INTEGRATED REPORT 2014

AECI
good chemistry

Progress has been made in aligning the information contained in this integrated report with the six capitals of the International Integrated Reporting Council's International <IR> Framework. The set of icons below has been incorporated into the narrative to highlight when the information touches on the respective capitals.

Icon guide


Financial capital


Manufactured capital


Intellectual capital


Human capital


Social and relationship capital


Natural capital

CONTENTS

AECI LIMITED
Incorporated in the Republic of South Africa (Registration Number 1924/002590/06) JSE share code: AFE ISIN code: ZAE000000220

ABOUT THIS REPORT

This integrated report to stakeholders, for the financial year ended 31 December 2014, has been prepared in accordance with the principles contained in the King Report on Governance for South Africa, 2009 ("King III"), other guidelines and regulatory requirements.

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 Limited ("the Company") 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 the Company and 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 2014; King III; the International Integrated Reporting Council's International <IR> Framework; 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 169 and information on joint arrangements is in note 6 on page 122. The report relates to the financial reporting period 1 January 2014 to 31 December 2014.

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 and IFRS.

Progress has been made in aligning the information contained in this integrated report with the six capitals of the International Integrated Reporting Council's International <IR> Framework. A set of icons has been incorporated into the narrative to highlight when the information touches on the respective capitals. A key explaining these icons can be found on the inside front cover.

As in prior years, external assurance obtained in 2014 also included limited assurance on selected sustainability information which AECI believes is material in view of the nature of its businesses and the environment in which they operate. See page 70.

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 assessed regularly 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 2013'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 14.

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 2014 integrated report on 7 April 2015.

For and on behalf of the Board

Schalk Engelbrecht
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
7 April 2015

PROFILE AND STRATEGY

AECI is a South African-based explosives and specialty chemicals company focused on providing products and services to a broad spectrum of customers in the mining, manufacturing and agricultural sectors. It has regional and international businesses in Africa, South East Asia and Australia. Other markets of interest are in Latin America.

AECI was registered as a company in South Africa in 1924 and has been listed on the JSE since 1966.

The AECI Group currently comprises 16 businesses.

31 DEC '14 MARKET CAP

R17,2bn

6 450 EMPLOYEES

1 500 OF THEM OUTSIDE SA

The focus is on domestic growth as well as on-going expansion outside South Africa in the Group's chosen strategic areas of Mining Solutions, Water Solutions, Agrochemicals and Food Additives. The proactive management of the portfolio of Specialty Chemicals business is the Group's fifth growth pillar. Mining Solutions is led by AEL Mining Services ("AEL") and Senmin; Water Solutions by ImproChem; Agrochemicals by Nulandis and Food Additives by Lake Foods.

1 MINING SOLUTIONS

The Mining Solutions pillar is AECI's international business. Both AEL and Senmin have their own unrestricted intellectual property and know-how, enabling them to service customers world-wide.

In 2014 AEL invested about 2% of its annual revenue in R&D, with product innovation and enhancements under the management of its specialist team at Modderfontein. In May 2015, Senmin will take occupation of its R72 million state-of-the-art R&D facility in Sasolburg.

2 WATER SOLUTIONS

Expansion in Africa is the focus for Water Solutions and Agrochemicals.

ImproChem's African footprint was enhanced in 2014 with the acquisition of the African water treatment business of Clariant Southern Africa (Pty) Ltd. ImproChem is now the leading industrial, effluent and municipal water treatment chemical company in Africa.

3 AGROCHEMICALS

Nulandis is leading the Group's growth in the agricultural sector. Ecologika®, formerly a division of Chemical Initiatives, also services the agricultural market with specialty sulphur-based products and was integrated into Nulandis on 1 January 2015. This will allow Ecologika® to benefit from Nulandis' established footprint in South Africa and the rest of Africa. At the same time Nulandis' portfolio has been enhanced, strengthening the AECI Group's position and prospects as a provider of agrochemicals.

4 FOOD ADDITIVES

In Food Additives, Lake Foods is the lead Group company. The strategy is for the business to reach critical mass in South Africa and to expand into the rest of Africa thereafter.

5 SPECIALTY CHEMICALS

A solid portfolio of specialty chemicals businesses in South Africa remains core for AECI. These businesses serve a diverse range of customers in the local manufacturing sector. The active management of this portfolio ensures that synergies are maximised to enhance overall efficiencies and that costs remain well controlled.

PROPERTY

The bulk sale of surplus property at Modderfontein was completed in 2014. AECI's remaining property activities, mainly the leasing of buildings and the provision of services at the multi-user Umbogintwini Industrial Complex in KwaZulu-Natal, are managed by Acacia Real Estate.

The Group continues to evaluate alternatives for the disposal of its surplus land and assets at Somerset West. A bulk disposal remains the preferred option.

REVENUE SPLIT (%)

MINING SOLUTIONS 56% OF GROUP REVENUE

GROUP REVENUE BY MINERAL MINED (%)

SPECIALTY CHEMICALS REVENUE BY MARKET SECTOR (%)

WATER SOLUTIONS 12% OF SPECIALTY CHEMICALS REVENUE

RISK MANAGEMENT

Effective risk management is central to the sustainability of AECI's business. The value of risk management is measured by ascertaining whether related interventions and activities help the Group achieve its strategic objectives. The achievement of these objectives requires an appropriate balance between risk and reward in a controlled environment.

The close alignment of risk management and strategic decision-making increases the probability that AECI will be able to minimise its downside risks as well as capitalise on opportunities. For this reason, the robustness and maturity of AECI's risk management framework were re-evaluated in 2014. The objective was not to re-initiate work already done but rather to enhance components of the framework that would add further value.

RISK MANAGEMENT FRAMEWORK ENHANCEMENTS

The following risk management methodology enhancements were introduced into the AECI Enterprise Risk Management Framework during the year:

› The classification of risks according to causational categories, namely Preventable, Strategic and External risks (see diagram below).

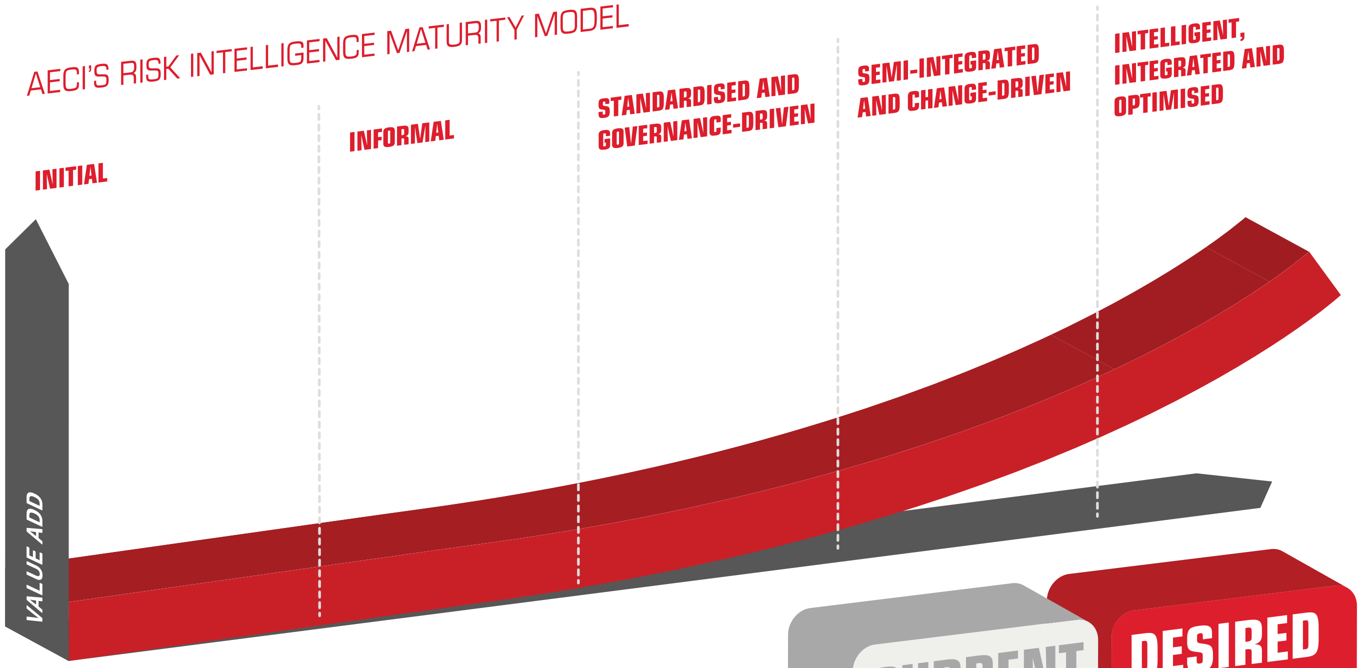
Preventable risks are internal to the Group and are controllable. AECI has a low tolerance for taking these risks as they offer no strategic benefit.

Strategic risks are both internal and external and entail voluntary risk-taking to generate superior returns from the growth strategy. AECI has a moderate tolerance for these risks in the context of the perceived business benefits.

External risks exist outside of the Group and are beyond its influence or control. Business resilience strategies are crucial if AECI is to deal appropriately with the consequences should these risks materialise. AECI has a moderate tolerance for this type of risk.

RISK CLASSIFICATION

AECI'S RISK INTELLIGENCE MATURITY MODEL



CURRENT

DESIRED

STAGES OF RISK MANAGEMENT MATURITY JOURNEY

CHARACTERISTICS

INITIAL	INFORMAL	STANDARDISED AND GOVERNANCE-DRIVEN	SEMI-INTEGRATED AND CHANGE-DRIVEN	INTELLIGENT, INTEGRATED AND OPTIMISED
› AD HOC/CHAOTIC › NO FORMAL RISK MANAGEMENT (“RM”) STRATEGY › NO USE OF STANDARDS, TOOLS AND TECHNIQUES	› RM PREDOMINANTLY “RISK SPECIFIC” › LIMITED FOCUS ON INTEGRATION › RISK VIEWED SOLELY AS AN EVENT WITH A NEGATIVE CONSEQUENCE › AWARE OF TECHNIQUES WITHOUT THE FORMAL APPLICATION OF STANDARDS › NO DIFFERENTIATION BETWEEN “RISKS” AND “HAZARDS”	› REPORTING FOCUS › COMMON FRAMEWORK, PROGRAMME STATEMENT AND POLICY › HIGH LEVEL RISK ASSESSMENTS › MANAGEMENT OF ALL RISK TYPES IS NOT APPROACHED UNIFORMLY › RISK VIEWED LARGELY AS AN EVENT WITH A NEGATIVE CONSEQUENCE › USE OF STANDARDS	› CHANGE MANAGEMENT APPROACH TO RM › COORDINATED RM ACROSS BUSINESSES AND ACTIVITIES › ALL TYPES OF RISKS ARE MANAGED THROUGH A UNIFORM SYSTEM › RISK IS VIEWED AS UNCERTAINTY AND LINKED TO OBJECTIVES › DRIVEN BY PERFORMANCE-BASED STANDARDS	› ENTERPRISE-WIDE APPROACH TO RM › RM DRIVES PROACTIVE AND INFORMED DECISION-MAKING › COMPANY AND RM PROCESSES ARE FULLY INTEGRATED › RM IS EMBEDDED IN CULTURE › RM IS A STRATEGIC ADVANTAGE › SOUND UNDERSTANDING OF STANDARDS AND USE OF TOOLS AND TECHNIQUES

Other enhancements to the Risk Management Framework were:

- Renewed focus on linking AECI's risks and those of its businesses to Specific, Measurable, Achievable, Realistic and Time ("SMART") objectives thereby facilitating efficient risk management and stimulating the correct discussions.
- Introduction of a risk delegation of authority in the AECI risk matrix. This encourages risks to be rolled-up and discussed at the appropriate levels. It also sets the parameters for which governance levels have the authority to decide whether or not to tolerate the risks.
- Revision of the risk appetite, tolerance and rating scales. AECI's risk tolerance refers to its readiness to bear a particular risk, after risk treatment, in order to achieve its objectives. The Company's risk appetite is the level and type of risk that it is prepared to accept. Its risk appetite translates into a Consequence Table used to prioritise risks.
- AECI's risk tolerance statements have become "lines in the sand" beyond which the Company will not move without active management strategies. When a given risk moves across these "lines", AECI manages the risk actively to bring it back to within tolerance levels.
- Upgrade of certain elements of the CURA Risk Management System to capture the risk methodology enhancements.

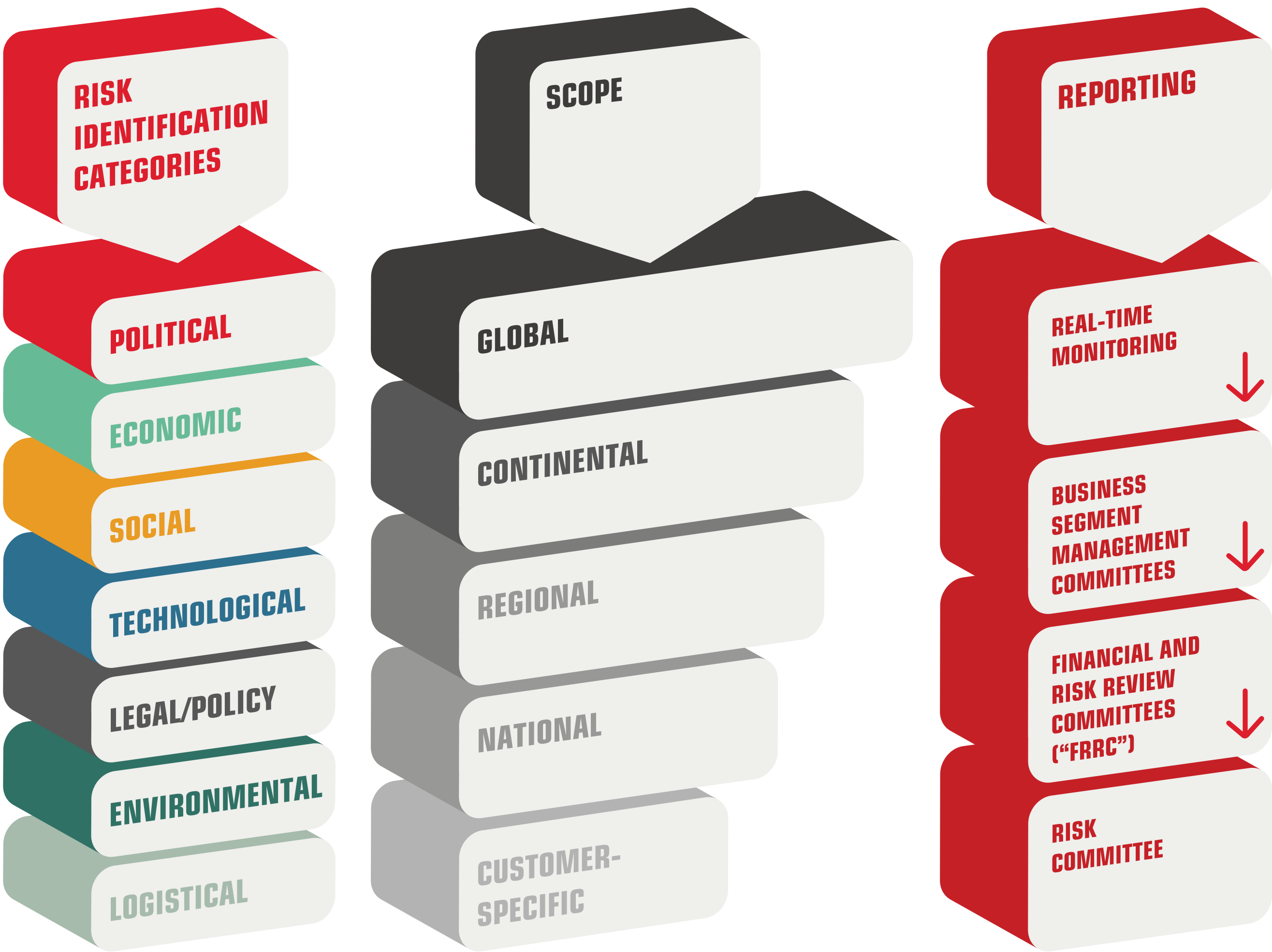
Risk maturity

A risk maturity assessment was undertaken early in 2014 based on AECI's newly-adopted Risk Intelligence Maturity Model. The characteristics of the various states of maturity are detailed on page 9. A desired state of maturity was identified as being on the border between "semi-integrated and change-driven" and "intelligent, integrated and optimised". AECI's risk maturity evolved during 2014, moving up a level from being "standardised and governance-driven" to "semi-integrated and change-driven".

Beyond 2014: creating a risk-intelligent and resilient organisation

In addition to aligning risks and objectives, risk management must also be dynamic enough to proactively respond to change. In the context of the Group's high pressure and rapidly evolving environment, contextual analysis is crucial for the provision of proactive and informed risk information that supports timely decision-making and leads to effective strategy execution. Scanning the business environment involves a multi-dimensional assessment of key elements that shape and are shaped by the Group's actions, as illustrated in the diagram below.

BUSINESS ENVIRONMENT ASSESSMENT



RISK MONITORING AND REPORTING

ROLES, RESPONSIBILITIES AND REPORTING

The Board of Directors is responsible for risk management in AECI. It is assisted by the Risk Committee which provides the Board with assurance that an effective and measurable risk management process is in place.

The AECI Executive Committee is responsible for the day-to-day running of the business and has committed itself to the effective and efficient implementation of the risk management plan.

The Risk Management function has a duty to report on risk-related issues to the Board and the AECI Executive Committee timeously and accurately so that such risks can be mitigated and properly managed. Reporting includes the following:

- suggested and agreed corrective action, risk responses/action plans, and timelines to mitigate risks;
- highlighting upward/downward movements in trending changes per quarter, and the reasons for these;
- highlighting any loss events for each quarter;
- the status of compliance with the Risk Management Framework in AECI and its individual businesses;
- updates on key risk management projects; and
- scans of the external environment for risk-related issues that may have an impact on the business.

The four levels of risk monitoring and reporting are illustrated in the diagram on the left.

TOP ENTERPRISE-WIDE RISKS

On the basis of its internal risk assessment process and the outcomes of feedback from stakeholders, AECI has identified those strategic issues (presented on pages 12 and 13) that could impact positively on the delivery of its business strategy and growth objectives if properly managed. Improper management could have negative impacts.

TOP RISKS

RISK TYPE	STRATEGIC ISSUE	KEY CONTROLS/TREATMENTS
PREVENTABLE	The management of safety, health and environmental issues in accordance with the Group's values, policy and standards. This is 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.	1. Comprehensive safety, health and environmental management systems are in place in all businesses. 2. Effective incident reporting, emergency management and business resumption management. 3. Promoting a culture of excellence and compliance in all spheres of activity in line with world-class standards.
PREVENTABLE	The attraction and retention of skilled resources. AECI's people are key assets if the Group is to deliver growth in line with strategy. The attraction and retention of high performers, sometimes in countries and in disciplines where skills are scarce, is extremely important.	1. Succession planning and talent mapping. 2. Promotion and entrenchment of the Group's position as the employer of choice through inter alia training and development, remuneration and long-term incentives that reward excellence. 3. Implementation of a "back to base" strategy to give employees from other countries the opportunity to experience South Africa and improve their understanding of the AECI way of conducting business.
STRATEGIC	Local and international competitor activity in countries and markets where AECI operates, with negative effects on the Group's growth.	1. Continue to offer existing and potential customers value-adding product and service solutions backed by world-class technology and a globally competitive cost base. 2. Maintain an unwavering customer-centric focus. 3. Demonstrate a sustained commitment to innovative product and service solutions, backed by world-class R&D.

RISK TYPE	STRATEGIC ISSUE	KEY CONTROLS/TREATMENTS
EXTERNAL	Global commodity price and currency fluctuations, leading to higher operational costs and a decline in absolute contribution and margins.	1. Implement the Group's detailed policy (hedging process) on exposure to foreign exchange, especially on asset acquisitions. 2. Defend margins. 3. Monitor key commodity prices. 4. Drive diversification strategy in terms of full product and service offerings and geographic regions.
EXTERNAL	The threat to human health of the Ebola virus for AECI and its customers, leading to loss of life or severe illness, and operational and travel disruptions. AECI services customers in many African countries, including some of those affected by the Ebola outbreak in 2014.	1. Provide up-to-date safety information to AECI staff working and travelling in/to affected areas. 2. Continue to monitor developments. 3. Pull back staff if/when the need arises.
EXTERNAL	Political, economic and regulatory uncertainty, leading to difficulties in establishing or maintaining businesses and product lines in AECI's chosen markets.	1. Geographic diversification strategy. 2. Drive acquisition strategy. 3. On-going country risk monitoring. 4. On-going participation in key industry bodies to ensure input/knowledge of current/future regulatory changes and challenges.
EXTERNAL	Uncertainty regarding electricity supply in South Africa, leading to business disruption for AECI and its customers. Similarly, potential supply chain interruptions for water, gas and certain raw materials would also be disruptive.	1. AECI's main manufacturing sites are on the National Key Points list that prioritises electricity supply. 2. Develop supply contingency agreements and plans. 3. Review key suppliers' business continuity plans.
EXTERNAL	Protracted industrial action affecting customers in core business sectors. Such action is disruptive and has a negative impact not only on AECI but also on the economy, investor confidence, the industries affected, and the people employed in those industries and businesses.	1. Ensure that contingency plans are in place. 2. Industry context monitoring. 3. Regular liaison with customers and reporting to management regarding trends and industry strikes. 4. Drive the Group's diversification strategy in terms of geographies of operation and the customer base.

STAKEHOLDER ENGAGEMENT

The AECI Group comprises a broad spectrum of activities in many countries. 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 and fund managers, 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.

Engagements with certain stakeholders are 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

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 ("FRRC") 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 FRRCs.

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

The Group's strength is enhanced by sharing best practice and experience in all areas of activity. Focus has been placed on developing a culture of collaboration across businesses. The streamlining and harnessing of efficiencies, backed by a common drive for excellence, leads to better results for them individually and for the Group as a collective.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA AECI

Shareholders and fund managers, financiers, financial analysts

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 institutional investors, financiers, financial analysts and the media in South Africa. The Executive Directors undertake roadshows in Europe and the USA, aimed mostly at potential investors. There are also regular one-on-one meetings with this group of stakeholders.

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.

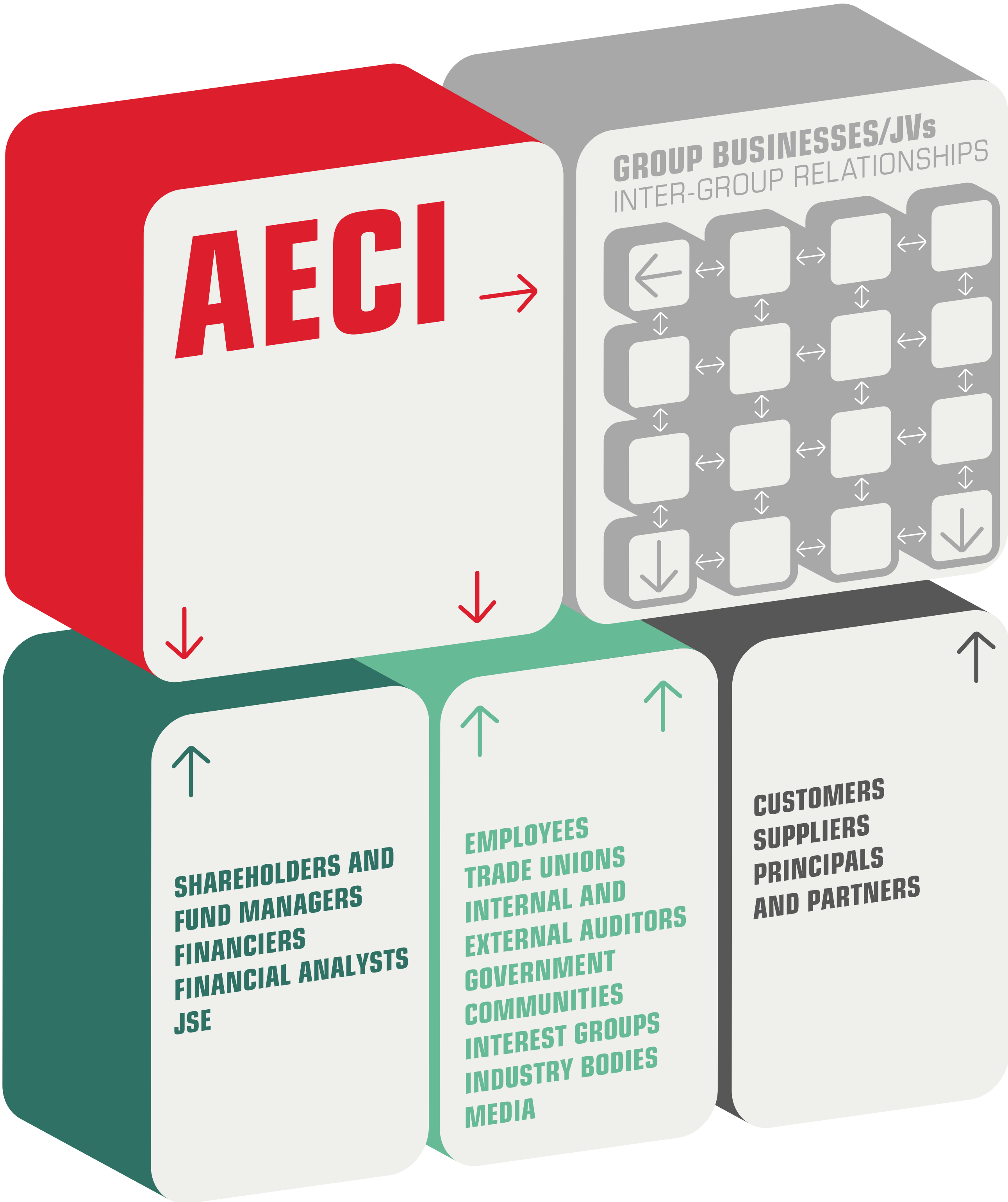
As an entity listed in South Africa, AECI is required to comply with the legal framework of the JSE Listings Requirements, the Companies Act and King III. Compliance is managed largely through the Company's Legal and Secretariat and Corporate Communications functions. Interaction with the JSE is via Rand Merchant Bank (a division of FirstRand Bank Limited) as AECI's sponsor in South Africa, when such sponsor input is required. Further liaison with the JSE, such as work related to the annual assessment for inclusion in the SRI Index, is undertaken directly.

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

The Group and its employees

The same information that is shared with investors and other financially-based stakeholders is made available and often presented to employees Group-wide. 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.

STAKEHOLDER ENGAGEMENT



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, and for the communication of these via established structures.

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. A list of unions with whom formal recognition agreements are in place is available at **www.aeci.co.za/cc_employee_2014_performance.php.** 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.

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.

The Group and internal and external auditors

This engagement is driven by good governance requirements, through compliance with relevant legislation and standards. This includes the limited assurance of selected non-financial indicators which AECI believes are material in view of the nature of its businesses and the environment in which they operate. See page 70.

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 2014, 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. 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. Internal Audit assesses the controls opposite these matrices and reports thereon to the Audit Committee.

The Group and government/authorities

Engagement with government regulatory structures is undertaken by AECI and its businesses directly as well as indirectly via industry forums, as deemed most effective and appropriate in any given circumstance. Direct engagement is usually site- or business-specific.

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.

AECI's management is currently evaluating its approach to interacting with government regulatory structures to ensure that this interaction remains as productive as possible.

The Group and neighbouring communities

For several years, AECI has had structures in place for engaging with its neighbouring communities. 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 via the link **www.aelminingservices.com/safety-health-environment/caer-charter.html** and 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 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, established in 2012 as part of AECI's Broad-based Black Economic Empowerment transactions.

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.

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, AECI Head Office resources are made available to assist the affected site or business. The hierarchy for escalating notifications of incidents, 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 the sustainability of the Company or that of one or more of its businesses are addressed. Details are to be found at **www.aelminingservices.com/safety-health-environment/caer-charter.html**.

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 operating entities. 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 Group 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

’14

70%
Purchased from suppliers, principals and partners
R11 955m
R16 988m

100%
Revenue from customers
+ other income
R16 988m
R16 988m

30%
CREATED WEALTH
R5 033m
R16 988m

CREATED WEALTH	STAKEHOLDER	CREATED VALUE
56% R2 805m / R5 033m	Employees	Salaries, wages and benefits
4% R204m / R5 033m	Financiers	Interest paid
8% R378m / R5 033m	Shareholders incl. the EST and CST	Dividends paid
7% R368m / R5 033m	Government	Direct taxes paid

25% R1 278m / R5 033m

WEALTH RETAINED AND REINVESTED IN THE GROUP

NON-EXECUTIVE DIRECTORS

RICHARD DUNNE

(66) CA(SA)

Richard joined AECI's Board in 2007. He is Chairman of the Audit and Remuneration Committees, a member of the Nominations and Risk Committees and chairs the Financial Review and Risk Committee ("FRRC") 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

(46) BSocialSc

Zellah joined the AECI Board in 2007 and chairs the Social and Ethics Committee. She is an Executive at Dimension Data and was appointed to serve on its Board in October 2014. 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.

SCHALK ENGELBRECHT

(68) 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. He was AECI's Chief Executive from 2003 to 2008.

GODFREY GOMWE

(59) BAcc, MBL, CA(Z), CD(SA)

Godfrey joined the Board on 31 January 2015. He has 26 years' experience in Executive positions in the metals and mining industry. At the time of his early retirement in 2014, he was Chief Executive of Anglo American Thermal Coal and was also responsible for Anglo American's manganese interests in the joint venture with BHP Billiton. During his career Godfrey developed and led the execution of major business repositioning and transformation strategies. He was also a leader in driving safety culture and performance in the workplace.

TAK HIEMSTRA

(59) BCompt (Hons), CA(SA)

Tak joined the AECI Board in May 2014 and its Risk Committee in June. In January 2015 he was also appointed to the Audit Committee. Tak was an Executive Director of Imperial Holdings from 1995 to 2012, responsible for portfolios including M&A activity and investor relations. He held several Board positions in the Imperial Group, including Chief Executive Officer of Imperial Bank from 2000 to 2004. Tak retired from full-time employment at Imperial in 2012, remaining on that Board as a Non-executive Director until the end of 2014. He is currently Chairman of Distribution and Warehousing Network.

LIZIWE MDA

(49) 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 Shell and at BP South African Petroleum Refineries ("SAPREF") in Durban. She has extensive experience in manufacturing, projects, risk management, business improvement and strategy gained during her career at SAPREF, Sasol Technology and Unilever SA.

ALLEN MORGAN

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

Allen joined the AECI Board in 2010. He is Chairman of the Risk Committee, a member of the Audit and Social and Ethics Committees as well as Chairman of the AEL FRRC. 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

(56) CA(SA)

Appointed to the AECI Board in 2006, Litha is a member of the Audit, Nominations and Remuneration Committees as well as a member of AEL's FRRC. 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

(57) 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 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*

(53)

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.

MARK KATHAN*

(44) 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 AECI'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 M&A activities.

EDWIN LUDICK

(50) 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 specialty chemicals segment outside of South Africa.

* *Executive Director.*

KHOSI MATSHITSE

(58) 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 has progressed the transformation of 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

(47) HND (Analytical Chemistry)

Schalk is Managing Director of AEL. He joined ChemSystems in 1991 as a sales representative and went on to serve as Managing Director of that company as well as of two others in Chemserve. 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

(47) 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, explosives and steel industries, and joined the Group in 2001. His background lies in technical development and in project and operations management.

GUGU MTHETHWA

(55) BSc Eng (Chem), MBA

Gugu is Group M&A 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

(52) 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

(51) 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.

IWAN SCHUTTE

(42) 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

(46) 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

(53) 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

(39) 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

(60) 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

Dear stakeholders

I am pleased to report on another good performance from AECI, achieved notwithstanding a number of significant challenges that included an unhelpful trading environment globally and in South Africa, and the five-month strikes in our platinum mining industry. I share with you some noteworthy developments and events from the perspective of the Board of Directors.

RESPONSIBLE LEADERSHIP

The Board plays a pivotal role in defining the AECI Group's governance climate and framework, geared towards delivering sustainable growth in the interests of all stakeholders. In 2014 we refined the Group's corporate governance landscape further. This included enhancements in relation to compliance with King III, the Companies Act, the JSE Listings Requirements and other applicable laws and regulations, as required. The Board charter was also reviewed.

AN ETHICAL CULTURE

On 4 December, the Competition Commission of South Africa ("the Commission") conducted a search and seizure ("Dawn Raid") at the offices of Akulu Marchon ("Akulu") in Gauteng, and at a competitor. This division of Akulu manufactures and supplies a wide range of surfactant products. The Dawn Raid operation was part of the Commission's on-going investigation into collusive conduct in the market for the production and supply of products used as input materials in the manufacture of blended household detergents.

The Commission seized documents and electronic data which are currently being analysed, together with other information gathered, to determine whether a contravention of the Competition Act No. 89 of 1998 has occurred. In line with policy, the Company has cooperated fully with the Commission's investigation thus far and will continue to do so.

An ethical culture is key to driving long-term business value. In support of embedding such a culture more strongly, training on our Code of Ethics and Business Conduct ("Code") continued. The Group also has comprehensive policies and practices in place to prevent anti-competitive or other inappropriate business practices.

Training in this regard is conducted across the Group and AECI prides itself in being an enterprise with the highest standards in governance and ethics. In this context, the Dawn Raid was extremely disappointing to management and to the Board. We view this matter in a very serious light.

Conflict of interests, bribery and corruption were ethics-related risks identified in 2014. Education and communication as to what constitutes unacceptable behaviour continued via a variety of media, including computer-based training and induction programmes.

Training also continued in 2014 via manual and electronic means with respect to Tip-offs Anonymous, a whistleblowing service, which is managed by Deloitte on the Group's behalf. In 2015, programmes will be enhanced to improve employees' understanding of what channels are available to them for dealing with different categories of concerns they may have in the workplace.

We have 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 applies to all Group employees. A comprehensive register of Directors' declarations of interests is maintained and is submitted for updating by the Directors before each Board meeting. In 2014 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 other than for matters pertaining to the proposed de-risking of the Company's post-retirement obligations. The two Executive Directors and I, as related parties, recused ourselves from any decision-making in this regard.

OUR "LICENCE TO OPERATE"

Stakeholders including regulators, neighbours and special interest groups have significant influence on the sustainability of our businesses. It is with their approval and cooperation that we retain our "licence to operate" by demonstrating open, honest and responsible corporate citizenship.

In 2014 a process of assessing our overall status in compliance matters continued. Legal instruments and applicable regulations were assessed. Where instances of non-compliance were identified, in-house resources assisted the affected businesses in formulating plans to address the identified gaps and/or risks.

CHANGES TO THE BOARD

Mike Leeming retired in June after serving the Board with distinction for 12 years. During this time he was Chairman of the Audit Committee and a member of a number of other Committees. The Board subsequently appointed Richard Dunne as Chairman of the Audit Committee.

Tak Hiemstra was appointed to the Board on 1 May 2014 as an additional Non-executive Director and Godfrey Gomwe's appointment, in the same capacity, was announced after year-end and took effect on 31 January 2015. Tak now also serves on the Risk and Audit Committees. An induction programme was arranged for the two new Directors early in 2015 to ensure that they have a full appreciation and understanding of the complex nature of the Group's businesses. Induction programmes included a number of one-on-one meetings with Senior Managers and Managing Directors of subsidiaries.

DEVELOPMENT OF DIRECTORS

In the reporting period, a site visit was organised to Umbogintwini, in KwaZulu-Natal, to give the Board an update on programmes in place to manage legacy issues at the Group's historical sites. The Board was impressed by the extent and detail of the remediation work being undertaken and is confident that the Company is managing its responsibilities with utmost professionalism.

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.

PERFORMANCE EVALUATION

In adherence with the King III provisions, the Board conducted a self-evaluation of itself and its Committees. The indicators used covered the frequency and quality of Board meetings, Directors' independence, Board and management interaction, remuneration, and the quality of leadership at Board and Committee levels.

It was pleasing that the assessment confirmed the overall effectiveness of the Board and its Committees. Specific focus was given to three issues:

- succession planning at Board level: the Board identified new talent and skills and two new Directors were appointed;
- succession planning at management level: the Nominations Committee considered and approved a detailed plan in this regard; and
- the Group's pace in its transformation journey: the Social and Ethics Committee will continue to monitor progress in 2015.

More information on Board evaluation processes can be found on page 49.

AD HOC COMMITTEES

Ad hoc Committees are established from time to time if circumstances so warrant, to aid the Board with specific material issues or projects. The proposed restructuring of AECI's defined-benefit pension fund to a defined-contribution fund is a case in point. The Board formed a sub-committee of two Independent Non-executive Directors, namely Messrs Richard Dunne and Litha Nyhonyha, to consider and guide this process which commenced in 2013. Good progress was made in 2014 and it is expected that conclusion will be achieved by mid-2015. Further details are available in the Chief Financial Officer's report on page 36.

INTERNATIONAL OPERATIONS

As a Group we have a presence in more than 20 countries world-wide. Because adherence to applicable laws and regulations in all countries of operation is not negotiable, certain challenges arise. At the forefront of these is the increasing complexity in the number and frequency of changes in the regulatory environment of individual countries.

A process of scoping all legal requirements was concluded during 2014 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 in 2015 to businesses based in Nigeria, Mauritius and Australia.

HUMAN CAPITAL

Our people are recognised as our greatest asset as we pursue our business goals. To enhance the alignment of our strategic goals with our current and future human resources needs, the Group's Human Capital function has become a strategic support function in recent years. Key developments in 2014 included the sourcing of suitable candidates by the Talent Acquisition team to assist Group businesses in making progress towards their transformation objectives.

Significant headway was made in building a talent pool through the design and implementation of an AECI careers portal. The portal is accessible via various Group entities' websites and the international roll-out across remaining Group companies will take place during 2015.

We are proud that all 59 employees who enrolled in our customised employee development programme – the AECI Management Development Ladder – graduated in the year. Launched in 2013, the courses cover personal effectiveness and leadership, as well as customer relationships and strategy execution. The number of enrolments almost doubled in 2014, with 111 employees participating (80% of them from designated groups).

An Employee Study Assistance programme also supports the talent pipeline as does an external bursary scheme. In addition, financial support is given to employees' dependants registered at tertiary education institutions. Priority is given to dependants of employees in the lower income groups.

A Performance Management Improvement project was initiated in 2014, for implementation in 2015. It will standardise and integrate performance management processes and procedures across all businesses internationally.

HEALTH AND SAFETY

I am very pleased to report that AECI maintained its improvement trend in health and safety and achieved its best-ever performance. Tragically, however, a fatality occurred in January 2015 when Zingisile Reginald Mkhosi, a Group employee, died in a traffic accident while travelling on a public road to a customer's site in the Northern Cape. We extend our deepest sympathies to Mr Mkhosi's family, his friends and his immediate colleagues.

TRANSFORMATION

For the first time, the Group submitted a consolidated Employment Equity ("EE") report to the Director-General of the Department of Labour. This is part of the Group's new EE Plan, covering the period September 2014 to August 2017.

Demographic representation at senior occupational levels showed a slight improvement. This demonstrates that interventions implemented since 2012 are starting to yield results. The AECI Executive Committee has reviewed interventions that will improve the representation of designated groups at these levels and plans in support of this have been put in place.

B-BBEE

We recognise the need for Black people to participate meaningfully in South Africa's mainstream economy. Furthermore, our 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.

The Group maintained its Level 4 B-BBEE Contributor status.

The AECI Employees Share Trust ("EST") was established as part of the B-BBEE ownership transactions. In February 2014 the AECI Board declared a dividend payment of 29 cents per AECI B ordinary share, amounting to about R3 million. Of this R2,3 million was paid to more than 4 000 beneficiaries and the balance into the EST in terms of arrangements governing unallocated AECI B ordinary shares. A dividend of 32 cents has been declared on these shares and will be paid in 2015.

A Board of trustees, who took up their positions in 2013, administers the EST. This year good progress was made in terms of understanding the requirements of the EST Trust Deed and aligning the Trust's processes with the Group's financial calendar.

The Broad-based Black Economic Empowerment Act has been amended with effect from 1 May 2015. In preparation for the amendments, the AECI Executive Committee is reviewing the Group's overall transformation strategy. A revised strategy will provide progressive targets for each scorecard element to enable continuous improvement and deliver the objectives of the revised Act.

EMPLOYEE RELATIONS

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 and represent about 45% of the total workforce.

Due to protracted strike action in sectors of the South Africa mining, metal and engineering industries in 2014, wage negotiations were expected to be volatile. It was a tribute to the maturity and mutual trust of all parties concerned that the annual substantive negotiations were concluded without any strike action.

Some 1 500 Group employees are not based in South Africa. They participate in the implementation of changes that affect them through their own trade unions. Briefs and workshops are made available to non-unionised employees. Representative trade unions are recognised in Botswana, Burkina Faso, the Democratic Republic of Congo, Ghana, Guinea-Bissau, Indonesia, Mali, Zambia and Zimbabwe and represent about 59% of the total employee complement outside South Africa.

BUSINESS RESTRUCTURING

As a result of the closure of the AEL's old detonator plants and the consolidation of assembly operations in the Initiating Systems Automation Plant in 2013, the remaining 197 retrenchments were finalised in 2014. AEL also restructured its back office.

Restructuring took place at Akulu and Crest Chemicals as well. These processes were in line with AECI's active portfolio management strategy, where customer value is enhanced through efficiencies and savings that result from the consolidation of functional and administration services. Detailed and regular consultation with all affected employee representative bodies precedes any restructuring in the Group. Although 170 redundancies resulted, only 40 employees were retrenched due to redeployment opportunities and natural attrition.

