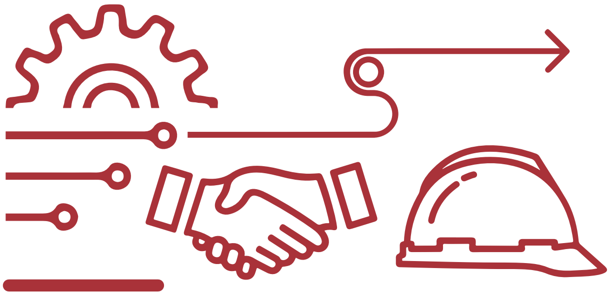
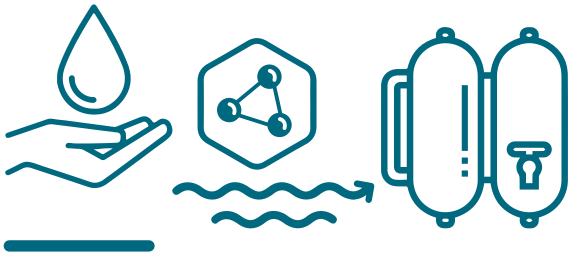
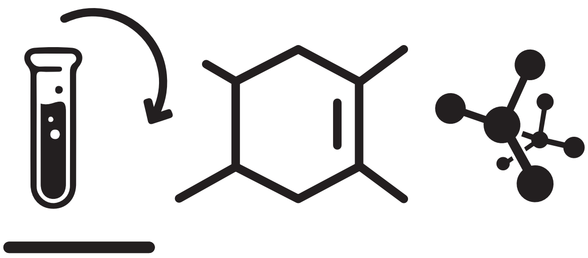
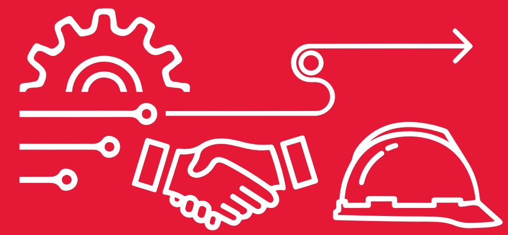
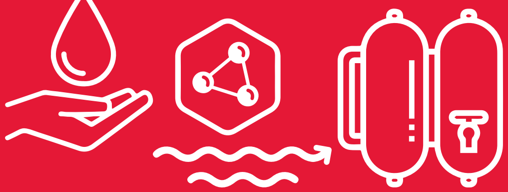




INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS 2017







CONTENTS

ABOUT THIS REPORT

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 economic, social and environmental impacts of AECI Ltd ("the Company") and its operating business entities ("the AECI Group" or "the Group").

Issues which are identified as being of material significance to stakeholders guide integrated reporting. For the AECI Group, it is of paramount importance that this identification adequately address the diversity and complexity of its businesses. Accordingly AECI's overall Risk Management 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 of this integrated report.

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

Other than the risk management framework and feedback from stakeholder engagements, 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"); the King Reports on Corporate Governance for South Africa ("King III" and "King IV"); the International Integrated Reporting Council's International 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 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants; the CDP Climate Change and Water Programs; 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 ventures. A list of principal subsidiaries is provided in note 32 to the annual financial statements and information on joint ventures is in note 6. The report relates to the financial reporting period 1 January 2017 to 31 December 2017.

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 external auditor is responsible for examining the financial statements of the Company and the Group and for expressing an opinion on these statements to shareholders. In addition, the external auditor must confirm whether the financial statements are in accordance with the Companies Act and IFRS.

As in prior years, external assurance obtained in 2017 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.

The Group's Internal Audit function appraises Group entities' 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.

Any material changes between the release of the annual financial statements and the date of the integrated report are indicated as such in this report by means of specific references. The emphasis of AECI's integrated reporting remains on providing more detailed information on the Company's strategic direction and sustainability initiatives.

In 2014, AECI revised its strategy and developed five key strategic growth pillars, namely: Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals. These pillars, which became the focus of the Company's integrated reporting, are now the Company's operating segments for the purposes of the segmental reporting of financial performance. In terms of this reporting, Property & Corporate is the sixth segment. It comprises mainly property leasing and management in the office, industrial and retail sectors, and corporate centre functions including the treasury.

INVITATION TO STAKEHOLDERS

The AECI Group engages with a broad spectrum of stakeholders. These include employees, trade unions, customers, shareholders and fund managers, financiers, 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.

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 Ltd, Private Bag X21, Gallo Manor, 2052. They can also be emailed 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 Management Framework as a screening mechanism, and is a fair presentation of the integrated performance of the Group.

The Board approved the audited annual financial statements, for the year ended 31 December 2017, on 27 February 2018 and the release of the integrated report on 11 April 2018.

For and on behalf of the Board

Khotso Mokhele
Chairman

Mark Dytor
Chief Executive

Woodmead, Sandton
11 April 2018

01

01.1
PROFILE AND STRATEGY

PROFILE AND STRATEGY

AECI is a South African-based company focused on providing products and services to a broad spectrum of customers in the mining, water treatment, plant and animal health, food and beverage, infrastructure and general industrial sectors. It has regional and international businesses in Africa, Europe, South East Asia, North America and Australia.

The Group now comprises 17 businesses and, at 31 December 2017, it had 6 522 employees. Another 850 permanent employees joined the Group when Schirm became AECI-owned on 30 January 2018 and a further 536 joined from Much Asphalt when this transaction closed on 3 April 2018.

The Group's strategy is to be the supplier of choice in the markets in which it operates and to continue to grow domestically as well as through ongoing expansion of its footprint in terms of the geographies and markets served. In line with this strategy the five growth pillars are Mining Solutions (AEL Mining Services, Experse and Senmin), Water & Process (ImproChem), Plant & Animal Health (Nulandis and newly acquired Schirm), Food & Beverage (Lake Foods and Southern Canned Products), and Chemicals (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, SANS Technical Fibers and newly acquired Much Asphalt). Also in this pillar are two joint ventures — Crest Chemicals and Specialty Minerals South Africa.

AECI was registered as a company in South Africa in 1924 and has been listed on the JSE since 1966. At the end of 2017 its market capitalisation was R12,2 billion.

Acacia Real Estate, the Group's property division, focuses mainly on managing AECI's leasing portfolio and on the provision of services at the Umbogintwini Industrial Complex in KwaZulu-Natal.

MINING SOLUTIONS

The businesses in this pillar provide a mine-to-metal solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.

A business of AECI Mining Solutions™

AEL Mining Services

EXPERSE

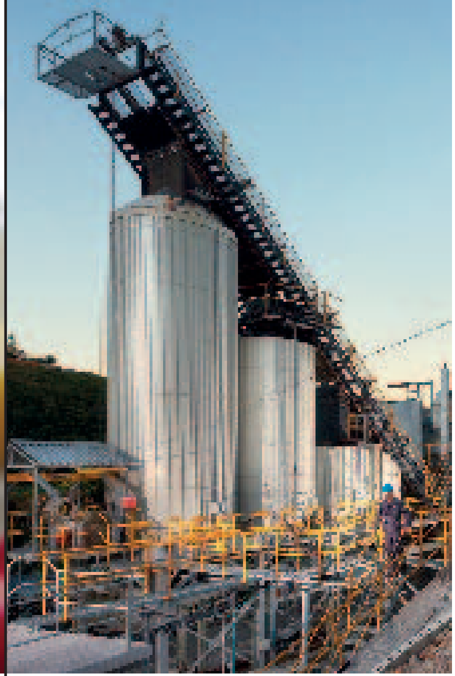
SENMIN®

WATER & PROCESS

ImproChem provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.

A business of AECI Water & Process™

ImproChem



PLANT & ANIMAL HEALTH

Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa.

Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the largest provider of external agrochemical formulation services in Europe.

A business of AECI

Plant & Animal Health ™

NULANDIS

Schirm

FOOD & BEVERAGE

The businesses in this pillar supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries.

The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.

A business of AECI

Food & Beverage ™

lakefoods Be Healthy. Feel Good. Live Longer

scp juice it

CHEMICALS

These businesses supply chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors mainly in South Africa and in other Southern African countries. SANS Technical Fibers is based in the USA.

A business of AECI

Chemicals ™

CHEMICAL INITIATIVES Industrial Chemical Solutions

Industrial Oleochemical Products

CHEMFIT

Much Asphalt

Chem Systems

SANS FIBERS

JOINT VENTURES:

Crest Chemicals

Specialty Minerals

RISK MANAGEMENT AND MATERIAL ISSUES

The AECI Board recognises that risk management is an integral part of the Group strategy-setting process and is accountable for risk management. This is embodied in AECI's risk philosophy which recognises that managing risk is fundamental to the generation of sustainable shareholder value and the enhancement of stakeholder interests. Risk management is integrated into the culture of the organisation and is driven by the Board's mandate, leadership and commitment.

By understanding and properly managing its risks, AECI provides greater certainty and security for its employees, customers, suppliers and other stakeholders and its decisions are better informed, more decisive and geared at moving the Company with greater confidence towards the achievement of its goals. The alignment of risk management and strategic decision-making increases the probability that AECI will be able to minimise its downside risks and also capitalise on the upside of risks. This is enhanced by maintaining an appropriate balance between risk and reward in the business.

It is acknowledged that risk can never be fully eliminated. Management has designed and implemented processes to identify, assess, manage, monitor and report on the significant risks faced by individual businesses and the Group as a whole on a continual basis. This involves the assessment and monitoring of the broader context in which the Group operates in terms of the political and economic landscape, industry, labour and financial market trends. Work includes the analysis of research materials and industry benchmarking studies by institutions such as the World Economic Forum, the World Bank and Control Risk. These serve as an early warning system or a mechanism for the identification of future risks and opportunities.

In 2017 specific attention was given to understanding and managing risk in new territories and markets, informing the Group's expansion into countries like Senegal, Madagascar and Germany. The objective is to optimise the Group's positioning in terms of its ability to capitalise on opportunities. This is in line with the philosophy of focusing not only on downside risk but also identifying upside risk and benefiting from identified opportunities. The Risk Management function is optimally geared to continue providing support in this regard.

All related activities and processes are underpinned by the Group Risk Management Policy and the Group Enterprise Risk Management Framework ("Framework"). The latter is based on the principles of the International Guideline on Risk Management (ISO 31000) and King IV, where guidelines are provided for the systematic, consistent and professional approach required to ensure successful and effective risk management. AECI's risk management process is supported by a software application that has been implemented Group-wide.

The following key methodology elements have been embedded in the Framework:

- **the classification of risks by causational category**, namely preventable, strategic and external risks. This facilitates the formulation of appropriate responses for each risk, appropriate discussions and setting of appropriate risk tolerance levels for each category;
- the risk Delegation of Authority within the AECI risk matrix, whereby limits have been set for individuals and teams at different levels of seniority in terms of decision-making on the level of risk that can be tolerated without referral to the next level of seniority. The Risk Committee and the Board are the highest decision-making structures;
- **risk appetite, tolerance and risk rating scales**. Risk appetite is defined as the total impact that the Group is prepared to accept, retain or pursue in achieving its strategic objectives. Risk tolerance refers to its readiness to bear a particular risk, after risk treatment, to achieve its objectives;
- **country risk management** using risk dashboards that track inter alia political, operational, security, travel and terrorism risks in countries where the Group currently operates as well as in those countries targeted in terms of the Group's international expansion strategy.

On the basis of the internal risk assessment process and the outcomes of feedback from stakeholders, AECI has identified the high level material issues that could impact the delivery of its strategy and growth objectives both positively and negatively. These are set out on pages 9 and 10.

MATERIAL ISSUES, MITIGATION MEASURES AND OPPORTUNITIES

MATERIAL ISSUE	DESCRIPTION	MITIGATION	COMMENTARY
Currency fluctuations	Effects of a stronger ZAR on the Group's financial performance. This could impact foreign and export revenue.	1. Group Treasury policy. 2. Currency monitoring. 3. Market diversification strategy.	1. In 2017, 34% of AECI's total revenue was from foreign markets and, as a consequence, a strong ZAR could impact revenue of foreign operations. 2. Acquisition of Much Asphalt, which operates mainly in the local infrastructure sector — a new area of operation for AECI. 3. ZAR could remain strong relative to US$, buoyed by positive market sentiment subsequent to changes in the leadership of South Africa's ruling party.
Commodity price fluctuations	Severe commodity price fluctuations leading to a decrease in absolute contribution and margins.	1. Hedging strategies for the purchase of many raw materials. 2. Key commodity price monitoring. 3. Ongoing global monitoring and comparison of commodity prices by Group Strategic Sourcing. 4. Diversification strategy of product application for different commodities in a specific sector (e.g. mining) at business level.	1. Rally in most precious metals prices and oil prices in 2017. 2. Expectation that the positive trend will continue in 2018.
Country risk	Political, operational, security and travel risks in countries in which the Group operates.	1. Geographic diversification strategy. 2. Monitoring of risks associated with individual countries. 3. Group Foreign Investment Committee monitors related risk elements of investing in foreign markets.	1. Positive outlook for South Africa, subsequent to leadership changes. 2. Pro-business reforms continue being implemented by several countries in Africa. 3. Global economic optimism for 2018. 4. Improved position of key countries in which the Group operates in the World Bank's Global Competitiveness Index. 5. Conditions in certain other African countries remain of concern, however.
Credit risk	Credit risk for major customers and medium-sized customers, leading to loss of income.	1. Consistent application of accounts receivable policy. 2. Commissioning and analysis of credit reports for all major customers.	1. Most mining companies reported improved cash flow positions in their latest financial results. 2. Positive mining sector outlook for 2018. 3. Global economic optimism for 2018. 4. A level of risk remains in some countries, where there are challenges in relation to US$ liquidity. 5. A level of concern remains with regard to the viability of the local underground platinum mining sector owing to the ZAR/US$ exchange rate.

MATERIAL ISSUES, MITIGATION MEASURES AND OPPORTUNITIES continued

MATERIAL ISSUE	DESCRIPTION	MITIGATION	COMMENTARY
Volatile mining sector in South Africa	Volatility in this sector could affect the cost base and the consistency of investment in it.	1. Continued geographic diversification. 2. Continued diversification of customer base in terms of mining methods, minerals mined and Group product lines offered to them.	1. Positive outlook expressed by large mining houses. 2. All-round positive outlook expressed at Investing in African Mining Indaba in February 2018. 3. A surge (in US$ terms) in precious metals prices in 2017 (this somewhat offset by stronger ZAR in local market). 4. Renewed commitment by stakeholders to the timely finalisation of a workable Mining Charter in South Africa.
Continued low or no growth in South Africa's manufacturing sector	Continued low growth in the local manufacturing sector, restricting AECI's organic growth.	1. Geographic diversification strategy. 2. Ongoing business portfolio management. 3. Ongoing product and service development.	1. Recent changes in the leadership of South Africa's ruling party appear to have signalled a more promising outlook. 2. 2018 budget for South Africa well received overall, both locally and internationally. This could lead to higher foreign direct investment.
Extreme and unpredictable weather events	Extreme and unpredictable weather events, and failure of climate change mitigation and adaptation, leading to drought or floods, water shortages and reduced agricultural output.	1. Effects are monitored and responded to as appropriate. 2. Geographic diversification of businesses. 3. Technology developments (e.g. water usage optimisation). 4. Global raw material sourcing network developed.	1. Severe and persistent drought effects, particularly in the Western Cape in 2017. 2. Effects of the drought also impacting other SADC countries.
Compliance risk, including compliance with tax and environmental laws	Litigation, penalties, criminal prosecution and reputational damage caused by a lack of understanding of the applicable legislative universe.	1. Transfer Pricing Policy in place and applied consistently. 2. Use of established tax consultants for out-of-country tax matters. 3. Risk-based approach to remediation. 4. Deployment of world class technology and processes in all remediation plans. 5. Compliance project rolled out in other African countries of operation.	1. Certain compliance obligations outside of South Africa not fully understood. 2. Increased activity by authorities in all AECI jurisdictions.
Catastrophic safety, environmental, quality and/or plant incident	Catastrophic safety, environmental, quality and/or plant incident, resulting in reputational damage and possible loss of licence to operate.	1. Comprehensive safety, health and environment management systems in place in all businesses, including emergency preparedness plans and tracking of near misses and incidents. 2. Critical plant audits. 3. Preventative maintenance programmes. 4. Regular review of major hazardous installations in close proximity to urban settlements.	1. Adequately designed internal controls/ preventative processes in place and tested regularly. 2. Regular testing of the robustness of Business Continuity and Operational Resilience strategies.

LEVEL OF RISK MATURITY

AECI's maturity level, determined through an assessment based on its adopted Risk Intelligence Maturity Model, is on the border between "semi-integrated and change driven" and "intelligent, integrated and optimised", with the desired future maturity level being "intelligent, integrated and optimised". The characteristics of the various states of maturity, as self assessed, are detailed in the schematic below.

AECI will continue its pursuit of its desired risk maturity level. To this end, greater focus in 2018 and in future years will be on:

› entrenching the risk culture even further across all entities;
› improving accountability and responsibility for risk management;
› integrating risk management further into strategy development and implementation;
› maturing the identification and management of upside risk (opportunity risk management);
› revising the risk appetite and tolerance thresholds in line with the Delegation of Authority and financial imperatives.

EMBEDDING A RISK-INTELLIGENT AND RESILIENT ORGANISATION

Establishing the context of risk management at AECI is the foundation of good risk management and is vital to the successful implementation of the risk management process. Important considerations when determining context are illustrated in the framework diagram on page 12.

Given the Group's competitive and rapidly evolving external environment, contextual analysis is crucial for the provision of proactive and informed risk information that supports timeous decision-making and leads to effective strategy execution. Scanning the external environment involves a multi-dimensional assessment of key elements that shape and are shaped by the Group's actions, also as illustrated on page 12.

In line with the aspiration to continually improve the AECI Governance and Assurance service offering, a review by the Internal Audit function was undertaken in 2017. This review followed the Process Element Approach contained in the Institute of Internal Auditors' Practice Guide — Assessing the Adequacy of Risk Management Using ISO 31000.

The review concluded that, at a technical level, the AECI Enterprise Risk Management process contains the required elements of ISO 31000, both in design and in operation, and that the process is considered to be fit for purpose.

RISK INTELLIGENCE MATURITY MODEL

STAGES OF RISK MANAGEMENT MATURITY

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

ENTERPRISE RISK MANAGEMENT FRAMEWORK

INTERNAL CONTEXT SETTING

The internal environment in which the entity seeks to achieve its objectives:

- GOVERNANCE
- STRUCTURE
- CULTURE
- CAPABILITY
- POLICIES, PROCEDURES, IT SYSTEMS ETC.

