have fulfilled the recognition criteria. The properties that are part of the Group's property development activities will be recognised as part of normal operating activities while the other properties are capital disposals and will be recognised as a disposal of assets and excluded from HEPS.

CONCLUSION

The Group's financial position strengthened after a successful but challenging 2013. Further progress will be pursued in the coming year by, inter alia, addressing legacy obligation issues.

AECI will continue to explore opportunities for growth in its markets of strategic interest in Africa and in other countries further afield. In doing so, the Group will need to remain vigilant and react swiftly and appropriately to changes in the businesses environment. Particular attention will be focused on issues such as the labour relations climate in South Africa, movements in interest and foreign exchange rates, and trading conditions in the local manufacturing sector and the global mining industry.

ACKNOWLEDGEMENTS

I would like to express my thanks to the AECI Group Reporting and Tax teams, to the Group Internal Audit team and to the finance and management teams Group-wide.

Their diligence in ensuring the accurate and professional oversight of the Group's finances, internal control and related matters is appreciated by me, my Executive Committee colleagues and the Board.

Mark Kathan

Mark Kathan
Chief Financial Officer

Woodmead, Sandton
11 April 2014

OPERATIONAL REVIEW

REVENUE (RM)

13	7 434
12	6 327

PROFIT FROM OPERATIONS (RM)

13	572
12	417

TRADING PROFIT MARGIN UP TO

7,7%

PROFIT FROM OPERATIONS

INCREASED BY

37%

OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
OPERATIONAL REVIEW: PROPERTY
CORPORATE GOVERNANCE
SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS
SUSTAINABILITY REPORT
REMUNERATION REPORT

EXPLOSIVES

AEL MINING SERVICES

SCHALK VENTER
MANAGING DIRECTOR

EXECUTIVE TEAM FROM LEFT

Liesel de Villiers; Wayne du Chenne; Rafael Fernandes; Piet Halliday; David Harding; Sepadi Mohlabeng; Trevor Roberts; Stuart Wade; Colin Wilson.

AEL Mining Services ("AEL") is the leading developer, producer and supplier of commercial explosives, initiating systems and blasting services for the mining, quarrying and construction markets in Africa. In Indonesia the company is the second largest supplier of explosives and services to the local mining industry. With its Head Office at Modderfontein in Johannesburg, South Africa, AEL's excellent technology and product positions in initiating systems and bulk explosives have enabled it to establish production facilities throughout Africa and in selected international regions, particularly in Indonesia. Its footprint now comprises 58 plants and 34 sites in more than 20 countries.

PERFORMANCE

AEL achieved a 17% increase in revenue to R7 434 million (2012: R6 327 million) and overall explosives volumes to mining and quarrying customers were 5,6% higher. Profit from operations improved to R572 million (2012: R417 million) after taking to account a R84 million retrenchment charge for the closure of the old initiating systems plants and the subsequent relocation of production to ISAP.

58 PLANTS

34 SITES

TRIR FOR THE YEAR 0,37

REVENUE SPLIT HISTORY
(% BY SECTOR)

Year	SA UNDERGROUND	SA SURFACE	OUTSIDE SA
13	16	33	51
12	17	34	49
11	20	33	47
10	25	33	42
09	28	31	41
08	27	36	37
07	35	33	32

OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
OPERATIONAL REVIEW: PROPERTY
CORPORATE GOVERNANCE
SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS
SUSTAINABILITY REPORT
REMUNERATION REPORT

AEL benefited from the weakening rand as more than 50% of its revenue is generated outside South Africa and is mostly denominated in US dollars. Consequently, the profit improvement in AEL's foreign operations enhanced the overall result by R72 million. In addition, a once-off R38 million foreign exchange gain was realised by repatriating cash to the AECI Group's central offshore Treasury. The trading margin improved to 7,7%, (8,9% before severance costs) (2012: 6,6%). The target remains to improve this to above 10%.

PERFORMANCE BY BUSINESS

The South African business performed well notwithstanding lower gold and platinum prices. Explosives volumes were 6,8% higher than in 2012. Market share grew in the open cast and massive businesses, particularly in the iron ore and coal sectors. New supply contracts were secured and this enabled AEL to diversify its commodity portfolio further in line with its strategy. Major contracts in initiating systems were retained although volumes declined in line with decreased output from the narrow reef gold and platinum mining sectors in South Africa.

The African business continued to expand its already extensive footprint as a result of an increase in mining activity with the commencement of greenfield projects and the commissioning of three new bulk explosive plants in Burkina Faso, the DRC and Egypt. In addition, AEL gained new supply contracts in the copper and gold mining sectors. Explosives volume growth in Africa was 5,4%.

The International business recorded improved profitability and growth even though some new contracts were delayed by customers owing to low thermal coal and gold prices. Supply is now expected in the coming year. Explosives volume growth was 1,9%.

Activities in Europe and Latin America focused on the supply and market growth of electronic detonators. Mining Explosives Limited, the joint venture with Societé Anonyme d'Explosifs et de Produits Chemiques in Europe that marketed detonators in that region, was discontinued.

PROJECT UPDATE

During 2013 ISAP produced 98,9 million detonators and assembled 31,8 million units in line with market demand. ISAP is commercially complete and all detonators for the narrow reef market are now manufactured on ISAP only. Product quality and performance improved significantly and are now world-class. The 120 million detonator output capacity has been verified and, in 2014, detonators for the open cast mining sector will be added to the facility's production line to boost volume throughput. A further R30 million was delivered in cost savings and efficiencies in 2013.

The ammonium nitrate plant in Indonesia, AECI's minority investment in BBRI, was commissioned and is being ramped up. It provides AEL with a secure in-country source of ammonium nitrate.

Capital investment amounted to R290 million (2012: R367 million). Of this, R126 million was for expansion projects in the African business.

As part of the phased investment in BBRI an additional R159 million was invested in 2013, bringing the total investment to R201 million.

SUSTAINABILITY

It was most gratifying that AEL maintained its excellent safety performance, with the TRIR for the year matching the 0,37 achieved in 2012.

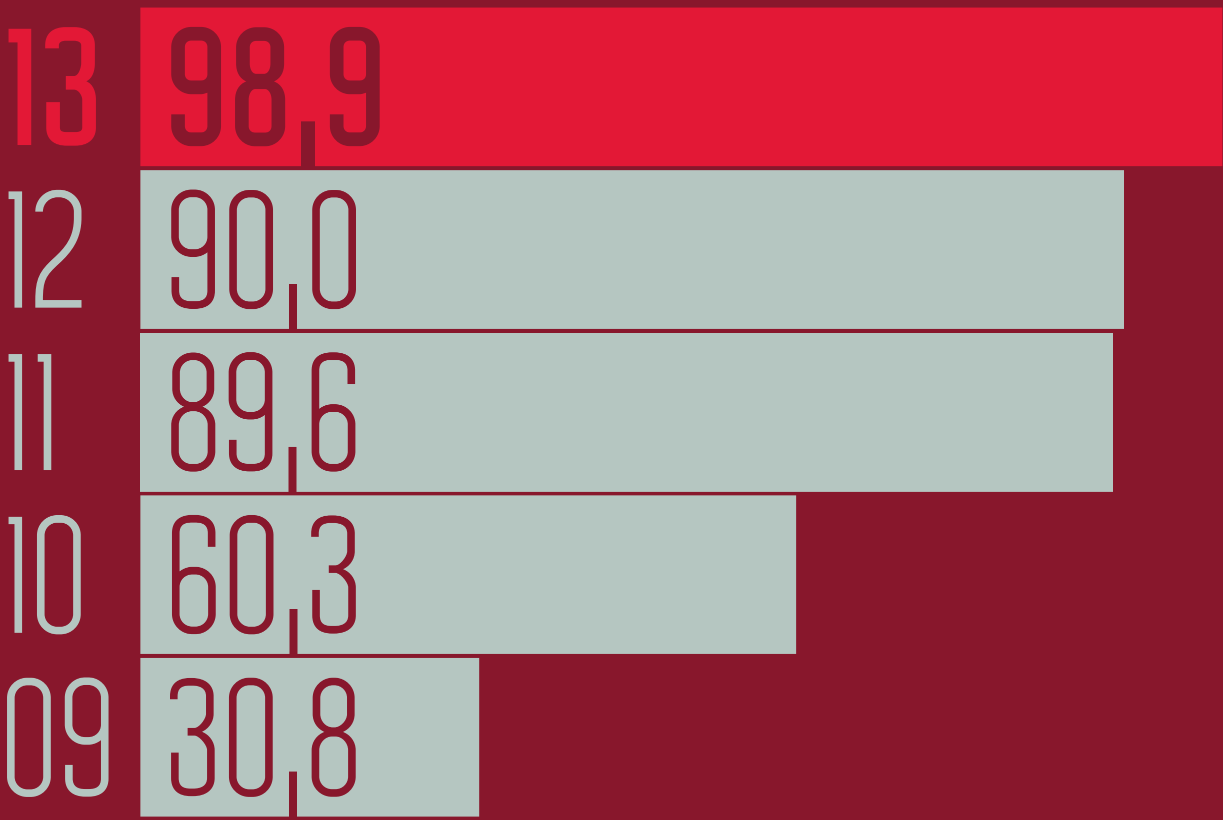
Regrettably, one serious environmental incident occurred when approximately 25 tonnes of ammonium nitrate solution ("ANS") were discharged on the ground at a Zambian operation due to a faulty discharge valve on a tanker. The majority of the ANS was cleaned up successfully. Between 2 tonnes and 4 tonnes entered a nearby water course. There was no obvious damage to the aquatic environment and no complaints from downstream areas were received. The rest of the discharged product crystallised, was collected and sold as fertilizer. AEL maintained its Level 4 B-BBEE Contributor status.

OUTLOOK

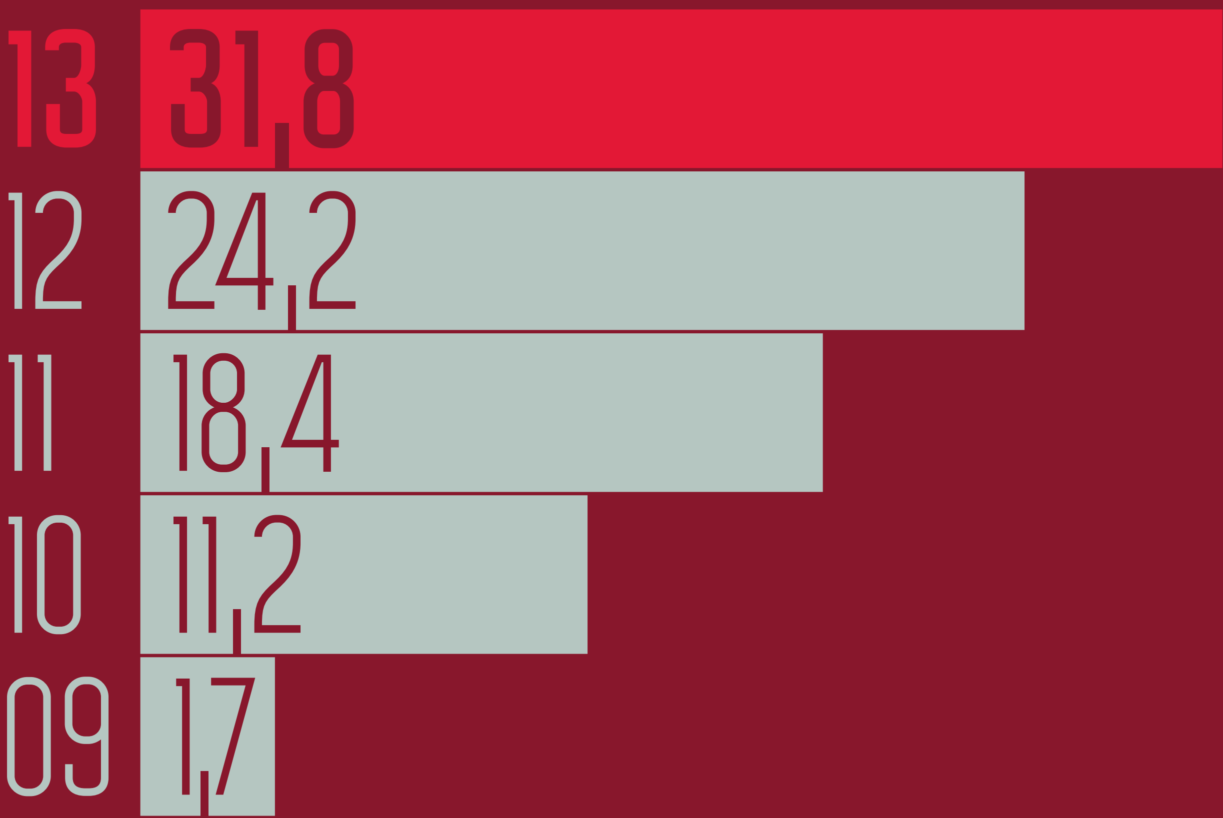
The focus in the coming year will be on completing the closure of the old initiating systems plant, with full production on ISAP, completion of the nitrates complex improvement project that has commenced at Modderfontein, and the ramp-up of the BBRI plant.

The new supply contracts secured in South Africa, together with additional capacity in Africa, are expected to benefit AEL's revenue and profitability in 2014. Further expansion in Africa and other territories of interest is expected. At the same time global uncertainty, low gold and platinum prices and the industrial relations climate in South Africa will continue to pose challenges. The protracted strike action in the local platinum mining industry in the first part of 2014 has already had a negative impact on AEL.

ISAP DETONATORS RAMP-UP HISTORY (MILLIONS)



ISAP AUTOMATIC ASSEMBLIES RAMP-UP HISTORY (MILLION UNITS)



OPERATIONAL REVIEW

REVENUE (RM)

13	8 359
12	7 621

PROFIT FROM OPERATIONS (RM)

13	922
12	891

CLUSTER OF 14 BUSINESSES

OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
OPERATIONAL REVIEW: PROPERTY
CORPORATE GOVERNANCE
SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS
SUSTAINABILITY REPORT
REMUNERATION REPORT

SPECIALTY CHEMICALS

EXECUTIVE TEAM FROM LEFT

Louis du Toit; Mark Dytor; Mark Kathan; Edwin Ludick; Dean Murray.

STRONG RECOVERY IN MINING CHEMICALS

PRESENT IN 23 AFRICAN COUNTRIES

REVENUE UP BY 10%

AECI's specialty chemicals cluster comprises 14 businesses, each focused on specific markets with common values of innovative customer service and bottom line delivery. They 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 the rest of Africa. Growth is achieved organically and through acquisitions.

Every 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 the lowest possible cost base. Technology is sourced from international partners and is also developed in-house. Full service package models provide customers with innovative solutions to their chemistry-driven requirements and differentiate AECI's businesses from competitors in terms of skills, competencies, service levels and value add for customers.

ACQUISITIONS INTEGRATED SUCCESSFULLY

In terms of strategy, the focus in on:

- mining chemicals as part of the Group's total mining solutions offering. Senmin is driving this strategic thrust;
- water solutions in Africa, led by ImproChem;
- the agricultural sector in Africa, with Nulandis at the forefront;
- the food additives market, mainly in South Africa. Lake Foods is leading this;
- specialty chemicals distribution in South Africa and the rest of Africa, mainly through Crest Chemicals and leveraging the Group's existing footprint on the continent; and
- maintaining a solid portfolio of specialty chemicals businesses in South Africa.

Progress in line with this strategy was reflected in the cluster's 2013 results, with 31% of revenue from the mining market, 23% from agriculture and 8% from food and beverages. Water solutions are provided to these sectors and all other manufacturing industries, and accounted for 10% of revenue.

FINANCIAL PERFORMANCE

The cluster increased its revenue by 10% to R8 359 million (2012: R7 621 million). 17% of this was denominated in US dollars, largely due to income from SANS Technical Fibers in the USA, and sales growth outside South Africa from Senmin, ImproChem and Nulandis. Excluding sulphur trading, overall volumes grew by 5,2%. Profit from operations increased by 3% to R922 million (2012: R891 million) and the operating margin was 11,0% compared to 11,7% last year. It must be noted that, unlike in 2012, the results of three joint arrangements (Crest Chemicals, Resinkem and Specialty Minerals SA) were not consolidated owing to new accounting standards which took effect on 1 January 2013. Profit from operations from the joint arrangements was R58 million.

Although the rapid weakening of the rand drove chemical input prices, profit margins in rand terms did not follow the same trend owing to the low demand from customers that characterised the trading environment in South Africa's manufacturing sector. Higher sales at typically lower margins by Nulandis to the agricultural sector diluted the segment's overall margin further.

Chemfit, Chemical Initiatives, ImproChem, Nulandis and Senmin delivered very good performances when compared to 2012. Senmin's results in the prior year were negatively impacted by strikes in South Africa's platinum mining industry but a strong recovery was evident in 2013. This contributed to the company's 15,7% volume improvement in Senmin. There was strong growth in the water treatment market in Africa. ImproChem benefited from this thanks to its enhanced footprint subsequent to the integration of General Electric's Chemical and Monitoring Solutions business on the continent, which was acquired in 2012. The agricultural sector in South Africa and the rest of Africa remained strong.

Other businesses in the specialty chemicals cluster were challenged by the volatile conditions prevailing in South Africa's manufacturing sector where growth did not track that of GDP.

Capital expenditure for the cluster totalled R236 million in 2013 (2012: R145 million) of which R151 million was for expansion, mainly at SANS Technical Fibers in the USA where conversion to single stage nylon-spinning equipment is close to completion.

PORTFOLIO MANAGEMENT AND ACQUISITIONS

A number of businesses in the cluster were restructured in the year, at a total cost of approximately R30 million. ChemSystems terminated its electroplating activities and Chemisphere Technologies, which supplies specialty chemical products and services to the pulp and paper industry, was integrated into ChemSystems as a business unit in January 2014. Industrial Urethanes was brought into Lake Specialties and Infigro was moved to Lake Foods in the first half of the year.

The acquisition of SA Premix was finalised in June 2013 and integrated into Chemfit's business in the third quarter. SA Premix produces and distributes animal feed formulations that fortify and enhance the nutritional content of feeds. A new blending plant was commissioned in March 2014.

In January 2014 AECI announced that it had reached agreement with Clariant for AECI's wholly-owned subsidiary ImproChem to acquire Clariant's water treatment business in Africa and its South African assets for a total cash consideration of R409 million. Also included in the acquisition is a 50% shareholding in Blendtech, Clariant's B-BBEE partner in South Africa. The acquisition is in line with the Group's strategy to grow its footprint in the water solutions sector. It is subject to certain conditions precedent, including approval by the relevant competition authorities.

SUSTAINABILITY

The specialty chemicals cluster delivered an improved safety and health performance, with the TRIR falling from 0,80 (0,83 including SANS Technical Fibers) in 2012 to 0,78. No major or serious environmental incidents were reported during the year. Water consumption rose by 21% to 1 661 800m^3 (2012: 1 370 300m^3) owing to the inclusion of the Afoodable, GE and SA Premix acquisitions. Several manufacturing sites, however, achieved significant reductions in water consumption as a result of water conservation programmes. Most notable in this regard was Specialty Minerals SA which reduced its potable water consumption by 68%.

Hazardous waste generation was essentially unchanged at 3 167 tonnes (2012: 3 144 tonnes) and there was a small reduction in recycled waste to 2 591 tonnes (2012: 2 840 tonnes). Scope 1 CO_2 emissions fell by 12% to 26 861 tonnes of CO_2 equivalent as a result of the sale of Resitec at the end of 2012 and lower production volumes on certain other plants. For the same reasons, Scope 2 emissions from electricity and steam purchases were 124 009 tonnes of CO_2 equivalent, down from 2012's 141 225 tonnes (including specialty fibres).

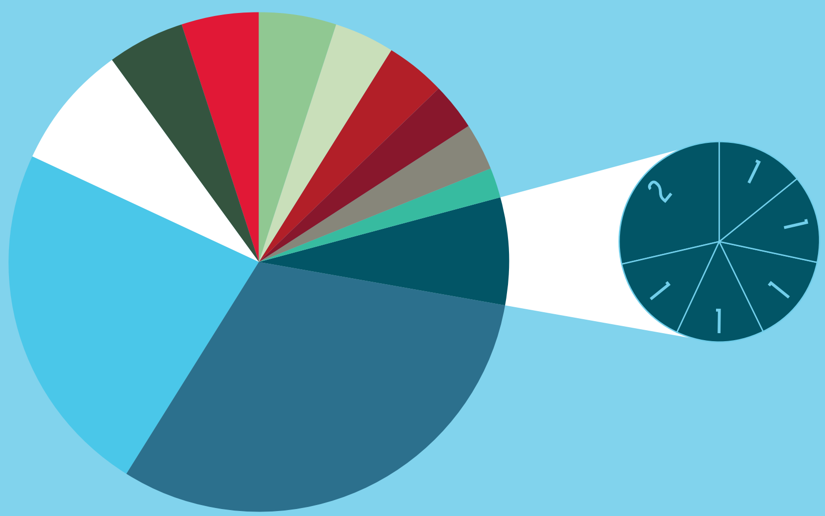
OUTLOOK

AECI's specialty chemicals cluster is well placed to take advantage of growth opportunities in its markets of interest, including those outside South Africa. Acquisitions to enhance the Group's market position and geographical footprint will continue to be pursued most vigorously in the coming year.

The outlook for the global economy and commodity prices remains uncertain, however, and there is no indication of a step-change in the growth rate of South Africa's manufacturing sector.

Accordingly, focus will be maintained on the strategic management of the portfolio as part of value optimisation in the Group and to ensure optimal alignment with customers' needs.

WATER SOLUTIONS 10% OF REVENUE



REVENUE BY MARKET SECTOR (%)

- 31 MINING
- 23 AGRICULTURE
- 8 FOOD AND BEVERAGE
- 5 CHEMICAL INDUSTRY
- 5 OIL AND REFINING
- 5 DETERGENTS
- 4 TEXTILES AND LEATHER
- 4 TOILETRIES, COSMETICS AND PHARMACEUTICALS
- 3 PLASTICS AND RUBBER
- 3 PAPER AND PACKAGING
- 2 COATINGS, INK AND ADHESIVES
- 7 OTHER
  - 1 STEEL AND METALS
  - 1 CONSTRUCTION
  - 1 ENGINEERING AND FOUNDRY
  - 1 AUTOMOTIVE
  - 1 APPLIANCES AND FURNITURE
  - 2 VARIOUS OTHER

OPERATIONAL REVIEW

REVENUE (RM)

13	672
12	400

PROFIT FROM OPERATIONS (RM)

13	219
12	33

TRADING PROFIT INCREASED TO R219 MILLION

OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
OPERATIONAL REVIEW: PROPERTY
CORPORATE GOVERNANCE
SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS
SUSTAINABILITY REPORT
REMUNERATION REPORT

PROPERTY

HEARTLAND

ANTHONY DIEPENBROEK
MANAGING DIRECTOR

EXECUTIVE TEAM FROM LEFT

Reg Bhikum; Neil Hayes; Chantelle Mathomes; Leticia Potts; Mike Walsh; Peshy Zwane.

71,6 HECTARES SOLD

PERFORMANCE

Heartland delivered an excellent performance in 2013. Revenue for its combined activities was R672 million (2012: R400 million) and trading profit was R219 million compared to R33 million in the prior reporting period. R76 million was invested in infrastructure development (2012: R67 million).

BUSINESS ENVIRONMENT

The housing property sector was the most buoyant in the year. Nominal house prices increased by 11% between the third quarter of 2012 and May 2013. Access to financing affected the sustainability of this growth, however. Economic activity is an important driver of lending policy and the slowdown in South Africa in the second half of the year subdued this market, with the exception of entry level housing.

RESULTS EXCLUDE SHANGHAI ZENDAI PROPERTY TRANSACTION

With weak demand for office space and no discernible improvement in vacancy rates, rental levels and hence sales of land for office development continued to show mediocre growth. Challenging conditions in South Africa's manufacturing sector limited growth in industrial rentals and this, in turn, curtailed sales of industrial land other than that in favourable locations such as Modderfontein.

OPERATIONAL REVIEW

The construction of infrastructure in Longlake Extension 1 that commenced in 2012 was completed early in the year. Subsequent to the approval and required handover of the township infrastructure to the local authority, 27 hectares were sold. Access to Longlake Extension 1 is through Linbro Park and ultimately the township will be incorporated into this Park, with maintenance and security a function of the Linbro Park Owners Association. Transfers of land sold took place early in 2014.

Construction of township infrastructure for Westlake Extensions 10 to 14 started in January 2013 and, on completion and handover, 14 hectares were sold. It had been intended to dispose of these stands wholesale without Heartland installing internal services. However once sales at Longlake had confirmed demand, the option of selling on a retail basis with the commensurate additional profit margin was preferred.

A 3,6 hectare site overlooking the Modderfontein Reserve was sold for the development of a much needed additional hospital in the Modderfontein area.

As part of its long-term planning Eskom identified the need to expand its North Rand Substation which is located on AECI-owned land at Modderfontein. Detailed design and negotiations took place over a number of years and were concluded in 2013, resulting in the expropriation of 11 hectares of land.

Planning of a new township at Pinelands has been in the pipeline for some time, with a layout only requiring a catalyst to solidify the vision. Simultaneously AECI was looking for expansion opportunities for some of its specialty chemicals businesses whose leases with other landlords were expiring. Heartland motivated the relocation by ImproChem to Pinelands. The resultant development of 5 000m^2 of warehousing and offices for the company not only resulted in a prestigious development for the AECI Group but also kick-started development in an old industrial precinct.

In Somerset West, the rehabilitation of the Paardevlei was completed and acted as a catalyst for renewed interest in land sales. Most of the final sales in the De Beers precinct were concluded. In total 16 hectares of land were sold. A further 10 000m^2 of bulk infill development rights were applied for in this precinct. In addition, an application for 100 hectares of industrial and commercial development rights was submitted. This application will provide for expansion opportunities from the Interchange area. An area for residential use along the beachfront is under investigation.

LEASING

As already indicated the overall environment in the property market was subdued, with higher overall vacancy rates and a moderate performance from the industrial property sector. These trends were reflected in Heartland's leasing portfolio. The exception was in the Western Cape where demand for office space at the Somerset West site was at its strongest in three years, off a low base.

Heartland's offering competes with modern office accommodation and the challenges of this persisted in 2013 and are expected to continue in 2014.

Leasing activity in the industrial sector was strongest at the UIC where demand for the rental of buildings as well as vacant land was good, the latter mainly in the vicinity of the proposed port expansion. Strategic priorities for the leasing business remain infrastructure upgrades, sustainable tenant retention and improved cost-to-income ratios.

OPERATION SERVICES

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

The UIC's "licence to operate" as a good corporate citizen, and various utility distribution licences, demand the protection of assets in a responsible manner. A robust maintenance regime is needed 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.

SUSTAINABILITY

Heartland's TRIR for 2013 was 0,60 (2012: 0,28). There were five recordable injuries (four Lost-time injuries and one Non-lost time injury) compared to two recordable injuries in 2012.

There were no major environmental incidents. There were no significant changes in electricity and water consumption from 2012's levels. The volume of coal consumed at the UIC increased by 22%, owing to a reduced supply of steam from Chemical Initiatives while this company's plant underwent a major planned shutdown in the year.

The supply of superheated steam to geographically separate customers at the UIC via the existing coal-based generation process poses feedstock, technical and environmental challenges. The conversion of a coal-fired boiler to gas is nearing completion. This is a significant step in addressing the negative aspects of coal burning issues and will benefit customers, the environment, neighbours and others. The conversion will result not only in significantly less coal being burnt but also a proportionate decrease in associated carbon dioxide emissions.

BULK PROPERTY SALE AT MODDERFONTEIN

SUMMARY OF THE TRANSACTION

In terms of agreements signed between the AECI Group and Hong Kong-listed Shanghai Zendai on 4 November 2013 Shanghai Zendai purchased the bulk of AECI's surplus property assets in Modderfontein, and the Heartland development business, for R1 061 million in cash (including VAT). This consideration would be paid in full once certain conditions precedent had been met including, inter alia, the transfer by the AECI Group of land to the value of R513 million (including VAT) to Shanghai Zendai's South African subsidiaries.

The requisite transfers took place on 20 March 2014 and, accordingly, the AECI Group received the cash proceeds in full. Transfers of the remaining land included in the transaction will take place over a maximum period of 36 months.

The total land area sold was approximately 1 600 hectares, plus existing buildings. It represented one of the largest bulk urban property transactions ever concluded in South Africa and a significant foreign direct investment.

RATIONALE

AECI's property assets reflect the history of industry in South Africa. In the case of Modderfontein, when the original explosives factory was opened in 1896 to support the burgeoning gold mines in Johannesburg the site was a two-day ox-wagon ride away from the rapidly growing city. Over the past 118 years, the process of manufacturing explosives has evolved and the requirement for maintaining vast tracts of open land around manufacturing facilities has declined accordingly.

In recent years, the AECI Group evaluated several models for accelerating the realisation of value from its legacy real estate holdings which are no longer required for operational use. Alternatives considered over time included listing Heartland as a separate public company, unbundling the Group, and bulk sales. At the same time, land continued to be serviced and made available for sale to developers for alternative use via Heartland with considerable success as demonstrated by, inter alia, the Longmeadow Business Estate and the Greenstone retail and residential developments.

Heartland sold all available zoned serviced land in the ordinary course of business in 2013. The timing of the bulk sale of unserviced land at what the Board considered was a fair price to Shanghai Zendai was opportune, therefore, since AECI would have had to commit to significant investments in infrastructure from 2014 in order to prepare more land for sale. Such investments are non-core for a mining solutions and specialty chemicals Group which is targeting growth in South Africa, the rest of Africa and other selected markets of interests in these core business sectors.

OTHER GROUP PROPERTY ASSETS

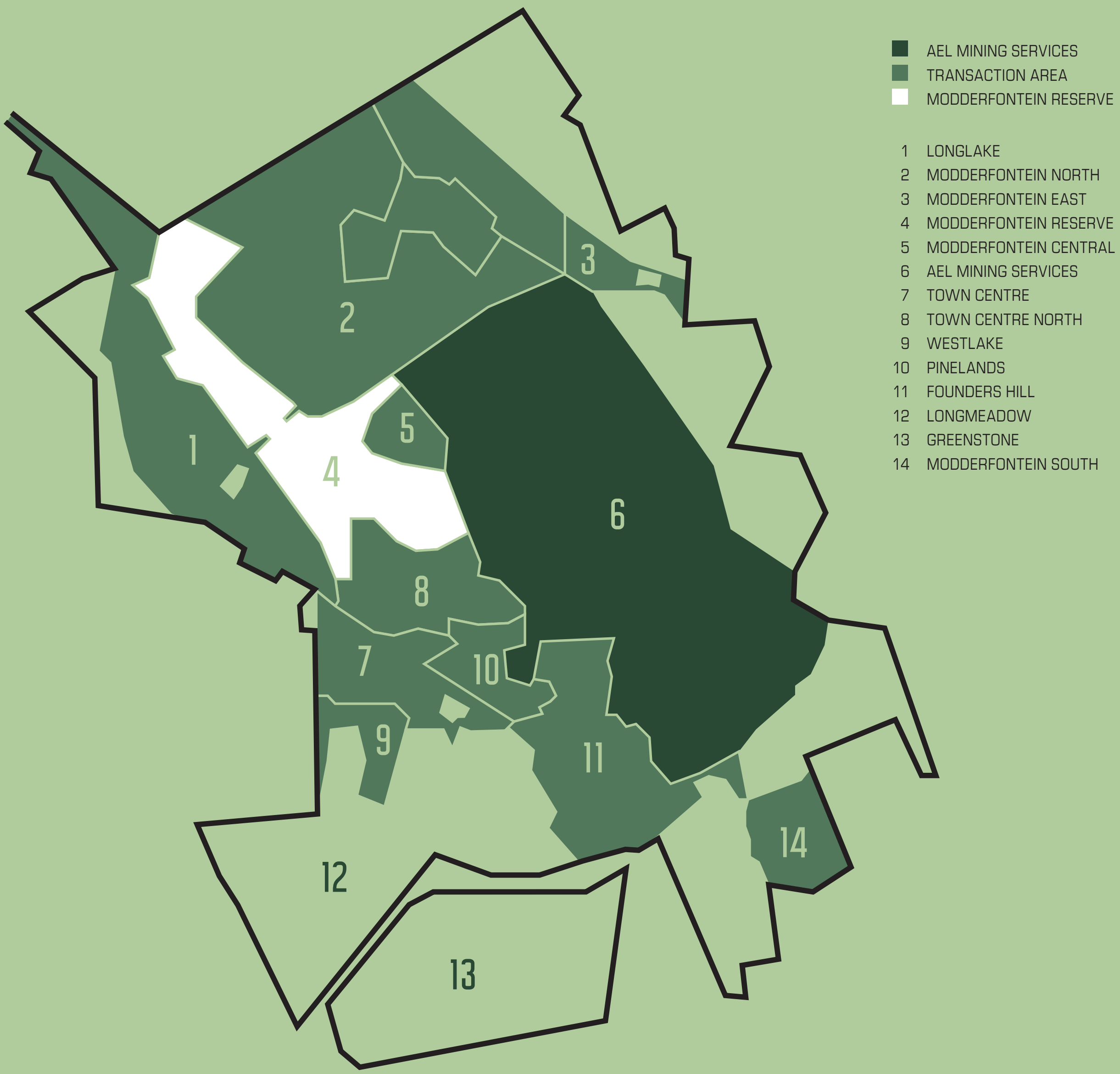
AECI has retained approximately 1 300 hectares of land for future disposal and AEL's current and potential future operational requirements, as well as the 275 hectare Modderfontein Reserve which is zoned as private open space. The Group's property assets in Somerset West (Western Cape) and Umbogintwini (KwaZulu-Natal) were not affected by the Shanghai Zendai transaction and will continue to be managed in the ordinary course of business under the brand name Acacia Real Estate.

SHANGHAI ZENDAI: CREDENTIALS AND VISION

As a property developer in the People's Republic of China ("PRC") Shanghai Zendai has developed homes, hotels and offices in 12 Chinese cities. Among its flagship projects are two leading hotels in Shanghai, namely the Himalaya Complex and Radisson BLU. The Himalaya Complex has a shopping mall, offices and a centre for fine art and the performing arts. Similarly, the Zendai Thumb Plaza has become a model of community development in the PRC.

ECONOMIC BENEFITS

In 2013, a high level economic impact study by the Bureau of Economic Research at the University of Stellenbosch indicated that implementation of Modderfontein's previously approved spatial development framework would cost about R77 billion. Over a 15-year project lifecycle, there is capacity to build 33 000 houses and create 22 000 jobs, 65% being semi-skilled and unskilled. While R1 billion would be generated in local government rates and taxes, direct and indirect benefits for the national economy were estimated at R14 billion. The development would support the local construction industry, as well as emerging entrepreneurs and SMMEs.



INDEPENDENT VALUATION (EXCLUDING VAT)

	Ha	Rm
At 1 Jan '12	**1 949**	**1 501,00**
Property excluded from transaction	(246)	(176,5)
Valuation of remaining Modderfontein land	**1 703**	**1 324,50**
Additional costs incurred in realised portfolio		245,9
ADJUSTED MEAN VALUATION (AT 30 AUG '13)	**1 703**	**1 570,40**

SALE OF THE PORTFOLIO

	Ha	Rm
Sales after 1 Jan '12	**87**	**405,0**
Sales to Shanghai Zendai	**1 616**	**930,7**
TOTAL	**1 703**	**1 335,7**
DISCOUNT TO ADJUSTED MEAN VALUATION (%)		14,95

OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
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CORPORATE GOVERNANCE

ETHICAL LEADERSHIP AND GOOD CORPORATE GOVERNANCE

The AECI Board plays a pivotal role in defining the Group's governance climate and framework, geared towards delivering sustainable growth in the interests of all stakeholders. In 2013 further progress was made in implementing the recommendations of King III and in refining processes and systems, as required, to ensure on-going compliance with the Companies Act, the JSE Listings Requirements and other applicable laws and regulations.

THE BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD

AECI has a unitary Board structure led by an Independent Non-executive Chairman, seven other Independent Non-executive Directors and two Executive Directors. A formal policy details the procedures for appointments to the Board of Directors. Such appointments are formal and transparent and a matter for the Board as a whole. Non-executive Directors are appointed on the basis of their skills and expertise appropriate to the strategic direction of the Company. Diversity, race and gender are taken into account when appointments are made and the Board, through its Nominations Committee, ensures that it has the right balance of skills, expertise and experience. The biographical details of the Directors are provided on pages 22 to 24 of this report.

The Board operates in terms of a Board charter, a copy of which can be found via the website link **www.aeci.co.za/gov_policy.php**. This charter will be reviewed in 2014. The role of the Board is to exercise leadership, enterprise, integrity and sound judgement in the business and to provide strategic direction to the Company, with a keen understanding of key risks, and to continually monitor performance against set objectives.

No changes have been made to the Board composition since the 2012 integrated report was approved by the Board on 15 March 2013.

INDEPENDENCE OF BOARD MEMBERS

The Nominations Committee regularly assesses the independence of Directors and reports on this to the full Board. In 2013 the Nominations Committee confirmed the independence of Messrs Engelbrecht and Leeming as the Board's longest-standing members. Mr Engelbrecht recused himself from the discussion. The Board was satisfied with their continued independent status based on demonstrable and visible criteria in their roles at Board and Committee level.

Mr Leeming has advised the Board that he wishes to retire from the Board and all the Committees on which he serves at the Annual General Meeting to be held on 2 June 2014.

ROTATION AND TENURE

Non-executive Directors may serve for up to nine years, subject to retirement and re-election by rotation as set out in the MOI. Extensions of this period may be granted, provided the Nominations Committee remains satisfied that the Director's independence has not been compromised. In terms of the MOI Executive Directors are also subject to retirement and re-election by rotation. One-third of the Executive and Non-executive Directors must retire by rotation at each Annual General Meeting.

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.

DIRECTORS' MANAGEMENT OF CONFLICT OF INTERESTS

AECI has a Conflict of Interests policy which provides guidance and procedures for Directors on managing and dealing with potential conflict of interests situations. The same policy also applies to all Group employees. The Group Company Secretary is charged with maintaining a comprehensive register of Directors' declarations of

BOARD AND COMMITTEE EVALUATION RESULTS: FOCUS AREAS (SEE SUBHEADING BELOW)	RESPONSE
SUCCESSION PLANNING AT BOARD LEVEL	THE BOARD IS IN THE PROCESS OF IDENTIFYING TALENTED INDIVIDUALS FOR POTENTIAL FUTURE APPOINTMENT.
SUCCESSION PLANNING AT MANAGEMENT LEVEL	WITH THE BOARD'S OVERSIGHT, MANAGEMENT IS FINALISING A COMPREHENSIVE PLAN ACROSS THE GROUP.
THE BOARD'S OVERSIGHT OF IT GOVERNANCE	A NUMBER OF PROCESSES HAVE BEEN INITIATED AND PROGRESSED. IMPLEMENTATION WILL CONTINUE IN 2014.

interests and this is submitted for updating by the Directors before each Board meeting. In 2013 all Directors duly completed and updated this register. No conflict of interests or recusals from Board discussions and deliberations were noted in relation to any proposed transaction. This was recorded in the Board minutes.

All Board minutes are available for inspection by the Company's external auditors.

INDUCTION AND ON-GOING DEVELOPMENT OF DIRECTORS

The Company's Directors have expertise and experience in diverse industries including banking, chemicals, technical, accounting and strategic matters. Upon appointment, all new Directors undergo a Group-specific induction programme which includes a number of one-on-one meetings with Senior Managers and Managing Directors of subsidiaries. This is done with the specific intent of developing Directors' full appreciation and understanding of the complex nature of the Group's businesses.

As in the past, site visits were organised to afford the Non-executive Directors access to and engagement with the management teams of individual businesses. The areas of specific focus in 2013 were foreign-based operations in Brazil, Ghana, Indonesia and the USA. The Non-executive Directors were split into groups for these visits, whereafter they submitted reports to the full Board setting out matters of interest. The Board also visited AEL's ISAP plant at Modderfontein as part of its on-going assessment of that investment.

With regard to formal training the Group Company Secretary is charged with sourcing and organising relevant training for Board members, based largely on the specific needs of each Director. Several Directors availed themselves of such training opportunities in 2013.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

In line with the provisions of King III, the Board conducts an annual evaluation of itself and its Committees. Every third year, as was the case in 2013, the performance evaluation is conducted by an external service provider. The interval between the external and internal processes is intended to allow the Board sufficient time to consider, implement and follow-up on specific recommendations.

The 2013 evaluation was conducted by the Institute of Directors in Southern Africa and the indicators for testing pertained inter alia to Board meetings, independence, Board and management interaction, remuneration, and Committee size and composition. The assessment confirmed the overall effectiveness of the Board and its Committees but indicated that specific focus should be given to issues as set out in the table above.

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 Senior Managers, the internal auditors and the external auditors to consult on any aspect of the Company's operations. Furthermore Board members may collectively or individually, at the expense of the Company, consult external professional advisors on any matter of concern to themselves or the Company after having advised the Chief Executive or Chairman.

BOARD MEETINGS

The Board met six times in the year, including one special meeting and one session to discuss the development of Company strategy. Meeting dates for the Board and its Committees, and details of attendance, are set out on pages 62 and 63. The Chief Executive and the Chief Financial Officer kept the Board up-to-date on specific and urgent matters that could not be deferred until the next formal Board meeting.

It has become Board practice for the Non-executive Directors to meet prior to Board meetings without the Executive Directors being present so as to raise matters of interest or concern. The Chairman of the Board is charged with the responsibility of conveying any related discussions to the Executive Directors, as warranted.

The Chairman of the Board, assisted by the Chief Executive and the Group Company Secretary, is responsible for setting the agenda for each Board meeting after having received input from the full Board. Board meetings are scheduled well in advance and the Group Company Secretary ensures that all Directors are provided with the information required timeously to enable them to prepare for meetings and formulate their views on matters.