A number of initiatives were put in place, in line with policy and practice, to mitigate the effects of retrenchment. These included social responsibility plans and a reskilling fund to assist affected employees by improving their marketability and ability to deal with their job loss.

SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development ("SED") programmes are a strategic business objective and are responsive to the needs of communities in South Africa as a whole. The Group's programmes are driven by principles of empowerment, partnership, good governance, innovation and effective leadership. Formal monitoring and reporting processes ensure that investments achieve the greatest impact possible.

SED investments also demonstrate a commitment to South Africa's National Development Plan as well as the Global Millennium Development Goals, which collectively aim to reduce poverty and improve the lives of disadvantaged communities.

We contributed over R10 million to SED in South Africa in the form of monetary grants, bursaries, leasing subsidies, skills and administrative assistance to over 30 NGOs and educational institutions, making a difference in the lives of more than 72 000 beneficiaries.

OUTLOOK

All indications are that 2015 will be another turbulent year for global economies. Overall trading conditions will be impacted by uncertainties regarding growth forecasts and factors such as low commodity prices, the oil price, foreign exchange rates, and social and political stability.

In South Africa, uncertainty regarding electricity supply stability will add to the challenge. AECI's concerns in this regard pertain not only to our own businesses but perhaps even more importantly to the effects on our customers.

All this notwithstanding, the Board has reviewed the Group's strategy and believes it to be appropriate for the achievement of sustainable growth – in South Africa, the rest of Africa and in other chosen countries of operation. AECI has the best people and the appropriate skills, business model and experience to continue to prosper.

ACKNOWLEDGEMENTS

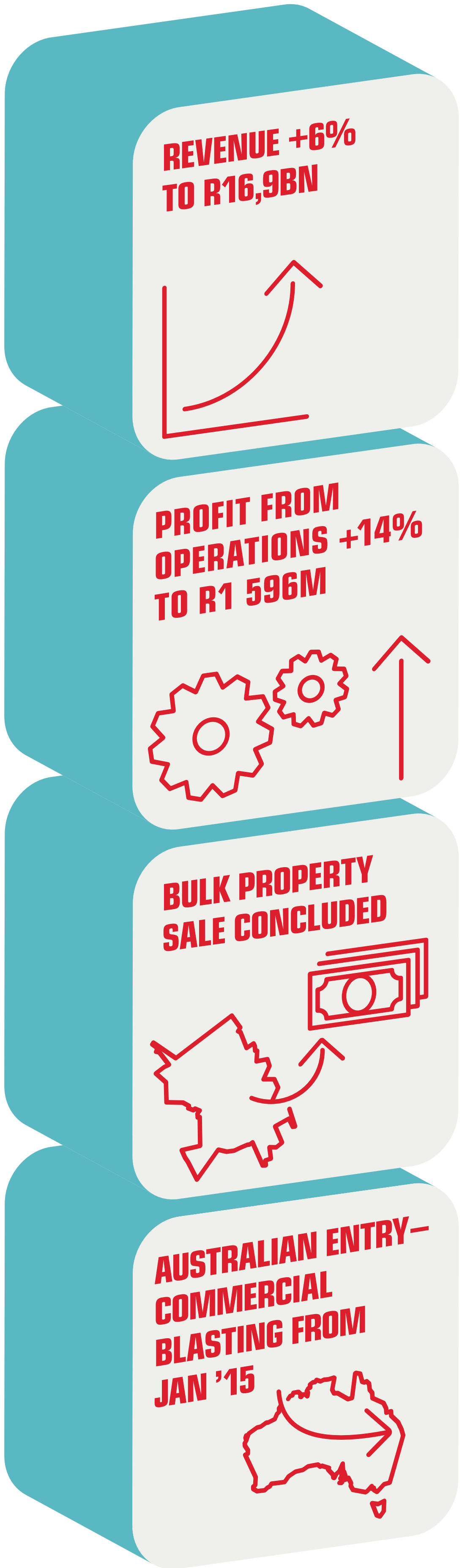
I wish to record my thanks to all our stakeholders including my fellow Board members, AECI's management and its employees. Without all of your support and contributions our 2014 performance would not have been possible.

Schalk Engelbrecht
Chairman

Woodmead, Sandton
7 April 2015

CHIEF EXECUTIVE'S REPORT

MARK DYTOR
CHIEF EXECUTIVE



AECI is a leader in the explosives and specialty chemicals sectors in Africa and in 2014 we continued to expand our international footprint in line with strategy. AEL has operated in Indonesia for several years and the Group has used that base to enter Australia. The benefits of internationalisation are emerging.

Ours is a diverse company with diverse stakeholders, all of whom play a role in our performance. Our approach to relationships and engagements with them is outlined on page 14.

AECI's growth is enabled by strategies, policies and practices in the core areas of finance, governance and risk management, and social and environmental matters. It is only by balancing the needs and expectations of all stakeholders in a responsible manner that the AECI Group maintains its "licence to operate" and generates wealth to the benefit of all. Our approach and practice in this regard are summarised in our "Freedom supported by a Framework" model. Entrepreneurship and innovation in our businesses are encouraged within a non-negotiable framework of ethics, compliance, financial controls and other parameters as depicted on page 32.

The Group's strength is enhanced by sharing best practice and experience in all areas of activity. We have placed intense focus on developing a culture of collaboration across our businesses. The streamlining and harnessing of efficiencies, backed by a common drive for excellence, leads to better results for the businesses individually and for the Group as a collective.

The benefits that can be achieved through collaboration are already evident in the performance of our strategic growth pillars, as defined on page 5, where products and services to customers in specific industries are often provided by more than one Group company: in 2014 56% of revenue came from customers in the mining sector (down from 61% last year owing to the strikes) and 14% from agrochemicals (2013: 12%). In the specialty chemicals segment, water solutions contributed 12% to revenue (2013: 10%) and the food and beverage market accounted for 7% (2013: 8%).

PERFORMANCE

We delivered good results in a very challenging year characterised by the unprecedented five-month platinum sector mining strikes, plummeting commodity prices, as demonstrated in the graphs on page 33, and continued low growth in South Africa's manufacturing sector and economy. In manufacturing, output still lags the 2008/09 levels recorded before the global financial crisis. See the graph, also on page 33.

Revenue increased by 6% to R16 903 million (2013: R15 942 million). 32% of this was generated outside South Africa, reflecting the benefits of the Group's strategy to diversify geographically. Last year, the comparative was 33%. The generation of revenue beyond our borders was constrained by weak thermal coal and gold prices. This affected our businesses in Indonesia and West Africa. The weak rand assisted to an extent, even though the Group's raw materials are mostly imported or paid for at import parity prices.

Profit from operations of R1 596 million was 14% higher than 2013's R1 398 million. Headline earnings improved by 7% to R943 million (2013: R885 million). EPS was 979 cents (2013: 845 cents), a 16% year-on-year improvement. HEPS improved by 6% to 842 cents (2013: 791 cents) notwithstanding the 193 cents per share and 25 cents per share negative impacts of the strikes and restructuring costs, respectively.

The completion of the bulk surplus property sale at Modderfontein and a record performance from the specialty chemicals cluster underpinned the growth in profitability. Aggressive cost control and working capital management Group-wide also yielded results.

The strikes had a negative impact of about R300 million on profit from operations – about R170 million in AEL and the balance in the specialty chemicals cluster, mostly Senmin. Mining volumes in South Africa only normalised from October as can be seen in the graph on the facing page.

Other than the strike effects, there were no material losses for the Group in the year.

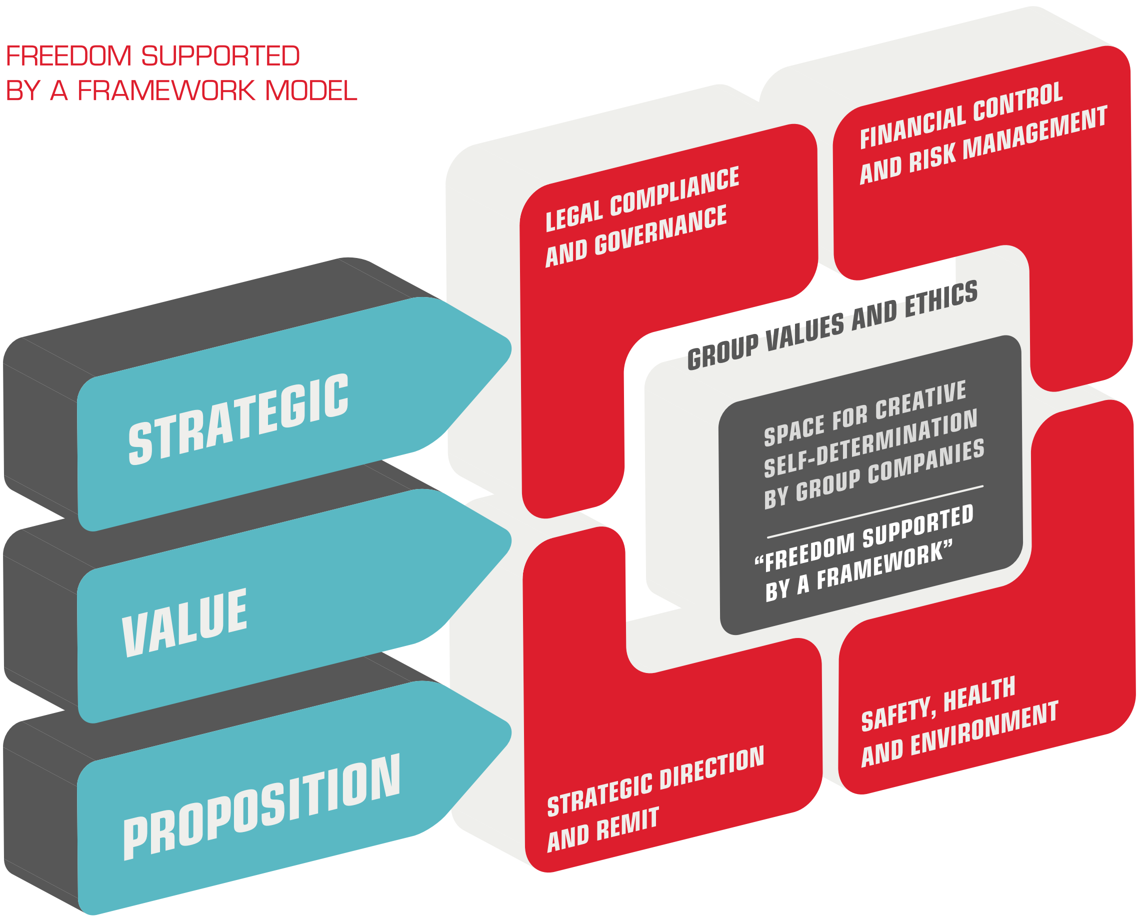
R745 million was invested in capital expenditure (2013: R633 million). R335 million of this was for expansion projects in support of our growth strategy.

On 23 February the Board declared a final cash dividend of 225 cents per ordinary share (2013: 210 cents) bringing the total cash dividend for the year to 340 cents per share, an 8% increase compared to last year.

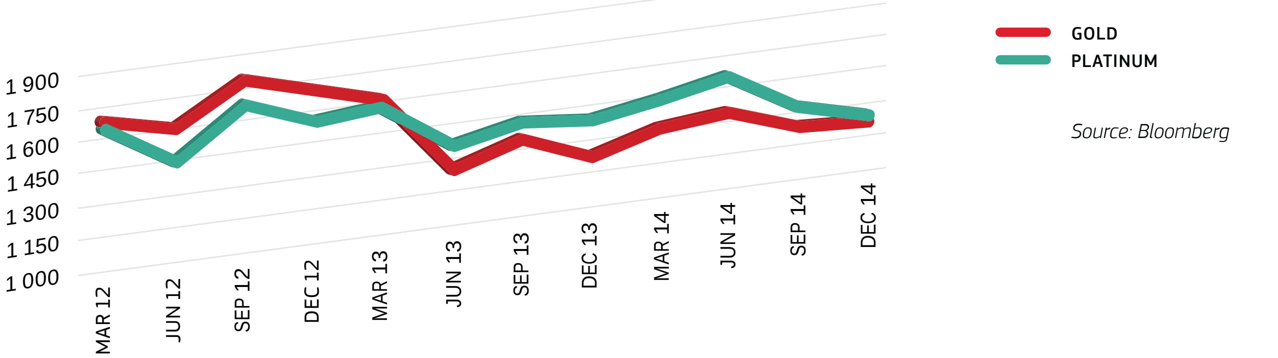
Having received the full cash proceeds from the bulk property sale at Modderfontein, the Board decided to return the majority of the net proceeds to shareholders. Accordingly, in addition to the final ordinary cash dividend, it also declared a special dividend of 375 cents per ordinary share, subject to approval by the South African Reserve Bank.

In February 2014 the Board declared the first-ever dividend, of 29 cents per share, on the AECI B ordinary shares held by the AECI Employees Share Trust and its beneficiaries, as explained by the Chairman on page 29. Another dividend will be paid during 2015.

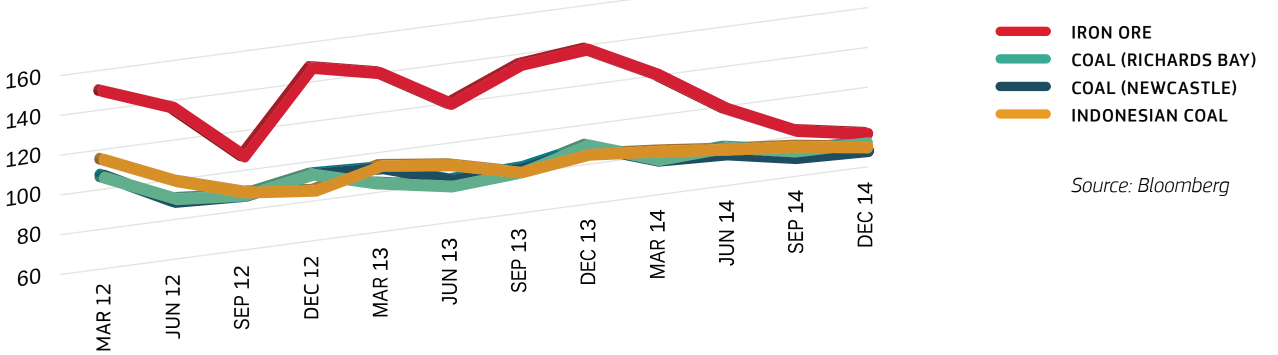
FREEDOM SUPPORTED BY A FRAMEWORK MODEL



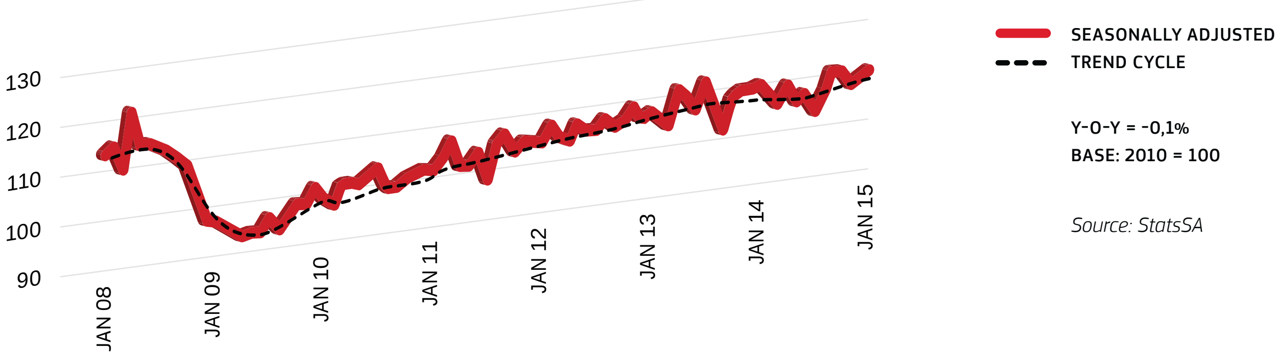
TWO-YEAR HISTORICAL PRICE PERFORMANCE: GOLD AND PLATINUM (US$/OUNCE)



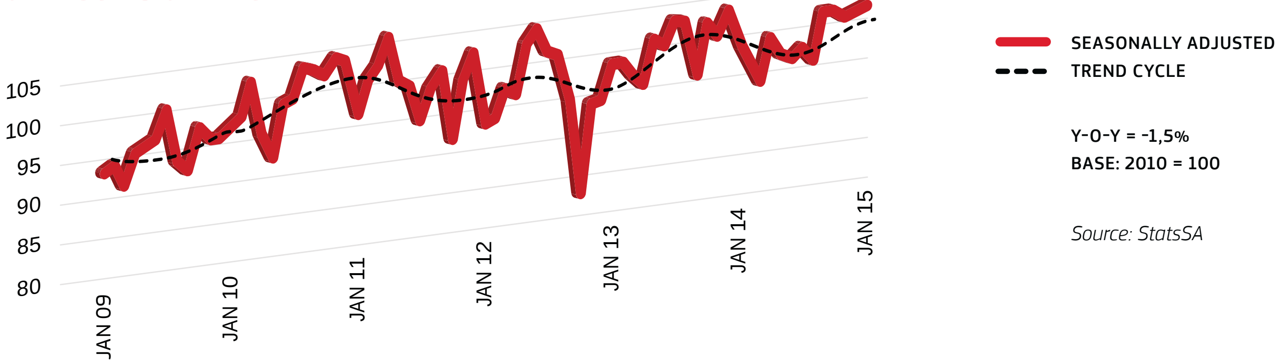
TWO-YEAR HISTORICAL PRICE PERFORMANCE: IRON AND COAL (US$/TONNE)



SA MANUFACTURING VOLUMES: JAN '08 TO JAN '15



SA MINING VOLUMES: JAN '09 TO JAN '15



Explosives

AEL's performance was adversely affected by the platinum mining strikes, disruptions in South Africa's coal mining industry owing to very high rainfall in the first quarter, and the collapse of international commodity prices. The latter led to the closure of numerous smaller thermal coal mines in Indonesia and weaker volumes for AEL in West Africa, where gold miners focused on high grade ores and thus decreased blasting activities. Good growth in the company's coal and iron ore businesses in South Africa partly offset these negative effects.

It was also most pleasing that AEL successfully completed a number of strategic projects. At Modderfontein these included closure of the old detonator plants and the consolidation of shock tube manufacture in a new facility, as well as a number of capital expenditure projects aimed at safeguarding the stability and cost-effectiveness of AEL's manufacturing base into the future.

Our Indonesian position was strengthened during 2014 with the commissioning of the ammonium nitrate plant, a partnership with PT Black Bear Resources Indonesia ("BBRI"). A total of US$23 million has been invested in BBRI for a 42,6% minority shareholding.

The Group's international footprint received a major boost when AEL's operations expanded into Australia on the invitation of Thiess Mining ("Thiess"), the world's largest contract miner with whom AEL has an excellent relationship in Indonesia. A manufacturing site was established in the town of Bajool, Queensland, and commercial operations commenced in January 2015. This invitation exemplifies our "good chemistry" brand descriptor in practice: good relationships between ourselves and our customers lead to opportunities that are beneficial to both parties.

Specialty chemicals

The specialty chemicals cluster delivered a record result, with R1 billion in profit from operations. This was achieved against the backdrop of a generally uninspiring economic environment, both globally and in South Africa where the local manufacturing sector's growth continued to lag that of GDP.

Key drivers of the excellent results included our active portfolio management initiatives, cost management, aggressive working capital reduction and margin improvement drives, and agreements with new principals which enhanced the product and service offering.

The benefits of our acquisition strategy were also evident. In 2012 we acquired GE's Chemical and Monitoring Solutions business in Africa and the Indian Ocean Islands. This gave us access to world-leading water treatment technology and equipment as well as a good African footprint. The business was integrated into ImproChem. In 2014, ImproChem's footprint and service offering were enhanced further through the acquisition of Clariant's African water treatment business for R405 million in cash. After its successful integration into ImproChem on 1 July 2014, the business' results met expectations.

We welcomed almost 400 permanent and contractor employees from Clariant to the AECI community. ImproChem is now the leading industrial, effluent and municipal water treatment chemical company in Africa.

SA Premix, which was acquired in 2013 and integrated into Chemfit, commissioned its new state-of-the-art blending plant in March 2014. This business produces and distributes animal feed formulations that fortify and enhance the nutritional content of feeds. Its inclusion in the Group's portfolio has added to the offering for the agricultural sector.

Property

The Shanghai Zendai Property Ltd ("Shanghai Zendai") bulk property transaction at Modderfontein was concluded successfully. We are also actively marketing the sale of our surplus Somerset West property and offers received are being evaluated. It is hoped that such a sale can be concluded in 2015.

The performances of each business segment and their outlook for 2015 are commented on in more detail in the reviews commencing on page 42.

SAFETY, HEALTH AND THE ENVIRONMENT ("SHE")

The ultimate target we aim for is zero harm – to people and the environment. To achieve that we have structures in place, a policy and a set of standards that we expect our businesses to adhere to. 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.

Our Head Office resources offer professional services that enable us to help our businesses achieve the required standards. A number of audits and similar compliance checks are done internally and externally, some at operating business level while others are undertaken by Head Office personnel.

The Group's unwavering focus on improvements in health and safety was rewarded with a best-ever TRIR of 0,50. Tragically, however, an employee was killed in a traffic accident in January 2015, as already commented on by our Chairman on page 28.

"Going Green" is one of AECI's core values and the value statement elaborates: "We acknowledge that our operations have an impact on the environment and we are committed to the diligent management of our environmental footprint". Our Green Gauge initiative yielded further positive results and an update on progress in the year can be found on page 59. Performance in terms of our use of natural resources, emissions, carbon footprinting and other indicators is also discussed. Certain indicators in the SHE and Human Capital areas have been independently assured.

HUMAN CAPITAL

Over the last three years this function has evolved into a strategically-focused resource in support of the Group's growth aspirations.

Because employees play a fundamental role in delivering growth, a priority is driving breakthrough employee performance. The goal is to enhance management's ability to develop talent and assess performance effectively while creating an open and collaborative culture.

To align all businesses in the Group with this goal, Human Capital Specialists and Generalists from most countries where AECI operates met in 2014. The focus on talent and the creation of a high performance culture were key agenda items at this milestone event.

Another highlight in the year was progress on our Performance Management Improvement project. See page 64.

It was gratifying that in a turbulent industrial relations environment in South Africa substantive collective agreements for bargaining unit employees were concluded swiftly and professionally. Progress was made in Employment Equity, although work remains to be done in this regard. More information on these important matters is available on page 68.

Regarding the de-risking of AECI's post-retirement obligations, the Company made good progress and finalisation of the necessary regulatory processes is underway. Details are provided in the Chief Financial Officer's report on page 39.

GOVERNANCE

As already stated in the Chairman's letter to stakeholders on page 27, a major disappointment in 2014 was the search and seizure ("Dawn Raid") operation carried out by the Competition Commission of South Africa at one of our operations. AECI's Dawn Raid policy was activated immediately. Full cooperation was and will continue to be given to the Commission.

AECI has a zero tolerance approach to inappropriate or unethical business conduct. Employees found guilty of misconduct are treated fairly but firmly. Sanctions are appropriate to the misdemeanour and range from verbal or written warnings to dismissals and legal action.

Risk management

The identification of risk and the proper implementation of effective interventions are fundamental to the sustainable growth of any business. In the AECI Group, we have a well-developed and robust Risk Management Framework which was enhanced further in 2014. See page 8.

Certain financial, operational, infrastructural, governance and socio-political risks are associated with the execution of our growth strategy by geographical expansion and acquisition. These risks are monitored on an on-going basis and are escalated as required, within the Risk Management Framework, for discussion and mitigation. Efforts in this regard are overseen and guided by the Risk Committee.

OUTLOOK AND STRATEGIC FOCUS

The outlook for the global economy and commodity prices remains uncertain. Growth in the South African economy is expected to remain weak in 2015, as is that in the local manufacturing sector. Customers will be watching their costs very carefully and, therefore, margins will be under pressure. Electricity supply issues, volatility in the oil price – which if sustained at current low levels could have a negative effect on chemical prices – and labour relations in the mining sector remain of concern.

The AECI Group will need to be nimble and flexible enough to adapt its strategy and business model to any changes in the environment and the needs of our customers. Cost control and working capital management will remain priorities.

Nonetheless, due to our strategic positioning, we believe the Group is well placed to take advantage of opportunities in our chosen growth areas of Mining Solutions, Water Solutions, Agrochemicals, Food Additives and Specialty Chemicals for our diverse customers in the local manufacturing sector. Growth by strategic acquisition will remain a focus.

We will continue to consolidate and diversify our geographical footprint and will build on progress made in Australia and Indonesia. In Africa we will also continue to leverage the benefits of our footprint and know-how, established over many years.

Recent strategic capital expenditure programmes are expected to make a positive contribution to the Group's performance in 2015 and beyond.

ACKNOWLEDGEMENTS

My thanks go to the Board, the Group's management teams and all of our employees for their commitment, energy, passion and perseverance over the past year. Without your efforts AECI would not have delivered such good results and dealt successfully with the integration of acquisitions and restructuring processes. I would also like to thank the Group's business partners, customers, suppliers and other stakeholders for their on-going support.

Sincere thanks and appreciation to Mike Leeming who retired from the Board in June 2014. His efforts, commitment and valued advice over the last 12 years defined his time with the Group. Tak Hiemstra and Godfrey Gomwe were appointed in May 2014 and January 2015, respectively. We look forward to their contribution to the affairs of the Board and the Company in their capacity as Non-executive Directors.

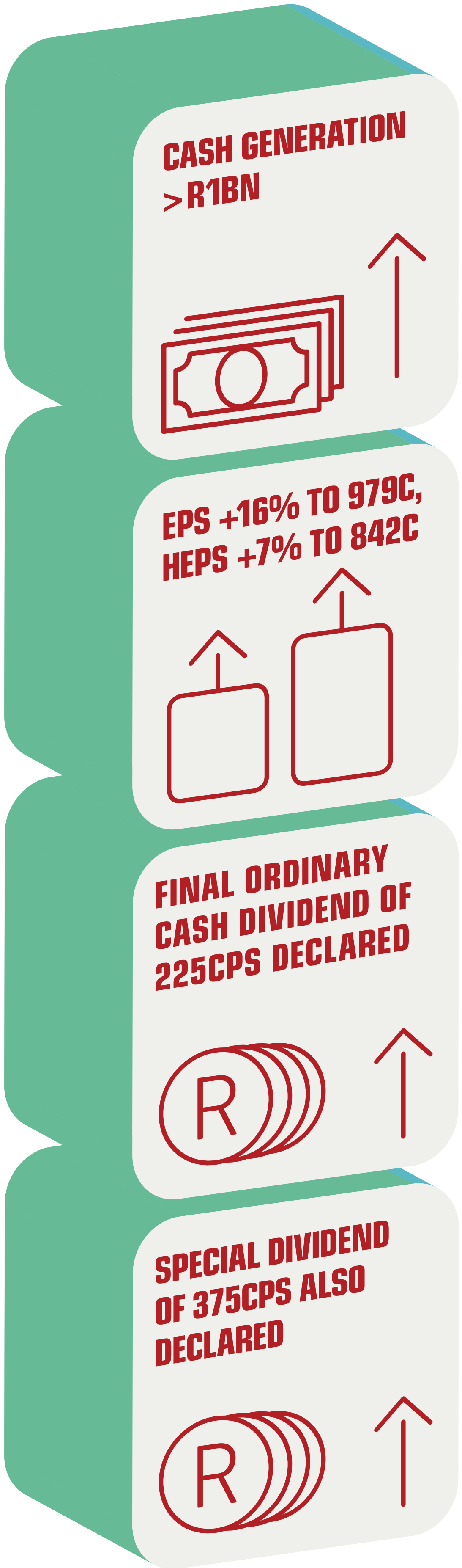
Mark Dytor
Chief Executive

Woodmead, Sandton
7 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 2014.

FINANCIAL PERFORMANCE

AECI achieved a solid performance in 2014. The proceeds from the disposal of surplus property at Modderfontein counterbalanced the negative effects of demanding operating conditions owing mainly to the platinum industry strikes in South Africa and falling commodity prices. The latter affected key markets in Africa and South East Asia. The Group continued to make good progress in its internationalisation strategy with AEL expanding into Australia and some of the specialty chemicals businesses enhancing their footprints, especially in the rest of Africa.

Revenue grew by 6% to R16 903 million, with 32% of this consolidated revenue being generated outside South Africa. International revenue growth was hampered by the lower commodity prices, which constrained the contribution to Group revenue to a similar level to 2013 despite the weaker rand. Profit from operations was R1 596 million, 14% higher than in 2013, with a R421 million enhancement coming from the disposal of the Modderfontein property to Shanghai Zendai. EBITDA grew by 10% to R2,2 billion – an all-time high for the Group.

Profits in the explosives segment were severely impacted by the challenges outlined above. The specialty chemicals cluster achieved R1 billion in profit from operations for the first time, despite the effect of the strikes on demand for mining chemicals. The property segment more than doubled its 2013 performance.

Corporate costs were well controlled and declined by R49 million year-on-year to R266 million. This reduction was primarily the result of lower expenses relating to the Group's long-term incentive schemes as HEPS and the share price ended the year at similar levels to those at 31 December 2013. Costs relating to the Group's defined-benefit obligations were stable and a significant decline is expected in future once the conversion or settlement of the Group's defined-benefit obligations has been completed.

Profit after tax for the year improved by 16%, in line with the growth in basic EPS. The increase in profit from operations and a reduction in net interest expense were the main contributors to this.

EARNINGS PER SHARE

HEPS increased by 6% to 842 cents per share and basic EPS increased by 16% to 979 cents per share. The platinum strikes and the disposal of the surplus property at Modderfontein impacted these numbers significantly. The underlying performance reflected the market conditions in which the Group operated. Volatility in exchange rates and commodity prices made the operating environment extremely challenging.

DIVIDENDS

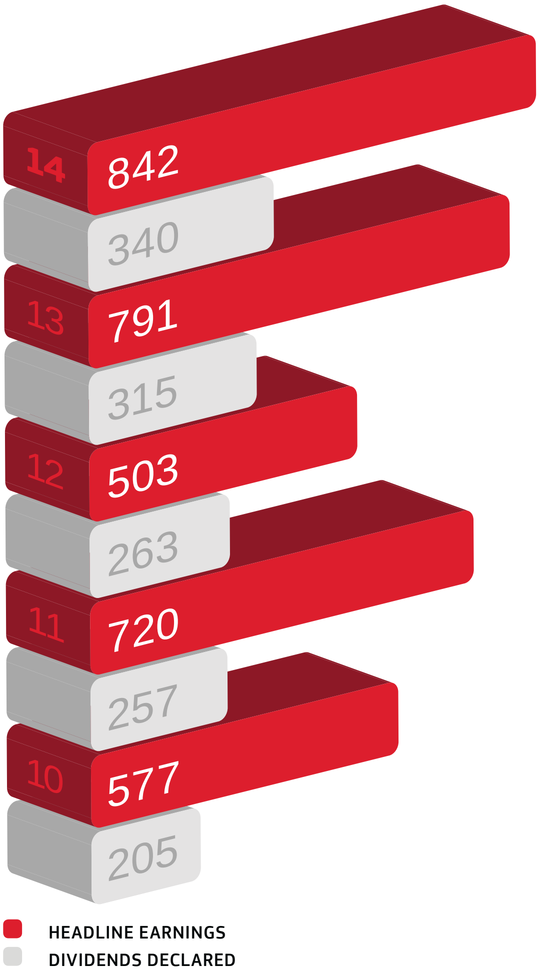
AECI declared a final ordinary dividend of 225 cents, which was 7% up on 2013 and brought the total dividend for the year to 340 cents (315 cents in 2013). In addition, the Board declared a special dividend of 375 cents per share to return the majority of the net proceeds of the bulk property transaction to shareholders. In determining this special dividend, which is subject to approval by the South African Reserve Bank, the Board considered:

› the current gearing level and cash generation of the Group; and

› the fact that AECI can fund acquisitions and other expansion through its cash generation and debt facilities available to the Company.

AECI declared and paid its first dividend on the unlisted B ordinary shares granted to employees in their capacity as beneficiaries of the AECI Employees Share Trust established as part of our B-BBEE transactions finalised in 2012. A dividend of 29 cents per share was paid on 30 September 2014. A dividend of 32 cents has been declared and will be paid in 2015.

HEADLINE EARNINGS AND DIVIDENDS PER ORDINARY SHARE (CENTS)



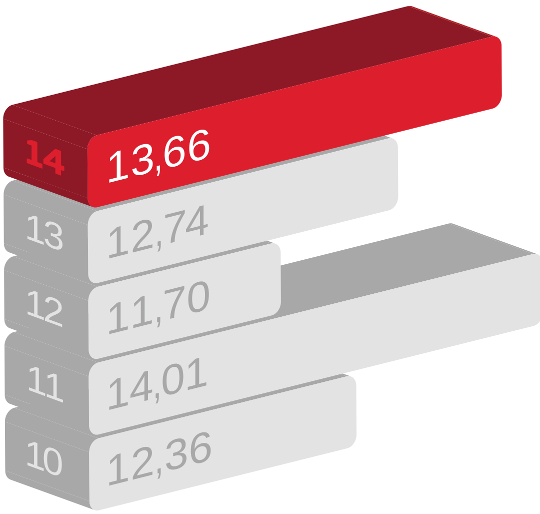
FINANCIAL POSITION AND CASH FLOW

AECI invested R745 million in capital projects (2013: R547 million), with R335 million of this for expansion projects. Expansions included AEL's entry into Australia and investment at mines to service new contracts gained. A blending plant was built at SA Premix, a new reactor was installed at ImproChem to manufacture GE products and replace imports, and SANS Technical Fibers' single stage technology conversion project was completed. Construction commenced on a new R&D centre for Senmin.

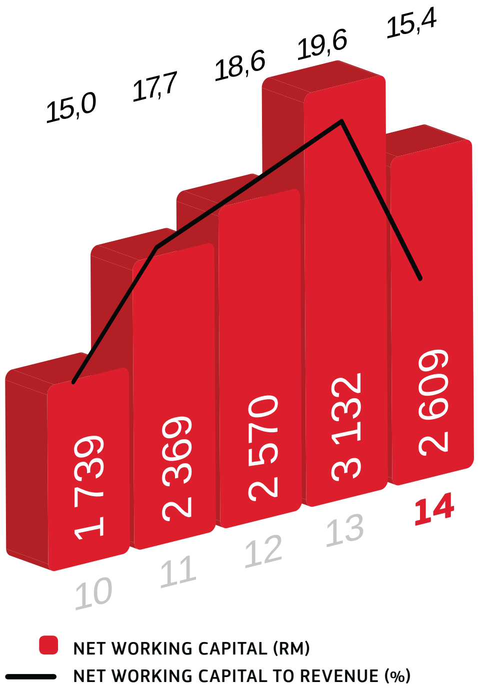
R410 million was invested in capital to maintain operations, including the replacement and upgrade of certain AEL plant and equipment at Modderfontein to enhance the manufacturing platform. The latter investments were scheduled so as to take advantage of the downtime necessitated by the platinum mining sector strikes.

The Group also invested R405 million to acquire the industrial and public water treatment business of Clariant and also completed its minority investment in BBRI in Indonesia, for 42,6% of the equity. The Clariant acquisition resulted in increases in property, plant and equipment, intangible assets and goodwill.

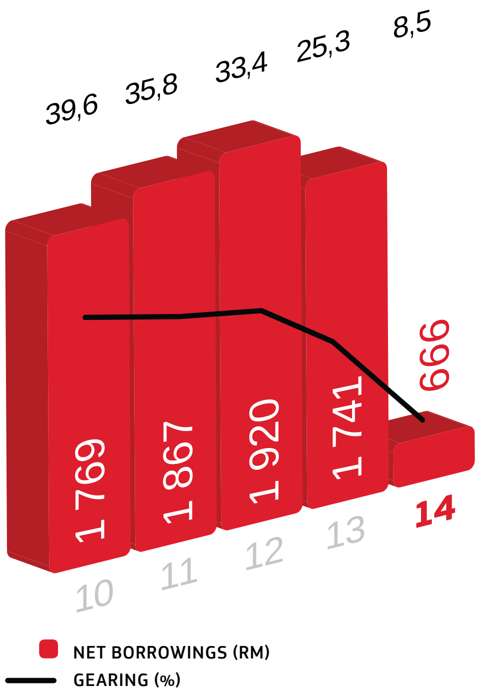
RETURN ON INVESTED CAPITAL (%)



NET WORKING CAPITAL TO REVENUE



BORROWINGS AND GEARING



Working capital was 16,7% lower than in 2013 partly as a result of the disposal of development property in Modderfontein and partly due to considerable management focus and the introduction of new performance measures to optimise working capital levels in the Group. These performance measures remain in place to drive continued optimisation in 2015 and beyond. It was very pleasing that net working capital to revenue improved from 19,6% in 2013 to 15,4%, and delivered positive cash inflows.

Non-current provisions increased as a result of actuarial losses in respect of post-retirement medical aid obligations. The actuarial losses were due to lower discount rates and higher future medical inflation expectations. Net debt, which includes long-term and short-term debt and cash, decreased by 62% year-on-year. The Group's debt to equity percentage was 9% (25% in December 2013) assisted by the property sale proceeds and cash generated from working capital improvements.

Our operations generated cash flows of R2 318 million, marginally up on 2013's levels. The substantial reduction in gearing had a positive impact on net interest paid, while tax paid was only 5% higher year-on-year due to the Capital Gains Tax applicable to approximately half of the bulk property disposed. The effect of the working capital improvement on cash available from operating activities was significant as the Group almost doubled its operating cash generation. Dividends paid in the year increased by 13% and represented 18% of the cash available from operating activities.

R1 125 million of the Group's term debt was repaid during the year and additional term debt of R401 million was secured. All loan covenants were met.

DEFINED-BENEFIT OBLIGATIONS

Pension funds

AECI moved forward in the process of de-risking the Group's financial position, in collaboration with the trustees of the defined-benefit AECI Pension Fund ("APF") and the defined-benefit AECI Supplementary Pension Fund ("ASPF"). The interests of active members, deferred pensioners and pensioners of the two funds are at the core of this process and these stakeholders have received generous proposals. The proposals include distribution of the significant actuarial surplus in the APF to all stakeholders in appropriate proportions and an agreement by AECI that it will match the extent of the enhancement offered by the APF to members of the ASPF.

The Company and the trustees of the funds have undertaken this work with the highest regard to fairness and the best governance practices. Both parties have engaged their own independent advisors and actuaries to assist them. The proposals and processes continue to be overseen by an ad hoc Board Committee comprising two Independent Non-executive Directors, as indicated in the Chairman's letter to stakeholders on page 28.

The funds issued letters to active members, deferred pensioners and pensioners in August 2014, proposing that active members and deferred pensioners transfer to a new defined-contribution pension fund, together with a fund credit, and that the current obligation to pay pensions to pensioners be transferred to Sanlam Life Insurance Limited ("Sanlam") at enhanced values.

The letter was supported by detailed presentations to all members. Unfortunately, the letters were issued during a protracted South African Post Office strike. This resulted in the very slow receipt of formal responses to the proposal and has extended the timeframe for completing the process.

At the end of February 2015, over 80% of active members and pensioners had responded and accepted the proposals. Significant efforts are underway to ensure that more responses are received before progressing with the submission to the Financial Services Board ("FSB") for approval of the required section 14 transfers to the new fund and Sanlam, respectively. The rule amendments required to effect this transfer for the APF were submitted to the FSB on 25 February 2015. The FSB will need to approve these amendments before they can be implemented and before the section 14 application can be submitted. The ASPF rule amendments will follow in due course. We anticipate that this process will be completed in the first half of 2015.

The current benefits and obligations in respect of the two funds will remain in place until FSB approval has been obtained. There has been no change to the current accounting treatment for these defined-benefit funds and the effective settlement of AECI's obligations will be recognised only once they have been settled.

The APF is using its existing assets to effect these settlements and AECI is expected to increase its employer surplus account as a result. The settlement of this fund is not expected to affect the Group's income statement. The settlement of the obligations of the ASPF will involve the use of the recognised AECI employer surplus and will result in a loss on settlement being recognised. The settlement of obligations will enable a future saving of the excess of the net defined-benefit cost over the pension fund contributions required to be made to the new defined-contribution fund.

We have begun engaging with our remaining two defined-benefit funds with comparable proposals for active members, deferred pensioners and pensioners. It is expected that these processes will only be completed in 2016.

Post-retirement medical aid ("PRMA")

In September 2014 we made a voluntary alternative benefit offer to retired employees who qualify for a PRMA subsidy from the Company. The offer involves the conversion of the current subsidy basis to a life annuity, underwritten by MMI Group Limited ("Momentum"), increased by 25%. The cost of the life annuity will be funded by the employer surplus account in the APF, for members of that fund entitled to the subsidy, through a section 14 transfer. The transfer will be subject to FSB approval. AECI will purchase policies with Momentum to provide the annuity to retired employees who do not receive a pension from the APF. Anyone who does not accept the offer will continue to receive the subsidy. At end-February 2015, 65% of qualifying members had accepted the offer.

As with the pension funds, these transactions will be accounted for as a settlement and will be recognised only when they are settled. The settlement and offers are dependent on the successful outcome of the APF conversion process and the FSB's approval of the section 14 transfer to Momentum. AECI will recognise a cost relating to the settlements equal to the amount by which the policy cost exceeds the liability recognised at the date of settlement.

It is intended that a similar voluntary alternative benefit offer will be made to qualifying employees during 2015.