EXTERNAL CONTEXT SETTING

The external environment in which the entity seeks to achieve its objectives:

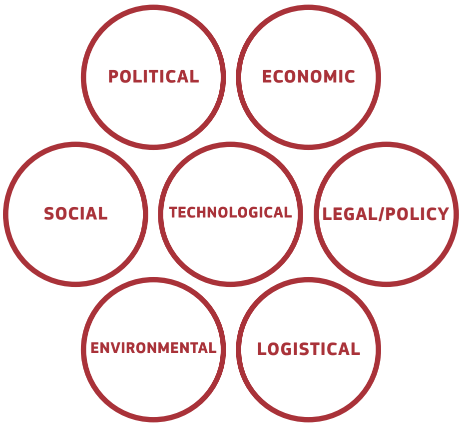
- POLITICAL
- ECONOMIC
- SOCIAL
- TECHNOLOGICAL
- LEGAL
- ENVIRONMENTAL

RISK MANAGEMENT CONTEXT SETTING

The approach and boundaries are defined and applied to the risk assessment at hand:

- SCOPE AND BOUNDARIES
- DEFINE RISK CRITERIA
- RISK ASSESSMENT METHODOLOGY

BUSINESS ENVIRONMENT ASSESSMENT

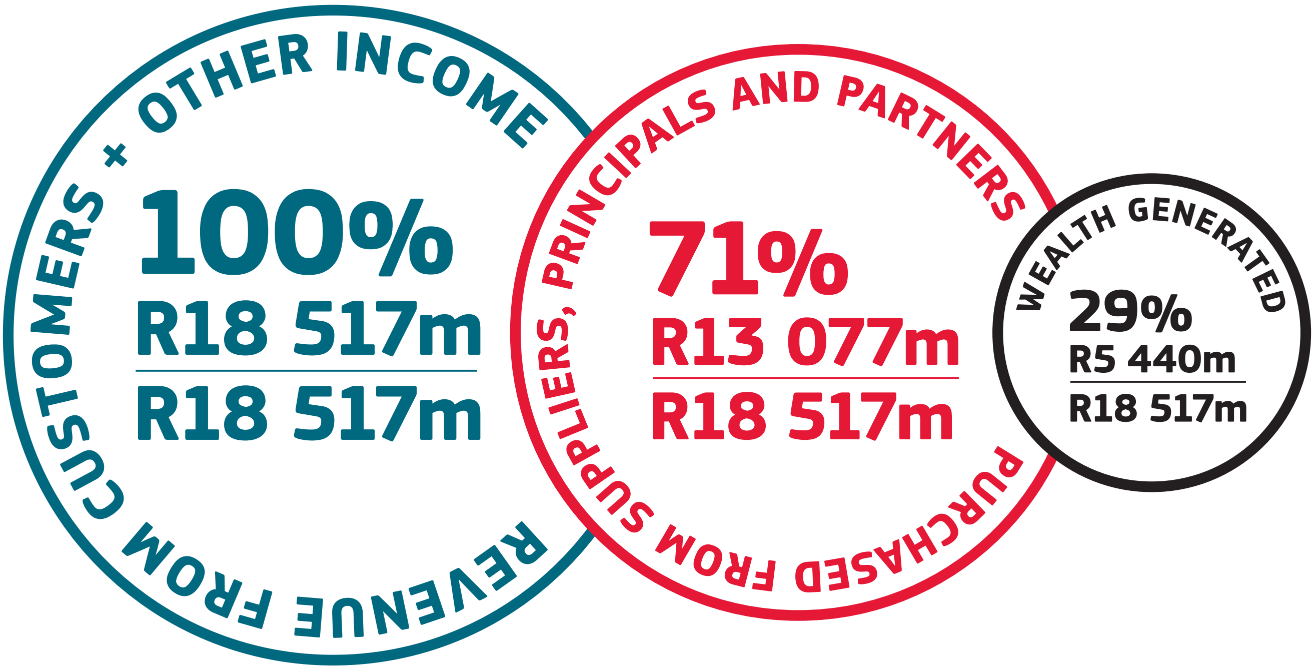


RISK IDENTIFICATION CATEGORIES

SCOPE

REPORTING

WEALTH GENERATED AND DISTRIBUTED TO STAKEHOLDERS



STAKEHOLDERS	DISTRIBUTION OF WEALTH GENERATED		VALUE CREATED
EMPLOYEES	59%	R3 229m / R5 440m	SALARIES, WAGES AND OTHER BENEFITS
FINANCIERS	4%	R202m / R5 440m	INTEREST EXPENSE
SHAREHOLDERS	9%	R480m / R5 440m	DIVIDENDS PAID OR DECLARED
GOVERNMENT	8%	R429m / R5 440m	DIRECT TAX EXPENSE
	20%	R1 100m / R5 440m	**WEALTH RETAINED AND REINVESTED IN THE GROUP**

NON-EXECUTIVE DIRECTORS

Khotso Mokhele (62)
BSc (Agriculture), MSc (Food Science), PhD (Microbiology)

Khotso joined the AECI Board in 2016 and took up his position as Chairman in 2017. He is also Chairman of the Nominations Committee and a member of the Risk Committee. Khotso is Special Advisor to the Minister of Science and Technology, Chancellor of the University of the Free State, Chairman of Tiger Brands and Lead Independent Non-executive Director at Afrox.

Graham Dempster (62)
BCom, CA(SA), Harvard Business School, INSEAD AMP

Graham was appointed to AECI's Board in 2016. He is Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. Graham is Chairman of Long4Life and a Non-executive Director of Imperial Holdings, Sun International and Telkom. He was previously an Executive Director of the Nedbank Group/ Nedbank Limited and the Chief Operating Officer of Nedbank Group.

Zellah Fuphe (49)
BSocialSc

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

Godfrey Gomwe (62)
BAcc, MBL, CA(Z), CD(SA)

Godfrey joined the AECI Board in 2015. His is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees as well as AEL Mining Services' Financial Review and Risk Committee ("FRRC"). Godfrey has extensive experience as an Executive in the metals and mining industries. 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.

Allen Morgan (70)
BSc, BEng (Elect), Pr Eng, CD(SA)

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 BioTherm Energy, Imalivest Assets and Kumba Iron Ore.

Rams Ramashia (60)
Bluris, LLB, LLM

Rams joined the AECI Board in 2010 and serves on the Social and Ethics, Risk, Nominations and Remuneration Committees. He is a member of the Board of Anglo American South Africa where he serves on the Risk and Audit Committee and chairs the Social and Ethics Committee. He is Non-executive Chairman of Rand Refinery and also chairs that company's Nomination and Remuneration Committee. In 2017 Rams was appointed to the board of the Mineworkers Investment Company where he serves on the Remuneration Committee. He 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.

Philisiwe Sibiya (41)
CA(SA)

Philisiwe joined the Board and the Audit Committee on 27 February 2018. Over the past 15 years, she served as Chief Executive Officer of MTN Cameroon and as Chief Financial Officer of MTN South Africa. More recently, she founded her own private equity company.

EXECUTIVE COMMITTEE

Mark Dytor * (56)
HNDP (Metalliferous Mining), PMD (UCT)

Mark assumed his role as AECI's Chief Executive in 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 * (47)
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 (53)
BCom (Hons)

Edwin is Managing Director of AEL. He joined Chemserve as a Human Resources Manager in 1991, was appointed to its Executive Committee in 2008 and to its Board in January 2010. Edwin joined AECI's Executive Committee later that year. He has served as Managing Director at four companies in the Chemicals segment and as Chairman of a number of other Group entities.

* Executive Director

Khosi Matshitse (61)
BA, MA (African Literature and Art of Teaching), Certificate in Strategic Human Resources, Senior Leadership Development Programme Certificate

Dean Mulqueeny (51)
NHD Analytical Chemistry, Global Executive Development Programme (GIBS)

Dean Murray (49)
NDip Chemical Engineering, Global Executive Development Programme (GIBS)

Khosi joined AECI as Group Executive: Human Capital 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 the Human Capital function 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.

Dean joined Chemserve as a sales representative in 1990 and held several sales positions before going on to serve as Managing Director of three Chemserve companies from 2004. He left the Group in 2011, returning in 2015 as a member of the AECI Chemicals Executive and Chairman of a number of Group companies. Dean was appointed to the AECI Executive Committee in January 2018.

Dean joined the Group as Managing Director of Chemiphos when Chemserve acquired that business in 2006. In 2007, he was appointed Managing Director of Lake International. He was appointed to the AECI Chemicals Executive in 2013 and Chairman of a number of Group companies. Dean was appointed to the AECI Executive Committee in January 2018.

SENIOR MANAGERS

Neil Franklin (49)
B-Tech (Safety Management)

Neil is AECI's Group Safety, Health and Environment ("SHE") Manager, appointed in 2017. He has extensive experience in SHE risk management in mining and petrochemical manufacturing across small and large operating sites globally.

Toni Serra (55)

Toni is AECI's Chief Information Officer with overall responsibility for managing IT operations, including the formulation and implementation of the Group's IT strategy. He has extensive experience in the IT field, including that gained in his role as Chief Information Officer at Nampak.

Iwan Schutte (46)
CA(SA), CIA

Iwan is the Group's Internal Audit Manager. Prior to this position he was Divisional Internal Audit Manager responsible for the former Specialty Chemicals segment. He joined AECI in 2004.

Nomini Rapoo (54)
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 spectrum of disciplines including risk and compliance management, internal audit, legal services and corporate governance.

Trevor Roberts (41)
BSc Eng (Industrial), BSc Hons (Tech Management), MBA

Gugu Mthethwa (58)
BSc Eng (Chem), MBA

Trevor Starke (49)
CA(SA)

Fulvia Putero (55)
MA (Translation)

Graham Thompson (42)
CA(SA)

Trevor is Head of AECI's Group Strategic Sourcing, established in 2016. Prior to this, he was a member of AEL's Executive Committee with responsibility for the supply chain, sourcing, marketing and strategic capital projects. Trevor joined the Group in 1999.

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.

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 moving to the Treasury in 1999.

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.

Graham is Group Financial Manager with overall responsibility for the Group's finance and tax functions. He joined AECI in 2005 as Group Accountant.

02

CHAIRMAN'S REPORT

Dear stakeholders

It gives me great pleasure to report that, in my first year as Chairman of AECI, the Company achieved very pleasing results thanks to a particularly strong trading performance in the last quarter. Operating profit was R1 579 million, 18% higher year-on-year.

Headline earnings per share ("HEPS") of 959 cents was the highest ever recorded and 17% higher than in 2016. Earnings per share ("EPS") increased by 22% from 735 cents to 900 cents. Headline earnings improved from R864 million last year to R1 012 million, in line with the growth in HEPS. Detailed commentary on these and other financial metrics are presented in the Chief Financial Officer's report.

In line with strategy, the results for 2017 were the first presented in a format that reflects the key growth pillars that have underpinned AECI's growth aspirations since 2014. These pillars, which are now the Group's reporting segments are Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals. Businesses in each pillar offer differing products and services and are managed separately because they require different technology and marketing strategies.

More information on the pillars and their respective results and prospects is provided in the Chief Executive's Performance Review.

PERFORMANCE DRIVERS

AECI's results were enabled by a recovery in the global resources sector, with higher prices for most commodities providing a stimulus for increased output from the mining sector. Growth was evident in almost all countries in the Group's extensive footprint on the African continent and in Asia Pacific and validated the strategy to diversify the business geographically.

More than half of the total revenue from AECI's explosives and mining chemicals offering, which accounted for 69% of profitability in 2017, is now earned outside of South Africa and it is mostly denominated in US dollars.

Of the Group's total revenue, 34% (or R6 236 million) was generated from foreign operations and exports. This was slightly lower than 2016's R6 479 million because of the stronger exchange rate of the rand against the US dollar. The average rate in 2017 was R13,31 versus R14,72 in the prior year. This impacted not only the mining-related businesses but also all other Group entities that service customers in Africa, particularly in the agricultural sector and the water treatment industry.

The rand strength also largely offset higher chemical input prices, which were driven by the higher oil price. This exacerbated the challenges for AECI's businesses whose customers are mainly in the local manufacturing sector. This sector continued to contract in an environment of sluggish growth.

The effects on agriculture and the water treatment industry of severe and persistent drought conditions in the Western Cape, in particular, and in other Southern African regions curtailed growth in the relevant Group businesses.

SAFETY, HEALTH AND THE ENVIRONMENT ("SHE")

SHE-related matters remain a priority for the AECI Group's management and for the Company's Board. AECI embarked on a new journey in 2017 with the launch of its Zero Harm campaign which is at the heart of a new SHE strategy. This strategy has been endorsed by the Board, following a rigorous development on-boarding process throughout the Group. The strategy will be executed over the medium to long term and will drive the Group's aspirations to operate sustainably, without harm to people, the environment or the communities in which each of its businesses operates.

Tragically, a fatality occurred on 26 July 2017. A contractor tanker driver who was delivering molten sulphur to the Chloorkop site on behalf of a supplier, succumbed to injuries he sustained when he fell from the top of the tanker while in the process of transferring the product. His name has been withheld out of respect for his family. This fatality overshadowed the improvement in the Total Recordable Incident Rate ("TRIR") to 0,39 from 0,45 recorded in 2016. The TRIR measures the number of incidents per 200 000 hours worked.

No major or serious environmental incidents occurred. The Group commenced tracking process safety incidents in the year and this information is reported on for the first time in this integrated report.

Khotso Mokhele
CHAIRMAN

HUMAN CAPITAL

EMPLOYEE DEVELOPMENT

Progress continued to be made in terms of enabling and facilitating the development and growth of AECI's employees — the Group's greatest asset. In the area of employee representation, it is pleasing that improvements are evident across most employment levels. Significant work remains to be done, however, particularly at the most senior levels. Additional programmes and initiatives to accelerate transformation at these levels have been initiated or are at an advanced planning stage. Further details on employee development and other Human Capital matters, including inter alia B-BBEE and engagement with organised labour, are provided in the Human Capital and Intellectual Capital commentary commencing on pages 49 and 55 respectively.

SOCIO-ECONOMIC DEVELOPMENT ("SED")

SED is a national and global imperative which is embedded in the AECI Group's culture. AECI is a responsible corporate citizen and invests in community-focused organisations and initiatives. The objective is to develop and uplift vulnerable communities neighbouring Group operations, in particular, and across South Africa in general.

In 2017, R35 million was invested in qualifying initiatives across all nine provinces. This had a positive impact on 82 projects, it signalled collaboration with 64 beneficiary partners and benefited over 390 000 beneficiaries. Please read the Social and Relationship Capital report on page 58.

ACQUISITIONS AND INVESTMENTS

Two significant acquisitions were announced in the last quarter of 2017. Both are in pursuit of the Group's strategy to accelerate its growth by expanding into new markets and diversifying its geographic footprint.

Agreement was reached on 27 October 2017 for the acquisition of Much Asphalt from Capitalworks Private Equity and its partners. The transaction closed on 3 April 2018, when the adjusted cash consideration of R1 988 million was paid.

Much Asphalt is South Africa's top manufacturer and supplier of hot and cold mix asphalt products, and a manufacturer, supplier and applicator of bituminous road binders, emulsions, primes, pre-coats and modified binders. Products are used, for example, in the construction and maintenance of all types of roads, airport runways, parking facilities, harbour quays, dam linings and racing tracks.

This acquisition sees the Group entering a new area of business, thereby diversifying the markets in which it operates. Much Asphalt will operate as a standalone entity in AECI's Chemicals pillar.

On 8 November 2017, the Group announced that it had taken a significant step forward in terms of its international expansion strategy with the acquisition from Imperial Holdings of Schirm.

Schirm, which has four sites in Germany and one in the USA, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the largest provider of external agrochemical formulation services in Europe.

This acquisition, AECI's first of such a size in Europe, was settled for a consideration of €128,4 million on 30 January 2018. The business will operate as a standalone entity in the Plant & Animal Health segment.

We welcome 536 employees from Much Asphalt and 850 employees from Schirm to the Group.

The integration of these two acquisitions will be a major focus for both the Board and Executive in 2018, to ensure that we deliver on the business case.

Earlier in 2017, AECI took a step on the way to becoming a global renewable chemicals business after investing US$5 million in Origin Materials, a start-up based in California, USA, that has pioneered the development of bio-based chemicals which can be processed into a large number of products for application in global markets worth over US$200 billion.

Origin's proprietary process uses 100% sustainable and renewable resources that do not divert resources or land from food production for human or animal consumption. The process utilises feedstock such as wood chips, sawdust, and previously used cardboard.

AECI has joined forces with Origin Materials to form an industrial partnership to support the development of renewable technologies. This is in line with the Group's values of Going Green, being Bold and being Innovative.

R22 million has been invested in the newly established Good Chemistry Fund. The objective of this fund is to facilitate enterprise and supplier development for Black entrepreneurs in South Africa generally and for the chemical industry supply chain in particular. More information on the fund and its objectives is included on page 53.

BOARD OVERSIGHT AND GOVERNANCE

The Board was fully engaged in the Company's affairs during 2017. Over and above its input required as a matter of course by the Companies Act and other legal and regulatory frameworks, the Board also had significant involvement and engagement in other areas.

ACQUISITIONS AND INVESTMENTS

In terms of the sizeable investments and acquisitions effected during the year the Board appointed an ad hoc Investments Committee, comprised solely of Non-executive Directors, to oversee the relative processes and decisions on its behalf and to report back accordingly to the full Board. The Investments Committee has since been confirmed as a Standing Committee of the Board.

REMUNERATION POLICY

The Chairman of the Remuneration Committee, the Chairman of the Audit Committee and I, on behalf of the Board, have engaged at length with key institutional shareholders regarding proposed changes to the Remuneration Policy. These changes seek to address concerns raised by some shareholders regarding the existing Policy.

The revised Policy, the approval of which will be sought at the forthcoming Annual General Meeting of the Company on 31 May 2018, is included in the Remuneration report that commences on page 83.

ROTATION OF EXTERNAL AUDITOR

In December 2017 the Board resolved in favour of the early adoption of the Independent Regulatory Board for Auditors' decision in respect of the mandatory rotation of external auditors at least every 10 years. Accordingly, the external auditor for 2017, KPMG Inc., will not be considered for reappointment for the 2018 financial year. The change will take effect on the close-out of all matters pertaining to the audit for the financial year ending 31 December 2017.

KPMG has been AECI's auditor for 93 years, during which time the firm has provided a robust, independent and highly competent service to the Group and its shareholders.

KING IV

Progress was made in the year in terms of advancing the realignment of the Company's practices and reporting with the guidelines contained in King IV, in particular, and with changing legislative frameworks, in general. The Board accepts that this realignment will require ongoing commitment in pursuit of progressive value-add and efficiencies to the benefit of all stakeholders. A summary of adherence to King IV appears on page 77.

EVALUATION OF PERFORMANCE OF THE BOARD

The Board undertook the evaluation of the Chairman's performance as well as the evaluation of the performance and independence of the Non-executive Directors who will retire by rotation and are eligible for re-election to the Board. Information on this process and key outcomes is included in the Governance report on page 73.

CHANGES TO THE BOARD

There were several changes to the Board in 2017, with the retirement of Schalk Engelbrecht as Chairman and Non-executive Director of the Company on 28 February 2017 and that of Richard Dunne as Non-executive Director and Chairman of the Audit and Remuneration Committees on 29 May 2017. Moses Kgosana and Liziwe Mda resigned as Non-executive Directors on 29 September 2017 and 27 November 2017, respectively.