BOARD COMMITTEES

The Board has established a number of Committees to assist it in fulfilling its duties and objectives. In addition, ad hoc Committees are established from time to time if circumstances so warrant to assist the Board with specific material issues or projects. The role and responsibility of each Committee is set out in its formalised and Board-approved terms of reference. The process of reviewing these terms of reference for all the Board Committees has commenced and the amended terms will be tabled for Board approval in 2014. The current terms of reference can be found via the website link **www.aeci.co.za/gov_policy.php**.

The Board Committees usually meet before each Board meeting and the Chairmen table at the Board meeting a report of their Committees' proceedings. The minutes of each Committee meeting are also included in the full Board information also pack.

All Committees are satisfied that in 2013 they carried out their responsibilities in compliance with their mandate and terms of reference.

AUDIT COMMITTEE

The Audit Committee is comprised of four Independent Non-executive Directors and its 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 Committee met four times in the year.

Both the internal and external auditors have unrestricted access to the Chairman of the Committee and may meet privately with the Committee.

The Chairman of the Board, the Chief Executive, the Chief Financial Officer and the external and internal auditors attend meetings of the Committee by invitation.

A summary of the Audit Committee's work in 2013 is published in the Committee's report commencing on page 95. Current members of the Committee are:

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

RISK COMMITTEE

The Risk Committee is comprised of four Independent Non-executive Directors, two Executive Directors and four Executive Committee members. The Risk Committee met four times in the year.

The Risk Committee's mandate includes reviewing and assessing risk and compliance management processes. The management of safety, health and environmental matters is part of this. In 2013 the Committee reviewed the Company's risk registers, oversaw the embedding of the Group-wide risk management process and continued to refine and implement IT governance processes. The Committee also continued to monitor progress made in the integrated compliance management process across the Group.

Some of the key issues discussed and reviewed included an external risk scan and geo-political risk analyses for foreign-based operations; the strategic risk dashboard analysis; finalisation of a BCM approach and strategy; and a review of the risk management framework as well as the Company's risk appetite and tolerance approach.

Current members of the Committee are:

› AJ Morgan (Chairman)
› JAA Diepenbroek*
› RMW Dunne
› MA Dytor†
› KM Kathan†
› EE Ludick*
› MVK Matshitse*
› LL Mda
› R Ramashia
› SM Venter*

** Member of the Executive Committee.*
† Executive Director.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is comprised of three Independent Non-executive Directors, the Chief Executive, the Human Capital Executive and the Group Technical and Safety, Health and Environment Manager. The Chief Financial Officer attends by invitation.

In 2013 the Committee maintained its focus on ensuring that AECI has a robust management process for issues pertaining to workplace transformation, Employment Equity, safety, health, the environment, and ethics-related matters. The Committee met three times in the year.

Current members of the Committee are:

› Z Fuphe (Chairman)
› GJ Cundill∞
› MA Dytor
› MJ Leeming
› MVK Matshitse*
› R Ramashia

∞ Group Technical and Safety, Health and Environment Manager.
** Human Capital Executive.*

REMUNERATION COMMITTEE

The Remuneration Committee is comprised of three Independent Non-executive Directors and its mandate is inter alia to ensure that the Company's remuneration policy and practices are aligned with Group strategy and that remuneration is dependent on the achievement of performance indicators. The Committee also ensures that Human Capital polices are in line with best practice and are adhered to.

The Chief Executive, the Chief Financial Officer and the Group's Compensation and Benefits Manager attend by invitation when necessary to discuss the remuneration of Executive Committee members and Senior Managers. The Committee met five times in 2013.

Some of the key issues addressed were Executive Committee members' key performance indicators, monitoring of the implementation of the Group's Long-term Incentive Plan, assessment of Executive Committee members' and Senior Managers' performance, and a review of short-term incentives for individuals at these levels. The Committee continued to monitor and comment on the proposed conversion of the Group's pension funds. See the Chief Financial Officer's report on page 36 in this regard. Also refer to the Remuneration report on page 82.

Current members of the Committee are:

› RMW Dunne (Chairman)
› S Engelbrecht
› LM Nyhonyha

NOMINATIONS COMMITTEE

The Nominations Committee is comprised of three Independent Non-executive Directors and is chaired by the Chairman of the Board. The Committee's mandate includes reviewing recommendations on enhancing the corporate governance framework; the composition and performance of the Board as well as its Committees and individual Directors; the appointment and reappointment of Executive Directors, and succession planning for the Chairman and the Chief Executive in particular. The Committee met four times in 2013.

The succession of the Chief Executive was implemented in 2013 and was a key deliverable. The Committee also focused on identifying new Independent Non-executive Directors for appointment. Efforts in this regard will continue in the coming year. The assessment of the independence of long-serving Board members was also undertaken.

Current Committee members are:

› S Engelbrecht (Chairman)
› RMW Dunne
› LM Nyhonyha

EXECUTIVE COMMITTEE

The Board has delegated the day-to-day running of the Company to the Chief Executive who works with a group of Executives to assist him in this task. The Executive Committee is the highest executive decision-making structure in the Group and central to its role is the formulation and implementation of the Group's strategy and policy direction, and ensuring that all business activities are aligned in this respect.

Group businesses operate in a decentralised framework, defined internally as "freedom supported by a framework". The framework is established for the Group by the parent company and addresses policies, standards and processes in the areas of legal compliance and governance; financial control and risk management; strategic direction and remit; and safety, health and the environment. Within this framework, businesses pursue their individual innovative product and service excellence offerings. Most Group businesses have their own Boards of Directors and management structures and decision-making is made in line with the provisions of the Group's Delegation of Authority which was revised and approved by the Board in 2013.

GROUP COMPANY SECRETARY

The Group Company Secretary oversees the portfolio of secretariat, legal services, risk and compliance management, and attends all Board and Committee meetings as secretary.

The Board as a whole and individual Directors have access to the Group Company Secretary who provides guidance on how they should discharge their duties and responsibilities in the best interests of the Company. In 2013, the Group Company Secretary also oversaw the on-going education and training of the Company's Directors through the inclusion of topical papers, articles and opinions in their information packs and continued to assist the Board and its Committees in preparing annual plans, agendas, minutes, and terms of reference as warranted.

In line with the JSE Listings Requirements the Board, through the Remuneration Committee and the whole Board (in the Board/Committee evaluation process), undertook the annual performance appraisal of the Group Company Secretary. The assessment reviewed the performance of the incumbent, taking into account the quality of support received and guidance provided to the Board and management in 2013. All parties were satisfied with the quality of support received as well as the competency and experience demonstrated by the incumbent. An abridged biography of the Group Company Secretary is published on page 26 of this report.

The Group Company Secretary is not a Director of the Company or any of its subsidiaries and accordingly maintains an arm's length relationship with the Board and its Directors.

FULFILLMENT OF BOARD RESPONSIBILITIES

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 auditing the financial statements of the Company and its subsidiaries and for expressing their opinion on these statements to shareholders. In addition, the external auditors are responsible for confirming whether the financial statements meet the requirements of the Companies Act, the JSE Listings Requirements and IFRS. In 2013, the external auditors also carried out certain pre-agreed procedures pertaining to the Group's half-year results to 30 June.

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 financial reporting 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. They also conducted liquidity tests as required by the Companies Act. Accordingly, the going-concern basis of accounting remains appropriate.

The Directors are responsible for ensuring that Group companies maintain 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 controls, aimed at reducing the risk of error or loss in a cost-effective manner. 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 Group's Internal Audit function appraises Group companies' internal controls and submits its assessment of these to the Board on an annual basis. The management of each operating business also submits an annual self-assessment of internal controls (Internal Control Matrix) to the Audit Committee affirming that the systems of internal control, in entities for which they have responsibility, are adequate for their operations and are functioning effectively.

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.

INTEGRATED COMPLIANCE

GROWING THE BUSINESS WHILE SAFEGUARDING COMPLIANCE

The demand placed on companies to balance compliance requirements with the expectations of stakeholders and the market has heightened in recent years. There is new legislation and increased scrutiny of government compliance requirements following several corporate scandals internationally. Directors and Executives must ensure compliance while encouraging organisational agility.

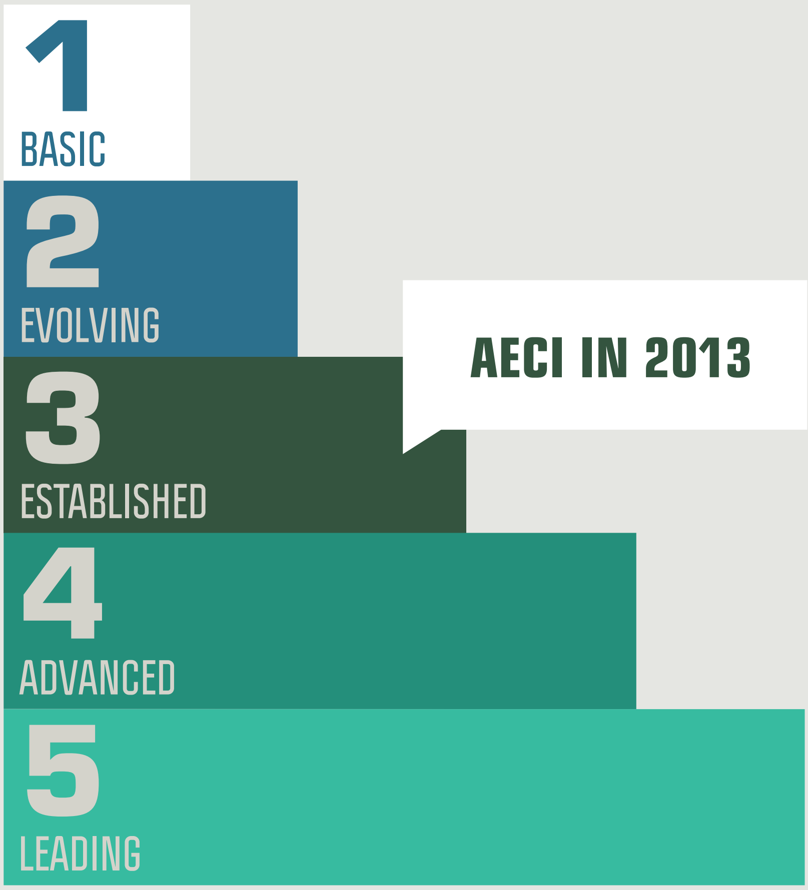
AECI is faced with challenges in terms of ensuring compliance across a spectrum of issues as it grows its businesses in South Africa and in other countries. Legal imperatives aside, AECI believes that good compliance management is synonymous with good business. The Group remains committed to upholding the law and behaving ethically in all areas of business so as to maintain and enhance stakeholder confidence and value.

COMPLIANCE IS A BUSINESS STRENGTH RATHER THAN AN OBSTACLE

King III states that "Compliance with applicable laws should be understood not only in terms of the obligations they create, but also for the rights and protection they afford". AECI recognises that compliance and ethical behaviour are fundamental underpins for sustainable growth and the protection of the Group's standing as a corporate citizen acceptable to its stakeholders. The Board remains committed to sound corporate governance principles and to ensuring that all companies in the Group are compliant with both the spirit and the letter of the law in all countries where they operate. In this context, the Group Compliance function's work in 2013 included:

- improving the understanding of the importance of compliance and its acceptance in Group businesses;

COMPLIANCE SELF-ASSESSMENT: MATURITY STATUS AND MATURITY LEVEL RATING DEFINITION



1	BASIC	VERY MINIMAL OR BASIC LEVEL IN RELATION TO THE INDIVIDUAL COMPONENT OF THE MATURITY MODEL. THERE IS A CRITICAL NEED FOR ENHANCEMENTS.
2	EVOLVING	THE COMPONENT EXISTS IN PART, IS APPLIED INCONSISTENTLY AND/OR NOT WELL UNDERSTOOD BY MANAGEMENT AND EMPLOYEES IN A NUMBER OF BUSINESS AREAS. THERE IS SIGNIFICANT NEED FOR ADVANCEMENT.
3	ESTABLISHED	ACTIVITIES ARE ESTABLISHED. THERE IS A NEED FOR ENHANCEMENT IN ORDER TO BECOME MORE EFFECTIVE AND EFFICIENT.
4	ADVANCED	ACTIVITIES ARE APPLIED CONSISTENTLY AND WELL UNDERSTOOD BY MANAGEMENT AND EMPLOYEES ACROSS THE ORGANISATION. THERE IS A LIMITED NEED FOR ENHANCEMENT IN ORDER TO INTRODUCE LEADING PRACTICES IN CERTAIN KEY AREAS.
5	LEADING	ACTIVITIES ARE ESTABLISHED, APPLIED CONSISTENTLY, INTEGRATED, REVIEWED REGULARLY, ALIGNED AND COORDINATED ACROSS THE ORGANISATION. THE PRACTICES ARE RESPECTED AS BEST PRACTICE AND ARE VIEWED EXTERNALLY BY OTHER ORGANISATIONS AS LEADING EXAMPLES.

› entrenching compliance as a business enabler in all countries where the Group operates;
› focusing on issues identified as being high risk; and
› promoting a holistic attitude to compliance.

AECI's approach to compliance is inclusive. In addition to legislation, consideration is given to supervisory requirements such as regulators' notices, industry codes such as guidance notes, and related internal codes and policies. The Group's three tier compliance model provides as follows:

› **first line:** line management is primarily accountable for the performance, operation, compliance and effective monitoring of controls in a given area of responsibility;
› **second line:** the Risk and Compliance functions are responsible for implementing and guiding risk management processes. Internal Audit is tasked with evaluating the effectiveness and efficiency of controls, reporting findings and suggesting improvements to Line Management; and
› **third line:** the external auditors are responsible for providing an independent assessment of the design and effectiveness of internal controls, including risk management activities performed by functions in both the first and second lines of the model.

TOWARDS GROUP-WIDE COMPLIANCE

A defensive approach to compliance does not enable growth. Therefore AECI has chosen to follow a phased, proactive and systematic compliance programme. This programme will enable:

› growth in line with targets;
› fixed cost reduction, thereby conserving resources and protecting shareholder value; and
› innovation, thereby expediting go-to-market plans.

PROTECTING THE AECI'S "LICENCE TO OPERATE"

Stakeholders including regulators, neighbours and special interest groups can have significant influence on the sustainability of AECI's businesses. It is with their approval and cooperation that businesses retain their "licence to operate" by demonstrating open, honest and responsible corporate citizenship. Compliance is at the heart of this. A compliance universe has been compiled for all businesses in South Africa detailing what laws and regulations must be complied with, the potential consequences of any non-compliance and the guidelines that exist to direct compliance.

In 2013 a process of scoping all legal requirements was undertaken for businesses in Botswana, the DRC, Zambia and Indonesia for the purposes of compiling the compliance universe for those countries. Similar scoping initiatives will be extended to businesses in other countries in 2014.

REPORTING

The Group Compliance function reports directly to the Risk and the Social and Ethics Committees. The Regulatory Compliance report is a standing item on the agendas of the Executive and Risk Committees and the Board. On an on-going basis regulatory compliance risks associated with Group business activities are assessed, challenged, managed and reported to stakeholders as warranted. Awareness and training programmes for employees emphasise the importance of maintaining honest, transparent and trustworthy relationships with stakeholders. The conduct expected of employees is detailed in the Group's Code of Ethics and Business Conduct and in compliance-related policies.

ADHERENCE TO KING III

Further progress was made in 2013 towards full compliance with the recommendations of King III as summarised in the table on pages 60 and 61.

ETHICAL BUSINESS CONDUCT

AECI has a whistleblowing service which is administered by Deloitte. It guarantees the anonymity of callers who wish to report instances of known or suspected unethical behaviour. Each issue is investigated by the Internal Audit function and action is instituted as required. Reports on the outcomes are communicated to the Audit Committee and to all employees.

TRANSPARENCY

Government, business and society as a whole are interconnected and interdependent in the global environment. AECI's interaction with all stakeholders, both internal and external, is more significant than ever before in the Company's history. Acknowledgement of this means a growing awareness of and emphasis on ethical business conduct. Stakeholders' trust must be earned and maintained through honesty, transparency and accountability across all Group companies in all countries of operation.

CULTIVATING AN ETHICAL CULTURE

An ethical culture drives long-term business value. AECI's efforts to entrench such a culture continued in 2013 and challenges that remain will be addressed in 2014. The Group's Code of Ethics and Business Conduct (the "Code") was translated into French for employees in Burkina Faso, the DRC, Guinea, Mali and Morocco; into Bahasa for Indonesia; Setswana for Botswana; Swahili for Tanzania; Arabic for Egypt; Bhemba for Zambia and Spanish for Chile. Training on the content and application of the Code was rolled out in these countries and reinforced in South Africa. Newly-appointed employees are familiarised with the Code and the associated behaviour expected of them as part of Group-wide induction sessions.

ETHICS-RELATED RISKS

The effectiveness of training and communication approaches to ethics-related matters, such as computer-based interventions, remains of some concern. A better mix of communication media will be a focus in 2014 so as to improve the alignment of overarching policies and guidelines and their day-to-day application.

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 Group 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. Share dealings by Directors and Officers of the Company are notified to the JSE for publication via SENS.

The Group 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 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, Chief Financial Officer and members of the Executive Committee conduct timely presentations on the Group's performance and strategy to analysts, financiers, 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 Company publishes and reports on details of its corporate actions and performance, including its half- and full-year financial results, in print and electronic media as specified by the JSE Listings Requirements from time to time. AECI's Corporate Communications function maintains regular contact with the media by disseminating relevant information.

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

CORPORATE GOVERNANCE KEY FOCUS AREAS AND PROGRESS REPORT

KEY FOCUS AREAS 2013	PROGRESS REPORT
IMPLEMENTATION OF A GOVERNANCE FRAMEWORK FOR THE GROUP.	PROGRESS MADE WITH FURTHER PHASES TO COME.
REVIEW OF AECI'S DELEGATION OF AUTHORITY TO ENSURE THAT IT CONTINUES TO SUPPORT THE GROUP'S DECISION-MAKING PROCESS.	FULLY ACHIEVED.
CONTINUED ROLL-OUT OF THE CODE OF ETHICS AND BUSINESS CONDUCT.	PROGRESS MADE WITH FURTHER PHASES TO COME.
IMPLEMENTATION OF AN INTEGRATED BCM FRAMEWORK ACROSS ALL BUSINESSES.	PROGRESS MADE WITH FURTHER PHASES TO COME.

KEY FOCUS AREAS 2014

- ON-GOING IMPLEMENTATION OF A GOVERNANCE FRAMEWORK FOR THE GROUP.
- REVIEW OF THE BOARD CHARTER AND THE TERMS OF REFERENCE FOR ALL BOARD COMMITTEES.

SUMMARY OF ADHERENCE TO KING III

PRINCIPLE	APPLIED	COMMENT
The Board should act as the focal point for and custodian of corporate governance.	✓	In line with the Companies Act, AECI's corporate governance framework and processes are led by the Board supported by six Committees. Board and Committee details are included in this report, commencing on page 53.
The Board should appreciate that strategy, risk performance and sustainability are inseparable.	✓	As outlined on page 8, AECI has used its risk management framework as a guide to determine the materiality of issues for inclusion in this report. Each of these issues has the potential to affect the Company's current business activities and future growth. The material issues and key controls in mitigation of the risks are disclosed on pages 10 and 11.
Directors act in the best interests of the Company.	✓	AECI has a Conflict of Interests policy which guides Directors in these matters. See page 53. All of AECI's Non-executive Directors are Independent. No Non-executive Director is an employee of the Company and neither of the Executive Directors has an employment contract with a notice period longer than one month.
The Chairman of the Board is an Independent Non-executive Director.	✓	
The Board should provide effective leadership based on an ethical foundation.	✓	In matters of ethical business conduct and good corporate citizenship, the Board has delegated responsibilities to the Social and Ethics Committee. This Committee reports to the full Board at every meeting and to shareholders at the Annual General Meeting.
The Board should ensure that the Company is and is seen to be a responsible corporate citizen.	✓	
The Board should ensure that the Company's ethics are managed effectively.	✓	See page 58 – Ethical business conduct.
The Board should ensure that the Company has an effective and independent Audit Committee.	✓	See page 55 – Audit Committee; and page 95 – Audit Committee's report to stakeholders.
The Board should be responsible for the governance of risk.	✓	See page 55 – Risk Committee.
The Board should be responsible for IT governance.	✓	See page 54 – Board and Committee performance evaluation.
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	See page 57 – Integrated compliance.
The Board should ensure that there is an effective, risk-based Internal Audit.	✓	See the Audit Committee's report to stakeholders on page 95 – Execution of functions in respect of internal control and Internal Audit.
The Board should appreciate that stakeholders' perceptions affect the Company's reputation.	✓	See page 12 – Stakeholder engagement.
The Board should ensure the integrity of the Company's integrated report.	✓	See page 3 – Approval of the integrated report.
The Board should report on the effectiveness of the Company's system of internal control.	✓	See the Audit Committee's report to stakeholders on page 95 – Execution of functions in respect of internal control and Internal Audit.

PRINCIPLE	APPLIED	COMMENT
The Board and its Directors should act in the best interests of the Company.	✓	AECI has a Conflict of Interests policy which guides Directors in these matters. See page 53. All of AECI's Non-executive Directors are Independent. No Non-executive Director is an employee of the Company and neither of the Executive Directors has an employment contract with a notice period longer than one month.
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the Company is financially distressed, as defined in the Act.	N/A	See Directors' report on page 98 – Going-concern statement.
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.	✓	All of AECI's eight Non-executive Directors, including the Chairman, are Independent. See page 53 – Independence of Board members. The Chief Executive is an Executive Director whose role is separate from that of the Chairman.
The Board should appoint the Chief Executive and establish a framework for the delegation of authority.	✓	In terms of the Board charter, the appointment of the Chief Executive is the responsibility of the Board. For delegation of authority see commentary on the Executive Committee on page 56.
The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be Independent.	✓	See page 53 – Structure and composition of the Board.
Directors should be appointed through a formal process.	✓	See page 53 – Structure and composition of the Board and page 55 – Nominations Committee.
The induction and on-going training and development of Directors should be conducted through formal processes.	✓	See page 54 – Induction and on-going development of Directors.
The Board should be assisted by a competent, suitably qualified and experienced Group Company Secretary.	✓	See page 56 – Group Company Secretary.
The evaluation of the Board, its Committees and individual Directors should be performed every year.	✓	See page 54 – Board and Committee performance evaluation.
The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	✓	See page 55 – Board Committees.
A governance framework should be agreed between the Group and its subsidiary Boards.	*	See commentary on page 58 – Towards Group-wide compliance.
Companies should remunerate Directors and Executives fairly and responsibly.	✓	See page 82 – Remuneration report.
Companies should disclose the remuneration of each individual Director and certain Senior Executives.	✓	See note 31 commencing on page 168.

* *Progressed in 2013.*

A full King III gap analysis can be viewed via the website link:
http://www.aeci.co.za/websites/aeci/gov_governance.php

MEETING DATES AND ATTENDANCE

BOARD

DIRECTOR	25 FEB	27 MAY[1]	23 JUL	15 AUG[2]	04 OCT	25 NOV
RMW Dunne	✓	A	✓	✓	✓	✓
MA Dytor	✓	✓	✓	✓	✓	✓
GN Edwards*	✓					
S Engelbrecht (Chairman)	✓	✓	✓	✓	✓	✓
Z Fuphe	✓	✓	✓	✓	A	✓
KM Kathan	✓	✓	✓	✓	✓	✓
MJ Leeming	✓	✓	✓	✓	✓	✓
LL Mda	✓	✓	✓	A	✓	✓
AJ Morgan	✓	✓	✓	✓	✓	✓
LM Nyhonyha	✓	✓	✓	✓	✓	✓
R Ramashia	✓	✓	✓	A	✓	✓

A *Apologies.*
* *Retired on 28 February.*
1 *Strategy session.*
2 *Special meeting.*

AUDIT COMMITTEE

DIRECTOR	22 FEB	22 JUL	04 OCT	22 NOV
RMW Dunne	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓
GN Edwards*∞	✓			
S Engelbrecht*	✓	✓	—	—
KM Kathan*	✓	✓	✓	✓
MJ Leeming (Chairman)	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓
LM Nyhonyha	✓	✓	✓	✓

* *By invitation.*
∞ *Retired on 28 February.*

RISK COMMITTEE

MEMBER	22 FEB	20 MAY	23 AUG	18 NOV
JAA Diepenbroek	✓	✓	✓	✓
RMW Dunne	✓	✓	A	✓
MA Dytor	✓	✓	✓	✓
GN Edwards*	✓			
KM Kathan	✓	✓	✓	✓
EE Ludick	✓	✓	✓	✓
MVK Matshitse	✓	✓	✓	✓
LL Mda	✓	✓	✓	A
AJ Morgan (Chairman)	✓	✓	✓	✓
R Ramashia	✓	✓	✓	✓
SM Venter	✓	✓	✓	✓

* *Retired on 28 February.*
A *Apologies.*

SOCIAL AND ETHICS COMMITTEE

MEMBER	07 FEB	22 MAY	22 NOV
GJ Cundill	✓	✓	✓
MA Dytor∞	✓	✓	✓
GN Edwards*	✓		
Z Fuphe (Chairman from 1 July)	✓	✓	✓
KM Kathan**	✓	✓	✓
MJ Leeming	✓	✓	✓
MVK Matshitse	✓	✓	✓
LM Nyhonyha***	✓	✓	
R Ramashia	✓	✓	✓

∞ *Appointed on 1 March.*
* *Retired on 28 February.*
** *By invitation.*
*** *Chairman until his resignation from the Committee on 1 July.*

REMUNERATION COMMITTEE

DIRECTOR	21 FEB	15 MAR	27 MAY	08 JUL	20 NOV
RMW Dunne (Chairman)	✓	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓	✓
GN Edwards*∞	✓	✓			
KM Kathan*	✓	✓	✓	✓	✓
S Engelbrecht	✓	✓	✓	✓	✓
LM Nyhonyha	✓	✓	✓	✓	✓

* *By invitation.*
∞ *Retired on 28 February.*

NOMINATIONS COMMITTEE

DIRECTOR	22 FEB	20 MAY	23 AUG	18 NOV
RMW Dunne	✓	✓	✓	✓
MA Dytor*	✓	✓	✓	✓
S Engelbrecht (Chairman)	✓	✓	✓	✓
KM Kathan*	✓	✓	✓	—
LM Nyhonyha	✓	✓	✓	✓

* *By invitation.*

SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS

This report is provided by the Social and Ethics Committee ("the Committee") appointed in respect of the 2013 financial year of AECI Limited. This report incorporates the requirements of section 43 of the Regulations of the Companies Act. It was as a result of these regulations that what was previously AECI's Corporate Citizenship Committee was reconstituted as the Social and Ethics Committee in 2011.

MEMBERSHIP

The three meetings held in the year were attended by all members as reflected on page 63.

The current members are:

› Z Fuphe (Chairman)

› MA Dytor

› GJ Cundill

› MJ Leeming

› MVK Matshitse

› R Ramashia

Abridged biographies of the members are published on pages 22 to 26. Ms Fuphe has served on the Committee since 2008, Messrs Dytor and Cundill since 2012, Mr Leeming since 2004, Ms Matshitse since 2012 and Adv. Ramashia since 2010. Ms Fuphe assumed the role of Chairman on 1 July 2013 from Mr Nyhonyha, on his resignation from the Committee.

COMMITTEE OBJECTIVES

The Board of Directors has conferred upon the members of the Committee the following powers:

STATUTORY DUTIES

› To consider, recommend and monitor AECI's activities with regards to the following and report accordingly to the Board:

» good corporate citizenship: specifically in relation to (i) the promotion of equality; (ii) the prevention of unfair discrimination and the reduction of corruption; and (iii) AECI's record of sponsorship, donations and charitable giving;

» labour and employment matters: specifically in relation to AECI's standing on (i) the International Labour Organisation's protocol on decent work and working conditions; (ii) employee relations and contributions to the educational development of employees;

» safety, health and the environment: specifically in relation to the impacts of the AECI Group's activities and those of its products and services;

» social and economic development of defined communities: specifically in relation to (i) the 10 principles set out in the United Nations Global Compact; (ii) the Organisation for Economic Co-operation and Development's recommendations regarding corruption; (iii) the Employment Equity Act, No. 55 of 1998, (the "Employment Equity Act") in South Africa; and (iv) the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, in South Africa; and

» consumer relations: specifically in relation to advertising, public relations and compliance with consumer protection laws.

› To monitor and advance the implementation of policies and plans approved by the Board in matters as contemplated above.

NON-STATUTORY DUTIES

› To perform non-statutory duties complementary to its statutory duties, the Committee is further mandated as follows:

» AECI Code of Ethics and Business Conduct: to monitor to the best of its ability that AECI and its subsidiaries adhere to the approved Code of Ethics and Business Conduct policy and guidelines;

» sustainability: to provide guidance and advice on sustainability trends and issues relevant to the AECI Group and approve and review the Group's sustainability policy from time to time. The Committee will be informed of the sustainability risks as recorded in the AECI Group risk register and provide related input to the Risk Committee, as appropriate. Further, the Committee will review Safety, Health and Environmental Incident reports;

» stakeholder relations: to monitor to the best of its ability that AECI and its operating businesses have properly identified stakeholders and understood their issues and that all stakeholders are treated in an equitable and fair manner.

KEY ACTIVITIES IN THE YEAR UNDER REVIEW

During the year under review the Committee:

› received and reviewed reports on AECI's progress in Employment Equity in its South African operations;

› received and reviewed reports on the implementation of Broad-based Black Economic Empowerment imperatives in AECI's South African operations;

› monitored progress against implementation plans for the AECI Community Education and Development Trust and the AECI Employees Share Trust;

› paid particular attention to the restructuring process at AEL's Modderfontein operations, with a Committee member engaging in detail with management outside of the meetings of the Committee;

› evaluated the issue of loan and garnishee deductions from employees' remuneration;

› received and reviewed reports on AECI's management of safety, health and environmental issues; and

› reviewed AECI's approach to stakeholder engagement and offered recommendations as to how this could be enhanced.

On behalf of the Social and Ethics Committee

Zellah Fuphe
Chairman

Woodmead, Sandton
11 April 2014

BEST-EVER
SAFETY PERFORMANCE
WITH A TRIR OF
0,52

NUMBER OF
OCCUPATIONAL
ILLNESSES
HALVED

ELECTRICITY
CONSUMPTION
DOWN BY
6%

4 225
EMPLOYEE
BENEFICIARIES
OF THE AECI EMPLOYEES
SHARE TRUST

WATER CONSUMPTION DOWN BY 25%

RECYCLED 13 326 TONNES OF WASTE

59 EMPLOYEES ON MANAGEMENT DEVELOPMENT PROGRAMMES

39 BURSARIES GRANTED

CSI SPEND OF R10 MILLION

SUSTAINABILITY REPORT

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

POLICY

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

The AECI Executive Committee, guided by the 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.

Mark Dytor
Chief Executive
Woodmead, Sandton
11 April 2014

AECI's management of SHE-related issues is guided by this formal SHE policy, with performance being measured in 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 environment in which they operate.

MANAGEMENT SYSTEMS AND STANDARDS

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

- OHSAS 18001 (an international health and safety management standard);
- ISO 14001 (an international environmental management standard);
- NOSA 5 star (a South African SHE management system); and
- Responsible Care®. This is the global chemical industry's voluntary initiative for the continual improvement of performance in safety, health and environmental practices.

For most of its operations, AEL makes use of its in-house World Class system which is comprised of seven pillars – safety and health being one and the environment another.

A table providing details of SHE-related accreditations and, for AEL the level of achievement by individual sites of World Class system standards, may be found at **http://www.aeci.co.za/websites/aeci/cc_she_2013_perform.php**

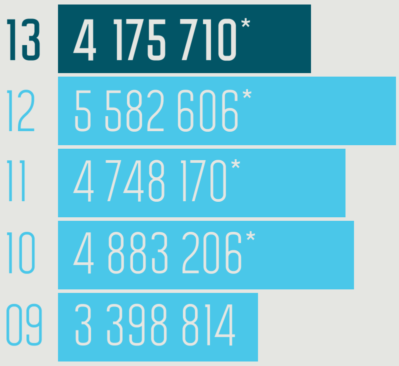
GREEN GAUGE

AECI introduced Green Gauge, a framework of Group-wide environmental objectives and targets, in 2011. The framework is based on the six key focus areas of:

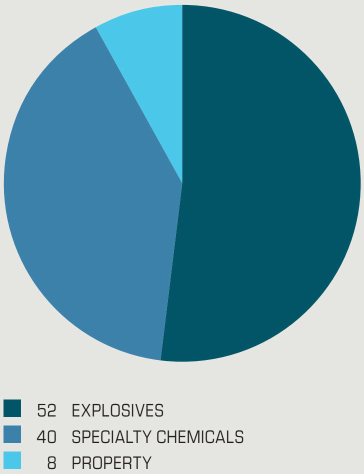
- resource conservation;
- energy conservation;
- chemical substances management;
- remediation;
- capacity building; and
- management aspects.

During 2012 and 2013 AECI Group businesses reviewed energy, water and waste reduction opportunities identified by ERM (a leading international sustainability consultancy) and rolled out projects in their respective operations. The businesses are measuring and reporting their savings against a 2011 baseline and are setting realistic and achievable resource efficiency targets. Progress against these targets will continue to be monitored by AECI's Executive Committee in the coming year. Further details on the Green Gauge initiative may be found on the Company website at **http://www.aeci.co.za/green_gauge/introduction.html**.

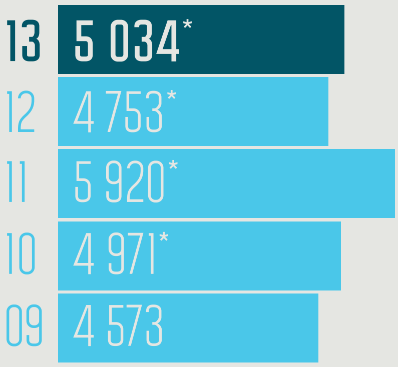
WATER USAGE (m^3)



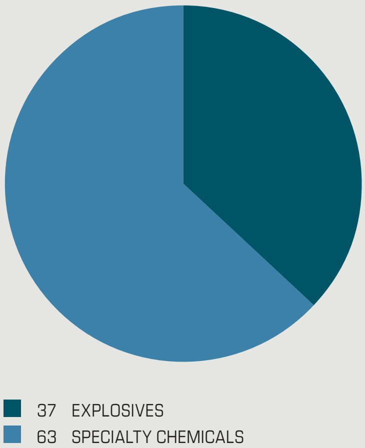
WATER USAGE BY SEGMENT (%)



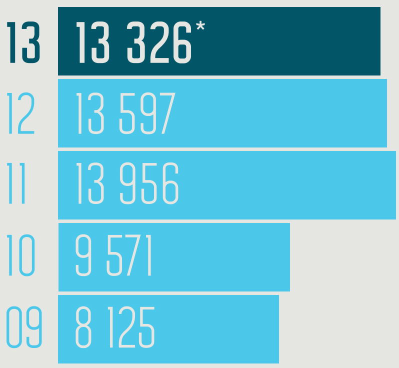
HAZARDOUS WASTE GENERATION (TONNES PER YEAR)



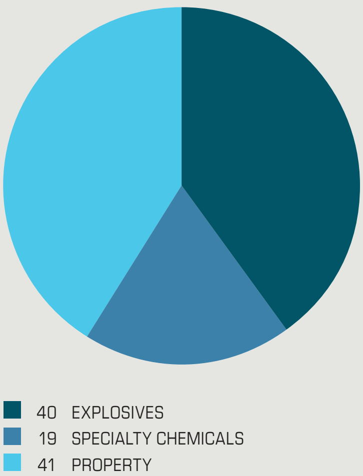
HAZARDOUS WASTE GENERATION BY SEGMENT (%)



RECYCLED WASTE (TONNES PER YEAR)



RECYCLED WASTE BY SEGMENT (%)



* *Indicates limited assurance. See page 80.*

INVESTOR-RELATED INITIATIVES

AECI is involved with three sustainability-related initiatives aimed specifically at investors. These are the JSE SRI index, the CDP and the CDP Water Program. The latter two are global programmes administered in South Africa by the National Business Initiative.

In 2013 AECI was included in the SRI index for the fifth successive year. In the CDP the Company was placed in the "B" performance band, with a carbon disclosure score placing it 31st of the 79 participating companies. While the CDP Water Program does not produce company-by-company comparisons at this time AECI again participated in the initiative, making public the relevant information.

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

ENVIRONMENTAL PERFORMANCE

Water consumption reduced by 25% to 4 175 710m^3* (2012: 5 582 606m^3*). This reduction was achieved largely in AEL's operations and related to lower production at Modderfontein and at sites in Zambia.

Hazardous waste generation increased by 6% to 5 034 tonnes* (2012: 4 753 tonnes*). This increase was mainly in AEL's operations, with high production output in North and West Africa and, regrettably, an increase in spillages.

Where practicable, Group businesses recycle the waste generated by their operations. The sources of this type of waste typically includes packaging materials, ash and scrap metal. The quantity of waste recycled by the Group decreased by 2% year-on-year to 13 326 tonnes* (2012: 13 597 tonnes) predominantly due to a decrease in ash generated by AEL as a result of lower coal consumption.

ENVIRONMENTAL INCIDENTS

The prevention of incidents detrimental to the environment is an important aspect of AECI's approach to managing its environmental impact. Such incidents do occur, though, and are classified and reported internally as per AECI's reporting standards and guidelines (available on request). Only one* (none* in 2012) of these incidents during 2013 was classified as serious. This incident occurred at AEL's Mufulira site, in Zambia. See AEL's operational review on page 40 for further details in this regard.

TONNES OF CO_2 EQUIVALENT: SCOPE 1

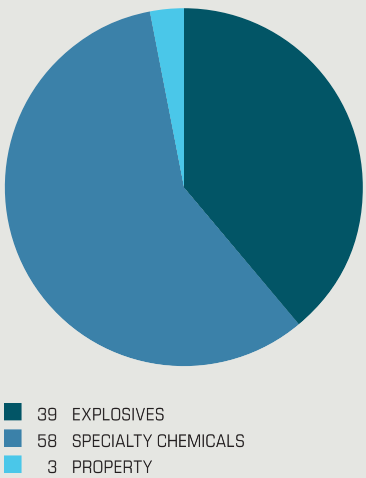
	2009	2010	2011	2012	**2013**
Explosives	216 000	219 310	201 499	188 610	**226 946**
Specialty chemicals	15 500	24 665	59 801	30 252	**26 861**
Property	67 000	65 940	68 075	62 685	**76 015**
Specialty fibres	500	976	534	341	∞
AECI TOTAL	**299 000**	**310 891***	**329 909***	**281 888***	**329 822***

TONNES OF CO_2 EQUIVALENT: SCOPE 2

	2009	2010	2011	2012	**2013**
Explosives	71 000	77 768	76 622	76 277	**78 170**
Specialty chemicals	80 700	103 446	135 297	115 553	**124 009**
Property	6 300	10 050	8 315	6 863	**7 378**
Specialty fibres	19 400	25 041	27 335	25 672	∞
AECI TOTAL	**177 400**	**216 305***	**247 569***	**224 365***	**209 557***
AECI TOTAL (SCOPE 1 AND 2)	**476 400**	**527 196***	**577 478***	**506 253***	**539 379***

∞ *Included in specialty chemicals.*

ELECTRICITY USAGE
BY BUSINESS SEGMENT (%)



OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
OPERATIONAL REVIEW: PROPERTY
CORPORATE GOVERNANCE
SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS
SUSTAINABILITY REPORT
REMUNERATION REPORT

ENVIRONMENTAL COMPLIANCE

In 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 and the site was not immediately able to comply with all of these. Commencing in 2012, in full consultation and with the assistance of the DWA, a suite of projects was commissioned to improve the level of compliance with Licence conditions. The majority of these projects had been completed by the end of 2013. Negotiations with the DWA on this matter continue in a spirit of cooperation to finalise the situation in a mutually satisfactory manner.

CARBON FOOTPRINT

The term "carbon footprint" is defined as the total greenhouse gas emissions caused directly and indirectly by an individual, organisation, event or product, and is expressed as tonnes of carbon dioxide ("CO_2") equivalent. 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 Business Council for Sustainable Development. Details on the operating and organisational boundaries used to calculate AECI's carbon footprint are available via the link **http://www.aeci.co.za/websites/aeci/cc_she_2013_perform.php**.

The increase in total CO_2e is primarily attributable to a significant increase in Scope 1 emissions from the explosives business. Process-related CO_2e emissions at AEL increased by 20% due to increased nitrous oxide ("N_2O") emissions from the No. 9 Nitric Acid Plant at Modderfontein subsequent to the suspension of the Clean Development Mechanism project and the removal of the secondary catalyst used to abate N_2O. The suspension of the project was due to the low price of Certified Emission Reductions (more commonly known as carbon credits) and the high cost of leasing catalysts.

The majority of Scope 2 emissions arose from electricity consumption. The AECI Group used 202 365MWh* of electricity in 2013 (2012: 215 401MWh*). The decrease occurred primarily in the specialty chemicals cluster as a result of lower production volumes, the sale of Resitec at the end of 2012 and a range of energy-saving initiatives that were put in place as part of Green Gauge.

AECI's total energy usage during 2013 was 2 384 571GJ* (2012: 2 659 107GJ*).

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.

AECI has achieved its best-ever safety and health performance with a year-end TRIR of 0,52* (2012: 0,53*). There were no fatalities*.