PROPERTY TRANSACTION

The Group concluded the sale of the bulk of its surplus property assets in Modderfontein and its property development business to Shanghai Zendai on 20 March 2014. The proceeds of R978 million, excluding VAT, were received on that date when all conditions precedent had been met. The underlying properties have been transferred and 87% of the proceeds were recognised in 2014.

Certain portions of the land disposed of were development property while the remaining portions represented disposal of capital assets. Accordingly R462 million of the consideration was recognised in revenue, with R386 million recognised as proceeds on disposal of capital assets, R9 million in respect of reimbursement and related costs and the remaining R121 million recognised in the statement of financial position, under accounts payable, as income received in advance. In the statement of cash flows proceeds of R507 million (R386 million in proceeds and R121 million of cash received in advance) were included as a cash inflow under investing activities while the remainder formed part of cash generated by operations.

A net profit of R421 million was included in profit from operations of the property segment. R202 million of that profit related to the disposal of capital assets and was deducted from headline earnings. The remaining property remains classified as assets held for sale until it can be transferred (see note 13).

BUSINESS COMBINATIONS AND INVESTMENTS

As already outlined, in February 2014 the Group concluded an agreement with Clariant to acquire its water treatment business in Africa, its related South African assets and 50% of the shares in Blendtech (Pty) Ltd. Blendtech was Clariant's B-BBEE partner and provides additional business diversification due to its market share in public water treatment. The business was acquired on 1 July, successfully integrated into ImproChem and its profitability to the year-end met the Group's expectations. The acquisition has expanded our footprint in Africa, particularly in the public water sector.

The Group also invested R133 million in AECI Australia (Pty) Ltd, a newly formed subsidiary, with R57 million invested in an explosives manufacturing plant in Queensland and R12 million in working capital and initial costs. The remaining amount is available to fund minor additional capital, future expenditure and further working capital requirements. AECI acquired the final tranche of its equity stake in BBRI with the conversion of the R105 million loan that was advanced in 2013 to finalise the construction of the ammonium nitrate plant. The conversion took place when the plant reached nameplate production levels. The Group's holding is now at 42,6% and the investment is accounted for as an associate.

PERFORMANCE SHARES

In 2012 our shareholders approved a new Long-term Incentive Plan ("LTIP") for Executive Committee members and Senior Managers in the Group. The LTIP contains a performance share element as described in the Remuneration report commencing on page 72 and note 30 commencing on page 151. The first award of 342 784 performance shares was made in 2013 and vests on 22 November 2015. The number of shares that will vest is based on AECI's comparative Total Shareholder Return ("TSR") in relation to a peer group of companies and the performance measurement period is from 1 June 2012 to 1 June 2015. The maximum number of AECI shares that will need to be issued on vesting will be three times the number of shares awarded, subject to the ranking in the peer group and the number of performance shares that will vest on 22 November. Performance shares will not vest to participants who have terminated their employment with the Group by reason of misconduct, poor performance, irretrievable breakdown of the employment relationship or resignation.

AECI may either issue and allot ordinary shares or purchase shares on the JSE through an appropriate intermediary to enable it to deliver the required number of shares to eligible participants. AECI may be required to withhold or deduct tax and social security or similar contributions from participants. The participants are required to either make payment to AECI or enter into an agreement to authorise the sale of some or all allotted shares in order to make payment to AECI from the proceeds for the tax and social contributions due. AECI may extend the facility to enable participants to realise any remaining shares on the JSE and receive the balance of the proceeds in cash, should they choose not to hold the shares allocated.

AECI is evaluating the methods of delivering the required shares to participants, taking into account the effects of the methods of settlement on its stakeholders. The issue and allotment on new shares would have a small dilutive effect on existing shareholders while the purchase on the JSE would result in a significant cash outflow. The share-based payment expense in respect of the performance shares is recognised from the grant date to the vesting date in accordance with IFRS 2 Share-based Payments and the vesting will not result in any further expense being recognised.

RISK MANAGEMENT

Our Group continues to extend its footprint internationally through both organic and acquisitive growth and we strive to maintain our values, ethics and governance principles as we expand.

We established a Foreign Investment Committee during the year with the purpose of ensuring that the Group's standards are maintained in every jurisdiction in which it operates. The Committee is tasked with formalising policies and procedures to govern the activity of operating businesses as they expand into new areas, while ensuring that existing experience and capabilities are leveraged effectively. The Committee is also tasked with aligning historical international investments to make sure that consistency and effective operation are achieved.

The members of the Committee include Senior Operations Managers and Finance, Tax and Legal Specialists from the Group. The policies and procedures established will form the basis, and provide standardised procedures, for all activities in new territories.

International expansion also brings challenges from a tax perspective and there is a greater focus from authorities in South Africa and around the world on tax and related issues. AECI has established a formalised Tax Steering Committee with the intention of placing a strategic and a risk management focus on tax in South Africa and internationally. The Committee has initiated a comprehensive assessment of the total tax function in the Group and engaged external specialist consultants to assist. The intention is to use the results of the assessment and comparison to best practice to develop the most appropriate model and structure for AECI to address and monitor its compliance and manage the risks associated with tax and related issues, both in South Africa and internationally.

The Committee comprises myself, Senior Finance Managers from the larger international businesses in the Group, and internal and external Tax Specialists. It will have a risk management and strategic role once the structure, resources and systems have been implemented, and will report to the Audit Committee.

CONCLUSION

We are satisfied with the Group's results for the year especially in light of the unprecedented events that occurred in 2014. The Group's financial position is strong and has enabled AECI to return cash to shareholders while giving us a good base to fund growth in our strategic pillars. We look forward to the completion of the majority of the Group's legacy obligation issues, which will strengthen our financial position further.

The South African and global environments remain challenging, with the continued decline of commodity prices and further devaluation of the rand. The Group will need to be agile and proactive in adapting to the changing conditions in which it operates and we believe we have the right people and culture in the Group to do so. Strategic growth opportunities remain positive and we plan to see progress on these projects during 2015 to deliver an enhanced performance in years to come.

ACKNOWLEDGEMENTS

I would like to express my thanks to the Group's Reporting, Tax, Governance, Legal, Internal Audit, IT, Treasury, Investor Relations and Retirement Funds teams in all the countries in which we operate. Their diligence and professional oversight of the Group's finances, internal control and related matters is appreciated by me, my Executive Committee colleagues and the Board.

I also thank Mike Leeming for his support and sage advice until his retirement on 2 June 2014. Richard Dunne succeeded Mike as Chairman of the Audit Committee and I thank him also for his guidance.

Mark Kathan
Chief Financial Officer

Woodmead, Sandton
7 April 2015

REVIEW OF OPERATIONS

The challenging trading conditions that prevailed in the year have been commented on in the Chief Executive's report and Chief Financial Officer's report on pages 30 and 36, respectively. AECI nonetheless delivered robust results which demonstrate progress in terms of its strategy which is outlined on pages 4 to 7.

EXPLOSIVES

EXECUTIVE TEAM

Schalk Venter; Thinus Bierman; Liesel de Villiers; Wayne du Chenne; Paul Eager; Rafael Fernandes; Sepadi Mohlabeng; Trevor Roberts; Colin Wilson.









AEL provides a full range of explosives products and services for the mining, construction and quarrying markets mainly in South Africa, the rest of Africa, Indonesia and now also Australia.

Its business model starts with R&D to develop unique technology and products. These innovations enhance customers' operations since downstream costs are reduced through mining optimisation and the efficient application of blast energy. AEL also provides training in the application of advanced mining technology for customers' employees. R&D spend in 2014 was 2% of revenue, including DetNet.

R&D is backed by a reliable ammonium nitrate supply and state-of-the-art initiating systems production plants at Modderfontein, in South Africa. Initiating systems facilities are also in place in Ghana and Zambia. BBRI in Indonesia produces ammonium nitrate for the region, and there are on-site emulsion explosives facilities internationally.

AEL's expertise in the supply of explosives technologies for a broad spectrum of minerals and ore bodies, and its innovativeness, have enabled the company to diversify its customer base to include open pit mining, quarrying, massive mining, board and pillar, narrow reef, tunnelling and other specialised mining techniques across a range of minerals.

In 2014 capital expenditure in support of its strategy to expand geographically and diversify its customer base totalled R499 million. Of this, R183 million was for expansion and R316 million was replacement capital. Key projects at Modderfontein included a more efficient ammonia offloading facility; final closure of the old initiating systems plant and the completion of the new detonator campus; and an extended shutdown of the No. 11 Nitric Acid plant to improve its reliability and production efficiency. The shutdown was undertaken without interrupting supply to customers.

Investments were also made at various customer sites to support growth. This included Australia, which is one of the world's largest producers of metallurgical and thermal coal and ferrous and non-ferrous metals. That country's explosives industry is nearly six times the size of South Africa's. A site in Bajool, near Rockhampton in Queensland, was established as part of the R133 million investment. The site has an ammonium nitrate emulsion manufacturing facility imported from South Africa, as well as storage space. The modular design of the manufacturing facility is deployed globally and gives AEL the flexibility to grow capacity easily in the future.

In preparation for this expansion, AECI Australia was registered as a legal entity in 2014. At the same time, a Managing Director was appointed and an office was opened in Brisbane.

AECI signed a five-year supply agreement with Thiess, the world's largest mining contractor, in terms of which AEL will provide leading-edge explosives, initiating systems and technical services to Thiess in Australia. AEL and Thiess already have an excellent relationship in Indonesia.

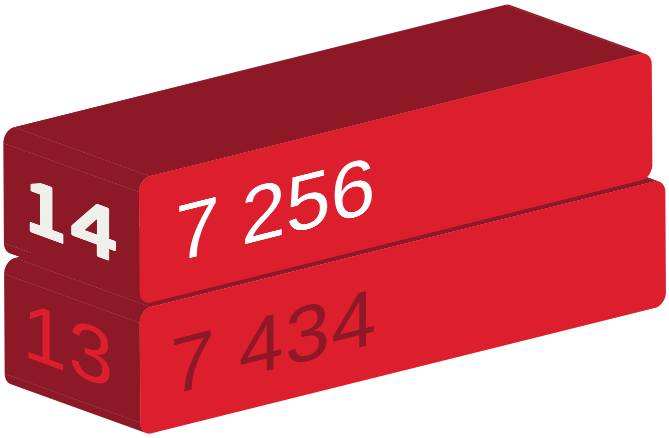
The supply of about 55 000 tonnes a year of emulsion explosives and initiating systems to four mines in Queensland commenced, with Thiess, early in 2015. AEL has also received an explosives licence for New South Wales and is developing an entry strategy for Western Australia.

Moving forward, the company's assets in Indonesia will be leveraged to facilitate the development of a regional supply chain framework in support of further growth.

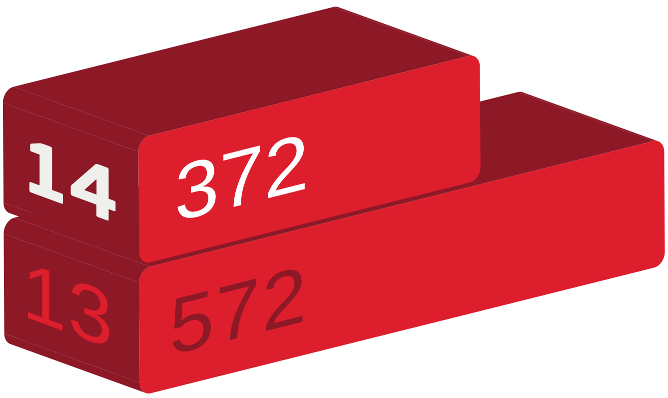
In 2014, AEL's growth strategy and related projects assisted it in containing the negative impacts of the difficult trading environment in certain mining sectors in South Africa, particularly platinum, and in other international markets. Owing to these difficult conditions, mining houses continue to seek cost reductions and efficiency gains. Some tender processes were brought forward unexpectedly.

AEL is the third largest explosives company in the world, with a 5% market share, and the leader in Africa where its market share is estimated at 50%.

REVENUE (RM)



PROFIT FROM OPERATIONS (RM)



AEL's revenue decreased by 2% to R7 256 million (2013: R7 434 million). The negative effects of the platinum mining sector strikes in South Africa, lower volumes in Indonesia and West Africa, and price pressures adversely affected revenue, more than 50% of which was generated outside South Africa. The operating margin ratio declined to 5,1% of revenue (2013: 7,7%).

The rand depreciated by 13% on average against the US dollar year-on-year. Although a weaker rand benefits AEL and the AECI Group as a whole as it steps out of South Africa, in 2014 it assisted revenue but rand margins remained under pressure owing to prevailing trading conditions in South Africa and globally.

Overall explosives volumes to mining customers decreased by 4% while those for initiating systems decreased by 19%. Profit from operations declined by 35% to R372 million (2013: R572 million). It is estimated that about R170 million of the decline was directly attributable to the strikes. A further R28 million was spent on completing AEL's restructuring processes.

The Southern African operations performed solidly and explosives volumes improved by 1,2%. There was good growth in the iron ore and coal mining businesses. AEL's market share increased in the coal mining sector, thanks to volumes gained in a tender process concluded in the last quarter.

South Africa's narrow reef gold mining industry continued to restructure and certain operations closed as the low gold price compromised profitability further. It was pleasing that, notwithstanding these difficulties, AEL gained market share in the sector in the second six months.

Explosives volumes in the rest of Africa slowed in the second half to deliver growth of 1% for the year. A strong performance in Central Africa was offset by lower West African volumes. Over and above the effects of the declining gold price, results were impacted by foreign exchange losses due to de-dollarisation in Ghana for six months, political unrest in Burkina Faso and the Ebola outbreak in parts of the region.

Poor thermal coal prices had a significant effect on volumes in Indonesia, with an overall decrease of 26%. Certain smaller coal miners discontinued their operations, while the activities of AEL's largest customer were compromised further by coal offloading logistics and power constraints.

Thermal coal prices are forecast to remain depressed for the foreseeable future and, accordingly, restructuring is underway to ensure that costs reduce in line with market demand. Nevertheless, AEL's strategic position in the region remains strong. All contracts awarded to the company in 2010 have been extended. With the BBRI plant as its manufacturing base, AEL now has nine emulsion manufacturing plants producing more than 100 000 tonnes a year of bulk emulsion explosives, 19 mobile manufacturing units and two underground manufacturing units in Indonesia. It also provides support infrastructure at nine mining customers' sites and has established an in-country technical centre of excellence in Sangatta.

Looking ahead to 2015, the global environment is likely to remain challenging overall. Uncertainty persists regarding growth in China, in particular, as well as the future of commodity prices which have a significant effect on mining activity. AEL believes that there are still opportunities in international mining markets, however. A recovery is expected in South Africa's platinum mining sector and there are also opportunities for growth in the local iron ore sector, although the outlook for South Africa's coal mining sector is less certain.

SPECIALTY CHEMICALS

EXECUTIVE TEAM

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

AECI's specialty chemicals cluster currently comprises 14 businesses 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, mining and agricultural sectors, mainly in South Africa and the rest of Africa.

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.

In terms of the Group's strategy, the focus is on mining chemicals (as part of the comprehensive Mining Solutions offering); Water Solutions in Africa; the Agrochemicals sector in Africa; the Food Additives market, mainly in South Africa; and on maintaining a solid portfolio of specialty chemicals businesses in South Africa. The pursuit of organic growth and growth by acquisition are also key.

Revenue from the specialty chemicals businesses increased by 12% to R9 368 million (2013: R8 359 million). 18% of this revenue was US$-denominated. Profit from operations was a record R1 000 million, 8,5% higher than the R922 million of last year. Manufactured volumes and traded volumes improved by 6% and 2%, respectively, for an overall increase of 4%. The operating margin ratio declined slightly to 10,7% of revenue from 11,0% due to higher Nulandis sales at lower margins and lower profitability at Senmin, where volumes declined by 10,6% owing to the strikes. It is estimated that R130 million profit from operations was lost due to the strikes by the segment as a whole.

The trading environment remained lacklustre. Growth in the South African manufacturing sector, where no major investment was evident, continued to lag that of GDP. Customers are rationalising and reducing production capacity because of cost competitive factors. Uncertainty regarding electricity supply is of concern and there was no marked improvement in customers' exports, notwithstanding the weak ZAR/US$ exchange rate. Most raw materials are imported or priced at import parity.

In this context, where poor demand impacts negatively on margin and volume growth, it was particularly pleasing that the benefits of AECI's strategy continued to be realised: 28% of revenue was from the mining market, 25% from agriculture and 7% from food and beverages. water solutions are provided to these sectors as well as all other manufacturing industries, and accounted for 12% of revenue.

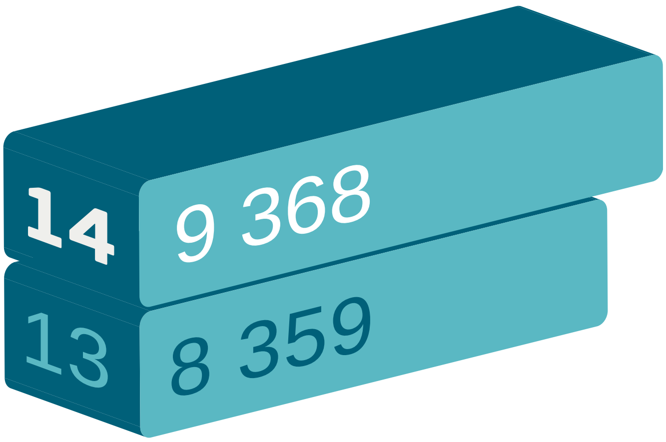
The results also reflected the benefits of acquisitions finalised in the current and prior years. In 2012, AECI acquired General Electric's ("GE") world-class Chemical and Monitoring Solutions business in Africa and merged it with ImproChem. The geographies covered by the acquisition were Africa (excluding Algeria, Egypt, Libya, Morocco and Tunisia) and the Indian Ocean islands of Madagascar, Mauritius, Reunion, Rodrigues and the Seychelles.

ImproChem provides integrated water, energy and air solutions to the chemicals, refining, petrochemicals, mining and food and beverage industries. It already had a well-established footprint in Africa and the agreement with GE ensured that customers covered by the acquisition, where water is often a scarce resource, continue to have access to the most advanced technologies that enhance the efficiencies of their operations while reducing operating costs.

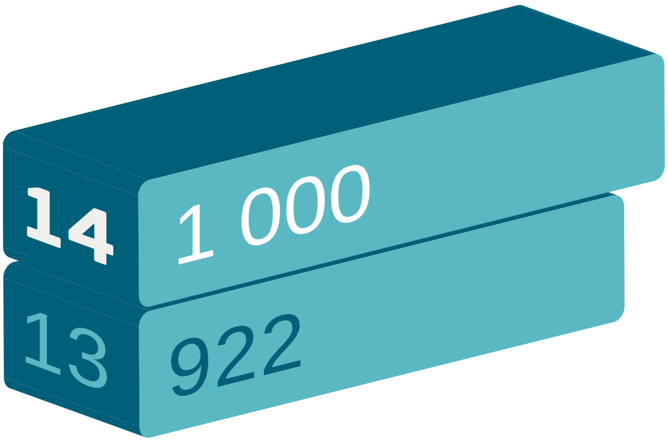
Clariant's water treatment business in Africa and its South African assets were acquired for R405 million in 2014. Also included in the acquisition was a 50% shareholding in Blendtech, Clariant's subsidiary which operates mainly in the South Africa's municipal markets.

The expansion of the product and services offering through agreements with new principals boosted competitive advantage in 2014. 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.

REVENUE (RM)



PROFIT FROM OPERATIONS (RM)



Clariant was successfully integrated into ImproChem and its financial results consolidated from July. The consolidated business' performance met expectations. The acquisition has enhanced ImproChem's direct sales capability in many African countries and will enable it to leverage Clariant's penetration of these markets.

A full year's contribution from Clariant in 2015 is expected to increase the contribution of the Water Solutions strategic pillar to the Group's revenue. Good growth is evident in Africa's water treatment market, especially in the public water sector and opportunities in North Africa, to enhance ImproChem's footprint further, are being investigated.

Also as detailed elsewhere a new state-of-the-art plant for SA Premix, which was acquired in 2013 and merged into Chemfit Fine Chemicals, was commissioned in the year and also made a contribution.

The agricultural sector in South Africa and the rest of Africa remained strong and enabled Nulandis' pleasing performance. In South Africa, additional agents were recruited and boosted the company's market share to an estimated 28%. The target is to increase this to between 30% and 35%. By February 2015, two Memoranda of Understanding ("MoU") for acquisitions in Africa had been signed, in line with the Group's strategy to increase its presence in agrochemicals markets in other African countries.

In the meantime, Nulandis' portfolio has been enhanced by the addition of Ecologika®, formerly a division of Chemical Initiatives ("CI"), which services the agricultural sector with specialty sulphur-based products. Ecologika® was integrated with Nulandis on 1 January 2015.

In Food Additives, a MoU has been signed in South Africa as the Group pursues growth in this strategic pillar, which is led by Lake Foods.

Other specialty chemicals businesses that delivered excellent performances were CI and Experse (formerly Lake Specialties). There was a pleasing turnaround in ChemSystems and Senmin delivered a credible result, recovering well in the last quarter from the strike impacts in the first nine months.

The cluster improved its cost efficiencies thanks to a number of active portfolio management initiatives. Disinvestment from poor performing activities also continued.

The Akulu Marchon ("Akulu") business is being restructured. The petroleum jelly division was closed and its assets are being sold. The white oils activities were integrated with Industrial Oleochemical Products. In the second quarter of 2015 the surfactants business will transfer to CI and the personal care portfolio will be divisionalised into ChemSystems. It is intended that the remaining 50% share in the Resinkem joint venture will be acquired, whereafter this business will also move to ChemSystems.

Capital expenditure for the segment totalled R227 million (2013: R236 million) of which R146 million was for expansion. Key projects included SA Premix's new blending plant, in Burgersdorp; installation of a new reactor at ImproChem, in Umbogintwini, to manufacture GE products and replace imports; completion of SANS Technical Fibers' technology conversion project in the USA; and construction of a new R72 million R&D centre for Senmin, in Sasolburg. This world-class facility will open in May 2015. It will enable Senmin to address the challenges facing the global mining industry, namely availability and cost of energy, availability of fresh water, complex and diminishing ore bodies, and environmental impact.

No major turnaround is forecast in the South African economy or its manufacturing sector. Nevertheless, AECI believes that the outlook in Africa for the Group's growth areas remains positive and that its specialty chemicals businesses are well positioned to sustain 2014's record performance.

PROPERTY

EXECUTIVE TEAM

Neil Hayes; Reg Bhikum; Peshy Zwane.

Subsequent to the bulk sale of property surplus to the Group's operational requirements to Shanghai Zendai, AECI's remaining property assets continue to be managed in the ordinary course of business under the brand name of Acacia Real Estate ("Acacia").

Revenue was R871 million (2013: R672 million). Of this, R462 million related to the bulk sale at Modderfontein, R55 million to land sales at Somerset West and R354 million to the on-going leasing and services businesses. Profit from operations was R490 million (2013: R219 million), including R421 million from the Shanghai Zendai transaction.

Of the R421 million, R202 million was not classified as headline earnings in terms of IFRS. When the balance of the land is transferred to Shanghai Zendai a further R47 million, before tax, will be recognised as non-headline earnings. This is expected to be completed in the first half of 2015.

The Group also continues to evaluate alternatives for the disposal of its surplus land and assets at Somerset West. A bulk disposal remains the preferred option and offers from potential purchasers are being considered.

In the leasing portfolio, 2014's performance was consistent with prevailing regional market conditions for industrial and office segments. The demand for C and D grade office space was moderate in Modderfontein and at the Umbogintwini Industrial Complex ("UIC") in Gauteng and KwaZulu-Natal, respectively. However, there was a significant increase in demand in the Western Cape, with vacancies dropping to near zero levels. This has provided the opportunity to dispose of certain of the leased buildings at attractive prices. These sales will be pursued in the coming year.

The industrial segment again performed better than the office segment as a result of increased demand for warehousing and workshop space at both Modderfontein and the UIC. There also continued to be strong demand for land rentals at the UIC. These trends are expected to continue in 2015, albeit at a slower pace, in light of the structural and external challenges faced by the manufacturing and retail sectors of the economy.

Infrastructure upgrades, unlocking value through long-term land leases of vacant land at the UIC, long-term tenant retention and improved cost-to-income ratios continue to be strategic priorities.

Acacia Operations Services provides its manufacturing customers at the UIC with services and utilities including security, potable water, electricity, effluent handling and a comprehensive rail network.

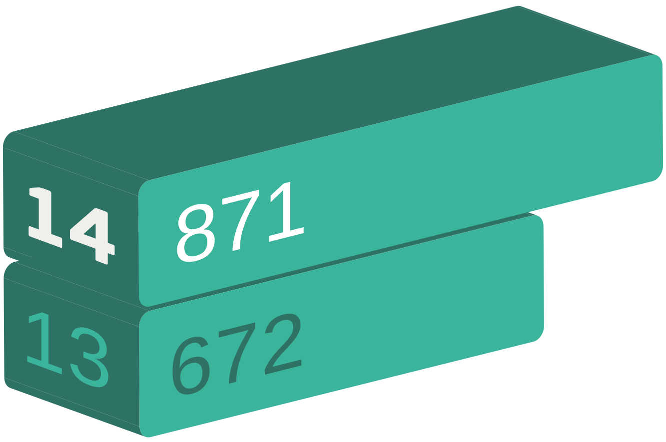
One of the main services supplied is the centralised generation and distribution of steam. This is consistent with the business philosophy of allowing site customers to focus on their core businesses.

In 2014, Acacia converted one of its coal-fired boilers to gas-firing. In addition to improving the economics and reliability of steam supply, a number of environmental improvements were also enabled. These include significant reductions in greenhouse gas emissions. More detail on the environmental benefits of the project are included in the SHE report on page 59.

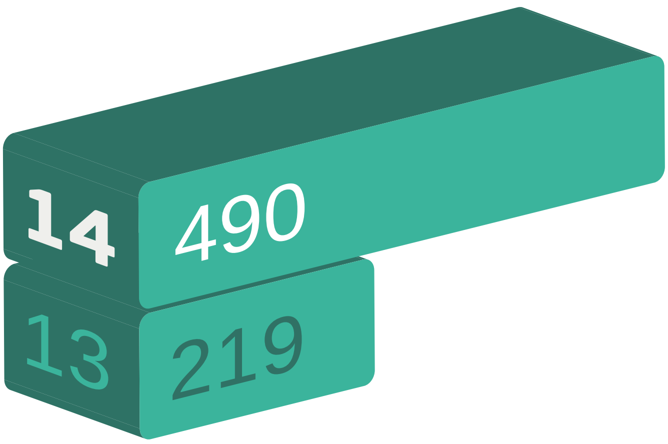
It is anticipated that a second boiler will be similarly converted in 2015.

Acacia disposed of land to the value of R55 million that was unrelated to the Modderfontein bulk deal. These sales were at Somerset West.

REVENUE (RM)



PROFIT FROM OPERATIONS (RM)



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. Further advances were made in 2014 in refining the Group's corporate governance landscape. This included enhancements, where required, in relation to compliance with King III, the Companies Act, the JSE Listings Requirements and other applicable laws and regulations. AECI's governance framework was formally agreed between the Company's Board and the Boards of its subsidiaries.

A summary of adherence to King III is presented on pages 55 and 56.

THE BOARD OF DIRECTORS

Structure and composition of the Board

AECI has a unitary Board structure led by an Independent Non-executive Chairman, eight other Independent Non-executive Directors and two Executive Directors. The Board Charter as well as the terms of reference of the Nominations Committee detail the procedures for appointments to the Board. 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 also 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 20 to 22.

The Board operates in terms of a Board charter which was reviewed in 2014. A copy of this and of the terms of reference for all Board Committees can be found via the website link **www.aeci.co.za/gov_policy.php**. 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.

In the period under review, the Board appointed Tak Hiemstra as an additional Non-executive Director. Godfrey Gomwe's appointment, in the same capacity, was announced after the year-end and took effect on 31 January 2015.

Mike Leeming retired in June after serving the Board with distinction for 12 years. During this time he was Chairman of the Audit Committee and a member of a number of other Committees.

The Board subsequently appointed Richard Dunne as Chairman of the Audit Committee.

Independence of Board members

In line with the JSE Listings Requirements, the Directors assess their independence regularly. As the Board's longest-serving members, Messrs Engelbrecht and Nyhonyha reconfirmed their independence in 2014, specifically as it regards their length of service and independence of thought. The Board was satisfied with their continued independent status based on demonstrable and visible criteria in their roles at Board and Committee levels.

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 AGM.

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. The two Executive Directors have employment contracts with a notice period of one month and there are no special termination benefits. 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. None of the Non-executive Directors are Company employees. Non-executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Executive Directors and the approval by shareholders of the proposed fees, on the Board's recommendation.

Directors' management of conflict of interests

AECI has a Conflict of Interests policy (embedded in the Group's Code of Ethics and Business Conduct) which provides guidance and procedures for Directors on managing and dealing with potential conflict of interests situations. The same policy applies to all Group employees. The Group Company Secretary is charged with maintaining a comprehensive register of Directors' declarations of interests and this is submitted for updating by the Directors before each Board meeting. In 2014 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 other than for matters pertaining to the proposed de-risking of the Company's post-retirement obligations. The Chairman and the two Executive Directors, as related parties, recused themselves from any decision-making in this regard. This was recorded in the Board minutes, which 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, mining, 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. An induction session was scheduled for the two new Directors early in 2015.

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. In the reporting period, a site visit was organised to the Company's Umbogintwini site, in KwaZulu-Natal, to give the Board an update on programmes in place to manage legacy issues at historical sites.

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.

Board and Committee performance evaluation

In line with the provisions of King III, the Board conducts a self-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 2014 evaluation was conducted internally and the indicators for testing pertained to inter alia the frequency and quality of Board meetings, Directors' independence, Board and management interaction, remuneration, and the quality of leadership at Board and Committee levels. The assessment confirmed the overall effectiveness of the Board and its Committees but indicated that specific focus should be given to issues highlighted as possibly requiring improvement. These are set out in the table below.

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 five times in the year, including a session to discuss the development of Company strategy. Meeting dates for the Board and its Committees, and details of attendance, are available via the link **www.aeci.co.za/gov_directorate_2014.php**. As is customary, 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 before the start of 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. The full Board has the opportunity to provide input. 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.

BOARD AND COMMITTEE EVALUATION RESULTS

FOCUS AREAS	RESPONSE
SUCCESSION PLANNING AT BOARD LEVEL	The Board identified new talent and skills and two new Directors were appointed. This identification process will be on-going.
SUCCESSION PLANNING AT MANAGEMENT LEVEL	The Nominations Committee considered and approved a detailed plan in this regard.
THE GROUP'S PACE IN ITS TRANSFORMATION JOURNEY	The Social and Ethics Committee will continue to monitor progress in 2015.

The proposed restructuring of AECI's defined-benefit pension fund to a defined-contribution fund is a case in point. The Board formed a sub-Committee of two Independent Non-executive Directors to consider and guide this process, which commenced in 2013.

The role and responsibility of each Committee is set out in its formalised and Board-approved terms of reference. Reviews of the terms for the Audit, Nominations and Remuneration Committees were finalised and approved by the Board in 2014. In 2015 similar reviews will be undertaken for the Risk and Social and Ethics Committees and tabled for Board approval.

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 pack.

All Committees are satisfied that in 2014 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. Its statutory duties are set out in the Companies Act.

Both the internal and external auditors have unrestricted access to the Chairman of the Committee and it is standard operating procedure for them to 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 2014 is published in its report commencing on page 88. Current members of the Committee are:

› RMW Dunne (Chairman)
› RL Hiemstra
› AJ Morgan
› LM Nyhonyha

Risk Committee

The Risk Committee is comprised of five Independent Non-executive Directors and five Executive Committee members, including the two Executive Directors. The 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 2014 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 the review of the Group's risk methodology, an external risk scan and geo-political risk analyses for foreign-based operations, a strategic risk dashboard analysis and the finalisation of a Business Continuity Management approach and strategy.

Current members of the Committee are:

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

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

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 2014 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 and other Board members also visited the Umbogintwini site to improve their understanding of soil and groundwater remediation programmes as part of the Group's management of legacy issues. The Committee met three times in the year.

Current members of the Committee are:

› Z Fuphe (Chairman)
› GJ Cundill∞
› MA Dytor
› MVK Matshitse*
› AJ Morgan
› 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. No attendee participates in any discussion relating to his/her own remuneration. The Committee met six times in 2014.

Some of the key issues addressed were the proposed conversion of the Group's pension funds from defined-benefit to defined-contribution schemes, setting Executive Committee members' KPIs, monitoring the implementation of the Group's Long-term Incentive Plan, assessment of Executive Committee members' and Senior Managers' performance against their KPIs, and a review of short-term incentives for individuals at these levels.

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, particularly for the Chairman and the Chief Executive. The Committee met four times in 2014.

The Committee focused on identifying new Independent Non-executive Directors for appointment. Accordingly Messrs Hiemstra and Gomwe were appointed, the latter after the year-end.

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 an Executive Committee 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 in line with the provisions of the Group's Delegation of Authority which was reviewed and approved in 2014.

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 2014, the Group Company Secretary 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, 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 during the year. 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 24.

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 2014, 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.

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

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. 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. Internal Audit assesses the controls opposite these matrices and reports thereon to the Audit Committee.

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.

COMPLIANCE

Protecting the AECI's "licence to operate"

Stakeholders including regulators, neighbours and special interest groups 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.

In 2014 a process of assessing AECI's overall status in compliance issues continued. Legal instruments and applicable regulations were reviewed. Where instances of non-compliance were identified, in-house resources assisted the affected businesses in formulating plans to address the identified gaps and/or risks.

Maturity status (self-assessment)

The graphic on the facing page defines levels of Group-wide maturity for benchmarking compliance initiatives and progress. On the basis of a self-assessment of the maturity of its compliance process, the Group placed itself at the top of Level 3 with a few Level 4 characteristics. Compliance with legislation that could have a significant negative impact on the Group in financial terms and in terms of its "licence to operate" was measured. The results showed that the Group's overall maturity status has improved.

Most global companies that have a mature and embedded compliance culture are striving to reach Level 5 and are focusing on efficient continuous improvement initiatives; this will be AECI's goal in 2015 and 2016. To this end, the Compliance function will build its internal capabilities and skills to respond adequately to severe risk/severe exposure compliance risks, major risk/major impact compliance risks as well as identified instances of non-compliance. The intention is to move to Level 5 by identifying and addressing compliance gaps.

African and international operations

The AECI Group operates in more than 20 countries, in Africa and elsewhere. The increasing complexity in the regulatory environment of individual countries is the principal challenge to achieving compliance in all operations in all these countries.

In 2014 a process of scoping legal requirements was concluded 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 in the coming year to businesses in Nigeria, Mauritius and Australia.

ETHICAL BUSINESS CONDUCT

Transparency

Globalisation continues to draw governments, business, civil society and individual citizens into tighter interconnectedness and interdependence. As a result a company's actions and its interaction with its stakeholders, both internal and external, are potentially more significant than ever before. AECI is no exception and the need to balance diverse stakeholders' needs shapes the way the Group conducts its business.
In an environment of increasingly empowered communities and individuals, social activism and a trust deficit, transparency and accountability are non-negotiable.

Cultivating an ethical culture

An ethical culture is key to driving long-term business value and stakeholders' support of businesses. To embed such a culture more strongly, training on AECI's Code of Ethics of Ethics and Business Conduct ("the Code") continued across the Group. A copy of the Code is available at **www.aeci.co.za/gov_policy.php**.

Efforts included translation of the Code and supporting material into Zulu and Sotho for employees in South Africa. The translated Code was distributed during training and induction. Further training and marketing of the Code was undertaken by utilising other communication methods, such as e-mail flyers.

Ethical risks identified

Conflict of interests, bribery and corruption were ethics-related risks identified in 2014. Education and communication as to what constitutes unacceptable behaviour continued via a variety of media, including computer-based training and induction programmes. Changing employees' attitudes and behaviours via these interventions remains a challenge in certain instances and alternatives, as replacements or additional efforts, are evaluated on an on-going basis.

Whistleblowing

Training continued via manual and electronic processes with respect to Tip-offs Anonymous, a whistleblowing service which is managed by Deloitte on the Group's behalf. Although the service received a number of bona fide calls, more than half of the cases reported were Human Capital-related.

In the coming year, renewed efforts will be made to improve employees' understanding of what channels are available to them for dealing with different categories of concerns they may have in the workplace.

As is standard procedure, all legitimate concerns reported were investigated and the sanction of employees found guilty of unethical or inappropriate behaviour ranged from verbal or written warnings, to dismissal. The investigations and their outcomes are monitored by the Audit Committee.

COMPETITION COMMISSION

On 4 December, the Competition Commission of South Africa ("the Commission") conducted a search and seizure ("Dawn Raid") at the offices of Akulu Marchon ("Akulu") in Gauteng, and at a competitor.

This division of Akulu manufactures and supplies a wide range of surfactant products. The Dawn Raid operation was part of the Commission's on-going investigation into collusive conduct in the market for the production and supply of products used as input materials in the manufacture of blended household detergents. The Commission seized documents and electronic data which are currently being analysed together with other information gathered to determine whether a contravention of the Competition Act No. 89 of 1998 has occurred. In line with policy, the Company has cooperated fully with the Commission's investigation thus far and will continue to do so.

As already outlined, AECI has comprehensive policies and practices in place to prevent anti-competitive or other inappropriate business practices.

Training in this regard is conducted across the Group and AECI prides itself in being an enterprise with the highest standards in governance and ethics. In this context, the Dawn Raid was extremely disappointing.

DEALING IN SECURITIES

In accordance with the JSE Listings Requirements, AECI has adopted a trading in securities policy in terms of which there is a "closed period" that endures from the end of the financial reporting period until the publication of financial results for that 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 this effect. The Group Company Secretary advises the Directors of all the closed periods.

Dealings in securities by Directors and Prescribed Officers of the Company require prior approval by the Chairman or the Chief Executive, depending on the person dealing. Share dealings by Directors and Prescribed 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 the 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 Prescribed Officers' liability insurance

The Company has in place Directors' and Prescribed 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 financiers, institutional investors, financial analysts 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 team 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.

OUTLOOK

The AECI Group made further progress in enhancing its overall governance structures and performance in 2014. There were some disappointments, however, and areas requiring further improvement were identified. Accordingly, key focus areas for 2015 will be:

› embedding the Group's governance framework across all businesses in all countries of operation; and
› embedding the compliance philosophy, framework and practice in the Group's businesses in Africa.

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 48.
The Board should appreciate that strategy, risk performance and sustainability are inseparable.	✓	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. See pages 8 to 13.
Directors act in the best interests of the Company.	✓	AECI has a Conflict of Interests policy which guides Directors in these matters. See page 48. All of AECI's Non-executive Directors are Independent. No Non-executive Director is an employee of the Company and neither one 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 AGM.
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 53 — Ethical business conduct.
The Board should ensure that the Company has an effective and independent Audit Committee.	✓	See page 50 — Audit Committee and page 88 — Audit Committee's report to stakeholders.
The Board should be responsible for the governance of risk.	✓	See page 50 — Risk Committee.
The Board should be responsible for IT governance.	✓	See page 50 — Risk Committee.
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	See page 53 — Compliance.
The Board should ensure that there is an effective, risk-based Internal Audit.	✓	See the Audit Committee's report to stakeholders on page 88 — 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 14 — 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 88 — Execution of functions in respect of internal control and Internal Audit.
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 48. All of AECI's Non-executive Directors are Independent. None of the Non-executive Directors are Company employees. The two Executive Directors have employment contracts with a notice period of one month.

SUMMARY OF ADHERENCE TO KING III continued

PRINCIPLE	APPLIED	COMMENT
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 93 — 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 nine Non-executive Directors, including the Chairman, are Independent. See page 48 — 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 51.
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 48 — Structure and composition of the Board.
Directors should be appointed through a formal process.	✓	See page 48 — Structure and composition of the Board and page 51 — Nominations Committee.
The induction and on-going training and development of Directors should be conducted through formal processes.	✓	See page 49 — Induction and on-going development of Directors.
The Board should be assisted by a competent, suitably qualified and experienced Group Company Secretary.	✓	See page 59 — Group Company Secretary.
The evaluation of the Board, its Committees and individual Directors should be performed every year.	✓	See page 49 — Board and Committee performance evaluation.
The Board should delegate certain functions to well-structured Committees but without abdicating its own responsibilities.	✓	See page 49 — Board Committees.
A governance framework should be agreed between the Group and its subsidiary Boards.	✓	See page 48 — Introductory paragraph.
Companies should remunerate Directors and Executives fairly and responsibly.	✓	See page 72 — Remuneration report.
Companies should disclose the remuneration of each individual Director and certain Senior Executives.	✓	See note 31 commencing on page 159.

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

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 2014 financial year of AECI Limited. This report incorporates the requirements of section 43 of the Regulations of the Companies Act.

MEMBERSHIP

The three meetings held in the year were attended by all members. Full details of the meeting dates and attendance are on AECI's website **www.aeci.co.za/gov_directorate_2014.php**.

The current members are:

› Z Fuphe (Chairman)
› MA Dytor
› GJ Cundill
› MVK Matshitse
› AJ Morgan
› R Ramashia

Abridged biographies of the members are published on pages 20 to 24. Ms Fuphe has served on the Committee since 2008, Messrs Dytor and Cundill and Ms Matshitse since 2012, and Adv. Ramashia since 2010. Mr Morgan was appointed to the Committee on 2 June 2014, following the retirement of Mr Leeming from the Committee and the AECI Board on that same date.

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 regard 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 on matters as contemplated above.