The Board thanks them all for their contributions to the affairs of the Company and the Board during their tenure.

On 27 February 2018, we were most pleased to announce that Philisiwe Sibiya had joined the Board as a Non-executive Director with effect from that date. Philisiwe will also serve on the Audit Committee and we look forward to her input.

OUTLOOK

The recent developments in the leadership of the governing political party and subsequent changes to the Cabinet of South Africa bode well for a future of the country and have created a sense of hope that is reminiscent of the onset of democracy in 1994.

Political developments in other countries in the Southern African Development Community add to the sense that there are fresh winds of change sweeping through the region. For any such change to consolidate, it will be important for all sectors of society to play their respective constructive roles. It is in this regard that the private sector should seriously introspect and make its value-adding contribution for the benefit of all stakeholders.

From a global perspective, commodity prices have increased due to stronger demand and chemical prices have increased on the back of higher oil prices.

This more favourable environment both locally and internationally should present opportunities for AECI's diverse portfolio of businesses. As the two acquisitions are integrated into the Group, the management of cash and the control of costs will continue to be a focus to ensure that the Company's balance sheet remains strong.

The rate of exchange of the rand against the US dollar and uncertain weather patterns are two key factors that could have an important effect on the coming year's performance.

ACKNOWLEDGEMENTS

I wish to record my thanks to all our stakeholders including my fellow Board members, AECI's management, its employees and customers for their support in 2017. With our combined and sustained commitment we can look forward to enhancing the Company's performance still further in 2018.

Khotso Mokhele
Chairman

Woodmead, Sandton
11 April 2018

CHIEF EXECUTIVE'S PERFORMANCE REVIEW

Dear Stakeholders

Our BIGGER values — of being Bold, Innovative, Going Green, and being Engaged and Responsible underpin all activities in the AECI Group. The continued embedding and practical application of these values played a pivotal role in the achievement of good financial results and significant strategic progress in 2017, to the benefit of our shareholders, our employees and the communities in which they live, our customers and suppliers, and the economies of the countries in which we operate.

SAFETY, HEALTH AND THE ENVIRONMENT ("SHE")

In terms of our Responsible value, in particular, a serious disappointment in the year was the tragic fatality that occurred at our Chloorkop site in July 2017. I wish to echo the sentiments expressed in this regard by our Chairman in his report to you. Matters relating SHE are and will always be a priority for us. Our aspiration is to operate sustainably, without harm to people, the environment or the communities in which each of our businesses operates. The Group's new Zero Harm strategy, which is discussed on page 62, sets out milestones for this journey.

The diligent management of the Group's environmental footprint is also top of mind and is in not only in line with the Zero Harm strategy but also intrinsically bound to our Going Green value. AECI acknowledges that it has a duty to meet the expectations of the broader society and changes in legislative frameworks when it comes to its environmental performance. In line with this, the most significant undertaking for the short to medium term is the investment of R200 million in capital expenditure that has been approved for projects at our Modderfontein explosives manufacturing operations so as to achieve compliance with revised emission standards by 2020.

PEOPLE

Our people are our greatest asset and their development and advancement is another priority, in line with our value of being Engaged. It is only with their input and commitment that we can advance our aspirations of being Bold and Innovative. I am pleased to report that the results of efforts to enhance AECI's Employee Value Proposition were evident in the year.

Good progress was made in areas such as performance management, the design of a progressive Human Capital Management Solution software programme, and Employment Equity ("EE"). In EE, the Group's EE Plan that ran from 2014 to 2017 contributed to better inclusivity at most employment levels. However, work remains to be done at the most senior levels and the commitment of both the Board and management is steadfast in this regard.

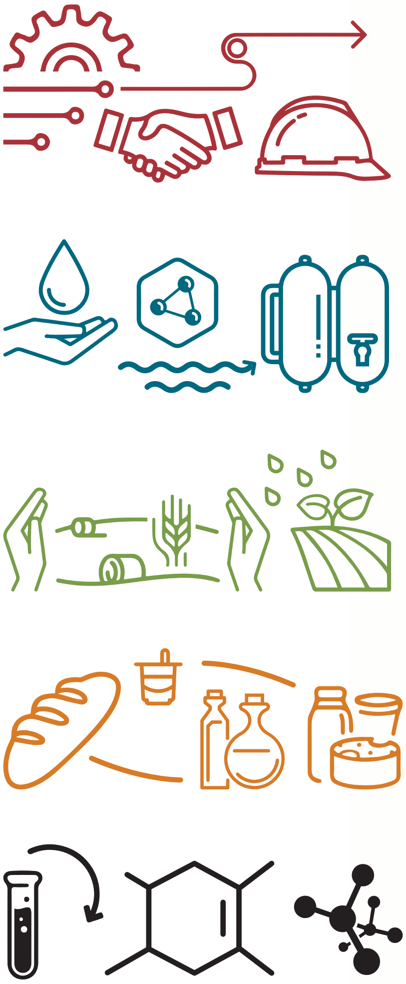
BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

AECI recognises the importance of achieving a sustainable socio-economic environment through the meaningful participation of Black people in the mainstream economy and the Company is committed to the implementation and success of broad-based empowerment in all its businesses in South Africa.

AECI was a Level 4 B-BBEE Contributor in terms of the B-BBEE Act and the previous Codes of Good Practice. This deteriorated to Level 8 once the Amended Codes took effect. The objective became to return to Level 4 by no later than 2020 and additional measures were put in place to achieve this. It was extremely pleasing, therefore, that the Group exceeded its objective when it was assessed as a Level 3 Contributor in April 2018. The key measure that enabled this was the Group's R22 million investment in the year in the newly established Good Chemistry Fund. The objective of this fund is to facilitate enterprise and supplier development for Black entrepreneurs in South Africa generally and for the chemical industry supply chain in particular. This will be to the advantage of the individuals affected and the country as a whole. More detailed commentary on this and other matters in the very important B-BBEE arena can be found in the Human Capital report commencing on page 49.

GOVERNANCE

Strong and responsive governance structures, under the Board's leadership, are at the heart of our corporate citizenship imperatives. Further refinements to inter alia risk management systems and processes were made in the year and are explained in the Risk Management and Governance reports commencing on pages 8 and 72, respectively.

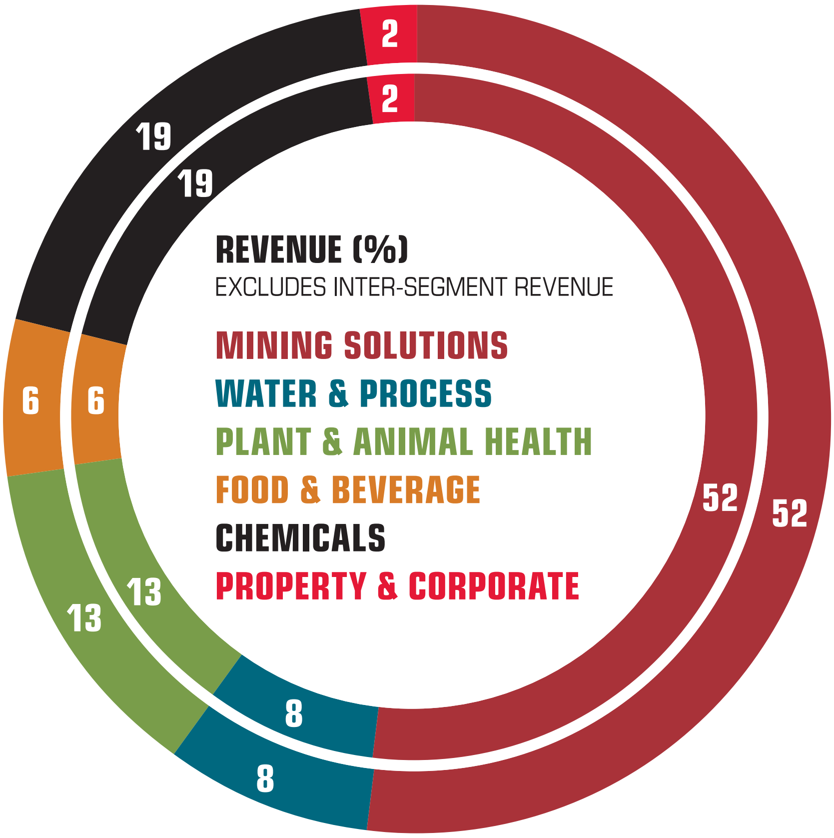


BUSINESS PERFORMANCE

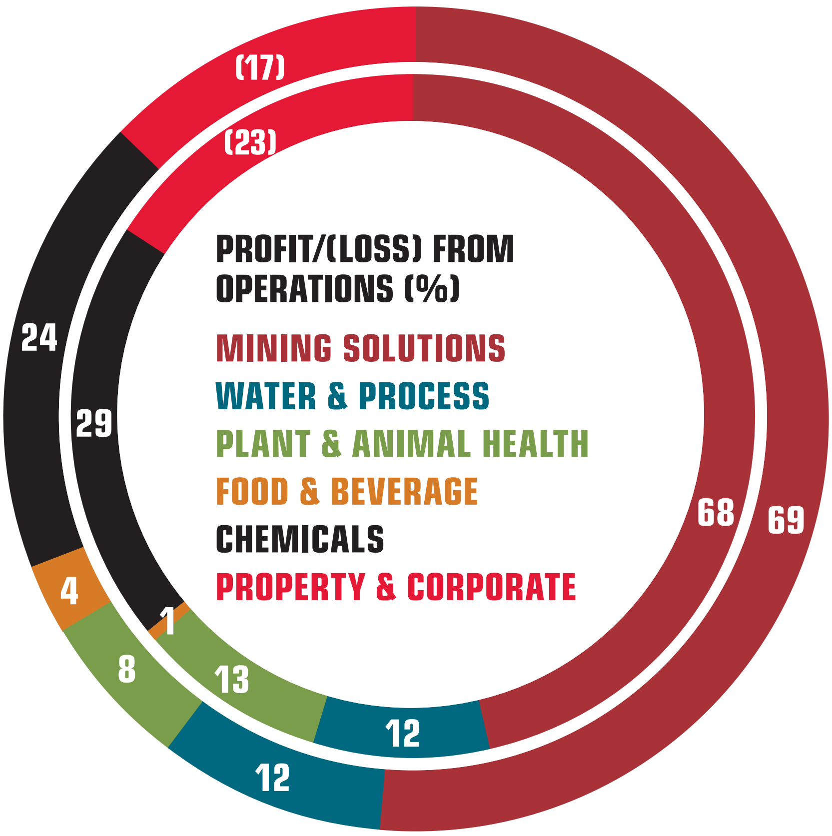
The Chairman has summarised the year's performance and the key internal and external factors that affected it. The movements in the ZAR/US$ exchange rate, oil prices and the impacts of the drought in the Western Cape, in particular, were key among these.

He has also highlighted that, for the first time, we presented the Group's results by growth pillar so as to better align our reporting with our growth strategy. These pillars are now the reporting segments and the contribution of each of them to the Group's revenue and profitability is shown in the charts on the next page.

Mark Dytor
CHIEF EXECUTIVE



2017 OUTER CIRCLE
2016 INNER CIRCLE



MINING SOLUTIONS

R9 718m REVENUE ▼ 2,2%	R1 097m PROFIT FROM OPS ▲ 20,4%	▲ 5,5% VOLUMES

This segment comprises explosives (AEL Mining Services ("AEL")) and mining chemicals (Experse and Senmin). It is the Group's largest, most internationalised business. These companies have their own unrestricted intellectual property, enabling them to service customers worldwide. Between them they have close to 100 operations (including manufacturing plants, sales offices and distribution centres) in more than 20 countries, with a particularly extensive footprint in Africa. AEL has an established presence in Indonesia and Australia and both Senmin and Experse have also expanded their footprints into other countries.

Diversification is also significant in terms of customers' mining methods and the minerals that they mine. The 2017 percentage revenue split by mineral mined was as follows:

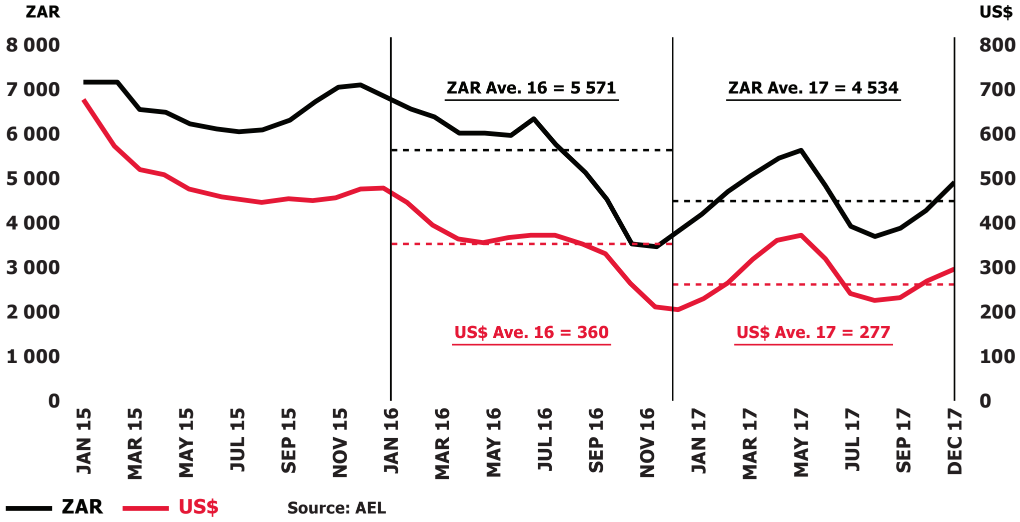
Profit from operations improved significantly to R1 097 million — 20,4% ahead of last year's R911 million as a result of volume growth and a more favourable product mix in the segment as a whole. The operating margin also improved from 9,2% to 11,3%. These excellent improvements were realised even though revenue declined by 2,2% to R9 718 million (2016: R9 938 million) due mainly to lower ammonia prices, and hence selling prices, for most of the year and a stronger rand against the US dollar. More than 50% of revenue in this segment is US dollar based. Movements in the ammonia price and the exchange rate are illustrated in the graphs on the facing page.

EXPLOSIVES

Overall bulk explosives volumes increased by 6,5% and by 1,7% for initiating systems.

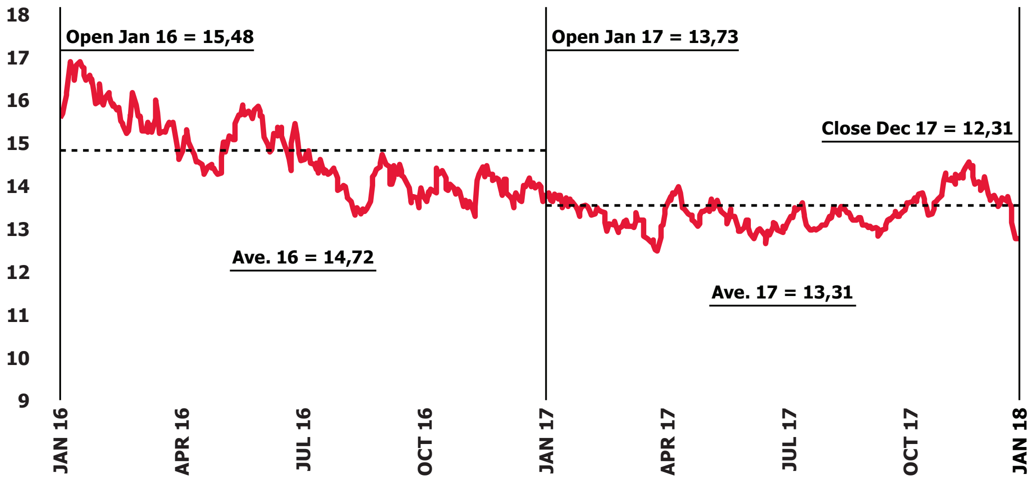
In South Africa, explosives volumes were 4,8% higher with robust demand in the second half-year from customers in the surface coal, iron ore and platinum mining sectors. Underground gold and platinum mining customers remained under significant cost pressure and there were several mine closures. The conclusion of a number of corporate actions will see consolidation of mine ownership in the underground market in 2018. Volumes of initiating systems grew by 1%.

AMMONIA PRICE PER TONNE



Source: AEL

ZAR/US$ EXCHANGE RATE



Source: Bloomberg

In the rest of Africa, explosives volumes grew by 5,2%. Higher copper prices benefited the business in Central Africa while the West African gold mining sector came under pressure as customers mined their stock piles. Deployment to service new business gained in the first half of the year commenced in the last quarter.

Volumes in the Asia Pacific region were 12,5% higher year-on-year on the back of higher demand from coal mining customers and additional contracts secured. The businesses in Indonesia and Australia were profitable and cash generative.

MINING CHEMICALS

The mining chemicals businesses delivered a solid performance. There was good growth in surfactants, with improved conditions in the mining sector. In South Africa, Senmin also grew in line with the improvement in mining output. Export sales were lower, however, primarily as a result of a key distributor losing market share. Overall mining chemicals volumes declined by 1,3%.

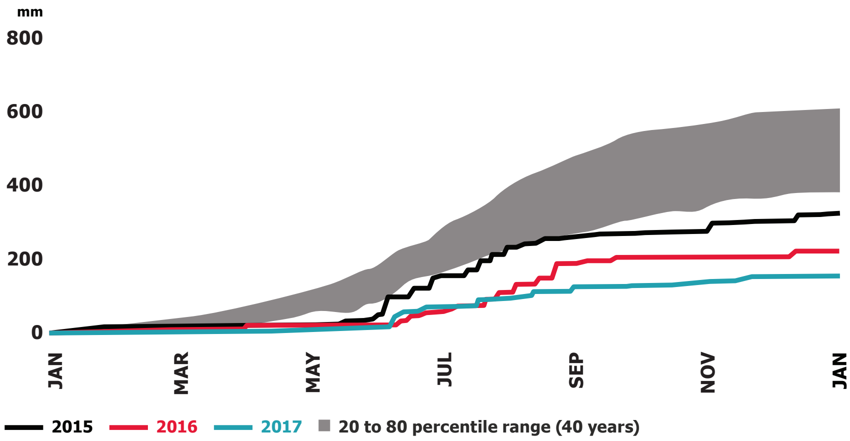
Looking ahead, the global mining industry appears to be on a solid recovery path. Sentiment is more positive than it was 18 months ago and the longer-term outlook for investment in the sector has improved.

AECI's Mining Solutions segment is well placed to benefit from this. Enhanced and innovative products and services continue to be added to the offering for established and new customers. Examples include pumpable emulsion explosives which are applied in underground mining. These products have safety- and cost-related benefits and are already well accepted in South Africa's gold mining sector.

Another example is development work in progress on wireless electronic detonators designed to improve accuracy and safety in ever-deeper narrow reef mining.

Senmin's R90 million xanthates expansion project is progressing well and commissioning is expected in the second half of 2018. This will add about 4 000 tonnes per annum of capacity at the Sasolburg site. Xanthates are used in the beneficiation of minerals such as gold, platinum and copper and demand is significant, including in Central Africa where the copper mining sector is undergoing a price-driven resurgence.