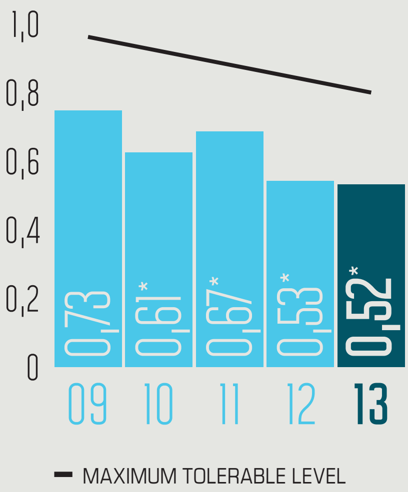
Occupational illnesses in 2013 halved* year-on-year. There was one case of occupational dermatitis and one of noise-induced hearing loss.

* *Indicates limited assurance. See page 80.*

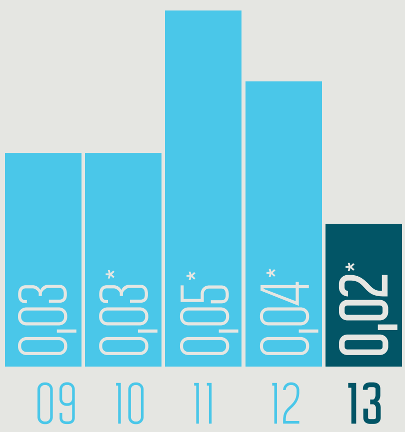
TRIR BY SEGMENT

	Employees	Contractors	Combined
Explosives	0,38	0,36	0,37
Specialty chemicals	0,78	0,81	0,78
Property	0,48	0,64	0,60
AECI GROUP	**0,51**	**0,56**	**0,52***

ALL WORKERS TRIR



ALL WORKERS OCCUPATIONAL ILLNESS RATE



All three business segments achieved incident rates below the 2013 TRIR Maximum Tolerable Level of 0,80.

AECI benchmarks its safety and health performance against its peers. The graph on page 72 was compiled by an independent consultant from the latest publicly available data from the various companies' websites at the time of writing.

PROCESS SAFETY

Process Safety Management is focused on the prevention of explosions and significant chemical releases, an issue of obvious concern to a Company that manufactures and trades in explosives and a range of specialty chemicals. AECI began rolling out a formal process safety management system in 2012 and progress has been made by Group businesses in implementing good practices in identified areas of concern.

EMPLOYEE WELLNESS

The welfare and well-being of employees is a priority for the AECI Group. A Wellness Steering Committee is in place to guide the proactive approach to healthcare. The Committee 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 agents of change in the workplace and beyond. These educators 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 an ethic of volunteerism, helping needy people in the communities in which the Group operates.

A current initiative of the Programme is the "Shintsha (Change) for Life" campaign. A Group-wide survey was carried out in 2013 to assess knowledge, attitudes and perceptions of chronic illnesses. The survey identified a significant health risk among employees resulting from obesity and a lack of adequate exercise. As a result, the "Shintsha" campaign was launched in August and will run for 12 months. It is aimed at enhancing long-term employee wellness by encouraging small but important lifestyle changes to address weight problems and inactivity. Participation in the Programme is voluntary but strongly encouraged.

OUTLOOK

While AECI achieved its best-ever health and safety performance in 2013, the ultimate goal remains zero harm. The Maximum Tolerable Level for the TRIR for the Group has accordingly been reduced by the Executive Committee from 0,80 in 2013 to 0,75 for 2014 and a range of detailed programmes are being pursued by all the businesses to improve further their performance in this area.

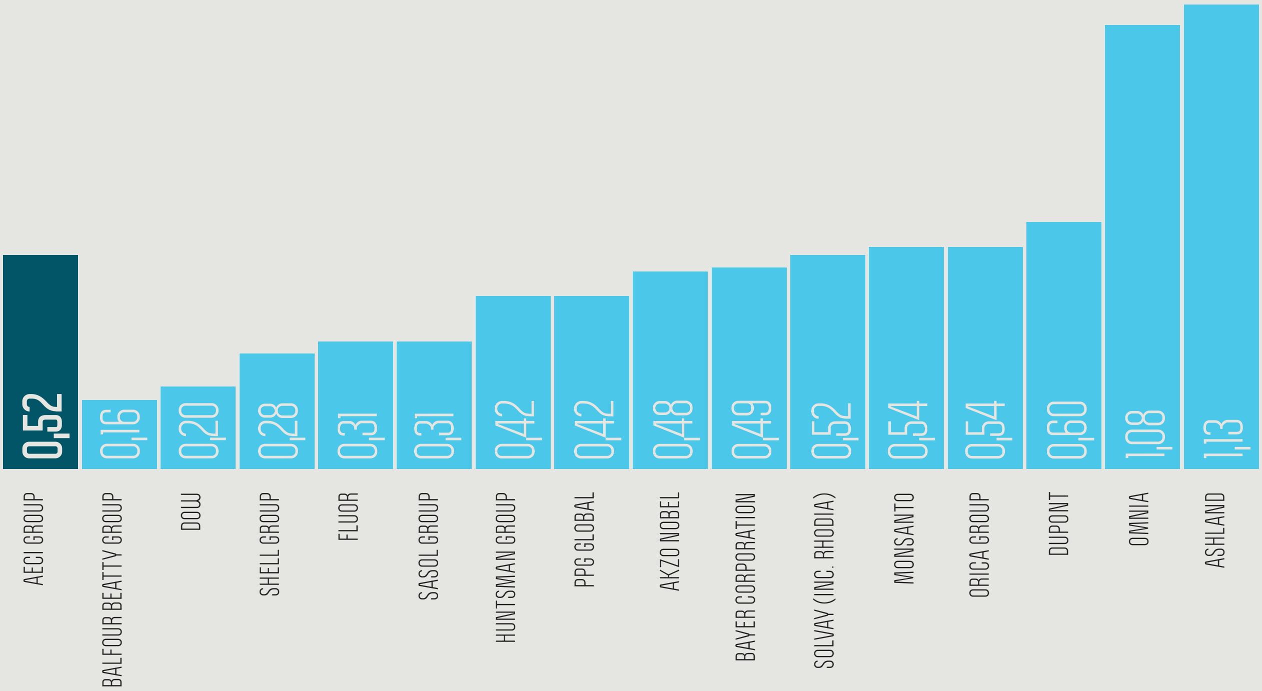
The next four elements of the Process Safety Management system that will be rolled out during 2014 are:

- human factors;
- inherent safety;
- process and equipment integrity, and
- pre start-up safety review.

The Wellness programme will also receive additional attention, with a view to making it more inclusive of psycho-social wellness issues.

The main priority for the Green Gauge programme will be to capitalise on the opportunities identified in the resource efficiency assessments, thereby improving AECI's financial performance while simultaneously enhancing the management of its environmental footprint.

BENCHMARKED TRIR



HUMAN CAPITAL

The focus in 2013 was on enhancing the Group's Employee Value Proposition. Through this process aspects of the Group that appeal to employees and potential candidates were identified and helped to define the Human Capital agenda more clearly.

The Talent Acquisition function assisted Group businesses in making progress towards their Employment Equity targets by building a database of highly skilled designated group candidates. Employee retention factors are monitored via feedback from anonymous exit questionnaires as well as face-to-face interviews.

Performance management and remuneration in line with performance has been identified as an area of focus. There is a need to align workforce performance across all businesses in support of the Company's growth strategy. Accordingly, a Group-wide project to standardise processes and systems commenced. Deliverables include entrenching a uniform performance culture and fairness in differentiation between performance levels.

In Management Development, the customised AECI Management Development Ladder was launched in 2013. 27 employees started the Foundation Management Development Programme. Of these, 92% are from designated groups and 63% are women. The Middle Management Development Programme also commenced. Of the 32 employees participating 84% are from designated groups and 56% are women. Both groups of learners are expected to graduate in 2014 and the Senior Management Development Programme will commence in the year.

BURSARIES

In addition to the internal Employee Study Assistance programme, AECI supported external students and extended financial support to employees' dependants.

A summary is presented in the table on the facing page.

LEARNING AND DEVELOPMENT

The growth and advancement of employees remains core for the Group's Learning and Development function. Building skills and behaviours that promote a culture of continual learning, leadership and diversity is imperative for achieving the Group's strategic goals and objectives, including its Employment Equity targets.

Training programmes are designed and presented to ensure the timely availability of the Group's required human resource requirements. This strategy is part of AECI's Employee Value Proposition as all interventions are based on delivering well-rounded and competent employees who achieve personal growth while making valuable workplace contributions.

Banded learning and development continued in 2013, allowing employees to participate in training programmes appropriate to their levels of work. An example was the introduction of a New Managers Training

STUDY SCHEMES

Scheme	No. of beneficiaries	% Designated group	% Female	Estimated investment until graduation
Employee study assistance	143	92	41	R1,86 million
External bursaries	25	100	72	R3,5 million
Employee dependants	14	100	57	R1,7 million

Programme which outlines the Group's values, management philosophy, Human Capital policies and practices, and its approach in Employment Equity matters.

Learning and development strategies are aligned with the Employment Equity Act and the Skills Development Act, No. 97 of 1998. All business segments submitted their Annual Workplace Skills Plans and Training Reports to the Chemical Industries Education and Training Authority ("CHIETA").

A number of changes to the skills development landscape were introduced after being gazette by the Minister of Higher Education and Training. From April 2013 the Mandatory Grant refund was reduced from 50% to 22% of the Skills Development Levy paid by the Group and the deadline for Grant Applications was brought forward to earlier in the year. The Discretionary Grant was renamed the Professional, Vocational, Technical and Academic Learning Programmes ("PIVOTAL") Grant. Funding increased from 20% to 49,5% of the Skills Development Levy. These changes could have a significant impact on refunds, either positive or negative depending on the PIVOTAL interventions implemented in the Group, but AECI believes that it is well placed to benefit from the revisions.

The Skills Development element of B-BBEE scores has been amended in the revised Codes. More emphasis has been placed on employed learners participating in learnerships, internships and apprenticeships. The new threshold of 40% for points achieved in the Skills Development element could negatively affect the total score and B-BBEE ratings of AECI and its businesses. In mitigation, AECI will need to plan strategically when implementing learnerships, apprenticeships and internships. It will also require that improved records of training expenses incurred be kept. The Learning and Development function held workshops in 2013 to assist Group companies in formulating strategies in this regard.

AECI is well represented in legislative forums including the Explosives Chamber and the Speciality and Surface Coatings Chamber in CHIETA structures. Subject matter experts also represent the Group at various employer organisations such as the National Association of Speciality Chemicals Employers Association, the National Institute of Explosives Technology and the National Artisan Training Committee. Such representation optimises AECI's relationship with these structures and facilitates submissions that are beneficial to the Group and the industries in which it operates.

Business-specific initiatives in the year are highlighted below.

EXPLOSIVES

Mining Optimisation is an important function in AEL. The Skills Development Centre at Modderfontein offers training interventions such as Measurement and Analysis, Technical Skills, and the Development and Application of Software. This ensures that employees are well versed in AEL's products and their applications, to the benefit of customers.

In 2013 a total of 2 525 delegates, including 48 customers, attended various training courses at the Centre. AEL employees from Botswana, Chile, the DRC, Egypt, Ghana, Indonesia, Namibia, Tanzania, Zambia and Zimbabwe attended Blasting Competency Programmes or the Explosives Engineer's courses.

Courses covered five disciplines and attendance was:

Technical Skills Development	579 delegates
Personal Excellence	235 delegates
Safety	1 249 delegates
Care and Growth	176 delegates
Equipment Handling	286 delegates

The Centre hosted 236 mining engineering students from the Universities of Johannesburg, Pretoria and the Witwatersrand ("Wits") for a technical orientation day designed to enable the students to connect the theoretical and practical aspects of the mining engineering profession.

"I would like to again take this opportunity on behalf of the UP Mining Engineering Department to thank you and your staff during our 3rd years' visit. Our students were very excited with what they saw and can now bring the theory and practical application together. Your team's commitment and enthusiasm was overwhelming. The feedback from the students was very positive and all spoke very highly of AEL's professionalism."
Wolter de Graaf, University of Pretoria.

Mining Optimisation hosted a Customer Master Class focused on the "Mine to Mill" concept – a total systems approach for optimising energy usage and minimising related costs in mining and mineral processing operations. The event showcased AEL's products and services and was attended by more than 200 delegates. Similar events are planned for 2014.

Further technical training towards the Rock Breakers' Qualification was presented and included the following modules: Examine and Make Safe; Blasting Assistant; and Blasting Practices. Accreditation of these modules through the Mining Qualifications Authority is being investigated.

The Manufacturing Training Centre, also at Modderfontein, concentrated on aligning skills development and employee growth with operational requirements. Empowering opportunities are available to all AEL employees. In 2013, 70 employees and 39 unemployed learners trained towards the Chemical Operations qualification from the National Qualification Framework ("NQF") Levels 2 to 4. Engineering training initiatives focused on artisan development through trade learnerships and apprenticeships. 82 learners pursued qualifications in the disciplines of Fitter, Boilermaker, Electrician and Instrumentation at various NQF levels.

All 110 first and second line managers at AEL's initiating systems operations at Modderfontein completed a Management and Leadership Competence Programme. The same Programme has been made available to employees at the nitrates operations and will run into 2014.

SPECIALTY CHEMICALS AND AECI HEAD OFFICE

Efforts concentrated on the acquisition of skills and competencies through a variety of interventions:

- the theoretical training component of the Rainmakers Sales Management Academy Programme was concluded. Some coaching modules and assessments will be finalised in 2014. This Programme has placed participating companies in good stead to increase revenue and profit growth as knowledge is cascaded from senior sales professionals to colleagues at the next level;

- the final modules of the previous Management Development Programme were presented and 40 senior employees will graduate in 2014;
- the approved PIVOTAL application totalled R3,5 million. This included funding requests for bursaries, adult education and training, apprenticeships, learnerships and work-integrated learning. 159 permanently employed learners and 101 unemployed learners were offered opportunities through the application;
- new learnerships in sales and manufacturing are planned for the coming year. Learnerships in the SHE and administration areas are also being considered; and
- in addition to its day-to-day operation the AECI Training Centre at the UIC hosts the Programme for Technological Careers, on Saturdays. Extra mathematics and science classes are attended by 120 secondary school learners from surrounding neighbourhoods.

PROPERTY

Training was provided for eight apprentices in the mechanical and electrical trades. Three students were offered in-service training to complete the requirements for their internships towards Analytical Chemistry and Chemical Engineering qualifications.

10 learners from local secondary schools were provided with work experience for one week. In addition 113 employees, including contractors, attended other skills training programmes in Interviewing Techniques, Computer Software and SHE.

TRADE UNION AND EMPLOYEE PARTICIPATION

AECI subscribes to the freedom of association and recognises the right of all employees to join a trade union of their choice. Representative trade unions are recognised as stakeholders in the Group. Recognition agreements in South Africa are in place with all the main chemical industry trade unions namely CEPPWAWU, GIWUSA, NETU, SACWU and Solidarity.

Due to unprotected strike action that escalated into an uncontrolled, violent and unlawful landscape in sectors of the South Africa mining industry in 2012, industrial relations were expected to be volatile in the year under review. It was pleasing, therefore, that maturity in engagements prevailed and the annual substantive negotiations were concluded without any strike action. This notwithstanding, relationships at AEL were challenging as a result of inter alia significant restructuring. Work on improving these relationships and the industrial relations climate as a whole will continue in 2014.

The strikes in South Africa's platinum mining sector at the time of writing are a severe setback from business and relationship perspectives. The serious negative impacts are to the detriment of all stakeholders from economic and social perspectives.

SUBSTANTIVE COLLECTIVE AGREEMENTS

Substantive collective agreements for bargaining unit employees in South Africa are negotiated on an annual basis under the auspices of the National Bargaining Council for the Chemical Industry. Settlement reached by employees and representative trade unions were effective from 1 July 2013 and endure to 30 June 2014.

BUSINESS RESTRUCTURING

AEL undertook major restructuring in 2013 in line with its business strategy of enhancing customer value through the consolidation of the initiating systems manufacturing footprint at Modderfontein. This included the closure of old plants and the consolidation of assembly operations in ISAP. Significant savings and improved operational efficiencies will result from this.

A protracted programme of detailed and regular consultation with all affected employee representative bodies preceded the closure of the old plants and the associated restructuring of the new and existing plants, including ISAP.

Regrettably, this process resulted in 391 retrenchments at year-end. An additional 197 retrenchments are anticipated in July 2014.

As part of the management of the specialty chemicals cluster, the divisionalisation of some business units also led to retrenchments.

In all cases where retrenchments are unavoidable the Group ensures that affected employees are treated fairly and with dignity, in line with its policies and established processes.

Initiatives aimed at mitigating the effects of job losses include a comprehensive social plan with the following benefits and services:

- a competitive severance package;
- counselling to address emotional issues;
- financial and retirement workshops and counselling;
- assistance with writing curricula vitae;
- training in interview and job search skills;
- small business development training; and
- reskilling and re-training programmes.

EMPLOYMENT EQUITY ("EE") AND TRANSFORMATION

The focus was on integrating EE requirements into Human Capital processes and practices. Each specialist Human Capital function aligned its objectives with the Employment Equity Act and the Code of Good Practice. Focus group reports were evaluated to establish barriers to affirmative action and each specialist function developed interventions with timelines that will address these.

To ensure that the demographic representation of the workforce profile is changing in line with the Group's EE objectives, revised targets were implemented and monitored.

EE AWARENESS

The following were implemented:

- focus group interviews with women were conducted to identify affirmative action barriers that are gender related;
- the New Managers Programme was introduced, as already outlined;
- training of EE Committee members; and
- the recognition and celebration of public holidays that promote diversity and inclusivity, namely Women's and Heritage Days.

Annual EE reports were submitted to the Director General of the Department of Labour by business segment namely AEL, the specialty chemicals cluster (including AECI Head Office) and Heartland.

EE STATISTICS

Demographic representation at the top four occupational levels improved, demonstrating that interventions initiated and implemented from the latter part of 2011 are yielding results. See details on pages 76 and 77.

B-BBEE

AECI recognises the need for Black people to participate meaningfully in South Africa's mainstream economy. Furthermore, the Group's customers in the mining sector are making it a condition of their procurement from the Group that it has at least a 26% effective B-BBEE ownership. The B-BBEE ownership element transactions implemented in 2012 ensure that AECI exceeds the B-BBEE ownership target being set for it by the customers who generate most of its business revenue.

NEXT STEPS

The Broad-Based Black Economic Empowerment Act has been amended. Workshops commenced in 2013 for personnel directly involved in various elements of economic empowerment. In 2014 each Group business based in South Africa will review its strategy in the context of implementing the amendments.

DELIVERING TOWARDS SUSTAINABLE DEVELOPMENT

AECI is committed to the well-being of the communities in which it operates and to vulnerable communities in South Africa in general. Structures in place to support efforts in this regard include the AECI CSI Fund ("CSI Fund"), the AECI Community Education and Development Trust ("AECI Trust") and the Tiso AEL Development Trust.

AECI adopts a selective and honest approach in its engagement with the development sector – a complex arena with many role players all striving to improve the lives of vulnerable groups across the country. It is recognised that the sustainable value of companies' investments can be maximised through partnerships with leading organisations and initiatives in the field.

GROUP B-BBEE SCORECARDS — BUSINESSES IN SOUTH AFRICA

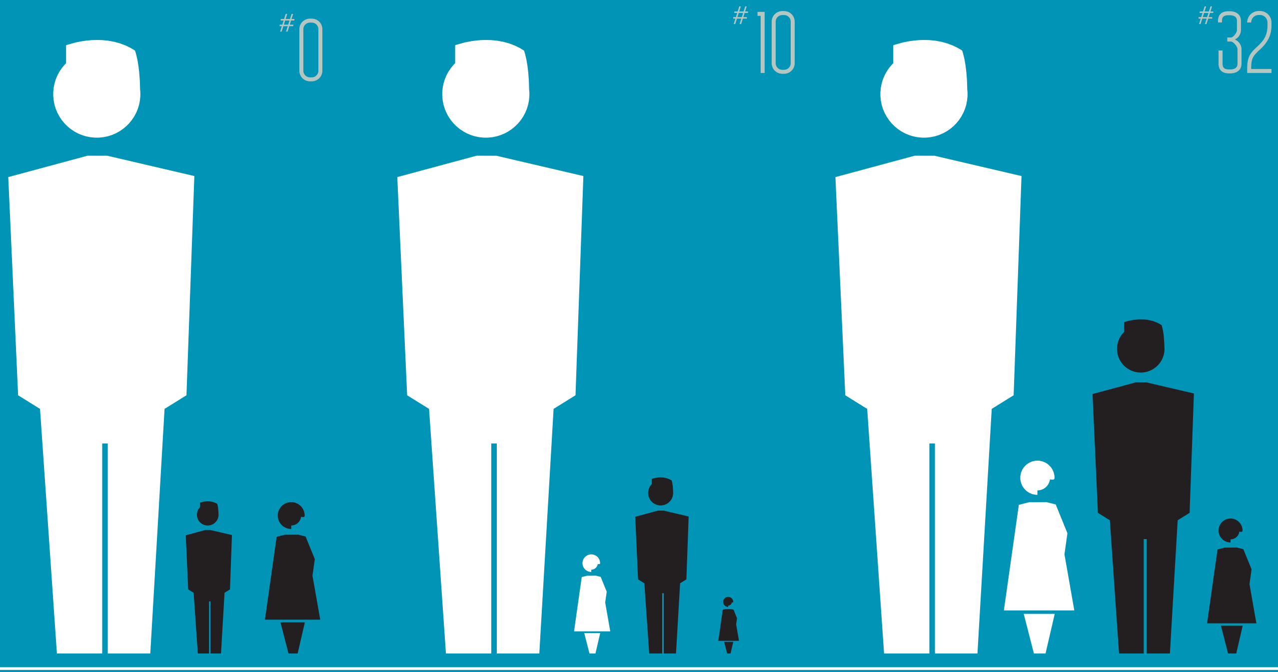
BUSINESS ENTITY	CONTRIBUTION LEVEL
AECI CORPORATE HEAD OFFICE	5
AEL MINING SERVICES	4
AKULU MARCHON	5
CHEMFIT	5
CHEMICAL INITIATIVES	4
CHEMISPHERE TECHNOLOGIES (DIVISIONALISED INTO CHEMSYSTEMS FROM 1 JANUARY 2014)	5
CHEMSYSTEMS	4
CREST CHEMICALS	4
HEARTLAND	4
IMPROCHEM	4
INDUSTRIAL OLEOCHEMICAL PRODUCTS	5
LAKE FOODS AND LAKE SPECIALTIES	4
NULANDIS	5
RESINKEM	4
SENMIN	4
SPECIALTY MINERALS SA	4
AECI GROUP	4

EMPLOYMENT EQUITY STATISTICS

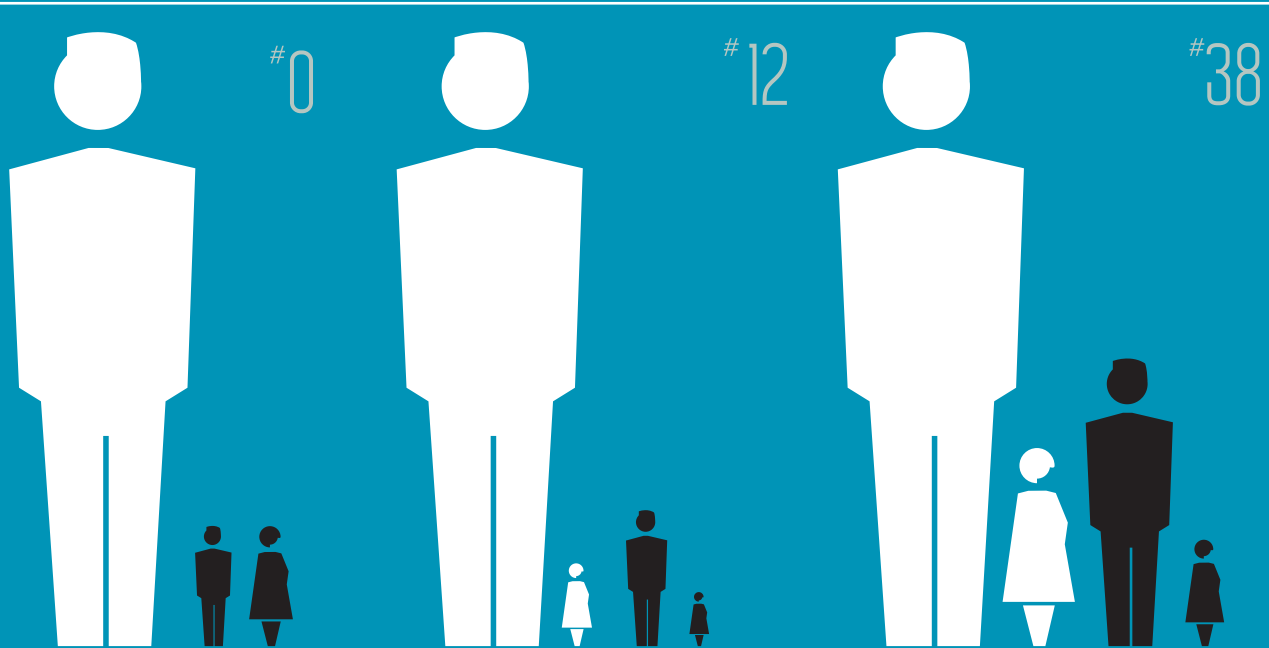
TOP MANAGEMENT 33%

SENIOR MANAGEMENT 31%

MIDDLE MANAGEMENT AND PROFESSIONALS 49%



	Top management			Senior management				Middle management and professionals			
'13*	4	1	1	65	11	18	5	327	107	176	68
'12*	5	1	1	67	10	15	6	338	112	160	59



TOP MANAGEMENT 29%

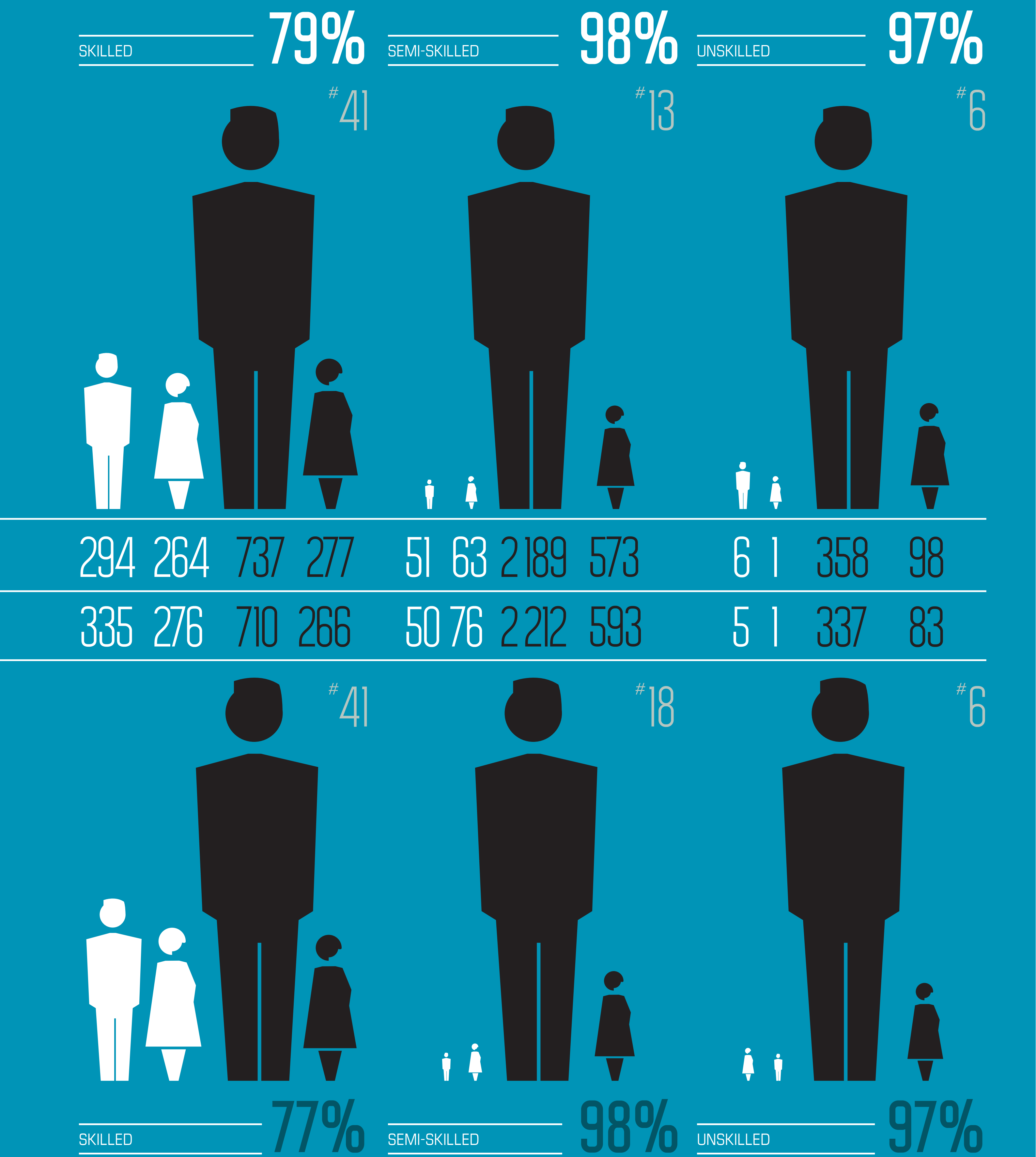
SENIOR MANAGEMENT 28%

MIDDLE MANAGEMENT AND PROFESSIONALS 47%

Indicates limited assurance. *See page 80.*
Limited assurance of 2012's indicators can be found via the link http://www.aeci.co.za/Financial/2012_annual_report/stake-limited-assurance.php.

Representation by occupational level, race and gender for employees of AECI's South African operations in comparison to the employee complement in 2012 and 2013.

FOREIGN NATIONALS



THE GROUP CONTRIBUTED OVER R10 MILLION TO SOCIO-ECONOMIC DEVELOPMENT IN SOUTH AFRICA.

Advancing potential, promoting good practice and evolving ideas are the objectives of AECI's investments in the promotion of sustainable socio-economic development. Strategic areas of interest include education, skills development and the holistic care and support of children. The principles of empowerment, partnership, good governance, innovation and effective leadership underlie all social development initiatives.

In 2013, the Group contributed over R10 million to socio-economic development in South Africa. The CSI Fund invested over R6 million in not-for-profit organisations and educational institutions with grants ranging from R25 000 to R2,7 million. Over 20 organisations and 5 000 individuals benefited from this.

No-cost leasing of land and buildings owned by AECI to non-governmental organisations ("NGOs") and development-related contributions from Group companies benefited additional organisations, individuals and communities.

COMMUNITY SOCIAL INVESTMENT ("CSI") FUND

The CSI Fund was restructured in 2013 to focus on education; infants and orphans and vulnerable children ("OVC") care and support; skills development for people with disabilities; and environmental initiatives. The driving principle is that CSI is an investment and not "giving for and to charity". Better monitoring and evaluation are in place, improved reporting is expected, grants have targeted outcomes and are impact-based, expectations are high but realistic, and the importance of honest partnerships is emphasised.

The education component aims to improve learner outcomes at primary, secondary and tertiary levels by enhancing the quality of and access to teaching and learning. These investments took various forms in 2013, from assisting schools to purchase busses transporting disadvantaged students to reduce the transport burden in rural Eastern Cape, to funding teacher and learner development programmes in the North West and Limpopo.

It was also recognised that new projects sometimes need an injection of resources before they can evolve to their full potential. As part of the "evolving great ideas" platform, AECI entered into a five-year partnership with the University of the North West in 2012. In response to the shortage of adequately prepared learners entering tertiary education for careers in scarce skills, the University is piloting the Science Engineering Technology and Health Academy at the Ferdinand Postma High School in Potchefstroom. This initiative is a collaborative effort between the University, the North West Department of Basic Education and various donors. It aims to prepare learners for professional careers in the fields of engineering, medicine, finance and economics, and mathematics and science.

To advance the potential of young minds interested in science, AECI's five-year partnership with Wits is seeing 4 000 first-year students accessing a state-of-the-art chemistry laboratory on campus. The laboratory is part of the Wits Science Stadium, a large-scale infrastructure project that also offers specialist laboratory facilities for biology and physics. The Stadium was created in response to calls from government and industry to address the urgent need for suitably qualified and well educated science, engineering and technology graduates as South Africa grapples with global issues of climate change, clean energy, water management and disease.

Multi-year partnerships with several NGOs, including the Mahwelereng Centre of Hope in Limpopo, JICAMA and Action in Gauteng, support the provision of education and artisanal skilling for children and adults with disabilities. Community-based organisations, such as the St. Mungo's Diepsloot Community Action, provide adult-based education and training and artisanal skilling for unemployed community members.

AECI also sees value in business-2-business support, assisting projects initiated by other businesses that show good practice and potential for growth. An example is the Virginia Jewellery School in the Free State. This Free Gold Foundation project aims to create sustainable jobs through training and qualifications in jewellery-making, boost the local economy through the beneficiation of gold and develop a jewellery hub for local and international markets.

The CSI Fund engaged with the "My Future My Career" initiative, a public-private partnership targeting more than 100 000 learners across the country, providing them with information about career options and respective educational requirements. A partnership with the NBI also ensured added development support nationally as part of the larger business community.

Social development activities centre on infant and OVC programmes to assist organisations working to improve the social, educational, health and psycho-social aspects of children's development. This involves multi-year partnerships with NGOs that have illustrated good practice such as Nazareth House, COMPASS and Cotlands. An important aspect of their work is the emergency response they provide to abused and abandoned babies.

Another beneficiary of the "evolving great ideas" platform is the Shaken and Abused Baby Initiative ("SAABI"). This project was conceptualised in response to the highly-publicised deaths of infants in 2012 due to severe abuse. The process of identifying such abuse immediately to protect the child and mitigation against further abuse is complex and requires highly specialised expertise. As such SAABI, in partnership with the Charlotte Maxeke Hospital, is streamlining processes in Gauteng to optimise the mitigate of child abuse and potentially reduce incidences thereof. The planning and implementation of the initiative are being documented for further research and knowledge sharing with the long-term aim of rolling it out across the country.

The CSI Fund's environmental programme will take shape from 2014. It will focus on environmental education and awareness, and green development. In 2013, as a starting point, funds were invested in the Emvelowise Women Adopt a River ("EWARP") project. This is an inspiring display of the leadership of a young woman and a community of volunteers who, despite not receiving any compensation, are committed to cleaning seven streams and two rivers in the Folweni area near Umbogintwini in KwaZulu-Natal. EWARP received the eThekwini Mayor's Award in the best Group in Environment category in 2013.

AECI COMMUNITY EDUCATION AND DEVELOPMENT TRUST

This Trust will be launching its strategy and issuing its first call for applications in 2014. AECI formed the AECI Community Education and Development Trust as part of its Broad-based Black Economic Empowerment imperative. The Trust is a 3,5% shareholder in AECI and its primary objective is to support the sustainable socio-economic empowerment of communities in South Africa in areas where AECI operates or has an interest. Its strategy includes an Education Programme with the developmental goal of building bridges to enable access to professional qualifications for young adults; a Skills Development Programme that seeks to increase the number of artisans and technical resources in the country; and the Water For Life programme which aims to provide education and awareness on issues of water conservation and strengthen efforts to provide potable water, especially to rural communities. It is expected that more than R10 million will be invested in 2014 – a pilot year that will test the robustness of the Trust's strategy and objectives and implementation thereof.

The Trust's Board of Trustees comprises three independent Trustees, two AECI Trustees and one AECI member. The Independent Trustees are accomplished in the business and academic arenas and have strong social capital. They provide a breadth of expertise in sectors including the sciences, disability and psychology. The AECI Trustees and member provide specialist knowledge in the areas of human capital, finance and business.

TISO AEL DEVELOPMENT TRUST

This Trust is funded through dividend income from its share ownership in AECI, and through contributions from the AECI CSI Fund and the AEL business. It is tasked with implementing AEL's CSI strategy which focuses on education (specifically mathematics and science), health and social development. AEL's international sites align their own initiatives with the same strategy but adapt them to fit the respective country's socio-economic circumstances. Ensuring maximum impact of CSI initiatives is paramount and, accordingly, its investment is primarily in Tembisa in South Africa given the socio-economic needs in this area as well as its proximity to Modderfontein, AEL's largest manufacturing facility. Beneficiaries include eight schools (four primary schools and four high schools).

They are supported through the Maths Centre, an NGO which equips both educators and leaners with requisite skills. The Centre enables access to resources and materials that facilitate the ease of teaching and learning with teaching aids, laboratory material, the incorporation of technology into learning, training workshops for teachers, coaching sessions for learners and workbooks for both teachers and the learners in these schools. The results of these efforts continue to be encouraging.

This Trust also works with the Community and Individual Association City Campus ("CIDA"), an institution that concentrates on access to affordable higher education for students from underprivileged backgrounds. The Trust's partnership with CIDA ensures that students obtain a three-year business administration qualification with an opportunity to specialise in Information Communication Technology and/or Finance. A number of CIDA's students are the first generation of graduates in their families. This can assist in breaking the generational poverty cycle in South Africa and contribute to changing the socio-economic status of these beneficiaries' communities.

In health and social development, the Trust has partnered with Thuthukani Centre, a not-for-profit community organisation in Ivory Park in Tembisa, that seeks to respond to the plight of vulnerable children and orphans of HIV/Aids. Together with Thuthukani, the Trust furthers the delivery of early childhood development by helping children to get the proper preparation and foundation for their education careers.

Internationally, AEL operates predominantly in developing economies where businesses are confronted by socio-economic realities such as poverty, joblessness and the wage-gap. AEL in all its countries of operation seeks to be a force for good. In Indonesia, for example, the company has partnered with its largest customer, Kaltim Prima Coal, to help children born with facial disabilities such as cleft palates gain access to the transformative surgery that the Smiles and Hope Programme runs in that country. In Zimbabwe AEL has partnered with the Tariro Hope Ithemba Trust, a charity organisation which benefits visually impaired and hard-of-hearing children. In Zambia, AEL works with neighbouring communities in assisting the aged and vulnerable and in the roll-out of beneficial malaria prevention programmes.

AECI EMPLOYEES SHARE TRUST

4 225 employees are beneficiaries of this Trust, with 77% of them being Black. 20% of the share allocation has been allocated to Black Managers across the AECI Group in South Africa.

The objectives of the Trust are:

- to recognise and reward employees who have enabled and continue to enable the success of the Company;
- to align the interest of employees with those of shareholders; and
- to improve the Group's ability to attract, incentivise and retain high-performing Black employees and Managers.

Of the Trustees on the Trust's Board three are independent, one is Company-appointed and one has been elected by the beneficiaries. In line with the AECI Employees Share Trust agreement, a dividend in the sum of 29 cents per B ordinary share was approved by the AECI Board in February 2014 and will be paid to beneficiaries of this Trust in the second quarter of 2014.

OUTLOOK

The industrial relations climate in South Africa is becoming increasingly complex and volatile. This requires constructive engagement between government, employers and trade unions.

AECI will continue to engage with representative trade unions in an open and honest manner to achieve outcomes that are beneficial to all stakeholders.

Amendments to labour legislation in South Africa are due to be promulgated in 2014. AECI's specialists are reviewing the content of the amendments and their potential impact on the Group to ensure timeous preparation for and compliance with the changes.

Given that the Group's businesses have expanded to markets outside South Africa, the Human Capital function will begin designing and integrating policies and processes for this diverse spread of operations in the coming year.

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 2013 Integrated Report to stakeholders of AECI Limited ("AECI") for the year ended 31 December 2013 ("the report"). Our engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

SUBJECT MATTER AND RELATED ASSURANCE

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

- Environmental indicators – total water usage (page 69); hazardous waste (page 69); recycled waste (page 69); total electricity usage (page 69); total energy usage (page 70); carbon footprint – Scope 1, Scope 2 and total of Scope 1 and 2 (page 70); number of environmental incidents (total major and serious) (page 69).
- Health and Safety indicators – Total Recordable Incident Rate (employees and contractors combined) (page 70); Occupational Illness Rate (employees and contractors combined) (page 70); fatalities (employees and contractors combined) (page 70).
- Employment Equity indicators (expressed as the total number of people for each category) – Black males, Black females, White males and White females per category of Top management, Senior management, Middle management and Professionals, Skilled, Semi-skilled and Unskilled (page 76).

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the sustainability information in accordance with AECI's internally developed guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues for commitments with respect to sustainability performance, and for the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, KPMG maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

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

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of AECI's use of its internally developed guidelines as the basis of preparation for the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- interviewed Executives and Senior Managers to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- inspected documentation to corroborate the statements of Executives and Senior Managers in our interviews;
- tested the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information;
- inspected supporting documentation and performed analytical procedures on a sample basis to evaluate the data generation and reporting processes against the reporting criteria;
- assessed the reasonableness and appropriateness of significant estimates and judgements made by the Directors in preparation of the key performance indicators;
- undertook site visits to AEL (Modderfontein, including Nitrates, and Witbank in South Africa; Zambia); Chemical Initiatives (Umbogintwini); Heartland (Umbogintwini); ImproChem (Umbogintwini); Industrial Oleochemical Products (Jacobs); Lake International Technologies (Umbogintwini); Nulandis (Lilianton); and Senmin (Sasolburg). In addition, desktop reviews were performed for AEL sites in Burkina Faso and Indonesia; and
- evaluated whether the selected sustainability information presented in the report is consistent with our overall knowledge and experience of sustainability management and performance at AECI.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether AECI's selected sustainability information has been prepared, in all material respects, in accordance with its internally developed guidelines.

CONCLUSIONS

Based on the procedures we have performed and the evidence we have obtained, 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 2013 is not prepared, in all material respects, in accordance with AECI's internally developed guidelines.

OTHER MATTERS

Our report includes the provision of limited assurance on recycled waste and fatalities (employees and contractors combined). We were previously not required to provide assurance on these key performance indicators.