Non-statutory duties

› The Committee is further mandated as follows:
  » 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;
  » to provide guidance and advice on sustainability trends and issues relevant to the AECI Group as well as review and approve 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;
  » to monitor to the best of its ability that AECI and its operating businesses have properly identified stakeholders and understood their issues and ensure that all stakeholders are treated in an equitable and fair manner.

KEY ACTIVITIES IN THE YEAR UNDER REVIEW

The Committee:

- received and reviewed reports on AECI's progress on Employment Equity ("EE") in its South African operations, including a report on the Director-General of the Department of Labour's review;
- received and reviewed reports on the implementation of B-BBEE initiatives in AECI's South African operations, including a proposal for advisory support in this area;
- monitored progress against implementation plans for the AECI Community Education and Development Trust and the AECI Employees Share Trust, and received and reviewed presentations by the Chairpersons of these trusts;
- received and reviewed a report on proposed South African labour legislation amendments;
- received and reviewed a progress report on ethics management across the Group, including the workings of the Tip-offs Anonymous whistleblowing line, and made recommendations as to how the report could be improved in future;
- received and reviewed a report on compliance in the Group;
- received and reviewed reports on AECI's management of safety, health and environmental issues;
- attended a detailed site visit and presentation on the soil and groundwater remediation programme at the Group's UIC site;
- monitored progress with respect to the retrenchment process at AEL; and
- reviewed AECI's approach to engaging with regulatory authorities, both with respect to labour legislation in South Africa as well as engagement more generally, and offered recommendations as to how this could be enhanced.

On behalf of the Social and Ethics Committee

Zellah Fuphe
Chairman

Woodmead, Sandton
7 April 2015

SAFETY, HEALTH AND ENVIRONMENT ("SHE")

AECI's management of SHE-related issues is guided by a formal SHE policy, with performance being measured in a framework of supporting standards. The policy and standards, available via the link **www.aeci.co.za/pdf/policy_documents/safety_health_and_environment.pdf**, are agreed to and approved by the Chief Executive and are reviewed periodically by the Social and Ethics Committee.

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 standards are:

› OHSAS 18 001 (an internationally applied British health and safety management standard);
› ISO 14 001 (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 comprises seven elements including health and safety, and the environment. 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 **www.aeci.co.za/cc_she_2014_certifications.php**.

GREEN GAUGE

The AECI Green Gauge programme was launched three years ago. Since then, substantial progress has been made in the key focus areas of resource and energy conservation. In the initial phases of the programme, energy, water and waste reduction opportunities were identified. Action plans were developed to address these opportunities and implementation followed. At site and business levels, savings have been measured and reported against a 2011 baseline to quantify progress against targets.

A summary of the more noteworthy performance improvements achieved follows.

Energy

Although total energy consumption increased, there were some pleasing improvements in individual businesses:

› Chemical Initiatives' ("CI") Umbogintwini facility realised savings of 5,8GWh, largely through the installation of variable speed drives;
› AEL's Modderfontein operations realised savings of 4GWh through air compressor optimisation and the closure of the old detonator plants, as well as boiler blow-down optimisation;
› Experse's Umbogintwini facility realised savings of 3,6GWh through replacement of motors with higher efficiency units, installation of variable speed drives, optimising the control of facility lighting, reducing steam system pressure and optimising the heating and cooling of reactors.

These savings were calculated on an annualised basis.

Water

› AEL's Modderfontein facility realised savings of 300 000m^3 on an annualised basis, primarily due to the closure of the old detonator plant;
› Specialty Minerals South Africa's ("SMSA") Merebank plant realised savings of 218 000m^3, primarily by substituting potable water with recycled water;
› Acacia Operations Services realised savings of 25 000m^3 due to the conversion of a boiler from coal to gas feedstock and a pipeline leak reduction programme. More details regarding the boiler conversion are on page 47.

Waste

› Experse's Umbogintwini facility reduced its hazardous waste generation by 110 tonnes per annum by filtering slimes prior to disposal;
› SMSA improved its milling efficiency, thereby reducing non-hazardous waste generation by 310 tonnes per annum;
› CI at Umbogintwini reduced it hazardous waste generation by 646 tonnes as a result of fewer plant shutdowns and the more diligent segregation of waste streams;
› Acacia Operations Services reduced ash generation at the UIC by 1 500 tonnes per annum through the coal to gas boiler feedstock conversion project. This business also reduced Scope 1 CO_2 emissions by 23 300 tonnes and SO_2 emissions by 173 tonnes respectively, on an annualised basis.

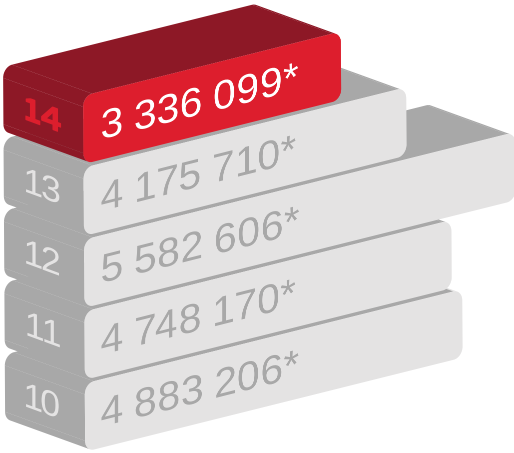
INVESTOR-RELATED INITIATIVES

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. See www.aeci.co.za/**cc_she_cdp_wdp.php**.

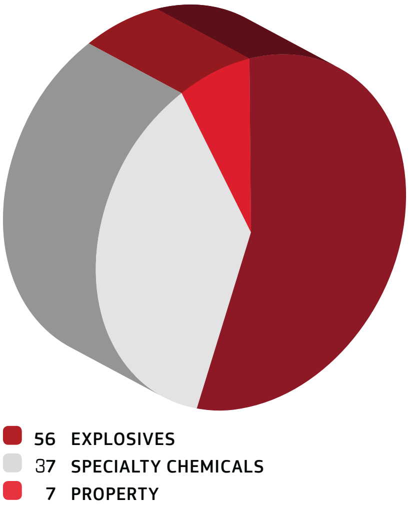
In 2014 AECI was included in the SRI for the sixth successive year. In the CDP the Company was placed in the "B" performance band, with a carbon disclosure score placing it 29th of the 76 participating companies – an improvement of two positions from 2013's score. While the CDP Water Program does not produce company-by-company comparisons at this time AECI again participated in the initiative, thereby making the relevant information available in the public domain.

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

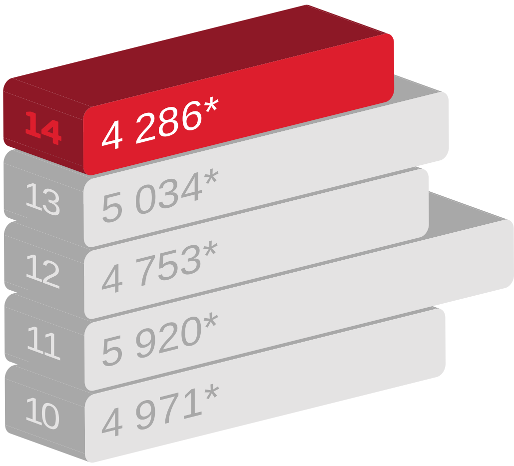
WATER USAGE (m^3)



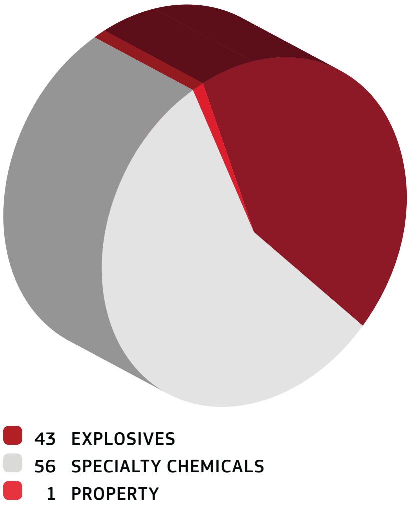
WATER USAGE BY SEGMENT (%)



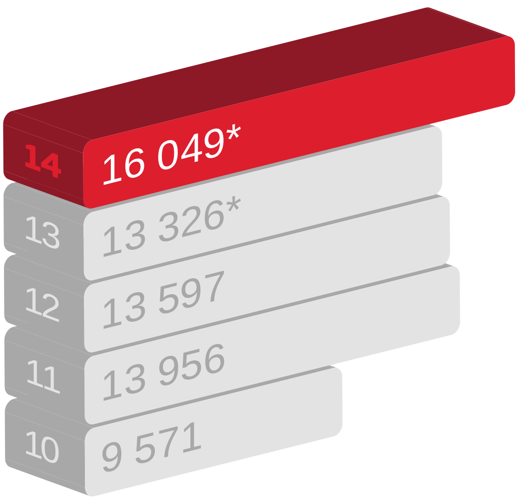
HAZARDOUS WASTE GENERATION (TONNES PER YEAR)



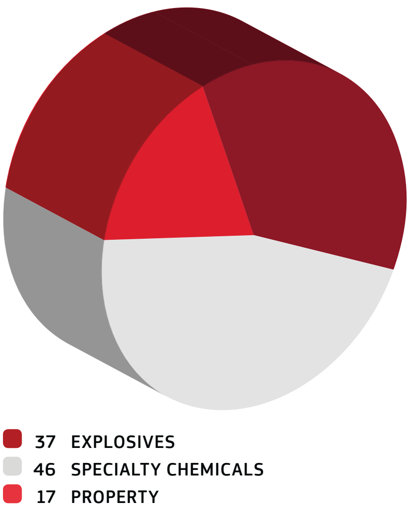
HAZARDOUS WASTE GENERATION BY SEGMENT (%)



RECYCLED WASTE (TONNES PER YEAR)



RECYCLED WASTE BY SEGMENT (%)



* *Indicates limited assurance. See page 70.*

ENVIRONMENTAL PERFORMANCE

Water consumption reduced by 20% to 3 336 099 m^3* (2013: 4 175 710 m^3*). This reduction was achieved mainly at AEL and predominantly due to the plant closure already referred to, and discontinuation of safety fuse production at the Mankwe site.

The generation and disposal of hazardous waste reduced by 15% to 4 286 tonnes* (2013: 5 034 tonnes*). This decrease was largely in the specialty chemicals cluster's operations. The two primary contributors were a reduction in plant shutdowns at CI, which also implemented a more rigorous waste segregation process, and a reduction in the quantity of unsaleable product at Experse requiring disposal.

Recycled waste increased by 20% to 16 049 tonnes* (2013: 13 326 tonnes*). This resulted from the shutdown of a process plant at an operating subsidiary. A byproduct stream, previously used as a feedstock for this process, is now recycled by a third-party composting company.

ENVIRONMENTAL INCIDENTS

The prevention of incidents detrimental to the environment is an important aspect of AECI's approach to managing its impact. Such incidents do occur, though, and are classified and reported internally in line with AECI's reporting standards and guidelines. Only one serious incident* occurred during 2014 (2013: one serious incident*): at AEL's Bissa site in Burkina Faso a chemical spill occurred as a consequence of civil unrest. Clean-up was effected as required, with no lasting damage to people or the environment.

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 equivalent ("CO_2e"). AECI's carbon footprint was calculated using the 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 **www.aeci.co.za/cc_she_carbon_footprint.php**.

The increase in total CO_2e emissions is attributable primarily to a significant increase in Scope 1 emissions from the explosives business. Process-related CO_2e emissions at AEL increased by 36% from 2013 due to higher nitrous oxide ("N_2O") emissions from the No. 9 Nitric Acid plant at Modderfontein. This increase was the result of the suspension during 2013 of this plant's 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.

A 40% reduction in Scope 1 emissions from the property segment was achieved as a result of the coal to gas feedstock conversion of a boiler.

The majority of AECI's Scope 2 emissions arose from electricity consumption. The Group consumed 217 959MWh* of electricity in 2014 (2013: 202 365MWh*). The reported increase in consumption for 2014 is due to an understatement in 2013, of about 11%, detected during the year in the consumption data from a business in prior reporting periods. AECI's total energy usage during 2014 was 2 446 673GJ* (2013: 2 348 571GJ*).

LAND REMEDIATION

The guiding principles underlying AECI's land remediation activities are to protect human health and the environment and to use good science, proven concepts and the best available cost-effective technologies. Human health and environmental risk assessments are undertaken at appropriate stages of individual projects. These assessments influence subsequent activities. Stakeholder communication in the remediation process is vital and as such AECI cooperates with regulatory authorities and shares information with interested and affected parties on a regular basis.

AECI's remediation activities in 2014 were mainly at the UIC, where the deployment of an enhanced in-situ bioremediation programme is being extended in order to control groundwater plumes originating from historical activities on the site. A summary of this work is published on **www.aeci.co.za/cc_she_land_rem.php**.

Details on financial provisions for environmental liabilities are included in note 16 to the annual financial statements.

ENVIRONMENTAL COMPLIANCE

In 2011 the Department of Water Affairs ("DWA") issued a new Water Use License for the Group's operations at the Modderfontein site. This site had been operating for some years under a draft Water Use License. The new License was issued with stringent conditions which was the site was not immediately able to comply with. 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 License conditions. These projects have been completed and during 2014 approval was negotiated for most of the amendments to the License. Negotiations with the relevant current authority, namely the Department of Water and Sanitation, on this matter continue in a spirit of cooperation to finalise the situation in a mutually satisfactory manner.

AEL has advised the National Air Quality Officer of its intention to apply for a five-year postponement with respect to compliance with the 2015 minimum emission limits for certain manufacturing plants at its Modderfontein site. An air impact study and the first phase of the requisite public participation process have been completed. The postponement motivation, together with a five-year action plan, was submitted to the National Air Quality Officer.

* *Indicates limited assurance. See page 70.*

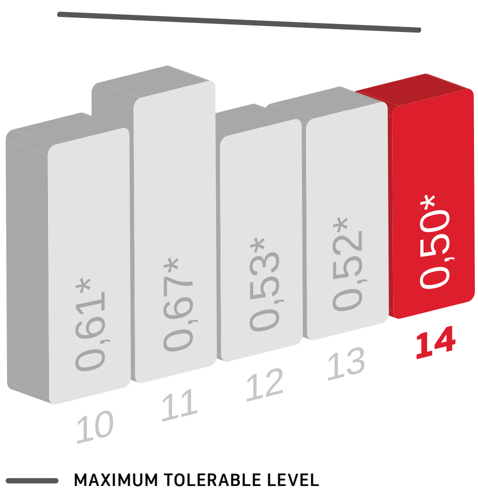
CARBON FOOTPRINT

Tonnes of CO_2e: Scope 1	2010	2011	2012	2013	**2014**
Explosives	219 310	201 499	188 610	226 946	**308 080**
Specialty chemicals	24 665	59 801	30 252	26 861	**22 724**
Property	65 940	68 075	62 685	76 015	**45 422**
Specialty fibres[1]	976	534	341	N/A	**N/A**
AECI TOTAL	**310 891***	**329 909***	**281 888***	**329 822***	**376 226***

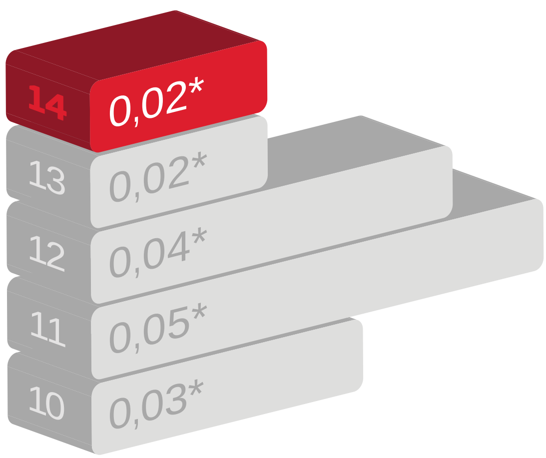
Tonnes of CO_2e: Scope 2	2010	2011	2012	2013	**2014**
Explosives	77 768	76 622	76 277	78 170	**74 031**
Specialty chemicals	103 446	135 297	115 553	124 009	**150 721**
Property	10 050	8 315	6 863	7 378	**5 713**
Specialty fibres[1]	25041	27335	25672	N/A	**N/A**
AECI TOTAL	**216 305***	**247 569***	**224 365***	**209 557***	**230 465***
AECI TOTAL (SCOPE 1 AND 2)	**527 196***	**577 478***	**506 253***	**539 379***	**606 691***

1 Specialty fibres was included in the specialty chemicals segment from 2013.

ALL WORKERS TRIR



ALL WORKERS OCCUPATIONAL ILLNESS RATE



* *Indicates limited assurance. See page 70.*

SAFETY AND HEALTH PERFORMANCE

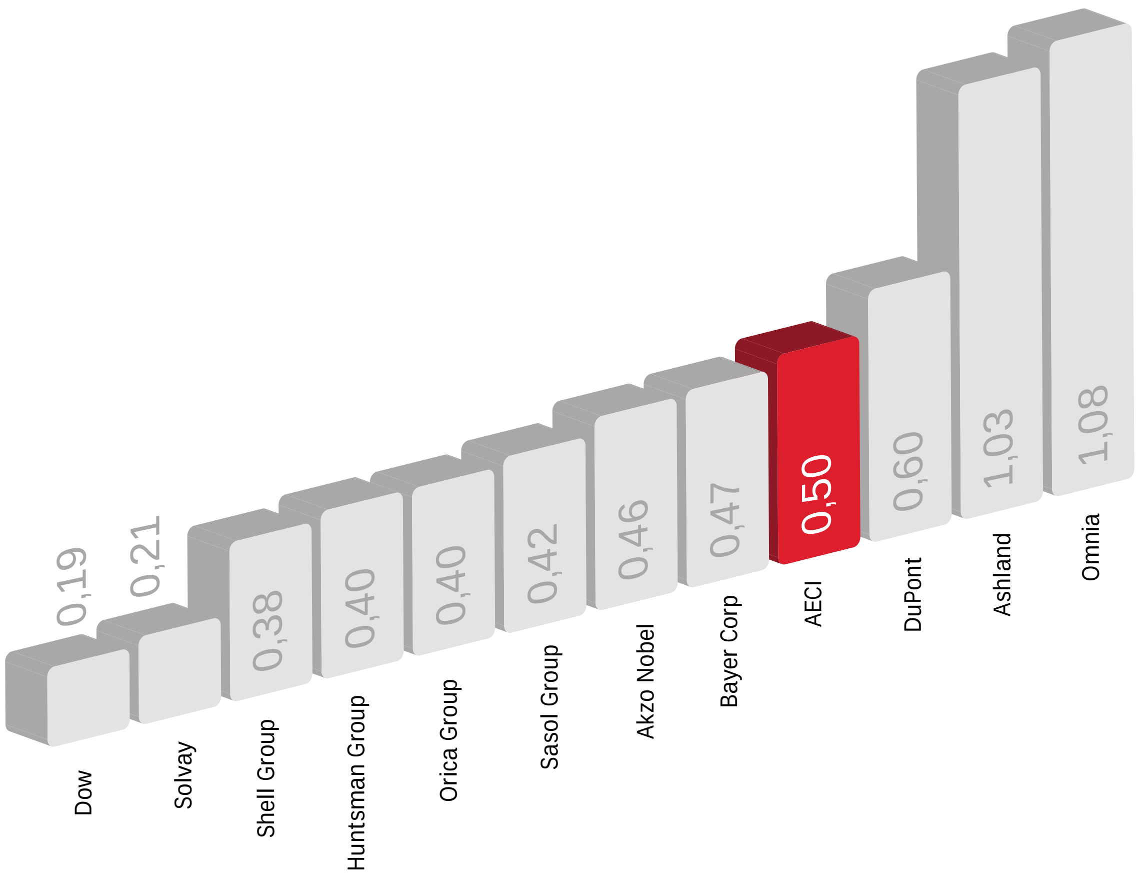
This is expressed as the Total Recordable Incident Rate ("TRIR"). The TRIR measures the number of incidents per 200 000 hours worked. It was most pleasing that AECI achieved its best-ever safety and health performance with a year-end TRIR of 0,50* (2013: 0,52). There were no fatalities in 2014*.

Tragically an AEL employee sustained fatal injuries on 22 January 2015 as a result of a motor vehicle collision on a public road while en route to a customer.

The occupational illness rate was 0,02*, unchanged* year-on-year. One case of asthma and one of dermatitis were recorded.

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

TRIR PERFORMANCE COMPARISONS



PROCESS SAFETY

Process Safety Management ("PSM") is focused on the prevention of explosions and significant chemical releases – issues of obvious concern to a company that manufactures and trades in explosives and a range of specialty chemicals. AECI began rolling out a formal PSM system in 2012 and substantial 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 a 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. The aim is to move from a focus on illness to a perspective encompassing 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 help with post-traumatic stress to financial guidance.

To implement the Group's Wellness programme, peer-driven B-Well agents have been trained to become agents of change in the workplace and beyond. These agents 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.

OUTLOOK

In environmental matters, rising electricity prices and increasing competitive pressures on the manufacturing sector in South Africa are likely to be contributory incentives to build on the successes that have been achieved thus far in the Green Gauge programme.

In terms of safety, the tragic road incident at the start of 2015 serves as a sobering reminder that, despite another year of improvement in the Group's health and safety performance, there remains a level of inherent risk to employees that requires constant vigilance. During 2015 the Group will continue to learn from the causes of the incidents that do occur in order to improve further in this critical area.

HUMAN CAPITAL

Over the last three years the Human Capital function has evolved into a strategically-focused service in support of the Group's growth aspirations.

Because employees have a fundamental role to play in delivering Group growth, a priority for Human Capital is driving breakthrough employee performance. The goal is to enhance management's ability to develop talent and assess performance effectively while creating an open and collaborative culture.

To align all businesses in the Group with this goal, Human Capital Specialists and Generalists from most countries where AECI operates met in 2014. The focus on talent and the creation of a high performance culture were key agenda items.

TALENT MANAGEMENT

The Talent Acquisition team assisted Group businesses in moving towards the achievement of their transformation objectives by sourcing suitable candidates. Significant progress was made in building a talent pool through the design and implementation of an AECI careers portal. All external adverts for positions are placed on this website and about 20 700 candidates had registered on the site by year-end, with 94% of them members of the designated groups. The portal is accessible via the websites of AECI, AEL, Chemfit, CI, ChemSystems, Crest Chemicals, DetNet, Experse, Lake Foods and SMSA. International roll-out across other Group companies will continue in 2015. Also of benefit is that the site automatically posts all adverts to a careers aggregator, thereby ensuring maximum exposure for AECI as an employer on an international scale.

Employee development via the customised AECI Management Development Ladder, launched in 2013, continued. All 59 employees who were enrolled last year graduated after successfully completing one of the following:

› Foundation Management Development Programme ("FMDP");
› Middle Management Development Programme ("MMDP").

The courses cover personal effectiveness and leadership, as well as customer relationships and strategy execution at all three levels.

The number of enrolments almost doubled in 2014, with 40 participating in the FMDP (90% from designated groups) and 42 in the MMDP (81% from designated groups). Furthermore, 29 began the Senior Management Development Programme (69% from designated groups) and three employees, one of whom is from a designated group, completed the Global Executive Management Development Programme.

Investment in the programmes over the two years totaled more than R10 million, which AECI believes will improve the diversity profile of its leadership pipeline and its capacity to deliver shareholder value.

An Employee Study Assistance programme, discussed in more detail on page 65, also supports the talent pipeline as does and an external bursary scheme. All 26 external bursary holders are from designated groups and are studying towards qualifications in skills areas identified as being scarce and critical to the Group. These include agriculture, and chemical and mining engineering. Graduates of the scheme are employed in the Group for a minimum of 12 months, to gain experience.

Financial support in the form of bursaries is also given to employees' dependants registered at tertiary education institutions, irrespective of their course of study. Priority is given to dependants of employees in the lower income groups. The number of bursary holders increased to 18 in 2014, from 14 the prior year.

A summary of these investments is presented below.

A Performance Management Improvement project was initiated in 2014, for implementation in 2015. It will standardise and integrate performance management processes and procedures across all businesses internationally, particularly in terms of the Group's ability to recognise and reward its people using consistent measures and ratings. This will ensure that all AECI companies' goals are aligned in support of strategic growth and delivery. All non-bargaining unit employees will be involved.

STUDY SCHEMES

Scheme	No. of beneficiaries	Designated group (%)	Female (%)	Investment in 2014
Employee Study Assistance Programme	182	92	49	R1,9 million
External bursaries	26	100	58	R1,5 million
Employee dependants' bursaries	18	100	62	R370 000
Total	**226**			**R3,77 million**

LEARNING AND DEVELOPMENT

AECI's Learning and Development strategies are aligned with the Employment Equity Act and the Skills Development Act, No. 97 of 1998.

Building skills and behaviours that promote a culture of continuous learning, leadership and diversity is imperative for the Group's achievement of its strategic goals and objectives, including its EE targets.

Allowing employees to grow and advance their careers in the Group is the priority. A banded approach provides opportunities for employees to participate in training programmes appropriate to their levels of work, but also to attend interventions at higher levels as appropriate.

Programmes are designed to ensure the timely availability of the Group's human capital requirements and learning interventions aim to deliver well-rounded competent employees who make valuable contributions through their personal growth, increased productivity and the resulting creation of improved shareholder value.

In 2014 R1,9 million was invested in 182 employees, 96% of them from the designated groups, through the Employee Study Assistance Programme. Courses chosen by employees cover a variety of qualifications and include MBA, BSc and BCom degrees as well as Diplomas and shorter courses in various disciplines. Although the focus for 2015 will remain on addressing scarce and critical skills, the Group will continue assisting employees wishing to improve their educational qualifications in their preferred fields.

AEL received accreditation from the Mining Qualifications Authority for the Skills Programme: Blasting Assistant in Surface Mines and Quarries. Accordingly, employees from AEL in Botswana, the DRC, Egypt, Ghana, Namibia, Tanzania, Zambia, Zimbabwe, Chile and Indonesia who attended the Blasting Competency Programme presented in the latter part of the year received certificates of competence for a registered and accredited skills programme.

Group businesses in South Africa submitted their Annual Workplace Skills Plans and Training Reports to the Chemical Industries Education and Training Authority ("CHIETA") at the earlier date of 30 April compared to 30 June in prior cycles. Further changes to the skills development landscape introduced in 2013 affected the grant amounts received from the South African Revenue Service.

The Group's Mandatory Grant reduced from R6,3 million in 2013 to R3,9 million, primarily due to the refund percentage changing from 50% to 20% of the skills development levy. To counter this decrease in funding, the CHIETA will make available additional funding for Professional, Institutional, Vocational, Occupational, Technical and Academic Learning programmes during the Discretionary Grant application process.

The CHIETA has already approved R7,5 million towards the implementation of such interventions, with a further application of R3,3 million awaiting approval. Details on how these funds were invested are available via the link www.aeci.co.za/cc_training.php where learning and development initiatives are dealt with in more depth.

The Group is well represented in legislative forums CHIETA structures. In 2014, AECI management met with CHIETA delegations to explore ways to increase the intake of apprentices. Technical and Vocational Education and Training ("TVET") colleges and employers will be expected to collaborate further in determining industry needs to ensure that qualifications address critical and scarce skills. AECI will enhance its relationships with TVET colleges near its operating sites in 2015.

Subject matter experts 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. These relationships optimise the Group's ability to contribute input that is suitable and beneficial to the sectors in which it operates.

EE AND TRANSFORMATION

For the first time, the AECI Group submitted a consolidated EE report to the Director-General of the Department of Labour. Prior to this submission AECI Executive Committee consulted with the AECI Group Central Employment Equity Committee, which is constituted by Chairpersons of each business EE Committee and nominated representatives of trade unions.

The consolidated report is part of the Group's new EE Plan ("the Plan"), covering the period September 2014 to August 2017.

EE statistics: 2014 performance

There was progress in addressing the under-representation of designated groups even though numerical targets were not met owing to slower than desired progress at the Senior and Middle Management occupational levels. See the graphics on pages 66 and 67. The AECI Executive Committee has reviewed interventions aimed at improving representation of designated groups at all levels, but specifically at the Middle and Senior Management levels. Plans include:

› the selection of candidates predominantly from designated groups for the management development programmes already discussed;
› Talent Board meetings at business and AECI Head Office levels to identify scarce and critical skills and talented employees with high potential for associated appointments;
› robust succession plans with an emphasis on the development of identified individuals, with timelines that will accelerate their advancement; and
› a focused bursary scheme and learnership programmes that strengthen the pipeline of designated group representatives for future leadership roles.

EMPLOYMENT EQUITY STATISTICS

The percentages below indicate the combined representation by Black people and White females at each employment level in AECI’s South African operations.

TOP MANAGEMENT | 40%

1	BLACK MALE
1	BLACK FEMALE
3	WHITE MALE
0	WHITE FEMALE
0	FOREIGN NATIONALS

SENIOR MANAGEMENT | 31%

18	BLACK MALE
5	BLACK FEMALE
64	WHITE MALE
9	WHITE FEMALE
8	FOREIGN NATIONALS

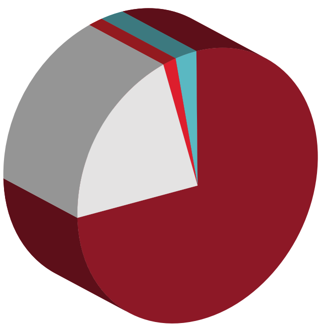
MIDDLE MANAGEMENT | 50%

181	BLACK MALE
67	BLACK FEMALE
327	WHITE MALE
114	WHITE FEMALE
30	FOREIGN NATIONALS

SKILLED | 78%

685	BLACK MALE
297	BLACK FEMALE
317	WHITE MALE
236	WHITE FEMALE
30	FOREIGN NATIONALS

SEMI-SKILLED | 98%



1 862	BLACK MALE
524	BLACK FEMALE
38	WHITE MALE
67	WHITE FEMALE
17	FOREIGN NATIONALS

UNSKILLED | 96%

275	BLACK MALE
45	BLACK FEMALE
8	WHITE MALE
0	WHITE FEMALE
4	FOREIGN NATIONALS

* Indicates limited assurance. See page 70.

'13*

TOP MANAGEMENT | **33%**

1 BLACK MALE
1 BLACK FEMALE
4 WHITE MALE
0 WHITE FEMALE
0 FOREIGN NATIONALS

SENIOR MANAGEMENT | **31%**

18 BLACK MALE
5 BLACK FEMALE
65 WHITE MALE
11 WHITE FEMALE
10 FOREIGN NATIONALS

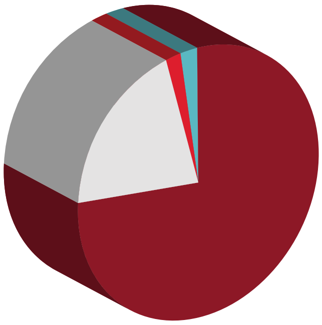
MIDDLE MANAGEMENT AND PROFESSIONALS | **49%**

176 BLACK MALE
68 BLACK FEMALE
327 WHITE MALE
107 WHITE FEMALE
32 FOREIGN NATIONALS

SKILLED | **79%**

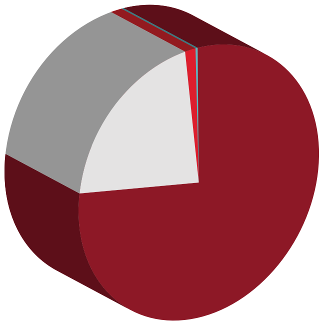
737 BLACK MALE
277 BLACK FEMALE
294 WHITE MALE
264 WHITE FEMALE
41 FOREIGN NATIONALS

SEMI-SKILLED | **98%**



2 189 BLACK MALE
573 BLACK FEMALE
51 WHITE MALE
63 WHITE FEMALE
13 FOREIGN NATIONALS

UNSKILLED | **97%**



358 BLACK MALE
98 BLACK FEMALE
6 WHITE MALE
1 WHITE FEMALE
6 FOREIGN NATIONALS

* Limited assurance of 2013's indicators can be found via the link **http://www.aeci.co.za/Financial/2013_annual_report/stake-limited-assurance.php**.

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.

AECI maintained its Level 4 Contributor status. Its scorecard is available for download via the link **http://www.aeci.co.za/pdf/bbbee-certifcate/aeci_bbbee_consolidate_certificate.pdf**.

AECI Employees Share Trust ("EST")

The EST is part of the B-BBEE ownership transactions concluded in 2012. Details on the EST's structure, administration and terms are via the link **www.aeci.co.za/cl_bbbee_transactions.php**.

Beneficiaries of the EST hold AECI B ordinary shares. In February 2014 the AECI Board declared a dividend payment of 29 cents per AECI B ordinary share, amounting to about R3 million. Of this R2,3 million was paid to beneficiaries and the balance into the EST in terms of arrangements governing unallocated AECI B ordinary shares. A dividend of 32 cents has been declared and will be paid in 2015.

The EST is administered by a Board of trustees. Three trustees are independent, one is appointed by the AECI Board and one is elected by the beneficiaries. The trustees took up their positions in 2013 and this year made good progress in terms of understanding the requirements of the EST Trust Deed and aligning the trust's processes with the Group's financial calendar.

The Broad-based Black Economic Empowerment Act has been amended with effect from 1 May 2015. The skills development element, for example, has changed considerably as already discussed in this report. Certain requirements within this element have not been confirmed by the Department of Trade and Industry but it is expected that employers will be required to place more emphasis on having employed learners participating in learnerships, internships and apprenticeships. In 2014, Group employees and other stakeholders attended a number of workshops to define strategies in this regard.

In preparation for the amendments, the AECI Executive Committee is reviewing the Group's overall transformation strategy. This includes a detailed analysis of each element covered by the Act (ownership, management control, enterprise and supplier development, and socio-economic development, in addition to skills development).

The Group's revised strategy will provide progressive targets for each scorecard element to enable continuous improvement and deliver the objectives of the revised Act.

EMPLOYEE RELATIONS

Labour legislation

In 2014 a number of amendments to South Africa's labour laws were promulgated. Of greatest significance were changes to the Basic Conditions of Employment Amendment Act, No. 20 of 2013; the Labour Relations Amendment Act, No. 6 of 2014; and the Employment Equity Amendment Act, No. 47 of 2013. A number of workshops were held with stakeholders Group-wide to ensure compliance in all of AECI's businesses in South Africa. Revisions to the Recruitment policy and the management of temporary employees and labour brokers resulted.

AECI companies, most notably AEL, operate in many other African countries. Key changes in the year were:

- in Botswana, the reviewed severance pay law was awaiting finalisation and promulgation at year-end. The Group will ensure that affected employees are informed of these changes and their implications;
- in Burkina Faso, contemplated labour law amendments were placed on hold owing to socio-political issues.

AEL also operates in Indonesia where new regulations pertaining to annual leave are expected to be implemented in 2015.

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 and represent about 45% of the workforce in South Africa. About 59% of employees in other countries are unionised. Recognition agreements in South Africa are in place with all the main chemical industry trade unions. Representative trade unions are recognised in Burkina Faso, Botswana, the DRC, Ghana, Indonesia, Mali, Guinea and Zambia and represent about 59% of the total employee complement outside South Africa. Recognition agreements in several countries are in place with trade unions. A list of these is accessible via **www.aeci.co.za/cc_employee_2014_performance.php**.

Due to protracted strike action in sectors of the South Africa mining, metal and engineering industries in 2014, wage negotiations were expected to be volatile. It was pleasing, therefore, that maturity in engagements prevailed and the annual substantive negotiations were concluded without any strike action.

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 employers and representative trade unions were for the period 1 July 2014 to 30 June 2015.

About 1 500 Group employees are not based in South Africa. They participate in the implementation of changes that affect them through their own representative structures. Briefs and workshops are used for non-unionised employees.

Business restructuring

As a result of the closure of the AEL's old detonator plants at Modderfontein and the consolidation of assembly operations in 2013, the remaining 197 retrenchments were finalised in 2014. AEL also restructured its back office.

There was major restructuring at Akulu Marchon and Crest Chemicals in the year. These processes were in line with AECI's active portfolio management strategy, where customer value is enhanced through efficiencies and savings that result from the consolidation of functional and administration services.

Detailed and regular consultation with all affected employee representative bodies precedes any restructuring. Although 170 redundancies resulted, only 40 employees were retrenched due to redeployment opportunities and natural attrition.

In line with policy and practice a number of initiatives were put in place to mitigate the effects of retrenchment. These included social responsibility plans and a reskilling fund to assist affected employees by improving their marketability and ability to deal with their job loss.

Where retrenchments are unavoidable the Group ensures that affected employees are treated fairly and with dignity. A comprehensive social plan aims to alleviate the hardship of job losses through benefits and services that include 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.

There was no restructuring at businesses outside South Africa.

SOCIO-ECONOMIC DEVELOPMENT

Sustainable socio-economic development ("SED"), as a national imperative, is embedded in the AECI Group's ethos. SED programmes have evolved into a strategic business objective that is responsive to the needs of local communities as well as the nation at large. Programmes are driven by principles of empowerment, partnership, good governance, innovation and effective leadership. They are aligned with the Group's core business, the Department of Trade and Industry's B-BBEE Codes of Good Practice and the needs of identified beneficiaries.

Formal processes are in place to ensure that investments have maximum impact. Each programme is monitored for compliance, robust reporting is expected and every investment is evaluated regularly. SED interventions demonstrate commitment to South Africa's National Development Plan as well as the Global Millennium Development Goals, which collectively aim to reduce poverty and improve the lives of disadvantaged communities.

Programmes seek to add to the quality of life of vulnerable individuals and families by investing in effective community-focused organisations and initiatives. Included are education, skills development and the holistic care and support of vulnerable children and orphans. The SED programmes operate through three main vehicles, namely the AECI CSI Fund, the AECI Community Education and Development Trust and the Tiso/AEL Development Trust. Each has a clear policy, goals, focus areas, and an administrative structure to drive the overall mandate.

In 2014 the Group contributed over R10 million to SED in South Africa in the form of monetary grants, bursaries and leasing subsidies to NGOs and educational institutions. This direct investment positively impacted over 30 organisations (not-for-profit organisations and educational institutions) and more than 72 000 beneficiaries. Direct giving was supplemented by the provision of support in administration and the like. Detailed commentary on some of 2014's programmes and projects are available at www.aeci.co.za/cc_community.php.

AECI acknowledges the value of its partnerships with leading organisations in the development sector. It is through these partnerships, recognising and rewarding good practice, recognising potential and innovation, learning from good practice and experience, knowledge-sharing and collaboration that the Group can act as a catalyst for development and empowerment.

CONCLUSION

In addition to sustaining its strategies and initiatives as outlined in this report, a focus for the Human Capital function in the coming year will be the design of a Group-wide HR Information System, initially integrating all payroll systems. A single payroll system will facilitate the review and formatting of all employee data in a manner that facilitates Talent Management processes. The development and roll-out of this project is expected to be completed by 2017.

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 Safety, Health and Environment report and the Human Capital report included in the 2014 Integrated report to stakeholders of AECI Limited ("AECI") for the year ended 31 December 2014 ("the Report"). This engagement was conducted by a multidisciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

Subject matter

We are required to provide limited assurance on the following selected sustainability information, 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 61); hazardous waste (page 61); recycled waste (page 61); total electricity usage (page 61); total energy usage (page 61); carbon footprint – Scope 1, Scope 2 and total of Scope 1 and 2 (page 62); number of environmental incidents (total major and serious) (page 61).
- **Health and safety indicators –** Total Recordable Incident Rate (employees and contractors combined) (page 62); occupational illness rate (employees and contractors combined) (page 62); fatalities (employees and contractors combined) (page 62).
- **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 66).

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 Services (Pty) Ltd 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 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 members of the AECI Executive Committee 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 members of the AECI Executive Committee 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 and Nitrates in South Africa; and Zambia); Acacia Operations Services (Umbogintwini), Chemical Initiatives (Umbogintwini), Experse Surfactant Technologies (Umbogintwini and Chloorkop), Akulu Marchon (Chloorkop), Nulandis (Lilianton), ImproChem (Umbogintwini), Senmin (Sasolburg) and Industrial Oleochemical Products (Jacobs). In addition, desktop reviews were performed for AEL sites in Burkina Faso, the DRC 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 2014 is not prepared, in all material respects, in accordance with AECI's internally developed guidelines.

Other matters

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 the AECI's website is the responsibility of the Company's 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 conclusions we have reached.

KPMG Services (Pty) Ltd

Per PD Naidoo
Director

Johannesburg
7 April 2015

1 Albany Road
Parktown
South Africa
2193

REMUNERATION REPORT

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.