CUMULATIVE RAINFALL: WESTERN CAPE



Data: SAWS through GSOD   Figure: Climate System Analysis Group, UCT

WATER & PROCESS (ImproChem)

R1 454m	R182m	▲ 9,4%
REVENUE ▲ 3,2%	PROFIT FROM OPS ▲ 14,2%	VOLUMES

ImproChem provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa, where access to water of appropriate quality is sometimes scarce. Applications include, inter alia, public and industrial water, desalination and utilities.

The strategy is to continue to leverage the benefits of the established footprint on the continent and pleasing progress was made in the public water and industrial sectors in the year under review. 30% of ImproChem's total revenue is now generated in other African countries. This enabled ImproChem to achieve growth and improve its margin in line with expectations.

Revenue of R1 454 million was 3,2% higher (2016: R1 408 million) and profit from operations grew by 14,2% to R182 million (2016: R159 million). Growth in the South African core market, however, was curtailed by poor conditions in the manufacturing sector and drought effects in the Western Cape.

Four contracts for the installation of desalination plants for industrial customers in the Western Cape were secured for delivery in the first half of 2018 and additional opportunities have been identified. These plants treat sea water to drinking water quality standards, making it possible for customers to be self-sufficient in terms of their process water requirements. Typically, each plant has the capacity to desalinate about one million litres of sea water a day.

ImproChem also continued to supply containerised water plants to communities living in areas where access to potable water is a challenge. In one instance, a community in eThekwini, KwaZulu-Natal, was provided with access to potable water just 10 days after the plant had been installed.

There are great opportunities for similar projects not only across South Africa but also in East and West Africa. Potential investments in plant and production equipment to serve the market in both these regions are being assessed.

PLANT & ANIMAL HEALTH (Nulandis)

R2 543m	R133m	▲ 11,5%
REVENUE ▲ 0,1%	PROFIT FROM OPS ▼ 22,9%	VOLUMES

Revenue was flat at R2 543 million (2016: R2 540 million). Profit from operations declined by 22,9% to R133 million (2016: R172 million), primarily as a consequence of the drought in the Western Cape and the stronger ZAR/US$ exchange rate.

The worsening trend in below-average rainfall in the Western Cape over the last three years is evident in the graph above.

Drought effects also had an impact on Farmers Organisation in Malawi.

The investment in the calcium nitrates and ammonium nitrates plant at Modderfontein was completed and Nulandis recorded robust growth in its bulk nutrition division.

Biocult's trials in both the USA and Canada were successful and the next phase of the expansion programme will be pursued following regulatory approval.

Biocult is the leading producer and distributor of Mycorrhizae in Africa, supplying its products to some of largest and most successful farms in South Africa, Namibia, Botswana and Kenya.

Mycorrhizae is a natural product that promotes sustainable agriculture through soil health. It can be applied to farms and landscapes of all sizes and has been developed for use in a wide range of agricultural sectors, including wheat, maize, animal feed, fruit, vegetables, legumes, tropical produce, vine and sugar.

Biocult's offering is one component of Nulandis' NuWay philosophy. NuWay recognises the momentum that bio-agriculture is gaining globally, including in Africa where Nulandis' footprint was expanded through the acquisition of Farmers Organisation, in 2015. NuWay is a holistic, more environmentally friendly approach to the application of products for soil and plant health. This approach will continue to be rolled out in 2018 and in future years.

SCHIRM

The acquisition of Schirm was announced in November 2017 and was completed with effect from 30 January 2018. This company is currently being integrated into the AECI Group, where it will operate as a standalone entity in the Plant & Animal Health segment.

Schirm is an established contract chemical manufacturer which provides an integrated service across the entire value chain of synthesis, formulation and packaging of agrochemicals and fine chemicals. Agrochemical products include herbicides, fungicides and insecticides while the fine chemicals portfolio comprises raw materials for the biocides, personal and home care, adhesives and rubber industries.

The company is the leading provider of formulation services for agrochemicals in Europe and its services include:

- synthesis: raw materials from suppliers or customers are converted to chemical products and either sold to customers or utilised by Schirm in formulation processes;
- formulation: Schirm uses products from its own synthesis process and/or products from customers and sells formulations in bulk to those customers; and
- packaging and labelling of liquid and solid chemical products in all packaging sizes.

The sale of agrochemicals accounts for approximately 80% of Schirm's revenue, with fine chemicals contributing the balance. Approximately 80% of revenue is generated in Europe, primarily in Germany, and the rest is generated in the USA.

Schirm is a supplier to leading global crop protection chemical producers such as Bayer, BASF, DuPont, Syngenta, Sumitomo Chemical and Lanxess. It has relationships averaging over 30 years with its 10 largest customers.

Over the last two financial years, Schirm invested approximately €25 million in capital expenditure in terms of certain contractual arrangements with strategic customers and on installing a state-of the-art synthesis plant at its Schönebeck site. Spare capacity remaining from the upgrade will be filled in the coming years. These investments have provided the additional capacity necessary to achieve significant growth in Schirm's synthesis operations.

AECI already has well-established businesses in Africa, South East Asia, North America and Australia and the acquisition of Schirm was an excellent fit in terms of the Group's international expansion and currency diversification strategies.

Schirm presented a strong investment case for AECI. In addition to its market-leading position, customer relationships and recent capacity expansion, there are potential synergies associated with the extension of Schirm's manufacturing expertise to the rest of the Group as well as expansion and supply chain opportunities for Nulandis. Further, there are opportunities for AECI to replace some of the raw materials it currently imports from third parties and to enhance geographic and product diversity for its Chemicals portfolio. Differing seasonal demand cycles in the northern and southern hemispheres also present potential benefits.

FOOD & BEVERAGE (Lake Foods and Southern Canned Products ("SCP"))

R1 195m	R64m	▲ 7,2%
REVENUE	PROFIT FROM OPS	VOLUMES
▲ 6,5%	▲ >100%	

Revenue of R1 195 million was 6,5% higher than 2016's R1 122 million. Profit from operations was R64 million (2016: R13 million). In the prior year, goodwill relating to the poultry business was impaired at a cost of R28 million.

Lake Foods' food additives and perlite filtration divisions performed well. New products were added to the food additives portfolio, in particular, through agreements with existing and new principals and this is expected to benefit the segment's performance going forward.

In the juice business, solid progress was made in implementing the strategy to grow the higher value-added formulated juice business (through, inter alia, partnerships with Clover and other multinational customers) and to focus less on trading activities.

Owing to extreme weather events, such as severe flooding in Argentina and drought conditions in parts of South Africa, it was necessary to purchase strategic consignments of raw materials for the juice business. This had a negative impact on trade working capital but a correction should be evident by the middle of 2018.

A site adjacent to SCP's current Cape Town operations was acquired for the expansion of warehousing, distribution and technical facilities. It is intended that all Food & Beverage activities in the Western Cape will ultimately be consolidated on that site.

FOOD SAFETY

In the food industry, product safety is of pivotal importance. Lake Foods' Afoodable division is potentially the highest at risk of contamination by bacteria, including listeria. This business produces an extensive range of its own unbranded products for the catering and butchery markets as well as acting as a manufacturer and co-packer for larger local companies, including some retail outlets. Afoodable also produces an extensive selection of ethnic products for a group of local and international exporters.

In line with its policy and regulatory obligation to proactively implement procedures and programmes to deal with bacteria in the production environment, Afoodable has reviewed and redoubled its standard monitoring and management efforts in view of the recent outbreak of listeriosis.

The Afoodable Listeria Management Program ("ALMP") encompasses the testing of indicator microorganisms and pathogens and applies to all processing and storage units. The ALMP is a fully documented and implemented process and, as it is a requirement of the FSSC 22000:2016 accreditation, it is reviewed regularly and subjected to annual auditing by the accreditation body.

CHEMICALS (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, SANS Technical Fibers)

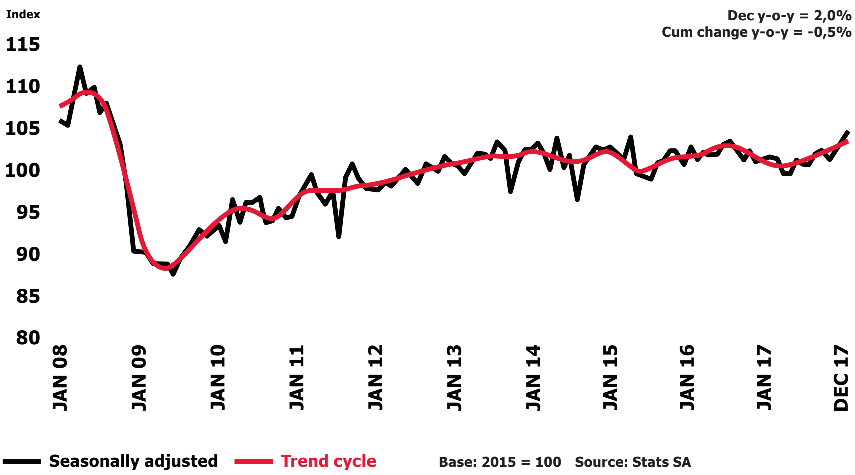
R3 564m	R365m	▲ 1,0%
REVENUE	PROFIT FROM OPS	VOLUMES
▲ 0,5%	▼ 7,2%	

This segment remains extremely important to the Group. Its diverse constituent businesses, most of which are focused on South Africa's manufacturing sector, are highly cash generative, to the benefit of AECI as a whole. Although they generally have relatively low capital expenditure requirements, investments for growth that provide requisite rates of return are nonetheless evaluated on an ongoing basis. As an example of this, a US$6,1 million investment has been approved for the installation of single stage polyester manufacturing equipment at SANS Technical Fibers in the USA to meet growing local demand.

The businesses seek to grow organically and through bolt-on acquisitions. Other key drivers are cost control and portfolio management so as to react quickly to changes in customers' requirements.

In 2017, revenue from the segment in a poor trading environment was flat R3 564 million (2016: R3 548 million). Although profit from operations of R365 million declined by 7,2% (2016: R394 million) this still represented 24% of the Group's total profitability.

SA MANUFACTURING VOLUMES



The main contributors to the decline were the closure of Huntsman Tioxide at the end of 2016, with a negative R25 million impact on contribution, and the sharp strengthening of the local currency against the US dollar at year-end in particular. Over the full year the effects of the stronger rand curtailed the benefits of higher oil prices, which drive increases in chemical input prices and hence selling prices.

It was nonetheless commendable that, notwithstanding depressed market conditions, overall volumes increased by 1% and the operating margin remained robust at 10,2% (2016: 1,1%). As can be seen in the graph above, output from South Africa's manufacturing sector contracted by 0,5% over the full year but increased by 2% year-on-year for the month of December. This turnaround appeared to be continuing into 2018. AECI has the plant capacity available to respond quickly to any growth in demand from its customers.

In 2016, the Group earned R28 million from its joint ventures and associates. No earnings were received in 2017 owing to a R54 million impairment of Crest Chemicals' caustic soda business. Crest Chemicals is a 50% joint venture with Brenntag AG.

MUCH ASPHALT

The acquisition of Much Asphalt from Capitalworks Private Equity and its partners, announced in October 2017, was concluded on 3 April 2018. Much Asphalt is South Africa's leading manufacturer and supplier of hot and cold mix asphalt products, and a manufacturer, supplier and applicator of bituminous road binders, emulsions, primes, pre-coats and modified binders. This business will be integrated into the Chemicals segment.

The acquisition is in line with AECI's strategy to accelerate its growth by diversifying its products and markets.

GOING GREEN

In line, too, with the diversification imperative not only for the immediate future but also for the longer-term, the Group made a strategic investment of US$5 million in Origin Materials ("Origin") and Joint Development Agreements are being progressed. Origin is a privately-owned company in the US with new technology in renewable chemicals. It is anticipated that a pioneer plant will be constructed in the first half of 2019.

INNOVATION

Both the acquisition of Much Asphalt and the investment in Origin were opportunities identified via the AECI Growth Office, established as part of the Group's Innovation initiative launched in 2016.

The objective is to accelerate growth in the Group's revenue and profitability. Projects are broadly categorised as being in the Business of Tomorrow, with the focus on value in the longer term, or in the Business of Today where innovation drives home in on reducing internal costs and enhancing efficiencies in current operations.

In the Business of Tomorrow, and in addition to the Origin partnership, good progress was made with regard to other opportunities in relevant start-ups and/or disruptors. Technology partnerships with universities and research institutions locally and abroad also progressed.

For the Business of Today, employees submit their innovative ideas via an Ideation Platform. The implementation of four of these ideas was being advanced by the end of 2017 and the significant adoption by our people of this initiative bodes well for the overall business going forward.

ACKNOWLEDGEMENTS

It would not have been possible to achieve 2017's results or progress the implementation of the Group's overall growth strategy without the dedication and support of the Board, the Group's management teams and all of our valued employees. I thank each one of you.

Thanks are also due to our many business partners, customers, suppliers and other stakeholders whose unwavering support remains highly appreciated.

Mark Dytor
Chief Executive

Woodmead, Sandton
11 April 2018





CHIEF FINANCIAL OFFICER'S REPORT

HIGHEST-EVER RECORDED HEPS

+17,2% to 959c

ORDINARY DIVIDENDS FOR THE YEAR

+10% to 478cps

Mark Kathan
CHIEF FINANCIAL OFFICER

Dear stakeholders

This report is intended to provide a high level overview of the financial performance of the AECI Group for the year ended 31 December 2017.

OPERATING SEGMENTS

During 2017, AECI completed the realignment of its internal reporting to reflect management structures in support of its five strategic growth pillars. Financial reporting to stakeholders, including that in the integrated report, was similarly realigned. In prior years, the operating segments were reported as Explosives, Chemicals and Property. The segmental reporting for 2017 reflects the strategic growth pillars for the first time and this will continue in future years. The segments are Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals. More detail, including the restatement of comparative results in the prior year, is provided in note 31 to the financial statements in support of this change.

Also in support of the pillar strategy, and to reduce costs and complexity, the Group continued to restructure its legal entities. This was specifically applicable to the Mining Solutions and Water & Process segments, where a number of legal entities were combined.

FINANCIAL PERFORMANCE

AECI performed very well in 2017 despite the challenges of a strengthening rand and the prevailing economic and political climate in South Africa. We are very pleased with our results and the strategic base that we have consolidated and we are positive in terms of our prospects for the future, as already outlined by both the Chairman and the Chief Executive.

The Group's total revenue declined by 1% as did the proportion of revenue generated outside South Africa. Foreign income in rand terms was affected by the stronger local currency year-on-year and lower ammonium nitrate prices in the period. It was gratifying, though, that volume growth was achieved on the back of the recovery in commodity prices, particularly in the last quarter.

Operating profit was 18% higher at R1 579 million and EBITDA of R2 176 million (excluding equity-accounted earnings) improved by 11%.

These movements were affected by:

- a year-on-year reduction in the level of impairments of property, plant and equipment;
- the effects of de-risking the defined-benefit obligations for past and current employees, which impacted results in both 2016 and 2017; and
- accrual of the costs incurred in respect of the two significant business combinations announced during the year.

Taking these adjustments into account, the Group's underlying performance nonetheless showed a pleasing improvement, as demonstrated in the analysis below.

The underlying EBITDA increased by 4,2% to R2 285 million (excluding equity-accounted earnings).

UNDERLYING PERFORMANCE

R millions	**2017**	2016	% change
Reported operating profit	**1 579**	1 335	18
Transaction costs	**105**	—	
Defined-benefit settlement costs	**4**	149	
Impairments	**13**	82	
	1 701	1 566	9

EARNINGS PER SHARE

Headline earnings per share ("HEPS") increased by 17% to a record 959 cents and basic earnings per share rose by 22% to 900 cents. Results in both 2016 and 2017 were affected by equivalent once-off costs. The underlying HEPS was 1 061 cents, a 15% increase over 2016's comparable result, while underlying EPS was 1 003 cents, an increase of 20% on the underlying EPS of 837 cents earned in the prior year.

DIVIDENDS

The Board declared a final ordinary cash dividend of 340 cents for the 2017 financial year. This was 13% up on 2016's 300 cents and brought the total dividend for the year to 478 cents (435 cents in 2016), a 10% year-on-year increase.

Gross dividends of 40 cents and 44 cents per share were also declared on the unlisted B ordinary shares granted to employees in their capacity as beneficiaries of the AECI Employees Share Trust. This brought the dividends declared on those shares in line with the dividends declared on the AECI ordinary shares up to and including the end of the 2017 financial year.

BUSINESS COMBINATIONS AND INVESTMENTS

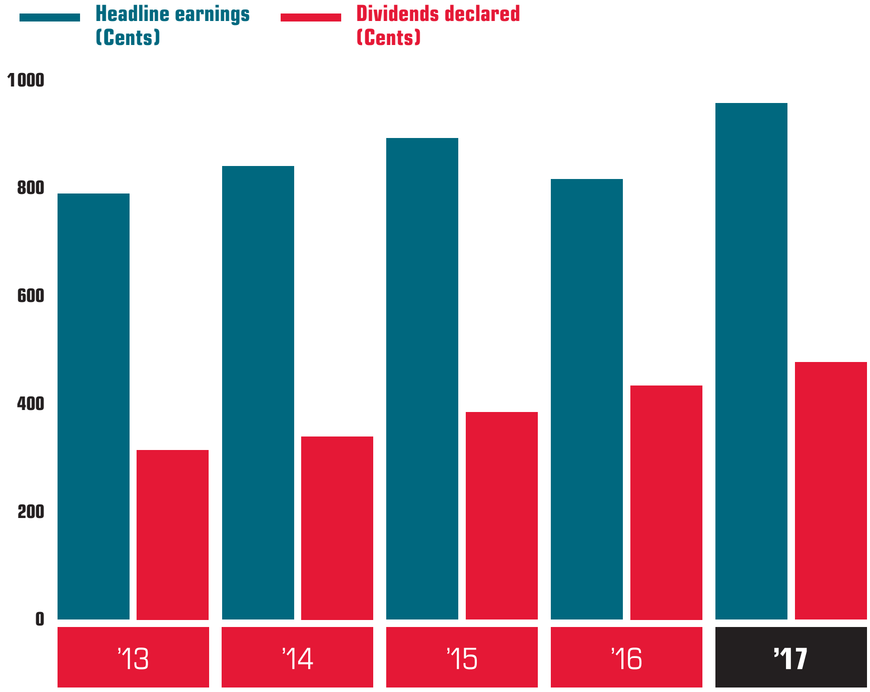
Two significant acquisitions were announced in the last quarter. Both are in pursuit of the Group's strategy to accelerate its growth by continuing to diversify its geographic footprint and by expanding into new markets.

The acquisition of Schirm, for a cash consideration of €128,4 million from Imperial Holdings, became effective on 30 January 2018. Schirm is based in Germany and it will operate as a standalone entity in AECI's Plant & Animal Health segment. The business is being integrated and the initial accounting for the business combination is in progress. The acquisition of Much Asphalt from Capitalworks Private Equity and its partners, for an adjusted cash consideration of R1 988 million, closed on 3 April 2018 and this business will now be integrated into the Chemicals segment.