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the report.

The maintenance and integrity of AECI's website is the responsibility of AECI management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation on the AECI website.

RESTRICTION 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.

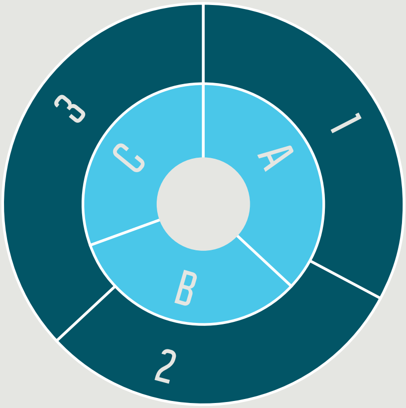
KPMG Services Proprietary Limited

Per PD Naidoo
Director

Johannesburg, 1 Albany Road
Parktown, South Africa, 2193
11 April 2014

REMUNERATION REPORT

ON-TARGET REWARD: CHIEF EXECUTIVE VS EXECUTIVE COMMITTEE MEMBER



CHIEF EXECUTIVE
EXECUTIVE COMMITTEE MEMBER
1 AND A GUARANTEED PACKAGE
2 AND B TARGET REWARD STI
3 AND C TARGET REWARD LTI

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 Non-Executive 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 is driven by performance and will reward Executives and Senior Managers for achieving targeted results in terms of growth and shareholder returns. For this purpose financial performance measures and Executives' scorecards determine the extent of rewards provided to Executives and Senior Managers.

AECI has taken a balanced approach with regard to remuneration, ensuring that employees are incentivised to achieve both the short- and long-term strategic objectives of the Group. Short-term performance is measured against trading profit and headline earnings per share ("HEPS") and the achievement of key financial and non-financial indicators. Long-term incentives are linked to HEPS and total shareholder return against a comparator group.

In alignment with the Remuneration Guidelines of King III, and in compliance with the Companies Act, the issues covered by this Remuneration report are:

- a summary of the Group's remuneration policy, philosophy and strategy;
- the Remuneration Committee and its role;
- key remuneration decisions taken during the 2013 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' fees.

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 Committee members, Senior Managers and key talent and which will motivate them to develop and implement the Group'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's reward strategy encompasses a balanced design in which all components are aligned to the strategic direction and business-specific value drivers of the Company 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 the Group; a performance management system that serves 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 obligations 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 by Executive Committee members and Senior Managers, while LTIs are designed to incentivise the achievement of long-term shareholder value.

THE REMUNERATION COMMITTEE AND ITS ROLE

COMPOSITION

The Committee is comprised of three Non-executive Directors all 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 Group Company Secretary attends all meetings as secretary. The Chief Executive, Chief Financial Officer and the Group's Compensation and Benefits Manager are invited to attend to discuss the remuneration of the Executive Committee and Senior Managers. No attendee may participate in any discussion or decision regarding his or her own remuneration. Current members of the Committee are:

- RMW Dunne (Chairman)
- S Engelbrecht
- LM Nyhonyha

The Committee complies with King III and the Board considers its composition to be appropriate in terms of the necessary

OPERATIONAL REVIEW: EXPLOSIVES
OPERATIONAL REVIEW: SPECIALTY CHEMICALS
OPERATIONAL REVIEW: PROPERTY
CORPORATE GOVERNANCE
SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS
SUSTAINABILITY REPORT
REMUNERATION REPORT

balance of knowledge, skills and experience of its members. The Committee met five times in the year as set out on page 63.

RESPONSIBILITIES

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

› upholding, reviewing and amending, if appropriate, the Group's remuneration philosophy and policy with particular reference to the remuneration of the Executive Committee members and Senior Managers;
› ensuring that Executive Committee members and Senior Managers are rewarded fairly for their individual contributions to the Group'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 Committee members and Senior Managers, including but not limited to basic salary, performance-based short- and long-term (and share-based) incentives, retirement fund contributions and other benefits;
› establishing appropriate criteria to measure the performance of Executive Committee members and Senior Managers;
› reviewing and recommending appropriate levels of remuneration to be paid to the Non-executive Directors and submitting these recommendations to shareholders for approval; and
› reviewing the effectiveness of and approving the operation of the Group's share-based and other incentive schemes.

KEY REMUNERATION DECISIONS TAKEN IN RESPECT OF THE 2013 FINANCIAL YEAR

The Committee considered the following matters in 2013 and took key decisions as appropriate:

› setting and review of Executives' key performance indicators;
› approval of allocation principles under the 2012 Long-term Incentive Plan ("LTIP") of earnings-growth units and awards of performance shares, in line with policy;
› approval of the targets and weighting of the performance measures of the STI plan;
› approval of the Executive Committee members' and Senior Managers' salary increases;
› approval of STI payment pools to individual business units;
› review and approval of the Group's Remuneration report and policy;
› on-going review of the current retirement funds' defined-benefit liabilities with a view to a possible de-risking thereof; and
› review of Non-executive Directors' fees and recommendation of increases for consideration by shareholders.

REMUNERATION REVIEW

GUARANTEED REMUNERATION

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

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

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

Each role has been evaluated using the Deloitte 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;
› decisions; and
› resource control.

The Committee reviewed guaranteed packages for 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 such as medical aid subsidies and car allowance structures have been standardised for Executive Committee members and for Senior Managers.

Details of the basic salary and guaranteed packages (basic salary plus benefits) paid to the Executive Directors and Prescribed Officers in 2013 are set out in note 31 commencing on page 168.

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 Companies Act with the Prescribed Officers' disclosure. The latter has been included in note 31. For this reason no further disclosure is necessary.

The increases applicable to the guaranteed packages which became effective from 1 January 2014 were in the range of 6,0% to 11% for Executive Committee members, 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 has moved towards a pay mix policy that supports the philosophy that the performance-based pay of Executives Committee members 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 differentiated approach between them and other subsidiary companies. The pay mix proportionality of the Chief Executive and of an Executive Committee member is shown in the schematic on the facing page.

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 Group 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.

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 a result of individual and Company performance and the impact of external factors.

STIs

The STI scheme is offered to Executive Committee members and all levels of management. It has two separate components which are measured independently.

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 and or/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 Executive Committee members and Senior Managers at Group or operating business level, 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 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.

The financial component is based on a three-year "crawling peg" methodology 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 GDP applied to the preceding "base year" performance. The doubling point is set at 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 current STI cycle was 2012, thus 2013 is the first year of the "crawling peg".

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. The Group's HEPS base for 2012 was calculated as being R6,27 after adjusting for the IFRS 2 accounting treatment in respect of the AECI Community Education and Development Trust.

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 CPI and growth in the country's GDP.

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

The formulaic element accounts for 25% of the on-target bonus and is based solely on the results of individuals' scorecards. It is measured on the achievement of personal targets and is not dependent on the financial performance of the Group/business entity.

Personal KPIs include aspects such as:

› safety performance;
› cash flow management;
› transformation;
› implementation of strategic projects; and
› acquisitions and disposals.

BONUS PARAMETERS

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

Businesses which grow their earnings substantially above CPI and GDP rates could earn multiple bonus factors. The 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. In exceptional cases, the 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 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. The Committee has the full discretion to adjust bonuses and/or amend the rules of the scheme as it deems fit, taking into account the balance between fair reward for the individual and stakeholders' interests.

Annual bonus payments made to Executive Directors and Executive Committee members are disclosed in note 31.

LONG-TERM (SHARE-BASED) INCENTIVES

The AECI 2012 LTIP was approved by shareholders at the Annual General Meeting in May 2012 and allocations of earnings growth units and awards of performance shares were approved in November 2012. Awards were made to Executive Committee members and Senior Managers in February 2013 in respect of the 2012 allocation.

In July 2013 awards were made to Executive Committee members and Senior Managers, as approved by the Remuneration Committee. The recipients only accepted their allocations in November 2013 because the Company had instituted a restricted trading period while negotiations for the bulk property sale at Modderfontein were being finalised. The transaction was announced on 4 November 2013.

The purpose of the 2012 LTIP is to attract, retain, motivate and reward Executive Committee members and Senior 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 Senior 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, Executives and Managers have participated in the LTI scheme. 290 018 performance shares have been allocated at R109,37 cents and 19 398 568 earnings-growth units have been allocated at R6,27.

EARNINGS-GROWTH UNIT ELEMENT

The earnings-growth unit element is similar in architecture to AECI's previous earnings-per-share-based incentive scheme but is 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 Executive Committee members and 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 Group 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.

PERFORMANCE SHARE ELEMENT

Annual conditional awards of performance shares will be made to Executive Committee members and Senior Managers. Performance shares will vest on the third anniversary of their award, to the extent that the Group 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 Group'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 2012 award and until further notice for subsequent awards, the methodology of vesting will target the Group's comparative Total Shareholder Return ("TSR") in relation to a peer group of 16 companies. This peer group was selected not because the companies are direct competitors of AECI but because they represent a portfolio of companies:

› of similar size to AECI in terms of market capitalisation at the time the peer group was chosen in 2012;
› 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.

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 share element aligns the interests of stakeholders and those of Executive Committee members and Senior Managers 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 Group that significant reward accrues to participants.

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

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Neither of the Executive Directors has an extended employment contract or special termination benefits and there are no restraints of trade in place. Service contracts of Executive Directors, and those of the other Executive Committee members, 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, cognisance 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 2013 are given in note 31 commencing on page 168.

PROPOSED INCREASE IN NON-EXECUTIVE DIRECTORS' FEES

At the Annual General Meeting of shareholders scheduled for 2 June 2014 shareholders will be asked to pass special resolutions, to take effect from 1 June 2014, approving the proposed increase in Non-executive Directors' fees of 6,2% as set out in the Notice of Annual General Meeting commencing on page 185.

SHAREHOLDER ANALYSIS

Source: J.P. Morgan Cazenove

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 accounts as at 27 December 2013 was:

REGISTERED SHAREHOLDER SPREAD

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 497	64,12	809 062	0,63
1 001 – 10 000 shares	923	23,70	3 113 737	2,43
10 001 – 100 000 shares	334	8,58	11 521 837	8,98
100 001 – 1 000 000 shares	113	2,90	34 853 925	27,18
1 000 001 shares and above	27	0,70	77 942 579	60,78
TOTAL	**3 894**	**100,00**	**128 241 140**	**100,00**

Public and non-public shareholdings

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

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	5	0,13	11 899 443	9,28
— Treasury shares	2	0,05	11 884 699	9,27
— Own holdings	3	0,08	14 744	0,01
Public shareholders	3 889	99,87	116 341 697	90,72
TOTAL	**3 894**	**100,00**	**128 241 140**	**100,00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

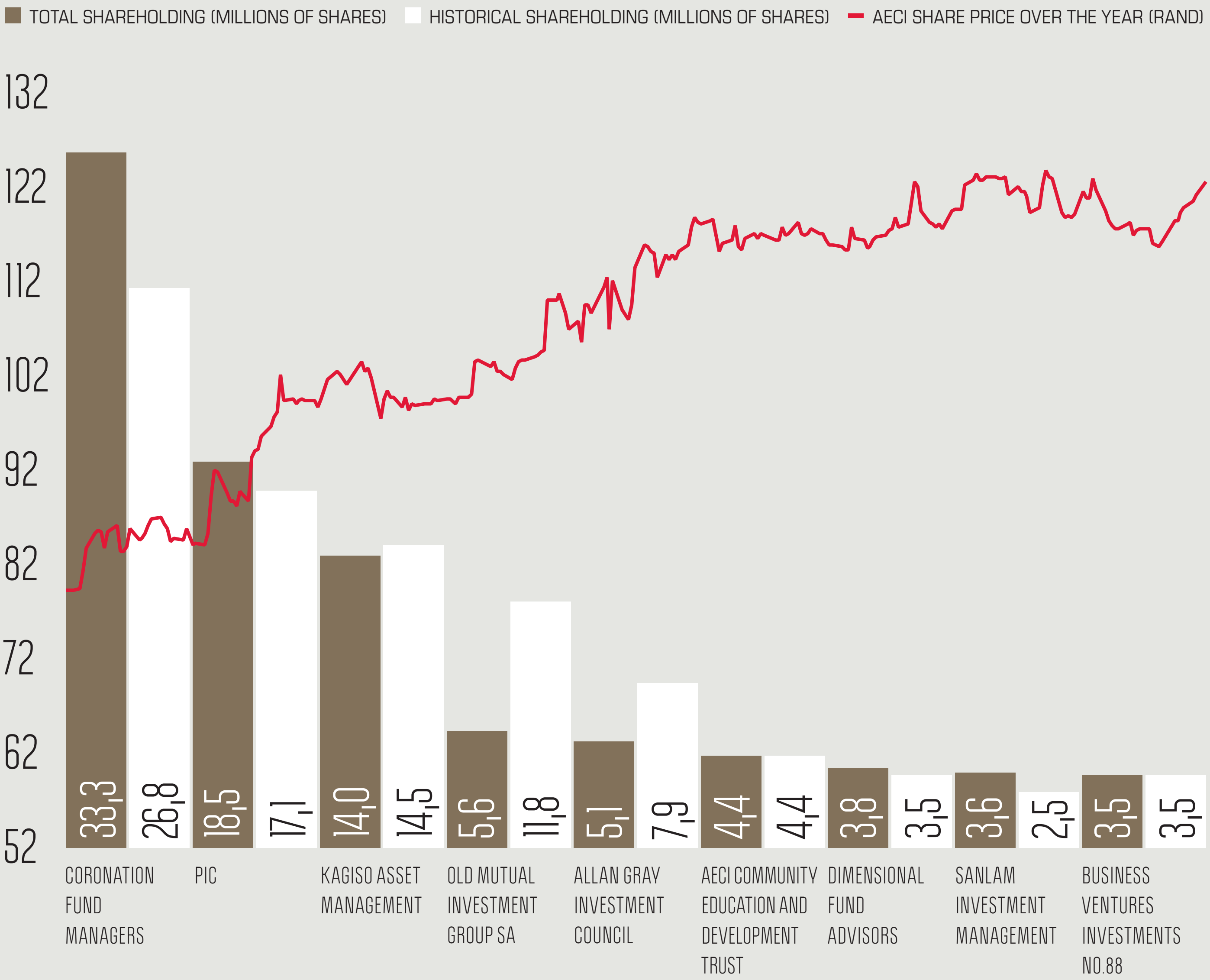
Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 27 December 2013:

INVESTMENT MANAGEMENT SHAREHOLDINGS, EXCLUDING TREASURY SHARES

Investment manager	Total shareholding (number of shares)	% of issued capital
Coronation Fund Managers	33 261 738	28,59
PIC	18 466 011	15,87
Kagiso Asset Management	13 952 045	11,99
Old Mutual Investment Group SA	5 647 952	4,85
Allan Gray Investment Council	5 149 508	4,43
AECI Community Education and Development Trust	4 426 604	3,80
Dimensional Fund Advisors	3 835 236	3,30
Sanlam Investment Management	3 581 910	3,08
Business Ventures Investments No. 88	3 509 000	3,02
TOTAL	**91 830 004**	**78,93**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

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



Beneficial shareholdings, excluding Treasury shares

BENEFICIAL SHAREHOLDINGS		
Investment manager	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund (PIC)	26 313 845	22,62
Coronation Special Opportunities Port	5 810 041	4,99
Investment Solutions	5 355 780	4,60
AECI Community Education and Development Trust	4 426 604	3,80
Business Ventures Investments No. 88	3 509 000	3,02
TOTAL	**45 415 270**	**39,04**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

Previously disclosed holdings

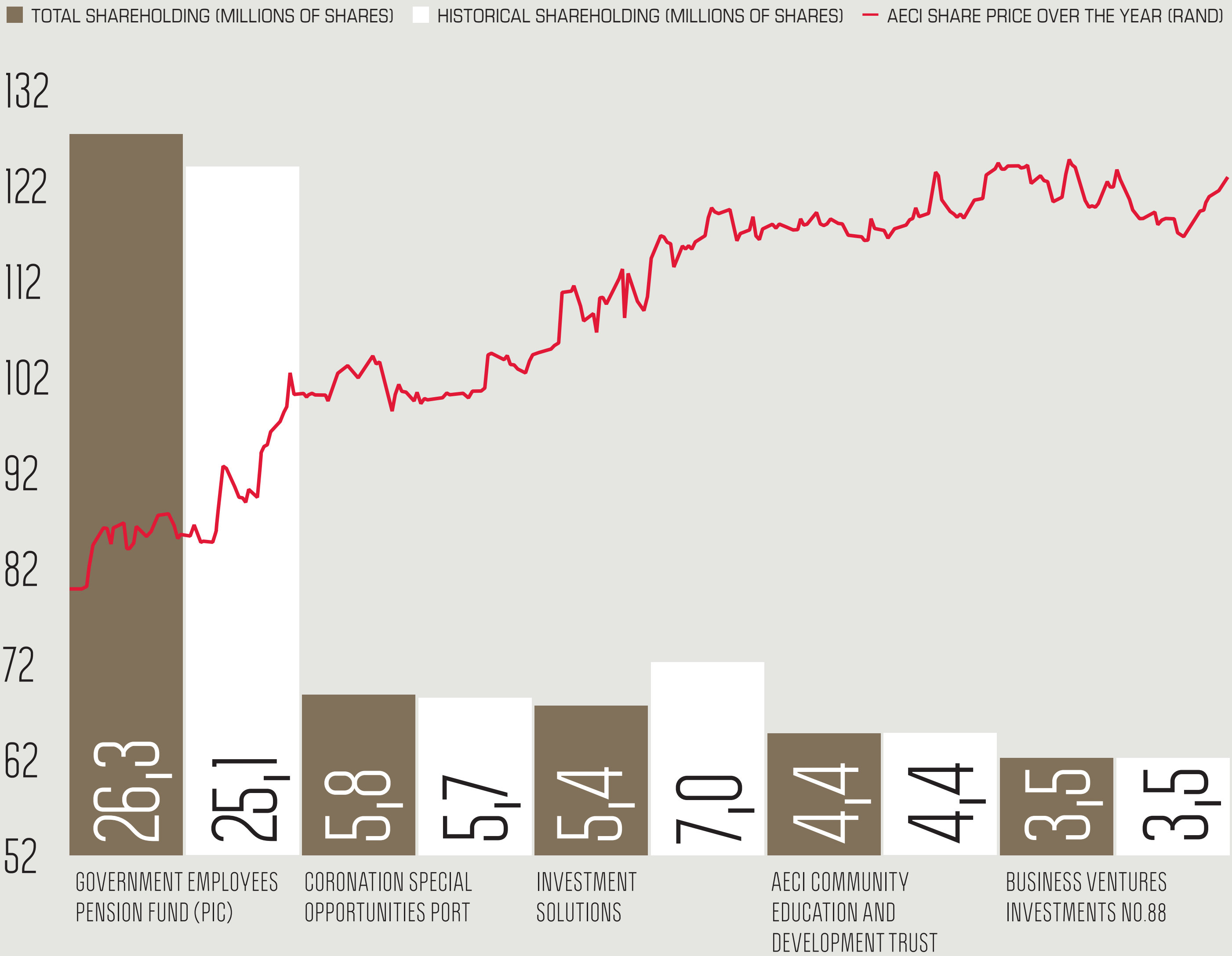
INVESTMENT MANAGERS NOW HOLDING BELOW 3%

Investment	Total shareholding (number of shares)	% of issued capital	Previous
N/A		0,00	
TOTAL	**0**	**0,00**	**0,00**

BENEFICIAL OWNERS NOW HOLDING BELOW 3%

Investment	Total shareholding (number of shares)	% of issued capital	Previous
Old Mutual Life Assurance Company Limited	2 603 622	2,24	5,39
TOTAL	**2 603 622**	**2,24**	**5,39**

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	101 136 349	78,86
United States of America	8 690 863	6,78
United Kingdom	1 394 568	1,09
Rest of Europe	1 068 226	0,83
Rest of the world [1]	15 951 134	12,44
TOTAL	**128 241 140**	**100,00**

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

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	103 169 277	80,45
United States of America	8 560 969	6,68
United Kingdom	1 272 867	0,99
Rest of Europe	1 249 271	0,97
Rest of the world [1]	13 988 756	10,91
TOTAL	**128 241 140**	**100,00**

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

4. SHAREHOLDER CATEGORIES

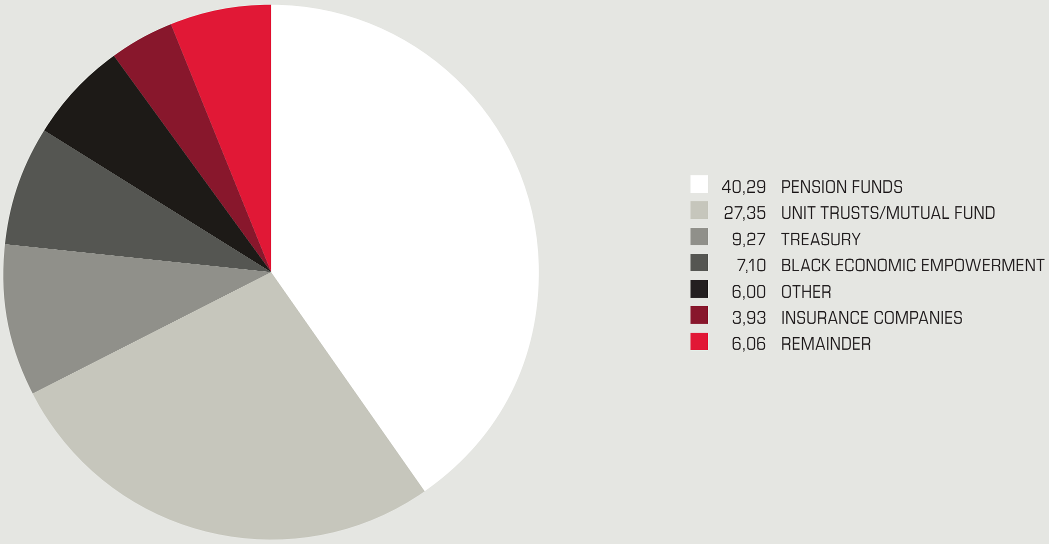
An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding (number of shares)	% of issued capital
Pension funds	51 667 239	40,29
Unit trusts/mutual fund	35 072 168	27,35
Treasury	11 884 699	9,27
Black Economic Empowerment	9 105 271	7,10
Other	7 695 573	6,00
Insurance companies	5 045 013	3,93
Private investor	2 475 036	1,93
Hedge fund	858 842	0,67
Sovereign wealth	828 484	0,65
Exchange-traded fund	698 955	0,55
University	391 528	0,31
Charity	230 255	0,18
Custodians	191 617	0,15
Foreign government	147 724	0,12
Investment trust	59 343	0,05
Remainder	1 889 393	1,45
TOTAL	**128 241 140**	**100,00**

4. SHAREHOLDER CATEGORIES continued

BENEFICIAL SHAREHOLDER SPLIT BY CATEGORY (%)[1]

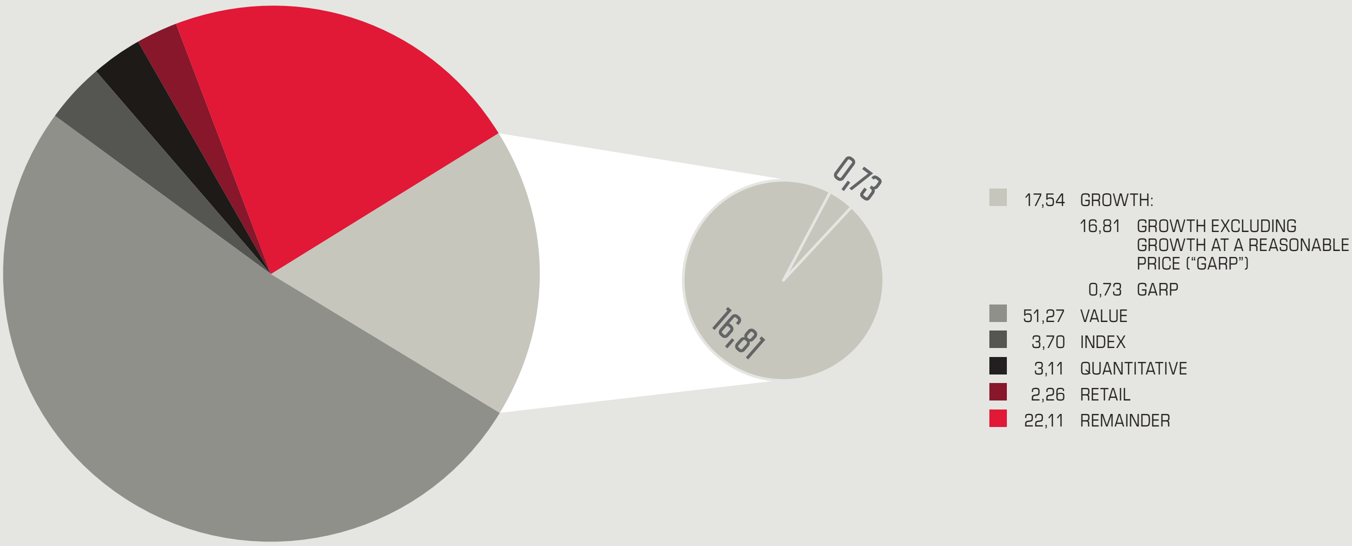


1 Includes categories above 2% only.

5. ANALYSIS OF INVESTMENT STYLES

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

ANALYSIS OF INVESTMENT STYLES (%)[1]



1 Includes categories above 1% only.

FOREIGN CURRENCIES

The following conversion guide is provided to facilitate the interpretation of this report.

At 31 December one foreign unit was worth approximately:

Rand	2013	2012
Euro	**14,45**	11,19
Pound sterling	**17,33**	13,72
US dollar	**10,50**	8,49

HISTORICAL REVIEWS

ABRIDGED FINANCIAL STATEMENTS

R millions	2013	2012	2011	2010	2009
INCOME STATEMENTS[1]					
Revenue	**15 942**	13 827	13 397	11 569	11 178
Local	**10 718**	9 482	9 538	8 458	8 449
Foreign	**5 224**	4 345	3 859	3 111	2 729
Profit from operations	**1 398**	1 197	1 316	1 062	833
Net financing costs	**174**	218	207	152	218
Tax	**313**	309	306	233	188
Profit attributable to ordinary shareholders	**946**	581[2]	777	600	421
Headline earnings	**885**	562	772	619	370
STATEMENTS OF FINANCIAL POSITION					
Total shareholders' interest	**6 877**	5 757	5 214	4 468	4 058
Deferred tax (net)	**(300)**	(229)	(228)	(235)	(259)
Net interest-bearing debt	**1 741**	1 920	1 867	1 769	2 143
Capital employed	**8 318**	7 448	6 853	6 002	5 942
Represented by:					
Non-current assets excluding deferred tax assets	**6 004**	6 037	5 617	5 311	5 016
Net current assets, excluding cash, less non-current provisions	**2 314**	1 411	1 236	691	926
— Current assets	**7 921**	6 397	6 433	4 647	4 668
— *Less*: cash and cash equivalents	**(1 219)**	(1 069)	(1 061)	(732)	(668)
— Current liabilities	**(5 302)**	(4 656)	(4 541)	(3 646)	(3 406)
— Short-term borrowings	**1 861**	1 738	1 421	1 368	1 080
— Non-current provisions	**(947)**	(999)	(1 016)	(946)	(748)
Employment of capital	**8 318**	7 448	6 853	6 002	5 942
STATEMENTS OF CASH FLOWS					
Cash generated by operations[3]	**1 684**	1 376	1 338	1 200	497
Changes in working capital	**(426)**	(329)	(598)	—	1 153
Expenditure relating to non-current provisions and restructuring	**(32)**	(66)	(78)	(70)	(198)
Net investments to maintain operations[4]	**(240)**	(223)	(260)	(212)	(20)
	986	758	402	918	1 432
Dividends paid	**(336)**	(297)	(237)	(146)	(167)
	650	461	165	772	1 265
Investment to expand operations[4]	**(532)**	(513)	(355)	(404)	(1 055)
Proceeds from disposal of businesses, investments and joint venture	**—**	120	—	35	94
Net cash generated/(utilised)	**118**	68	(190)	403	304
Depreciation and amortisation charges	**537**	460	395	332	267
COMMITMENTS					
Capital expenditure authorised	**746**	207	360	88	737
Future rentals on property, plant and equipment leased	**199**	130	173	196	185
	945	**337**	**533**	**284**	**922**

1 Includes the results of discontinued operations.

2 After IFRS 2 CST charge of R138 million.

3 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.

4 Excludes property, plant and equipment of companies acquired.

RATIOS AND EMPLOYEE DETAILS

	2013	2012	2011	2010	2009
PROFITABILITY AND ASSET MANAGEMENT					
Profit from operations to revenue (%)	**8,8**	8,7	9,8	9,2	7,5
Trading cash flow plus depreciation to revenue (%)	**12,1**	12,0	12,8	12,0	9,8
Return on average net assets (%) [1]	**17,3**	16,0	18,1	15,9	12,6
Return on invested capital (%) [2]	**13,5**	12,0	14,0	12,4	10,0
Return on average ordinary shareholders' interest (%) [3]	**14,1**	10,5	16,6	15,0	9,5
Net working capital to revenue (%) [4]	**19,6**	18,6	17,7	15,0	15,9
Inventory cover (days) [5]	**76**	73	79	67	67
Average credit extended to customers (days) [5]	**64**	60	61	53	55
LIQUIDITY					
Cash interest cover [6]	**11,4**	7,7	7,7	5,6	3,5
Interest-bearing debt to cash generated by operations	**0,8**	1,0	1,0	1,1	1,9
Gearing (%) [7]	**25,3**	33,4	35,8	39,6	52,8
Current assets to current liabilities	**1,5**	1,4	1,4	1,3	1,4
EMPLOYEES					
Number of employees at year-end [8]	**6 279**	6 750	7 141	6 821	6 459
Employee remuneration (R millions)	**2 976**	2 382	2 390	2 224	1 923
Value added per rand of employee remuneration (rand)	**1,68**	1,68	1,73	1,64	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 investees and including working capital.*

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 less CST share-based payments plus depreciation and dividends received to net finance costs paid.*

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

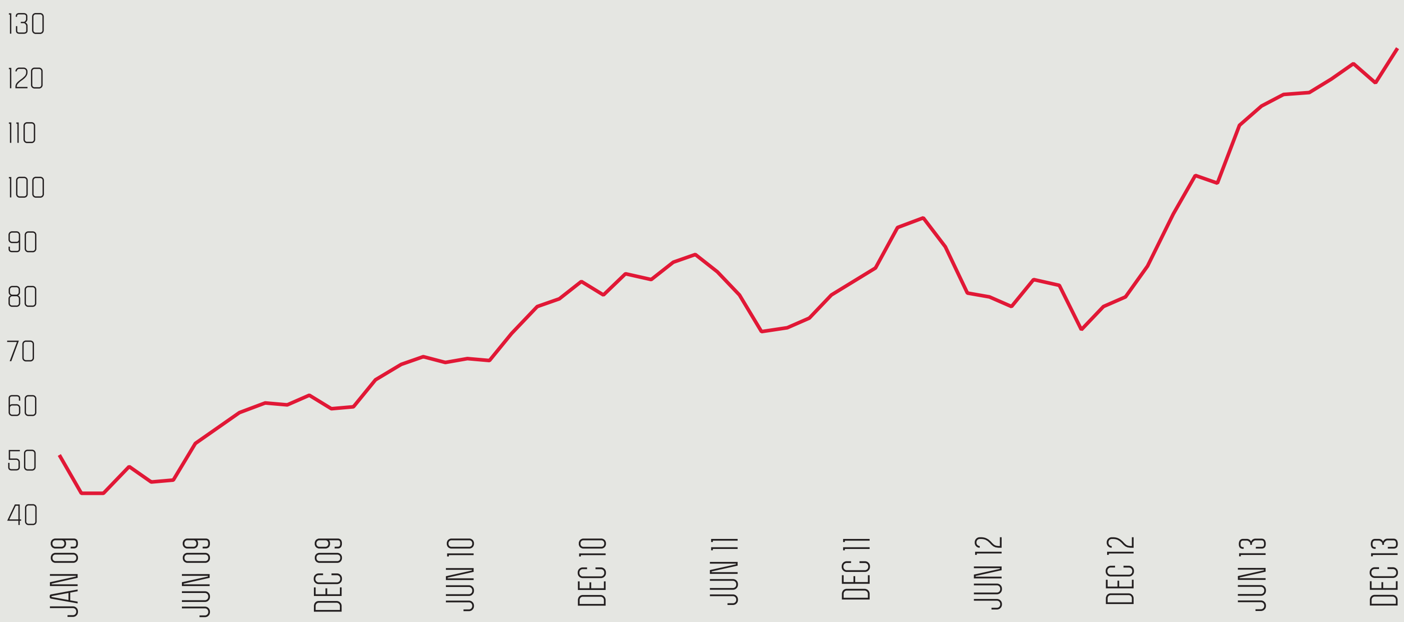
8 *Includes proportional share of joint operations' employees.*

ORDINARY SHARE STATISTICS

	2013	2012	2011	2010	2009
MARKET PRICE (CENTS PER SHARE)					
High	**12 857**	9 980	9 000	8 544	6 698
Low	**7 901**	7 276	6 599	5 755	4 005
31 December	**12 500**	7 980	8 264	8 250	6 200
Earnings yield (%)	**6,3**	6,3	8,7	7,0	5,6
Dividend yield (%)*	**2,5**	3,3	3,1	2,5	1,5
Dividend cover*	**2,5**	1,9	2,8	2,8	3,8
In issue (millions)	**128,2**	128,2	119,1	119,1	119,1
Value traded (R millions)	**5 093**	3 231	3 651	2 753	1 992
Volume traded (millions)	**47,0**	38,8	45,5	40,2	37,9
Volume traded (%)	**36,6**	30,3	38,2	33,7	31,8
Market capitalisation (R millions)	**16 030**	10 234	9 845	9 829	7 386
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)					
Headline earnings	**791**	503	720	577	346
Dividends declared*	**315**	263	257	205	90
Net asset value	**5 860**	4 911	4 660	4 022	3 671

* *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)



AUDIT COMMITTEE'S REPORT TO STAKEHOLDERS

This report is provided by the Audit Committee ("the Committee") appointed in respect of the 2013 financial year of AECI Limited. This report incorporates the requirements of section 94(7)f of the Companies Act, 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 was approved by the Board.

MEMBERSHIP

The Committee was nominated by the Board in respect of the 2013 financial year and its members were confirmed by shareholders at the Annual General Meeting held on 27 May 2013. Shareholders will be requested to confirm the appointment of the members of the Audit Committee for the 2014 financial year at the Annual General Meeting scheduled for 2 June 2014.

The four meetings held in the year were attended by all members. Full details of the meeting dates and attendance are set out on page 62. 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 22 and 23. Mr Leeming has served on the Audit Committee since 2002, Mr Dunne since 2008, Mr Morgan since 2010 and Mr Nyhonyha since 2007.

Mr Leeming will retire at the Annual General Meeting on 2 June 2014.

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 Managers and Executive Directors as the Committee may elect;
› meet at least once a year 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 half-year to 30 June;
› review and recommend to the Company's Board, for approval, the Company's audited financial statements for the financial year to 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 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 2013 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 Ms ML Watson as the external auditor and designated auditor, respectively, to shareholders for appointment as auditor for the financial year ended 31 December 2013, 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 audit 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 by the Company and its subsidiaries;
  » 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;
  » 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 its subsidiaries, joint ventures and associates were determined to be going-concerns;
  - 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, the external auditor 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 the maintenance of 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 Services Proprietary Limited and Company Senior Managers to consider the 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 whistleblowing 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, Internal Audit 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 Financial Director and his finance team and concluded that these were appropriate.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee is satisfied that KPMG Inc. is independent of the Company and 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 benefits 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 2013, the Committee is of the view that in all material respects they comply with the relevant provisions of the Companies 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 2013 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
11 April 2014

DECLARATION BY THE GROUP 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
Group Company Secretary

Woodmead, Sandton
11 April 2014

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements were published on 11 April 2014 and are for the year ended 31 December 2013. 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), AMP (Harvard).

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the Group and Company annual financial statements for the year ended 31 December 2013.

NATURE OF BUSINESS

AECI is a South African-based explosives and specialty chemicals group with regional and international businesses in Africa, Brazil, Indonesia and the USA servicing the mining and manufacturing sectors. Other markets of interest are Australia and Latin America. It is listed on the JSE and has a total employee complement of 6 279. Its market capitalisation at 31 December 2013 was R16,03 billion.

In 2014, AECI celebrates its 90th anniversary of incorporation. African Explosives and Industries ("AE&I") was registered as a company on 21 March 1924, with its headquarters in Johannesburg. It was formed by a merger of the South African interests of Nobel Industries (UK) and the manufacturing arm of De Beers Consolidated of Kimberley, with the primary purpose of providing blasting explosives and detonators to South Africa's gold and diamond mining sectors. Its three factories were at Modderfontein, Transvaal; Somerset West, Cape of Good Hope; and Umbogintwini, Natal.

Today's AECI's businesses are characterised by application know-how and service delivery. They often operate in niche markets and are supported by leading technologies which are developed in-house or are sourced from international partners. Where appropriate, so as to enhance the value add offering to customers in specific industries, Group companies collaborate and leverage each others' strengths. The alignment of AEL, Senmin and ImproChem in mining markets exemplifies this.

VISION

AECI's vision is to be the supplier of choice for customers in its chosen markets. The Group aims to be the leading supplier of explosives and mining solutions and specialty chemicals to the mining and manufacturing sectors in Africa and in other selected markets around the world.

EXPLOSIVES

AEL is the leading developer, producer and supplier of commercial explosives, initiating systems and blasting services for the mining, quarrying and construction markets in Africa. In Indonesia, the company is the second largest supplier of explosives and services to the local mining industry. With its Head Office at Modderfontein in Johannesburg, South Africa, AEL has 58 plants and 34 sites in more than 20 countries.

SPECIALTY CHEMICALS

In the specialty chemicals cluster, 14 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 the rest of 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 led by Senmin, which operates from Sasolburg.

The cluster has a presence in 23 countries in the rest of Africa as well as in Brazil and the USA.

PROPERTY

In 2013 AECI reached agreement to sell the bulk of its surplus property assets in Modderfontein as well as the Heartland property development business to Shanghai Zendai Property Limited, a property developer listed on the Hong Kong Stock Exchange, for R1 061 million (including VAT). The transaction became effective in March 2014 when all the conditions precedent were met.

The Group's remaining property assets in Modderfontein and those elsewhere, including about 450 hectares of land available for redevelopment in Somerset West, will continue to be managed in the ordinary course of business under the brand name of Acacia Real Estate.

GROUP RESULTS

The activities and results of the Group are covered on pages 32 to 81.

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 Company and its subsidiaries, joint arrangements and associates have adequate resources to continue as a going-concern in the foreseeable future.

BORROWING POWERS

In terms of its MOI the Company has unlimited borrowing powers.

INDEPENDENT AUDITORS

The independent auditors, KPMG Inc., will be recommended for reappointment at the forthcoming Annual General Meeting. Ms ML Watson will be recommended as the individual designated auditor who will undertake the audit of the Company for the financial year ending 31 December 2014. 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 2013, was 128 241 140 listed ordinary shares of R1 each (2012: 128 241 140 shares) and 10 117 951 unlisted redeemable convertible B ordinary shares of no par value (2012: 10 117 951 shares). Also in issue are 3 000 000 5,5% cumulative preference shares of R2 each (2012: 3 000 000 shares).

Details of the share premium are provided in note 14 on page 139.

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 need 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.

DIRECTORS' AND GROUP COMPANY SECRETARY'S INTERESTS IN SHARES

	NUMBER OF SHARES		NUMBER OF SHARES	
	2013 Direct	2013 Indirect	2012 Direct	2012 Indirect
EXECUTIVE DIRECTOR				
MA Dytor	3 015	—	N/A	N/A
GN Edwards	N/A	N/A	2 010	—
	3 015	—	2 010	—
NON-EXECUTIVE DIRECTORS				
S Engelbrecht	6 629	600	6 629	600
MJ Leeming	2 500	2 000	2 500	2 000
	9 129	2 600	9 129	2 600
	12 144	2 600	11 139	2 600

DIVIDENDS TO ORDINARY AND PREFERENCE SHAREHOLDERS

A final cash dividend of 210 cents per share was declared on 24 February 2014 and is payable on 14 April 2014.

Details of the dividends declared and paid on the Company's ordinary and preference shares during the 2013 financial year are set out in note 26 on page 151.

DIRECTORATE AND SECRETARY

Details of the Directorate and Secretary of the Company are published on pages 22 to 26.

In terms of the Company's MOI Messrs RMW Dunne, KM Kathan, 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

Dr GN Edwards retired as Chief Executive with effect from 28 February 2013 and was succeeded by Mr MA Dytor with effect from 1 March 2013.

DIRECTORS' AND GROUP COMPANY SECRETARY'S INTERESTS IN SHARES

At 31 December 2013, the Directors and their associates (as defined in terms of the JSE Listings Requirements) had direct and indirect beneficial interests in the share capital of the Company as set out in the table above. Mr Dytor's direct beneficial interests were unchanged between the end of the financial year and as at the date of this report. The indirect beneficial interests of Messrs Engelbrecht and Leeming related to the interests of their respective spouses and were unchanged year-on-year and as at the date of this report.

No Directors have been allocated share options. Executive Directors have been issued performance shares as disclosed in note 31 commencing on page 168.

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 commencing on page 86.

SPECIAL RESOLUTIONS

The Company passed the following special resolution at the General Meeting held on 25 February 2013:

that the existing Memorandum of Incorporation, formerly the Company's Memorandum and Articles of Association, be abrogated in its entirety and replaced with a new Memorandum of Incorporation.

The Company passed the following special resolutions at the Annual General Meeting held on 27 May 2013:

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.