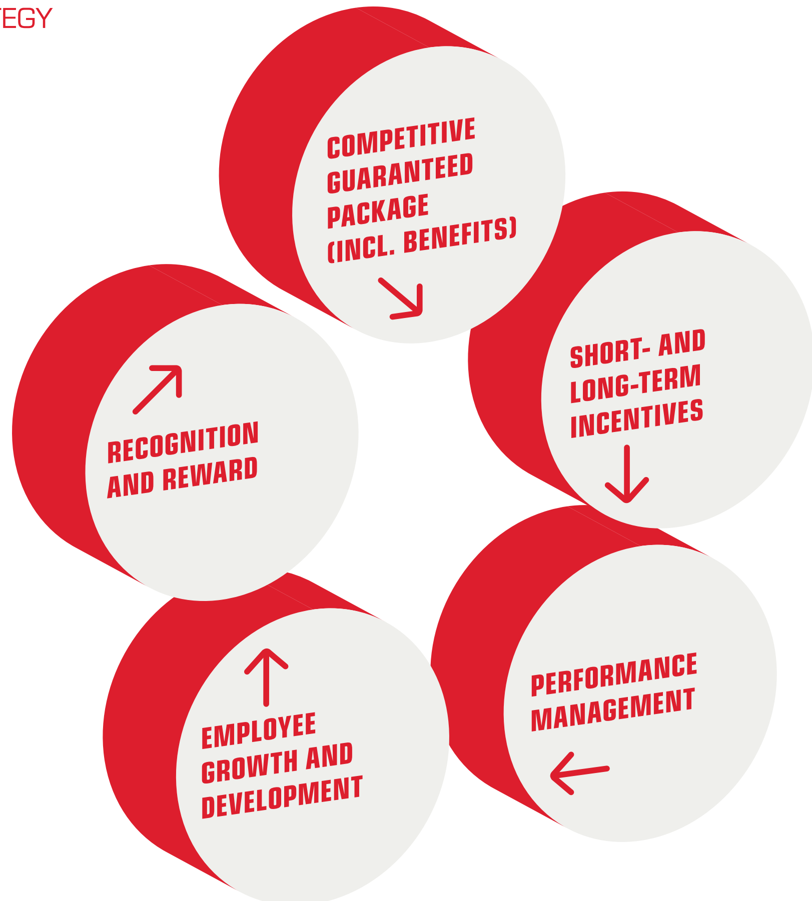
AECI's Executive remuneration policy is driven by individuals' performance and comparisons to market benchmarks. Included are compensation, benefits, variable pay and the retention elements of reward. The policy seeks to reward Executives Committee members and Senior Managers who contribute to the achievement of targets for growth and shareholder returns. Accordingly, financial performance measures and KPI scorecards determine the levels of rewards for Executives and Senior Managers.

AECI has taken a balanced approach to remuneration, ensuring that employees are incentivised to achieve both the short- and long-term strategic objectives of the Company. 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 ("TSR") against a comparator group.

In alignment with the Remuneration Guidelines of King III, and in compliance with the Companies Act, this report is presented in two parts:

- Disclosure of AECI's remuneration philosophy, strategy and policy, including:
  - governance and the Committee;
  - key remuneration decisions taken in 2014;
  - remuneration overview;
  - reward strategy – pay mix;
  - guaranteed remuneration;
  - short-term incentives ("STIs");
  - long-term (share-based) incentives ("LTIs");
  - Executive Committee members' service contracts; and
  - Non-executive Directors' fees.
- Implementation of the remuneration policy in the period under review.

REWARD STRATEGY



REMUNERATION PHILOSOPHY, STRATEGY AND POLICY

AECI's 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 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 Group to recruit highly competent and qualified individuals and to retain high performers.

AECI's reward strategy is balanced so that all components are aligned with the strategic direction and business-specific value drivers of the Company and it is 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 employee'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. Growth and development opportunities for employees are identified informally on a day-to-day basis and more formally through the Talent Board process.

The guaranteed package comprises base pay, allowances, retirement and medical aid benefits and is managed in relation to the market median, taking into account individuals' 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 achievement of short-term objectives for Executive Committee members and Senior Managers, while LTIs are designed to incentivise and reward them through the achievement of long-term shareholder value.

The tables that follow summarise the composition of total remuneration packages in 2014. No material changes to the remuneration philosophy and practices were made during the year, although a number of changes to the variable elements of pay are envisaged for 2015.

REMUNERATION STRUCTURE FOR NON-BARGAINING UNIT EMPLOYEES

REWARD ELEMENT	FIXED OR VARIABLE	APPLICABILITY	ELEMENT OF REMUNERATION	PURPOSE	POLICY
GUARANTEED PACKAGE	Fixed	All non-bargaining unit employees, including Executive Committee members and Senior Managers	Base pay	Reflects the value of individuals – role, skills, experience	Benchmarked on the basis of market median
	Fixed		Benefits	Provides medical aid, Group life insurance and disability benefits comparable with the market and ensures that the total remuneration package is competitive	Benchmarked on the basis of market median
	Fixed		Retirement contributions (a number of independent defined-benefit and defined-contribution schemes)	Pensionable salaries are determined at 13/12th of annual basic salary. This provides post-retirement remuneration and ensures that total remuneration is competitive	Benchmarked on the basis of market median
ANNUAL INCENTIVE BONUS	Variable	All non-bargaining unit employees, including Executive Committee members and Senior Managers	Short-term incentives	Incentivises the delivery of short-term objectives	Bonus percentages and performance measures for 2014 were unchanged from those in the prior year
LONG-TERM INCENTIVES	Variable	Executive Committee members and Senior Managers	Performance shares	Incentivises the achievement of long-term shareholder value. Expected value (annualised) to be derived from long-term (share-based) incentives	Measures the Company's TSR growth against that of a comparator group
	Variable	All employees at Patterson level D Upper and above	Earnings-based scheme		Measures earnings growth

REMUNERATION STRUCTURE FOR BARGAINING UNIT EMPLOYEES

REWARD ELEMENT	FIXED OR VARIABLE	ELEMENT OF REMUNERATION	PURPOSE	POLICY
GUARANTEED PACKAGE	Fixed	Base pay	Reflects the value of individuals – roles, skills, experience	Benchmarked on the basis of market median. Minimum rate of pay agreed through the wage negotiation process
	Fixed	Benefits	Provides medical aid, Group life insurance and disability benefits comparable with those for other roles and ensures that the total remuneration package is competitive	Benchmarked on the basis of market median
	Fixed	Pension (a number of independent defined-benefit and defined-contribution schemes)	Pensionable salaries are determined at 13/12th of annual basic salary. This provides post-retirement remuneration and ensures that total remuneration is competitive	Benchmarked on the basis of market median
	Fixed	Short-term incentives	13th cheque bonuses are guaranteed for bargaining unit employees	

THE REMUNERATION COMMITTEE AND ITS ROLE

Composition

The Committee is comprised of three Non-executive Directors, all of whom are Independent. Meetings of the Committee are held at least twice a year and additional meetings are held when deemed necessary. The Chief Executive, Chief Financial Officer and the Group's Compensation and Benefits Manager are invited to attend to discuss the remuneration of Executive Committee members and Senior Managers, when required. No attendee may participate in or be present at any discussion or decision regarding his/her own remuneration. Current members of the Committee are:

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

The Committee operates under terms of reference approved by the Board, complies with King III and the Board considers its composition to be appropriate in terms of the necessary balance of knowledge, skills and experience of its members. The Committee met six times in the year. Details of the meetings and attendance can be found on **www.aeci.co.za/gov_directorate_2014.php**.

Responsibilities

The responsibilities of the Committee are in accordance with its Board-approved terms of reference and include:

- recommending, and submitting to shareholders for approval, appropriate levels of remuneration to be paid to Non-executive Directors;
- upholding, reviewing and amending, if appropriate, the Company's remuneration philosophy and policy with particular reference to the remuneration of 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; and
- reviewing the effectiveness and approving the operation of the Company's share-based and other incentive schemes.

Key remuneration decisions taken in respect of the 2014 financial year

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

- 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;
- review of the recommendations regarding the restructuring and conversion of the AECI Pension Fund's defined-benefit liabilities (see also the Chief Financial Officer's report on page 36);
- approval of the targets and weighting of performance measures for the STI plan;
- approval of a special recognition bonus for the Modderfontein bulk land sale transaction;
- approval of salary increases for Executive Committee members and Senior Managers;

- approval of STI payment pools for the Group and individual businesses;
- review and approval of the Company's remuneration policy report; and
- review of Non-executive Directors' fees and the formulation of a recommendation to shareholders for the approval of increases.

EXECUTIVE COMMITTEE MEMBERS' SERVICE CONTRACTS

Neither of the Executive Directors has special termination benefits and there are no restraints of trade in place. The service contracts of these Directors and other members of the Executive Committee are in accordance with AECI's standard terms and conditions of employment and their notice period is one month.

NON-EXECUTIVE DIRECTORS' COMPENSATION

Terms of appointment

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 by the Board. No hourly fees were paid in 2014. An ad hoc Committee was established by the Board in 2013 to oversee the processes and proposals pertaining to the proposed de-risking of AECI's defined-benefit liabilities. Non-executive Directors Mr RMW Dunne and Mr LM Nyhonyha were appointed to this Committee, which met once in 2014. Both received normal meeting attendance fees for their services in this regard.

Non-executive Directors' remuneration is arrived at after an annual benchmarking exercise performed by the Chief Executive and the approval by shareholders at the AGM of the proposed compensation, on the Committee's recommendation. In arriving at the proposed compensation, cognizance is taken of market norms and practices, as well as the additional responsibilities placed on Board members by new legislation and corporate governance principles.

The Group pays for all travel and accommodation expenses incurred by Directors to attend Board and Committee meetings and visits to Company businesses.

Details of the emoluments paid to Non-executive Directors in 2014 are in note 31 commencing on page 159.

Proposed increase in Non-executive Directors' fees

At the AGM scheduled for 1 June 2015 shareholders will be asked to pass special resolutions, to take effect from 1 June 2015, approving the proposed increases in Non-executive Directors' fees. These increases are 6% on average, except for the Chairman. The higher increase proposed for him was arrived at after a benchmarking exercise, by the Chief Executive, indicated that the Chairman's fees were not aligned with those of his peers. See the Notice of AGM commencing on page 173.

REMUNERATION REVIEW

Guaranteed package

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 further using the Deloitte Executive Evaluation System ("Execeval™"). Over and above the role size and complexity, Execeval™ takes the following factors into consideration:

- skills and knowledge;
- conceptual abilities;
- interpersonal skills;
- job impact;
- problem-solving abilities;
- decision making; 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 Deloitte Top Executive Remuneration Survey 2014 and the results of Execeval™, individuals' experience and current levels of performance.

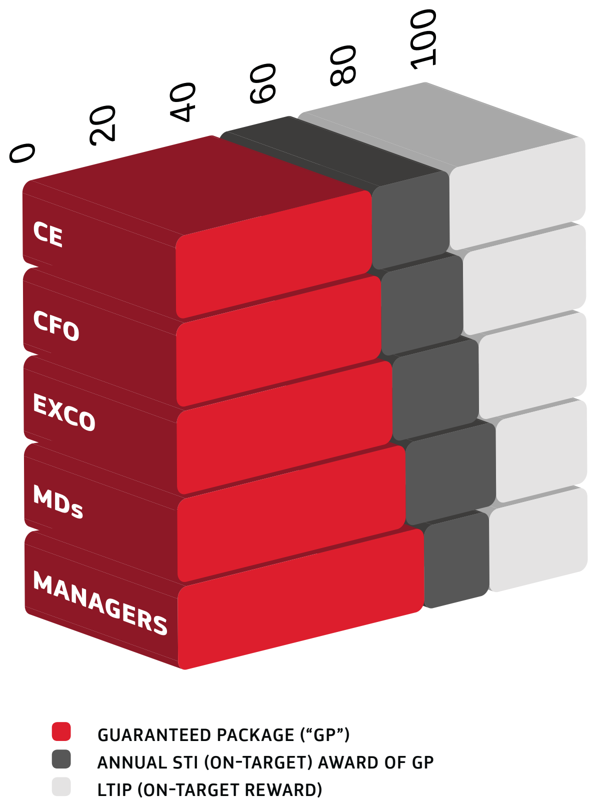
The Committee approved that the target range of the guaranteed package should be between 70% and 130% of the market median. Progressive annual adjustments will be made for incumbents below this target range over time, taking into consideration their performance levels.

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.

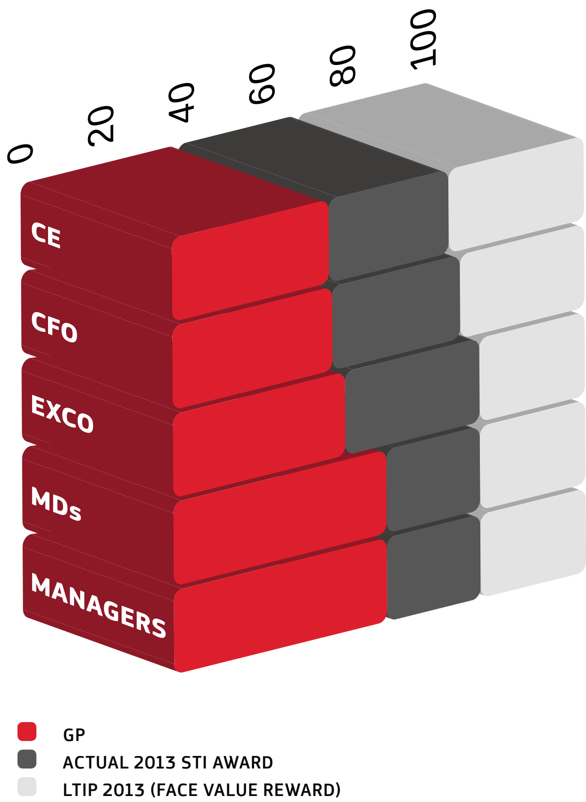
Details of the basic salary and guaranteed packages (basic salary plus benefits) paid to each of the Executive Directors and other Executive Committee members (the Company's Prescribed Officers) in 2014 are set out in note 31 commencing on page 159.

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.

ON-TARGET PAY MIX (%)



ACTUAL PAY MIX 2013 (%)



The increases applicable to the guaranteed packages which became effective from 1 January 2015 were in the range of 4% to 8% for Executive Committee members, except where there had been changes in responsibilities. The other 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 Executive Committee members and Senior Managers 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 employees 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 through to that of a Senior Manager is shown in the schematics above and on the next page.

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

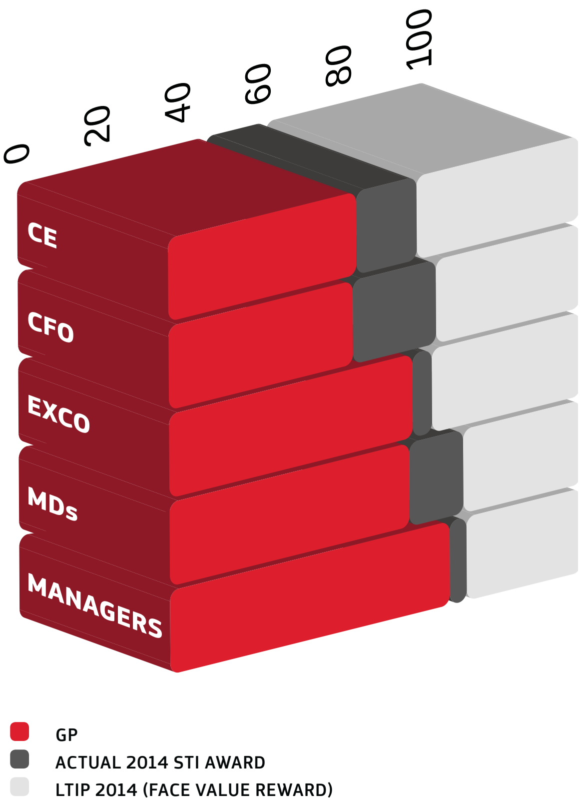
It should be borne in mind that both the actual reward from annual cash incentives and the actual reward from long-term (share-based) incentives will vary in practice from the on-target norms depicted as a result of individual and Company performance, and the impact of external factors.

STIs

The STI scheme is offered to members of the Executive Committee and all levels of management. It comprises two separate components which are measured independently. For Executive Committee members and Senior Managers the split is as follows:

- a profit element, which accounts for 75% of the on-target reward and is determined by actual Company and or/ business entity financial performance relative to predetermined targets;
- a formulaic element, which accounts for 25% of the on-target bonus and will be based solely on the results of individuals' scorecards.

ACTUAL PAY MIX 2014 (%)



Financial component (profit performance-based element)

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 Group-wide, and with minor variations in AEL, comprises a weighted scorecard of Company and/or business entity performance as well as personal components.

The Company/business financial rating is determined by actual financial performance relative to predetermined targets for HEPS for the Group or trading profit for the individual businesses.

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 2014 was the second 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 Company's HEPS base for 2012 was calculated at R6,27 after adjusting for the IFRS 2 accounting treatment in respect of the AECI Community Education and Development Trust established as part of the B-BBEE transactions concluded in 2012.

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.

Bonus parameters

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

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 economic value added ("EVA") targets.

Personal KPI/Company non-financial component (formulaic element)

This element is measured on the achievement of personal targets and is not dependent on the financial performance of the Company/Group business.

Personal KPIs typically include aspects such as:

- safety and health performance – measured against fatal accidents and the Total Reportable Injury Rate on a linear scale;
- cash flow management – measured against improvements in working capital management;
- B-BBEE/transformation – measured against specific acquisition, retention, development and governance targets;
- implementation of strategic projects – measured against specific projects agreed to by the Board; and
- acquisitions and disposals – measured against specific acquisition 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 Group business 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 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, Executive Committee members/Prescribed Officers are disclosed in note 31.

Long-term (share-based) incentives

In the past, Executive Committee members and Senior Managers participated in a vanilla "share option scheme" approved by shareholders in 2001. An earnings per share-based scheme was introduced in 2003.

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

The AECI 2012 LTIP was approved by shareholders in 2012. In July 2014, awards in terms of the LTIP were made to Executive Committee members and Senior Managers after approval thereof by the Remuneration Committee.

The purpose of the 2012 LTIP is to attract, retain, motivate and reward Executive Committee members and Managers who are able to influence the performance of AECI and its subsidiaries on a basis which aligns their interests with those of the Company's stakeholders. Executives and selected 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 Executive Committee members share a significant level of personal risk with the Company's stakeholders. As previously, some 280 senior individuals participated in the LTI scheme in the year. 260 702 performance shares were allocated at R123,55 and 13 833 744 earnings-growth units were allocated at R7,91.

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 Company financial performance that must be achieved prior to vesting, notwithstanding the passage of time, and which must be met by at least the seventh anniversary or all units will lapse.

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

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 Company has met specified performance criteria over the intervening period. Essentially the value per share that vests is the full value of the share (there is no strike price) but the number of shares that will vest will depend on whether the Company's performance over the intervening three-year period has been on target, or an under- or an over-performance against the target(s) set at the award date.

The Board will determine the performance criteria for each award. However, from 2012's award and until further notice for subsequent awards, the methodology for vesting will target the Company's comparative TSR in relation to a peer group of 16 companies (see diagram on the facing page).

This peer group was selected not because the companies are direct competitors of AECI but because they represent a portfolio of companies that:

› are of similar size to AECI in terms of market capitalisation, at the time the peer group was constituted;
› are similarly impacted, both negatively and positively, by external factors; and
› represent essentially a balanced portfolio of alternative investments to an investment in AECI.

The comparator group companies have significant overlap with the AECI Group in that they operate in the mining, manufacturing, chemicals, food production, logistics and construction sectors.

With regard to the 2012 and 2013 LTI allocations, 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.

AECI PEER GROUP

With regard to the 2014 LTI allocation, there are fewer companies in the comparator group as a result of certain of them delisting from the JSE. Therefore the methodology for vesting has been amended and approved by the Remuneration Committee. If AECI's TSR over the three-year period places it in:

› fourteenth position or worse, then all performance shares awarded will lapse;
› eighth position, the targeted number (one third of the maximum number) of performance shares awarded will vest;
› third 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 AECI's senior employees closely by rewarding superior shareholder returns and financial performance in the future. Because annual awards are made, and each award requires the resetting of the performance criteria, it is only with the Company's sustained outperformance that significant reward accrues to participants.

As such it is envisaged that the awards of performance shares will continue to feature for Executive Committee members and Senior Managers, but will feature more strongly the higher a participant's level in the Group.

The Remuneration Committee believes that these remuneration philosophies, policies and practices will deliver the desired benefits for the AECI Group, its employees and all its stakeholders.

SHAREHOLDER ANALYSIS

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

Source: J.P.Morgan

Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders, as detailed in the integrated report and accounts, on 2 January 2015 was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 595	63,54	816 237	0,64
1 001 – 10 000 shares	991	24,27	3 285 134	2,56
10 001 – 100 000 shares	360	8,81	11 751 293	9,16
100 001 – 1 000 000 shares	112	2,74	34 841 174	27,17
1 000 001 shares and above	26	0,64	77 547 302	60,47
TOTAL	**4 084**	**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:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	4	0,12	11 909 743	9,29
— Treasury shares	1	0,05	11 884 699	9,27
— Own holdings	3	0,07	25 044	0,02
Public shareholders	4 080	99,88	116 331 397	90,71
TOTAL	**4 084**	**100,00**	**128 241 140**	**100,00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

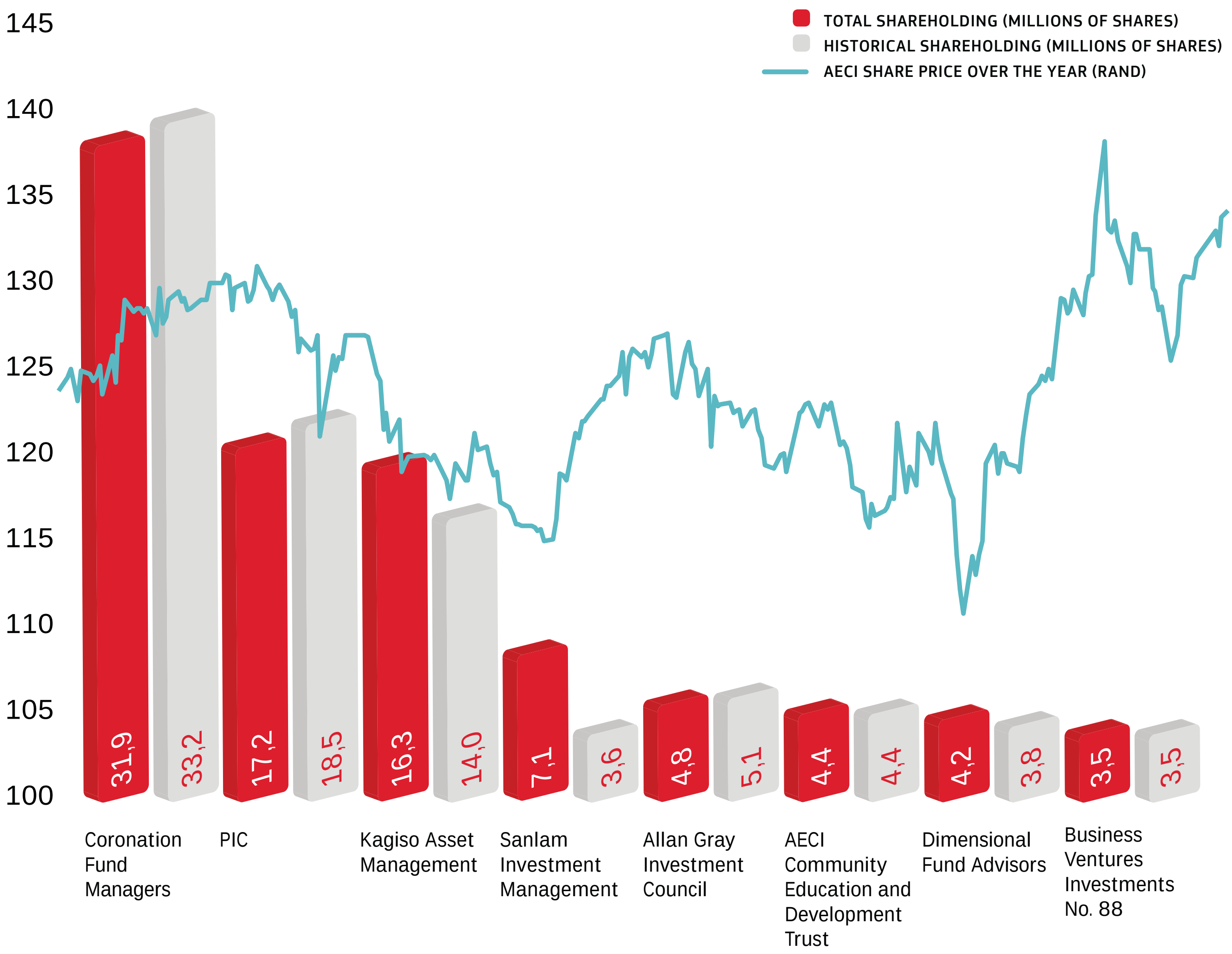
Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 2 January 2015:

INVESTMENT MANAGEMENT SHAREHOLDINGS, EXCLUDING TREASURY SHARES

Investment manager	Total shareholding (number of shares)	% of issued capital
Coronation Fund Managers	31 874 380	27,40
Public Investment Corporation ("PIC")	17 197 802	14,78
Kagiso Asset Management	16 347 791	14,05
Sanlam Investment Management	7 127 326	6,13
Allan Gray Investment Council	4 839 245	4,16
AECI Community Education and Development Trust	4 426 604	3,81
Dimensional Fund Advisors	4 153 853	3,57
Business Ventures Investments No. 88	3 509 000	3,02
Total	**89 476 001**	**76,92**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

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

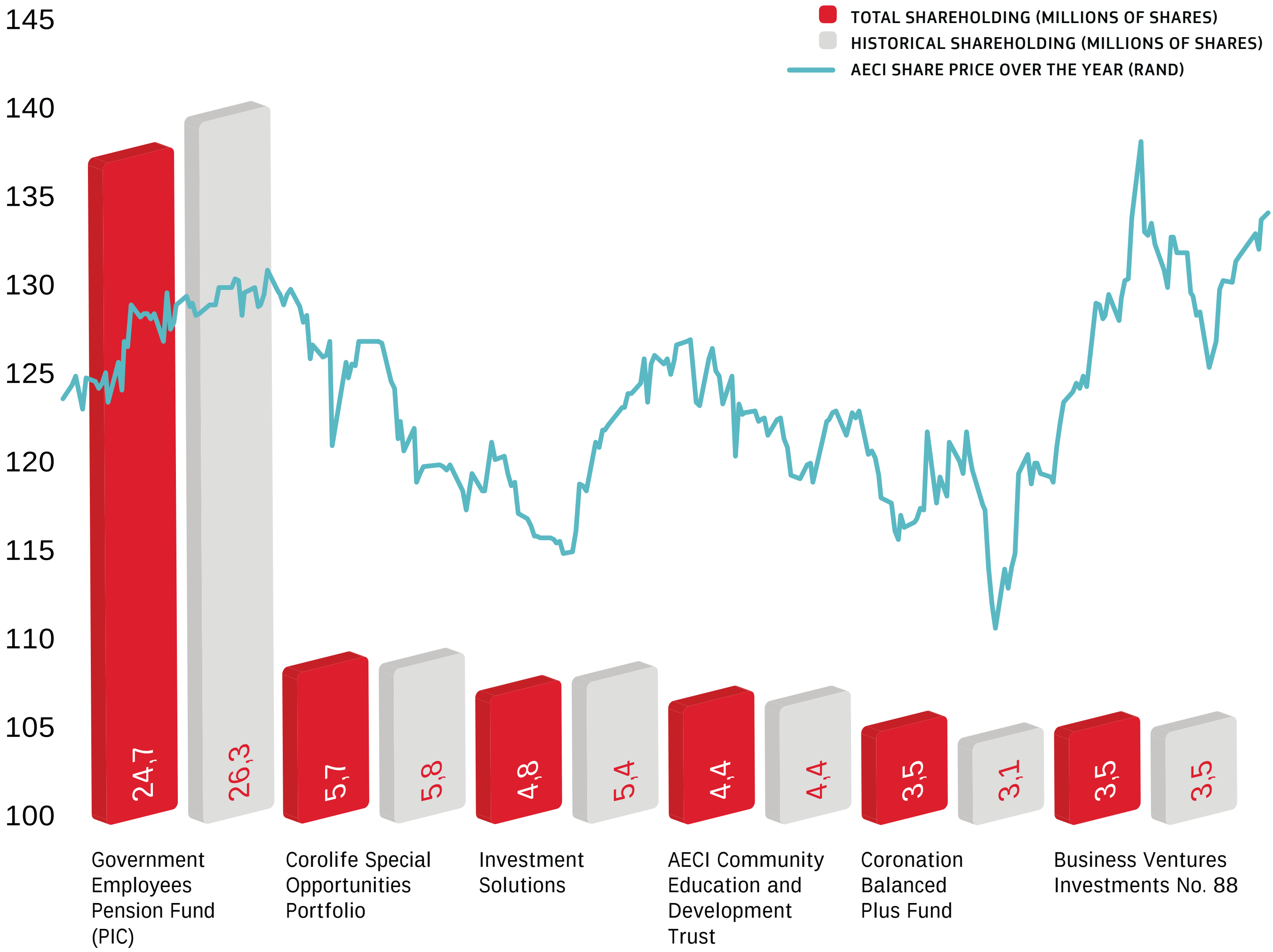


BENEFICIAL SHAREHOLDINGS, EXCLUDING TREASURY SHARES

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund (PIC)	24 718 395	21,25
Corolife Special Opportunities Portfolio	5 723 649	4,92
Investment Solutions	4 820 685	4,14
AECI Community Education and Development Trust	4 426 604	3,81
Coronation Balanced Plus Fund	3 511 627	3,02
Business Ventures Investments No. 88	3 509 000	3,02
TOTAL	**46 709 960**	**40,16**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

BENEFICIAL SHAREHOLDING POSITIONS ABOVE 3% WITH 12-MONTH CHANGE



Previously disclosed holdings

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

Investment manager	Total shareholding (number of shares)	% of issued capital	Previous %
Old Mutual Plc	1 507 804	1,30	4,86
TOTAL	**1 507 804**	**1,30**	**4,86**

BENEFICIAL OWNERS NOW HOLDING BELOW 3%

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

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	99 720 675	77,76
United States of America	9 150 204	7,13
United Kingdom	1 149 599	0,90
Rest of Europe	866 053	0,68
Rest of the world[1]	17 354 609	13,53
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	103 002 401	80,32
United States of America	9 067 125	7,07
United Kingdom	1 146 255	0,89
Rest of Europe	1 048 011	0,82
Rest of the world[1]	13 977 348	10,90
TOTAL	**128 241 140**	**100,00**

1 Represents all shareholdings except those in the above regions.

4. SHAREHOLDER CATEGORIES

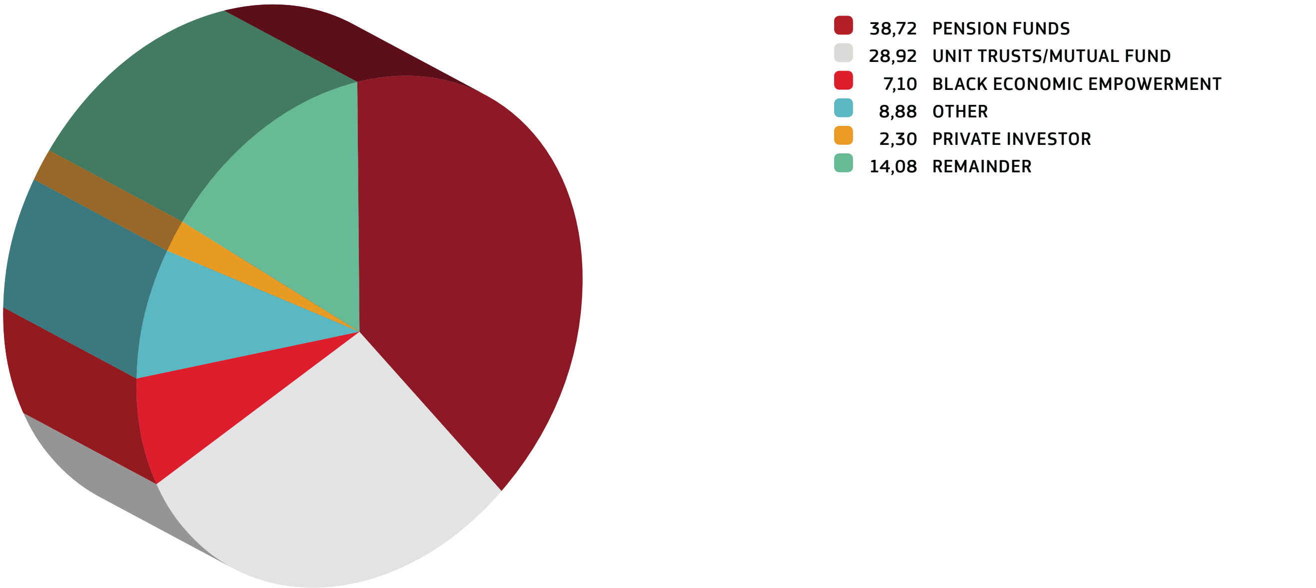
An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding (number of shares)	% of Issued capital
Pension funds	49 665 650	38,72
Unit trusts/mutual fund	37 083 411	28,92
Other	11 392 419	8,88
Black Economic Empowerment	9 105 271	7,10
Private investor	2 948 722	2,30
Insurance companies	2 507 961	1,95
Custodians	482 297	0,38
Trading position	479 788	0,37
Hedge fund	363 836	0,28
University	327 644	0,26
Sovereign wealth	315 684	0,25
Exchange-traded fund	251 242	0,20
Foreign government	161 798	0,13
Charity	128 372	0,10
Local authority	77 001	0,06
Investment trust	59 343	0,05
Remainder	12 890 701	10,05
TOTAL	**128 241 140**	**100,00**

4. SHAREHOLDER CATEGORIES continued

BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY (%)[1]

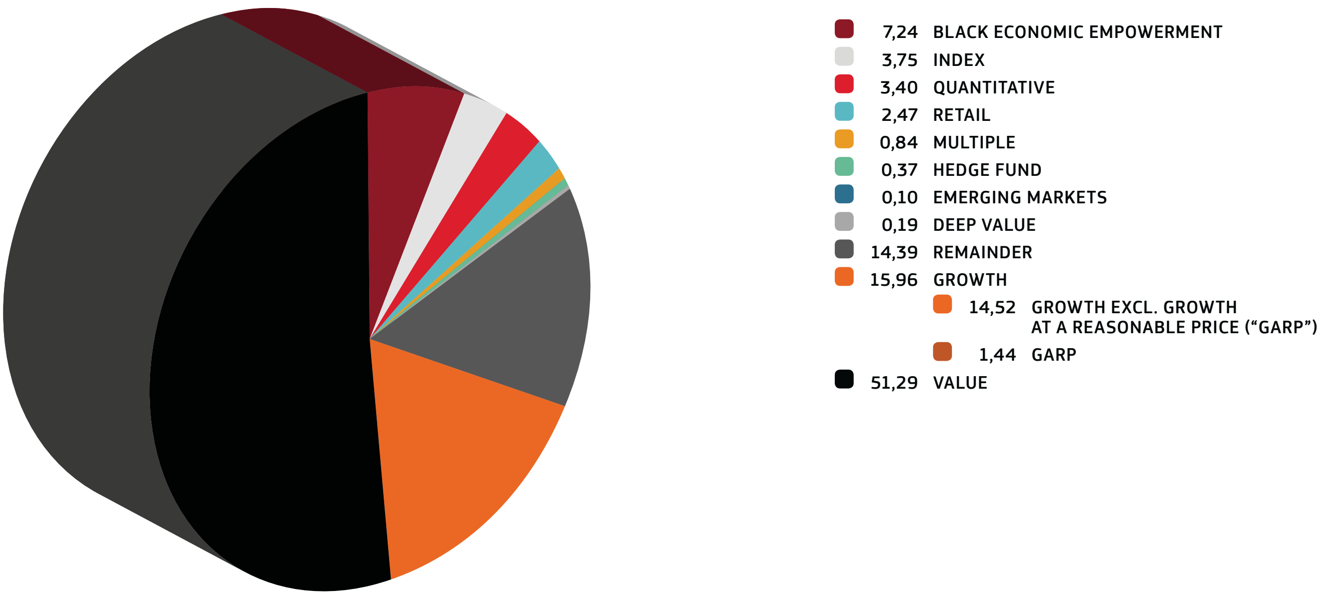


1 *Includes categories above 2% only.*

5. ANALYSIS OF INVESTMENT STYLES

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

ANALYSIS OF INVESTMENT STYLES (%)



HISTORICAL REVIEWS

ABRIDGED FINANCIAL STATEMENTS

R millions	2014	2013	2012	2011	2010
INCOME STATEMENTS[1]					
Revenue	**16 903**	15 942	13 827	13 397	11 569
Local	**11 486**	10 718	9 482	9 538	8 458
Foreign	**5 417**	5 224	4 345	3 859	3 111
Profit from operations	**1 596**	1 398	1 197	1 316	1 062
Net financing costs	**150**	174	218	207	152
Tax	**368**	313	309	306	233
Profit attributable to ordinary shareholders	**1 096**	946	581[2]	777	600
Headline earnings	**943**	885	562	772	619
STATEMENTS OF FINANCIAL POSITION					
Total shareholders' interest	**7 803**	6 877	5 757	5 214	4 468
Deferred tax (net)	**(366)**	(300)	(229)	(228)	(235)
Net interest-bearing debt	**666**	1 741	1 920	1 867	1 769
Capital employed	**8 103**	8 318	7 448	6 853	6 002
Represented by:					
Non-current assets excluding deferred tax assets	**6 606**	6 004	6 037	5 617	5 311
Net current assets, excluding cash, less non-current provisions	**1 497**	2 314	1 411	1 236	691
Employment of capital	**8 103**	8 318	7 448	6 853	6 002
STATEMENTS OF CASH FLOWS					
Cash generated by operations[3]	**1 723**	1 684	1 376	1 338	1 200
Changes in working capital	**547**	(426)	(329)	(598)	—
Expenditure relating to non-current provisions and restructuring	**(59)**	(32)	(66)	(78)	(70)
Net replacement to maintain operations[4]	**131**	(240)	(223)	(260)	(212)
	2 342	986	758	402	918
Dividends paid	**(378)**	(336)	(297)	(237)	(146)
	1 964	650	461	165	772
Investment to expand operations[4]	**(835)**	(532)	(513)	(355)	(404)
Proceeds from disposal of businesses, investments and joint venture	**—**	—	120	—	35
Net cash generated/(utilised)	**1 129**	118	68	(190)	403
Depreciation and amortisation charges	**547**	537	460	395	332
COMMITMENTS					
Capital expenditure authorised	**342**	746	207	360	88
Future rentals on property, plant and equipment leased	**358**	199	130	173	196
	700	**945**	**337**	**533**	**284**

1 Includes the results of discontinued operations.

2 After IFRS 2 charge of R138 million for the AECI Community Education and Development Trust ("CST").

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

	2014	2013	2012	2011	2010
PROFITABILITY AND ASSET MANAGEMENT					
Profit from operations to revenue (%)	**9,4**	8,8	8,7	9,8	9,2
Trading cash flow to revenue (%)	**12,7**	12,1	12,0	12,8	12,0
Return on average net assets (%)[1]	**17,8**	16,4	15,6	18,1	15,9
Return on invested capital (%)[2]	**13,7**	12,7	11,7	14,0	12,4
Return on average ordinary shareholders' interest (%)[3]	**13,0**	14,1	10,5	16,6	15,0
Net working capital to revenue (%)[4]	**15,4**	19,6	18,6	17,7	15,0
Inventory cover (days)	**70**	76	73	79	67
Average credit extended to customers (days)	**61**	64	60	61	53
LIQUIDITY					
Cash interest cover[5]	**14,6**	11,4	7,7	7,7	5,6
Interest-bearing debt less cash to cash generated by operations	**0,3**	0,8	1,0	1,0	1,1
Gearing (%)[6]	**8,5**	25,3	33,4	35,8	39,6
Current assets to current liabilities	**1,8**	1,5	1,4	1,4	1,3
EMPLOYEES					
Number of employees at year-end[7]	**6 443**	6 279	6 750	7 141	6 821
Employee remuneration (R millions)	**2 805**	2 976	2 382	2 390	2 224
Value added per rand of employee remuneration (rand)	**1,79**	1,68	1,68	1,73	1,64

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 *Ratio of profit from operations plus return on pension fund employer surplus accounts and return on plan assets from post-retirement medical aid obligations, less closure costs, less CST share-based payments, plus depreciation and dividends received to net finance costs paid.*

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

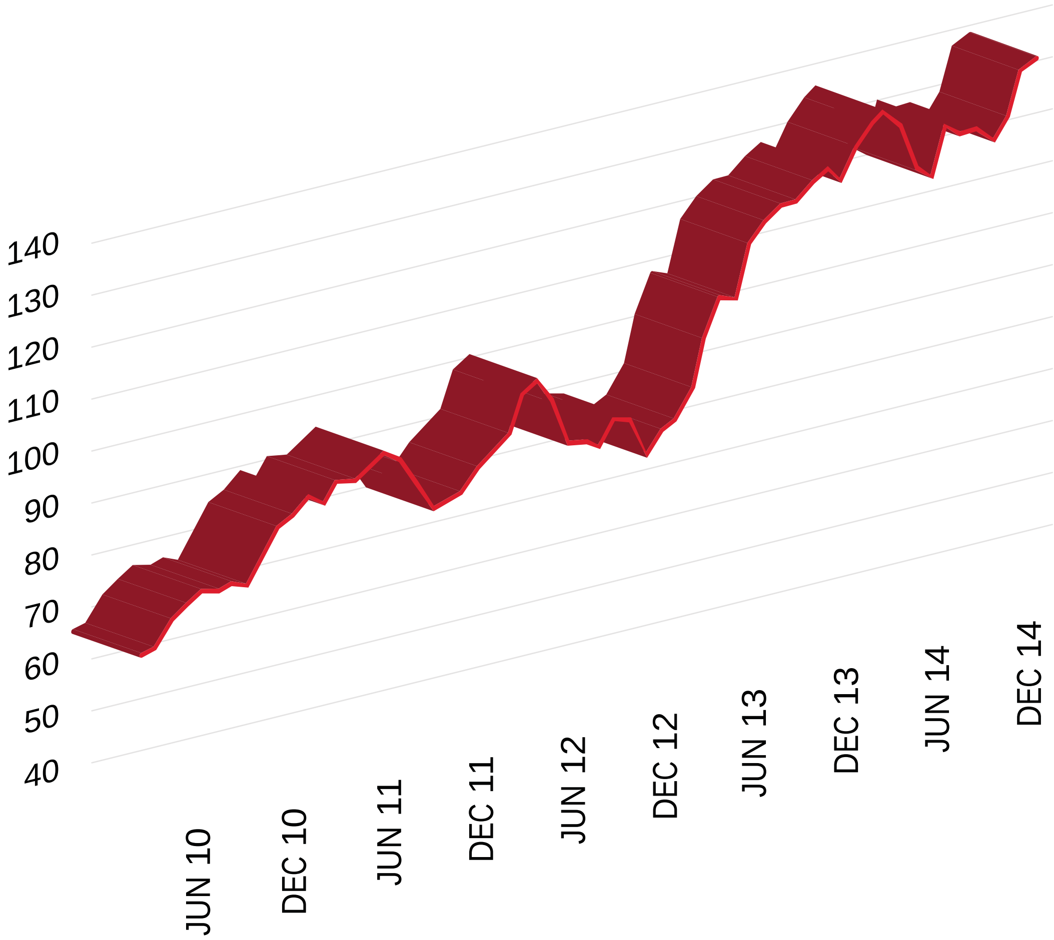
7 *Includes proportional share of joint operations' employees.*

ORDINARY SHARE STATISTICS

	2014	2013	2012	2011	2010
MARKET PRICE (CENTS PER SHARE)					
High	**13 845**	12 857	9 980	9 000	8 544
Low	**10 600**	7 901	7 276	6 599	5 755
31 December	**13 382**	12 500	7 980	8 264	8 250
Earnings yield (%)	**6,3**	6,3	6,3	8,7	7,0
Dividend yield (%)*	**2,5**	2,5	3,3	3,1	2,5
Dividend cover*	**2,5**	2,5	1,9	2,8	2,8
In issue (millions)	**128,2**	128,2	128,2	119,1	119,1
Value traded (R millions)	**4 154**	5 093	3 231	3 651	2 753
Volume traded (millions)	**33,6**	47,0	38,8	45,5	40,2
Volume traded (%)	**26,2**	36,6	30,3	38,2	33,7
Market capitalisation (R millions)	**17 161**	16 030	10 234	9 845	9 829
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)					
Headline earnings	**842**	791	503	720	577
Dividends declared*	**340**	315	263	257	205
Special dividend declared	**375**	—	—	—	—
Net asset value	**6 640**	5 860	4 911	4 660	4 022

* *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 2014 financial year of AECI Limited. This report incorporates the requirements 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 2014 financial year and its members were confirmed by shareholders at the AGM held on 2 June 2014. Shareholders will be requested to confirm the appointment of the members of the Audit Committee for the 2015 financial year at the AGM scheduled for 1 June 2015.