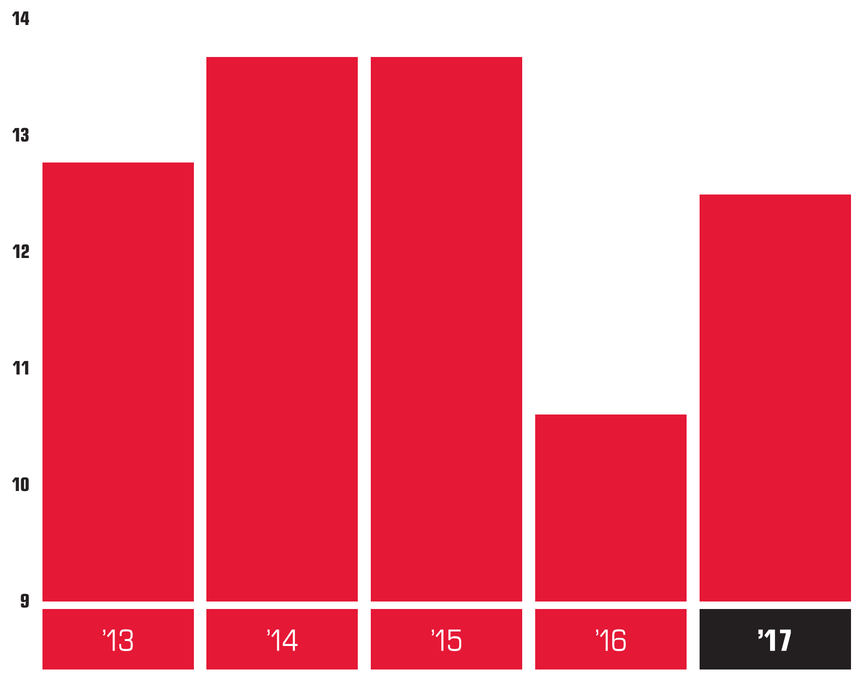
AECI is evaluating its funding options for these two significant transactions, the biggest of their kind in the Company's long history. Bridging facilities are in place through the Standard Bank of South Africa and these will be replaced by appropriate funding during the course of 2018.

Also in line with its pursuit of accelerated growth through diversification, the Group made a strategic investment of US$5 million (R65 million) in Origin Materials ("Origin"). Origin is a privately-owned company in the USA with new technology in renewable chemicals.

HEADLINE EARNINGS AND DIVIDENDS PER ORDINARY SHARE



RETURN ON INVESTED CAPITAL (%)



R22 million has been invested in the newly established Good Chemistry Fund. The objective of the Fund is to facilitate enterprise and supplier development for Black entrepreneurs in South Africa generally and for the chemical industry supply chain in particular.

The sale of an initial 51% of Southern Canned Products' Olive Pride business to Clover SA (Pty) Ltd was completed with AECI retaining significant influence and accounting for the continuing results of the separate company, Clover Pride, as an associate.

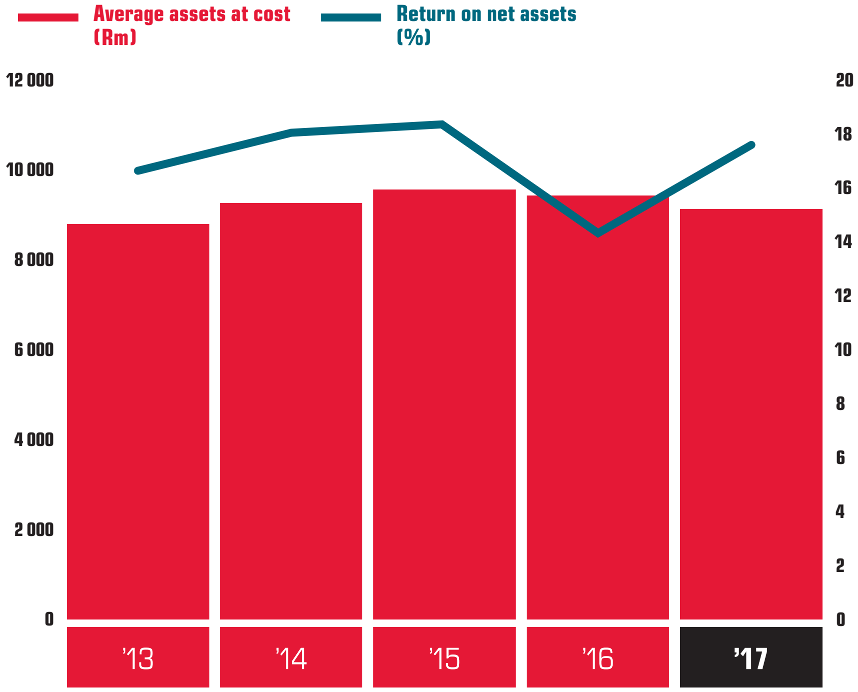
FINANCIAL POSITION AND CASH FLOW

The Group generated cash flows of R1 221 million from its operating activities. This represented a disappointing decline of 37% over 2016. The objective for 2017 was to further optimise working capital or maintain the levels achieved in 2016. Improvement was not achieved at the overall Group level, though some successes were achieved in a few businesses. An excellent sales performance in the last quarter contributed to the additional working capital investment. While this surge in sales was positive, management has re-emphasised the focus on controlling working capital as the Group moves to a higher gearing position once both large acquisitions take effect. At year-end, the Group's trade working capital to revenue ratio was 15,4% — a deterioration from the 12,7% in December 2016. Although working capital was not excessive at year-end, management will continue to drive the reduction of this ratio to ensure that optimal levels are maintained in each business.

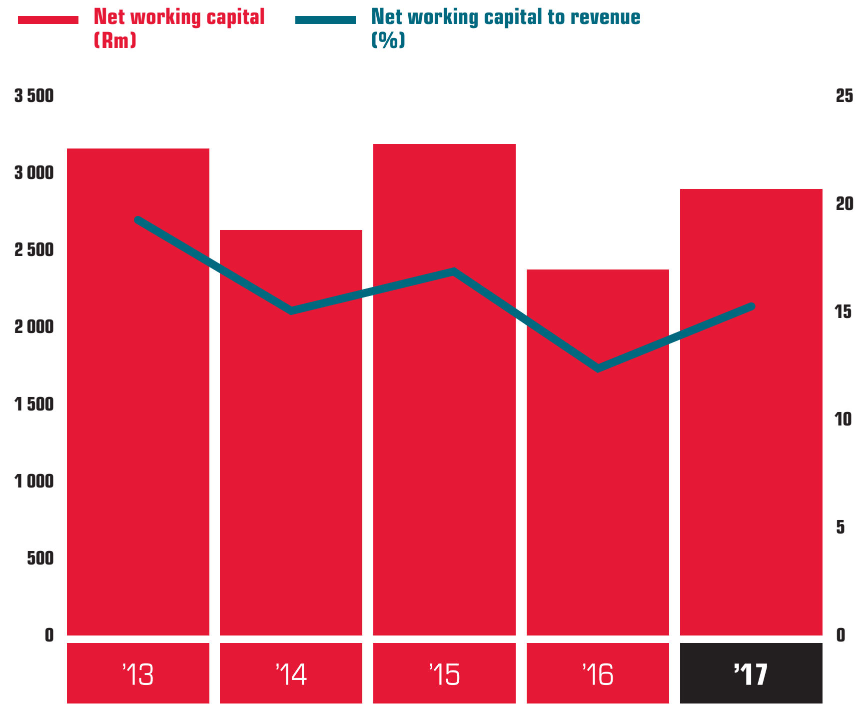
R704 million was invested in capital projects (2016: R502 million). This was well above the Group's depreciation and amortisation charge and reversed the trend established in the preceding three years when capital expenditure was contained below this level. Of the total investment, R288 million was for expansion projects, including the expansion of Senmin's xanthates production capacity where R36,9 million had been spent by year-end, expenditure to support business expansion in the rest of Africa and projects in the Plant & Animal Health and Food & Beverage segments. Maintenance expenditure accounted for the balance and included the statutory shutdown of AEL's No. 11 Nitric Acid plant at Modderfontein.

Net debt, which includes long-term and short-term debt and cash, increased marginally in 2017 primarily as a result of the investment in working capital in the year. The Group's debt to equity ratio, or gearing, was 5% at 31 December 2017 (3% in December 2016). Gearing will increase in 2018 as the Group expects to fund the acquisitions of Schirm and Much Asphalt primarily through term debt.

RETURN ON NET ASSETS



NET WORKING CAPITAL TO REVENUE

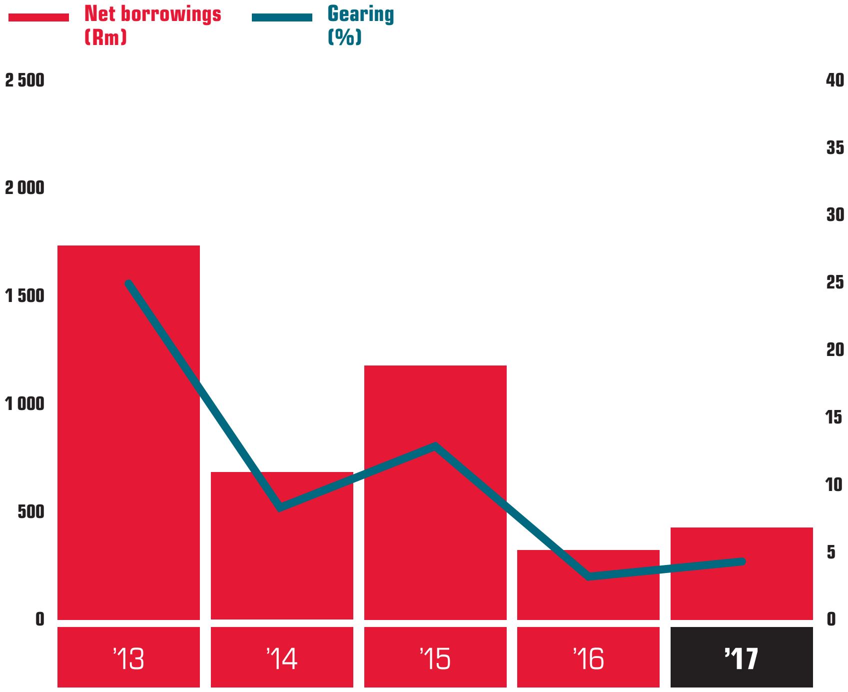


The Group's operations generated cash flows of R2 350 million, marginally higher than 2016's result. Interest paid declined year-on-year, as expected, due to the lower level of net debt throughout the period. Tax paid was lower despite the higher profit before tax due principally to lower withholding taxes and provisional or assessed taxes paid in 2017. Although the cash generation in working capital seen in 2016 could not be repeated, this was tempered by improved trading in the last quarter and hence the investment in working capital. There was also a cash outflow in settlement of the accrual for the defined-benefit obligations made in 2016. Dividends paid increased by 14% to R497 million in 2017.

The Group's term debt was R1 600 million at year-end, unchanged from 2016, R500 million of the debt will be repaid in 2018. Short-term debt was approximately R30 million. AECI's commitment to acquisitions amounted to R4 173 million which will be funded by bridging loans in the short term as alternatives are evaluated.

All loan covenants were met and AECI's external credit rating from a South African credit rating agency remained at a long-term "A" rating with a "stable" outlook. The funding of the acquisitions has the potential to substantially increase the gearing and require a focus on cash management and generation in 2018 to ensure that this position is maintained.

BORROWINGS AND GEARING



TAX

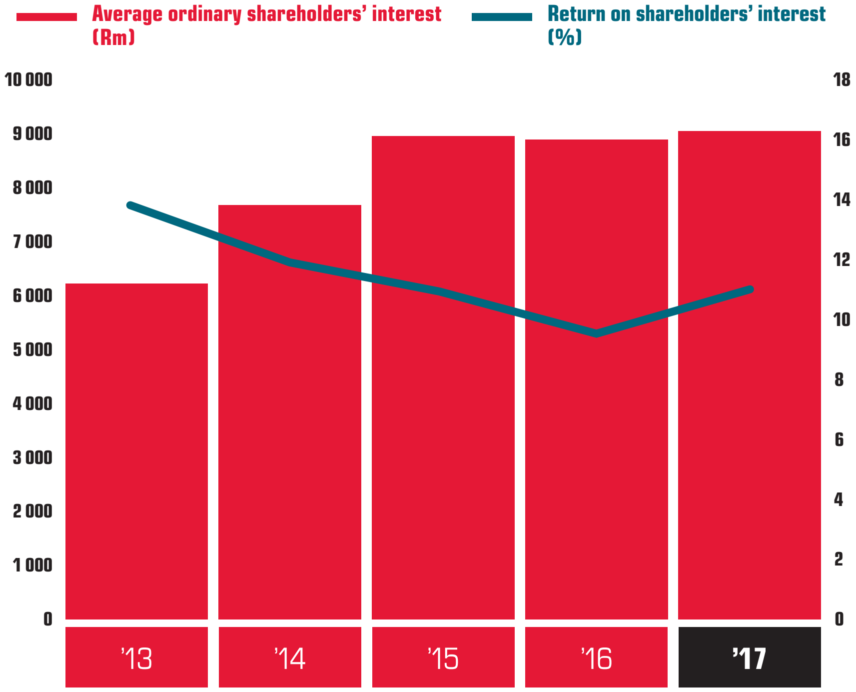
Profit after tax for the year increased by 21%, slightly higher than the increase in profit from operations. AECI incurred a lower net interest but at a higher effective tax rate. The good cash generation in 2016 assisted in keeping the level of borrowings lower in the current year.

The effective tax rate was 30%, compared to 29% in the prior year, owing mostly to increased dividend withholding taxes paid in the year as well as the impact of the capital costs accrued for the acquisitions.

CORPORATE COSTS

Corporate costs were impacted significantly by professional fees of R105 million in respect of the acquisitions. In 2016 corporate costs were impacted by the R149 million loss recognised on the settlement of defined-benefit obligations. Excluding those once-off items, costs were well contained, assisted by stable defined-benefit costs and a similar level of charges in respect of long-term incentive schemes.

RETURN ON SHAREHOLDERS' INTEREST



EXPLOSIVES LICENSEE IN INDONESIA

Good progress was made in submitting VAT returns on the licensee's behalf for the 2016 financial year to recover the credit due to AECI.

The doubtful debts provision raised in 2015 (R57 million) in respect of the long cycles for input VAT refunds in Indonesia was still in place as AEL's explosives licensee in Indonesia applied for tax amnesty in terms of a programme offered by the Indonesian Tax Office. The licensee's amnesty application was with reference to all tax assets and liabilities for financial years up to and including 2015. As a result, the VAT refund due to the licensee will not be recovered from the Indonesian Tax Office. It is not expected that any associated amounts will be recovered from the licensee. AECI is pursuing alternatives for recovery with the licensee.

The total amount owed is R75 million, of which R65 million had been provided for at year-end. AEL is planning to exit the existing arrangement and to appoint a new licensee once due diligence on this licensee has been completed and appropriate agreements and controls have been put in place.

DEFINED-BENEFIT OBLIGATIONS

Details regarding the items below are contained in note 29 to the financial statements.

PENSION FUNDS

During the year, further settlement payments and section 14 transfers for deferred pensioners and pensioners of the AECI Pension Fund ("APF") were effected. These settlements and transfers did not have any impact on the Group as the settlement accounting was recognised in 2015. There are only four pensioner members who still need to be transferred or paid. It is hoped that this process will be completed in 2018. Consideration would be given thereafter to finally distributing any remaining surplus to stakeholders and formally closing these funds.

Some further progress was made in converting the remaining two defined-benefit funds in the Group, with more than 75% of members of each of these funds accepting their offers. In the Dulux Employees Pension Fund, almost all members have now accepted these offers. The required rules changes were submitted to the Registrar of Pensions Funds and approvals were received towards year-end and early in 2018. As a next step, section 14 applications will be prepared and submitted. This will only be done once all acceptances have been processed, data and any changes supplied have been verified and pension purchases have been costed.

POST-RETIREMENT MEDICAL AID ("PRMA")

During 2017, the settlement offers were implemented with the purchase of annuities from, and through a section 14 transfer from the APF to, the MMI Group Ltd. This resulted in an additional settlement cost of R4 million due to changes in the cost of the annuities in line with market rates.

There remain 483 pensioners and 73 employees in South Africa entitled to the PRMA subsidy. No further settlement offers will be made to them and the obligation will be settled over the lives of the members.

PERFORMANCE SHARES ("PS")

In 2017, a further tranche of PS allocated in terms of the 2012 Long-term Incentive Plan ("LTIP") vested. The number of shares that vested was determined based on AECI's comparative total shareholder return in relation to a peer group of companies, measured from 1 June 2014 to 1 June 2017. AECI achieved sixth position in the comparator group, resulting in a multiple of 1,8 being applied to the allocated shares to determine the number of shares that vested.

The PS vested on 30 June 2017 for all eligible Executives and Senior Managers in the Group. A transaction was entered into in June for R44 million, with a third party intermediary, to enable the Company to settle its obligations for this vesting, in terms of the LTIP rules. These shares were purchased in the market by the intermediary, in line with AECI's strategy of settling its obligations in this way rather than through the issue of new, potentially dilutive shares.

The 2017 allocation of PS represented a higher initial allocation than in previous years, though there was no change to the scheme. This higher allocation was required since PS is the only LTI incentive scheme still active. The earnings-growth units previously issued in terms of the LTIP are no longer being issued. The Group has reviewed the LTIP and has revised it. Additional vesting conditions have been included to bring the scheme in line with the current remuneration philosophy.

Further details on the PS are described in the Remuneration report commencing on page 83 and in note 29 to the financial statements.