No special resolutions referred to in paragraph 8.63(i) of the JSE Listings Requirements were passed by its subsidiary companies.

MATERIAL CHANGES

There have been no material changes in the financial or trading position of the Company and its subsidiaries since 31 December 2013.

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 Group's financial position.

COMPLIANCE

In 2011, the Department of Water Affairs ("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 and the site was not immediately able to comply with all of these. Commencing in 2012, in full consultation and with the assistance of the DWA authorities, a suite of projects was commissioned to improve the level of compliance with Licence conditions. The majority of these projects had been completed by the end of 2013. Negotiations with the DWA on this matter continue in a spirit of cooperation to finalise the situation in a mutually satisfactory manner.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear on pages 22 to 24 in 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 2013, no contracts were entered into in which Directors 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 participation in the Group's long-term incentive schemes are disclosed in note 31 to the financial statements.

INDEPENDENT AUDITORS' REPORT

To the shareholders of AECI Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated and separate financial statements of AECI Limited, which comprise the statements of financial position at 31 December 2013, and the income statements, statements of comprehensive income, changes in equity and 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, as set out on pages 102 to 182.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of 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 about 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 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the financial statements for the year ended 31 December 2013, we have read the Directors' report, the Audit Committee's report and the Declaration by the Group Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.
Registered Auditor

Per ML Watson
Chartered Accountant (SA),
Registered Auditor, Director

85 Empire Road, Parktown
Johannesburg, 2193
11 April 2014

BASIS OF REPORTING AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF REPORTING

REPORTING ENTITY

AECI Limited ("the Company") is a public company domiciled in South Africa. The address of the Company's registered office is the First Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton. The consolidated financial statements of the Company for the year ended 31 December 2013 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 joint arrangements. The Group is involved primarily in the manufacture and distribution of commercial explosives, mainly to the mining sector; specialty chemicals for the mining and manufacturing sectors; as well as the realisation of property which is surplus to the Group's operational requirements.

BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements and the separate financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and interpretations of those standards, as adopted by the International Accounting Standards Board ("IASB"), the SAICA Financial Reporting Guides issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, 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 Financial Instruments –** relating to the recognition and measurement of financial instruments (effective date yet to be determined and will be applied retrospectively).

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

› **Amendment to IAS 32 Financial Instruments: Presentation –** relating to offsetting financial assets and financial liabilities (effective for annual periods commencing on or after 1 January 2014 and is to be applied retrospectively).

  The amendments clarify when an entity can offset financial assets and financial liabilities. The impact on the financial statements is not expected to be significant as there are minimal instances where this would apply to the Group.

› **Amendments to IAS 39 Financial Instruments: Recognition and Measurement –** relating to the discontinuance of hedge accounting if the derivative hedging instrument is novated to a clearing counterparty unless the hedging instrument is being replaced is part of the original strategy (effective for annual periods commencing on or after 1 January 2014 and is to be applied retrospectively).

  The limited exception provides relief from discontinuing an existing hedging relationship subject to specific criteria. The amendments will not have a significant impact on the Group.

› **Amendments to IAS 19 Employee Benefits –** relating to amendments that introduce relief on the complexity and burden of accounting for certain contributions from employees or third parties under defined-benefit plans (effective for annual periods commencing on or after 1 January 2015 and is to be applied retrospectively).

  Where the Group has a defined-benefit plan that requires employees to contribute to the plan, the contributions may be recognised as a reduction of the service costs in the period in which the related service is rendered. As the Group intends converting its defined-benefit plans, it is not expected that this amendment will impact the Group.

› **IFRIC 21 Levies –** relating to levies imposed by governments (effective for annual periods commencing on or after 1 January 2014 and is to be applied retrospectively).

  IFRIC 21 provides guidance on accounting for levies imposed by governments in accordance with IAS 37 Provisions, Contingent Liabilities and Assets. However, an outflow within the scope of IAS 12 Income Taxes, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope. The impact on the financial statements of the Group will not be significant.

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, pension fund employer surplus accounts and liabilities which are measured at fair value. Equity-settled share-based payments are measured at fair value at grant date.

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 on-going 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 rates, and competitive forces.

ENVIRONMENTAL REMEDIATION

Estimating the future costs of environmental and rehabilitation obligations is complex and requires management to make estimates and judgements because most of the obligations will be fulfilled in the future and laws are often not clear regarding what is required. The resulting provisions are further influenced by changing technologies and political, environmental, safety, business and statutory considerations. As explained in note 16 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 obligations has been discounted to its present value at 9,46% per annum (2012: 8,5%), being the estimated investment return assuming the liability is fully funded. Medical cost inflation of CPI +1% per annum has been assumed (2012: 7, 2%). See note 30 to the financial statements.

IMPAIRMENTS

An asset is impaired when its carrying amount exceeds its recoverable amount. Goodwill is tested for impairment annually while other assets are tested if there is an indication that they may be impaired. The assessment of recoverable amounts involves the application of judgement relating to the calculation of value-in-use, which is based on cash flow projections, variations in the amount and timing of these cash flows and the discount rate used to determine the present value of those future cash flows. These are assessed for each cash-generating unit to which goodwill is attributed or for the cash-generating unit or asset where indicators of impairment have been assessed. See note 4 for significant assumptions on value-in-use for goodwill.

SIGNIFICANT ACCOUNTING POLICIES

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 for the adoption of the new standards which resulted in the prior year balances being restated retrospectively (see pages 111 to 116 for the impacts of the changes in accounting policies). Unless specifically stated otherwise, the Company also applies all Group accounting policies.

BASIS OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are those entities controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

The non-controlling interest, which represents the present ownership interest and would entitle shareholders to a proportionate share of the entity in the event of liquidation, is measured at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequent profits or losses, and each component of comprehensive income, are attributed to non-controlling interest, even if it results in the non-controlling interest having a deficit balance. All other components of non-controlling interest are measured at their acquisition date fair values, unless another IFRS standard requires a specific measurement basis.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as an available-for-sale asset depending on the level of influence retained.

JOINT ARRANGEMENTS

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

The Group's participation in joint ventures is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profits or loss and other comprehensive income of the equity-accounted investees, until the date on which joint control ceases.

The Group's participation in joint operations is accounted for by recognising the Group's share of assets, liabilities, revenue and expenses on a line-by-line basis.

Where a Group entity transacts with a joint arrangement of the Group, unrealised profits are eliminated to the extent of the Group's interest in the joint arrangement.

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 arrangement. 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.

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, JOINT ARRANGEMENTS AND ASSOCIATES

Investments in subsidiaries, joint arrangements and associates in the separate financial statements are recognised at cost less impairment losses and include the equity contributions of share-based payments to employees of subsidiaries.

BUSINESS COMBINATIONS AND 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 joint arrangements and associates is included in the carrying amount of the relevant equity-accounted investee. Goodwill is reviewed for impairment at least annually.

Cash-generating units represent the business operations from which the goodwill was originally generated. On disposal of a subsidiary, joint arrangement or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

DEFERRED TAX

A deferred tax asset is the amount of income tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and unused tax credits. A deferred tax liability is the amount of income tax payable in future periods in respect of taxable temporary differences.

Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable, or is the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods.

Deferred tax is recognised in respect of temporary differences between the carrying values of assets and liabilities for accounting purposes and their corresponding values for tax purposes. Deferred tax is also recognised on tax losses. No deferred tax is recognised on temporary differences relating to the initial recognition of goodwill; the initial recognition (other than in a business combination) of an asset or a liability to the extent that neither accounting nor tax profit is affected on acquisition; and differences relating to investments in subsidiaries, joint arrangements and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and 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:

Property	
» land	indefinite
» 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, was included at deemed cost on transition to IFRS. The deemed cost was 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 to the entity 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:

› Technical and licensing agreements	10 years
› Patents and trademarks	20 years
› 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 on-going 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.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Management classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Property, plant and equipment and intangible assets are not depreciated or amortised once they have been classified as held for sale.

Management classifies a component of the group as a discontinued operation if it:

- › represents a separate major line of business or geographical area of operation; or
- › is part of a single coordinated plan to dispose of a separate major line of business or withdraw from operations in a geographical area.

A non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. When the carrying value of the assets and liabilities and the results of operations become immaterial to the Group, they are no longer shown separately as discontinued operations and are included in continuing operations.

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 that 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.

SHARE CAPITAL

Share capital consists of ordinary shares and convertible redeemable B ordinary shares and is classified as equity. Issued ordinary shares are measured at the fair value of the proceeds received less any directly attributable issue costs. An amount equal to the par value of the shares issued is presented as share capital. The amount by which the fair value exceeds par value is presented as share premium. The fair value is presented in full as share capital for no par value shares.

PREFERENCE SHARES

Preference shares are measured at historic cost, are cumulative and are classified as equity. Dividends paid are disclosed in the statement of changes in equity.

TREASURY SHARES

Treasury shares are Company shares held by a subsidiary and by the AECI Employees Share Trust and are excluded from the shares recognised as Group equity.

EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue, adjusted for the dilutive effect of the contingently returnable ordinary shares issued to the AECI Community Education and Development Trust and the potential shares issued to the AECI Employees Share Trust and the performance shares issued as part of the Group's Long-term Incentive Plan.

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 the related services sold is recognised when the significant risks and rewards of ownership have been transferred to the purchaser; when delivery has been made and title has passed; when the amount of the revenue and the related costs can be measured reliably; and when recovery of the sale consideration is probable.

Revenue in respect of rentals received from leasing activities is recognised on a straight-line basis over the period of the lease, where fixed escalation clauses apply, and when there is a reasonable expectation that recovery of the lease rental is probable. Where no fixed escalation clauses are applicable to a lease, rental income is recognised in the period in which it is due by the lessee.

Revenue in respect of property transactions is recognised when it is highly probable that the significant risks and rewards of ownership have transferred to the buyer (when there is a binding, unconditional sale agreement). Agreements are unconditional only when the purchase price is covered, in full, by either cash deposited with the conveyancing attorney or by means of an irrevocable guarantee from an acceptable bank in favour of the Group, and when servicing arrangements and costs are substantively 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 presented in the foreign currency translation reserve in 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;
- when the Group disposes only part of its interest in a subsidiary that includes a foreign operation, while retaining control, the relevant portion of the cumulative foreign currency translation reserve is recognised in non-controlling interest; 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. When the monetary item is settled, the repayment is accounted for as a part disposal of the net investment with a proportionate share of the cumulative differences recognised in profit and loss.

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 financial 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 financial liabilities are offset.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity securities, accounts receivable, cash, loans and borrowings, and accounts payable.

The Group recognises loans and receivables on the date that they are originated. All other financial instruments 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.

Accounts receivable

Accounts receivable are measured at amortised cost using the effective interest method, less any impairment losses.

Cash

Cash is measured at amortised cost.

Loans to subsidiaries, joint arrangements and associates

Loans by the Company to subsidiaries, joint arrangements and associates are measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Financial liabilities, including borrowings and accounts payable, are measured at amortised cost using the effective interest 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 it is measured using the effective interest method. Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

GOVERNMENT GRANTS

Government grants represent assistance by government in the form of transfers of resources in return for compliance with conditions related to operating activities. Government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria. The definition of government here includes agencies and similar bodies whether local, national or international.

When the conditions attached to government grants have been complied with and they will be received, they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs. When they are for expenses or losses already incurred, they are recognised in profit or loss immediately. The unrecognised portion at the statement of financial position date is presented as deferred income.

No value is recognised where government provides general industry assistance.

Where the government grants target specific assets, they are deducted from the cost of the asset, hence reducing its cost.

BORROWING COSTS

Borrowing costs (net of investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets) directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

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 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 amounts 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 qualified actuaries using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognised asset is limited to amounts credited to the employer surplus accounts in accordance with the Pension Funds Act, No 24 of 1956, as amended, where this does not exceed 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.

The defined-benefit cost recognised in profit and loss includes the current service cost and the net interest on the net defined-benefit liability (asset). Net interest expense (income) is the interest on the net defined-benefit liability (asset) at the beginning of the period, calculated using the discount rate used in the previous year's actuarial valuation. The interest takes into account changes in the net defined-benefit liability (asset) during the year as a result of contributions and benefit payments.

The defined-benefit cost relating to actuarial gains and losses, which include the return on plan assets (excluding the interest income recognised in profit and loss) and the effect of the asset ceiling (excluding the interest cost) and any changes in actuarial assumptions or experience adjustments, are remeasurements and are recognised immediately in other comprehensive income.

DEFINED-BENEFIT POST-RETIREMENT MEDICAL AID OBLIGATIONS

The Group provides defined-benefit 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. The defined-benefit cost recognised in profit and loss includes the current service cost and the net interest on the net defined-benefit liability (asset). Net interest expense (income) is the interest on the net defined-benefit liability (asset) at the beginning of the period calculated using the discount rate used in the previous year's actuarial valuation. The interest takes into account changes in the net defined-benefit liability (asset) during the year as a result of contributions and benefit payments.

The defined-benefit cost relating to actuarial gains and losses, which include the return on plan assets (excluding the interest income recognised in profit and loss) and any changes in actuarial assumptions or experience adjustments, are remeasurements and are recognised immediately in other comprehensive income.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without a 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.

SHARE-BASED PAYMENTS

The Group has equity-settled and cash-settled share-based compensation plans, including an equity-settled share-based payment made to the CST in 2012. In the past the Group had granted share options to certain employees under a share option scheme which terminated in 2013 and there are no outstanding options in terms of this scheme.

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS)

This scheme allows senior Group employees to participate in the performance of AECI's ordinary share price, in return for services rendered, through the payment of cash incentives which are based on the market price of AECI ordinary shares. These share appreciation rights are recognised as a liability at fair value at each reporting date, in the statement of financial position, until the date of settlement. The fair value of these rights is determined at each reporting date and the unrecognised cost is amortised in the income statement as an employee cost over the period that the employees provide services to the Group.

No new allocations in terms of this scheme have been made since 2011.

EQUITY-SETTLED SHARE-BASED SCHEMES

The AECI Employees Share Trust equity-settled share-based scheme awards certain employees B ordinary shares which will be converted to ordinary shares after a 10-year lock-in period based on a predetermined award formula.

Senior employees are awarded performance shares. Performance shares are awards that entitle certain employees to receive ordinary shares after a three-year lock-in period based on the performance of the Company's ordinary share price relative to a peer group of listed companies.

Such equity-settled share-based payments are measured at fair value at the date of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is charged as an employee cost, with a corresponding increase in equity, on a straight-line basis over the period that the employee becomes unconditionally entitled to the shares, based on management's estimation of the shares that will vest and adjusted for effects of non market-based vesting conditions.

AECI COMMUNITY EDUCATION AND DEVELOPMENT TRUST ("CST")

The CST, established in 2012 as part of the B-BBEE transactions, is focused on improving mathematics and science education and developing Black communities in areas where the Group operates or has an interest. The Company issued ordinary shares to the CST which will use the economic benefits of those shares to support chosen projects. The CST transaction is an equity-settled share-based payment and was measured at fair value on the date of the grant. The fair value was charged to the income statement in full, with a corresponding increase in retained income, as there are no vesting conditions.

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.

A dividends tax became effective on 1 April 2012 and this tax is levied on non-exempt shareholders. As this tax is levied on shareholders and not the Company, it is not included in the tax expense recognised in profit or loss or in other comprehensive income.

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 segments and to assess their 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; and
- Property, comprising mainly the realisation of the surplus land and property assets of the Group.

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

CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has applied the accounting policies set out consistently for all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the application date of 1 January 2013.

a. IFRS 10 Consolidated financial statements;
b. IFRS 11 Joint arrangements;
c. IFRS 12 Disclosure of interests in other entities;
d. IFRS 13 Fair value measurement;
e. IAS 19 Employee benefits (2011);
f. Presentation of items of other comprehensive income (amendments to IAS 1); and
g. IAS 36 Impairment of assets (2013) (early adoption).

(A) SUBSIDIARIES

As a result of the amendments to IFRS 10, the Group has changed its accounting policy for determining whether it has control over, and consequently whether it consolidates, its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

No changes to the control conclusions were made as a consequence of applying IFRS 10.

(B) JOINT ARRANGEMENTS

As a result of IFRS 11, the Group has changed its accounting policy for its joint arrangements. Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets and obligations for the liabilities relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement).

When making this assessment, the Group considered the structure of the arrangements, the legal form of the separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

The Group, after its evaluation using the principles of IFRS 11, reclassified three of its joint arrangements from jointly controlled entities to joint ventures and subsequently equity-accounted these joint ventures; previously they were proportionately consolidated. The Group has one significant joint operation where its share of assets, liabilities, revenue and expenses is included on a line-by-line basis. The effect of this is similar to proportionate consolidation and there is no significant difference to the amounts previously presented. However, the impact on joint ventures is significant.

(C) DISCLOSURE OF INTERESTS IN OTHER ENTITIES

As a result of IFRS 12, the Group has expanded its disclosures for its interests in subsidiaries and equity-accounted investees.

(D) FAIR VALUE MEASUREMENT

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRS standards. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(E) POST-EMPLOYMENT DEFINED-BENEFIT PLANS

As a result of IAS 19 (2011) the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-retirement defined-benefit plans. The Group previously recognised its defined-benefit costs immediately in the income statement and applied asset limitation in recognising the defined-benefit pension fund assets in the statement of financial position. The liability for the post-retirement medical aid was recognised in the statement of financial position. The income statement effects were recognised in profit from operations except for the net return on the employer surplus accounts and the net return on the plan assets for post-retirement medical aid liabilities, which were separately disclosed after profit from operations.

Under the revised IAS 19, the basis of calculation of finance costs has been altered and is now determined by applying the discount rate used to measure the defined-benefit obligation to the net defined-benefit asset/liability at the beginning of the year. Profit from operations now includes only the current service cost and the net interest of the defined-benefit asset/liability. Remeasurements of the net defined-benefit asset/liability are now recognised in other comprehensive income. There are no amendments to the statement of financial position.

(F) PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

As a result of amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its statement of comprehensive income to present separately items that would be reclassified to profit or loss from those that would not be. Comparatives have been represented accordingly.

(G) IMPAIRMENT OF ASSETS (2013)

The Group has early adopted the amendments to IAS 36 (2013). As a result, the Group has expanded its disclosures of recoverable amounts when they are based on fair value less cost of disposal and impairment is recognised.

SUMMARY OF QUANTITATIVE IMPACTS

Pages 111 to 116 summarise the impact of the above changes on the Group's income statement, statement of comprehensive income, statement of changes in equity, statement of financial position and statement of cash flows.

CHANGES IN ACCOUNTING POLICIES continued

IMPACT ON INCOME STATEMENTS

GROUP

R millions	2012 Previously reported	2012 IAS 19 adjustment	2012 IFRS 11 adjustment	2012 Total adjustments	2012 Restated
REVENUE	14 916	—	(1 089)	(1 089)	13 827
Net operating costs	(13 575)	(65)	1 010	945	(12 630)
PROFIT FROM OPERATIONS	1 341	(65)	(79)	(144)	1 197
CST share-based payment	(138)	—	—	—	(138)
Net income from pension fund employer surplus accounts	8	(8)	—	(8)	—
Net loss from plan assets for post-retirement medical aid liabilities	(6)	6	—	6	—
	1 205	(67)	(79)	(146)	1 059
Fair value adjustments — interest	1	—	—	—	1
Interest expense	(263)	—	6	6	(257)
Interest received	40	—	(2)	(2)	38
Share of profit of equity-accounted investees, net of tax	—	—	57	57	57
PROFIT BEFORE TAX	983	(67)	(18)	(85)	898
Tax expense	(345)	18	18	36	(309)
PROFIT FOR THE YEAR	**638**	**(49)**	**—**	**(49)**	**589**
ATTRIBUTABLE TO:					
Ordinary shareholders	630	(49)	—	(49)	581
Preference shareholders	2	—	—	—	2
Non-controlling interest	6	—	—	—	6
	638	**(49)**	**—**	**(49)**	**589**
PER ORDINARY SHARE (CENTS):					
— Basic earnings	564	(44)	—	(44)	520
— Diluted basic earnings	537	(41)	—	(41)	496
— Headline earnings	547	(44)	—	(44)	503
— Diluted headline earnings	521	(42)	—	(42)	479

COMPANY

R millions	2012 Previously reported	2012 IAS 19 adjustment	2012 Restated
REVENUE	4 866	—	4 866
Net operating costs	(4 486)	(99)	(4 585)
PROFIT FROM OPERATIONS	380	(99)	281
CST share-based payment	(138)	—	(138)
Net income from pension fund employer surplus accounts	8	(8)	—
Net loss from plan assets for post-retirement medical aid liabilities	(22)	22	—
	228	(85)	143
Fair value adjustments — interest	1	—	1
Interest expense	(310)	—	(310)
Interest received	302	—	302
PROFIT BEFORE TAX	221	(85)	136
Tax expense	(113)	24	(89)
PROFIT FOR THE YEAR	**108**	**(61)**	**47**
ATTRIBUTABLE TO:			
Ordinary shareholders	106	(61)	45
Preference shareholders	2	—	2
	108	**(61)**	**47**

CHANGES IN ACCOUNTING POLICIES continued

IMPACT ON STATEMENTS OF COMPREHENSIVE INCOME

GROUP

R millions	2012 Previously reported	2012 IAS 19 adjustment	2012 Restated
PROFIT FOR THE YEAR	638	(49)	589
OTHER COMPREHENSIVE INCOME NET OF TAX:	41	49	90
Items that may be reclassified subsequently to profit and loss	46	—	46
Foreign currency loan translation differences	17	—	17
Foreign operations translation differences	29	—	29
Cash flow hedge fair value adjustments	*	—	*
Tax effects on items that may be reclassified subsequently to profit and loss	(5)	—	(5)
Foreign currency loan translation differences	(5)	—	(5)
Cash flow hedge fair value adjustments	*	—	*
Items that may not be reclassified subsequently to profit and loss	—	67	67
Remeasurement gain on defined-benefit obligations	—	67	67
Tax effects on items that may not be reclassified subsequently to profit and loss	—	(18)	(18)
Remeasurement gain on defined-benefit obligations	—	(18)	(18)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**679**	**—**	**679**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders	671	—	671
Preference shareholders	2	—	2
Non-controlling interest	6	—	6
	679	**—**	**679**

COMPANY

R millions	2012 Previously reported	2012 IAS 19 adjustment	2012 Restated
PROFIT FOR THE YEAR	108	(61)	47
OTHER COMPREHENSIVE INCOME NET OF TAX:	—	61	61
Items that may not be reclassified subsequently to profit and loss	—	85	85
Remeasurement gain on defined-benefit obligations	—	85	85
Tax effects on items that may not be reclassified subsequently to profit and loss	—	(24)	(24)
Remeasurement gain on defined-benefit obligations	—	(24)	(24)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**108**	**—**	**108**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Ordinary shareholders	106	—	106
Preference shareholders	2	—	2
	108	**—**	**108**

* *Nominal amount.*

IFRS 11 had no impact on these statements.

CHANGES IN ACCOUNTING POLICIES continued

IMPACT ON STATEMENT OF CHANGES IN EQUITY

GROUP

R millions	2012 Previously reported	2012 IFRS 11 adjustment	2012 Restated
Total comprehensive income for the year	679	—	679
Dividends paid	(297)	—	(297)
Business combinations and change in ownership percentage	1	—	1
Issue of ordinary shares:			
— at par value	4	—	4
— at market value	393	—	393
Net effect of acquisition of non-controlling interest to equity	(393)	—	(393)
Share-based payment reserve	30	(1)	29
Transfer to retained earnings for CST share-based payment	138	—	138
Equity at the beginning of the year	5 214	(11)	5 203
EQUITY AT THE END OF THE YEAR	**5 769**	**(12)**	**5 757**
Made up as follows:			
Ordinary share capital	116	—	116
Share premium	496	—	496
Reserves	406	(1)	405
Property revaluation surplus	237	—	237
Foreign currency translation reserve	143	—	143
Share-based payment reserve	30	(1)	29
Other	(4)	—	(4)
Retained earnings	4 697	—	4 697
Preference share capital	6	—	6
Non-controlling interest	48	(11)	37
	5 769	**(12)**	**5 757**

IAS 19 had no impact on this Group statement. Neither IFRS 11 nor IAS 19 had any impact on the Company’s statement of changes in equity.

CHANGES IN ACCOUNTING POLICIES continued

IMPACT ON STATEMENT OF FINANCIAL POSITION

GROUP

R millions
ASSETS
NON-CURRENT ASSETS
Property, plant and equipment
Investment property
Intangible assets
Goodwill
Pension fund employer surplus accounts
Investment in joint arrangements
Investment in associates
Other investments
Deferred tax
Loans receivable
CURRENT ASSETS
Inventories
Accounts receivable
Assets classified as held for sale
Loans to joint ventures
Cash
TOTAL ASSETS
EQUITY AND LIABILITIES
ORDINARY CAPITAL AND RESERVES
Share capital and share premium
Reserves
Retained earnings
PREFERENCE SHARE CAPITAL
SHAREHOLDERS' EQUITY
NON-CONTROLLING INTEREST
TOTAL EQUITY
NON-CURRENT LIABILITIES
Deferred tax
Non-current borrowings
Non-current provisions and employee benefits
CURRENT LIABILITIES
Accounts payable
Current borrowings
Loans from joint ventures
Tax payable
TOTAL LIABILITIES
TOTAL EQUITY AND LIABILITIES

* *Nominal amount.*

IAS 19 had no impact on this Group statement. Neither IFRS 11 nor IAS 19 had any impact on the Company's statement of financial position.

2012 31 Dec Previously reported	2012 31 Dec IFRS 11 adjustment	2012 31 Dec Restated	2012 1 Jan Previously reported	2012 1 Jan IFRS 11 adjustment	2012 1 Jan Restated
6 314	153	6 467	6 024	119	6 143
3 733	(71)	3 662	3 721	(134)	3 587
445	—	445	436	—	436
214	(55)	159	77	(56)	21
1 124	(35)	1 089	1 078	(54)	1 024
267	—	267	259	—	259
—	318	318	—	363	363
56	—	56	—	—	—
30	—	30	22	—	22
434	(4)	430	407	—	407
11	—	11	24	—	24
6 752	(355)	6 397	6 433	(372)	6 061
2 867	(156)	2 711	2 584	(158)	2 426
2 737	(120)	2 617	2 772	(172)	2 600
—	—	—	16	—	16
—	*	*	—	40	40
1 148	(79)	1 069	1 061	(82)	979
13 066	**(202)**	**12 864**	**12 457**	**(253)**	**12 204**
5 715	(1)	5 714	4 998	1	4 999
612	—	612	215	—	215
406	(1)	405	344	1	345
4 697	—	4 697	4 439	—	4 439
6	—	6	6	—	6
5 721	(1)	5 720	5 004	1	5 005
48	(11)	37	210	(12)	198
5 769	(12)	5 757	5 214	(11)	5 203
2 488	(37)	2 451	2 702	(49)	2 653
232	(31)	201	179	(29)	150
1 251	—	1 251	1 507	(13)	1 494
1 005	(6)	999	1 016	(7)	1 009
4 809	(153)	4 656	4 541	(193)	4 348
2 912	(154)	2 758	2 987	(188)	2 799
1 738	—	1 738	1 421	(8)	1 413
—	*	*	—	2	2
159	1	160	133	1	134
7 297	(190)	7 107	7 243	(242)	7 001
13 066	**(202)**	**12 864**	**12 457**	**(253)**	**12 204**

CHANGES IN ACCOUNTING POLICIES continued

IMPACT ON STATEMENT OF CASH FLOWS

GROUP

R millions	2012 Previously reported	2012 IAS 19 adjustment	2012 IFRS 11 adjustment	2012 Total adjustments	2012 Restated
CASH GENERATED BY OPERATIONS	1 867	63	(92)	(29)	1 838
Dividends received	—	—	28	28	28
Interest paid	(245)	—	6	6	(239)
Interest received	40	—	(2)	(2)	38
Tax paid	(308)	—	19	19	(289)
Changes in working capital	(326)	—	(3)	(3)	(329)
Expenditure relating to defined-benefit costs	—	(98)	—	(98)	(98)
Expenditure relating to non-current provisions and employee benefits	(98)	35	(3)	32	(66)
CASH AVAILABLE FROM OPERATING ACTIVITIES	930	—	(47)	(47)	883
Dividends paid	(297)	—	—	—	(297)
CASH FLOWS FROM OPERATING ACTIVITIES	633	—	(47)	(47)	586
CASH FLOWS FROM INVESTING ACTIVITIES	(645)	—	29	29	(616)
Net replacement to maintain operations	(236)	—	13	13	(223)
Replacement of — property, plant and equipment	(278)	—	13	13	(265)
— investment property	(14)	—	—	—	(14)
Proceeds from disposal of property, plant and equipment and assets classified as held for sale	56	—	—	—	56
Investments to expand operations	(529)	—	16	16	(513)
Acquisition of — property, plant and equipment	(262)	—	6	6	(256)
— intangible assets	(3)	—	—	—	(3)
— investments	(16)	—	—	—	(16)
— subsidiaries	(13)	—	—	—	(13)
— businesses	(193)	—	—	—	(193)
Loans with — associates and other investments	(42)	—	—	—	(42)
— subsidiaries and joint arrangements	—	—	10	10	10
Proceeds from disposal of investments and businesses	120	—	—	—	120
— joint venture	108	—	—	—	108
— businesses	12	—	—	—	12
NET CASH UTILISED BEFORE FINANCING ACTIVITIES	(12)	—	(18)	(18)	(30)
CASH FLOWS FROM FINANCING ACTIVITIES	75	—	21	21	96
Non-current borrowings — raised	—	—	—	—	—
— repaid	(256)	—	13	13	(243)
Current borrowings — raised	1 056	—	—	—	1 056
— repaid	(739)	—	8	8	(731)
Loans receivable	14	—	—	—	14
INCREASE IN CASH	63	—	3	3	66
Cash at the beginning of the year	1 061	—	(82)	(82)	979
Translation gain on cash	24	—	—	—	24
CASH AT THE END OF THE YEAR	**1 148**	**—**	**(79)**	**(79)**	**1 069**

The impact of IAS 19 on the Company's statement of cash flows was insignificant. IFRS 11 had no impact.

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013

These financial statements are presented with the relevant comparative amounts restated in accordance with the changes in accounting policies set out on pages 110 to 116.

		GROUP		COMPANY	
R millions	Note	**2013**	2012	**2013**	2012
ASSETS					
NON-CURRENT ASSETS		**6 472**	6 467	**3 844**	3 956
Property, plant and equipment	1	**3 756**	3 662	**425**	419
Investment property	2	**173**	445	**43**	87
Intangible assets	3	**143**	159	**2**	4
Goodwill	4	**1 123**	1 089	**905**	909
Pension fund employer surplus accounts	30	**231**	267	**231**	267
Investment in subsidiaries	5			**1 693**	1 798
Loans to subsidiaries	5			**339**	278
Investment in joint arrangements	6	**301**	318	**28**	28
Investment in associates	7	**217**	56		
Other investments	8	**50**	30	**10**	10
Deferred tax	9	**468**	430	**168**	156
Loans receivable	10	**10**	11	**—**	—
CURRENT ASSETS		**7 921**	6 397	**10 073**	6 387
Inventories	11	**3 090**	2 711	**1 011**	909
Accounts receivable	12	**3 326**	2 617	**1 258**	902
Assets classified as held for sale	13	**286**	—	**119**	—
Loans to subsidiaries	6			**7 452**	4 484
Cash		**1 219**	1 069	**233**	92
TOTAL ASSETS		**14 393**	**12 864**	**13 917**	**10 343**
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**6 819**	5 714	**3 330**	3 648
Share capital and share premium	14	**612**	612	**730**	730
Reserves		**813**	405	**324**	277
Retained earnings		**5 394**	4 697	**2 276**	2 641
PREFERENCE SHARE CAPITAL	14	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**6 825**	5 720	**3 336**	3 654
NON-CONTROLLING INTEREST		**52**	37		
TOTAL EQUITY		**6 877**	5 757	**3 336**	3 654
NON-CURRENT LIABILITIES		**2 214**	2 451	**2 488**	2 448
Deferred tax	9	**168**	201	**—**	—
Loans from subsidiaries	5			**477**	429
Non-current borrowings	15	**1 099**	1 251	**1 097**	1 250
Non-current provisions and employee benefits	16	**947**	999	**914**	769
CURRENT LIABILITIES		**5 302**	4 656	**8 093**	4 241
Accounts payable	17	**3 284**	2 758	**1 485**	1 244
Current borrowings	18	**1 861**	1 738	**2 224**	2 024
Loans from joint arrangements	6	**21**	*	**65**	25
Loans from subsidiaries	5			**4 228**	890
Tax payable		**136**	160	**91**	58
TOTAL LIABILITIES		**7 516**	**7 107**	**10 581**	**6 689**
TOTAL EQUITY AND LIABILITIES		**14 393**	**12 864**	**13 917**	**10 343**

* *Nominal amount.*

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
R millions	Note	**2013**	2012	**2013**	2012
REVENUE	19	**15 942**	13 827	**5 116**	4 866
Net operating costs	20	**(14 544)**	(12 630)	**(4 954)**	(4 585)
PROFIT FROM OPERATIONS		**1 398**	1 197	**162**	281
CST share-based payment	21	**—**	(138)	**—**	(138)
		1 398	1 059	**162**	143
Fair value adjustments — interest		**1**	1	**1**	1
Interest expense	22	**(212)**	(257)	**(288)**	(310)
Interest received	23	**37**	38	**287**	302
Share of profit of equity-accounted investees, net of tax		**43**	57	**—**	—
PROFIT BEFORE TAX		**1 267**	898	**162**	136
Tax expense	24	**(313)**	(309)	**(36)**	(89)
PROFIT FOR THE YEAR		**954**	**589**	**126**	**47**
ATTRIBUTABLE TO:					
Ordinary shareholders		**946**	581	**123**	45
Preference shareholders		**3**	2	**3**	2
Non-controlling interest		**5**	6		
		954	**589**	**126**	**47**
PER ORDINARY SHARE (CENTS):					
— Basic earnings	25	**845**	520		
— Diluted basic earnings	25	**791**	496		
— Headline earnings	25	**791**	503		
— Diluted headline earnings	25	**740**	479		
— Ordinary dividends paid	26	**290**	257		
— Ordinary dividends declared after the reporting date	26	**210**	185		

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
PROFIT FOR THE YEAR	**954**	589	**126**	47
OTHER COMPREHENSIVE INCOME NET OF TAX:	**448**	90	**(121)**	61
Items that may be reclassified subsequently to profit and loss	**387**	46		
— Foreign currency loan translation differences	**67**	17		
— Foreign operations translation differences	**320**	29		
— Cash flow hedge fair value adjustments	**—**	*		
Tax effect on items that may be reclassified subsequently to profit and loss:	**(25)**	(5)		
— Foreign currency loan translation differences	**(25)**	(5)		
— Cash flow hedge fair value adjustments	**—**	*		
Items that may not be reclassified subsequently to profit and loss	**111**	67	**(45)**	85
— Remeasurement gain on defined-benefit obligation	**26**	33	**68**	71
— Remeasurement gain/(loss) on post-retirement medical aid obligations	**85**	34	**(113)**	14
Tax effects on items that may not be reclassified subsequently to profit and loss	**(25)**	(18)	**(76)**	(24)
— Remeasurement of defined-benefit obligation	**(7)**	(8)	**(19)**	(20)
— Remeasurement of post-retirement medical aid obligations	**(18)**	(10)	**(57)**	(4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 402**	**679**	**5**	**108**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Ordinary shareholders	**1 389**	671	**2**	106
Preference shareholders	**3**	2	**3**	2
Non-controlling interest	**10**	6		
	1 402	**679**	**5**	**108**

* *Nominal amount.*

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP

R millions	Ordinary share capital	Share premium	**Total ordinary capital**	Property revaluation surplus	Foreign currency translation reserve
Balance at 1 January 2012	107	108	**215**	237	101
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					42
Remeasurement of defined-benefit obligation					
Deferred tax on remeasurement of defined-benefit obligation					
Remeasurement of post-retirement medical aid obligations					
Deferred tax on remeasurement of post-retirement medical aid obligations					
Cash flow hedge fair value adjustments					
Deferred tax on fair value adjustments					
Foreign currency loan translation differences					18
Deferred tax on foreign currency loan translation differences					(5)
Foreign operations translation differences					29
Profit for the year					
TRANSACTIONS WITH OWNERS	9	388	**397**		
Acquisition of non-controlling interest					
Business combinations and change in ownership percentage					
Dividends paid					
Share-based payment reserve					
Shares issued	9	388	**397**		
Transfers between reserves					
Transfers to retained earnings					
BALANCE AT 31 DECEMBER 2012	**116**	**496**	**612**	**237**	**143**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					357
Remeasurement of defined-benefit obligation					
Deferred tax on remeasurement of defined-benefit obligation					
Remeasurement of post-retirement medical aid obligations					
Deferred tax on remeasurement of post-retirement medical aid obligations					
Foreign currency loan translation differences					62
Deferred tax on foreign currency loan translation differences					(25)
Foreign operations translation differences					320
Profit for the year					
TRANSACTIONS WITH OWNERS					
Business combinations and change in ownership percentage					
Dividends paid					
Share-based payment reserve					
Transfers to retained earnings					
BALANCE AT 31 DECEMBER 2013	**116**	**496**	**612**	**237**	**500**

* *Nominal amount.*

Share-based payment reserve	Other reserves	**Total other reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Preference share capital**	**Total equity**
—	7	345	4 439	4 999	198	6	5 203
	(1)	41	630	671	6	2	679
			33	33			33
			(8)	(8)			(8)
			34	34			34
			(10)	(10)			(10)
	*	*		*			*
	*	*		*			*
	(1)	17		17			17
		(5)		(5)			(5)
		29		29			29
			581	581	6	2	589
29	(10)	19	(372)	44	(167)	(2)	(125)
			(221)	(221)	(172)		(393)
					1		1
			(294)	(294)	(1)	(2)	(297)
29		29	138	167			167
				397			397
	(5)	(5)		(5)	5		—
	(5)	(5)	5	—			—
29	**(4)**	**405**	**4 697**	**5 714**	**37**	**6**	**5 757**
		357	1 032	1 389	10	3	1 402
			26	26			26
			(7)	(7)			(7)
			85	85			85
			(18)	(18)			(18)
		62		62	5		67
		(25)		(25)			(25)
		320		320			320
			946	946	5	3	954
47	4	51	(335)	(284)	5	(3)	(282)
	1	1		1	6		7
			(332)	(332)	(1)	(3)	(336)
47		47		47			47
	3	3	(3)	—			—
76	**—**	**813**	**5 394**	**6 819**	**52**	**6**	**6 877**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 continued

COMPANY

R millions	Ordinary share capital	Share premium	Total ordinary capital
Balance at 1 January 2012	119	214	**333**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Remeasurement of defined-benefit obligation			
Deferred tax on remeasurement of defined-benefit obligation			
Remeasurement of post-retirement medical aid obligations			
Deferred tax on remeasurement of post-retirement medical aid obligations			
Profit for the year			
TRANSACTIONS WITH OWNERS	9	388	**397**
Dividends paid			
Transfers to retained earnings			
Share-based payment reserve			
Shares issued	9	388	**397**
BALANCE AT 31 DECEMBER 2012	**128**	**602**	**730**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Remeasurement of defined-benefit obligation			
Deferred tax on remeasurement of defined-benefit obligation			
Remeasurement of post-retirement medical aid obligations			
Deferred tax on remeasurement of post-retirement medical aid obligations			
Profit for the year			
TRANSACTIONS WITH OWNERS			
Dividends paid			
Share-based payment reserve			
BALANCE AT 31 DECEMBER 2013	**128**	**602**	**730**

* *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 the 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.

SHARE-BASED PAYMENT RESERVE

The share-based payment reserve comprises the accumulated share-based payments over the vesting periods of the underlying instruments. Once all the instruments have vested, the reserve will be released to retained earnings.