The four meetings held in the year were attended by all members. Full details of the meeting dates and attendance are on AECI's website **www.aeci.co.za/pdf/2014_board_meetings.pdf**. The Committee comprises solely Independent Non-executive Directors.

The current members are:

- RMW Dunne (Chairman)
- RL Hiemstra
- AJ Morgan
- LM Nyhonyha

Abridged biographies of these Directors are published on pages 20 and 21.

Mr MJ Leeming retired on 2 June 2014. He had served on the Audit Committee since 2002 and was Chairman at the time of his retirement. Mr Dunne succeeded Mr Leeming in this role. Mr Dunne has served on the Committee since 2008, Mr Morgan since 2010 and Mr Nyhonyha since 2007. Mr Hiemstra was appointed to the Committee in January 2015.

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 Companies 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 2014 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 2014, 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;
- 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 arrangements 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 the 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;
- 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; and
- considered a report on an external Quality Assurance Review conducted on the Internal Audit Department, which review provided positive assurance regarding the Department's compliance with the International Standards for the Professional Practice of Internal Auditing.

› 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 (Pty) Ltd 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 2014, 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 Group and Company 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 2014 for approval to the AECI Board. The Board has subsequently approved the report, which will be open for discussion at the forthcoming AGM.

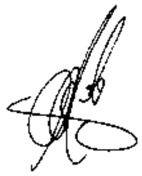
On behalf of the Audit Committee

Richard Dunne
Chairman

Woodmead, Sandton
7 April 2015

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
7 April 2015

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements were published on 7 April 2015 and are for the year ended 31 December 2014.
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 consolidated and separate annual financial statements for the year ended 31 December 2014.

The activities and results of the Group are covered on pages 30 to 71.

AECI was registered as a company in South Africa in 1924 and has been listed on the JSE since 1966. At the end of 2014 its market capitalisation was R17,16 billion.

NATURE OF BUSINESS

Profile and strategy

AECI is a South African-based explosives and specialty chemicals company focused on providing products and services to a broad spectrum of customers in the mining, manufacturing and agricultural sectors. It has regional and international businesses in Africa, South East Asia and Australia. Other markets of interest are in Latin America.

The Group currently comprises 16 businesses and, at 31 December 2014, it had 6 443 employees.

The focus is on domestic growth as well as on-going expansion outside South Africa in the Group's chosen strategic areas of Mining Solutions, Water Solutions, Agrochemicals and Food Additives. The proactive management of the portfolio of specialty chemicals business is the Group's fifth growth pillar.

Mining Solutions is led by AEL Mining Services ("AEL") and Senmin; Water Solutions by ImproChem; Agrochemicals by Nulandis and Food Additives by Lake Foods.

The Group's 2014 revenue split on page 7 demonstrates the success of strategic execution in terms of the growth pillars.

The Mining Solutions pillar is AECI's international business. Both AEL and Senmin have their own unrestricted intellectual property, enabling them to service customers worldwide. Between them the two companies have 98 operations (including manufacturing plants, sales offices and distribution centres) in 23 countries, 3 000 employees in South Africa, 1 000 in Africa and 400 in the international business – mainly in Indonesia and Australia.

In 2014, AEL invested about 2% of its annual revenue in R&D, including DetNet. Product innovation and enhancements are under the management of AEL's specialist team at Modderfontein. In May 2015, Senmin will take occupation of its R72 million state-of-the-art R&D facility in Sasolburg.

Business expansion in Africa is a thrust for Water Solutions and Agrochemicals. About 100 employees are based in 32 African countries.

ImproChem's African footprint was enhanced in 2014 with the acquisition of the African water treatment business of Clariant Southern Africa (Pty) Ltd ("Clariant") for R405 million. See page 45. ImproChem is now the leading industrial, effluent and municipal water treatment chemical company in Africa.

Nulandis is leading the Group's growth in the agricultural sector. Ecologika®, formerly a division of CI, also services this sector with specialty sulphur-based products and was integrated into Nulandis on 1 January 2015.

This will allow Ecologika® to benefit from Nulandis' established footprint in South Africa and the rest of Africa. At the same time Nulandis' portfolio has been enhanced, strengthening the AECI Group's position and prospects as a provider of agrochemicals. In terms of geographic diversification, MoUs for two acquisitions in Africa had been signed by year-end.

In Food Additives, Lake Foods is the lead Group company. The strategy is for the business to reach critical mass in South Africa and to expand into Africa thereafter. To this end, a MoU for a local acquisition was signed early in 2015.

A solid portfolio of specialty chemicals businesses in South Africa remains core for AECI. These businesses serve a diverse range of customers in the local manufacturing sector. The active management of this portfolio ensures that synergies are maximised to enhance overall efficiencies and that costs remain well controlled.

The bulk sale of surplus property at Modderfontein was completed in 2014, realising a net profit of R421 million. See page 47. AECI's remaining property activities, mainly the leasing of buildings and the provision of services at the multi-user Umbogintwini Industrial Complex in KwaZulu-Natal, are managed by Acacia Real Estate.

The Group continues to evaluate alternatives for the disposal of its surplus land and assets at Somerset West. A bulk disposal remains the preferred option.

DIRECTORS' AND GROUP COMPANY SECRETARY'S INTERESTS IN SHARES

At 31 December 2014, 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 on the facing page. The direct beneficial interests of Messrs Dytor, Engelbrecht and Kathan were unchanged between the end of the financial year and as at the date of this report. The indirect beneficial interests of Mr Engelbrecht related to the interests of his spouse and were also unchanged year-on-year and as at the date of this report.

No Non-executive Director has been granted options or shares. Executive Directors have been issued long-term incentive benefits as disclosed in note 31.

DIRECTORS' AND GROUP COMPANY SECRETARY'S INTERESTS IN SHARES

	NUMBER OF SHARES			
	2014 Direct	**2014 Indirect**	2013 Direct	2013 Indirect
EXECUTIVE DIRECTORS				
MA Dytor	**10 015**	—	3 015	—
KM Kathan	**7 800**	—	—	—
	17 815	**—**	**3 015**	**—**
NON-EXECUTIVE DIRECTORS				
S Engelbrecht	**6 629**	**600**	6 629	600
MJ Leeming[1]	**N/A**	**N/A**	2 500	2 000
	6 629	**600**	**9 129**	**2 600**
	24 444	**600**	**12 144**	**2 600**

1 MJ Leeming retired as Non-Executive Director on 2 June 2014.

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 AGM. 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 2015. 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 2014 was 128 241 140 listed ordinary shares of R1 each (2013: 128 241 140) and 10 117 951 unlisted redeemable convertible B ordinary shares of no par value (2013: 10 117 951 shares). Also in issue are 3 000 000 listed 5,5% cumulative preference shares of R2 each (2013: 3 000 000 shares).

Details of the share premium are provided in note 14.

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.

DIVIDENDS TO ORDINARY AND PREFERENCE SHAREHOLDERS

A final cash dividend of 225 cents per share was declared on 23 February 2015 and is payable on 7 April 2015. In addition, on 23 February 2015 a special dividend of 375 cents per share was declared. This dividend will be payable on 1 June 2015, subject to approval by the Financial Surveillance Department of the South African Reserve Bank.

Details of the dividends declared and paid on the Company's ordinary and preference shares during the 2014 financial year are set out in note 26.

DEFINED-BENEFIT OBLIGATIONS

In 2014 the Company made good progress in de-risking its defined-benefit obligations and finalisation of the necessary regulatory processes is in progress. See pages 39 and 40.

CHANGES TO THE BOARD

Mr MJ Leeming retired as a Non-executive Director on 1 June 2014. Mr RL Hiemstra and Mr G Gomwe were appointed as Non-executive Directors with effect from 1 May 2014 and 31 January 2015, respectively.

DIRECTORATE AND SECRETARY

Details of the Directorate and Secretary of the Company are on pages 20 to 25.

In terms of the Company's MOI Mr MA Dytor, Mr S Engelbrecht, Ms LL Mda and Mr LM Nyhonyha retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Also in terms of the Company's MOI, the appointment of Mr G Gomwe will be confirmed at the AGM.

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 80.

SPECIAL RESOLUTIONS

The Company passed the following special resolutions at the AGM held on 2 June 2014:

1. to approve the annual fees payable by the Company to its Non-executive 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 2014.

COMPETITION MATTERS

On 4 December 2014, the Directors were made aware by management of an anti-competition investigation at Akulu Marchon. This process is being managed internally in full co-operation with the relevant authorities and, whilst the investigation is at a preliminary stage, any future developments will be attended to and duly reported on.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear on pages 20 to 22 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 2014, 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 AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AECI LIMITED

We have audited the Group financial statements and financial statements of AECI Limited, which comprise the statements of financial position at 31 December 2014, 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 96 to 171.

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 controls 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.

Auditor's 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 controls 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 controls. 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 2014, 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 2014, we have read the Directors' report, the Audit Committee's report to stakeholders 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
7 April 2015

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 2014 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, manufacturing and agricultural sectors; as well as the realisation of property which is surplus to the Group's operational requirements.

Basis of preparation

Statement of compliance

The Group financial statements and the Company financial statements have been prepared in compliance with IFRS, and interpretations of those standards as adopted by the 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** – this standard replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

  This standard may have an impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit and loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model of IAS 39 to an "expected credit loss" model.

  The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. AECI is currently assessing the potential impact on the Group of the application of IFRS 9.

- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** – the amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a "business" under IFRS 3 Business Combinations.

  Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and will be applied when a sale or contribution of assets occurs.

- **Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations** – the amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

  Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 January 2016 for acquisitions of interests in a joint operation.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

- **IFRS 15 Revenue from Contracts with Customers** – relating to the principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services at a point in time or over time.

  The effective date for adoption of this standard is for periods commencing on or after 1 January 2017. AECI is currently reviewing the effects of the standard and will consider adoption when appropriate.

- **Amendments to IAS 1 Disclosure Initiative** – the amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

  The amendments apply to annual periods beginning on or after 1 January 2016.

- **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation** – the amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

  The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are "highly correlated", or when the intangible asset is expressed as a measure of revenue.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016. This amendment is not expected to have a significant impact on the Group.

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions** – 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 and the contributions are eligible for the practical expedient, 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 have a significant impact.

Basis of measurement

The Group financial statements and the Company 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 Group financial statements and the Company 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 including assumptions and estimation uncertainties that may have an impact on future results 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 remediation obligations is complex and requires management to make estimates and judgements because most of the obligations will be fulfilled in the future and laws are often not clear regarding what is required. The resulting provisions are influenced further by changing technologies and political, environmental, safety, business and statutory considerations. As explained in note 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 benefits has been discounted to its present value at 8,30% per annum (2013: 8,70%), being the estimated investment return assuming the liability is fully funded. Medical cost inflation of CPI +1% per annum has been assumed (2013: CPI +1%). See note 30 to the financial statements.

Impairments

An asset is impaired when its carrying amount exceeds its recoverable amount. Goodwill and intangible assets with indefinite useful lives are 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. 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 Group 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 interests and would entitle shareholders to a proportionate share of the entity in the event of liquidation, is measured at the non-controlling interest's proportional share of the acquiree's identifiable net assets. 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.

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 interests 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 former 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.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to that arrangement.

The Group's participation in joint ventures is accounted for using the equity method. Joint ventures are recognised at cost initially, which includes transaction costs. Subsequent to initial recognition, the Group 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. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the income statement and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

An associate is recognised at cost initially. Post-acquisition results of associate companies are accounted for in the Group financial statements using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases. An impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in the income statement and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. 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 Company financial statements are recognised at cost less impairment losses and include the equity contributions of share-based payments to employees of subsidiaries as well as loans owing from non-operating 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. The goodwill of joint ventures 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 venture 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 assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

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	unlimited
» buildings	5 to 56 years
› **Plant and equipment**	
» plant and equipment	3 to 30 years
» furniture and fittings	3 to 15 years
» computer equipment	3 to 10 years
» motor vehicles	3 to 12 years

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amounts of the items sold and are recognised in the income statement.

Specific plant spares are measured at cost and are depreciated over the estimated useful lives of the plants to which they relate.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of maintaining property, plant and equipment is recognised in the income statement.

Investment properties

Certain of the Group's land, which was originally acquired as an item of property, plant and equipment and which was subsequently determined to be surplus to the Group's operational requirements, 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. During 2014, such a surplus was transferred to retained earnings.

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 depreciated on a straight-line basis over their useful life of 20 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date. Any gain or loss on disposal (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognised in the income statement.

Transfers to and from investment property are made when there is evidence of a change of use. Transfers are measured at the carrying amount immediately prior to transfer and no changes to the carrying amount are made unless the change in use results in an indication of impairment.

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment losses. Intangible assets are recognised if it is probable that future economic benefits will flow from the intangible assets and their costs 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:

› Customer and marketing relationships	6 to 20 years
› Patents and trademarks	20 years
› Technical and licensing agreements	17 years
› Other	3 to 10 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected from use. 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 expensed 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, 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.

After initial recognition, development costs are carried at cost less accumulated amortisation and impairment losses

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.

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 rated 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 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 is allocated to cash-generating units that are expected to benefit from the synergies of the business combination. 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 of the inventories or their use 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.

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 associated with 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. The unwinding of the discount is recognised as a finance cost.

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 comprises 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 historical 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 is 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 is 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 ("CST"), the potential shares issued to the AECI Employees Share Trust ("EST") 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 are 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 of 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 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 the income statement.

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, loans to and from subsidiaries, accounts receivable, cash, loans and borrowings, loans from joint arrangements and accounts payable.

The Group recognises loans and receivables on the date on which 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 case 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 recognised in the income statement 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 the related service is provided.

Defined-benefit plans

A defined-benefit plan is a post-retirement benefit plan other than a defined-contribution plan.

The Group's net obligation in respect of defined-benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their services 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 the income statement 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 prior 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 the income statement) 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. Gains or losses on the settlement of a defined-benefit plan are recognised in the income statement when the settlement occurs.

Defined-benefit post-retirement medical aid obligations

The Group provides defined-benefit post-retirement healthcare benefits to certain of its retirees and eligible employees. 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 the income statement 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 prior 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 at the earlier of when the Group can no longer withdraw from the offer of those benefits or when the Group recognises costs of restructuring. 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.

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 AECI 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 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.

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.

Dividends tax is levied on non-exempt shareholders. As this tax is levied on the 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 AECI Executive Committee to make decisions about resources to be allocated to the segments and to assess their performance.

Inter-segment 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.

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2014

R millions	Note	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
ASSETS					
NON-CURRENT ASSETS		**7 161**	6 472	**3 844**	3 844
Property, plant and equipment	1	**4 046**	3 756	**423**	425
Investment property	2	**172**	173	**56**	43
Intangible assets	3	**247**	143	**—**	2
Goodwill	4	**1 291**	1 123	**903**	905
Pension funds employer surplus accounts	30	**179**	231	**179**	231
Investment in subsidiaries	5			**1 699**	1 693
Loans to subsidiaries	5			**383**	339
Investment in joint arrangements	6	**308**	301	**28**	28
Investment in associates	7	**260**	217		
Other investments	8	**99**	50	**10**	10
Deferred tax	9	**555**	468	**163**	168
Loans receivable	10	**4**	10	**—**	—
CURRENT ASSETS		**7 626**	7 921	**11 176**	10 073
Inventories	11	**2 879**	3 090	**995**	1 011
Accounts receivable	12	**3 243**	3 326	**1 247**	1 258
Assets classified as held for sale	13	**85**	286	**83**	119
Loans to subsidiaries	5			**8 592**	7 452
Tax receivable		**43**	—	**—**	—
Cash		**1 376**	1 219	**259**	233
TOTAL ASSETS		**14 787**	**14 393**	**15 020**	**13 917**
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**7 726**	6 819	**3 333**	3 330
Share capital and share premium	14	**612**	612	**730**	730
Reserves		**830**	813	**174**	324
Retained earnings		**6 284**	5 394	**2 429**	2 276
PREFERENCE SHARE CAPITAL	14	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**7 732**	6 825	**3 339**	3 336
NON-CONTROLLING INTEREST	35	**71**	52		
TOTAL EQUITY		**7 803**	6 877	**3 339**	3 336
NON-CURRENT LIABILITIES		**2 691**	2 214	**3 165**	2 488
Deferred tax	9	**189**	168	**—**	—
Loans from subsidiaries	5			**714**	477
Non-current borrowings	15	**1 459**	1 099	**1 458**	1 097
Non-current provisions and employee benefits	16	**1 043**	947	**993**	914
CURRENT LIABILITIES		**4 293**	5 302	**8 516**	8 093
Accounts payable	17	**3 513**	3 284	**1 814**	1 485
Current borrowings	18	**583**	1 861	**1 107**	2 224
Loans from joint arrangements	6	**49**	21	**116**	65
Loans from subsidiaries	5			**5 428**	4 228
Tax payable		**148**	136	**51**	91
TOTAL LIABILITIES		**6 984**	**7 516**	**11 681**	**10 581**
TOTAL EQUITY AND LIABILITIES		**14 787**	**14 393**	**15 020**	**13 917**

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

		GROUP		COMPANY	
R millions	Note	**2014**	2013	**2014**	2013
REVENUE	19	**16 903**	15 942	**5 695**	5 116
Net operating costs	20	**(15 307)**	(14 544)	**(5 272)**	(4 954)
PROFIT FROM OPERATIONS		**1 596**	1 398	**423**	162
Fair value adjustments — interest		*	1	*	1
Interest expense	22	**(204)**	(212)	**(294)**	(288)
Interest received	23	**54**	37	**350**	287
Share of profit of equity-accounted investees, net of tax		**31**	43	—	—
PROFIT BEFORE TAX		**1 477**	1 267	**479**	162
Tax expense	24	**(368)**	(313)	**(133)**	(36)
PROFIT FOR THE YEAR		**1 109**	**954**	**346**	**126**
ATTRIBUTABLE TO:					
Ordinary shareholders		**1 096**	946	**343**	123
Preference shareholders		**3**	3	**3**	3
Non-controlling interest		**10**	5		
		1 109	**954**	**346**	**126**
PER ORDINARY SHARE (CENTS):					
— Basic earnings	25	**979**	845		
— Diluted basic earnings	25	**929**	791		
— Headline earnings	25	**842**	791		
— Diluted headline earnings	25	**800**	740		
— Ordinary dividends paid	26	**325**	290		
— Ordinary dividends declared after the reporting date	26	**225**	210		
— Special dividends declared after the reporting date	26	**375**	—		

* *Nominal amount.*

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
R millions	2014	2013	2014	2013
PROFIT FOR THE YEAR	1 109	954	346	126
OTHER COMPREHENSIVE INCOME NET OF TAX:	99	448	(18)	(121)
Items that may be reclassified subsequently to profit or loss:	171	387		
— Foreign currency loan translation differences	45	67		
— Foreign operations translation differences	126	320		
— Cash flow hedge fair value adjustments	*	*		
Tax effect on items that may be reclassified subsequently to profit or loss:	(7)	(25)		
— Foreign currency loan translation differences	(7)	(25)		
— Cash flow hedge fair value adjustments	*	*		
Items that may not be reclassified subsequently to profit and loss:	(79)	111	(34)	(45)
— Remeasurement gain on defined-benefit obligations	2	26	38	68
— Remeasurement (loss)/gain on post-retirement medical aid obligations	(81)	85	(72)	(113)
Tax effects on items that may not be reclassified subsequently to profit and loss:	14	(25)	16	(76)
— Remeasurement of defined-benefit obligations	*	(7)	11	(19)
— Remeasurement of post-retirement medical aid obligations	14	(18)	5	(57)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 208**	**1 402**	**328**	**5**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Ordinary shareholders	1 194	1 389	325	2
Preference shareholders	3	3	3	3
Non-controlling interest	11	10		
	1 208	**1 402**	**328**	**5**

* *Nominal amount.*

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

GROUP

R millions	Ordinary share capital	Share premium	**Total ordinary capital**	Property revaluation surplus	Foreign currency translation reserve
Balance at 1 January 2013	116	496	**612**	237	143
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					357
Remeasurement of defined-benefit obligations					
Deferred tax on remeasurement of defined-benefit obligations					
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					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**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					163
Remeasurement of defined-benefit obligations					
Deferred tax on remeasurement of defined-benefit obligations					
Remeasurement of post-retirement medical aid obligations					
Deferred tax on remeasurement of post-retirement medical aid obligations					
Foreign currency loan translation differences					44
Deferred tax on foreign currency loan translation differences					(7)
Foreign operations translation differences					126
Profit for the year					
TRANSACTIONS WITH OWNERS				(237)	
Business combinations and change in ownership percentage					
Dividends paid					
Share-based payment reserve					
Transfers to retained earnings				(237)	
BALANCE AT 31 DECEMBER 2014	**116**	**496**	**612**	**—**	**663**

* *Nominal amount.*

Share-based payment reserve	Other reserves	Total other reserves	Retained earnings	Total	Non-controlling interest	Preference share capital	Total equity
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**
		163	1 031	1 194	11	3	1 208
			2	2			2
			*	*			*
			(81)	(81)			(81)
			14	14			14
		44		44	1		45
		(7)		(7)			(7)
		126		126			126
			1 096	1 096	10	3	1 109
91	—	(146)	(141)	(287)	8	(3)	(282)
	(3)	(3)		(3)	8		5
			(375)	(375)		(3)	(378)
91		91		91			91
	3	(234)	234	—			—
167	**—**	**830**	**6 284**	**7 726**	**71**	**6**	**7 803**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 continued

COMPANY

R millions	Ordinary share capital	Share premium	Total ordinary capital
Balance at 1 January 2013	128	602	**730**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Remeasurement of defined-benefit obligations			
Deferred tax on remeasurement of defined-benefit obligations			
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**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Remeasurement of defined-benefit obligations			
Deferred tax on remeasurement of defined-benefit obligations			
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			
Transfers to retained earnings			
BALANCE AT 31 DECEMBER 2014	**128**	**602**	**730**

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	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**
				325	325	3	328
				38	38		38
				11	11		11
				(72)	(72)		(72)
				5	5		5
				343	343	3	346
(241)	91		(150)	(172)	(322)	(3)	(325)
				(413)	(413)	(3)	(416)
	91		91		91		91
(241)			(241)	241	—		—
—	**168**	**6**	**174**	**2 429**	**3 333**	**6**	**3 339**

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

			GROUP		COMPANY	
R millions		Note	**2014**	2013	**2014**	2013
CASH GENERATED BY OPERATIONS		i	**2 318**	2 261	**663**	572
Dividends received			**43**	62	**—**	—
Interest paid			**(204)**	(212)	**(294)**	(288)
Interest received			**54**	37	**350**	287
Tax paid		ii	**(488)**	(464)	**(152)**	(91)
Changes in working capital		iii	**547**	(426)	**214**	(296)
Expenditure relating to defined-benefit costs			**(94)**	(104)	**(50)**	(58)
Expenditure relating to non-current provisions and employee benefits			**(59)**	(32)	**(57)**	(30)
CASH AVAILABLE FROM OPERATING ACTIVITIES			**2 117**	1 122	**674**	96
Dividends paid		iv	**(378)**	(336)	**(416)**	(370)
CASH FLOWS FROM OPERATING ACTIVITIES			**1 739**	786	**258**	(274)
CASH FLOWS FROM INVESTING ACTIVITIES			**(704)**	(772)	**524**	368
Net replacement to maintain operations			**131**	(240)	**205**	(140)
Replacement of	— property, plant and equipment		**(403)**	(254)	**(59)**	(66)
	— investment property		**(7)**	(86)	**(15)**	(77)
Proceeds from government grant received for property, plant and equipment			**—**	30	**—**	—
Proceeds from disposal of assets classified as held for sale			**507**	—	**277**	—
Proceeds from disposal of property, plant and equipment and investment property			**34**	70	**2**	3
Investments to expand operations			**(835)**	(532)	**319**	508
Acquisition of	— property, plant and equipment		**(335)**	(293)	**(23)**	(22)
	— associates		**(65)**	(93)	**—**	—
	— investments		**(36)**	(13)	**—**	—
	— subsidiaries	v	**(9)**	(3)	**—**	—
	— businesses	v	**(405)**	(75)	**—**	—
Loans with	— associates and other investments		**(13)**	(76)	**—**	—
	— subsidiaries and joint arrangements		**28**	21	**342**	530
NET CASH GENERATED BEFORE FINANCING ACTIVITIES			**1 035**	14	**782**	94
CASH FLOWS FROM FINANCING ACTIVITIES			**(912)**	(28)	**(756)**	47
Non-current borrowings	— raised		**401**	1 231	**400**	1 228
	— repaid		**(41)**	(465)	**(39)**	(465)
Current borrowings	— raised		**88**	318	**88**	224
	— repaid		**(1 366)**	(1 113)	**(1 205)**	(940)
Loans receivable	— raised		**—**	—	**—**	—
	— received		**6**	1	**—**	—
INCREASE/(DECREASE) IN CASH			**123**	(14)	**26**	141
Cash at the beginning of the year			**1 219**	1 069	**233**	92
Translation gain on cash			**34**	164		
CASH AT THE END OF THE YEAR			**1 376**	**1 219**	**259**	**233**

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
i. CASH GENERATED BY OPERATIONS				
Profit from operations	**1 596**	1 398	**423**	162
Adjusted for non-cash movements:				
Defined-benefit cost	**179**	203	**179**	203
Depreciation and amortisation	**547**	537	**78**	74
Share-based payment expense	**91**	47	**35**	17
Impairment of goodwill	*	5	*	4
Impairment of property, plant and equipment	**3**	9	—	9
Impairment of assets classified as held for sale	**21**	—	—	—
Impairment of investment in subsidiaries and loans with Group companies			**12**	—
Non-current provisions and employee benefits	**86**	114	**56**	105
(Surplus)/loss on disposal of property, plant and equipment	**(3)**	(49)	**(1)**	1
Surplus on disposal of assets classified as held for sale	**(202)**	—	**(119)**	—
Surplus on derecognition of businesses and subsidiary companies disposed of	*	(3)	*	(3)
	2 318	**2 261**	**663**	**572**
ii. TAX PAID				
Owing at the beginning of the year	**(136)**	(160)	**(91)**	(58)
Charge for the year	**(457)**	(437)	**(112)**	(124)
Business combinations	*	—	—	—
Translation differences and other	*	(3)	—	—
Owing at the end of the year	**105**	136	**51**	91
	(488)	**(464)**	**(152)**	**(91)**
iii. CHANGES IN WORKING CAPITAL				
Decrease/(increase) in inventories	**211**	(379)	**16**	(102)
Decrease/(increase) in accounts receivable	**83**	(709)	**11**	(356)
Increase in accounts payable	**186**	442	**298**	157
	480	(646)	**325**	(301)
Translation differences and other	**(26)**	176	**(111)**	5
Business combinations	**93**	44	—	—
	547	**(426)**	**214**	**(296)**
iv. DIVIDENDS PAID				
Paid during the year (see note 26)	**378**	335	**416**	370
Paid to minority shareholders	*	1		
	378	**336**	**416**	**370**
v. BUSINESS COMBINATIONS				
Property, plant and equipment	**64**	6	—	—
Intangible assets	**123**	—	—	—
Working capital	**93**	44	—	—
Deferred tax	**(30)**	(3)	—	—
Non-controlling interest	**(8)**	(6)	—	—
Equity	**3**	(1)	—	—
Goodwill	**169**	38	—	—
NET CASH OUTFLOW	**414**	**78**	**—**	**—**
Acquisition of businesses and subsidiaries (see note 33)	**414**	78	—	—
Consideration paid for change in ownership percentage	**9**	3	—	—
Consideration paid to acquire businesses	**405**	75	—	—

* *Nominal amount.*

1. PROPERTY, PLANT AND EQUIPMENT

GROUP

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2014							
COST	**1 026**	**5 088**	**111**	**317**	**509**	**593**	**7 644**
At the beginning of the year	947	4 988	121	290	457	312	7 115
Additions	1	70	1	10	2	654	738
Additions through business combinations	38	21	*	—	5	—	64
Disposals	(20)	(307)	(6)	(14)	(32)	—	(379)
Transfers	53	249	(5)	26	57	(380)	—
Transfers to assets classified as held for sale	(3)	(14)	(2)	*	(4)	(1)	(24)
Translation differences	10	81	2	5	24	8	130
***LESS:* ACCUMULATED DEPRECIATION AND IMPAIRMENT**	**323**	**2 634**	**77**	**229**	**335**		**3 598**
At the beginning of the year	294	2 494	74	201	296		3 359
Disposals	(20)	(282)	(6)	(14)	(32)		(354)
Transfers to assets classified as held for sale	(1)	(8)	(1)	*	(3)		(13)
Translation differences	4	51	1	4	16		76
Impairment during the year	—	3	—	—	—		3
Depreciation for the year	46	376	9	38	58		527
CARRYING AMOUNT	**703**	**2 454**	**34**	**88**	**174**	**593**	**4 046**
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**

* *Nominal amount.*

1. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2014							
COST	**44**	**788**	**23**	**73**	**23**	**81**	**1 032**
At the beginning of the year	**65**	**756**	**37**	**61**	**28**	**31**	**978**
Additions	**1**	**27**	**1**	**8**	**1**	**44**	**82**
Disposals	**—**	**(2)**	**(1)**	**(1)**	**(2)**	*****	**(6)**
Transfers	**(21)**	**21**	**(12)**	**5**	**—**	**7**	**—**
Transfers to assets classified as held for sale	**(1)**	**(14)**	**(2)**	*****	**(4)**	**(1)**	**(22)**
***LESS:* ACCUMULATED DEPRECIATION AND IMPAIRMENT**	**22**	**503**	**23**	**44**	**17**		**609**
At the beginning of the year	**18**	**460**	**22**	**34**	**19**		**553**
Disposals	**—**	**(1)**	**(1)**	**(1)**	**(2)**		**(5)**
Transfers to assets classified as held for sale	**(1)**	**(8)**	**(1)**	*****	**(3)**		**(13)**
Depreciation for the year	**5**	**52**	**3**	**11**	**3**		**74**
CARRYING AMOUNT	**22**	**285**	**—**	**29**	**6**	**81**	**423**
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**

* *Nominal amount.*

During the year, PT AEL Indonesia impaired plant and equipment which was no longer in use. This plant and equipment had a carrying amount of R3 million.

2. INVESTMENT PROPERTY

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
COST	**192**	235	**76**	103
At the beginning of the year	**235**	515	**103**	151
Additions	**7**	86	**15**	77
Disposals	**(50)**	(12)	**(42)**	—
Transfers to assets classified as held for sale	—	(292)	—	(125)
Transfers from property, plant and equipment	—	13	—	—
Transfers to property developments	—	(75)	—	—
***LESS:* ACCUMULATED DEPRECIATION**	**20**	62	**20**	60
At the beginning of the year	**62**	70	**60**	64
Disposals	**(44)**	(7)	**(42)**	—
Transfers to assets classified as held for sale	—	(6)	—	(6)
Depreciation for the year	**2**	5	**2**	2
CARRYING AMOUNT	**172**	**173**	**56**	**43**
ADDITIONAL INFORMATION				
Fair value [1]	**1 603**	1 593	**811**	811
Rental and service income from investment property	**354**	358	**279**	284
Direct operating expenses — relating to rental and service income	**(168)**	(169)	**(168)**	(169)

1 The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs of the valuation techniques used.

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 2014, the Gross Lettable Area ("GLA") of the office and industrial sites was approximately 212 049m^2 (2013: 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. In 2014, the Standard Bank Property Group updated its valuation of the Somerset West property to R545 million (2013: R535 million).

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 sales approach is based on recent sales of comparable properties in the surrounding area, which are analysed to provide an estimate of value for the subject property with adjustments for differing characteristics. The comparable transactions are analysed in terms of their use and the purchase price adjusted for variances in the quality of the space. This purchase price is then divided by the 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.

3. INTANGIBLE ASSETS

GROUP

R millions	Customer and marketing relationships	Patents and trademarks	Technical and licensing agreements	Other	Total
2014					
COST	**123**	**22**	**138**	**14**	**297**
At the beginning of the year		**23**	**138**	**14**	**175**
Additions through business combinations	**123**	**—**	**—**	**—**	**123**
Disposals	**—**	*****	**—**	**—**	**—**
Translation differences	**—**	**(1)**	**—**	**—**	**(1)**
LESS: **ACCUMULATED AMORTISATION AND IMPAIRMENT**	**6**	**8**	**28**	**8**	**50**
At the beginning of the year		**6**	**21**	**5**	**32**
Amortisation for the year	**6**	**2**	**7**	**3**	**18**
CARRYING AMOUNT	**117**	**14**	**110**	**6**	**247**
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**

COMPANY

R millions	Patents and trademarks	Other	Total
2014			
COST	**1**	**6**	**7**
At the beginning and end of the year	**1**	**6**	**7**
LESS: **ACCUMULATED AMORTISATION AND IMPAIRMENT**	**1**	**6**	**7**
At the beginning of the year	**1**	**4**	**5**
Amortisation for the year	**—**	**2**	**2**
CARRYING AMOUNT	**—**	**—**	**—**
2013			
COST	1	6	7
At the beginning and end of the year	1	6	7
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**

* *Nominal amount.*

The customer and marketing relationships intangible asset arose during the year as a result of the acquisition of Clariant Southern Africa (Pty) Ltd's ("Clariant") water treatment business in Africa, all its South African assets and a 50% interest in its subsidiary Blendtech (Pty) Ltd. See note 33.

4. GOODWILL

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
COST	**1 429**	1 260	**1 011**	1 013
At the beginning of the year	**1 260**	1 221	**1 013**	1 013
Additions through business combinations	**169**	38	**—**	—
Disposals	**—**	—	**(2)**	—
Translation differences	*	1	**—**	—
LESS: **ACCUMULATED IMPAIRMENT LOSSES**	**138**	137	**108**	108
At the beginning of the year	**137**	132	**108**	104
Impairment charge for the year	*	5	*	4
Translation differences	**1**	*	**—**	—
CARRYING AMOUNT	**1 291**	**1 123**	**903**	**905**
Goodwill is allocated to cash-generating units based on the Group's business segments as follows:				
Explosives	**273**	273	**—**	—
Specialty chemicals	**1 018**	850	**903**	905
CARRYING AMOUNT	**1 291**	**1 123**	**903**	**905**

* *Nominal amount.*

The goodwill arose on the acquisition of businesses and subsidiaries by the Group with R169 million added during the year from business combinations (see note 33). The goodwill in the specialty chemicals segment is allocated to individual cash-generating 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 6% and 16% (2013: 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% (2013: 2% and 3%) were applied. This was 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 included in Lake International Technologies, part of the specialty chemicals segment. The cash-generating units to which the goodwill is attributed is no longer producing any cash flows and the goodwill, which is a nominal amount, has been impaired in full.

5. INVESTMENT IN SUBSIDIARIES AND LOANS WITH SUBSIDIARIES

COMPANY

R millions	2014	2013
Unlisted shares (see note 34)	**1 429**	1 392
— At cost	**1 481**	1 442
— *Less:* impairment losses	**(52)**	(50)
Non-current loans to subsidiaries	**270**	301
— Amounts owing[1]	**280**	308
— *Less:* impairment losses	**(10)**	(7)
Investment in subsidiaries	**1 699**	1 693
Non-current loans from subsidiaries[1]	**(714)**	(477)
NET INVESTMENT IN SUBSIDIARIES	**985**	**1 216**
Interest-bearing non-current loans to subsidiaries	**383**	339
— Amounts owing	**454**	403
— *Less:* impairment losses	**(71)**	(64)
Interest-bearing current loans to subsidiaries	**8 592**	7 452
INTEREST-BEARING LOANS TO SUBSIDIARIES	**8 975**	**7 791**
Interest-bearing current loans from subsidiaries	**(5 428)**	(4 228)
INTEREST-BEARING LOANS FROM SUBSIDIARIES	**(5 428)**	**(4 228)**
NET LOANS WITH SUBSIDIARIES (SEE NOTE 34)	**3 103**	**3 387**

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.

6. INVESTMENT IN JOINT ARRANGEMENTS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Interest-bearing current loans from joint arrangements	**(49)**	(21)	**(116)**	(65)
LOANS FROM JOINT ARRANGEMENTS	**(49)**	**(21)**	**(116)**	**(65)**

Interests in joint ventures

The Group's share of profit in the equity-accounted investees for the year was R50 million (2013: R44 million).

In 2014 the Group received dividends of R43 million from its equity-accounted investees (2013: R62 million).

Crest Chemicals is a joint venture with the Brenntag AG Group. 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 is a joint venture with Georgia-Pacific (Luxembourg). It 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 copy grade paper.

The Group has a residual interest in the net assets of these entities and thus they are classified as joint ventures.

None of the Group's equity-accounted investees are publicly listed entities and consequently do not have published price quotations.

Summarised financial information for the equity-accounted investees was as follows:

STATEMENTS OF FINANCIAL POSITION

R millions	Crest Chemicals	Resinkem	Specialty Minerals South Africa	Total
2014				
OWNERSHIP (%)	**50**	**50**	**50**	
Current assets	**679**	**53**	**62**	**794**
Non-current assets	**287**	**18**	**7**	**312**
TOTAL ASSETS	**966**	**71**	**69**	**1 106**
Current liabilities	**369**	**26**	**8**	**403**
Non-current liabilities	**50**	**9**	**2**	**61**
TOTAL LIABILITIES	**419**	**35**	**10**	**464**
Non-controlling interest	**28**	**—**	**—**	**28**
NET ASSETS	**519**	**36**	**59**	**614**
Group share of net assets	**260**	**18**	**30**	**308**
CARRYING AMOUNT	**260**	**18**	**30**	**308**
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**

6. INVESTMENT IN JOINT ARRANGEMENTS continued

INCOME STATEMENTS

R millions	Crest Chemicals	Resinkem	Specialty Minerals South Africa	Total
2014				
OWNERSHIP (%)	**50**	**50**	**50**	
Revenue	**1 779**	**174**	**138**	**2 091**
Net operating costs excluding depreciation and amortisation	**(1 674)**	**(169)**	**(94)**	**(1 937)**
Depreciation and amortisation	**(10)**	**(2)**	**(5)**	**(17)**
Interest expense	**(1)**	—	—	**(1)**
Interest received	**4**	**1**	**1**	**6**
Tax expense	**(27)**	**(1)**	**(14)**	**(42)**
Non-controlling interest	**(2)**	—	—	**(2)**
PROFIT	**69**	**3**	**26**	**98**
Group share of profit	**35**	**2**	**13**	**50**
2013				
OWNERSHIP (%)	50	50	50	
Revenue	1 581	194	131	1 906
Net operating costs excluding depreciation and amortisation	(1 490)	(183)	(97)	(1 770)
Depreciation and amortisation	(11)	(2)	(6)	(19)
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

Interests in joint operations

COMPANY

R millions	2014	2013
Unlisted shares at amortised cost	**28**	28

DetNet is a joint operation with Dyno Nobel, a subsidiary of Incitec Pivot Ltd. DetNet is represented globally by both AEL Mining Services and Dyno Nobel, thus providing global access and support for all its products. The Group has rights to the assets and obligations for the liabilities of DetNet and thus it is classified as a joint operation.