ACKNOWLEDGEMENTS

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

Mark Kathan
Chief Financial Officer

Woodmead, Sandton
11 April 2018

03

STAKEHOLDER ENGAGEMENT

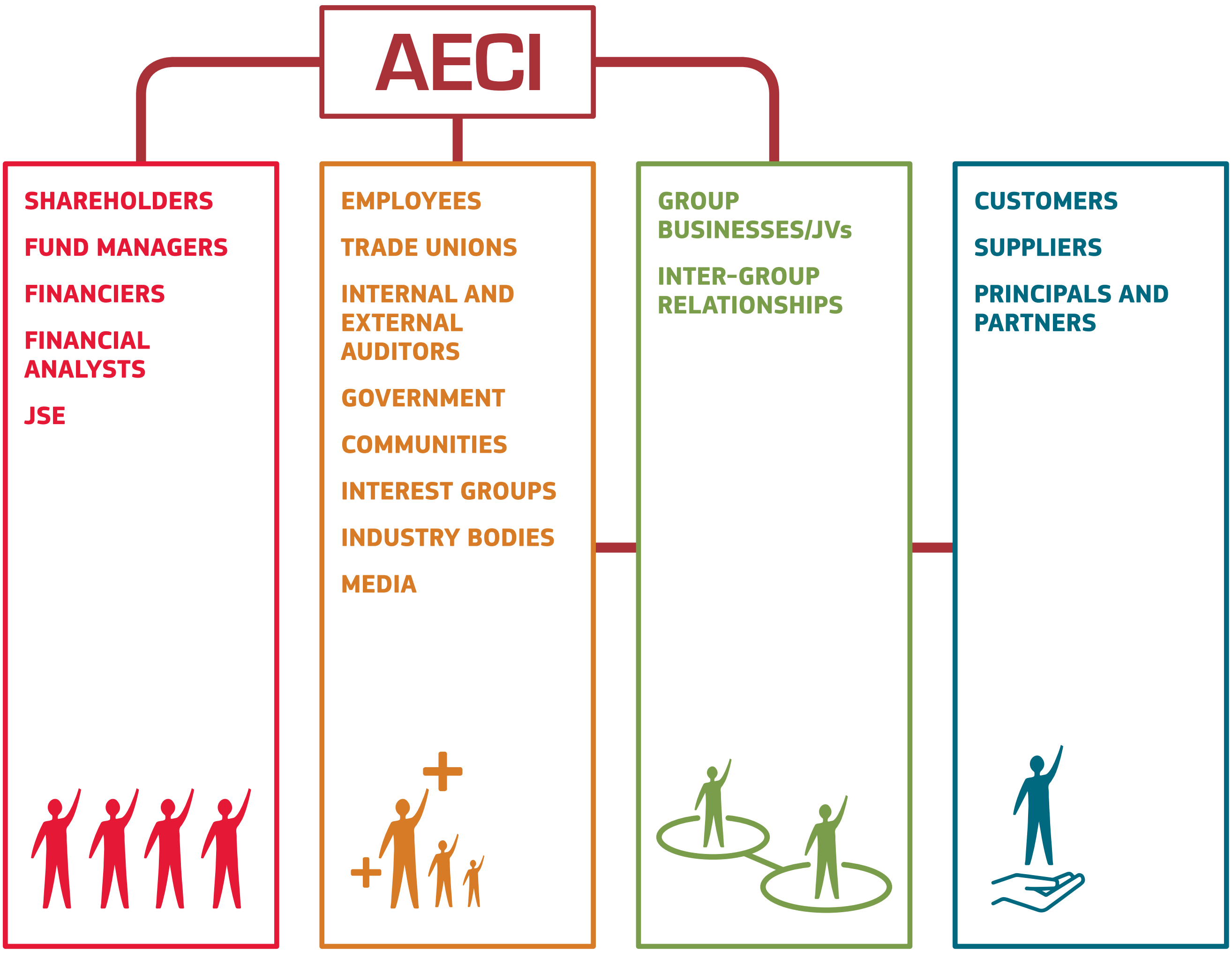
The AECI Group comprises a broad spectrum of businesses in more than 20 countries. There are currently 16 operating entities reporting to the AECI Executive Committee ("Executive Committee") and, via this Committee, to the Board.

The spectrum of businesses is matched by a range of stakeholders — those persons or groups who can affect or be affected by the Group's activities.

Key stakeholders 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 below summarises stakeholder groupings and information flows. The approach to engaging with diverse stakeholder groups and AECI's efforts in this regard are summarised here.

ENGAGEMENT FLOWS



INTERACTION BETWEEN AECI AND ITS BUSINESSES

Two-way interaction between AECI and its businesses occurs on an ongoing basis, both formally and informally. Formal structures include operating entity Board meetings, business reviews 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).

Other forums, such as segment-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. A culture of collaboration across businesses has been developed. The streamlining and harnessing of efficiencies, including those enabled by centralised strategic sourcing, backed by a common drive for excellence leads to better results for the businesses individually and for the Group as a collective.

STAKEHOLDERS WITH WHOM ENGAGEMENT IS MOSTLY VIA AECI

AECI AND SHAREHOLDERS AND FUND MANAGERS, FINANCIERS, AND 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 presentations and site visits and one-on-one or small group 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 also undertake roadshows in Europe and the USA, aimed mostly at potential investors. Further, there are 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

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. Alignment with King IV progressed in 2017 and this process will continue.

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 corporate sponsor in South Africa, when such sponsor input is required. Further liaison with the JSE, such as work related to assessments for inclusion in specific Indices, 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 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.

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. At Group level, businesses participate in forums and structures dealing with, inter alia, Employment Equity and SHE-related strategies and performance tracking.

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 on AECI's website. 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, undertaken annually for publication in the integrated report, 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.

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 auditor is responsible for auditing the financial statements of the Company and its subsidiaries and for expressing its opinion on these statements to shareholders. In addition, the external auditor is responsible for confirming whether the financial statements meet the requirements of the Companies Act and IFRS. In 2017, the external auditor was also engaged to carry out an Agreed Upon Procedures Review in respect of the interim financial results to 30 June.

The Directors must ensure that Group entities maintain adequate accounting records, and that an effective risk management process and internal controls are 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 the internal controls of Group businesses and submits its assessment of these to the Board on an annual basis.

The management team of each business also submits an annual self-assessment of internal control (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 this matrix and reports thereon to the Audit Committee.

THE GROUP AND GOVERNMENT/AUTHORITIES

AECI and its businesses are subject to the laws of the jurisdictions in which they operate. This means governments and regulators are able to have very significant impacts on the Group as a whole or on one or more of its entities. As a consequence, the management of these impacts through engagement with relevant authorities is a business imperative.

Such engagement may range from advocacy initiatives associated with the development of legislation and standards, to cooperative work with those regulators who have the responsibility of governing the Group's activities through the application of these laws and standards. To facilitate engagement, AECI and/or its businesses may choose to develop relationships with relevant government and regulatory entities in a proactive manner.

All government engagement by AECI employees is subject to the Group's Code of Ethics and Business Conduct ("the Code") as approved by the AECI Board. The Code "is designed to provide clear guidelines for engaging with all stakeholders" and there is an explicit expectation that employees will have zero-tolerance to bribery and corruption. The statement that "AECI will not condone any violation of the law" is unequivocal. With respect to donations, the Code is clear that "no donations will be made to political parties and political candidates under any circumstances".

A second policy document of relevance is the Delegation of Authority Framework ("the Framework"), the revision of which was approved by the AECI Board in 2017.

This document notes that the AECI Board "is ultimately accountable and responsible for the performance and affairs of the AECI Group of Companies ... and derives its authority primarily from the (Company's) MOI as well as the general regulatory framework and common law". The Framework stipulates that Subsidiary Boards and other high-level Committees have been set up to, inter alia, ensure "that the business entity is run in accordance with good corporate governance practices". The Framework is clear that "no delegation of authority may be exercised for any immoral or unlawful purposes". While naturally silent on the details of government engagement, the document clarifies governance roles and responsibilities in the Group.

AECI's engagement with government may take place at the level of national, provincial and local or municipal entities. It may also involve a range of regulatory bodies. The majority of AECI's government engagement activities take place in South Africa. However, the scope of this commentary includes those activities which take place in other jurisdictions in which AECI operates.

In South Africa, the points of contact set out in the table below are currently seen as priority areas for government engagement. This view is informed by AECI's risk registers. In most cases engagement is directly between Group personnel and the respective government official(s). In certain cases, though, it is deemed more effective and/or more practical for the engagement to take place under the auspices of industry forums. The main such forum is the Chemical and Allied Industries' Association ("CAIA"), of which AECI is a founder member and on whose Board AECI is represented in the person of its Chief Executive.

In jurisdictions other than South Africa, it is not appropriate to tabulate such a set of priorities based on functional areas. These priorities differ from country to country based on the nature of AECI's operations, country-specific factors and the level of maturity of the business in each country.

Accountability for government engagement in these jurisdictions lies with the in-country Managing Director. The Managing Director must ascertain the priority areas of engagement and is expected to form relationships with government officials and regulators accordingly.

KEY POINTS OF CONTACT FOR GOVERNMENT ENGAGEMENT IN SOUTH AFRICA

DEPARTMENT	LEVEL	ACCOUNTABILITY
PRESIDENCY	Minister	Chairman and Chief Executive, via CAIA and directly
LABOUR	National	Group Transformation Manager and Group Executive: Human Capital
	Provincial	Group Transformation Manager and Group Executive: Human Capital
	Chief Inspector Health and Safety	Group SHE Manager
WATER AND SANITATION	National — Director	Group SHE Manager, via CAIA
	Provincial	Group SHE Manager
	Municipality	Business Operations Managers
POLICE	Chief Inspector Explosives	AEL Safety Manager
SARS	Large Business Centre	Group Financial Manager
	Commissioner	Chief Financial Officer
TRADE AND INDUSTRY (including Competition authorities)	National — Director-General	Chief Executive, via CAIA and directly
		Group Company Secretary
ENVIRONMENT	National — Director-General	Chief Executive, directly and via CAIA
	National — Director	Group SHE Manager
	Provincial — various	Group SHE Manager
	Municipality	Business Operations Managers

Where appropriate, Managing Directors are encouraged to leverage existing relationships already established by their customers' businesses. Managing Directors may also call on diplomatic staff at South African embassies, including but not limited to Department of Trade and Industry representatives.

Under conditions of uncertainty, and in accordance with the Framework, issues can be escalated to Head Office functions or more senior Executives if required.

THE GROUP AND NEIGHBOURING COMMUNITIES

AECI has formal structures in place for engaging with its neighbouring communities. In the mid-1990s, the Umbogintwini Industrial Complex ("UIC") was the first site or business 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 neighbours using channels such as the distribution of pamphlets, local media 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, issue-specific stakeholder and community liaison forums deal with inter alia water quality (including discharges to sea), air emissions, remediation activities, 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.

Other interactions include local socio-economic development projects in the areas of education, health, the environment, charitable contributions, and skills and enterprise development. 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 primary 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.

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.

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 proactively or in response to enquiries. 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 the Managing Directors of Group businesses to the AECI 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 participate 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.

Initiatives include:

- longstanding membership of and involvement in SAFEX International, which aims to protect people and property against dangers and damage by sharing experiences in the global explosives industry. An AEL representative serves on the organisation's Board of Governors;
- active membership of the Responsible Care® Standing Committee;
- active membership and leadership of the Process Safety Forums in KwaZulu-Natal and Gauteng for South Africa's chemical industry;
- the Chemicals Handling and Environmental Forum is tasked with promoting the responsible handling of chemicals throughout their lifecycle by providing a forum for stakeholders to discuss critical issues pertaining to the handling, storage, transport and distribution of hazardous chemicals. The Forum comprises representatives of CAIA member companies, government departments, other allied industry associations and various industry experts. AECI is represented at this Forum;
- Responsible Care® is the global chemical industry's voluntary initiative for the continual improvement of performance in safety, health and environmental practices. It is a public commitment to the responsible management and stewardship of products and services through their lifecycle. It is also the vehicle used by the industry in its pursuit of improved product stewardship. Responsible Care® was launched by the Canadian Chemical Producers' Association in 1984 and has since been adopted in more than 60 countries. CAIA is the custodian of

Responsible Care® in South Africa, with 161 South African businesses being signatories. AECI is a signatory to Responsible Care®, as are all of the Group's companies in South Africa in their own right. Signatories have their compliance with the Management Practice Standards verified by independent assurance providers;

- participation in the CDP Climate Change and the CDP Water Programs. The CDP is a global initiative administered locally by the National Business Initiative. The CDP is an international voluntary disclosure programme. Data on greenhouse gas emissions and climate change response actions by business are collated on behalf of global investors. The CDP Water Programme is aimed at catalysing sustainable corporate water management globally;
- the Group is well represented in legislative forums in structures of the Chemical Industries Education and Training Authority. Subject matter experts represent AECI at employer organisations including 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 make contributions that are suitable and beneficial to the sectors in which it operates.

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 and also addresses external considerations such as labour relations, socio-political stability and, in South Africa, B-BBEE matters.

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 are 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.

SOCIAL AND ETHICS COMMITTEE'S REPORT TO STAKEHOLDERS

Dear stakeholders

This report is provided by the Social and Ethics Committee ("the Committee") appointed in respect of the 2017 financial year of AECI Ltd. This report incorporates the requirements of Section 43 of the Regulations of the Companies Act.

MEMBERSHIP

Four meetings were held in the year and full details on the meeting dates and attendance by members are available via the link **www.aeci.co.za/governance-board-com-meetings.php**.

The members in the year were:

- Z Fuphe (Chairman)
- GJ Cundill (resigned on 31 March 2017)
- MA Dytor
- NA Franklin (appointed on 3 April 2017)
- MVK Matshitse
- AJ Morgan
- R Ramashia

Abridged biographies of the current members are published elsewhere in this integrated report. Ms Fuphe has served on the Committee since 2008, Adv Ramashia since 2010, Ms Matshitse since 2012, Mr Dytor since 2013, and Mr Morgan since 2014. Mr Franklin was appointed to the Committee on 3 April 2017.

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 Organization's protocol on decent work and working conditions, and (ii) employee relations and contributions to the educational development of employees;
  - safety, health and the environment: specifically in relation to the impact 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 South African Employment Equity Act, No. 55 of 1998, (the "Employment Equity Act"), and (iv) the South African Broad-Based Black Economic Empowerment Act, No. 53 of 2003; 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 operating business entities 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; and
- to monitor to the best of its ability that AECI and its operating businesses have properly identified stakeholders, and understand their issues, and ensure that all stakeholders are treated in an equitable and fair manner. Details of identified stakeholders and the AECI Group's approach to engagement with them appear in the Stakeholder Engagement commentary.

KEY ACTIVITIES IN THE YEAR UNDER REVIEW

THE COMMITTEE

- received and reviewed reports on AECI's management of safety, health and environmental issues, including extensive engagement regarding the tragic fatality that occurred on 26 July 2017;
- received and endorsed, after extensive engagement with management, AECI's revised safety, health and environment Zero Harm strategy;
- received and reviewed reports on AECI's progress on Employment Equity ("EE") in its South African operations. This included the evaluation and approval of the targets which management would submit to the South African Department of Labour in its new three-year EE Plan, that will apply from 2017 to 2020;
- received and reviewed reports relating to Broad-based Black Economic Empowerment and the effect of amendments to the Codes of Good Practice;
- received and reviewed reports on ethics management across the Group, including the workings of the Tip-offs Anonymous whistle-blowing line;
- received and reviewed reports on AECI's talent management processes, including retention strategies, succession plans and reports on termination trends;
- received and reviewed reports on the AECI Employees Share Trust, including the review and approval of a proposal to pay a dividend to beneficiaries of this trust in 2017; and
- received and reviewed reports on the AECI Community Education and Development Trust.

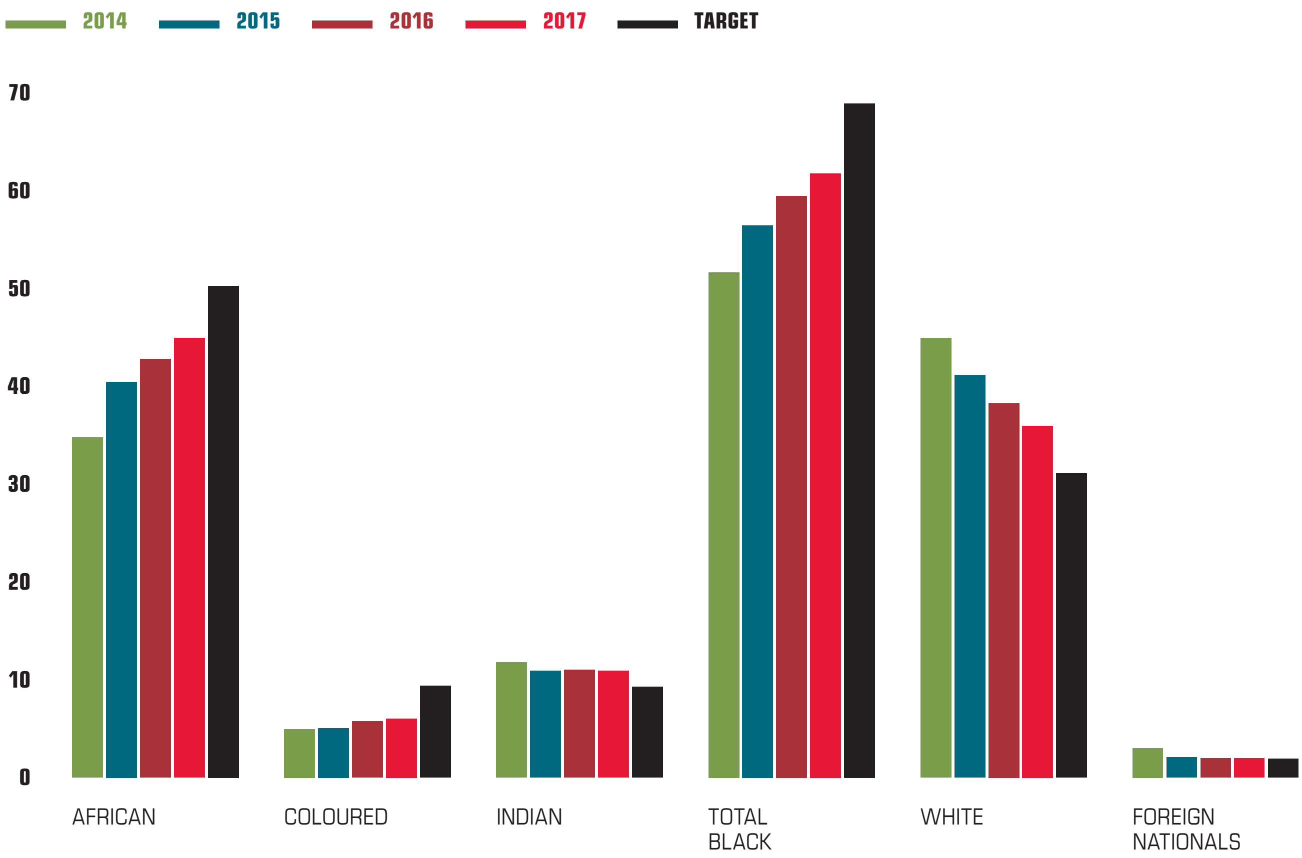
Zellah Fuphe
Chairman

Woodmead, Sandton
11 April 2018

HUMAN CAPITAL

The Human Capital function has continued its journey towards becoming a strategically-focused service in support of the Group's growth aspirations in the context of ever-changing internal and external social, legislative and other requirements. A summary of the Function's initiatives and achievements in 2017, as well as its focus areas for the coming year, is presented below as well as in the Intellectual Capital and Social and Relationship Capital sections of this Integrated report.

REPRESENTATION BY RACIAL GROUP AT ALL MANAGEMENT LEVELS
2014 TO 2017 PERFORMANCE AND 2020 TARGETS (%)



EMPLOYMENT EQUITY ("EE") AND TRANSFORMATION

The three-year EE plan ran from September 2014 to August 2017, at which time a single, consolidated report for all AECI businesses in South Africa was submitted to the Department of Labour.

The tables on page 49 and below illustrate the progress made in terms of representation by racial groups and gender at all management levels over the duration of the plan. The 2017 and 2016 comparatives are presented graphically on the following two pages.