Property revaluation surplus	Share-based payment reserve	Other reserves	**Total other reserves**	**Retained earnings**	**Total**	**Preference share capital**	**Total equity**
241		*	241	2 728	3 302	6	3 308
				106	106	2	108
				71	71		71
				(20)	(20)		(20)
				14	14		14
				(4)	(4)		(4)
				45	45	2	47
	30	6	36	(193)	240	(2)	238
				(325)	(325)	(2)	(327)
		6	6	(6)	—		—
	30		30	138	168		168
					397		397
241	30	6	277	2 641	3 648	6	3 654
				2	2	3	5
				68	68		68
				(19)	(19)		(19)
				(113)	(113)		(113)
				(57)	(57)		(57)
				123	123	3	126
	47		47	(367)	(320)	(3)	(323)
				(367)	(367)	(3)	(370)
	47		47		47		47
241	77	6	324	2 276	3 330	6	3 336

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

			GROUP		COMPANY	
R millions		Note	**2013**	2012	**2013**	2012
CASH GENERATED BY OPERATIONS		i	**2 261**	1 838	**572**	518
Dividends received			**62**	28	**—**	—
Interest paid			**(212)**	(239)	**(288)**	(310)
Interest received			**37**	38	**287**	302
Tax paid		ii	**(464)**	(289)	**(91)**	(98)
Changes in working capital		iii	**(426)**	(329)	**(296)**	33
Expenditure relating to defined-benefit costs			**(104)**	(98)	**(58)**	(53)
Expenditure relating to non-current provisions and employee benefits			**(32)**	(66)	**(30)**	(49)
CASH AVAILABLE FROM OPERATING ACTIVITIES			**1 122**	883	**96**	343
Dividends paid		iv	**(336)**	(297)	**(370)**	(327)
CASH FLOWS FROM OPERATING ACTIVITIES			**786**	586	**(274)**	16
CASH FLOWS FROM INVESTING ACTIVITIES			**(772)**	(616)	**368**	(250)
Net replacement to maintain operations			**(240)**	(223)	**(140)**	(59)
Replacement of	— property, plant and equipment		**(254)**	(265)	**(66)**	(47)
	— investment property		**(86)**	(14)	**(77)**	(14)
Proceeds from grant received for property, plant and equipment			**30**	—	**—**	—
Proceeds from disposal of property, plant and equipment and assets classified as held for sale			**70**	56	**3**	2
Investments to expand operations			**(532)**	(513)	**508**	(191)
Acquisition of	— property, plant and equipment		**(293)**	(256)	**(22)**	(20)
	— intangible assets		**—**	(3)	**—**	(1)
	— associates		**(93)**	—	**—**	—
	— investments		**(13)**	(16)	**—**	—
	— subsidiaries	v	**(3)**	(13)	**—**	—
	— businesses	v	**(75)**	(193)	**—**	—
Loans with	— associates and other investments		**(76)**	(42)	**—**	—
	— subsidiaries and joint arrangements		**21**	10	**530**	(170)
Proceeds from disposal of investments and businesses			**—**	120	**—**	—
	— joint venture	vi	**—**	108	**—**	—
	— businesses	vii	**—**	12	**—**	—
NET CASH GENERATED/(UTILISED) BEFORE FINANCING ACTIVITIES			**14**	(30)	**94**	(234)
CASH FLOWS FROM FINANCING ACTIVITIES			**(28)**	96	**47**	304
Non-current borrowings	— raised		**1 231**	—	**1 228**	—
	— repaid		**(465)**	(243)	**(465)**	(256)
Current borrowings	— raised		**318**	1 056	**224**	1 086
	— repaid		**(1 113)**	(731)	**(940)**	(526)
Loans receivable	— raised		**—**	—	**—**	—
	— received		**1**	14	**—**	—
(DECREASE)/INCREASE IN CASH			**(14)**	66	**141**	70
Cash at the beginning of the year			**1 069**	979	**92**	22
Translation gain on cash			**164**	24	**—**	—
CASH AT THE END OF THE YEAR			**1 219**	**1 069**	**233**	**92**

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
i. CASH GENERATED BY OPERATIONS				
Profit from operations	**1 398**	1 197	**162**	281
Adjusted for non-cash movements:				
Closure costs	**—**	(6)	**—**	(6)
Defined-benefit costs	**203**	160	**203**	137
Depreciation and amortisation	**537**	460	**74**	69
Share-based payment expense	**47**	29	**17**	9
Impairment of goodwill	**5**	9	**4**	9
Impairment of property, plant and equipment	**9**	3	**9**	3
Non-current provisions and employee benefits	**114**	19	**105**	15
(Surplus)/loss on disposal of property, plant and equipment	**(49)**	(18)	**1**	1
Surplus on disposal of joint venture	**—**	(10)	**—**	—
Surplus on derecognition of businesses and subsidiary companies disposed of	**(3)**	(5)	**(3)**	*
	2 261	**1 838**	**572**	**518**
ii. TAX PAID				
Owing at the beginning of the year	**(160)**	(134)	**(58)**	(42)
Current charge for the year	**(437)**	(339)	**(124)**	(114)
Business combinations	**—**	(4)	**—**	—
Translation differences and other	**(3)**	28	**—**	—
Owing at the end of the year	**136**	160	**91**	58
	(464)	**(289)**	**(91)**	**(98)**
iii. CHANGES IN WORKING CAPITAL				
Increase in inventories	**(379)**	(285)	**(102)**	(32)
(Increase)/decrease in accounts receivable	**(709)**	(17)	**(356)**	148
Increase/(decrease) in accounts payable	**442**	(41)	**157**	(88)
	(646)	(343)	**(301)**	28
Translation differences and other	**176**	*	**5**	5
Business combinations	**44**	18	**—**	—
Disposals of businesses	**—**	(4)	**—**	—
	(426)	**(329)**	**(296)**	**33**
iv. DIVIDENDS PAID				
Paid during the year (see note 26)	**335**	296	**370**	327
Paid to minority shareholders	**1**	1		
	336	**297**	**370**	**327**

* *Nominal amount.*

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

	GROUP		COMPANY	
R millions	2013	2012	2013	2012
v. BUSINESS COMBINATIONS				
Property, plant and equipment	6	9	—	—
Intangible assets	—	145	—	—
Working capital	44	18	—	—
Deferred and current tax	(3)	(39)	—	—
Non-controlling interest	(6)	(1)	—	—
Equity	(1)	—	—	—
Goodwill	38	74	—	—
NET CASH OUTFLOW	**78**	**206**	**—**	**—**
Acquisition of businesses and subsidiaries (see note 33)	78	206	—	—
Net consideration paid to acquire subsidiaries	—	13	—	—
Consideration paid for change in ownership percentage	3	—	—	—
Consideration paid to acquire businesses	75	193	—	—
vi. DISPOSAL OF JOINT VENTURE				
Investment in joint venture	—	(98)	—	—
Surplus on disposal of joint venture (see note 20)	—	(10)	—	—
NET CASH INFLOW	**—**	**(108)**	**—**	**—**
vii. DISPOSALS OF BUSINESSES				
Property, plant and equipment	—	(3)	—	—
Working capital	—	(4)	—	—
Surplus on disposals of businesses (see note 20)	—	(5)	—	—
NET CASH INFLOW	**—**	**(12)**	**—**	**—**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. PROPERTY, PLANT AND EQUIPMENT

GROUP

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2013							
COST	**947**	**4 988**	**121**	**290**	**457**	**312**	**7 115**
At the beginning of the year	898	4 601	106	262	380	232	6 479
Additions	34	78	4	11	32	388	547
Additions through business combinations	—	3	—	—	3	—	6
Disposals	(24)	(69)	(4)	(16)	(15)	(2)	(130)
Government grant received	—	(30)	—	—	—	—	(30)
Transfers	29	240	11	28	12	(320)	—
Transfers to intangible assets	—	—	—	—	—	(4)	(4)
Transfers to investment property	(13)	—	—	—	—	—	(13)
Translation differences	23	165	4	5	45	18	260
***LESS*: ACCUMULATED DEPRECIATION AND IMPAIRMENT**	**294**	**2 494**	**74**	**201**	**296**		**3 359**
At the beginning of the year	240	2 111	65	174	227		2 817
Disposals	(4)	(80)	(3)	(15)	(14)		(116)
Translation differences	9	92	3	5	26		135
Impairment during the year	—	9	—	—	—		9
Depreciation for the year	49	362	9	37	57		514
CARRYING AMOUNT	**653**	**2 494**	**47**	**89**	**161**	**312**	**3 756**
2012							
COST	898	4 601	106	262	380	232	6 479
At the beginning of the year	784	4 341	105	230	330	222	6 012
Additions	62	43	11	45	47	313	521
Additions through business combinations	*	9	*	*	2	—	11
Disposals	(10)	(45)	(11)	(14)	(12)	(2)	(94)
Disposals of businesses	*	(8)	*	(5)	*	—	(13)
Transfers	58	234	*	5	5	(302)	—
Translation differences	4	27	1	1	8	1	42
***LESS*: ACCUMULATED DEPRECIATION AND IMPAIRMENT**	240	2 111	65	174	227		2 817
At the beginning of the year	200	1 812	66	164	183		2 425
Additions through business combinations	*	1	*	*	1		2
Disposals	(5)	(33)	(11)	(13)	(10)		(72)
Disposals of businesses	*	(5)	*	(5)	*		(10)
Transfers	2	(2)	*	*	—		—
Translation differences	1	18	*	1	3		23
Impairment during the year	—	3	—	—	—		3
Depreciation for the year	42	317	10	27	50		446
CARRYING AMOUNT	**658**	**2 490**	**41**	**88**	**153**	**232**	**3 662**

* *Nominal amount.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

1. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2013							
COST	**65**	**756**	**37**	**61**	**28**	**31**	**978**
At the beginning of the year	56	741	35	56	25	24	937
Additions	6	14	2	8	4	54	88
Disposals	(2)	(39)	*	(4)	(2)	*	(47)
Transfers	5	40	*	1	1	(47)	—
***LESS*: ACCUMULATED DEPRECIATION AND IMPAIRMENT**	**18**	**460**	**22**	**34**	**19**		**553**
At the beginning of the year	14	438	19	29	18		518
Disposals	(1)	(37)	*	(4)	(2)		(44)
Transfers	*	*	—	—	—		—
Impairment during the year	—	9	—	—	—		9
Depreciation for the year	5	50	3	9	3		70
CARRYING AMOUNT	**47**	**296**	**15**	**27**	**9**	**31**	**425**
2012							
COST	56	741	35	56	25	24	937
At the beginning of the year	52	704	35	48	23	19	881
Additions	2	27	1	11	3	23	67
Disposals	*	(6)	(1)	(3)	(1)	—	(11)
Transfers	2	16	—	*	—	(18)	—
***LESS*: ACCUMULATED DEPRECIATION AND IMPAIRMENT**	14	438	19	29	18		518
At the beginning of the year	10	389	17	26	16		458
Disposals	*	(3)	(1)	(3)	(1)		(8)
Transfers	—	*	*	—	—		—
Impairment during the year	—	3	—	—	—		3
Depreciation for the year	4	49	3	6	3		65
CARRYING AMOUNT	**42**	**303**	**16**	**27**	**7**	**24**	**419**

* *Nominal amount.*

Chemical Initiatives and Lake International Technologies impaired plant and equipment during the year which was no longer in use, which had a carrying amount of R9 million.

During the year Extractive Technologies received a grant from the Department of Trade and Industry, as part of a Manufacturing Investment Programme, amounting to R30 million. As this grant targets specific assets, as allowed by IAS 20: Accounting for Government Grants and Disclosure of Government Assistance, it has been deducted from the cost of the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

2. INVESTMENT PROPERTY

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
COST	**235**	515	**103**	151
At the beginning of the year	**515**	503	**151**	137
Additions	**86**	14	**77**	14
Disposals	**(12)**	—	**—**	—
Transfers to assets held for sale	**(292)**	—	**(125)**	—
Transfers from property, plant and equipment	**13**	—	**—**	—
Transfers to property developments	**(75)**	(2)	**—**	—
***LESS*: ACCUMULATED DEPRECIATION**	**62**	70	**60**	64
At the beginning of the year	**70**	67	**64**	62
Disposals	**(7)**	—	**—**	—
Transfers to assets held for sale	**(6)**	—	**(6)**	—
Depreciation for the year	**5**	3	**2**	2
CARRYING AMOUNT	**173**	**445**	**43**	**87**
ADDITIONAL INFORMATION				
Fair value	**1 593**	2 982	**811**	1 184
Rental and service income from investment property	**358**	347	**284**	272
Direct operating expenses – relating to rental and service income	**(169)**	(152)	**(169)**	(152)

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 6% and 8%. At 31 December 2013, the Gross Lettable Area ("GLA") of the office and industrial sites was approximately 283 000m^2 (2012: 283 000m^2). 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.

Standard Bank Property Group, CS Massel and Associates and Norman Griffiths and Associates compiled independent valuations of the surplus Group-owned property at Modderfontein and Somerset West in 2012 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 optimal 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.

Investment property has been reclassified to assets held for sale where such property is included in the Shanghai Zendai transaction. See note 13.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

3. INTANGIBLE ASSETS

GROUP

R millions	Patents and trademarks	Technical and licensing agreement	Other	Total
2013				
COST	**23**	**138**	**14**	**175**
At the beginning of the year	21	138	14	173
Disposals	(2)	—	—	(2)
Transfers from property, plant and equipment	4	—	—	4
Translation differences	*	—	—	—
***LESS*: ACCUMULATED AMORTISATION AND IMPAIRMENT**	**6**	**21**	**5**	**32**
At the beginning of the year	5	7	2	14
Amortisation for the year	1	14	3	18
Disposals	*	—	—	—
Translation differences	*	—	—	—
CARRYING AMOUNT	**17**	**117**	**9**	**143**
2012				
COST	21	138	14	173
At the beginning of the year	17	—	7	24
Additions	3	—	—	3
Additions through business combinations	—	138	7	145
Translation differences	1	—	*	1
***LESS*: ACCUMULATED AMORTISATION AND IMPAIRMENT**	5	7	2	14
At the beginning of the year	3	—	—	3
Amortisation for the year	2	7	2	11
Translation differences	*	—	*	*
CARRYING AMOUNT	**16**	**131**	**12**	**159**

COMPANY

R millions	Patents and trademarks	Technical and licensing agreement	Other	Total
2013				
COST	**1**	**—**	**6**	**7**
At the beginning of the year	1	—	6	7
Additions	—	—	—	—
***LESS*: ACCUMULATED AMORTISATION AND IMPAIRMENT**	**1**		**4**	**5**
At the beginning of the year	1	—	2	3
Amortisation for the year	—	—	2	2
CARRYING AMOUNT	**—**	**—**	**2**	**2**
2012				
COST	1	—	6	7
At the beginning of the year	—	—	6	6
Additions	1	—	—	1
***LESS*: ACCUMULATED AMORTISATION AND IMPAIRMENT**	1		2	3
At the beginning of the year	—	—	1	1
Amortisation for the year	1	—	1	2
CARRYING AMOUNT	**—**	**—**	**4**	**4**

* *Nominal amount.*

The technical and licensing agreement intangible asset arose during the previous year as a result of the acquisition of General Electric's Chemical and Monitoring Solutions business in Africa.

4. GOODWILL

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
COST	**1 260**	1 221	**1 013**	1 013
At the beginning of the year	**1 221**	1 147	**1 013**	1 013
Additions through business combinations	**38**	74	**—**	—
Translation differences	**1**	—	**—**	—
***LESS*: ACCUMULATED IMPAIRMENT LOSSES**	**137**	132	**108**	104
At the beginning of the year	**132**	123	**104**	95
Impairment charge for the year	**5**	9	**4**	9
Translation differences	*	—	**—**	—
CARRYING AMOUNT	**1 123**	**1 089**	**905**	**909**
Goodwill is allocated to cash-generating units based on the Group business segments as follows:				
Explosives	**273**	273	**—**	—
Specialty chemicals	**850**	816	**905**	909
CARRYING AMOUNT	**1 123**	**1 089**	**905**	**909**

* *Nominal amount.*

The goodwill arose on the acquisition of businesses and subsidiaries by the Group. The goodwill in 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 for a period of at least five years;
- a pre-tax discount rate of between 10% and 14% (2012: 10% and 14%) 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, adjusted for the risk profile applicable to each cash-generating unit;
- the key assumptions applied by management in arriving at the business plan are based on the latest publicly available market information; and
- terminal value growth rates of between 2% and 3% were applied. This is based on sustainable earnings and a conservative growth model.

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.

IMPAIRMENTS DURING THE YEAR

Impairments were recognised during the year for the business lines previously acquired from Instavet and T&C Chemicals. The cash-generating units to which the goodwill is attributed is no longer producing any cash flows and the goodwill has been impaired in full.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

5. INVESTMENT IN SUBSIDIARIES AND LOANS WITH GROUP COMPANIES

COMPANY		
R millions	**2013**	2012
Unlisted shares (see note 34)	**1 392**	1 362
— At cost	**1 442**	1 412
— *Less*: impairment losses	**(50)**	(50)
Non-current loans to subsidiaries	**301**	436
— Amounts owing[1]	**308**	443
— *Less*: impairment losses	**(7)**	(7)
Investment in subsidiaries	**1 693**	1 798
Non-current loans from subsidiaries[1]	**(477)**	(429)
NET INVESTMENT IN SUBSIDIARIES	**1 216**	**1 369**
Interest-bearing non-current loans to subsidiaries	**339**	278
— Amounts owing	**403**	330
— *Less*: impairment losses	**(64)**	(52)
Interest-bearing current loans to subsidiaries	**7 452**	4 484
LOANS TO GROUP COMPANIES	**7 791**	**4 762**
Interest-bearing non-current loans from subsidiaries	**—**	—
Interest-bearing current loans from subsidiaries	**(4 228)**	(890)
LOANS FROM GROUP COMPANIES	**(4 228)**	**(890)**
NET LOANS WITH SUBSIDIARIES (SEE NOTE 34)	**3 387**	**3 879**

1 *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 part of the net investment in those companies.*

All significant subsidiaries' financial information included in the financial statements is prepared as at the reporting date of the parent.

Impairment losses on investments in unlisted shares of dormant companies were made with reference to the net asset value of those companies. Where this resulted in the value of the investment having a fair value lower than the carrying value, the investments were impaired.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

6. INVESTMENT IN JOINT ARRANGEMENTS

	GROUP		COMPANY	
R millions	2013	2012	2013	2012
Interest-bearing current loans from joint arrangements	(21)	*	(65)	(25)
LOANS WITH JOINT ARRANGEMENTS	(21)	*	(65)	(25)

INTERESTS IN JOINT VENTURES

The Group's share of profit in the equity-accounted investees for the year was R44 million (2012: R57 million).

In 2013 the Group received a dividend of R62 million from its equity-accounted investees (2012: R28 million).

Crest Chemicals represents several international manufacturers of specialty and commodity chemical products and distributes these to a large number of industries in Southern Africa. Its six divisions service the following key markets: food, paints and coatings, pharmaceuticals and personal care, mining and water treatment, surfactants, and general industry.

Resinkem manufactures and markets urea formaldehyde resins, formaldehyde solutions, urea, phenol and furan resins for the timber, pulp and paper, animal feeds and foundry industries in South Africa.

Specialty Minerals South Africa is a joint venture with Specialty Minerals Inc., a wholly-owned subsidiary of Minerals Technologies Inc., which is a global leader in precipitated calcium carbonate technology. Accordingly, Specialty Minerals South Africa has access to the most up-to-date technology and technical services. The company's products are used as a value-adding filler material in the manufacture of Mondi's copy grade paper.

None of the Group's equity-accounted investees are publicly listed entities and consequentially do not have published price quotations.

Summary financial information for the equity-accounted investees:

STATEMENTS OF FINANCIAL POSITION

R millions	Crest Chemicals	Resinkem	Specialty Minerals South Africa	Total
2013				
OWNERSHIP (%)	50	50	50	
Current assets	619	61	76	756
Non-current assets	277	19	13	309
TOTAL ASSETS	896	80	89	1 065
Current liabilities	327	38	10	375
Non-current liabilities	52	8	3	63
TOTAL LIABILITIES	379	46	13	438
Non-controlling interest	26	—	—	26
NET ASSETS	491	34	76	601
Group share of net assets	246	17	38	301
CARRYING AMOUNT	246	17	38	301
2012				
OWNERSHIP (%)	50	50	50	
Current assets	559	68	86	713
Non-current assets	286	19	18	323
TOTAL ASSETS	845	87	104	1 036
Current liabilities	273	24	12	309
Non-current liabilities	54	7	4	65
TOTAL LIABILITIES	327	31	16	374
Non-controlling interest	26	—	—	26
NET ASSETS	492	56	88	636
Group share of net assets	246	28	44	318
CARRYING AMOUNT	246	28	44	318

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

6. INVESTMENT IN JOINT ARRANGEMENTS continued

INCOME STATEMENTS

R millions	Crest Chemicals	Resinkem	Specialty Minerals South Africa	Total
2013				
OWNERSHIP (%)	50	50	50	
Revenue	1 581	194	131	1 906
Net operating costs	(1 501)	(185)	(103)	(1 789)
Interest received	4	1	3	8
Tax expense	(24)	(3)	(8)	(35)
Non-controlling interest	(1)	—	—	(1)
PROFIT	**59**	**7**	**23**	**89**
Group share of profit	29	4	11	44

R millions	Crest Chemicals	Resinkem	Resitec Industria Quimica	Specialty Minerals South Africa	Total
2012					
OWNERSHIP (%)	50	50	50	50	
Revenue	1 557	186	333	108	2 184
Net operating costs	(1 452)	(180)	(311)	(84)	(2 027)
Interest expense	(1)	—	(14)	—	(15)
Interest received	3	1	—	3	7
Tax expense	(30)	(2)	5	(8)	(35)
Non-controlling interest	(1)	—	—	—	(1)
PROFIT	**76**	**5**	**13**	**19**	**113**
Group share of profit	37	3	7	10	57

INTERESTS IN JOINT OPERATIONS

COMPANY

	2013	2012
Unlisted shares at amortised cost	28	28

INTERESTS IN JOINT OPERATIONS	EFFECTIVE PERCENTAGE HELD BY AECI LIMITED	
	2013	2012
DetNet International[1] (%)	50	50
DetNet South Africa (%)	50	50

1 Ireland.

6. INVESTMENT IN JOINT ARRANGEMENTS continued

AMOUNTS RELATING TO JOINT OPERATIONS

R millions	2013	2012
STATEMENTS OF FINANCIAL POSITION		
Property, plant, equipment and other non-current assets	7	6
Current assets	74	56
TOTAL ASSETS	81	62
Equity	(8)	(10)
Non-current liabilities	74	61
Current liabilities	15	11
TOTAL EQUITY AND LIABILITIES	81	62
INCOME STATEMENTS		
Revenue	137	127
Net operating costs	(121)	(110)
PROFIT BEFORE TAX	16	17
COMMITMENTS		
Future rentals on property, plant and equipment leased	4	5

7. INVESTMENT IN ASSOCIATES

GROUP

Effective holding (%)	2013	2012
agVantage	17,5	17,5
Mining Explosives	49,0	49,0
PT Black Bear Resources Indonesia (“BBRI”)[1]	16,2	—

agVantage is an Australian company and the Group’s investment is a strategic investment to grow the market for its agricultural products through the Nulandis business.

Mining Explosives is a UK company and the Group’s strategic investment in this company assists with initiating systems distribution in the EU.

BBRI is an Indonesian company and has built an ammonium nitrate plant which will supply ammonium nitrate to the region, thereby improving AEL’s supply chain. This is a strategic investment for the explosives segment and will enable local supply to replace imports into this market.

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

The Group’s share of losses in the equity-accounted investees for the year was R1 million (2012: nil).

During the year the Group acquired shares in BBRI by converting a loan owing by BBRI to the Group. The Group currently holds 16,2% of the company with the intention of increasing its holding to 42,6%. In the first quarter of 2014 the convertible loan that was outstanding on 31 December 2013 was converted into shares, resulting in an increase in the shareholding to 37%. The Group does not have control, but exercises significant influence. As a result, the investment has been equity-accounted as at 31 December 2013.

GROUP

R millions	2013	2012
SUMMARISED FINANCIAL INFORMATION		
Total assets	460	85
Total liabilities	(215)	(26)
Revenue	12	127
Loss for the year	(9)	(1)
CARRYING AMOUNT		
Unlisted shares at cost	103	10
Loan to BBRI[1]	105	42
Post-acquisition retained income	9	4
Balance at the beginning of the year	4	—
Translation difference	6	4
Current year's share of losses of associate companies	(1)	—
TOTAL INVESTMENT IN ASSOCIATE COMPANIES	217	56

1 The loan to BBRI is part of a three-phase investment which will ultimately result in the acquisition of a 42,6% minority equity holding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

8. OTHER INVESTMENTS

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Equity instruments	**19**	6	**4**	4
Unlisted shares	**15**	2	**—**	—
Capital contributions	**4**	4	**4**	4
Loans and receivables	**31**	24	**6**	6
Other	**31**	24	**6**	6
TOTAL OTHER INVESTMENTS	**50**	**30**	**10**	**10**

9. DEFERRED TAX

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
At the beginning of the year	**(229)**	(257)	**(156)**	(155)
Recognised in the income statement				
— normal activities	**(124)**	(30)	**(88)**	(25)
Recognised in other comprehensive income				
— foreign currency loan translation	**25**	5	**—**	—
— defined-benefit obligation	**7**	8	**19**	20
— post-retirement medical aid obligations	**18**	10	**57**	4
Business combinations and change in ownership percentage	**3**	35	**—**	*
AT THE END OF THE YEAR	**(300)**	**(229)**	**(168)**	**(156)**
Analysis by major temporary differences:				
Property, plant and equipment	**518**	504	**61**	63
Provisions	**(487)**	(434)	**(315)**	(302)
Share options hedge premium	**—**	*	**—**	*
Pension fund employer surplus accounts	**65**	75	**65**	75
Deferred foreign exchange differences	**25**	17	**—**	1
Computed tax losses	**(444)**	(420)	**—**	—
Fair value adjustments	**(1)**	*	**—**	—
Other	**24**	29	**21**	7
	(300)	**(229)**	**(168)**	**(156)**
Comprising:				
Deferred tax assets	**(468)**	(430)	**(168)**	(156)
Deferred tax liabilities	**168**	201	**—**	—
	(300)	**(229)**	**(168)**	**(156)**

* *Nominal amount.*

Deferred tax assets of R468 million are dependent on future taxable profits in the subsidiaries where these have been recognised. The profitability has been assessed for the foreseeable future and it is probable that future taxable profits will enable utilisation of the deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

10. LOANS RECEIVABLE

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Gross investment in finance leases	**19**	20	**—**	—
Unearned finance income	**(2)**	(1)	**—**	—
Present value of minimum lease payments	**17**	19	**—**	—
Current portion included in accounts receivable (see note 12)	**(7)**	(8)	**—**	—
AT THE END OF THE YEAR	**10**	**11**	**—**	**—**
Gross investment in finance leases receivable				
— within 1 year	**7**	8	**—**	—
— between 2 and 5 years	**12**	12	**—**	—
	19	**20**	**—**	**—**
Present value of minimum lease payments receivable				
— within 1 year	**7**	8	**—**	—
— between 2 and 5 years	**10**	11	**—**	—
	17	**19**	**—**	**—**

Loans receivable consist of finance leases where the Group is the lessor. The finance leases are in respect of plant and equipment constructed on customer sites and the terms of the leases are between two and five years.

11. INVENTORIES

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Raw and packing materials	**951**	831	**309**	258
In progress	**12**	8	**4**	2
Finished goods and merchandise	**1 546**	1 271	**606**	546
Spares and other	**266**	286	**92**	103
Property developments	**315**	315	**—**	—
	3 090	**2 711**	**1 011**	**909**

Property developments have a development cycle which is longer than normal cycles of other items of inventory and are ordinarily not expected to be realised within 12 months of the reporting date. However, included in property developments is an amount of R214 million which relates to the bulk disposal of the AECI Group's surplus property assets at Modderfontein to Shanghai Zendai Property Limited (see note 13). This is expected to be realised in a shorter cycle.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

12. ACCOUNTS RECEIVABLE

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Trade	**2 777**	2 267	**881**	742
Pre-payments	**167**	143	**19**	22
Other	**334**	199	**148**	64
Subsidiaries and joint arrangements	**41**	*	**210**	74
	3 319	2 609	**1 258**	902
Current portion of loans receivable (see note 10)	**7**	8	**—**	—
	3 326	**2 617**	**1 258**	**902**
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	**1 795**	1 519	**830**	690
Rest of Africa	**643**	404	**41**	44
North America	**32**	34	**1**	—
South America	**16**	4	**—**	*
Asia	**218**	240	**1**	3
Australia	**6**	5	**4**	—
Europe	**15**	12	**4**	5
United Kingdom	**52**	49	**—**	*
	2 777	**2 267**	**881**	**742**
The ageing of gross trade receivables at 31 December was:				
Not past due	**2 066**	1 773	**827**	655
Past due 0 to 30 days	**450**	322	**32**	61
Past due 30 to 90 days	**151**	100	**15**	17
Past due more than 90 days	**160**	121	**33**	30
GROSS TRADE RECEIVABLES	**2 827**	**2 316**	**907**	**763**
The ageing of impairments of trade receivables at 31 December was:				
Not past due	**(4)**	(2)	**(4)**	(1)
Past due 0 to 30 days	**(2)**	(1)	**(2)**	*
Past due 30 to 90 days	**(1)**	(2)	**(1)**	(1)
Past due more than 90 days	**(43)**	(44)	**(19)**	(19)
TOTAL IMPAIRMENTS	**(50)**	**(49)**	**(26)**	**(21)**
NET TRADE RECEIVABLES	**2 777**	**2 267**	**881**	**742**
IMPAIRMENT OF TRADE RECEIVABLES				
At the beginning of the year	**(49)**	(50)	**(21)**	(21)
Additional impairments recognised during the year	**(11)**	(14)	**(11)**	(3)
Impairments reversed during the year	**11**	18	**5**	5
Impairments applied to trade receivables deemed irrecoverable	**(1)**	(3)	**1**	(2)
AT THE END OF THE YEAR	**(50)**	**(49)**	**(26)**	**(21)**

* *Nominal amount.*

Impairments of trade receivables are recognised with reference to the ageing of trade receivables that are past due date, payments received after the reporting date, the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

13. ASSETS CLASSIFIED AS HELD FOR SALE

AECI concluded agreements to dispose of the bulk of its surplus property assets in Modderfontein to Shanghai Zendai in November 2013. A significant portion of the transactions is expected to become effective during 2014. Property assets to be disposed of include vacant land and property and buildings held for leasing purposes. These assets, amounting to R286 million, have been reclassified from investment property to assets held for sale at 31 December 2013 in terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The agreements also include the disposal of property under development and the related development costs (for bulk infrastructure) of R214 million, which is included in the Group's inventory at 31 December 2013. A portion of this transaction became effective on 20 March 2014. See note 36.

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Investment property — cost	**292**	—	**125**	—
Investment property — accumulated depreciation	**(6)**	—	**(6)**	—
CARRYING AMOUNT	286	—	119	—

14. SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF SHARES		GROUP		COMPANY	
	2013	2012	**2013 R millions**	2012 R millions	**2013 R millions**	2012 R millions
ORDINARY SHARES						
Authorised						
Ordinary shares of R1 each	**180 000 000**	180 000 000	**180**	180	**180**	180
B ordinary shares of no par value	**10 117 951**	10 117 951				
Listed ordinary shares						
At the beginning of the year						
Group	**116 356 441**	107 251 170	**116**	107		
Company	**128 241 140**	119 135 869			**128**	119
Issued during the year						
Group	**—**	9 105 271	**—**	9		
Company	**—**	9 105 271			**—**	9
At the end of the year						
Group	**116 356 441**	116 356 441	**116**	116		
Company	**128 241 140**	128 241 140			**128**	128
Unlisted redeemable convertible B ordinary shares						
At the beginning of the year						
Company	**10 117 951**	—				
Issued during the period for the EST transaction						
Company	**—**	10 117 951				
At the end of the year						
Company	**10 117 951**	10 117 951				
Share premium less share issue expenses			**496**	496	**602**	602
At the beginning of the year			**496**	108	**602**	214
Shares issued during the year			**—**	388	**—**	388
Total at the end of the year						
Group	**116 356 441**	116 356 441	**612**	612		
Company	**138 359 091**	138 359 091			**730**	730
No par value treasury shares held by consolidated trust	**10 117 951**	10 117 951				
Par value treasury shares held by a subsidiary company	**11 884 699**	11 884 699				
Total treasury shares at the end of the year						
Group	**11 884 699**	11 884 699				
Company	**22 002 650**	22 002 650				

14. SHARE CAPITAL AND SHARE PREMIUM continued

	NUMBER OF SHARES		GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012	**2013**	2012
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 MOI 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).

The Company has one beneficial shareholder holding 5% or more of the Company's listed ordinary shares, other than treasury shares, being the Government Employees Pension Fund (PIC) which holds 26 313 845 shares, equivalent to 22,6% of the Company's listed ordinary shares.

ISSUED SHARES

During the 2012 financial year the Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") transaction involving the purchase by AECI of the 25,1% interest held in AEL Holdco Limited by a KTH-led consortium in exchange for 4 678 667 ordinary shares in AECI was concluded. The transaction was recognised as a change in ownership interest in terms of IAS 27 Consolidated and Separate Financial Statements, and the carrying amounts of controlling and non-controlling interests were adjusted. The transaction was measured at the fair value of the consideration paid and was based on the closing price of R83,98 of the Company's shares on 17 January 2012. The shares issued were recognised in equity, with R5 million being allocated to share capital and R388 million being allocated to share premium. The non-controlling interest was reduced by the carrying amount of R172 million, with the balance of R221 million recognised directly in retained earnings.

The 3,5% AECI Community Education and Development trust ("CST") transaction became effective on 13 February 2012. The CST subscribed for 4 426 604 ordinary shares at par value in the Company. The shares vested immediately and a share-based payment expense of R138 million was recognised in full in the income statement in the 2012 financial year. (see note 21).

The 8% AECI Employees Share Trust ("EST") transaction took effect on 9 February 2012, with the EST subscribing for 10 117 951 unlisted B ordinary shares of the Company. The total cost is estimated at R155 million of which R38 million (2012: R29 million) was recognised in the income statement. The remainder of the expense will be recognised in future periods over the respective vesting periods (see note 21).

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, accounts receivable and assets classified as held for sale less accounts payable.

15. NON-CURRENT BORROWINGS

		GROUP		COMPANY	
R millions	Weighted closing interest rate (%)	**2013**	2012	**2013**	2012
UNSECURED					
LOCAL					
Loans:					
2008/2013	6,69	**—**	465	**—**	465
2011/2014	7,70	**1 000**	1 000	**1 000**	1 000
2012/2015	6,78	**250**	250	**250**	250
2013/2016	6,91	**1 000**	—	**1 000**	—
FOREIGN					
Loans — US dollar	1,46	**228**	—	**228**	—
SECURED					
LOCAL					
Loans — other[1]	8,50	**2**	—	**—**	—
FOREIGN					
Loans — other[1]	9,30	**2**	1	**—**	—
		2 482	1 716	**2 478**	1 715
Current portion (see note 18)		**(1 383)**	(465)	**(1 381)**	(465)
		1 099	**1 251**	**1 097**	**1 250**

1 Secured in terms of capitalised finance lease agreements over plant and equipment having a net book value of R3 million (2012: R1 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

15. NON-CURRENT BORROWINGS continued

SUMMARY OF REPAYMENTS

R millions	Year	Local	Foreign	Total
GROUP				
	2014	1 153	230	1 383
	2015	249	—	249
	2016	850	—	850
		2 252	**230**	**2 482**
COMPANY				
	2014	1 153	228	1 381
	2015	247	—	247
	2016	850	—	850
		2 250	**228**	**2 478**

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**155**	171	**131**	147
Expenditure incurred during the year	**—**	(8)	**—**	(7)
Charged to net operating costs during the year				
— Additional provision made	**51**	6	**48**	5
— Reversal of provision	**(35)**	(14)	**(35)**	(14)
	171	155	**144**	131
Current portion included in accounts payable (see note 17)	**(3)**	—	**(3)**	—
AT THE END OF THE YEAR	**168**	**155**	**141**	**131**
EARNINGS-BASED INCENTIVE SCHEME				
At the beginning of the year	**124**	149	**116**	128
Paid during the year	**(20)**	(49)	**(18)**	(33)
Charged to net operating costs during the year				
— Additional provision made	**28**	24	**28**	21
	132	124	**126**	116
Current portion included in accounts payable (see note 17)	**(96)**	(59)	**(90)**	(53)
AT THE END OF THE YEAR	**36**	**65**	**36**	**63**
EARNINGS-GROWTH INCENTIVE SCHEME				
At the beginning of the year	**—**	—	**—**	—
Charged to net operating costs during the year				
— Provision made	**11**	—	**5**	—
AT THE END OF THE YEAR	**11**	**—**	**5**	**—**
CASH-SETTLED SHARE-BASED INCENTIVE SCHEME				
At the beginning of the year	**38**	44	**38**	44
Paid during the year	**(12)**	(9)	**(12)**	(9)
Charged to net operating costs during the year				
— Additional provision made	**59**	3	**59**	3
	85	38	**85**	38
Current portion included in accounts payable (see note 17)	**(68)**	(24)	**(68)**	(24)
AT THE END OF THE YEAR	**17**	**14**	**17**	**14**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS continued

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
POST-RETIREMENT MEDICAL AID OBLIGATIONS				
Actuarial valuation of obligations (see note 30)	**1 165**	1 174	**1 164**	855
Plan assets to meet post-retirement medical aid contribution liabilities (see note 30)	**(450)**	(409)	**(449)**	(294)
At the end of the year	**715**	765	**715**	561
TOTAL NON-CURRENT PROVISIONS	**947**	**999**	**914**	**769**

ENVIRONMENTAL REMEDIATION

The environmental remediation provision is based on the Group's environmental policy and obligations in terms of legislation to remediate land. The expenditure is expected to be incurred as and when 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. The provision is based on the assumption that the end-use will be for industrial purposes.

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

The earnings-based incentive scheme, earnings-growth 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 conditions pertaining to their period of employment as well as the earnings of the Group or the Company's share price during the life of the units.

POST-RETIREMENT MEDICAL AID OBLIGATIONS

Details of the nature of the post-retirement medical aid obligations 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.

17. ACCOUNTS PAYABLE

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Trade	**2 091**	1 879	**973**	887
Non-trade	**1 026**	796	**332**	262
Subsidiaries and joint arrangements			**19**	18
	3 117	2 675	**1 324**	1 167
Current portion of non-current provisions (see note 16)	**167**	83	**161**	77
	3 284	**2 758**	**1 485**	**1 244**

18. CURRENT BORROWINGS

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Current portion of non-current borrowings (see note 15)	**1 383**	465	**1 381**	465
Unsecured interest-bearing short-term borrowings	**478**	1 273	**843**	1 559
	1 861	**1 738**	**2 224**	**2 024**

The unsecured interest-bearing short-term borrowings are local borrowings which are repayable on demand and bear interest at a rate between 5,5% and 5,6%.

19. REVENUE

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Sale of goods and related services	**15 278**	13 427	**4 368**	4 127
Leasing and related services	**358**	347	**284**	272
Sale of surplus land	**306**	53	**—**	—
Sales to subsidiary companies			**433**	435
Leasing and related services to subsidiary companies			**31**	32
	15 942	**13 827**	**5 116**	**4 866**
Local	**10 718**	9 482	**4 458**	4 208
Foreign	**5 224**	4 345	**194**	191
Subsidiary companies			**464**	467
	15 942	**13 827**	**5 116**	**4 866**

20. NET OPERATING COSTS

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Cost of sales	**10 621**	9 407	**4 094**	3 873
Selling and distribution expenses	**1 356**	1 168	**500**	389
Administrative expenses	**2 567**	2 055	**360**	323
NET OPERATING COSTS	**14 544**	**12 630**	**4 954**	**4 585**
Net operating costs have been arrived at after taking into account:				
Auditors' remuneration	**18**	20	**6**	8
— Audit fees	**16**	18	**5**	7
— Other services	**2**	2	**1**	1
Depreciation and amortisation	**537**	460	**74**	69
— Property, plant and equipment	**514**	446	**70**	65
— Investment property	**5**	3	**2**	2
— Intangible assets	**18**	11	**2**	2
Foreign exchange gains	**(246)**	(123)	**(87)**	(15)
— Realised	**(119)**	(98)	**(64)**	(14)
— Unrealised	**(127)**	(25)	**(23)**	(1)
Foreign exchange losses	**154**	122	**—**	13
— Realised	**84**	92	**—**	—
— Unrealised	**70**	30	**—**	13
Impairment of goodwill	**5**	9	**4**	9
Impairment of property, plant and equipment	**9**	3	**9**	3
Inventory	**(17)**	(4)	**13**	6
— Losses and write-downs	**13**	16	**13**	15
— Reversal of losses and write-downs	**(6)**	(1)	**(4)**	(1)
— Inventory adjustments	**(24)**	(19)	**4**	(8)

20. NET OPERATING COSTS continued

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Increase in non-current provisions and employee benefits	**114**	19	**105**	15
— Environmental remediation	**16**	(8)	**13**	(9)
— Earnings-based incentive scheme	**28**	24	**28**	21
— Earnings-growth incentive scheme	**11**	—	**5**	—
— Cash-settled share-based incentive scheme	**59**	3	**59**	3
Operating lease costs	**105**	86	**27**	22
Research and development expenditure	**62**	53	*****	*
Surplus on derecognition of businesses and subsidiary companies disposed of	**(3)**	(5)	**(3)**	*
Surplus on disposal of joint venture	**—**	(10)	**—**	—
(Surplus)/loss on disposal of property, plant and equipment	**(49)**	(18)	**1**	1
— Property	**(52)**	(24)	**—**	*
— Plant and equipment	**3**	6	**1**	1
Total salaries and other staff costs	**3 023**	2 411	**963**	758
Salaries and other staff costs	**2 773**	2 222	**743**	612
Defined-benefit cost				
— Pension fund	**134**	88	**134**	88
— Post-retirement medical aid	**69**	72	**69**	49
EST share-based payment	**38**	29	**13**	9
Performance share-based payment	**9**	—	**4**	—

* *Nominal amount.*

21. SHARE-BASED PAYMENTS

AECI COMMUNITY EDUCATION AND DEVELOPMENT TRUST ("CST")

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Equity-settled share-based payment	**—**	138	**—**	138

On 13 February 2012, the Company advanced R4 426 604 to the CST to enable it to subscribe and pay for 4 426 604 ordinary shares, at R1,00 par value, in the Company. The CST will hold these shares for a 10-year period. During the term, the CST will be entitled to receive all distributions in specie and capitalisation shares and 60% of any other distributions in respect of the shares but will not be entitled to participate in any rights offer.

At the end of the 10-year period, a portion of the shares will be repurchased and cancelled by the Company for no consideration with the remaining shares being retained by the CST on a perpetual basis, with equal rights to the other AECI listed ordinary shares. These shares, therefore, are contingently returnable and as a result are excluded from the number of shares used to calculate EPS and HEPS.