EFFECTIVE PERCENTAGE HELD BY AECI LIMITED

OWNERSHIP (%)	2014	2013
DetNet International[1]	**50**	50
DetNet South Africa	**50**	50

1 Incorporated in Ireland.

7. INVESTMENT IN ASSOCIATES

GROUP

Effective holding (%)	2014	2013
agVantage	**17,5**	17,5
Mining Explosives		49,0
PT Black Bear Resources Indonesia ("BBRI")	**42,6**	16,2

agVantage is an Australian company and the Group's investment is a strategic investment to grow the market for its agrochemical products through the Nulandis business.

Mining Explosives is a UK-registered company and the Group's strategic investment in this company assisted with initiating systems distribution in the EU. During the year the Group disposed of its interest in Mining Explosives.

BBRI is an Indonesian company and has built an ammonium nitrate plant which supplies ammonium nitrate solution to the region, thereby improving AEL Mining Services' 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 these equity-accounted investees for the year was R19 million (2013: R1 million).

In the first quarter of 2014 the convertible loan to BBRI that was outstanding on 31 December 2013 was converted into shares, resulting in an increase in the Group's shareholding to 37%. Furthermore, during the year the Group acquired an additional 5,6% of the equity to bring its investment to 42,6%. The Group exercises significant influence through its representation on the Board of BBRI but does not have control over the production activities of that company. As a result, the investment has been equity-accounted as at 31 December 2014.

STATEMENTS OF FINANCIAL POSITION

R millions	BBRI	Other	Total
2014			
Current assets	**110**	**50**	**160**
Non-current assets	**358**	**2**	**360**
TOTAL ASSETS	**468**	**52**	**520**
Current liabilities	**115**	**1**	**116**
Non-current liabilities	**109**	—	**109**
TOTAL LIABILITIES	**224**	**1**	**225**
NET ASSETS	**244**	**51**	**295**
2013			
Current assets	96	52	148
Non-current assets	351	34	385
TOTAL ASSETS	**447**	**86**	**533**
Current liabilities	109	29	138
Non-current liabilities	100	3	103
TOTAL LIABILITIES	**209**	**32**	**241**
NET ASSETS	**238**	**54**	**292**

7. INVESTMENT IN ASSOCIATES continued

INCOME STATEMENTS

R millions	BBRI	Other	Total
2014			
Revenue	**84**	*	**84**
Net operating costs excluding depreciation and amortisation	**(102)**	*	**(102)**
Depreciation and amortisation	**(31)**	—	**(31)**
Interest expense	**(14)**	—	**(14)**
Interest received	*	*	*
Tax expense	**12**	—	**12**
LOSS	**(51)**	*	**(51)**
GROUP SHARE OF LOSSES	**(19)**	*	**(19)**
2013			
Revenue	—	69	69
Net operating costs excluding depreciation and amortisation	(39)	(76)	(115)
Depreciation and amortisation	(1)	(2)	(3)
Interest expense	—	*	*
Interest received	*	—	*
Tax expense	7	*	7
LOSS	**(33)**	**(9)**	**(42)**
GROUP SHARE OF LOSSES	*	**(1)**	**(1)**

GROUP

R millions	2014	2013
CARRYING AMOUNT		
Unlisted shares at cost	**273**	103
Loan to BBRI	—	105
Post-acquisition retained earnings	**(13)**	9
Balance at the beginning of the year	**9**	4
Translation difference	**(3)**	6
Current year's share of losses of associate companies	**(19)**	(1)
TOTAL INVESTMENT IN ASSOCIATES	**260**	**217**

* *Nominal amount.*

8. OTHER INVESTMENTS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Equity instruments	**55**	19	**4**	4
Unlisted shares	**51**	15	**—**	—
Capital contributions	**4**	4	**4**	4
Loans and receivables	**44**	31	**6**	6
Other	**44**	31	**6**	6
TOTAL OTHER INVESTMENTS	**99**	**50**	**10**	**10**

9. DEFERRED TAX

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
At the beginning of the year	**300**	229	**168**	156
Recognised in the income statement				
— normal activities	**89**	124	**(21)**	88
Recognised in other comprehensive income				
— foreign currency loan translation	**(7)**	(25)	**—**	—
— defined-benefit obligations	*	(7)	**11**	(19)
— post-retirement medical aid obligations	**14**	(18)	**5**	(57)
Business combinations	**(30)**	(3)	**—**	—
AT THE END OF THE YEAR	**366**	**300**	**163**	**168**
Analysis by major temporary differences:				
Property, plant and equipment	**(512)**	(518)	**(57)**	(61)
Provisions	**503**	487	**317**	315
Pension fund employer surplus accounts	**(50)**	(65)	**(39)**	(65)
Deferred foreign exchange differences	**(43)**	(25)	**(35)**	—
Computed tax losses	**530**	444	**—**	—
Fair value adjustments	**—**	1	**—**	—
Other	**(62)**	(24)	**(23)**	(21)
	366	**300**	**163**	**168**
Comprising:				
Deferred tax assets	**555**	468	**163**	168
Deferred tax liabilities	**(189)**	(168)	**—**	—
	366	**300**	**163**	**168**

* *Nominal amount.*

Deferred tax assets of R555 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.

10. LOANS RECEIVABLE

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Gross investment in finance leases	**9**	19	**—**	—
Unearned finance income	*	(2)	**—**	—
Present value of minimum lease payments	**9**	17	**—**	—
Current portion included in accounts receivable (see note 12)	**(5)**	(7)	**—**	—
AT THE END OF THE YEAR	**4**	**10**	**—**	**—**
Gross investment in finance leases receivable				
— within 1 year	**5**	7	**—**	—
— between 2 and 5 years	**4**	12	**—**	—
	9	**19**	**—**	**—**
Present value of minimum lease payments receivable				
— within 1 year	**5**	7	**—**	—
— between 2 and 5 years	**4**	10	**—**	—
	9	**17**	**—**	**—**

* *Nominal amount.*

Loans receivable comprise 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	**2014**	2013	**2014**	2013
Raw and packing materials	**917**	951	**233**	309
In progress	**16**	12	**7**	4
Finished goods and merchandise	**1 572**	1 546	**663**	606
Spares and other	**313**	266	**92**	92
Property developments	**61**	315	**—**	—
	2 879	**3 090**	**995**	**1 011**

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.

12. ACCOUNTS RECEIVABLE

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Trade	**2 830**	2 777	**942**	881
Pre-payments	**151**	167	**27**	19
Other	**239**	334	**106**	148
Subsidiaries and joint arrangements	**18**	41	**172**	210
	3 238	3 319	**1 247**	1 258
Current portion of loans receivable (see note 10)	**5**	7	**—**	—
	3 243	**3 326**	**1 247**	**1 258**
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	**1 815**	1 795	**889**	830
Rest of Africa	**714**	643	**41**	41
North America	**49**	32	**—**	1
South America	**13**	16	**1**	—
Asia	**206**	218	**5**	1
Australia	**2**	6	**2**	4
Europe	**18**	15	**3**	4
United Kingdom	**13**	52	**1**	—
	2 830	**2 777**	**942**	**881**
The ageing of gross trade receivables at 31 December was:				
Not past due	**2 080**	2 066	**842**	827
Past due 0 to 30 days	**489**	450	**60**	32
Past due 30 to 90 days	**211**	151	**29**	15
Past due more than 90 days	**105**	160	**36**	33
GROSS TRADE RECEIVABLES	**2 885**	**2 827**	**967**	**907**
The ageing of impairments of trade receivables at 31 December was:				
Not past due	**(7)**	(4)	**—**	(4)
Past due 0 to 30 days	**(1)**	(2)	**(1)**	(2)
Past due 30 to 90 days	**(10)**	(1)	**(2)**	(1)
Past due more than 90 days	**(37)**	(43)	**(22)**	(19)
TOTAL IMPAIRMENTS	**(55)**	**(50)**	**(25)**	**(26)**
NET TRADE RECEIVABLES	**2 830**	**2 777**	**942**	**881**
IMPAIRMENT OF TRADE RECEIVABLES				
At the beginning of the year	**(50)**	(49)	**(26)**	(21)
Additional impairments recognised during the year	**(31)**	(11)	**(3)**	(11)
Impairments reversed during the year	**26**	11	**5**	5
Impairments applied to trade receivables deemed irrecoverable	**—**	(1)	**(1)**	1
AT THE END OF THE YEAR	**(55)**	**(50)**	**(25)**	**(26)**

Impairments of trade receivables are recognised with reference to the ageing of trade receivables that are past due, 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.

13. ASSETS CLASSIFIED AS HELD FOR SALE

The Group disposed of the bulk of its surplus property assets, at Modderfontein, to Shanghai Zendai Property Ltd ("Shanghai Zendai") on 20 March 2014. Property assets disposed of, which were part of the property segment, included vacant land and buildings held for leasing purposes.

At 31 December 2014, property assets included in assets classified as held for sale amounted to R74 million in respect of property not yet transferred to Shanghai Zendai. Cash of R121 million received for this property was included in accounts payable as income received in advance. Both these amounts will be recognised as a net profit, before tax, of R47 million on disposal when they are transferred to Shanghai Zendai. An impairment of R21 million was recognised in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, given that the selling price relating to a portion of the property assets was lower than the related assets' carrying value.

During 2014 Akulu Marchon's petroleum jelly business discontinued production, distribution and warehousing operations at its Mobeni site in KwaZulu-Natal. Akulu Marchon is part of the specialty chemicals segment. The business has entered into an agreement to sell this site and its related production assets. These assets amount to R11 million and have been reclassified from property, plant and equipment to assets classified as held for sale in terms of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. There are conditions which need to be fulfilled before the disposal can be finalised.

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Property, plant and equipment — cost	**24**	—	**22**	—
Property, plant and equipment — accumulated depreciation	**(13)**	—	**(13)**	—
Investment property — cost	**74**	292	**74**	125
Investment property — accumulated depreciation	**—**	(6)	**—**	(6)
CARRYING AMOUNT	**85**	**286**	**83**	**119**

14. SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF SHARES		GROUP		COMPANY	
	2014	2013	**2014 R millions**	2013 R millions	**2014 R millions**	2013 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 and 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 and end of the year						
Company	**10 117 951**	10 117 951				
Share premium less share issue expenses			**496**	496	**602**	602
Total ordinary shares at the beginning and 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 beginning and end of the year	**22 002 650**	22 002 650				
LISTED 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 at 2 January 2015 held 24 718 395 shares, equivalent to 21,25% of the Company's listed ordinary shares.

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. There are no externally imposed capital requirements.

15. NON-CURRENT BORROWINGS

R millions	Weighted closing interest rate (%)	GROUP 2014	GROUP 2013	COMPANY 2014	COMPANY 2013
UNSECURED					
LOCAL					
Loans:					
2011/2014	—	**—**	1 000	**—**	1 000
2012/2015	7,78	**125**	250	**125**	250
2013/2016	7,71	**1 000**	1 000	**1 000**	1 000
2014/2016	7,38	**400**	—	**400**	—
FOREIGN					
Loans — US dollar	1,58	**296**	228	**296**	228
SECURED					
LOCAL					
Loans — other[1]	8,90	**3**	2	**—**	—
FOREIGN					
Loans — other[1]		**—**	2	**—**	—
		1 824	2 482	**1 821**	2 478
Current portion (see note 18)		**(365)**	(1 383)	**(363)**	(1 381)
CARRYING AMOUNT		**1 459**	**1 099**	**1 458**	**1 097**

1 Secured in terms of capitalised finance lease agreements over plant and equipment having a net book value of R3 million (2013: R3 million).

SUMMARY OF REPAYMENTS

R millions	Year	Local	Foreign	Total
GROUP				
	2015	277	88	365
	2016	1 251	208	1 459
		1 528	**296**	**1 824**
COMPANY				
	2015	275	88	363
	2016	1 250	208	1 458
		1 525	**296**	**1 821**

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**171**	155	**144**	131
Paid during the year	**(11)**	—	**(11)**	—
Charged to net operating costs during the year				
— Additional provision made	**13**	51	*	48
— Reversal of provision	**—**	(35)	**—**	(35)
	173	171	**133**	144
Current portion included in accounts payable (see note 17)	**(12)**	(3)	**(3)**	(3)
AT THE END OF THE YEAR	**161**	**168**	**130**	**141**
EARNINGS-BASED INCENTIVE SCHEME				
At the beginning of the year	**132**	124	**126**	116
Paid during the year	**(37)**	(20)	**(35)**	(18)
Charged to net operating costs during the year				
— Additional provision made	**32**	28	**30**	28
	127	132	**121**	126
Current portion included in accounts payable (see note 17)	**(113)**	(96)	**(107)**	(90)
AT THE END OF THE YEAR	**14**	**36**	**14**	**36**
EARNINGS-GROWTH INCENTIVE SCHEME				
At the beginning of the year	**11**	—	**5**	—
Charged to net operating costs during the year				
— Additional provision made	**29**	11	**14**	5
	40	11	**19**	5
Current portion included in accounts payable (see note 17)	**(6)**	—	**(3)**	—
AT THE END OF THE YEAR	**34**	**11**	**16**	**5**
CASH-SETTLED SHARE-BASED INCENTIVE SCHEME				
At the beginning of the year	**85**	38	**85**	38
Paid during the year	**(11)**	(12)	**(11)**	(12)
Charged to net operating costs during the year				
— Additional provision made	**12**	59	**12**	59
	86	85	**86**	85
Current portion included in accounts payable (see note 17)	**(79)**	(68)	**(79)**	(68)
AT THE END OF THE YEAR	**7**	**17**	**7**	**17**
POST-RETIREMENT MEDICAL AID OBLIGATIONS				
Made up as follows:				
Actuarial valuation of obligations (see note 30)	**1 276**	1 165	**1 274**	1 164
Plan assets to meet post-retirement medical aid obligations (see note 30)	**(449)**	(450)	**(448)**	(449)
AT THE END OF THE YEAR	**827**	**715**	**826**	**715**
TOTAL NON-CURRENT PROVISIONS	**1 043**	**947**	**993**	**914**

* *Nominal amount*

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.

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS continued

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 performance 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 obligations are also detailed in note 30.

17. ACCOUNTS PAYABLE

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Trade	**2 325**	2 091	**1 152**	973
Non-trade	**949**	1 026	**437**	332
Subsidiaries and joint arrangements	**29**	—	**33**	19
	3 303	3 117	**1 622**	1 324
Current portion of non-current provisions (see note 16)	**210**	167	**192**	161
	3 513	**3 284**	**1 814**	**1 485**

18. CURRENT BORROWINGS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Current portion of non-current borrowings (see note 15)	**365**	1 383	**363**	1 381
Unsecured interest-bearing short-term borrowings	**218**	478	**744**	843
	583	**1 861**	**1 107**	**2 224**

The unsecured interest-bearing short-term borrowings are local borrowings which are repayable on demand and bear interest at rates of between 6,1% and 6,8%.

19. REVENUE

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Sale of goods and related services	**16 032**	15 278	**4 891**	4 368
Leasing and related services	**354**	358	**279**	284
Sales of surplus land	**517**	306	**—**	—
Sales to subsidiary companies			**500**	433
Leasing and related services to subsidiary companies			**25**	31
	16 903	**15 942**	**5 695**	**5 116**
Local	**11 486**	10 718	**4 871**	4 458
Foreign	**5 417**	5 224	**299**	194
Subsidiary companies			**525**	464
	16 903	**15 942**	**5 695**	**5 116**

20. NET OPERATING COSTS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Cost of sales	**11 467**	10 621	**4 576**	4 094
Selling and distribution expenses	**1 504**	1 356	**460**	500
Administrative expenses	**2 336**	2 567	**236**	360
NET OPERATING COSTS	**15 307**	**14 544**	**5 272**	**4 954**
Net operating costs have been arrived at after taking into account:				
Auditors' remuneration	**22**	18	**6**	6
— Audit fees	**18**	16	**5**	5
— Other services	**4**	2	**1**	1
Depreciation and amortisation	**547**	537	**78**	74
— Property, plant and equipment	**527**	514	**74**	70
— Investment property	**2**	5	**2**	2
— Intangible assets	**18**	18	**2**	2
Foreign exchange gains	**(199)**	(246)	**(41)**	(87)
— Realised	**(141)**	(119)	**(39)**	(64)
— Unrealised	**(58)**	(127)	**(2)**	(23)
Foreign exchange losses	**227**	154	**—**	—
— Realised	**168**	84	**—**	—
— Unrealised	**59**	70	**—**	—
Impairment of assets classified as held for sale	**21**	—	**—**	—
Impairment of goodwill	*	5	*	4
Impairment of property, plant and equipment	**3**	9	**—**	9
Inventory	**(9)**	(17)	**2**	13
— Losses and write-downs	**5**	13	**4**	13
— Reversal of losses and write-downs	**(1)**	(6)	**(1)**	(4)
— Inventory adjustments	**(13)**	(24)	**(1)**	4
Increase in non-current provisions and employee benefits	**86**	114	**56**	105
— Environmental remediation	**13**	16	*	13
— Earnings-based incentive scheme	**32**	28	**30**	28
— Earnings-growth incentive scheme	**29**	11	**14**	5
— Cash-settled share-based incentive scheme	**12**	59	**12**	59
Operating lease costs	**137**	105	**30**	27
Research and development expenditure	**57**	62	**1**	*
Surplus on derecognition of businesses and subsidiary companies disposed of	*	(3)	*	(3)
Surplus on disposal of assets classified as held for sale	**(202)**	—	**(119)**	—
(Surplus)/loss on disposal of property, plant and equipment	**(3)**	(49)	**(1)**	1
— Property	**1**	(52)	*	—
— Plant and equipment	**(4)**	3	**(1)**	1
Total salaries and other staff costs	**2 896**	3 023	**869**	963
Salaries and other staff costs	**2 626**	2 773	**655**	743
Defined-benefit cost				
— Pension fund	**112**	134	**112**	134
— Post-retirement medical aid obligations	**67**	69	**67**	69
EST share-based payment	**36**	38	**7**	13
Performance share-based payment	**55**	9	**28**	4

* *Nominal amount.*

21. SHARE-BASED PAYMENTS

AECI Employees Share Trust ("EST")

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Equity-settled share-based payment	**36**	38	**36**	38
— Recognised in profit from operations	**36**	38	**7**	13
— Investment in subsidiaries and joint arrangements			**29**	25

On 9 February 2012, the Company created and issued 10 117 951 redeemable convertible AECI 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:

NUMBER OF YEARS OF COMPLETED SERVICE	TOTAL NUMBER OF SHARES
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

The shares are unlisted, not transferable or saleable, have the same voting rights as AECI ordinary shares and any dividend declared on the AECI B ordinary shares may not exceed the dividend declared on the ordinary shares.

At the end of the 10-year lock-in 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 AECI B ordinary shares will be redeemed for no consideration. Any shares which have not been allocated to employees will be distributed to the AECI Community Education and Development Trust.

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 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 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.

21. SHARE-BASED PAYMENTS continued

AECI Employees Share Trust ("EST") continued

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 AECI 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.

The inputs for the model, based on market conditions at the grant date, and the fair value determined were :

	FIRST ALLOCATION	SECOND ALLOCATION	THIRD ALLOCATION	FOURTH ALLOCATION
Market price of the Company's listed shares at the grant date (rand)	88,89	80,95	116,76	120,59
Issue price[1]	75,82	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 dates	30 April 2012	1 October 2012	1 September 2013	1 September 2014
Termination date	9 February 2022	9 February 2022	9 February 2022	9 February 2022
Hurdle price (rand)[2]	216,26	199,75	222,35	203,25
Share price volatility[3] (% per annum)	24,7	22,5	22,0	23,93
Vesting	7 years, in accordance with the forfeiture profile above			
Number of simulations	50 000	50 000	50 000	50 000
Fair value of equity instrument (rand)	18,54	12,27	29,64	32,81
Number of shares allocated	7 569 669	509 102	560 978	710 562

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 historical volatility equally weighted over a period of 10 years, being equivalent to the EST term.*

	NUMBER OF SHARES	
	2014	2013
EST SHARE ALLOCATION		
Number of shares issued to the EST	**10 117 951**	10 117 951
Number of shares allocated to beneficiaries	**(9 350 311)**	(8 639 749)
Number of shares forfeited	**818 150**	606 366
UNALLOCATED POOL SHARES	**1 585 790**	**2 084 568**

The EST is consolidated in the Group in line with IFRS 10 Consolidated Financial Statements given that the AECI Executive Committee controls and determines the number of shares allocated to beneficiaries. The AECI 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.

21. SHARE-BASED PAYMENTS continued

AECI Performance Shares ("PS")

	GROUP		COMPANY	
R millions	2014	2013	2014	2013
Equity-settled share-based payment	55	9	55	9
— Recognised in profit from operations	55	9	28	4
— Investment in subsidiaries and joint arrangements			27	5

	NUMBER OF SHARES	
R millions	2014	2013
SHARE ALLOCATION		
Number of PS allocated at the beginning of the year	632 806	—
Number of PS allocated to beneficiaries during the year	260 702	632 806
Number of PS forfeited during the year	(18 601)	—
TOTAL ALLOCATED AS AT 31 DECEMBER	**874 907**	**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 Executive Committee members 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.

Annual conditional awards of PS will be allocated to Executive Committee members and Senior Managers. 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 2014, only 16 of these remained 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 TSR 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 the grant date, and the fair value determined were as follows:

	FIRST ALLOCATION	SECOND ALLOCATION	THIRD ALLOCATION
Market price of AECI's listed shares at grant date (rand)	100,40	118,74	123,55
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	31 October 2014
Vesting date	22 November 2015	28 June 2016	30 June 2017
AECI share price volatility (% per annum)	18,57	19,99	21,17
Fair value of equity instrument (rand)	181,23	170,25	195,21
Number of PS allocated	342 784	290 022	260 702

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 to 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 to 1 June 2016. The third allocation was approved in October 2014 resulting in a grant date of 31 October 2014, though the award date was 30 June 2014. The performance period is from 1 June 2014 to 1 June 2017.

22. INTEREST EXPENSE

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Interest paid				
Non-current borrowings	**(152)**	(160)	**(152)**	(160)
Current borrowings	**(52)**	(52)	**(46)**	(61)
Subsidiary companies and joint arrangements			**(96)**	(67)
	(204)	**(212)**	**(294)**	**(288)**

23. INTEREST RECEIVED

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Subsidiary companies and joint arrangements			**327**	271
Loans and receivables	**54**	37	**23**	16
	54	**37**	**350**	**287**

24. TAX EXPENSE

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Current tax	**(495)**	(427)	**(161)**	(125)
South African and foreign normal tax	**(474)**	(403)	**(161)**	(125)
Foreign withholding taxes	**(21)**	(24)	**—**	—
Deferred tax	**105**	104	**10**	88
	(390)	(323)	**(151)**	(37)
Adjustment for prior years	**22**	10	**18**	1
South African and foreign normal tax	**38**	(10)	**49**	1
Deferred tax	**(16)**	20	**(31)**	—
	(368)	**(313)**	**(133)**	**(36)**
Analysis of deferred tax charge by major temporary differences:				
Property, plant and equipment	**14**	(9)	**5**	3
Provisions	**16**	85	**5**	52
Pension fund employer surplus accounts	**15**	29	**15**	32
Deferred foreign exchange differences	**(6)**	(5)	**(3)**	(3)
Computed tax losses	**73**	9	**—**	—
Fair value adjustments	**—**	3	**—**	—
Other	**(7)**	(8)	**(12)**	4
	105	104	**10**	88
Adjustment for prior years	**(16)**	20	**(31)**	—
	89	**124**	**(21)**	**88**
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	**1 887**	1 381	**—**	—
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	**16**	16	**—**	—
	1 903	**1 397**	**—**	**—**

	GROUP		COMPANY	
%	**2014**	2013	**2014**	2013
Reconciliation of tax rate computed in relation to profit before tax				
Effective rate	**24,9**	24,7	**27,8**	22,2
Capital and non-taxable receipts	**7,1**	5,1	**5,1**	19,8
Non-deductible expenses	**(3,8)**	(6,7)	**(5,5)**	(11,1)
Foreign withholding tax	**(1,4)**	(1,9)	**—**	—
Adjustment for prior years	**1,4**	0,8	**3,8**	0,7
Capital gains	**(1,9)**	(1,0)	**(3,4)**	(4,7)
Tax rate change	**—**	5,6	**—**	—
Other	**1,7**	1,4	**0,2**	1,1
SOUTH AFRICAN STANDARD RATE	**28,0**	**28,0**	**28,0**	**28,0**

25. EARNINGS PER SHARE

GROUP

R millions	2014	2013
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to ordinary shareholders	**1 096**	946
Impairment of goodwill [1]	*	5
Impairment of property, plant and equipment — net	**3**	9
Impairment of property, plant and equipment — gross [2]	**3**	9
Tax effects of impairments of property, plant and equipment	*	*
Impairment of assets classified as held for sale — net	**21**	—
Impairment of assets classified as held for sale — gross [2]	**21**	—
Tax effect of impairment of assets classified as held for sale	—	—
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 assets classified as held for sale — net	**(175)**	—
Surplus on disposal of assets classified as held for sale — gross [2]	**(202)**	—
Tax effects of surplus on disposal of assets classified as held for sale	**27**	—
Surplus on disposal of property, plant and equipment — net	**(2)**	(45)
Surplus on disposal of property, plant and equipment — gross [2]	**(3)**	(49)
Tax effects of surplus on disposal of property, plant and equipment	**1**	4
Surplus on derecognition of businesses and subsidiary companies disposed of [1]	*	(3)
HEADLINE EARNINGS	**943**	**885**

* *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

	2014	2013
EARNINGS PER ORDINARY SHARE		
Basic (cents)	**979**	845
Headline (cents)	**842**	791
Weighted average number of ordinary shares in issue	**138 359 091**	138 359 091
Weighted average number of ordinary shares held by consolidated EST	**(10 117 951)**	(10 117 951)
Weighted average number of contingently returnable ordinary shares held by CST	**(4 426 604)**	(4 426 604)
Weighted average number of shares held by consolidated subsidiary	**(11 884 699)**	(11 884 699)
	111 929 837	**111 929 837**

Basic and headline earnings per share have been calculated on the profit attributable to ordinary shareholders and headline earnings, respectively, 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 (2013: 111 929 837).

GROUP

Cents	2014	2013
DILUTED EARNINGS PER ORDINARY SHARE		
Basic	**929**	791
Headline	**800**	740

The AECI B ordinary shares issued to the EST in 2012, which may be converted to ordinary shares, the contingently returnable shares issued to the CST in 2012 and the PS allocations are all 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 attributable to ordinary shareholders and headline earnings, respectively, for the financial year as shown above and on a weighted average number of shares of 117 916 278 (2013: 119 584 096).

AECI's average share price since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, was R123,58 (2013: R108,63). The other potential ordinary shares do not have an exercise price.

25. EARNINGS PER SHARE continued

GROUP

	2014	2013
RECONCILIATION OF THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE:		
Weighted average number of ordinary shares	**111 929 837**	111 929 837
Dilutive adjustment for potential ordinary shares	**5 986 441**	7 654 259
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**117 916 278**	**119 584 096**

26. DIVIDENDS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
ORDINARY				
Final for the previous year: No. 160 of 210 cents (2013: 185 cents) paid on 14 April 2014	**241**	212	**266**	234
Interim for the current year: No. 161 of 115 cents (2013: 105 cents) paid on 8 September 2014	**132**	120	**145**	133
Total ordinary dividends paid: 325 cents (2013: 290 cents)	**373**	332	**411**	367
PREFERENCE				
Nos. 152 and 153 paid on 13 June 2014 and on 15 December 2014, respectively	**3**	3	**3**	3
EST				
Dividend of 29 cents (2013: nil) paid on 3 October 2014	**2**	—	**2**	—
	378	**335**	**416**	**370**
Proposed final dividend No. 162 for the year ended 31 December 2014 of 225 cents (2013: 210 cents) payable on 7 April 2015	**258**	241	**285**	266
Proposed special dividend for the year ended 31 December 2014 of 375 cents (2013: nil) payable on 1 June 2015	**430**	—	**474**	—
	688	**241**	**759**	**266**

Dividends are subject to withholding tax in the hands of shareholders.

The Company also declared a dividend of 32 cents on the AECI B ordinary shares held by the EST, which is payable in 2015.

27. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Capital commitments authorised	**342**	746	**32**	45
Contracted for	**161**	87	**24**	24
Not contracted for	**181**	659	**8**	21
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. In the prior year an amount of R405 million was included in respect of the acquisition of Clariant's water treatment business in Africa and its South African assets.				
Future rentals on property, plant and equipment leased	**358**	199	**24**	74
Payable within 1 year	**91**	71	**7**	16
Payable between 1 and 5 years	**195**	118	**17**	58
Payable thereafter	**72**	10	**—**	*
The Group's leasing arrangements relate primarily to property and vehicles and the lease periods range from three to six years. Certain of the properties have renewal options either at the option of the lessor or the Group.				

* *Nominal amount.*

CONTINGENT LIABILITIES

On 4 December, the Competition Commission of South Africa ("the Commission") conducted a search and seizure ("Dawn Raid") at the offices of Akulu Marchon ("Akulu") in Gauteng, and at a competitor. This division of Akulu manufactures and supplies a wide range of surfactant products. The Dawn Raid operation was part of the Commission's on-going investigation into collusive conduct in the market for the production and supply of products used as input materials in the manufacture of blended household detergents. In line with AECI policy, the Company has cooperated fully with the Commission's investigation thus far and will continue to do so.

The Commission seized documents and electronic data which are currently being analysed together with other information gathered to determine whether a contravention of the Competition Act, No. 89 of 1998 has occurred.

The investigation by the Commission is in its early stages and the outcome at year-end was unknown. Accordingly, no provision for any potential liability has been made in these financial statements.

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 risks. 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	**2014**	2013	**2014**	2013
GROUP				
FINANCIAL ASSETS				
Available-for-sale financial assets[1]	**51**	15		
— Unlisted shares	**23**	15		
— Investec Corporate Money Market Fund — Level 2	**28**	—	**28**	—
Financial assets at fair value through profit or loss	**7**	5		
— Forward exchange contracts — Level 2	**7**	5	**7**	5
Loans and receivables not measured at fair value	**4 421**	4 510		
— Accounts receivable[2]	**2 992**	3 138		
— Cash[3]	**1 376**	1 219		
— Loans receivable[3]	**9**	17		
— Loans relating to other investments[3]	**44**	31		
— Loans to associate companies[3]	**—**	105		
	4 479	**4 530**		
FINANCIAL LIABILITIES				
Financial liabilities not measured at fair value	**(5 358)**	(5 717)		
— Accounts payable[2]	**(3 267)**	(2 736)		
— Loans from joint arrangements[3]	**(49)**	(21)		
— Borrowings[4]	**(2 042)**	(2 960)		
Financial liabilities at fair value through profit or loss	**(2)**	(19)		
— Forward exchange contracts — Level 2	**(2)**	(19)	**(2)**	(19)
	(5 360)	**(5 736)**		

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

Categories of financial instruments and fair values continued

	CARRYING AMOUNT		FAIR VALUE	
R millions	**2014**	2013	**2014**	2013
COMPANY				
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss	**6**	1		
— Forward exchange contracts — Level 2	**6**	1	**6**	1
Loans and receivables not measured at fair value	**10 697**	9 560		
— Accounts receivable [2]	**1 187**	1 229		
— Cash [3]	**259**	233		
— Non-current loans to subsidiaries [3]	**653**	640		
— Current loans to subsidiaries [3]	**8 592**	7 452		
— Loans relating to other investments [3]	**6**	6		
	10 703	**9 561**		
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss	—	(11)		
— Forward exchange contracts — Level 2	—	(11)	—	(11)
Financial liabilities not measured at fair value	**(10 445)**	(9 271)		
— Accounts payable [2]	**(1 622)**	(1 180)		
— Borrowings [4]	**(2 565)**	(3 321)		
— Loans from joint arrangements [3]	**(116)**	(65)		
— Non-current loans from subsidiaries [3]	**(714)**	(477)		
— Current loans from subsidiaries [3]	**(5 428)**	(4 228)		
	(10 445)	**(9 282)**		

1 *Items are classified as available-for-sale when they are not classified in another category or when specifically designated as such.*

2 *The fair value for financial instruments such as short-term receivables and payables have not been disclosed because their carrying amounts are a reasonable approximation of fair value.*

3 *The fair value would not be materially different from the carrying amounts.*

4 *The fair values of the interest-bearing borrowings have not been disclosed as they are not materially different from the carrying amounts.*

Fair value of financial instruments

The carrying amounts of financial instruments are either at fair value based on methods and assumptions for determining the fair value 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. There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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 countries 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 in its own unit in consultation with the central Treasury function. All material purchases and sales in foreign currencies are transacted through the central Treasury.

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 mainly in euro, pound sterling and US dollars.

The rand value of the hedging instruments, based on the contract rates, at 31 December 2014 for the Group was R316 million (2013: R149 million).

The profit on the hedging instruments for the year for the Group was R1 million (2013: R8 million) and was recognised in the income statement.

CASH FLOW HEDGES

The Group has hedged its foreign currency exposure on imports of raw materials by entering into forward exchange contracts for the purchase commitments. The rand value of the hedging instruments, based on the contract rates, at 31 December 2014 was R109 million (2013: R50 million).

The cash flows relating to the hedging instruments will occur in 2015 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 (2013: nominal).

Exposure to currency risk

The Group's exposure to foreign currency risk at 31 December was:

	2014				2013			
R millions	**Euro**	**Pound sterling**	**US dollar**	**Other**	Euro	Pound sterling	US dollar	Other
Cash	**13**	**1**	**27**	**7**	17	4	147	61
Trade receivables	**11**	**2**	**156**	**23**	12	2	128	88
Other receivables	**2**	**—**	**13**	**32**	—	—	—	28
Loans receivable	**—**	**—**	**—**	**—**	1	—	6	—
Interest-bearing liabilities	**—**	**—**	**(296)**	**—**	—	—	(228)	—
Trade payables	**(75)**	**(9)**	**(177)**	**(8)**	(123)	(17)	(173)	(19)
Other payables	**(1)**	**—**	**(1)**	**(17)**	*	*	*	(24)
Gross exposure	**(50)**	**(6)**	**(278)**	**37**	(93)	(11)	(120)	134
Forward exchange contracts	**179**	**19**	**234**	**(7)**	77	18	(27)	—
NET EXPOSURE	**129**	**13**	**(44)**	**30**	**(16)**	**7**	**(147)**	**134**

The Company's exposure to foreign currency risk at 31 December was:

	2014				2013			
R millions	**Euro**	**Pound sterling**	**US dollar**	**Other**	Euro	Pound sterling	US dollar	Other
Cash	**1**	**—**	**7**	**(2)**	*	—	1	—
Trade receivables	**3**	**—**	**24**	**2**	8	—	28	5
Interest-bearing liabilities	**—**	**—**	**(296)**	**—**	—	—	(228)	—
Trade payables	**(36)**	**(4)**	**(124)**	**(1)**	(58)	(2)	(130)	(2)
Gross exposure	**(32)**	**(4)**	**(389)**	**(1)**	(50)	(2)	(329)	3
Forward exchange contracts	**97**	**5**	**326**	**(5)**	74	1	209	—
NET EXPOSURE	**65**	**1**	**(63)**	**(6)**	**24**	**(1)**	**(120)**	**3**

* *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	**2014**	2013	**2014**	2013
Euro	**14,06**	14,45	**14,39**	12,80
Pound sterling	**18,02**	17,33	**17,86**	15,04
US dollar	**11,57**	10,50	**10,85**	9,63

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:

	CLOSING RATE		AVERAGE RATE	
Rand	**2014**	2013	**2014**	2013
Equity	**(51)**	(1)	**(38)**	(18)
Profit for the year before tax	**(13)**	(1)	**(38)**	(18)

(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	**2014**	2013	**2014**	2013	**2014**	2013
GROUP						
Rand						
— Current	**495**	1 631	**495**	1 631	**—**	—
— Non-current	**1 251**	1 099	**1 251**	1 099	**—**	—
Other						
— Current	**88**	230	**—**	202	**88**	28
— Non-current	**208**	—	**208**	—	**—**	—
TOTAL	**2 042**	**2 960**	**1 954**	**2 932**	**88**	**28**
COMPANY						
Rand						
— Current	**1 019**	1 996	**1 019**	1 996	**—**	—
— Non-current	**1 250**	1 097	**1 250**	1 097	**—**	—
Other						
— Current	**88**	228		200	**88**	28
— Non-current	**208**	—	**208**	—	**—**	—
TOTAL	**2 565**	**3 321**	**2 477**	**3 293**	**88**	**28**

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

(B) Interest rate risk continued

	FIXED RATE FINANCIAL LIABILITIES (R MILLIONS)		WEIGHTED AVERAGE INTEREST RATE (%)		WEIGHTED AVERAGE PERIOD FOR WHICH RATE IS FIXED (MONTHS)	
	2014	2013	**2014**	2013	**2014**	2013
GROUP						
Other						
— Current	**88**	28	**0,9**	1,5	**3,0**	5,0
TOTAL	**88**	**28**	**0,9**	**1,5**	**3,0**	**5,0**
COMPANY						
Other						
— Current	**88**	28	**0,9**	1,5	**3,0**	5,0
TOTAL	**88**	**28**	**0,9**	**1,5**	**3,0**	**5,0**

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.

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
2014					
FINANCIAL LIABILITIES					
Secured non-current borrowings	**3**	**3**	**2**	**1**	—
Unsecured non-current borrowings	**1 821**	**1 821**	**363**	**1 458**	—
Unsecured current borrowings	**218**	**218**	**218**	—	—
Interest on non-current borrowings[1]	**25**	**172**	**138**	**34**	—
Loans from joint arrangements	**49**	**49**	**49**	—	—
Trade payables	**2 325**	**2 325**	**2 325**	—	—
Other payables	**917**	**917**	**917**	—	—
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	**(7)**	**(374)**	**(374)**	—	—
— outflows	**2**	**799**	**799**	—	—
TOTAL FINANCIAL LIABILITIES	**5 353**	**5 930**	**4 437**	**1 493**	**—**
PERCENTAGE PROFILE (%)		**100**	**75**	**25**	**—**

1 Interest is based on the closing rate at 31 December and the repayment dates of the borrowings.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

Liquidity risks continued

i. MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER continued

GROUP

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 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
Loans from joint arrangements	21	21	21	—	—
Trade payables	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	**5 731**	**6 108**	**4 792**	**378**	**938**
PERCENTAGE PROFILE (%)		**100**	**79**	**6**	**15**

COMPANY

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2014					
FINANCIAL LIABILITIES					
Unsecured non-current borrowings	1 821	1 821	363	1 458	—
Unsecured current borrowings	744	744	744	—	—
Interest on non-current borrowings[1]	27	174	140	34	—
Loans from joint arrangements	116	116	116	—	—
Non-current loans from subsidiaries	714	714	—	—	714
Current loans from subsidiaries	5 428	5 428	5 428	—	—
Trade payables	1 152	1 152	1 152	—	—
Other payables	443	443	443	—	—
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	(6)	(75)	(75)		
— outflows	—	498	498		
TOTAL FINANCIAL LIABILITIES	**10 439**	**11 015**	**8 809**	**1 492**	**714**
PERCENTAGE PROFILE (%)		**100**	**80**	**14**	**6**

1 Interest is based on the closing rate at 31 December and the repayment dates of the borrowings.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

Liquidity risks continued

i. MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER continued

COMPANY

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 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
Loans from joint arrangements	65	65	65	—	—
Non-current loans from subsidiaries	477	477	—	—	477
Current loans from subsidiaries	4 228	4 228	4 228	—	—
Trade payables	973	973	973	—	—
Other payables	184	184	184	—	—
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	(1)	—	—	—	—
— outflows	11	32	32	—	—
TOTAL FINANCIAL LIABILITIES	**9 281**	**9 777**	**7 986**	**376**	**1 415**
PERCENTAGE PROFILE (%)		**100**	**82**	**4**	**14**

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. As in the prior year, the Group complied with all such covenants.

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 (2013: 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	2014	2013
TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE:		
Leasing income and sales by the Company to		
— Subsidiaries	**525**	464
Sales to the Company by		
— Subsidiaries	**117**	87
Interest received by the Company from		
— Subsidiaries	**326**	270
— Joint arrangements	**1**	1
Interest paid by the Company to		
— Subsidiaries	**88**	63
— Joint arrangements	**8**	4
Rental of premises to the Company by		
— Subsidiaries	**28**	35
Secretarial and administration fees paid to the Company by		
— Subsidiaries	**81**	84
Company contributions to pension and provident funds		
— AECI Pension Fund	**19**	17
— AECI Supplementary Pension Fund	**2**	3
— AECI Employees Provident Fund	**11**	12
OUTSTANDING BALANCES WITH RELATED PARTIES OF THE COMPANY AT 31 DECEMBER WERE (SEE NOTES 5 AND 6):		
Loan amounts owing to the Company by		
— Subsidiaries	**9 245**	8 092
Loan amounts owing by the Company to		
— Subsidiaries	**6 142**	4 705
— Joint arrangements	**116**	65

GROUP

R millions	2014	2013
KEY MANAGEMENT PERSONNEL COMPENSATION:		
— short-term employee benefits	**33**	30
— post-retirement benefits	**3**	2
— other long-term benefits	**3**	2
— termination benefits	**—**	1
	39	**35**

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. See note 36 in relation to the proposed settlement of defined-benefit obligations.

The AECI Pension Fund ("APF") is the main fund for active employees and of the more than 4 800 members over 70% are pensioners. The AECI Employees Pension Fund ("AEPF") has over 1 900 members with only nine active employees. The AECI Supplementary Pension Fund ("ASPF") is for senior employees and has less than 300 members with about 36 active employees. The Dulux Employees Pension Fund ("DEPF") has 97 pensioner members. The DEPF 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 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 age, and pensionable emoluments calculated at the date of ill-health retirement.