The new three-year EE plan that will run from September 2017 to August 2020 was finalised after extensive consultation with stakeholders. The numerical goals and targets were set with the intention of improving representation of Africans and Coloureds, in line with the national Economically Active Population ("EAP") statistics, at Senior and Middle management occupational levels.

In addition to sustaining people management initiatives already in place, the Group will increase its focus on the following interventions to support the achievement of set targets:

GENDER MAINSTREAMING

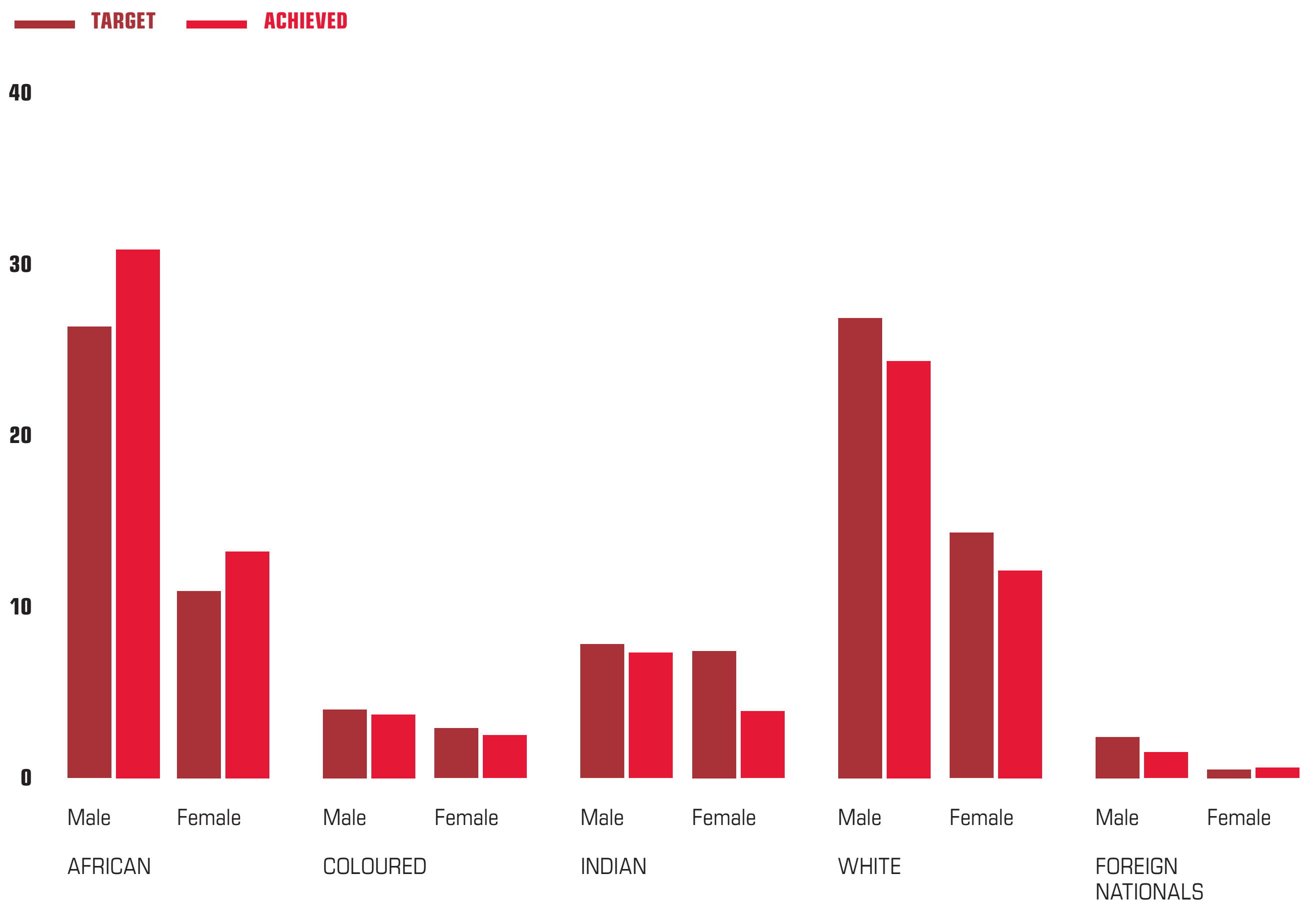
The level of representation by women at all occupational levels is not adequate when measured against the national EAP data. A gender mainstreaming project will be initiated to identify barriers and promote affirmative action measures that will contribute to better inclusivity and diversity in the workplace. In 2017, 33% of Managers in the Group were female. The target is to increase this to 35% by 2020.

PEOPLE WITH DISABILITIES

A Disability and Inclusiveness Policy is in place to regulate the management of issues relating to disability, particularly in terms of disclosure and confidentiality. The intention is to create a conducive working environment where employees will voluntary declare their disabilities.

Building awareness and capacity among key stakeholders remained the focus in 2017. Assessment of the suitability of the physical environment for people with disabilities also continued.

REPRESENTATION BY RACE AND GENDER AT ALL MANAGEMENT LEVELS 2014 TO 2017 (%)



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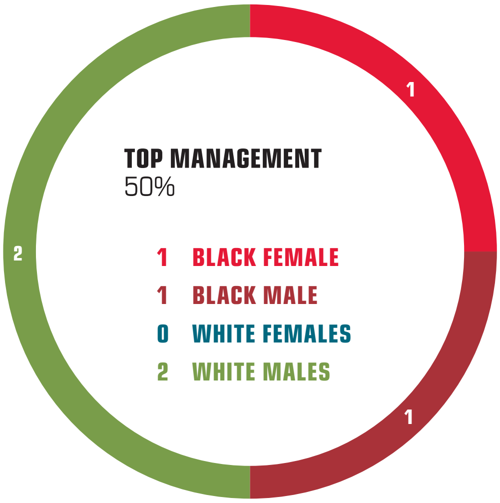
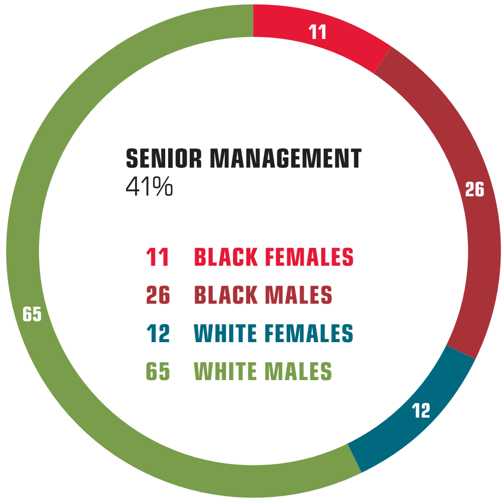
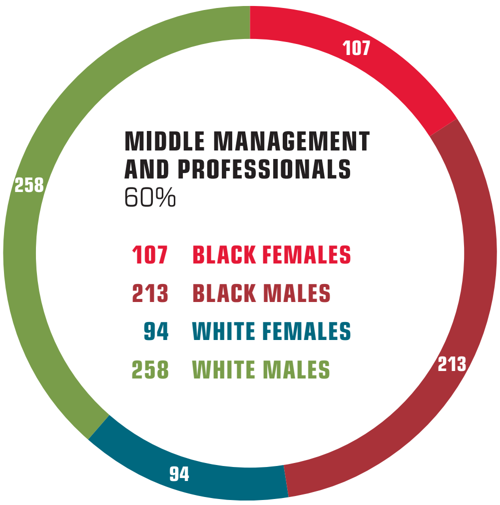
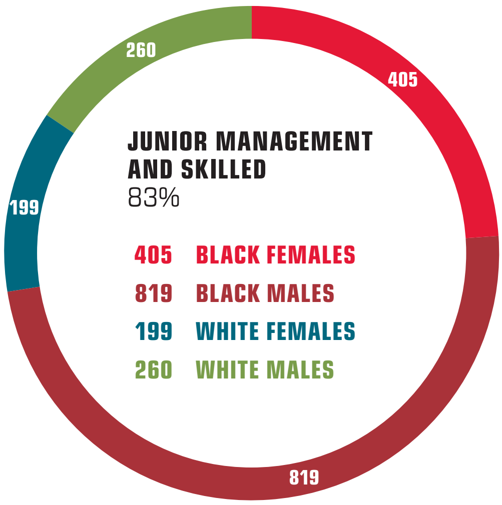
REPRESENTATION BY OCCUPATIONAL LEVEL, RACE AND GENDER — YEAR-ON-YEAR COMPARATIVES

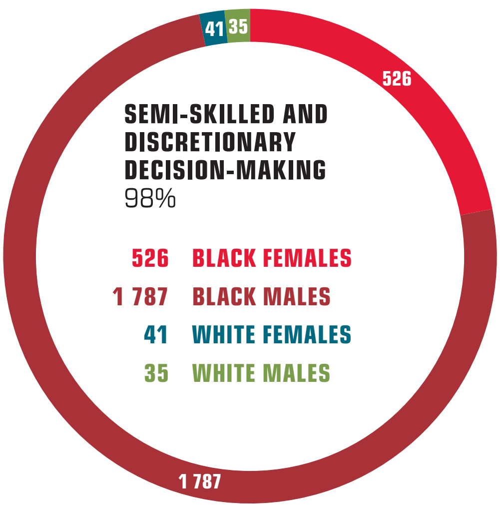
The percentages accompanying the graphics below and on the following page indicate the combined representation by Black people and White females (including Foreigners) at each employment level in AECI's South African operations.

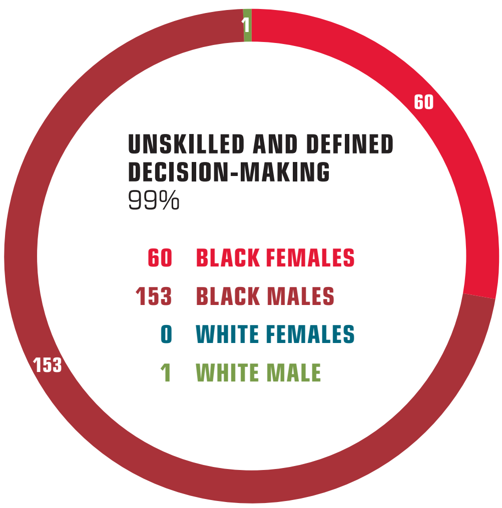












* Indicates limited assurance. See page 68.

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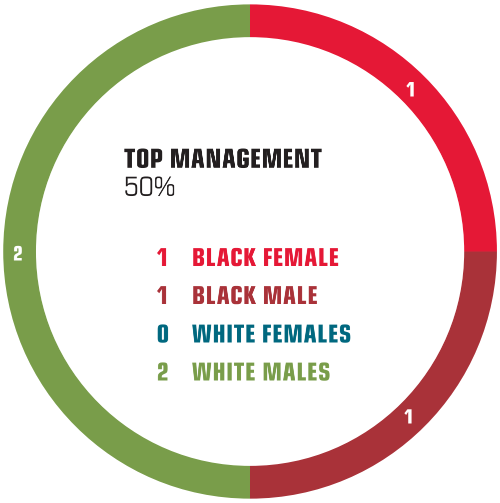
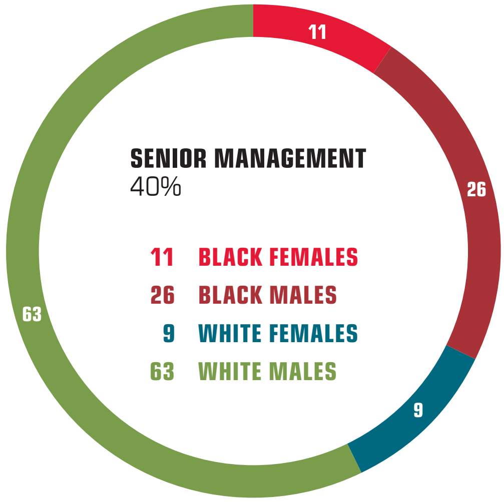
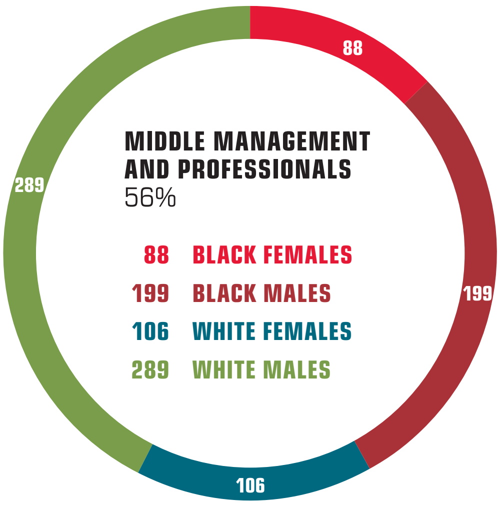
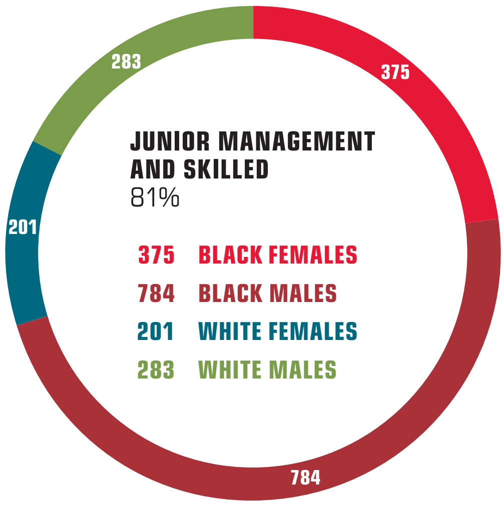
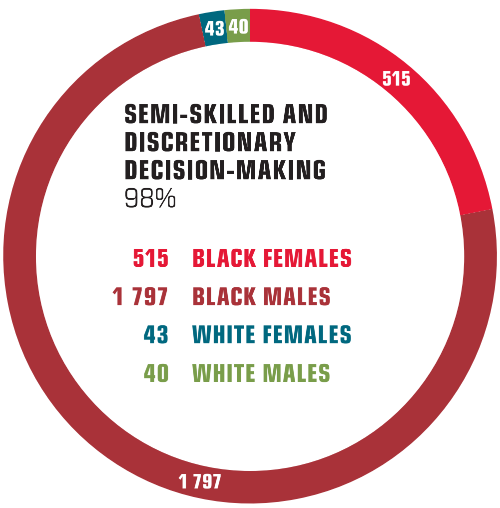
REPRESENTATION BY OCCUPATIONAL LEVEL, RACE AND GENDER — YEAR-ON-YEAR COMPARATIVES

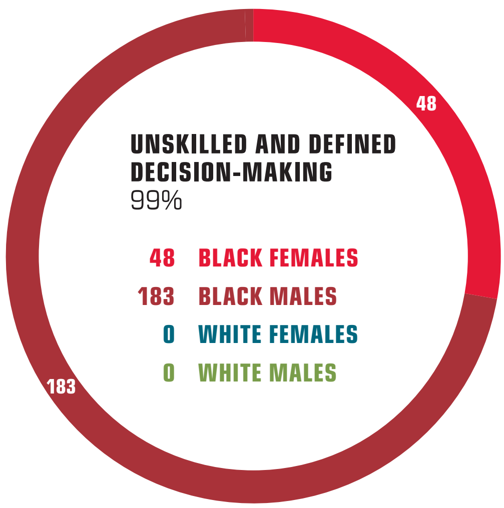












* Indicates limited assurance. See page 68.

2018 B-BBEE SCORECARD BY ELEMENT

	2018	2017
Ownership	**25**	25
Management Control	**11,19**	12,91
Skills Development	**16,92**	11,45
Enterprise and Supplier Development	**32,06**	4,06
Socio-economic Development	**5**	5
	90,17	58,42
B-BBEE Level	**Level 3**	Level 8
Customer Spend Recognition	**110%**	10%

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

AECI supports the South African government's Broad Based Black Empowerment ("B-BBEE") Act, No. 53 of 2003, the Codes of Good Practices gazetted in 2007 and the Amended Codes of 2013. AECI also recognises the importance of achieving a sustainable socio-economic environment through the meaningful participation of Black people in the mainstream economy and the Company is committed to the implementation and success of broad-based empowerment in all its businesses in South Africa.

AECI was a Level 4 B-BBEE Contributor in terms of the former Codes of Good Practice. With the application of the Amended Codes, this dropped to Level 8. AECI actively pursued a recovery to Level 4 and implemented a formal plan to accelerate its transformation journey. It was extremely pleasing that the Company not only regained but exceeded its prior Contributor status. AECI received its new B-BBEE certificate on 4 April 2018. A copy is available via the link **www.aeci.co.za/about-bbbee-certificates.php**.

The result per element of the Level 3 scorecard is displayed in the table above.

OWNERSHIP

The maximum score for the Ownership element was maintained. AECI's B-BBEE ownership transactions were approved by shareholders in January 2012. The B-BBEE shareholding comprises of the AECI Employees Share Trust ("EST"), the AECI Community Education and Development Trust and the Tiso AEL Development Trust.

With this ownership structure, plus mandated investments and other public shareholders, the Company has Black Ownership of 57,96% and Black Female Ownership of 18,82% in terms of the Amended Codes.

MANAGEMENT CONTROL AND SKILLS DEVELOPMENT

AECI subscribes to a culture of inclusivity and diversity. Its integrated Human Capital initiatives are aimed at improving demographic diversity at all occupational levels. Annual qualitative and quantitative plans are formulated to ensure that Group businesses work towards the achievement of defined EE and skills development goals. As indicated on page 50, particular attention is being paid to the inclusion of women at all occupational levels but especially at senior levels, and people with disabilities.

Due to the scarcity of certain critical skills in the chemicals industry, it is imperative that AECI's skills development strategy be aligned with its EE plans. An adequate number of learners, apprentices and interns continue to be supported to ensure that business requirements will be met into the future. In 2017 the focus was on improving the absorption rates of learners, apprentices and interns who have completed their studies.

AECI actively improved its reporting to reinforce regular and accurate recording of skills development. This was fundamental in the achievement of a higher Skills Development score.

ENTERPRISE AND SUPPLIER DEVELOPMENT ("E&SD")

Significant strides were made in the year through a focused preferential procurement strategy and the establishment of the Good Chemistry Fund. The latter fund will invest up to R50 million in E&SD initiatives relating to South Africa's chemicals industry. Business development services, investments (equity or grants) and loans are being made available to identified qualifying beneficiaries. The specific objective of the fund is to fill some of the existing transformation gaps in AECI's supply chain and that of the industry as a whole.

The Good Chemistry Fund is currently engaged in projects relating to New Era farming, chemical distribution channels, engineering maintenance and transportation.

AECI achieved 100% preferential procurement spend recognition in its latest B-BBEE assessment. This spend is attributable to two sub-elements of the preferential procurement scorecard, namely spend on compliant suppliers (generic/large) and spend on suppliers that are more than 51% Black-owned.

SOCIO-ECONOMIC DEVELOPMENT

Details of the Group's endeavours, which enabled it to retain the maximum score for this element of the scorecard, are outlined on pages 58 and 59.