The number shares to be retained by the CST after such repurchase will be the number of AECI ordinary shares determined in accordance with the following CST distribution formula:

$A = B \times \{[1 - (C - E + F)] \div D\}$

A is the number of AECI ordinary shares to be retained by the CST, provided that fractions arising will be rounded to the nearest whole number

B is 4 426 604

C is R75,82 being the issue price, increased by the rate of 85% of the prime rate compounded monthly in arrears during the CST term

D is the volume weighted average price ("VWAP") of an AECI ordinary share for the higher of the 30 or 60 trading days ending at the close of trading on the CST termination date

E is an amount equal to the distributions which would have been paid to the CST in respect of an AECI ordinary share held had the CST not elected to receive only 60% of such distributions

F is an amount equal to the dividends and any other payments and distributions which have been paid to the CST up to the termination date

A share-based payment expense was recognised as an equity-settled share-based payment and the transaction was recognised by reference to the fair value of the equity instruments granted. There are no vesting conditions attached to the shares and a share-based payment expense was recognised in full in the income statement with a corresponding recognition directly in retained earnings. The share-based payment is calculated by multiplying the 4 426 604 shares by the fair value per instrument of R31,19. The effect on the Group's financial position is limited to the effects on current profit and loss, as the transaction does not alter the Group's net asset value.

21. SHARE-BASED PAYMENTS continued

The fair value of the equity instruments was determined using a Monte Carlo option pricing approach to simulate the future share price of the Company's listed shares over the period of the transaction. The approach involves a large number of simulations of the price calculated at the end of the term, discounted to present value using a risk-free rate. The present value of all simulations is averaged to determine the fair value of the equity instrument.

The inputs for the model, based on market conditions at grant date, and fair value determined were:

Market price of the Company's listed shares at grant date	R116,76
Issue price [1]	R75,86
Risk-free interest rates	South African rand zero swaps curve
Prime rates	South African rand prime curve
Dividend yield	based on forecast dividends
Grant date	9 February 2012
Termination date	9 February 2022
Hurdle price [2]	R195,13
Share price volatility [3]	24,78% per annum
Vesting	vest immediately at grant date
Number of simulations	10 000
Fair value of equity instrument	R31,19

1 The issue price was calculated as the higher of the VWAP for the 30 or 60 trading days ended at the close of business on 7 October 2011, being the Friday prior to the signature date of the CST subscription agreement as determined by the rules.

2 The issue price increased by the rate of 85% of the prime rate compounded monthly in arrears over the 10-year term.

3 Volatility was measured using the daily historic volatility equally weighted over a period of 10 years, being equivalent to the CST term.

The CST is not controlled by the Group and is not consolidated in the Group. Control was assessed in terms of IFRS 10 Consolidated Financial Statements.

AECI EMPLOYEES SHARE TRUST ("EST")

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Equity-settled share-based payment	**38**	29	**38**	29
— Recognised in profit from operations	**38**	29	**13**	9
— Investment in subsidiaries and joint arrangements	**—**	—	**25**	20

On 9 February 2012, the Company created and issued 10 117 951 redeemable convertible B ordinary shares of no par value. The EST subscribed for these shares for no cash consideration. The EST will hold the shares on behalf of its beneficiaries for a period of 10 years. The beneficiaries are permanent employees who do not participate in any of the Group's existing long-term incentive schemes and Black Managers who were employed as at 9 February 2012 in the Group's South African operations, and any other employees and Black Managers who are employed subsequently and granted allocations by the AECI Executive Committee.

An initial allocation of 7 569 669 shares was made. The number of shares for Black Managers was determined on the basis of annual basic salary divided by the issue price of R75,82. The number of shares for the remaining eligible employees was 1 022 AECI B ordinary shares per employee plus 102 AECI B ordinary shares for every year of completed service up to a maximum of 10 years, as indicated in the following table:

	TOTAL NUMBER OF SHARES TO BE ALLOCATED
NUMBER OF YEARS OF COMPLETED SERVICE	
Less than 1	1 022
1	1 124
2	1 226
3	1 328
4	1 430
5	1 532
6	1 634
7	1 736
8	1 838
9	1 940
10	2 042

21. SHARE-BASED PAYMENTS continued

AECI EMPLOYEES SHARE TRUST ("EST") continued

The shares are unlisted, not transferable or saleable, have the same voting rights as AECI ordinary shares and any dividend declared on the B ordinary shares may not exceed the dividend declared on ordinary shares.

At the end of the 10-year period, the shares allocated to beneficiaries will be distributed in accordance with the EST distribution formula. These entitlement shares will then be converted to AECI ordinary shares and the remainder of the B ordinary shares will be redeemed for no consideration. Any shares which have not been allocated to employees will be distributed to the CST.

The number of shares to be distributed and available for conversion to AECI ordinary shares will be determined in accordance with the EST distribution formula:

$A = B \times \{[1 - (C - E + F + X)] \div D\}$

A is the number of the vested AECI B ordinary shares to which an EST beneficiary is entitled, provided that fractions arising will be rounded to the nearest whole number. If A is zero, there will be no distribution and the remaining vested shares not distributed will be redeemed for no consideration

B is the total number of shares vested in beneficiaries at the termination date

C is R75,82 being the issue price, increased by the rate of 85% of the prime rate compounded monthly in arrears during the EST term

D is the VWAP of an AECI ordinary share for the higher of the 30 or 60 trading days ending at the close of trading on the EST termination date

E is an amount equal to the distributions which would have been paid on the vested shares had they been AECI ordinary shares instead of AECI B ordinary shares and as though they had been held from 9 February 2012

F is an amount equal to the dividends and any other payments and distributions which have actually been paid in respect of AECI B ordinary shares over the EST term

X is an amount equal to the aggregate administration costs of the EST paid by the Group over the EST term divided by the total number of AECI B ordinary shares held by the EST

A share-based payment expense is recognised as an equity-settled share-based payment in profit from operations, with a corresponding credit to a share-based payment reserve, and will be recognised over the vesting period of the shares with reference to the fair value of the equity instruments granted. The vesting period is based on a forfeiture profile as follows:

	%
PERCENTAGE OF B ORDINARY SHARES TO BE FORFEITED	
Less than 3 years	100
3 but less than 4 years	80
4 but less than 5 years	60
5 but less than 6 years	40
6 but less than 7 years	20
More than 7 years	—

The fair value of the equity instruments was determined using a Monte Carlo option pricing approach to simulate the future share price of the Company's listed shares over the period of the transaction. The approach involves a large number of simulations of the price calculated at the end of the term, discounted to present value using a risk-free rate. The present value of all simulations is averaged to determine the fair value of the equity instrument.

21. SHARE-BASED PAYMENTS continued

AECI EMPLOYEES SHARE TRUST ("EST") continued

The inputs for the model, based on market conditions at grant date, and fair value determined were:

	FIRST ALLOCATION	SECOND ALLOCATION	THIRD ALLOCATION
Market price of the Company's listed shares at grant date (rand)	88,89	80,95	116,76
Issue price (rand)[1]	75,82	75,82	75,82
Risk-free interest rates			South African rand zero swaps curve
Prime rates			South African rand prime curve
Dividend yield			based on 10% of forecast dividends
Grant date	30 April 2012	1 October 2012	1 September 2013
Termination date	9 February 2022	9 February 2022	9 February 2022
Hurdle price (rand)[2]	216,26	199,75	222,35
Share price volatility (% per annum)[3]	24,7	22,5	22,0
Vesting			7 years in accordance with the forfeiture table on page 146
Number of simulations	50 000	50 000	50 000
Fair value of equity instrument (rand)	18,54	12,27	29,64
Number of shares allocated	7 569 669	509 102	560 978

1 *The issue price was calculated as the higher of the VWAP for the 30 or 60 trading days ended at the close of business on 7 October 2011, being the Friday prior to the signature date of the EST subscription agreement as determined by the rules.*

2 *The issue price increased by the rate of 85% of the prime rate compounded monthly in arrears over the 10-year term.*

3 *Volatility was measured using the daily historic volatility equally weighted over a period of 10 years, being equivalent to the EST term.*

	NUMBER OF SHARES 2013	2012
EST SHARE ALLOCATION		
Number of shares issued to the EST	**10 117 951**	10 117 951
Number of shares allocated to beneficiaries	**(8 639 749)**	(7 569 669)
Number of shares forfeited	**606 366**	255 557
UNALLOCATED POOL SHARES	**2 084 568**	**2 803 839**

The EST is consolidated in the Group in line with IFRS 10 Consolidated Financial Statements. The B ordinary shares were treated as treasury shares. Any dividends received by the EST will be eliminated together with the dividend paid by the Company in the Group results.

AECI PERFORMANCE SHARES ("PS")

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Equity-settled share-based payment	**9**	—	**9**	—
— Recognised in profit from operations	**9**	—	**4**	—
— Investment in subsidiaries and joint arrangements	**—**	—	**5**	—

	NUMBER OF SHARES 2013	2012
SHARE ALLOCATION		
Number of PS allocated to beneficiaries during the year	**632 806**	—
Number of PS forfeited during the year	**—**	—
TOTAL ALLOCATED AS AT 31 DECEMBER 2013	**632 806**	—

The AECI Long-term Incentive Plan ("LTIP") was approved by shareholders in 2012. The purpose of the plan 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 Group.

21. SHARE-BASED PAYMENTS continued

AECI PERFORMANCE SHARES ("PS") continued

Annual conditional awards of PS will be allocated to Executive Committee members. PS will vest on the third anniversary of their award, to the extent that the Company has met specific performance criteria over the intervening period. Essentially the value per share that vests is the full value, 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 PS do not have an issue price.

The methodology of vesting will target the Company's comparative Total Shareholder Return ("TSR") in relation to a peer group of companies. Initially, 19 companies were identified but by 31 December 2013, only 16 of these remain listed on the JSE.

The fair value of the PS was determined using a Monte Carlo option pricing approach to simulate the future share price of the Company's listed shares and those of the peer companies and their correlations to one another . The approach involves a large number of simulations of the share prices using the spot share prices on the grant date, as well as risk-free interest rates and volatilities for the different shares as inputs. As the TSR calculation requires the simulation of a number of correlated random variables, the correlations between the share price returns of AECI and the peer companies were incorporated into the valuation. For each outcome of the AECI and peer companies' share prices, the TSRs will be calculated, incorporating the historical TSR indices. A vesting percentage for the PS will be determined in accordance with the pre-defined ranking rules. The product of this vesting percentage and the simulated AECI share price will provide the fair value of the PS for each simulation. The present value of all simulations was averaged to determine the fair value of the PS.

The inputs for the model, based on market conditions at grant date, and fair value determined were as follows:

	FIRST ALLOCATION	SECOND ALLOCATION
Market price of the Company's listed shares at grant date (rand)	100,40	118,74
Risk-free interest rates	South African rand zero swaps curve	
Prime rates	South African rand prime curve	
Dividend yield	based on forecast dividends	
Grant date	30 April 2013	30 November 2013
Vesting date	22 November 2015	28 June 2016
AECI share price volatility (% per annum)	18,57	19,99
Fair value of equity instrument (rand)	181,23	170,25
Number of PS allocated	342 784	290 022

The first allocation was communicated to recipients in the first quarter of 2013 resulting in a grant date of 30 April 2013, though the award date was 22 November 2012. The performance period is from 1 June 2012 until 1 June 2015. The second allocation was approved in November 2013 resulting in a grant date of 30 November 2013, though the award date was 28 June 2013. The performance period is from 1 June 2013 until 1 June 2016.

22. INTEREST EXPENSE

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Interest paid	**(212)**	(257)	**(288)**	(310)
Non-current borrowings	**(160)**	(157)	**(160)**	(156)
Current borrowings	**(52)**	(82)	**(61)**	(86)
Other	**—**	(18)	**—**	—
Subsidiary companies and joint arrangements			**(67)**	(68)
	(212)	**(257)**	**(288)**	**(310)**

23. INTEREST RECEIVED

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Subsidiary companies and joint arrangements			**271**	281
Loans and receivables	**37**	38	**16**	21
	37	**38**	**287**	**302**

24. TAX EXPENSE

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Current tax	**(427)**	(334)	**(125)**	(112)
South African and foreign normal tax	**(403)**	(309)	**(125)**	(90)
Foreign withholding taxes	**(24)**	(3)	**—**	—
Secondary tax on companies	**—**	(22)	**—**	(22)
Deferred tax	**104**	7	**88**	3
	(323)	(327)	**(37)**	(109)
Adjustment for prior years	**10**	18	**1**	20
South African and foreign normal tax	**(10)**	(5)	**1**	(2)
Deferred tax	**20**	23	**—**	22
	(313)	**(309)**	**(36)**	**(89)**
Analysis of deferred tax charge by major temporary differences:				
Property, plant and equipment	**(9)**	(34)	**3**	(2)
Provisions	**85**	(24)	**52**	(14)
Pension fund employer surplus accounts	**29**	(2)	**32**	18
Deferred foreign exchange differences	**(5)**	(1)	**(3)**	*
Computed tax losses	**9**	66	**—**	—
Fair value adjustments	**3**	(2)	**—**	—
Other	**(8)**	4	**4**	1
	104	7	**88**	3
Adjustment for prior years	**20**	23	**—**	22
	124	**30**	**88**	**25**
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	**1 381**	1 501	**—**	—
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	**16**	16	**—**	—
	1 397	**1 517**	**—**	**—**

	GROUP		COMPANY	
%	**2013**	2012	**2013**	2012
Reconciliation of tax rate computed in relation to profit before tax				
Effective rate	**24,7**	34,4	**22,9**	65,4
Capital and non-taxable receipts	**5,1**	1,0	**19,8**	0,6
Non-deductible expenses	**(6,7)**	(9,2)	**(11,1)**	(24,2)
Secondary tax on companies	**—**	(2,8)	**—**	(10,4)
Foreign withholding tax	**(1,9)**	—	**—**	—
Adjustment for prior years	**0,8**	1,9	**0,7**	(3,4)
Capital gains	**(1,0)**	(0,4)	**(4,7)**	—
Tax rate differential	**5,6**	1,3	**—**	—
Other	**1,4**	1,8	**0,4**	*
SOUTH AFRICAN STANDARD RATE	**28,0**	**28,0**	**28,0**	**28,0**

* *Nominal amount.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

25. EARNINGS PER SHARE

GROUP

R millions	2013	2012
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to ordinary shareholders	**946**	581
Impairment of goodwill[1]	**5**	9
Impairment of property, plant and equipment — net	**9**	2
Impairment of property, plant and equipment — gross[2]	**9**	3
Tax effects of impairments of property, plant and equipment	*****	(1)
Profit on partial disposal of net investment in foreign operation — net	**(27)**	—
Profit on partial disposal of net investment in foreign operation — gross[2]	**(38)**	—
Tax effect on partial disposal of net investment in foreign operation	**11**	—
Surplus on disposal of property, plant and equipment — net	**(45)**	(15)
Surplus on disposal of property, plant and equipment — gross[2]	**(49)**	(18)
Tax effects of surplus on disposal of property, plant and equipment	**4**	3
Surplus on derecognition of businesses and subsidiary companies disposed of[1]	**(3)**	(5)
Surplus on disposal of joint venture[1]	**—**	(10)
HEADLINE EARNINGS	**885**	**562**

* *Nominal amount.*

1 *These remeasurements have a nominal tax effect. The remeasurements have no non-controlling interest effect.*

2 *The remeasurements have no non-controlling interest effect.*

GROUP

Cents	2013	2012
EARNINGS PER ORDINARY SHARE		
Basic	**845**	520
Headline	**791**	503
Weighted average number of ordinary shares in issue	**138 359 091**	119 135 869
Weighted average number of ordinary shares issued during the year	**—**	17 402 725
Weighted average number of ordinary shares held by the consolidated EST	**(10 117 951)**	(9 036 855)
Weighted average number of contingently returnable ordinary shares held by the CST	**(4 426 604)**	(3 905 114)
Weighted average number of shares held by consolidated subsidiary	**(11 884 699)**	(11 884 699)
	111 929 837	**111 711 926**

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 111 929 837, net of treasury shares (2012: 111 711 926).

GROUP

Cents	2013	2012
DILUTED EARNINGS PER ORDINARY SHARE		
Basic	**791**	496
Headline	**740**	479

At 31 December 2013 there were no options outstanding under the employees' share option scheme (2012: 110 740). The B ordinary shares issued to the EST in 2012, which may be converted to ordinary shares, and the contingently returnable shares issued to the CST in 2012 are both dilutive potential ordinary shares. The 632 806 PS allocated in 2013 are also dilutive potential ordinary shares. The dilutive effect is based on the number of ordinary shares that are expected to be issued in future. Taking these dilutive potential ordinary shares 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 119 584 096 (2012: 117 221 689).

The average share price of AECI since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, was R108,63 (2012: R84,15). The other potential ordinary shares do not have an exercise price.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

25. EARNINGS PER SHARE continued

GROUP		
Cents	**2013**	2012
RECONCILIATION OF THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE:		
Weighted average number of ordinary shares	**111 929 837**	111 711 926
Dilutive adjustment for potential ordinary shares	**7 654 259**	5 430 079
Dilutive adjustment for share options under the AECI share option scheme	—	79 684
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**119 584 096**	**117 221 690**

26. DIVIDENDS

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
ORDINARY				
Final for the previous year: No. 158 of 185 cents (2012: 179 cents) paid on 15 April 2013	**212**	205	**234**	226
Interim for the current year: No. 159 of 105 cents (2012: 78 cents) paid on 9 September 2013	**120**	89	**133**	99
Total ordinary dividends paid 290 cents (2012: 257 cents)	**332**	294	**367**	325
PREFERENCE				
Nos. 150 and 151 paid on 14 June 2013 and on 13 December 2013 respectively	**3**	2	**3**	2
	335	**296**	**370**	**327**
Proposed final dividend No. 160 for the year ended 31 December 2013 of 210 cents (2012: 185 cents) per share payable on 14 April 2014	**241**	212	**266**	234

Dividends are subject to withholding tax in the hands of the shareholders.

The Company also declared a dividend of 29 cents on the B ordinary shares held by the EST which is payable in April 2014.

27. COMMITMENTS

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Capital commitments authorised	**746**	207	**45**	23
Contracted for	**87**	55	**24**	17
Not contracted for	**659**	152	**21**	6
The expenditure will be financed from funds on hand and internally generated, supplemented by borrowings against facilities available to the Group.				
Capital commitments include additions of property, plant and equipment, mostly relating to the expansion of operations. Also included in the current year is the cash consideration of R409 million for the acquisition of Clariant Southern Africa's water treatment business in Africa and its South African assets. The acquisition is subject to certain conditions precedent.				
Future rentals on property, plant and equipment leased	**199**	130	**74**	10
Payable within 1 year	**71**	52	**16**	4
Payable between 1 and 5 years	**118**	69	**58**	6
Payable thereafter	**10**	9	*	*
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 at the option of either 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. The Group is not exposed to equity price 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 of Directors is responsible for the risk management activities in the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit function undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Committee. The Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

	CARRYING AMOUNT		FAIR VALUE	
R millions	**2013**	2012	**2013**	2012
GROUP				
FINANCIAL ASSETS				
Available-for-sale financial assets [1]	**15**	2	**15**	2
— Unlisted investments	**15**	2	**15**	2
Financial assets at fair value through profit and loss	**5**	8	**5**	8
— Forward exchange contracts	**5**	8	**5**	8
Loans and receivables	**4 510**	3 612	**4 510**	3 612
— Accounts receivable	**3 138**	2 458	**3 138**	2 458
— Cash	**1 219**	1 069	**1 219**	1 069
— Loans receivable	**17**	19	**17**	19
— Loans relating to unlisted investments	**31**	24	**31**	24
— Loans to associate companies	**105**	42	**105**	42
	4 530	**3 622**	**4 530**	**3 622**
FINANCIAL LIABILITIES				
— Accounts payable	**(2 734)**	(2 664)	**(2 734)**	(2 664)
— Borrowings	**(2 960)**	(2 989)	**(2 960)**	(2 989)
— Forward exchange contracts	**(19)**	(11)	**(19)**	(11)
	(5 713)	**(5 664)**	**(5 713)**	**(5 664)**

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

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES continued

	CARRYING AMOUNT		FAIR VALUE	
R millions	**2013**	2012	**2013**	2012
COMPANY				
FINANCIAL ASSETS				
Financial assets at fair value through profit and loss	**1**	1	**1**	1
— Forward exchange contracts	**1**	1	**1**	1
Loans and receivables	**1 468**	978	**1 468**	978
— Accounts receivable	**1 229**	880	**1 229**	880
— Cash	**233**	92	**233**	92
— Loans relating to unlisted investments	**6**	6	**6**	6
	1 469	979	**1 469**	979
FINANCIAL LIABILITIES				
— Accounts payable	**(1 180)**	(1 159)	**(1 180)**	(1 159)
— Borrowings	**(3 321)**	(3 274)	**(3 321)**	(3 274)
— Forward exchange contracts	**(11)**	(8)	**(11)**	(8)
	(4 512)	(4 441)	**(4 512)**	(4 441)

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); and
› level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The amounts carried at fair value are all measured using inputs as described in level 2. The fair values for forward exchange contracts are based on quotes from brokers. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.

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, where possible, 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, cash and borrowings in currencies other than rand. The currencies giving rise to currency risk are mainly euro, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

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, pound sterling and US dollars.

The rand value of the hedged items, based on the contract rates, at 31 December 2013 for the Group was R149 million (2012: R501 million).

The profit on the hedging instruments for the year for the Group was R8 million (2012: R5 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 2013 was R50 million (2012: R70 million).

The cash flows relating to the hedging instruments will occur in 2014 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 nominal (2012: nominal).

EXPOSURE TO CURRENCY RISK

The Group's exposure to foreign currency risk at 31 December was:

GROUP			2013					2012
Millions	Euro	Pound sterling	US dollar	Other	Euro	Pound sterling	US dollar	Other
Cash	17	4	147	61	15	2	481	41
Trade receivables	12	2	128	88	5	—	141	71
Other receivables	—	—	—	28	*	*	2	23
Loans receivable	1	—	6	—	—	—	7	—
Interest-bearing liabilities	—	—	(228)	—	(1)	—	(152)	—
Trade payables	(123)	(17)	(173)	(19)	(86)	(11)	(455)	(37)
Other payables	*	*	*	(24)	(4)	—	(2)	(11)
Gross exposure	(93)	(11)	(120)	134	(71)	(9)	22	87
Forward exchange contracts	77	18	(27)	—	88	5	(257)	—
NET EXPOSURE	(16)	7	(147)	134	17	(4)	(235)	87

The Company's exposure to foreign currency risk at 31 December was:

COMPANY			2013					2012
Millions	Euro	Pound sterling	US dollar	Other	Euro	Pound sterling	US dollar	Other
Cash	*	—	1	—	1	—	4	—
Trade receivables	8	—	28	5	*	—	21	8
Interest-bearing liabilities	—	—	(228)	—	—	—	—	—
Trade payables	(58)	(2)	(130)	(2)	(54)	(1)	(191)	(4)
Gross exposure	(50)	(2)	(329)	3	(53)	(1)	(166)	4
Forward exchange contracts	74	1	209	—	68	*	223	1
NET EXPOSURE	24	(1)	(120)	3	15	(1)	57	5

* *Nominal amount.*

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

EXPOSURE TO CURRENCY RISK continued

The following significant exchange rates applied during the year:

	CLOSING RATE		AVERAGE RATE	
Rand	**2013**	2012	**2013**	2012
Euro	**14,45**	11,19	**12,80**	10,54
Pound sterling	**17,33**	13,72	**15,04**	12,99
US dollar	**10,50**	8,49	**9,63**	8,20

SENSITIVITY ANALYSIS

Based on the Group's net exposure to currency risk, a 10% strengthening of the rand at 31 December would have decreased equity and profit by the amounts shown below, assuming all other variables remained constant:

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Equity	**(1)**	(3)	**(18)**	(6)
Profit for the year before tax	**(1)**	(3)	**(18)**	(6)

(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	**2013**	2012	**2013**	2012	**2013**	2012
GROUP						
Rand						
— Current	**1 631**	1 738	**1 631**	1 373	**—**	365
— Non-current	**1 099**	1 250	**1 099**	1 250	**—**	—
Other						
— Current	**230**	—	**202**	—	**28**	—
— Non-current	**—**	1	**—**	1	**—**	—
TOTAL	**2 960**	**2 989**	**2 932**	**2 624**	**28**	**365**
COMPANY						
Rand						
— Current	**1 996**	2 024	**1 996**	1 659	**—**	365
— Non-current	**1 097**	1 250	**1 097**	1 250	**—**	—
Other						
— Current	**228**	—	**200**	—	**28**	—
TOTAL	**3 321**	**3 274**	**3 293**	**2 909**	**28**	**365**

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

(B) INTEREST RATE RISK continued

	FIXED RATE FINANCIAL LIABILITIES (MILLIONS)		WEIGHTED AVERAGE INTEREST RATE (%)		WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED (MONTHS)	
	2013	2012	**2013**	2012	**2013**	2012
GROUP						
Rand						
— Current	—	365	—	10,4	—	10,4
Other						
— Current	28	—	1,5	—	5,0	—
TOTAL	**28**	**365**	**1,5**	**10,4**	**5,0**	**10,4**
COMPANY						
Rand						
— Current	—	365	—	10,4	—	10,4
Other						
— Current	28	—	1,5	—	5,0	—
TOTAL	**28**	**365**	**1,5**	**10,4**	**5,0**	**10,4**

SENSITIVITY ANALYSIS

Based on the Group's exposure to interest rate risk, a 100 basis point increase in interest rates at 31 December would have had no effect on profit and loss or equity.

(C) 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

GROUP						
R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2013						
FINANCIAL LIABILITIES						
Secured non-current borrowings	4	4	2	2	—	—
Unsecured non-current borrowings	2 478	2 478	1 381	247	850	—
Unsecured current borrowings	478	478	478	—	—	—
Interest on non-current borrowings[1]	23	497	280	129	88	—
Trade payables and closure costs	2 091	2 091	2 091	—	—	—
Other payables	622	622	622	—	—	—
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
— inflows	(5)	(182)	(182)	—	—	—
— outflows	19	99	99	—	—	—
TOTAL FINANCIAL LIABILITIES	**5 710**	**6 087**	**4 771**	**378**	**938**	**—**
PERCENTAGE PROFILE (%)		**100**	**79**	**6**	**15**	**—**

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

(C) LIQUIDITY RISKS continued

(i) MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER

GROUP

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2012						
FINANCIAL LIABILITIES						
Secured non-current borrowings	1	1	1	—	—	—
Unsecured non-current borrowings	1 715	1 715	464	1 126	125	—
Unsecured current borrowings	1 273	1 273	1 273	—	—	—
Interest on non-current borrowings[1]	18	214	132	82	—	—
Trade payables and closure costs	1 879	1 879	1 879	—	—	—
Other payables	767	767	767	—	—	—
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
— inflows	(8)	(299)	(299)	—	—	—
— outflows	11	39	39	—	—	—
TOTAL FINANCIAL LIABILITIES	**5 656**	**5 589**	**4 256**	**1 208**	**125**	**—**
PERCENTAGE PROFILE (%)		**100**	**76**	**22**	**2**	**—**

1 Interest is based on the closing rate at 31 December and the repayment dates of the borrowings.

COMPANY

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2013						
FINANCIAL LIABILITIES						
Unsecured non-current borrowings	2 478	2 478	1 381	247	850	—
Unsecured current borrowings	843	843	843	—	—	—
Interest on non-current borrowings[1]	23	497	280	129	88	—
Trade payables and closure costs	973	973	973	—	—	—
Other payables	184	184	184	—	—	—
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
— inflows	(1)	—	—	—	—	—
— outflows	11	32	32	—	—	—
TOTAL FINANCIAL LIABILITIES	**4 511**	**5 007**	**3 693**	**376**	**938**	**—**
PERCENTAGE PROFILE (%)		**100**	**74**	**8**	**18**	**—**

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

(C) LIQUIDITY RISKS continued

(i) MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER

COMPANY R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2012						
FINANCIAL LIABILITIES						
Unsecured non-current borrowings	1 715	1 715	465	1 125	125	—
Unsecured current borrowings	1 559	1 559	1 559	—	—	—
Interest on non-current borrowings [1]	18	213	131	82	—	—
Trade payables and closure costs	887	887	887	—	—	—
Other payables	254	254	254	—	—	—
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
— inflows	(1)	20	20	—	—	—
— outflows	8	18	18	—	—	—
TOTAL FINANCIAL LIABILITIES	**4 440**	**4 666**	**3 334**	**1 207**	**125**	**—**
PERCENTAGE PROFILE (%)		**100**	**71**	**26**	**3**	**—**

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 in 2013.

CREDIT RISKS

Credit risks arise on cash, investments and accounts receivable. The risk on cash 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 12.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

29. RELATED PARTY INFORMATION

The subsidiaries of the Group are identified in note 34, joint arrangements in note 6 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, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures.

No dividends were received from associate companies (2012: nil).

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	2013	2012
THE TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE:		
Leasing income and sales by the Company to		
— Subsidiaries	**464**	467
Sales to the Company by		
— Subsidiaries	**87**	114
Dividends received by the Company from		
— Subsidiaries	**—**	—
Interest received by the Company from		
— Subsidiaries	**270**	280
— Joint arrangements	**1**	1
Interest paid by the Company to		
— Subsidiaries	**63**	65
— Joint arrangements	**4**	3
Rental of premises to the Company by		
— AECI Pension Fund	**—**	7
— Subsidiaries	**35**	13
Secretarial and administration fees paid to the Company by		
— Subsidiaries	**84**	69
Company contributions to pension and provident funds		
— AECI Pension Fund	**17**	18
— AECI Supplementary Pension Fund	**3**	3
— AECI Employees Provident Fund	**12**	11
OUTSTANDING BALANCES WITH RELATED PARTIES OF THE COMPANY AT 31 DECEMBER WERE (SEE NOTE 5 AND 6):		
Loan amounts owing to the Company by		
— Subsidiaries	**8 092**	5 198
Loan amounts owing by the Company to		
— Subsidiaries	**4 705**	1 319
— Joint arrangements	**65**	25

GROUP

R millions	2013	2012
Key management personnel compensation:		
— short-term employee benefits	**30**	30
— post-retirement benefits	**2**	2
— other long-term benefits	**2**	4
— termination benefits	**1**	1
	35	**37**

Key management personnel are the Directors, Prescribed Officers and Managing Directors or equivalent of operating businesses.

The key management personnel compensation above relates to the Managing Directors or equivalent and excludes Directors' and Prescribed Officers' remuneration which is set out in note 31.

30. EMPLOYEE BENEFITS

RETIREMENT BENEFITS

The Group provides retirement benefits for all its permanent employees by means of independent defined-benefit pension schemes and defined-contribution provident funds. There are four separate defined-benefit pension funds and two separate defined-contribution provident funds.

The AECI Pension Fund ("APF") is the main fund for active employees and of the more than 5 000 members over 70% are pensioners. The AECI Employees Pension Fund ("AEPF") has over 2 000 members with only 10 active employees. The AECI Supplementary Pension Fund ("ASPF") is for senior employees and has less than 300 members with 41 active employees. The Dulux Employees Pension Fund ("DEPF") has 104 pensioner members. The APF is the only fund still open to new entrants.

Members pay a maximum contribution of 6% or 7,5% of pensionable earnings, with the employer's contribution being 9% of pensionable earnings. The balance of the cost of providing benefits, determined in conjunction with the funds' independent consulting actuaries, is made by additional employer contributions either in cash or from the employer surplus account in each fund.

Members are entitled to receive an annual pension at the pensionable age of 65 years (62 years for the ASPF) calculated as 1/48 (1/53 for the AEPF) multiplied by the number of years of continuous service multiplied by average annual pensionable emoluments over the last two years of membership. Three years are added to the years of service for the ASPF and 50% of the balance of years of fund membership is added to years of service for the AEPF.

Members with at least five years of pensionable service may elect to retire within 10 years of pensionable age based on pensionable service up to retirement age reduced by 0,25% for each month that actual retirement age is less than 62 years.

Ill-health retirement pension becomes payable from the date of ill-heath retirement based on the same benefit, with pensionable service being based on the service that could have been served until normal retirement and pensionable emoluments, calculated at the date of ill-health retirement.

The APF and ASPF allow for the surviving spouse to receive the same pension that was being received at the date of the principal member's death for a period of five years and 66% of that amount thereafter. The DEPF and AEPF pay a pension of 50% of the amount that was being received at the date of the principal member's death from the date of death.

All funds are governed by the Pension Fund Act, No. 24 of 1956, as amended. The Act provides that any actuarial surplus in any fund belongs to the fund and that the only portion of the assets of the funds that may be utilised by, or for the benefit of, the employer are any credit balances in the employer surplus accounts. The employer surplus accounts in the funds represent the asset ceiling.

The assets of the funds are under the control of the Trustees of the respective funds. Regulation 28 of the Pension Funds Act limits the amount and extent to which the funds may invest in particular classes of assets. The Trustees' investment strategies are aligned with the nature of the funds' liabilities and the achievement of adequate returns to ensure that those obligations can be settled when they are due. The assets are invested in segregated or pooled investments with a spread of asset classes including South African equities, bonds, property and cash, as well as foreign equities and bonds.

Defined-benefit funds are actuarially valued every year using the projected unit credit method of valuation by independent firms of consulting actuaries, while for defined-contribution funds no statutory valuations are required.

The Group has the following employer surplus accounts:

GROUP		
R millions	**2013**	2012
The AECI Pension Fund	**199**	240
The AECI Employees Pension Fund	**9**	8
The AECI Supplementary Pension Fund	**23**	19
The Dulux Employees Pension fund	*****	*
	231	**267**

* *Nominal amount.*

30. EMPLOYEE BENEFITS continued

RETIREMENT BENEFITS continued

The financial information of the defined-benefit funds has been aggregated as the plans have similar risks.

Based on interim valuations by the funds' actuaries, the defined-benefit funds at 31 December were:

GROUP AND COMPANY R millions	2013	2012
Fair value of plan assets	**15 753**	13 451
At the beginning of the year	**13 451**	11 751
Interest income	**1 121**	1 064
Return on plan assets in excess of interest income	**1 707**	1 130
Employer contributions		
— Company	**30**	26
— Subsidiaries	**42**	37
— Joint ventures	**3**	1
Employee contributions	**46**	45
Benefits paid	**(647)**	(603)
Present actuarial value of defined-benefit obligations	**(8 217)**	(8 445)
At the beginning of the year	**(8 445)**	(7 693)
Current service cost	**(139)**	(105)
Past service cost	**(9)**	—
Interest expense	**(704)**	(696)
Employee contributions	**(46)**	(45)
Benefits paid	**647**	603
Actuarial gain/(loss) from changes in financial assumptions	**716**	(567)
Actuarial (loss)/gain on experience	**(237)**	58
Asset ceiling	**(7 305)**	(4 739)
At the beginning of the year	**(4 739)**	(3 800)
Interest cost	**(403)**	(351)
Change in effect of the asset ceiling	**(2 163)**	(588)
PENSION FUNDS' EMPLOYER SURPLUS ACCOUNTS	**231**	**267**
The fair value of the funds' plan assets at 31 December 2013 was comprised of equity instruments (41%), bonds (30%), cash (4%) and foreign equity and bonds (25%).		
All of the funds' assets are held in instruments that have quoted market prices in active markets. The APF and ASPF hold their assets in segregated portfolios, with assets held directly in the name of the funds. The AEPF and DEPF have policies of insurance with Old Mutual and the asset allocations are derived from the strategic asset allocation of the Old Mutual Guaranteed Fund.		
Included in the fair value of plan assets were 280 408 AECI ordinary shares (2012: 261 373).	**35**	21

Principal actuarial assumptions applied at 31 December in the valuations were:

GROUP AND COMPANY %	2013	2012
Discount rate	**9,46**	8,50
Expected return on plan assets	**9,46**	8,50
Future price inflation	**6,06**	5,75
Expected salary increases	**7,56**	7,25
Future pension increases	**5,45**	5,20

30. EMPLOYEE BENEFITS continued

RETIREMENT BENEFITS continued

SENSITIVITY ANALYSIS

GROUP AND COMPANY

	31 Dec	Discount rate +1%	Discount rate -1%	Mortality rates
For a change in significant actuarial assumptions:				
Present actuarial value of defined-benefit obligations (R millions)	(8 217)	(7 456)	(9 136)	(8 488)
Percentage change in liability (%)	—	(9,2)	11,2	3,3
Current service cost for 2014 (R millions)	116	89	153	119
Percentage change in current service cost (%)	—	(23,7)	31,2	2,6

The sensitivity was determined by keeping all other assumptions constant except for a change in the discount rate up from 9,46% to 10,46% and down from 9,46% to 8,46%. The post-retirement mortality rates were assumed using PA(90), minus two years and this was adjusted to PA(90) minus three years.

Actual cash contributions made by the Group to the APF and AEPF are fixed at a rate of 9% of pensionable emoluments, paid monthly. The excess contributions above 9% required to meet the cost of the accrual of active members' benefits over the next year are calculated annually in the funds' statutory valuations. The excess contributions are recovered from the employer surplus accounts of the funds, except for the ASPF where these contributions are paid annually in cash. There are no employer contributions to the DEPF as all members are pensioners.

The estimated employer contributions for the next financial year to the Group's defined-benefit funds is R57 million in cash and R59 million recovered from the employer surplus accounts. The weighted duration of the liabilities of the funds is estimated at 13 years.

The total cost recognised in the income statement of R64 million (2012: R49 million) in respect of the defined-contribution funds represents contributions payable by the Group at the rates specified in the rules of the schemes.

Amounts recognised in the income statement in respect of the defined-benefit funds were:

GROUP

R millions	2013	2012
Current service cost	**(139)**	(105)
Past service cost	**(9)**	—
Interest cost	**(704)**	(696)
Expected return on plan assets	**1 121**	1 064
Change in effect of the asset ceiling	**(403)**	(351)
RECOGNISED IN THE INCOME STATEMENT	**(134)**	**(88)**
Remeasurements recognised in other comprehensive income in respect of the defined-benefit funds were:		
Actuarial gain/(loss) on financial assumptions	**716**	(567)
Actuarial (loss)/gain on experience	**(237)**	58
Contributions by joint ventures	**3**	1
Actual return in excess of expected interest income	**1 707**	1 129
Change in the effect of the asset ceiling	**(2 163)**	(588)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**26**	**33**

COMPANY

R millions	2013	2012
Current service cost	**(139)**	(105)
Past service cost	**(9)**	—
Interest cost	**(704)**	(696)
Expected return on plan assets	**1 121**	1 064
Change in effect of the asset ceiling	**(403)**	(351)
RECOGNISED IN THE INCOME STATEMENT	**(134)**	**(88)**
Remeasurements recognised in other comprehensive income in respect of the defined-benefit funds were:		
Actuarial gain/(loss) on financial assumptions	**716**	(566)
Actuarial (loss)/gain on experience	**(237)**	58
Contributions by subsidiaries and joint ventures	**45**	38
Actual return in excess of expected interest income	**1 707**	1 129
Change in the effect of the asset ceiling	**(2 163)**	(588)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**68**	**71**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

30. EMPLOYEE BENEFITS continued

POST-RETIREMENT MEDICAL AID OBLIGATIONS

The Group provides medical aid obligations for all its permanent employees domiciled in South Africa, 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 and has not been offered since 1 January 2002.

The subsidy is a portion of the required medical aid contributions of participating members in a ratio between 3% and 66,7% of the total contribution, depending on the employee's date of employment with the Group. The medical aid fund is liable to pay medical claims in terms of its rules and the risk in respect of the liability relates to the increase in contribution levels required by the medical aid fund. The Group does not have any specific obligation to the medical aid fund.

The Group's obligation is reduced by an agreement with the APF whereby this Fund has the obligation to pay the employer contributions for its members over the age of 65. The APF obligation is treated as a plan asset which partly funds the liability as there is a reserve set aside in the APF which earns a proportionate share of the returns on the assets of the APF.

Based on interim valuations by the actuaries, the funded status of the post-retirement medical aid obligations at 31 December was:

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Fair value of plan assets	**450**	409	**449**	294
At the beginning of the year	**409**	415	**294**	316
Interest income	**32**	36	**32**	28
Return in excess of/(below) interest income	**58**	5	**58**	(13)
Remeasurement recognised in other comprehensive income [1]	**—**	—	**114**	—
Benefits paid	**(49)**	(47)	**(49)**	(37)
Present actuarial value of defined-benefit obligations	**(1 165)**	(1 174)	**(1 164)**	(855)
At the beginning of the year	**(1 174)**	(1 177)	**(855)**	(870)
Current service cost	**(6)**	(6)	**(6)**	(2)
Interest cost	**(95)**	(102)	**(95)**	(75)
Benefits paid	**83**	82	**77**	65
Remeasurement recognised in other comprehensive income [1]	**—**	—	**(318)**	—
Net actuarial gains	**27**	29	**33**	27
NET POST-RETIREMENT MEDICAL AID LIABILITY	**(715)**	**(765)**	**(715)**	**(561)**

Principal actuarial assumptions for the post-retirement medical aid obligations were:

GROUP		
%	**2013**	2012
Annual increase in healthcare costs	**CPI + 1**	7,16
Discount rate	**8,70**	8,50

The increase in healthcare costs was previously evaluated as one long-term rate. In the current year's valuation, healthcare cost inflation was estimated based on CPI with the result that the percentages used in the valuation were: 2014/2015 – 6,5%; 2015/2016 – 7,8%; 2016/2017 – 8,5%; 2017 and later – 7,4%.

Estimated employer's contributions in respect of post-retirement medical aid obligations for the coming year: Group – R36 million; Company – R31 million, of which the APF is expected to pay R52 million.

Amounts recognised in the income statement in respect of the defined-benefit funds were:

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Current service cost	**(6)**	(6)	**(6)**	(2)
Interest cost	**(95)**	(102)	**(95)**	(75)
Expected return on plan assets	**32**	36	**32**	28
RECOGNISED IN THE INCOME STATEMENT	**(69)**	**(72)**	**(69)**	**(49)**
Remeasurements recognised in other comprehensive income in respect of the post-retirement medical aid obligations:				
Actuarial gain	**27**	29	**33**	27
Remeasurement – change in estimate [1]	**—**	—	**(204)**	—
Actual return in excess of expected interest income	**58**	5	**58**	(13)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**85**	**34**	**(113)**	**14**

1 In 2013, the Group changed its stated policy in respect of subsidiaries' recognition of post-retirement medical aid obligations. The Company recognises the full liability, with subsidiaries treating the obligation as a defined-contribution plan. This change resulted in a remeasurement of the Company's obligation, which is recognised in other comprehensive income.