The APF and ASPF allow for the surviving spouse of a principal member to receive the same pension that was being received at the date of that 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 Funds Act, No. 24 of 1956, as amended. This Act provides that any actuarial surplus in any fund belongs to the fund and that the only portions 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 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. The defined-benefit funds expose the Group to actuarial risk, such as longevity risks, interest rate risk and market (investment) risk.

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 employer surplus accounts as follows:

GROUP

R millions	2014	2013
AECI Pension Fund	**71**	199
AECI Employees Pension Fund	**12**	9
AECI Supplementary Pension Fund	**96**	23
Dulux Employees Pension fund	*	*
	179	**231**

* *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' financial positions at 31 December were:

GROUP

R millions	2014	2013
Fair value of plan assets	16 983	15 753
At the beginning of the year	15 753	13 451
Interest income	1 462	1 121
Return on plan assets in excess of interest income	368	1 707
Employer contributions		
— Company	22	30
— Subsidiaries	36	42
— Joint ventures	2	3
Employee contributions	46	46
Benefits paid	(706)	(647)
Present actuarial value of defined-benefit obligations	(8 658)	(8 217)
At the beginning of the year	(8 217)	(8 445)
Current service cost	(116)	(139)
Past service cost	(10)	(9)
Interest expense	(757)	(704)
Employee contributions	(46)	(46)
Benefits paid	706	647
Actuarial (loss)/gain from changes in financial assumptions	(337)	716
Actuarial gain/(loss) on experience	119	(237)
Asset ceiling	(8 146)	(7 305)
At the beginning of the year	(7 305)	(4 739)
Interest cost	(691)	(403)
Change in effect of the asset ceiling	(150)	(2 163)
PENSION FUNDS EMPLOYER SURPLUS ACCOUNTS	**179**	**231**
The fair value of the funds' plan assets at 31 December 2014 was comprised of equity instruments (17%), bonds (51%), cash (25%) and foreign equity and bonds (7%).		
Included in the fair value of plan assets were 103 008 AECI ordinary shares (2013: 280 408)	14	35
All assets of the funds are held in instruments that have quoted market prices in active markets. The APF and ASPF hold the 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.		

Principal actuarial assumptions applied at 31 December in the valuations were:

%	2014	2013
Discount rate	9,11	9,46
Expected return on plan assets	9,11	9,46
Future price inflation	6,11	6,06
Expected salary increases	7,61	7,56
Future pension increases	5,50	5,45

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)	(8 658)	(7 848)	(9 642)	(8 902)
Percentage change in liability (%)	—	(9,3)	11,4	2,8
Current service cost for 2015 (R millions)	128	99	167	132
Percentage change in current service cost (%)	—	(22,6)	30,5	3,1

The sensitivity was determined by keeping all other assumptions constant except for a change in the discount rate up from 9,1% to 10,1% and down from 9,1% to 8,1%. 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 contribution for the next financial year to the Group's defined-benefit funds is R56 million in cash and R61 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 R63 million (2013: R64 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	**2014**	2013
Current service cost	**(116)**	(139)
Past service cost	**(10)**	(9)
Interest cost	**(757)**	(704)
Expected return on plan assets	**1 462**	1 121
Change in the effect of the asset ceiling	**(691)**	(403)
RECOGNISED IN THE INCOME STATEMENT	**(112)**	**(134)**
Remeasurements recognised in other comprehensive income in respect of the defined-benefit funds were:		
Actuarial (loss)/gain on financial assumptions	**(337)**	716
Actuarial gain/(loss) on experience	**119**	(237)
Contributions by joint ventures	**2**	3
Actual return in excess of expected interest income	**368**	1 707
Change in the effect of the asset ceiling	**(150)**	(2 163)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**2**	**26**

30. EMPLOYEE BENEFITS continued

Retirement benefits continued

COMPANY

R millions	2014	2013
Current service cost	**(116)**	(139)
Past service cost	**(10)**	(9)
Interest cost	**(757)**	(704)
Expected return on plan assets	**1 462**	1 121
Change in the effect of the asset ceiling	**(691)**	(403)
RECOGNISED IN THE INCOME STATEMENT	**(112)**	**(134)**
Remeasurements recognised in other comprehensive income in respect of the defined-benefit funds were:		
Actuarial (loss)/gain on financial assumptions	**(337)**	716
Actuarial gain/(loss) on experience	**119**	(237)
Contributions by subsidiaries and joint ventures	**38**	45
Actual return in excess of expected interest income	**368**	1 707
Change in the effect of the asset ceiling	**(150)**	(2 163)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**38**	**68**

Post-retirement medical aid obligations

The Group provides medical aid benefits 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 each employee's date of employment in 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	2014	2013	2014	2013
Fair value of plan assets	**449**	450	**448**	449
At the beginning of the year	**450**	409	**449**	294
Interest income	**37**	32	**37**	32
Return on plan assets in excess of interest income	**13**	58	**13**	58
Remeasurement recognised in other comprehensive income	**—**	—	**—**	114
Benefits paid	**(51)**	(49)	**(51)**	(49)
Present actuarial value of defined-benefit obligations	**(1 276)**	(1 165)	**(1 274)**	(1 164)
At the beginning of the year	**(1 165)**	(1 174)	**(1 164)**	(855)
Current service cost	**(6)**	(6)	**(6)**	(6)
Interest cost	**(98)**	(95)	**(98)**	(95)
Benefits paid	**87**	83	**79**	77
Remeasurement recognised in other comprehensive income	**—**	—	**—**	(318)
Net actuarial (losses)/gains	**(94)**	27	**(85)**	33
NET POST-RETIREMENT MEDICAL AID OBLIGATION	**(827)**	**(715)**	**(826)**	**(715)**

30. EMPLOYEE BENEFITS continued

Retirement benefits continued

Post-retirement medical aid obligations continued

Principal actuarial assumptions for the post-retirement medical aid obligations were:

GROUP

%	2014	2013
Annual increase in healthcare costs	**CPI + 1**	CPI + 1
Discount rate	**8,30**	8,70

Healthcare cost inflation was estimated based on CPI, with the result that the percentages used in the valuation were:

	%
2015/2016	5,7
2016/2017	6,4
2017/2018	6,6
2018 and later	8,2

Estimated employer contributions in respect of post-retirement medical aid obligations for the coming year: Group – R38 million and Company – R30 million, of which the APF is expected to pay R54 million.

Amounts recognised in the income statement in respect of the defined-benefit funds were:

	GROUP		COMPANY	
R millions	2014	2013	2014	2013
Current service cost	**(6)**	(6)	**(6)**	(6)
Interest cost	**(98)**	(95)	**(98)**	(95)
Expected return on plan assets	**37**	32	**37**	32
RECOGNISED IN THE INCOME STATEMENT	**(67)**	**(69)**	**(67)**	**(69)**
Remeasurements recognised in other comprehensive income in respect of post-retirement medical aid obligations:				
Actuarial (loss)/gain	**(94)**	27	**(85)**	33
Remeasurement — change in estimate[1]	**—**	—	**—**	(204)
Actual return in excess of expected interest income	**13**	58	**13**	58
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**(81)**	**85**	**(72)**	**(113)**

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 was recognised in other comprehensive income.*

30. EMPLOYEE BENEFITS continued

Post-retirement medical aid obligations continued

SENSITIVITY ANALYSIS

	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)	(1 276)	(1 150)	(1 428)	(1 421)	(1 154)
Percentage change in liability (%)	—	(9,9)	11,9	11,4	(9,6)
Current service cost for 2015 (R millions)	8	8	8	9	6
Percentage change in current service cost (%)	—	—	—	12,5	(25,0)
Interest cost for 2015 (R millions)	103	92	115	115	92
Percentage change in interest cost (%)	—	(10,7)	11,7	11,7	(10,7)

Cash-settled share-based scheme ("benefit units")

AECI offers benefit units, without payment, to those employees of the Company or its subsidiary companies who the Board of Directors, in its absolute discretion, considers play a role in the management of the Company or subsidiary companies and contribute to their growth and profitability.

The benefit of realisation of a benefit unit is calculated based on the AECI share price at exercise date after deducting the issue price of that unit.

Participants are entitled to exercise their units as follows:

After 2 years — up to 20% of the units
After 3 years — up to 40% of the units
After 4 years — up to 60% of the units
After 5 years — up to 100% of the units

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

If a participant retires on pension, or otherwise leaves the employ of AECI or one of its subsidiary companies for a reason approved by the Board of Directors, the participant shall nevertheless continue to have the same rights and obligations under the scheme in respect of the participant's units as if the participant had remained in the employ of the 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 unit not yet exercised will lapse.

The benefit units were issued for the first time in 2005.

Details of benefit units at 31 December were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
February 2015	March 2005	41,00	332 200	263 960	37 450	30 790
July 2016	August 2006	56,00	221 085	108 683	36 762	75 640
February 2017	March 2007	70,90	199 725	95 850	34 450	69 425
July 2017	August 2007	80,45	29 200	—	29 200	—
February 2018	March 2008	67,25	184 550	73 690	42 130	68 730
February 2019	March 2009	43,42	382 650	107 600	38 110	236 940
February 2020	March 2010	59,80	399 316	57 614	35 195	306 507
February 2021	March 2011	83,82	447 640	28 859	45 995	372 786
			2 196 366	**736 256**	**299 292**	**1 160 818**

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Cash-settled share-based payment transactions recognised in the income statement	**12**	59	**12**	59
Total carrying amount of cash-settled share-based transaction liabilities (see note 16)	**86**	85	**86**	85
Total intrinsic value of vested cash-settled share-based transaction liabilities	**59**	39	**59**	39

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 headline earnings per share of the Group, as published at every reporting date of the Group after deducting the issue price of that unit.

Participants are entitled to exercise their units as follows:

FOR UNITS ISSUED FROM 2010

After 3 years — up to 33,3% of the units
After 4 years — up to 66,6% of the units
After 5 years — up to 100% of the units

FOR UNITS ISSUED PRIOR TO 2010

After 2 years — up to 20% of the units
After 3 years — up to 40% of the units
After 4 years — up to 60% of the units
After 5 years — up to 100% of the units

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

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

Details of EBIS units at 31 December were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	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	6 291 080	1 345 000	291 270
July 2016	August 2006	5,16	5 519 000	3 059 300	1 231 180	1 228 520
February 2017	March 2007	5,42	6 137 100	3 271 920	1 078 310	1 786 870
July 2017	August 2007	5,97	394 000	—	394 000	—
February 2018	March 2008	5,12	5 417 800	2 219 420	969 400	2 228 980
February 2019	March 2009	5,96	6 258 700	2 664 820	525 600	3 068 280
February 2020	March 2010	3,34	18 594 101	5 107 437	1 860 893	11 625 771
February 2021	March 2011	5,84	17 643 920	1 898 668	1 916 462	13 828 790
			75 541 971	**31 589 645**	**9 893 845**	**34 058 481**

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 headline earnings per share of the Group, after deducting the issue price of that unit.

Participants are entitled to exercise their units as follows:

After 2 years — up to 20% of the units
After 3 years — up to 40% of the units
After 4 years — up to 60% of the units
After 5 years — up to 100% of the units

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

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

30. EMPLOYEE BENEFITS continued

Earnings-based incentive schemes ("EBIS units") continued

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 CSL EBIS units at 31 December were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	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	9 711 900	710 100	50 000
July 2016	August 2006	3,45	9 332 500	6 903 900	1 495 000	933 600
February 2017	March 2007	4,30	8 090 300	6 083 220	1 333 630	673 450
February 2018	March 2008	4,77	8 224 600	4 938 120	1 632 480	1 654 000
February 2019	March 2009	7,37	5 820 000	1 068 000	1 320 200	3 431 800
			54 694 800	**40 205 140**	**7 746 810**	**6 742 850**

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Total carrying amount of EBIS liabilities (see note 16)	**127**	132	**121**	126

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 headline earnings per share.

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 and obligations under the scheme in respect of the participant's units as if the participant had remained in the employ of the Group.

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

The EG units were issued for the first time in 2012.

30. EMPLOYEE BENEFITS continued

Earnings-growth incentive scheme ("EG units") continued

Details of EG units at 31 December 2014 were:

			NUMBER OF UNITS			
Expiry date	Date granted	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
November 2019	November 2012	7,21	15 067 761	58 285[1]	1 350 215	13 659 261
June 2020	June 2013	6,27	19 398 568	—	872 052	18 526 516
June 2021	June 2014	7,91	13 833 744	—	235 216	13 598 528
			48 300 073	**58 285**	**2 457 483**	**45 784 305**

1 The proceeds from these units were paid out ahead of the exercise date to a deceased employee's estate, in line with the rules of the scheme.

	GROUP		COMPANY	
R millions	**2014**	2013	**2014**	2013
Total carrying amount of EG units liabilities (see note 16)	**40**	11	**19**	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			
	2014 Direct	**2014 Indirect**	2013 Direct	2013 Indirect
Executive Directors				
MA Dytor	**10 015**	**—**	3 015	—
KM Kathan	**7 800**	**—**	—	—
	17 815	**—**	**3 015**	**—**
Non-executive Directors				
S Engelbrecht	**6 629**	**600**	6 629	600
MJ Leeming[1]	**N/A**	**N/A**	2 500	2 000
	6 629	**600**	**9 129**	**2 600**
	24 444	**600**	**12 144**	**2 600**

1 MJ Leeming retired as Non-executive Director on 2 June 2014.

Non-executive Directors' remuneration

R thousands	Directors' fees	Chairman/ Committee fees	Attendance fees	**2014 Total**	2013 Total
RMW Dunne	196	449	242	**887**	814
S Engelbrecht	783	162	140	**1 085**	1 065
Z Fuphe	196	108	75	**379**	318
RL Hiemstra (appointed on 1 May 2014)	133	32	38	**203**	—
MJ Leeming (retired on 2 June 2014)	79	132	46	**257**	680
LL Mda	196	54	66	**316**	324
AJ Morgan	196	331	160	**687**	670
LM Nyhonyha	196	245	207	**648**	737
R Ramashia	196	108	112	**416**	400
	2 171	**1 621**	**1 086**	**4 878**	**5 008**

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

Executive Directors' remuneration

R thousands	MA Dytor	GN Edwards[1]	KM Kathan	Total
2014				
Basic salary	**3 380**		**3 183**	**6 563**
Bonus and performance-related payments[2]	**1 345**		**1 829**	**3 174**
Expense allowances, medical aid and insurance contributions	**550**		**442**	**992**
Retirement fund contributions	**466**		**379**	**845**
Earnings-based incentive scheme payments[4]	**1 438**		**1 027**	**2 465**
AGGREGATE REMUNERATION PAID BY THE COMPANY	**7 179**		**6 860**	**14 039**
2013				
Basic salary	2 945	871	2 894	6 710
Bonus and performance-related payments[2]	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[3]	372	257	353	982
AGGREGATE REMUNERATION PAID BY THE COMPANY	**6 928**	**2 910**	**6 760**	**16 598**

1 GN Edwards retired as Chief Executive on 28 February 2013.

2 Bonus and performance-related amounts are in respect of the current year's performance but are paid in the following year. In 2014, however, MA Dytor and KM Kathan were paid an additional performance-related bonus in respect of the successful completion of the bulk property transaction in the year. MA Dytor received R1 million, before tax, and KM Kathan received R1,5 million, before tax.

3 On GN Edwards' retirement, an enhancement cost of R8 034 385 was paid to the AECI Supplementary Pension Fund in his favour.

4 MA Dytor exercised 366 031 EBIS units, which generated a benefit of R1 437 514 before tax. KM Kathan exercised 521 399 EBIS units, which generated a benefit of R1 027 096 before tax.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

Prescribed Officers' remuneration[1]

R thousands	JAA Diepenbroek[2]	EE Ludick	MVK Matshitse	SM Venter	Total
2014					
Basic salary	**561**	**2 129**	**2 262**	**2 605**	**7 557**
Bonus and performance-related payments[3]	**—**	**192**	**237**	**278**	**707**
Expense allowances, medical aid and insurance contributions	**100**	**436**	**347**	**451**	**1 334**
Retirement fund contributions	**220**	**260**	**661**	**309**	**1 450**
Benefit unit payments[4]	**236**	**—**	**—**	**—**	**236**
Earnings-based incentive scheme payments[4]	**2 229**	**1 324**	**—**	**1 254**	**4 807**
Aggregate remuneration	**3 346**	**4 341**	**3 507**	**4 897**	**16 091**
Aggregate remuneration paid by subsidiaries	**(3 346)**	**—**	**—**	**(4 897)**	**(8 243)**
AGGREGATE REMUNERATION PAID BY THE COMPANY	**—**	**4 341**	**3 507**	**—**	**7 848**
2013					
Basic salary	2 097	1 953	2 105	2 326	8 481
Bonus and performance-related payments	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	1 029	—	—	—	1 029
Earnings-based incentive scheme payments	—	—	—	—	—
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**

Aggregate remuneration

R thousands	2014	2013
Non-executive Directors	**4 878**	5 008
Executive Directors	**14 039**	16 598
Prescribed Officers	**16 091**	20 874
	35 008	**42 480**

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 JAA Diepenbroek transferred out of the Group in March 2014 after the successful completion of the bulk property transaction.

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

4 JAA Diepenbroek exercised 772 463 EBIS units, which generated a benefit of R2 229 023 before tax and 4 531 benefit units, which generated a benefit of R236 054 before tax. EE Ludick exercised 354 465 EBIS units, which generated a benefit of R1 323 965 before tax. SM Venter exercised 299 398 EBIS units, which generated a benefit of R1 253 641 before tax.

5 No compensation was paid to any Director, Prescribed Officer, past Director or past Prescribed Officer for loss of office.

6 There were no other pensions paid by the Company to any Director, Prescribed Officer, past Director or past Prescribed Officer of the Company.

7 Service contracts with the Executive Directors and Prescribed Officers have a notice period of 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 benefit units were the following units granted to Directors and Prescribed Officers:

			NUMBER OF UNITS		
	Date granted	Issue price (Rand)	Granted	Exercised	Outstanding
MA Dytor	March 2005	41,00	7 300	7 300	—
	August 2006	56,00	4 300	—	4 300
	March 2007	70,90	3 500	—	3 500
	March 2008	67,25	4 250	—	4 250
	March 2009	43,42	7 910	—	7 910
	March 2010	59,80	7 600	—	7 600
	March 2011	83,82	6 600	—	6 600
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
			305 955	**118 625**	**187 330**

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

	NUMBER OF UNITS	
	2014	2013
Outstanding at the beginning and end of the year	**187 330**	**187 330**

None of the Directors or Prescribed Officers exercised any benefit units in either the current or the prior year.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

Long-term incentive schemes continued

EARNINGS-BASED INCENTIVE SCHEMES ("EBIS UNITS")

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

	Date granted	Issue price (Rand)	NUMBER OF UNITS Granted	Exercised	Outstanding
MA Dytor	March 2005	3,92	75 500	75 500	—
	August 2006	5,16	46 600	46 600	—
	March 2007	5,42	45 800	45 800	—
	March 2010	3,34	407 900	271 932	135 968
	March 2011	5,84	282 300	94 099	188 201
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	86 399	172 801
EE Ludick	March 2010	3,34	308 900	205 932	102 968
	March 2011	5,84	217 600	72 533	145 067
SM Venter	March 2010	3,34	335 100	223 398	111 702
	March 2011	5,84	236 100	—	236 100
			5 211 381	**3 271 343**	**1 940 038**

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

	NUMBER OF UNITS **2014**	2013
Outstanding at the beginning of the year	**3 329 331**	3 329 331
Exercised during the year	**(1 389 293)**	—
OUTSTANDING AT THE END OF THE YEAR	**1 940 038**	**3 329 331**

MA Dytor exercised 366 031 EBIS units (2013: nil), which generated a benefit of R1 437 514 before tax. KM Kathan exercised 521 399 EBIS units (2013: nil), which generated a benefit of R1 027 096 before tax. EE Ludick exercised 278 465 EBIS units (2013: nil), which generated a benefit of R1 091 252 before tax. SM Venter exercised 223 398 EBIS units (2013: nil), which generated a benefit of R1 020 929 before tax.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

Long-term incentive schemes continued

EARNINGS-BASED INCENTIVE SCHEMES ("EBIS UNITS") CONTINUED

Included in CSL EBIS units were the following units granted to Directors and Prescribed Officers:

			NUMBER OF UNITS		
	Date granted	Issue price (Rand)	Granted	Exercised	Outstanding
MA Dytor	March 2005	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	190 000	—
	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	190 000	—
	March 2009	7,37	150 000	—	150 000
			2 360 000	**1 853 000**	**507 000**

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

	NUMBER OF UNITS	
	2014	2013
Outstanding at the beginning of the year	**659 000**	659 000
Exercised during the year	**(152 000)**	—
OUTSTANDING AT THE END OF THE YEAR	**507 000**	**659 000**

SM Venter exercised 76 000 EBIS units (2013: nil), which generated a benefit of R232 712 before tax and EE Ludick exercised 76 000 EBIS units (2013: nil), which generated a benefit of R232 712 before tax.

None of the other Directors or Prescribed Officers exercised any CSL EBIS units in the current year.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS continued

Long-term incentive schemes continued

EARNINGS-GROWTH INCENTIVE SCHEMES ("EG UNITS")

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

			NUMBER OF UNITS	
	Date granted	Issue price (Rand)	Granted	Outstanding
MA Dytor	November 2012	7,21	157 857	157 857
	June 2013	6,27	393 974	393 974
	June 2014	7,91	210 594	210 594
KM Kathan	November 2012	7,21	182 233	182 233
	June 2013	6,27	443 119	443 119
	June 2014	7,91	195 120	195 120
EE Ludick	November 2012	7,21	107 340	107 340
	June 2013	6,27	133 266	133 266
	June 2014	7,91	114 166	114 166
MVK Matshitse	November 2012	7,21	109 668	109 668
	June 2013	6,27	136 069	136 069
	June 2014	7,91	115 308	115 308
SM Venter	November 2012	7,21	118 961	118 961
	June 2013	6,27	179 480	179 480
	June 2014	7,91	161 635	161 635
			2 758 790	**2 758 790**

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

	NUMBER OF UNITS	
	2014	2013
Outstanding at the beginning of the year	**1 961 967**	—
Issued during the year	**796 823**	1 961 967
OUTSTANDING AT THE END OF THE YEAR	**2 758 790**	**1 961 967**

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 PS were the following granted to Directors and Prescribed Officers:

		NUMBER OF UNITS	
	Date granted	Granted	Outstanding
MA Dytor	March 2012	11 230	11 230
	March 2013	28 232	28 232
	June 2014	17 956	17 956
KM Kathan	March 2012	17 112	17 112
	March 2013	26 197	26 197
	June 2014	13 724	13 724
EE Ludick	March 2012	7 636	7 636
	March 2013	5 969	5 969
	June 2014	6 084	6 084
MVK Matshitse	March 2012	7 802	7 802
	March 2013	6 094	6 094
	June 2014	6 144	6 144
SM Venter	March 2012	8 463	8 463
	March 2013	8 039	8 039
	June 2014	8 614	8 614
		179 296	**179 296**

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

	NUMBER OF UNITS	
	2014	2013
Outstanding at the beginning of the year	**126 774**	—
Issued during the year	**52 522**	126 774
OUTSTANDING AT THE END OF THE YEAR	**179 296**	**126 774**

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	**2014**	2013	**2014**	2013	**2014**	2013
Explosives	**7 181**	7 364	**75**	70	**7 256**	7 434
Specialty chemicals	**8 928**	7 985	**440**	374	**9 368**	8 359
Property	**794**	593	**77**	79	**871**	672
Inter-segment	**—**	—	**(592)**	(523)	**(592)**	(523)
	16 903	**15 942**	**—**	**—**	**16 903**	**15 942**

	PROFIT FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
R millions	**2014**	2013	**2014**	2013	**2014**	2013
Explosives	**372**	572	**316**	319	**3**	—
Specialty chemicals	**1 000**	922	**216**	202	**—**	14
Property	**490**	219	**6**	8	**21**	—
Group services	**(266)**	(315)	**9**	8	**—**	—
	1 596	**1 398**	**547**	**537**	**24**	**14**

	ASSETS		LIABILITIES		CAPITAL EXPENDITURE	
R millions	**2014**	2013	**2014**	2013	**2014**	2013
Explosives	**4 558**	4 317	**1 149**	1 258	**499**	290
Specialty chemicals	**6 925**	6 338	**1 994**	1 797	**227**	236
Property	**424**	1 173	**183**	122	**15**	98
Group services	**56**	69	**187**	107	**4**	9
	11 963	**11 897**	**3 513**	**3 284**	**745**	**633**

GROUP

R millions	**2014**	2013
ASSETS CONSIST OF		
Property, plant and equipment	**4 046**	3 756
Investment property	**172**	173
Intangible assets	**247**	143
Goodwill	**1 291**	1 123
Inventory	**2 879**	3 090
Accounts receivable	**3 243**	3 326
Assets classified as held for sale	**85**	286
	11 963	**11 897**
LIABILITIES CONSIST OF		
Accounts payable	**3 513**	3 284

Transactions between segments are at prices considered to be at arm's length.

33. BUSINESS COMBINATIONS AND CHANGE IN OWNERSHIP PERCENTAGE

Acquiree	Date of acquisition	% of shares acquired	**Consideration R millions**
CHANGE IN OWNERSHIP PERCENTAGE			
ImproChem (Mauritius) Ltd	1 June 2014	49	**9**
BUSINESS ACQUIRED			
Clariant	1 July 2014	—	**405**
			414

R millions	
ACQUIREES' NET ASSETS AT THE ACQUISITION DATE	
Property, plant and equipment	**64**
Intangible assets	**123**
Working capital	**93**
Inventory	**53**
Accounts receivable	**150**
Accounts payable	**(110)**
Deferred tax	**(30)**
Net identifiable assets and liabilities	**250**
Non-controlling interest	**(8)**
Equity	**3**
Goodwill on acquisition	**169**
NET CASH OUTFLOW	**414**

ImproChem concluded a buy-out of the non-controlling interest in ImproChem (Mauritius) Ltd. The effective interest increased from 51% to 100%. A premium of R3 million was paid to acquire the additional 49%.

On 1 July 2014 AECI's wholly-owned subsidiary ImproChem (Pty) Ltd ("ImproChem") acquired the Clariant water treatment business in Africa, all its South African assets and a 50% interest in its subsidiary Blendtech (Pty) Ltd ("Blendtech"). This was included in capital commitments at 31 December 2013.

The acquisition was in line with the Group's strategy to expand its presence in Africa in the provision of water treatment solutions for a broad range of industrial and municipal customers.

Blendtech operates mainly in the municipal markets in South Africa.

The valuation techniques used for measuring the fair values of material assets acquired were:

› property, plant and equipment fair value was determined using market prices for similar items; and
› intangible assets fair value was determined using the relief from royalty method ("RFR") to value the marketing relationships and the multi-period excess earnings method ("MEEM") to value the customer relationships. The RFR method considers the discounted estimated royalty payments that are expected to be avoided as a result of owning the marketing relationship. The MEEM considers the present value of net cash flows expected to be generated by the customer relationships by excluding any cash flows related to contributory assets.

Trade receivables comprise gross contractual amounts due of R138 million, all of which are expected to be collectible.

The goodwill is attributable to the skills of the workforce and the synergies expected to be achieved by integrating Clariant into ImproChem's existing water treatment business.

In the six months to 31 December 2014, the Clariant business contributed revenue of R294 million and profit from operations of R16 million. If the acquisition had occurred on 1 January 2014, management estimates that AECI's consolidated revenue for the year would have been R17 118 million and AECI's consolidated profit from operations would have been R1 615 million.

34. PRINCIPAL SUBSIDIARIES

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LTD# SHARES		INTEREST OF AECI LTD# LOANS TO/(FROM)	
	2014 Number of shares	2014 %	2013 %	2014 R millions	2013 R millions	2014 R millions	2013 R millions
HOLDING COMPANIES							
Directly held							
AECI Treasury Holdings (Pty) Ltd	**100**	**100**	100	*	*	**154**	193
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	**(52)**	(85)
EXPLOSIVES							
Directly held							
AEL Holdco Ltd	**99 800 000**	**100**	100	**468**	468	**3 988**	3 445
Indirectly held							
AECI Australia (Pty) Ltd	**13 700 000**	**100**	—	—	—	—	—
AECI (Mauritius) Ltd	**866**	**100**	100	—	—	**208**	200
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 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							
Acacia Real Estate (Pty) Ltd	**1 000**	**100**	100	*	*	—	—
Paardevlei Properties (Pty) Ltd	**1**	**100**	100	*	*	**120**	786
Other property subsidiaries				**2**	21	**(264)**	(292)

* *Nominal amount.*

34. PRINCIPAL SUBSIDIARIES continued

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LTD# SHARES		INTEREST OF AECI LTD# LOANS TO/(FROM)	
	2014 Number of shares	**2014 %**	2013 %	**2014 R millions**	2013 R millions	**2014 R millions**	2013 R millions
SPECIALTY CHEMICALS							
Directly held							
Afoodable (Pty) Ltd	**100**	**100**	100	**16**	16	**11**	6
Chemical Services Ltd	**83 127 950**	**100**	100	**818**	818	**(1 442)**	(1 023)
SANS Fibres (Pty) Ltd+	**17 979 433**	**100**	100	**8**	8	**(126)**	(131)
SANS Fibers Inc.4	**100**	**100**	100	**—**	—	**383**	339
Indirectly held							
Akulu Marchon (Pty) Ltd+	**410 000**	**100**	100	**—**	—	**—**	—
Chemfit (Pty) Ltd	**4 000**	**100**	100	**—**	—	**24**	9
Chemfit Fine Chemicals (Pty) Ltd+++	**1 000**	**90**	90	**—**	—	**48**	—
Chemical Initiatives (Pty) Ltd+	**1**	**100**	100	**—**	—	**—**	—
Chemserve Systems (Pty) Ltd+	**625 000**	**100**	100	**—**	—	**—**	—
Cobito (Pty) Ltd	**300**	**100**	100	**—**	—	**(116)**	(97)
Extractive Technologies (Pty) Ltd	**100**	**100**	100	**—**	—	**—**	—
ImproChem (Pty) Ltd	**4 000**	**100**	100	**—**	—	**362**	234
Industrial Oleochemical Products (Pty) Ltd+	**4 001**	**100**	100	**—**	—	**—**	—
Lake International Technologies (Pty) Ltd+	**13 395**	**100**	100	**—**	—	**—**	—
SANS Technical Fibers LLC4		**100**	100	**—**	—	**—**	—
Senmin International (Pty) Ltd	**8 008 500**	**100**	100	**—**	—	**181**	(146)
Other specialty chemicals subsidiaries				**—**	—	**(21)**	(7)
OTHER				**106**	50	**(357)**	(53)
				1 429	**1 392**	**3 103**	**3 387**

Aggregate assets and liabilities of principal subsidiaries

R millions	**2014**	2013
Non-current assets	**11 019**	9 283
Current assets	**6 823**	6 729
TOTAL ASSETS	**17 842**	**16 012**
Non-current liabilities	**2 261**	2 131
Current liabilities	**6 659**	7 109
TOTAL LIABILITIES	**8 920**	**9 240**

* *Nominal amount.*
\# *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 in 2013.*

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	Blendtech	Chemfit Fine Chemicals	Other	Total
2014					
Non-controlling interest (%)	**20**	**50**	**10**		
Non-current assets	**125**	**31**	**70**		
Current assets	**266**	**92**	**115**		
Non-current liabilities	**(94)**	**(32)**	**(9)**		
Current liabilities	**(108)**	**(63)**	**(83)**		
Net assets	**189**	**28**	**93**		
CARRYING AMOUNT OF NON-CONTROLLING INTEREST	**38**	**14**	**9**	**10**	**71**
Revenue	**(645)**	**(124)**	**(234)**		
Profit	**(32)**	**(3)**	**(12)**		
Total comprehensive income	**(32)**	**(3)**	**(12)**		
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	**(6)**	**(2)**	**(1)**	**(2)**	**(11)**
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)**	**(6)**	**(10)**

Chemfit Fine Chemicals and Blendtech are incorporated in the Republic of South Africa and AEL Zambia is incorporated in Zambia.

36. SETTLEMENT OF DEFINED-BENEFIT OBLIGATIONS

AECI, together with the AECI Pension Fund and the AECI Supplementary Pension Fund, has made proposals to active members, deferred pensioners and pensioners of these funds to settle their defined-benefit entitlements. The proposals include distribution of the actuarial surpluses in the funds. Pensioners will be outsourced to Sanlam and active members and deferred pensioners will transfer to a new defined-contribution pension fund at enhanced values. The proposals have been accepted by the majority of members. The funds' rules will need to be amended and approved by the Financial Services Board ("FSB") before section 14 transfers to Sanlam and the new defined-contribution fund can be submitted to the FSB for approval. The current benefits offered by the funds are unchanged and will remain so until the necessary regulatory approvals have been obtained.

AECI also made an offer to retired employees entitled to a post-retirement medical aid subsidy to replace this subsidy with an annuity from Momentum. Where these persons are also members of the AECI Pension Fund, surplus allocated to AECI as a result of the above transactions will be utilised to obtain the annuity. As a result, the offer was made subject to the regulatory approval of the defined-benefit pension transactions.

Implementation will only commence after all approvals have been obtained and in accordance with IAS 19. These changes will be accounted for as a settlement of the obligations only when all further legal or constructive obligations are eliminated. Until then, there are no changes in respect of the Group's defined-benefit obligations and the disclosure in note 30 remains unchanged.

The rule amendments for the AECI Pension Fund were submitted to the FSB on 25 February 2015. As at the date of this report, the amendments had not yet been approved.

FINANCIAL CALENDAR

2014 FINAL ORDINARY DIVIDEND NO. 162

Declaration date	23 February
Last date to trade cum dividend	26 March
Ex dividend trade	27 March
Record date	2 April
Payment date	7 April

5,5% PREFERENCE SHARES DIVIDEND NO. 154

Declaration date	22 May
Last date to trade cum dividend	5 June
Ex dividend trade	8 June
Record date	12 June
Payment date	15 June

91ST ANNUAL GENERAL MEETING

1 June

2015 INTERIM ORDINARY DIVIDEND NO. 163

Declaration date	27 July
Last date to trade cum dividend	8 August
Ex dividend trade	31 August
Record date	4 September
Payment date	7 September

2015 INTERIM REPORT RELEASED

28 July

5,5% PREFERENCE SHARES DIVIDEND NO. 155

Declaration date	20 November
Last date to trade cum dividend	4 December
Ex dividend trade	7 December
Record date	11 December
Payment date	15 December

FINANCIAL YEAR-END

31 December

2015 FINANCIAL RESULTS RELEASED

February 2016

2015 INTEGRATED REPORT POSTED

April 2016

NOTICE OF ANNUAL GENERAL MEETING ("AGM")

AECI LIMITED ("AECI" or "the Company" or "the Group")

Incorporated in the Republic of South Africa (Registration Number 1924/002590/06) JSE Share code: AFE ISIN code: ZAE000000220

NOTICE OF MEETING

Notice is hereby given that the 91st AGM of shareholders of the Company will be held on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton on Monday, 1 June 2015 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 2014;
› 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 2014 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 2015.

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 S Engelbrecht

3.2 Ms LL Mda

3.3 Mr LM Nyhonyha

A brief curriculum vitae of each of the Directors standing for re-election is provided on pages 20 and 21 of the integrated report of which this Notice forms part.

Each of the ordinary resolutions 3.1 to 3.3 will be considered by way of a separate vote.

ORDINARY RESOLUTION NUMBER 4

Appointment of Director

Resolved that Mr G Gomwe, who was appointed on 31 January 2015, be appointed in terms of the MOI.

A brief curriculum vitae of Mr Gomwe is provided on page 20 of the integrated report of which this Notice forms part.

ORDINARY RESOLUTION NUMBER 5

Re-election of Executive Director

Resolved that Mr MA Dytor, who is retiring in terms of the Company's MOI and who, being eligible, be re-elected.

A brief curriculum vitae of Mr Dytor is provided on page 22 of the integrated report of which this Notice forms part.

DIRECTORS' FEES

	RAND PER ANNUM Current	Proposed
BOARD		
1.1 Chairman	803 000	**1 100 000**
1.2 Non-executive Directors	200 500	**212 500**
AUDIT COMMITTEE		
1.3 Chairman	170 400	**180 600**
1.4 Members	85 200	**90 300**
OTHER BOARD COMMITTEES		
1.5 Chairman	110 300	**116 900**
1.6 Members	55 200	**58 500**
SUBSIDIARIES' FINANCIAL REVIEW AND RISK COMMITTEES ("FRRC")		
1.7 Chairman	110 300	**116 900**
1.8 Non-executive members	55 200	**58 500**
1.9 Meeting attendance fee	9 500	**10 000**
1.10 Hourly fee for ad hoc services	3 000	**3 000**

ORDINARY RESOLUTIONS NUMBERS 6.1 TO 6.4

Election of Audit Committee Members

Resolved that the following Independent Non-executive Directors of the Company be appointed as members of the Audit Committee until the next AGM:

6.1 Mr RMW Dunne

6.2 Mr RL Hiemstra

6.3 Mr AJ Morgan

6.4 Mr LM Nyhonyha

A brief curriculum vitae of each of the Independent Non-executive Directors offering themselves for election as members of the Audit Committee is provided on pages 20 and 21 of the integrated report of which this Notice forms part.

Each of the ordinary resolutions 6.1 to 6.4 will be considered by way of a separate vote.

ORDINARY RESOLUTION NUMBER 7

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 72 to 75; remuneration of Directors: page 75.

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 2015, be approved as set out in the table above.

Explanatory note

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 AGM, 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 counter-party (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 to the JSE Limited, in writing, prior to the commencement of the prohibited period.

Explanatory note

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; and

(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.

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 AGM 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.

Explanatory note

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 AGM as being Friday, 17 April 2015 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 AGM, as being Friday, 22 May 2015. 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 AGM is Friday, 15 May 2015.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 7 contained in this Notice of AGM require approval by more than 50% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, 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 AGM require approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the AGM, 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) Major shareholders of the Company (refer to the shareholder analysis on pages 80 to 84); and

(ii) Share capital of the Company (refer to the Directors' report on page 93).

NO MATERIAL CHANGES TO REPORT

There have been no material changes 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear on pages 20 to 22 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 AGM 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, 27 May 2015 in order for the Group Company Secretary to provide the shareholder or such shareholder's representative with details as to how to access the AGM for telephonic participation;
- the costs of enabling a shareholder to access the AGM for telephonic participation will be borne by the shareholder so accessing the AGM;
- shareholders are advised that accessing the AGM by way of telephonic participation will not entitle a shareholder to vote at the AGM;
- should a shareholder wish to vote at the AGM, such shareholder may do so by attending and voting at the AGM 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 AGM 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 AGM 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 (Pty) Ltd, 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, 28 May 2015. Any forms of proxy not received by this time must be handed to the Chairman of the AGM 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 stockbroker in the manner and time stipulated in their agreement:

- to furnish their CSDP or stockbroker 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 (Pty) Ltd, 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, 28 May 2015.

- Equity securities held by a share trust or scheme or unlisted securities will not have their votes taken into account at the AGM for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

All participants at the AGM 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
7 April 2015

FORM OF PROXY

AECI LIMITED ("AECI" or "the Company" or "the Group")

Incorporated in the Republic of South Africa (Registration Number 1924/002590/06) JSE Share code: AFE ISIN code: ZAE000000220

This proxy form relates to the 91st Annual General Meeting ("AGM") to be held on Monday, 1 June 2015 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 AGM 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 AGM 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 AGM as my/our proxy to act for me/us and on my/our behalf at the AGM 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 she/he 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 S Engelbrecht			
	3.2 Ms LL Mda			
	3.3 Mr LM Nyhonyha			
Ordinary resolution No. 4	Appointment of Director			
Ordinary resolution No. 5	Re-election of Executive Director			
Ordinary resolution No. 6	Election of Audit Committee members			
	6.1 Mr RMW Dunne			
	6.2 Mr RL Hiemstra			
	6.3 Mr AJ Morgan			
	6.4 Mr LM Nyhonyha			
Ordinary resolution No. 7	Remuneration policy			
Special resolution No. 1	Directors' fees			
	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 ______________________ 2015

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 AGM 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 AGM on behalf of the shareholder. Satisfactory identification must be presented by any person wishing to attend the AGM, as set out in the Notice.

2. Every shareholder present in person or by proxy and entitled to vote at the AGM 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 AGM", but any such deletion must be initialled by the shareholder. Should this space be left blank, the Chairman of the AGM will exercise the proxy. The person whose name appears first on the proxy form and who is present at the AGM 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 AGM 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 (Pty) Ltd, 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 28 May 2015. Any forms of proxy not received by this time must be handed to the Chairman of the AGM immediately prior to the AGM.

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 AGM.

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 AGM must contact their Central Securities Depository Participant ("CSDP") or stockbroker who will furnish them with the necessary letter of authority to attend the AGM. Alternatively, they have to instruct their CSDP or stockbroker 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 stockbroker.

10. Shareholders who wish to attend and vote at the AGM must ensure that their letters of authority from their CSDP or stockbroker reach the Transfer Secretaries not later than 09h00 on Thursday, 28 May 2015.

11. The completion and lodging of this form of proxy shall not preclude the relevant shareholder from attending the AGM 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 AGM may accept any form of proxy which is completed other than in accordance with these instructions provided that she/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
Suite 31, Second Floor
107 Cheapside
London EC2V 6DN
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
2196

WWW.AECI.CO.ZA