30. EMPLOYEE BENEFITS continued

POST-RETIREMENT MEDICAL AID OBLIGATIONS continued

SENSITIVITY ANALYSIS

GROUP	31 Dec	Discount rate +1%	Discount rate -1%	Future inflation +1%	Future inflation -1%
For a change in significant actuarial assumptions:					
Present actuarial value of obligations (R millions)	(1 165)	(1 057)	(1 294)	(1 290)	(1 059)
Percentage change in liability (%)	—	(9)	11	11	(9)
Current service cost for 2014 (R millions)	7	7	7	8	5
Percentage change in current service cost (%)	—	—	—	22	(18)
Interest cost for 2014 (R millions)	98	89	109	109	89
Percentage change in current service cost (%)	—	(10)	12	11	(9)

SHARE OPTION SCHEME

The scheme concluded in June 2013 and there are no further share options outstanding in respect of this scheme.

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

	NUMBER OF OPTIONS	
	2013	2012
Outstanding at the beginning of the year	**110 740**	236 680
Lapsed or forfeited during the year	**(28 080)**	—
Exercised during the year		
— Exercised against share options hedge	**(82 660)**	(125 940)
OUTSTANDING AT THE END OF THE YEAR	**—**	**110 740**
Details of share options exercised during the year		
Expiry date	**2013**	2012 - 2013
Weighted average exercise price per share (rand)	**23,60**	23,60

30. EMPLOYEE BENEFITS continued

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.

Participants are entitled to exercise their units 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 a unit 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 unit not yet exercised will lapse.

The benefit units were issued for the first time in 2005.

Details of outstanding benefit units at 31 December 2013 were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
February 2015	March 2005	41,00	332 200	243 490	37 450	51 260
July 2016	August 2006	56,00	221 085	96 843	35 952	88 290
February 2017	March 2007	70,90	199 725	77 750	33 875	88 100
July 2017	August 2007	80,45	29 200	—	29 200	—
February 2018	March 2008	67,25	184 550	54 670	41 380	88 500
February 2019	March 2009	43,42	382 650	67 324	35 650	279 676
February 2020	March 2010	59,80	399 316	22 608	31 458	345 250
February 2021	March 2011	83,82	447 640	1 359	33 094	413 187
			2 196 366	**564 044**	**278 059**	**1 354 263**

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Cash-settled share-based payment transactions recognised in the income statement	**59**	3	**59**	3
Total carrying amount of cash-settled share-based transaction liabilities (see note 16)	**85**	38	**85**	38
Total intrinsic value of vested cash-settled share-based transaction liabilities	**39**	13	**39**	13

30. EMPLOYEE BENEFITS continued

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 significant 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 HEPS 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 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.

Details of outstanding EBIS units at 31 December 2013 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	7 077 000	573 000	—
February 2015	March 2005	3,92	7 927 350	5 244 710	1 345 000	1 337 640
July 2016	August 2006	5,16	5 519 000	2 474 000	1 231 180	1 813 820
February 2017	March 2007	5,42	6 137 100	2 773 320	1 078 310	2 285 470
July 2017	August 2007	5,97	394 000	—	394 000	—
February 2018	March 2008	5,12	5 417 800	1 547 480	957 800	2 912 520
February 2019	March 2009	5,96	6 258 700	858 340	496 500	4 903 860
February 2020	March 2010	3,34	18 594 101	1 454 507	1 681 134	15 458 460
February 2021	March 2011	5,84	17 643 920	56 746	1 392 394	16 194 780
			75 541 971	**21 486 103**	**9 149 318**	**44 906 550**

Chemical Services Limited ("CSL") (the holding company of the segment 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 HEPS 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.

30. EMPLOYEE BENEFITS continued

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

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 under the scheme in respect of the participant's units as if the participant had remained in the employ of the Group.

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

The EBIS units were issued for the first time in 2002 and for the last time in 2009.

Details of outstanding EBIS units at 31 December 2013 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	3 141 600	455 400	—
February 2013	March 2003	2,35	8 298 400	7 568 400	730 000	—
August 2013	September 2003	2,50	860 000	790 000	70 000	—
February 2015	March 2005	2,97	10 472 000	9 168 900	710 100	593 000
July 2016	August 2006	3,45	9 332 500	6 754 700	1 495 000	1 082 800
February 2017	March 2007	4,30	8 090 300	5 886 990	1 333 630	869 680
February 2018	March 2008	4,77	8 224 600	4 327 220	1 608 720	2 288 660
February 2019	March 2009	7,37	5 820 000	452 400	1 312 200	4 055 400
			54 694 800	38 090 210	7 715 050	8 889 540

	GROUP		COMPANY	
R millions	2013	2012	2013	2012
Total carrying amount of EBIS liabilities (see note 16)	132	124	126	116

EARNINGS-GROWTH INCENTIVE SCHEME ("EG UNITS")

AECI offers EG 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 significant role in the management of the Company or subsidiary companies and contribute to their growth and profitability.

On settlement, the value accruing to the participants will be their share of the full appreciation in the Group's HEPS.

Participants are entitled to exercise their units as follows:

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

If a unit is not exercised within seven 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 rights 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 EG units were issued for the first time in 2012.

30. EMPLOYEE BENEFITS continued

EARNINGS-GROWTH INCENTIVE SCHEME ("EG UNITS") continued

Details of outstanding EG units at 31 December 2013 were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
November 2019	November 2012	7,21	15 067 761	—	400 911	14 666 850
June 2020	June 2013	6,27	19 398 568	—	—	19 398 568
			34 466 329	—	400 911	34 065 418

	GROUP		COMPANY	
R millions	**2013**	2012	**2013**	2012
Total carrying amount of EG units liabilities (see note 16)	**11**	—	**5**	—

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION 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 were:

	NUMBER OF SHARES			
	2013 Direct	**2013 Indirect**	2012 Direct	2012 Indirect
Executive Directors				
GN Edwards [1]	**N/A**	**N/A**	2 010	—
MA Dytor [2]	**3 015**	**—**	3 015	N/A
	3 015	**—**	**5 025**	**—**
Non-executive Directors				
S Engelbrecht	**6 629**	**600**	6 629	600
MJ Leeming	**2 500**	**2 000**	2 500	2 000
	9 129	**2 600**	**9 129**	**2 600**
	12 144	**2 600**	**14 154**	**2 600**

1 GN Edwards retired as Chief Executive of the Company on 28 February 2013.

2 MA Dytor was appointed as an Executive Director of the Company on 2 January 2013.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

NON-EXECUTIVE DIRECTORS' REMUNERATION

R thousands	Directors' fees	Chairman/ Committee fees	Attendance fees	2013 Total	2012 Total
RMW Dunne	184	381	249	**814**	733
S Engelbrecht (appointed Chairman on 28 May 2012)	735	152	178	**1 065**	760
Z Fuphe	184	64	70	**318**	301
MJ Leeming	184	308	188	**680**	597
LL Mda	184	51	89	**324**	294
AJ Morgan	184	280	206	**670**	564
LM Nyhonyha	184	305	248	**737**	600
R Ramashia	184	101	115	**400**	408
F Titi (retired on 28 May 2012)				**—**	384
	2 023	1 642	1 343	5 008	4 641

EXECUTIVE DIRECTORS' REMUNERATION

R thousands	MA Dytor[1]	GN Edwards[2]	KM Kathan	Total
2013				
Basic salary	**2 945**	**871**	**2 894**	**6 710**
Bonus and performance-related payments[3]	**2 968**	**893**	**2 948**	**6 809**
Expense allowances, medical aid and insurance contributions	**496**	**180**	**427**	**1 103**
Leave pay	**147**	**709**	**138**	**994**
Retirement fund contributions[4]	**372**	**257**	**353**	**982**
AGGREGATE REMUNERATION PAID BY THE COMPANY	6 928	2 910	6 760	16 598
2012				
Basic salary		3 250	2 655	5 905
Bonus and performance-related payments[3]		3 124	2 591	5 715
Expense allowances, medical aid and insurance contributions		432	418	850
Retirement fund contributions		461	314	775
Earnings-based incentive scheme payments		985	—	985
AGGREGATE REMUNERATION PAID BY THE COMPANY	—	8 252	5 978	14 230

1 MA Dytor was appointed as an Executive Director of the Company on 2 January 2013.

2 GN Edwards retired as Chief Executive on 28 February 2013. After his retirement, he exercised 14 000 share options which generated a benefit of R1 349 600 before tax and 10 300 benefit units which generated a benefit of R813 700 before tax.

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

4 On GN Edwards' retirement, an enhancement cost of R8 034 385 was paid to the AECI Supplementary Pension Fund in his favour.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

PRESCRIBED OFFICERS' REMUNERATION[1]

R thousands	JAA Diepenbroek	MA Dytor[2]	TJ Louw[3]	EE Ludick	MVK Matshitse	SM Venter	Total
2013							
Basic salary	**2 097**			**1 953**	**2 105**	**2 326**	**8 481**
Bonus and performance-related payments[4]	**2 789**			**1 977**	**1 763**	**2 090**	**8 619**
Expense allowances, medical aid and insurance contributions	**386**			**407**	**205**	**430**	**1 428**
Retirement fund contributions	**370**			**244**	**336**	**367**	**1 317**
Benefit unit payments[5]	**1 029**			**—**	**—**	**—**	**1 029**
Earnings-based Incentive scheme payments[5]	**—**			**—**	**—**	**—**	**—**
Aggregate remuneration	**6 671**			**4 581**	**4 409**	**5 213**	**20 874**
Aggregate remuneration paid by subsidiaries	**(6 671)**					**(5 213)**	**(11 884)**
AGGREGATE REMUNERATION PAID BY THE COMPANY	**—**			**4 581**	**4 409**	**—**	**8 990**
2012							
Basic salary	2 036	2 282	1 242	1 775	1 859	2 016	11 210
Bonus and performance-related payments	980	2 204	—	1 727	1 468	1 683	8 062
Expense allowances, medical aid and insurance contributions	380	460	251	479	316	404	2 290
Leave pay	—	98	192	—	—	—	290
Retirement fund contributions	342	279	229	216	173	244	1 483
Earnings-based incentive scheme payments	—	668	2 873	481	—	581	4 603
Benefits pay-out on resignation[6]	—	—	3 537	—	—	—	3 537
Aggregate remuneration	3 738	5 991	8 324	4 678	3 816	4 928	31 475
Aggregate remuneration paid by subsidiaries	(3 738)	—	(3 639)	(198)	—	(4 928)	(12 503)
AGGREGATE REMUNERATION PAID BY THE COMPANY	**—**	**5 991**	**4 685**	**4 480**	**3 816**	**—**	**18 972**

AGGREGATE REMUNERATION

R thousands	2013 Total	2012 Total
Non-executive Directors	**5 008**	4 641
Executive Directors	**16 598**	14 230
Prescribed Officers	**20 874**	31 475
	42 480	**50 346**

1 *Members of the AECI Executive Committee exercise general control over the 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. Accordingly, the AECI Executive Committee members are the Company's Prescribed Officers.*

2 *MA Dytor was appointed as an Executive Director on 2 January 2013.*

3 *TJ Louw resigned with effect from 31 July 2012.*

4 *Bonus and performance-related amounts are in respect of the current year's performance but are paid in the following year.*

5 *JAA Diepenbroek exercised 13 931 benefit units which generated a benefit of R1 029 020 before tax. TJ Louw exercised 6 793 benefit units after his resignation which generated a benefit of R309 382 before tax and 274 875 EBIS units which generated a benefit of R669 487 before tax.*

6 *Apart from the benefits paid out to TJ Louw, no other compensation was paid to any Director, Prescribed Officer, past Directors or past Prescribed Officers for loss of office.*

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

8 *There are no service contracts with the Executive Directors or Prescribed Officers which have a notice period longer than one month.*

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION 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	Lapsed or forfeited	Outstanding
JAA Diepenbroek	March 2009	43,42	19 000	11 400	—	7 600
	March 2010	59,80	7 594	2 531	—	5 063
	March 2011	83,82	6 000	—	—	6 000
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
GN Edwards [1]	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
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
			486 241	**142 856**	**—**	**343 385**

1 *Retired on 28 February 2013.*

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

LONG-TERM INCENTIVE SCHEMES continued

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

	NUMBER OF UNITS	
	2013	2012
Outstanding at the beginning of the year	**367 616**	478 941
Issued during the year	**—**	—
Lapsed or forfeited	**—**	—
Exercised during the year	**(24 231)**	(111 325)
OUTSTANDING AT THE END OF THE YEAR	**343 385**	**367 616**

During the year JAA Diepenbroek exercised 13 931 benefit units (2012: nil) which generated a benefit of R1 029 020 (2012: nil) before tax. GN Edwards exercised 10 300 benefit units (2012: nil) which generated a benefit of R813 700 (2012: nil) before tax.

In 2012, S Engelbrecht exercised 111 325 benefit units which generated a benefit of R4 505 718 before tax.

None of the other Directors or Prescribed Officers exercised any benefit units in either the current or the prior year.

EARNINGS-BASED INCENTIVE SCHEMES ("EBIS UNITS")

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

			NUMBER OF UNITS			
	Date granted	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
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
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
GN Edwards[1]	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
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
			8 918 215	**2 157 050**	**—**	**6 761 165**

1 Retired on 28 February 2013.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

LONG-TERM INCENTIVE SCHEMES continued

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

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

	NUMBER OF UNITS	
	2013	2012
Outstanding at the beginning of the year	**6 761 165**	8 842 715
Issued during the year	**—**	—
Lapsed or forfeited	**—**	—
Exercised during the year	**—**	(2 081 550)
OUTSTANDING AT THE END OF THE YEAR	**6 761 165**	**6 761 165**

In 2012, S Engelbrecht exercised 1 714 150 EBIS units which generated a benefit of R4 991 694 before tax, GN Edwards exercised 275 000 EBIS units which generated a benefit of R984 500 before tax, and MA Dytor exercised 92 400 EBIS units which generated a benefit of R177 512 before tax.

Included in outstanding EBIS units were the following units granted 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	130 000	—
	March 2007	4,30	120 000	120 000	—
	March 2008	4,77	180 000	108 000	72 000
	March 2009	7,37	135 000	—	135 000
EE Ludick	March 2005	2,97	190 000	190 000	—
	August 2006	3,45	125 000	125 000	—
	March 2007	4,30	115 000	115 000	—
	March 2008	4,77	190 000	114 000	76 000
	March 2009	7,37	150 000	—	150 000
SM Venter	March 2005	2,97	190 000	190 000	—
	August 2006	3,45	160 000	160 000	—
	March 2007	4,30	145 000	145 000	—
	March 2008	4,77	190 000	114 000	76 000
	March 2009	7,37	150 000	—	150 000
			2 360 000	**1 701 000**	**659 000**

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

LONG-TERM INCENTIVE SCHEMES continued

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

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

	NUMBER OF UNITS	
	2013	2012
Outstanding at the beginning of the year	**659 000**	1 512 000
Reclassified EBIS units	—	72 000
Exercised during the year	—	(925 000)
OUTSTANDING AT THE END OF THE YEAR	**659 000**	**659 000**

In 2012, MA Dytor exercised 136 000 EBIS units which generated a benefit of R490 496 before tax. EE Ludick exercised 134 000 units which generated a benefit of R481 044 before tax. SM Venter exercised 160 000 units which generated a benefit of R581 500 before tax.

None of the Directors or Prescribed Officers exercised any benefit units in the current year.

SHARE OPTION SCHEME

The share option scheme concluded in June 2013 and there are no outstanding share options under this scheme.

Movements in the number of share options held by Directors and Prescribed Officers were as follows:

	NUMBER OF OPTIONS	
	2013	2012
Outstanding at the beginning of the year	**14 000**	81 600
Changes in Directors during the year	**(14 000)**	(67 600)
OUTSTANDING AT THE END OF THE YEAR	—	**14 000**

On 5 March 2012, S Engelbrecht exercised 67 600 options which generated a benefit of R4 596 462 before tax. On 13 December 2013, GN Edwards exercised 14 000 share options which generated a benefit of R1 349 600 before tax.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

LONG-TERM INCENTIVE SCHEMES continued

EARNINGS-GROWTH INCENTIVE SCHEMES ("EG UNITS")

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

			NUMBER OF UNITS		
	Date granted	Issue price (Rand)	Granted	Exercised	Outstanding
JAA Diepenbroek	November 2012	7,21	95 580	—	95 580
	June 2013	6,27	138 190	—	138 190
MA Dytor	November 2012	7,21	157 857	—	157 857
	June 2013	6,27	393 974	—	393 974
GN Edwards[1]	November 2012	7,21	182 440	—	182 440
KM Kathan	November 2012	7,21	182 233	—	182 233
	June 2013	6,27	443 119	—	443 119
EE Ludick	November 2012	7,21	107 340	—	107 340
	June 2013	6,27	133 266	—	133 266
MVK Matshitse	November 2012	7,21	109 668	—	109 668
	June 2013	6,27	136 069	—	136 069
SM Venter	November 2012	7,21	118 961	—	118 961
	June 2013	6,27	179 480	—	179 480
			2 378 177	**—**	**2 378 177**

1 Retired on 28 February 2013.

Movements in the number of EG units held by Directors and Prescribed Officers were:

	NUMBER OF UNITS	
	2013	2012
Outstanding at the beginning of the year	**—**	—
Issued during the year	**2 378 177**	—
Exercised during the year	**—**	—
OUTSTANDING AT THE END OF THE YEAR	**2 378 177**	**—**

None of the Directors or Prescribed Officers exercised any EG units in the current year since these units have not vested.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

LONG-TERM INCENTIVE SCHEMES continued

AECI PERFORMANCE SHARES ("PS")

Included in outstanding PS were the following granted to Directors and Prescribed Officers.

		NUMBER OF UNITS		
	Date granted	Granted	Exercised	Outstanding
JAA Diepenbroek	March 2012	6 799	—	6 799
	March 2013	6 189	—	6 189
MA Dytor	March 2012	11 230	—	11 230
	March 2013	28 232	—	28 232
GN Edwards	March 2012	20 766	—	20 766
KM Kathan	March 2012	17 112	—	17 112
	March 2013	26 197	—	26 197
EE Ludick	March 2012	7 636	—	7 636
	March 2013	5 969	—	5 969
MVK Matshitse	March 2012	7 802	—	7 802
	March 2013	6 094	—	6 094
SM Venter	March 2012	8 463	—	8 463
	March 2013	8 039	—	8 039
		160 528	**—**	**160 528**

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

	NUMBER OF UNITS	
	2013	2012
Outstanding at the beginning of the year	**—**	—
Issued during the year	**160 528**	—
OUTSTANDING AT THE END OF THE YEAR	**160 528**	**—**

None of the Directors or Prescribed Officers exercised any PS since these have not vested.

32. OPERATING SEGMENTS

	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
R millions	**2013**	2012	**2013**	2012	**2013**	2012
Explosives	**7 364**	6 270	**70**	57	**7 434**	6 327
Specialty chemicals	**7 985**	7 225	**374**	396	**8 359**	7 621
Property	**593**	332	**79**	68	**672**	400
Inter-segment	**—**	—	**(523)**	(521)	**(523)**	(521)
	15 942	**13 827**	**—**	**—**	**15 942**	**13 827**

	PROFIT FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
R millions	**2013**	2012	**2013**	2012	**2013**	2012
Explosives	**572**	417	**319**	259	**—**	—
Specialty chemicals	**922**	891	**202**	189	**14**	12
Property	**219**	33	**8**	5	**—**	—
Group services	**(315)**	(144)	**8**	7	**—**	—
	1 398	**1 197**	**537**	**460**	**14**	**12**

	ASSETS		LIABILITIES		CAPITAL EXPENDITURE	
R millions	**2013**	2012	**2013**	2012	**2013**	2012
Explosives	**4 317**	3 871	**1 258**	1 034	**290**	367
Specialty chemicals	**6 338**	5 869	**1 797**	1 495	**236**	145
Property	**1 173**	921	**122**	113	**98**	23
Group services	**69**	22	**107**	116	**9**	3
	11 897	**10 683**	**3 284**	**2 758**	**633**	**538**

GROUP

	2013	2012
ASSETS CONSISTS OF		
Property, plant and equipment	**3 756**	3 662
Investment property	**173**	445
Intangible assets	**143**	159
Goodwill	**1 123**	1 089
Inventory	**3 090**	2 711
Accounts receivable	**3 326**	2 617
Assets classified as held for sale	**286**	—
	11 897	**10 683**
LIABILITIES CONSIST OF		
Accounts payable	**3 284**	2 758

Transactions between segments are at prices considered to be at arm's length.

Specialty fibres has been reported as part of the specialty chemicals segment with effect from 1 January 2013. The comparatives have been adjusted accordingly.

Joint ventures are not included in the operating segments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

33. BUSINESS COMBINATIONS AND CHANGE IN OWNERSHIP PERCENTAGE

Acquiree	Date of acquisition	% of shares acquired	Consideration R millions
CHANGE IN OWNERSHIP PERCENTAGE			
Afoodable	1 March 2013	20	**3**
BUSINESS ACQUIRED			
SA Premix [1]	1 September 2013	90	**75**
			78

1 SA Premix's revenue since acquisition was R72 million. The profit made in the period to December 2013 was R7 million.

Lake International Technologies exercised an option to purchase the remaining 20% stake in Afoodable. Afoodable is now a wholly-owned subsidiary of the Company. Afoodable manufactures and bottles liquid marinades and sauces.

The Group acquired the business of SA Premix. SA Premix manufactures nutritional additives for the agricultural and veterinarian markets. The business acquired has been merged into Chemfit Fine Chemicals ("CFC"), part of Chemfit.

CFC increased its share capital, issuing 10% of its enlarged share capital to non-controlling shareholders and increasing the number of shares held by the Group. The new shares were issued for R75 million with the non-controlling shareholders contributing R7,5 million for their 10%. Chemfit Fine Chemicals used these funds to acquire the business of SA Premix, resulting in the Group effectively acquiring 90% of the SA Premix business.

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	**6**
Working capital	**44**
Deferred and current tax	**(3)**
Net identifiable assets and liabilities	**47**
Other reserves	**(1)**
Non-controlling interest	**(6)**
Goodwill on acquisition	**38**
NET CASH OUTFLOW	**78**

34. PRINCIPAL SUBSIDIARIES

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LTD# SHARES		INTEREST OF AECI LTD# LOANS TO/(FROM)	
	2013 Number of shares	2013 %	2012 %	2013 R millions	2012 R millions	2013 R millions	2012 R millions
HOLDING COMPANIES							
Directly held							
AECI International (Ireland) Ltd	1	100	100	*	*	—	—
AECI Treasury Holdings (Pty) Ltd	100	100	100	*	*	193	227
Indirectly held							
African Explosives Holdings (Pty) Ltd	4 331 278	100	100	—	—	—	—
African Explosives International Ltd[1]	1 307	100	100	—	—	—	—
INSURANCE							
Directly held							
AECI Captive Insurance Company Ltd	810 000	100	100	11	11	(85)	(57)
EXPLOSIVES							
Directly held							
AEL Holdco Ltd	99 800 000	100	100	468	468	3 445	3 516
Indirectly held							
AEL Burkina SARL[2]	100 000	100	100	—	—	—	—
AEL Chile	2	100	100	—	—	—	—
AEL DRC SPRL[3]	10 000	100	100	—	—	—	—
AEL Mali SARL	8 659	100	100	—	—	—	—
AEL (Mauritius) Ltd	866	100	100	—	—	200	—
AEL Morocco	2 500	100	100	—	—	—	—
AEL Namibia (Pty) Ltd	100	100	100	—	—	—	—
AEL Zambia plc	25 508 250	80	80	—	—	—	—
AEL Mining Services Ltd++	100	100	100	—	—	—	—
African Explosives (Botswana) Ltd	3	100	100	—	—	—	—
African Explosives (Ghana) Ltd	1 000 000	100	100	—	—	—	—
African Explosives (Tanzania) Ltd	26	100	100	—	—	—	—
PT AEL Indonesia	1 150	100	100	—	—	—	—
PROPERTY							
Heartland Leasing (Pty) Ltd	1 000	100	100	*	*	—	—
Heartland Properties (Pty) Ltd	1	100	100	*	*	786	682
Other property subsidiaries				21	21	(292)	(184)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 continued

34. PRINCIPAL SUBSIDIARIES continued

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LTD# SHARES		INTEREST OF AECI LTD# LOANS TO/(FROM)	
	2013 Number of shares	2013 %	2012 %	2013 R millions	2012 R millions	2013 R millions	2012 R millions
SPECIALTY CHEMICALS							
Directly held							
Chemical Services Ltd	83 127 950	100	100	818	818	(1 023)	(824)
Indirectly held							
Afoodable (Pty) Ltd	100	100	80	16	13	6	
Akulu Marchon (Pty) Ltd +	410 000	100	100	—	—	—	—
Atlas Consolidated Industries (Pty) Ltd +	200	100	100	—	—	—	—
Chemfit (Pty) Ltd	4 000	100	100	—	—	9	5
Chemfit Fine Chemicals (Pty) Ltd +++	1 000	90	100	—	—	—	—
Chemical Initiatives (Pty) Ltd +	1	100	100	—	—	—	—
Chemiphos SA (Pty) Ltd	170	100	100	—	—	(44)	—
Chemserve Systems (Pty) Ltd +	625 000	100	100	—	—	—	—
Cobito (Pty) Ltd	300	100	100	—	—	(97)	1
Duco Speciality Coatings (Pty) Ltd	100 000	100	100	—	—	47	99
Extractive Technologies (Pty) Ltd	100	100	100	—	—	—	—
ImproChem (Pty) Ltd	4 000	100	100	—	—	234	261
Industrial Oleochemical Products (Pty) Ltd +	4 001	100	100	—	—	—	—
Lake International Technologies (Pty) Ltd +	13 395	100	100	—	—	—	—
Nulandis (Pty) Ltd +	400	100	100	—	—	—	—
Plastamid (Pty) Ltd	128 500	100	100	—	—	9	10
Senmin International (Pty) Ltd	8 008 500	100	100	—	—	(146)	9
Senmin SA (Pty) Ltd	50 000	100	100	—	—	(19)	—
Other specialty chemicals subsidiaries				—	—	(7)	7
SPECIALTY FIBRES							
Directly held							
SANS Fibres (Pty) Ltd +	17 979 433	100	100	8	8	(131)	(94)
SANS Fibers Inc. 4	100	100	100	—	—	339	278
Indirectly held							
SANS Technical Fibers LLC 4		100	100	—	—	—	—
OTHER				50	23	(37)	(57)
				1 392	**1 362**	**3 387**	**3 879**

AGGREGATE ASSETS AND LIABILITIES OF PRINCIPAL SUBSIDIARIES

R millions	2013	2012
Non-current assets	9 283	8 139
Current assets	6 729	5 862
TOTAL ASSETS	**16 012**	**14 001**
Non-current liabilities	2 131	1 752
Current liabilities	7 109	6 934
TOTAL LIABILITIES	**9 420**	**8 686**

\# *Cost less impairments.*

\+ *Trading as an agent on behalf of AECI Ltd.*

++ *Trading as an agent on behalf of AEL Holdco Ltd.*

+++ *10% of the shareholding was acquired by the minority shareholders as part of the SA Premix acquisition.*

* *Nominal amount.*

All companies are incorporated in the Republic of South Africa except for those whose country of incorporation is indicated by their registered company name, and those annotated as follows: 1. United Kingdom 2. Burkina Faso 3. Democratic Republic of Congo 4. United States of America.

35. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that has a material non-controlling interest:

R millions	AEL Zambia	Chemfit Fine Chemicals	Other	Total
2013				
Non-controlling interest (%)	**20**	**10**		
Non-current assets	**59**	**66**		
Current assets	**284**	**72**		
Non-current liabilities	**(92)**	**(5)**		
Current liabilities	**(96)**	**(52)**		
NET ASSETS	**155**	**81**		
Carrying amount of non-controlling interest	**31**	**8**	**13**	**52**
Revenue	**(674)**	**(72)**		
Profit	**(12)**	**(5)**		
TOTAL COMPREHENSIVE INCOME	**(12)**	**(5)**		
Total comprehensive income allocated to non-controlling interest	**(3)**	**(1)**	**(1)**	**(5)**
2012				
Non-controlling interest (%)	20			
Non-current assets	104			
Current assets	265			
Non-current liabilities	(87)			
Current liabilities	(158)			
NET ASSETS	**124**			
Carrying amount of non-controlling interest	23		14	37
Revenue	(641)			
Profit	(32)			
TOTAL COMPREHENSIVE INCOME	**(32)**			
Total comprehensive income allocated to non-controlling interest	(4)		(2)	(6)

Chemfit Fine Chemicals is incorporated in the Republic of South Africa and AEL Zambia is incorporated in Zambia.

36. SUBSEQUENT EVENTS

PROPERTY DISPOSAL

The Group's disposal of property assets to Shanghai Zendai became effective on 20 March 2014, when the transfer of three specific properties was completed. Certain other key conditions precedent in the agreements were met in January 2014. Immediately after the effective date, another portion of the transaction also became effective, and was recognised as a disposal, with the commencement of a 99-year lease on certain properties. The properties have been sold but are not expected to be ready for transfer in the required timeframe and the lease has been put in place to compensate for this delayed transfer.

On the transaction becoming effective, a condition of the agreements was that the full initial purchase price (including VAT) be deposited with AECI and, accordingly, R1 061 million was received on the effective date. The VAT was payable in full on receipt of the proceeds and was included in the relevant Group companies' March 2014 VAT returns. The purchase price of the three properties transferred on 20 March 2014 was R513 million (including VAT) and the purchase price in respect of the properties which are initially subject to the 99-year lease was R133 million (including VAT). These transactions were recognised in March 2014.

The balance of the proceeds (excluding VAT) will be retained in the statement of financial position and further disposals will be recognised when the remaining properties are transferred. Although the Group has 36 months in which to effect the remaining transfers, it is expected that these will be completed in a shorter period.

Two of the properties transferred on 20 March 2014 were development properties held as inventory in the statement of financial position at 31 December 2013. The third was included in assets held for sale, as were the properties subject to the 99-year lease. The proceeds from the two development properties are recognised as revenue, with the carrying amount recognised in cost of sales, and the net profit is subject to normal tax. The third property and the properties subject to the 99-year lease are disposals of capital assets and will be recognised in operating profit as disposals of assets held for sale. The sales of these properties are subject to capital gains tax and will be excluded from HEPS calculations.

AECI PENSION FUND

AECI has been investigating options to de-risk its defined-obligations and to this end concluded an agreement with the Trustees of the AECI Pension Fund on 7 March 2014. The Trustees and the Company are working on details of proposals to active members, deferred pensioners and pensioners. Once agreement is reached, the proposals will be subject to comment and objection from active members, deferred pensioners and pensioners.

The current benefits offered by the Fund are unchanged and will remain so until the proposals are agreed by all stakeholders and the necessary regulatory approvals have been obtained. Implementation will only commence thereafter. Until then, there are no changes in respect of the Group's defined-benefit obligations.

BUSINESS COMBINATION

The Group concluded an agreement with Clariant Southern Africa for the purchase of the latter's water treatment business and assets in South Africa and its business in the rest of Africa. The agreement has a number of conditions precedent before it becomes effective, none of which had been met at the date of this report. The purchase price of the business and shares included in the transaction is R409 million, subject to adjustments.

FINANCIAL CALENDAR

2013 FINAL ORDINARY DIVIDEND NO. 160	
DECLARATION DATE	24 FEBRUARY
LAST DATE TO TRADE CUM DIVIDEND	4 APRIL 2014
EX DIVIDEND TRADE	7 APRIL 2014
RECORD DATE	11 APRIL 2014
PAYMENT DATE	14 APRIL 2014
5,5% PREFERENCE SHARES DIVIDEND NO. 152	
DECLARATION DATE	16 MAY 2014
LAST DATE TO TRADE CUM DIVIDEND	30 MAY 2014
EX DIVIDEND TRADE	2 JUNE 2014
RECORD DATE	6 JUNE 2014
PAYMENT DATE	13 JUNE 2014
90TH ANNUAL GENERAL MEETING	**2 JUNE 2014**
2014 INTERIM ORDINARY DIVIDEND NO. 161	
DECLARATION DATE	28 JULY 2014
LAST DATE TO TRADE CUM DIVIDEND	29 AUGUST 2014
EX DIVIDEND TRADE	1 SEPTEMBER 2014
RECORD DATE	5 SEPTEMBER 2014
PAYMENT DATE	8 SEPTEMBER 2014
2014 INTERIM REPORT RELEASED	**29 JULY 2014**
5,5% PREFERENCE SHARES DIVIDEND NO. 153	
DECLARATION DATE	21 NOVEMBER 2014
LAST DATE TO TRADE CUM DIVIDEND	5 DECEMBER 2014
EX DIVIDEND TRADE	8 DECEMBER 2014
RECORD DATE	8 DECEMBER 2014
PAYMENT DATE	8 DECEMBER 2014
FINANCIAL YEAR-END	**31 DECEMBER 2014**
2014 FINANCIAL RESULTS RELEASED	**FEBRUARY 2015**
2014 INTEGRATED REPORT POSTED	**APRIL 2015**

NOTICE OF ANNUAL GENERAL MEETING

AECI Limited
Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
JSE Share code: AFE
ISIN code: ZAE000000220
("AECI" or "the Company" or "the Group")

NOTICE OF MEETING

Notice is hereby given that the 90th 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, 2 June 2014 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 2013;
› present the Audit Committee's report;
› present the Social and Ethics 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.

ORDINARY RESOLUTION NUMBER 1

ADOPTION OF ANNUAL FINANCIAL STATEMENTS

Resolved that the audited annual financial statements of the Company and the Group for the year ended 31 December 2013 be received and adopted.

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 auditor of the Company and to note that Ms ML Watson, as the individual registered auditor, will undertake the audit during the financial year ending 31 December 2014.

ORDINARY RESOLUTIONS NUMBERS 3.1 TO 3.3:

RE-ELECTION OF NON-EXECUTIVE DIRECTORS

Resolved that the following Non-executive Directors who are retiring in terms of the Company's Memorandum of Incorporation ("MOI") and who, being eligible, be re-elected:

3.1 Mr RMW Dunne
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 pages 22 and 23 of the integrated report of which this Notice forms part.

ORDINARY RESOLUTION NUMBER 4

RE-ELECTION OF EXECUTIVE DIRECTOR

Resolved that Mr KM Kathan, who is retiring in terms of the Company's MOI and who, being eligible, be re-elected.

A brief curriculum vitae of Mr Kathan is provided on page 24 of the integrated report of which this Notice forms part.

ORDINARY RESOLUTIONS NUMBERS 5.1 TO 5.3

ELECTION OF AUDIT COMMITTEE MEMBERS

Resolved that subject to 3.1 and 3.2, the following Independent Non-executive Directors of the Company be appointed as members of the Audit Committee until the next Annual General Meeting:

5.1 Mr RMW Dunne
5.2 Mr AJ Morgan
5.3 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 22 and 23 of the integrated report of which this Notice forms part.

ORDINARY RESOLUTION NUMBER 6

REMUNERATION POLICY

Resolved to endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the integrated report of which this Notice forms part, as follows:

Remuneration of employees: pages 82 to 85.

Remuneration of Directors: page 85.

	RAND PER ANNUM	
	Current	**Proposed**
BOARD		
1.1 Chairman	756 000	**803 000**
1.2 Non-executive Directors	188 800	**200 500**
AUDIT COMMITTEE		
1.3 Chairman	160 500	**170 400**
1.4 Members	80 300	**85 200**
OTHER BOARD COMMITTEES		
1.5 Chairman	103 900	**110 300**
1.6 Members	52 000	**55 200**
SUBSIDIARIES' FINANCIAL REVIEW AND RISK COMMITTEE ("FRRC")		
1.7 Chairman	103 900	**110 300**
1.8 Non-executive Members	52 000	**55 200**
1.9 Meeting attendance fee	9 100	**9 500**
1.10 Hourly fee for ad hoc services	3 000	**3 000**

SPECIAL RESOLUTIONS NUMBERS 1.1 TO 1.10

DIRECTORS' FEES

Resolved that the annual fees payable by the Company to its Non-executive Directors, with effect from 1 June 2014, be approved as set out in the table above.

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 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 numbers 1.1 to 1.10 will be considered by way of a separate vote.

SPECIAL RESOLUTION NUMBER 2

GENERAL AUTHORITY TO REPURCHASE SHARES

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:

› subject to section 48 of the Companies Act, the general authority to repurchase is limited to a maximum of 5% in the aggregate, in any one financial year, of the Company's issued share capital at the beginning of the financial year, provided that the number of shares purchased and held by or for the benefit of a subsidiary or subsidiaries of the Company, taken together, shall not exceed 10% in the aggregate of the number of issued shares in the Company;

› 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 ("the AECI Board") confirming that the AECI 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 Company and its subsidiaries (collectively "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. The JSE should be consulted for a ruling if the Company's securities have not traded in such a five business day period;

› 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 in issue as at the time this resolution is passed ("initial number") and for each 3% in aggregate of the initial number of that class acquired thereafter; and

› the Company or its subsidiaries 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 Stock Exchange News Services 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 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 the 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 interests of the Company to do so at any time while the general authority is in force.

SPECIAL RESOLUTION NUMBER 3

FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANY

Resolved that, in terms of and subject to the provisions 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 AECI Board shall be given to all shareholders of the Company and any trade union representing its employees:
   - within 10 business days after the AECI 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 AECI 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, 11 April 2014 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, 23 May 2014. 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, 16 May 2014.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 6 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.

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 22 to 27);

(ii) Major shareholders of the Company (refer to the shareholder analysis on pages 86 to 90);

(iii) Directors' interest in the Company (refer to the Directors' report on page 99); and

(iv) Share capital of the Company (refer to the Directors' report on page 98).

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 on pages 22 and 24 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 Group Company Secretary (**nomini.rapoo@aeci.co.za**) by no later than 16h00 on Wednesday, 28 May 2014 in order for the Group 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 (which may take the form of a valid identity document, driver's licence or passport, for example);
- 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 no later than 09h00 on Thursday, 29 May 2014. Any forms of proxy not received by this time must be handed to the Chairman 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.

All resolutions shall be decided on a poll and 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, must 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 no later than 09h00 on Thursday, 29 May 2014.

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 (which may take the form of a valid identity document, driver's licence or passport, for example).

By order of the Board

Nomini Rapoo
Group Company Secretary

Woodmead, Sandton
11 April 2014

FORM OF PROXY

AECI Limited
Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
JSE Share code: AFE
ISIN code: ZAE000000220
("AECI" or "the Company" or "the Group")

This proxy form relates to the 90th Annual General Meeting to be held on Monday, 2 June 2014 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. ______________________________

2. or failing him/her ______________________________

3. or failing him/her 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 Non-executive Directors			
	3.1 Mr RMW Dunne			
	3.2 Mr AJ Morgan			
	3.3 Adv R Ramashia			
Ordinary resolution No. 4	Re-election of Executive Director			
Ordinary resolution No. 5	Election of Audit Committee Members			
	5.1 Mr RMW Dunne			
	5.2 Mr AJ Morgan			
	5.3 Mr LM Nyhonyha			
Ordinary resolution No. 6	Remuneration policy			
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 ____________________ 2014

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. A shareholder entitled to attend and vote at the Annual General Meeting may, at any time, appoint any individual, including an individual who is not a shareholder of the Company, as a proxy, amongst other things, to participate in, and speak and vote at the Annual General Meeting on behalf of the shareholder. Satisfactory identification must be presented by any person wishing to attend the Annual General Meeting, as set out in the Notice.

2. Every shareholder present in person or by proxy and entitled to vote at the Annual General Meeting of the Company shall, on a poll, be entitled to one vote in respect of each ordinary share held by her/him.

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 overleaf, with or without deleting "the Chairman of the Annual General Meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the Chairman of the Annual General Meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

4. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as she/he thinks fit in respect of all the shareholder's exercisable votes. A shareholder or her/his proxy is not obliged to use all the votes exercisable by her/his proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder or by her/his proxy.

5. A minor must be assisted by her/his parent or guardian unless the relevant documents establishing her/his legal capacity are produced or have been registered by the Transfer Secretaries.

6. Forms of proxy must be lodged at, posted to or faxed to the Transfer Secretaries of the Company, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, Fax +27 11 688 5238, to be received by them not later than 09h00 on Thursday 29 May 2014. Any forms of proxy not received by this time must be handed to the Chairman of the Annual General Meeting immediately prior to the Annual General Meeting.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the Chairman of the Annual General Meeting.

8. 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.

9. 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.

10. Shareholders who wish to attend and vote at the Annual General Meeting must ensure that their letters of authority from their CSDP or broker reach the Transfer Secretaries not later than 09h00 on Thursday, 29 May 2014.

11. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

12. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this form of proxy must be initialled by the signatory/ies.

13. The Chairman of the Annual General Meeting may accept any form of proxy which is completed other than in accordance with these instructions provided that he is satisfied as to the manner in which a shareholder wishes to vote.

14. A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.

15. A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.

16. A proxy appointment must be in writing, dated and signed by the shareholder, and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.

17. The appointment of a proxy in terms of this form of proxy is revocable in terms of the provisions of section 58(4)(c) read with section 58(5) of the Companies Act and, accordingly, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company.

18. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument is delivered in terms of 17 above.

ADMINISTRATION

GROUP 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 (Pty) Ltd
70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
South Africa

and

Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
England

AUDITOR

KPMG Inc.

PRIMARY TRANSACTIONAL AND FUNDING BANKS

Absa Bank Ltd
First National Bank of Southern Africa Ltd
Nedbank Ltd
The Standard Bank of South Africa Ltd

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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