THE EST

2017 marked the fifth anniversary of the EST. Since inception in 2012, dividend payments in excess of R7 million have been paid to 5 643 beneficiaries.

In the year under review, the Trustees of the EST undertook numerous activities in fulfilling their mandate to empower beneficiaries, including:

A ROBUST AUDIT PROCESS
was commissioned to verify and update the beneficiaries database

AN ENGAGING GENERAL MEETING
of beneficiaries was held in May to provide them with a comprehensive and transparent update on the EST's performance, and for them to mandate the Trustees to vote on their behalf at AECI's AGM

A NOMINATION AND ELECTION PROCESS
for independent Trustees was concluded

A GROSS DIVIDEND OF 40 CENTS
per B ordinary share was paid to beneficiaries in September 2017

EMPLOYEE RELATIONS

AECI subscribes to the principles of the International Labour Organization's ("ILO") conventions. Human Capital policies are intolerant of any form of unfair discrimination, harassment, child labour, intimidation or bullying in the workplace.

To safeguard adherence to these principles and policies, and to facilitate understanding and good relationships, relevant training is provided for management, shop stewards and employees.

Policies are reviewed regularly for continued alignment with legislative and business requirements. Violation of these policies and associated standards results in appropriate disciplinary action.

LABOUR LEGISLATION

The following items received attention in the year to ensure compliance in an ever-changing statutory environment in the Group's countries of operation:

- in South Africa, formal recognition agreements with all representative trade unions remained in place, in line with the amended Labour Relations Act, No. 66 of 1995. There were improvements in the management of temporary employment and labour broker contracts in favour of permanent employment whenever this is warranted and justifiable;
- in Tanzania, where businesses in the Mining Solutions segment operate, changes were made to comply with a new regulation which provides that the grievance procedure must be displayed in a conspicuous place and the employer must ensure that employees are aware and sensitised in terms of this procedure.

TRADE UNION AND EMPLOYEE PARTICIPATION

AECI subscribes to the ILO's conventions regarding employees' rights to freedom of association and collective bargaining. Sectional Forums have been established at operating plant level to enhance mutually beneficial engagement between management and employees.

In South Africa, all the main chemical industry trade unions are recognised. Approximately 47% of employees in the Group's local operations are members of trade unions. Approximately 32% of employees are in the bargaining unit, with 28% being union members.

Similar recognition agreements exist in other countries where AECI operates. Approximately 59% of those employees are union members. A list of unions with whom the Group has formal recognition agreements in place is available at **www.aeci.co.za/pdf/trade-unions/2017-trade-unions.pdf**.

It was very pleasing that a two-year substantive collective agreement for bargaining unit employees in South Africa was concluded under the auspices of the National Bargaining Council for the Chemical Industry. This will ensure labour market stability and certainty in the industry for the period 1 July 2017 to 30 June 2019.

The focus over the next three years will be on developing a partnership model for management and employee engagements, implementing a standard job evaluation system Group-wide and formalising a standard remuneration philosophy. Steps in this regard will include, inter alia:

- establishment of Operating Business and Sectional Forums;
- capacity-building for management, employees and employee representatives to enable stronger partnerships in all countries of operation;
- alignment of bargaining unit positions with the Paterson framework to ensure that a standard job profile assessment methodology is applied across the Group;
- roll-out of employee relations software for case tracking, record keeping, reporting, and the early identification of trends that may require proactive interventions.

INTELLECTUAL CAPITAL

As an international organisation, AECI actively seeks to attract and retain talent at all levels in all its countries of operation. The Group's key policies, programmes and initiatives in support of its Employer Value Proposition are presented here.

TALENT ACQUISITION

In the higher education and training pillar of the World Economic Forum Competitiveness Report 2016-2017, South Africa was ranked last of 140 countries in "Quality of math and science education" and 138th in "Quality of the educational system". These educational challenges underscore the importance of skills retention and development in pursuit of the delivery of business growth. Attracting and retaining scarce and critical skills in a highly competitive markets remains a challenge and an area of strategic focus.

To safeguard its future growth, the Group continues to foster a pipeline of talent via its internal Learning and Development programmes and through its partnerships with secondary and tertiary educational institutions. In South Africa, the emphasis is on designated candidates and women.

Recruitment campaigns have been held in outlying regions to build strong local talent pipelines. Wherever possible, preference in employment is given to people from communities which are close to Group operations.

TALENT MANAGEMENT

In 2017, existing projects and programmes to enable and facilitate employee growth continued and others were initiated to enhance the workplace engagement and experience.

Improved leadership capability and a pipeline of future leaders are achieved through the Group's partnership with the Gordon Institute of Business Science ("GIBS"). GIBS provides customised and accredited management interventions in the context of the AECI Leadership and Management Development Programmes. The GIBS programmes cater for leaders from junior to senior management levels and offer participants the most up-to-date knowledge.

At senior and middle management levels participants are exposed to stretch assignments, from individual and syndicate perspectives, that encompass action learning and business improvements. Growth and improvement opportunities that have real application in the Group are identified. The outcomes over the last two years are demonstrated by good results in Group-wide collaboration and innovation initiatives.

The fifth intake of employees, across all levels, participated in 2017. The sustained success of this programme was illustrated by the need to present the Foundation and Middle Management level course for two groups of employees. Over five years, more than 540 employees have benefited in total, with 80% of them being from designated groups. Approximately 80% of all graduates remain employed across the Group.

Three Senior Managers were enrolled on the GIBS Global Executive Development Programme. Enrolment will continue until all Senior Managers have had an opportunity to attend.

At individual Group business level, significant time was invested in workforce planning through the development of succession plans to address the short- and long-term employment needs.

PERFORMANCE MANAGEMENT

The execution of performance management in AECI has evolved considerably in recent years. An automated performance management system, named Khula Nathi ("Grow With Us" in Zulu), was implemented across the Group's South African operations in March 2017 and made available to employees in other countries of operation two months later.

Employees embraced the system and contributed to its successful implementation by participating in engagement sessions and by setting their KPIs for 2017 in Khula Nathi. The mid-year and year-end performance reviews were conducted on the system. The process was automated further through a "review to payment" process whereby employees' final performance ratings are exported and provided as input into the compensation process without requiring manual intervention.

Automation has resulted in the standardisation of annual activities, minimisation of administration and improved reporting capabilities.

While the focus in 2017 was primarily on enabling employees to use the on-line system for setting KPIs and reviewing their performance, conversations remain the most important aspect of performance management. Moving forward, therefore, embedding performance management in the Group will emphasise the quality of performance conversations between Managers and employees.

LEARNING AND DEVELOPMENT

Learning and training are key components of AECI's Employee Value Proposition. Skills and behaviours that promote a culture of continuous learning, leadership and diversity are fundamental to the achievement of the Group's strategic goals and objectives, including its EE targets.

Training programmes ensure the timely availability of the Group's human capital requirements and learning interventions aim to deliver well-rounded, competent employees who make contributions that provide them with personal growth and facilitate increased productivity and hence improved shareholder value.

The Learning and Development function remains committed to allowing employees to grow and advance their careers in the Group. The employment level "banded" approach in place gives employees opportunities to participate in programmes appropriate to their levels of work, but also to attend interventions at more advanced levels.

BENEFICIARIES OF EMPLOYEE STUDY ASSISTANCE SCHEME BY RACIAL GROUP AND GENDER 2014 TO 2017

	African		Coloured		Indian		White		Total by gender		Total beneficiaries	Total investment (R millions)
Year	M	F	M	F	M	F	M	F	M	F		
2014	82	63	—	8	5	16	7	8	94	95	189	1,9
2015	46	33	3	4	8	10	11	9	68	56	124	2,3
2016	89	59	5	11	11	15	12	14	117	99	216	2,9
2017	116	76	8	17	15	18	15	18	154	129	283	4,1
Total	**333**	**231**	**16**	**40**	**39**	**59**	**45**	**49**	**433**	**379**	**812**	**11,2**

INVESTMENT IN BURSARY SCHEMES IN 2017

Scheme	No. of beneficiaries	Designated group beneficiaries (%)	Female beneficiaries (%)	Investment in 2017 (R millions)
External	35	94	42	4,4
Employee dependent	34	100	64	0,7
Total beneficiaries	**69**	**97**	**53**	**5,1**

SUMMARY OF CHIETA GRANTS IN 2017

Type of grant (R millions)	2017	2016
Mandatory	**4,8**	4,3
Discretionary	**6,0**	3,3
Total grants	**10,8**	**7,6**

EMPLOYEE ASSISTANCE

Training initiatives concentrate particularly on accelerating the development of employees from designated groups.

In 2017 the Group increased its financial assistance for employees by 41% through the AECI Employee Study Assistance Scheme (26% increase in 2016). Investment over the last four years is illustrated in the table at the top of the page.

Courses of study pursued included Masters in Business Administration, Bachelor of Arts Psychology in Human Resources, Bachelor of Science and Bachelor of Accounting Science degrees as well as National Diplomas in Electrical Engineering, Analytical Chemistry, Safety Management and Operations Management.

Skills Development ("SD") is a priority element in the amended Broad Based Black Economic Empowerment Codes of Good Practice and it is vital that Group businesses in South Africa achieve the 40% threshold. Workshops were held during 2017 to up-skill employees on data capture requirements for the newly deployed SAGE BEE123 System so as to maximise scores.

Investment in the External Bursary Scheme and the Employee Dependent Bursary Scheme assists in achieving this threshold as these investments are measured as part of SD.

BURSARY SCHEMES

AECI sponsored full-time students, primarily from designated groups, who were studying towards qualifications identified as critical and scarce skills, through the External Bursary Scheme. Fields of study pursued included chemistry, agriculture, and chemical, mechanical and mining engineering.

Graduates are employed in the Group for a minimum of 12 months as part of the bursary work-back requirement and to gain industry experience. This development programme is dependent on positions available and it was pleasing that all seven students who graduated at the end of 2016 or during 2017 were placed in the business. A further six students completed the theoretical component of their diplomas and commenced their internships. R4,4 million was invested to support 35 students in 2017 compared to R1,7 million for 26 students in the prior year. The significant increase in financing was due mainly to the Group offering extended vacation work opportunities to students. This has built stronger relationships between them and the business and should benefit the retention rate of graduates who are the leaders and technical experts of the future.

Group representatives attended various student days at universities as AECI brand ambassadors and to advise students on bursary opportunities and career prospects in the Company.

Further financial support was provided through the Employee Dependent Bursary Scheme to dependents of employees in lower income brackets. The bursary recipient must register with an accredited educational institution for a tertiary qualification, irrespective of the course of study. The number of bursary holders increased to 34 from 27 in 2016. A summary of investments in the bursary schemes is set out on page 56.

INTERACTIONS WITH THE CHIETA

AECI's learning and development strategies are aligned to the Employment Equity Act and the Skills Development Act No. 97 of 1998. Accordingly, the Workplace Skills Plans and Annual Training Reports of Group businesses in South Africa were submitted timeously to the Chemical Industries Education & Training Authority structures ("CHIETA"), as required by legislation.

Collaboration between the Group and the CHIETA stakeholders continued and the criteria required for funding applications have been implemented, as demonstrated by the increase in funding received (see table on the facing page). The figure for 2017 includes payments received to end-September. The total amount will increase when the CHIETA makes further payments in lieu and when Discretionary Grant interventions are completed.

Only three manufacturing sites in the Group are yet to be accredited as approved workplaces for learnership and apprenticeship learning. The Group remains well represented in legislative forums of the CHIETA. Subject matter experts represent AECI at employer organisations such as the National Association of Speciality Chemicals Employers Association ("NASCEA"), the National Institute of Explosives Technology and the National Artisan Training Committee. These relationships optimise the Group's ability to make contributions suitable and beneficial to the sectors in which it operates. NASCEA has also requested that AECI nominate a representative to serve on the CHIETA Board for 2018. This nomination will be finalised in 2018.

Details of projects and progress in the area of Learning and Development by AECI's business segments are available via the link **www.aeci.co.za/sustainability-training.php**.

HUMAN CAPITAL MANAGEMENT SOLUTION

The 2020 strategic objective of the Human Capital function is to enhance current practices so as to enable leaders to improve employee engagement internationally.

The foundation for this is transformation of the people management landscape and the associated operating model across the AECI Group in all countries of operation. This will be achieved through delivery of the Human Capital Management Solution Programme — a collaborative effort between the Group's Human Capital and IT functions and external service providers, with input from key stakeholders in the business. A robust governance methodology will underpin the execution of the programme which is supported by the Chief Executive, as the Programme Sponsor and the Group Executive: Human Capital, as the Programme Owner.

The technology solution being implemented is cloud-based, with mobile functionality, and it will integrate Human Capital further into the fabric of AECI's everyday business. It will be possible to generate data-driven insights to enhance workforce performance and thus overall business performance.

A robust Human Capital operating model will also underpin this initiative, enabling standardised processes and a solid governance framework that promote more effective people management and benefit line managers who are expected to be uniformly fair, transparent and equitable in managing the workforce.

As an integrated solution for all employee-related transactions throughout an employee's period of employment, the system will ultimately allow for the centralisation and decentralisation of Human Capital processes and activities, as required.

SOCIAL AND RELATIONSHIP CAPITAL

AECI accepts that it has responsibilities and accountability, as a corporate citizen, to achieve shared value that is best achieved through a stakeholder-inclusive approach. The Group has a valuable role to play in the development of communities where it operates and it needs to be responsive to the growing and legitimate needs of these communities and South Africa as a whole.

R35m
INVESTED IN 2017 IN:

9
PROVINCES

96
PROJECTS

73
ORGANISATIONS

450 000
BENEFICIARIES

SOCIO-ECONOMIC DEVELOPMENT ("SED")

In 2017, the Group contributed to meeting South Africa's national development imperatives through SED programmes designed to enable impactful social transformation.

5 000
CAREER GUIDANCE BOOKLETS DISTRIBUTED

200
FAMILIES RECEIVED FOOD PARCELS, BLANKETS AND MATTRESSES

1 000
BENEFICIARIES POSITIVELY IMPACTED BY ANIMAL FEED ASSISTANCE

R500 000
DONATED FOR SCHOOL SHOES AND SUPPLIES

3 000
LEARNERS BENEFITED FROM DONATIONS

R35 million was invested in qualifying initiatives across all nine provinces in South Africa, with a positive contribution to 96 projects, in partnerships with 73 organisations and impacting over 450 000 beneficiaries.

This contribution was realised through the AECI Group SED Programmes, an integrated business and people-centric structure which is executed through the AECI Corporate Social Investment Fund, the AECI Community Education and Development Trust ("CEDT") and the Tiso AEL Development Trust. The philosophy of the programmes is that of sustainable development, which drives all governance and decision-making. This philosophy is aligned to the King IV principles and drives development programmes that meet the needs of the present without compromising the ability of future generations to meet their own needs.

The process adopted to achieve sustainable development includes:

- comprehensive needs analyses;
- a multi-disciplinary development approach;
- credible strategic partnerships
- achieving maximum impact;
- targeted outcomes and impact-based grant management;
- proactive risk management; and
- robust monitoring and evaluation.

Investments in the year were implemented across the eight broad areas of focus. These areas, with corresponding invested amounts over the last four years, are shown on the facing page.

Over and above the structured programmes, discretionary grants were also allocated towards national emergencies in 2017.

The CEDT partnered with Gift of the Givers to provide emergency relief to communities neighbouring Group operating areas in KwaZulu-Natal and the Western Cape. At Umbogintwini, neighbours were seriously affected by floods in October. Food parcels, blankets and mattresses were provided to 200 families.

Further relief was provided to farms in the Western Cape affected by the severe drought conditions that persist in that province. Animal feed was donated to assist in safeguarding the livelihoods of 100 families (1 000 beneficiaries) in the Klawer region.

EMPLOYEE VOLUNTEERISM

AECI's employees have made significant progress in terms of volunteerism campaigns which are aligned with the SED Programme strategy and priorities and are complementary in terms of making a meaningful impact. The two campaigns in 2017 focused on education:

- career guidance education and awareness, with over 5 000 information booklets donated to learners; and
- the Barefoot No More Campaign, which saw over R500 000 being donated towards the provision of school shoes, stationery and underwear for 3 000 needy learners across the country.

AECI thanks all its SED partners for enabling its ongoing efforts to have a meaningful and sustainable impact the lives of many.

SED INVESTMENTS BY BUSINESS SEGMENT IN 2017

Of the total investment in 2017, R21 million was allocated to programmes aligned with the needs of communities in which AECI's businesses operated. AEL also invested in SED initiatives in Zambia, Ghana and Australia. Projects ranged from infrastructure development of local community facilities, to water access programmes, skills development and education.

PLANT & ANIMAL HEALTH	R1,4m
MINING SOLUTIONS	R10,7m
FOOD & BEVERAGE	R3,6m
WATER & PROCESS	R3,5m
CHEMICALS	R1,8m

Read more at **www.aeci.co.za/sustainability-sed-programmes.php**.

SED FOCUS AREAS AND SUMMARY OF INVESTMENTS: 2014 TO 2017

EDUCATION — R30 MILLION
IMPROVING EDUCATIONAL OUTCOMES THROUGH LEARNER AND EDUCATOR DEVELOPMENT. IMPROVING THE PREPAREDNESS FOR YOUNG SCHOOL LEAVERS AND ENABLING ACCESS TO TERTIARY EDUCATION QUALIFICATIONS.

SKILLS DEVELOPMENT — R15 MILLION
IMPROVING INTERMEDIATE ARTISANAL AND TECHNICAL COMPETENCIES BY SUPPORTING INITIATIVES THAT PROVIDE ACCREDITED QUALIFICATIONS.

INCLUSION — R3 MILLION
INCREASING THE EMPLOYMENT POTENTIAL OF PEOPLE LIVING WITH DISABILITIES.

ENVIRONMENT — R4 MILLION
ENHANCING ENVIRONMENTAL AWARENESS AND DRIVING ENVIRONMENTALLY-FOCUSED COMMUNITY UPLIFTMENT PROGRAMMES.

WATER — R7 MILLION
CREATING AWARENESS ON WATER CONSERVATION AND STRENGTHENING EFFORTS TO PROVIDE POTABLE WATER TO COMMUNITIES.

ORPHANS AND VULNERABLE CHILDREN — R4 MILLION
REDUCING/MITIGATING THE VULNERABILITY OF CHILDREN.

HEALTH — R4 MILLION
ENABLING ACCESS TO PRIMARY HEALTHCARE.

FOOD SECURITY — R5 MILLION
PROVIDING ACCESS TO BASIC FOOD AND NUTRITION.

04

SAFETY, HEALTH AND THE ENVIRONMENT

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

To fulfil this policy commitment, a set of Safety, Health and Environmental ("SHE") Standards has been agreed to and approved by the Chief Executive. The Social and Ethics Committee oversees these matters and reports back to the full Board. The Standards, as stated below, are designed for implementation in AECI's federal structure. The Chief Executive holds the Managing Director of each AECI business accountable for ensuring that implementation is effected appropriately in the business he or she manages. Each Group business must:

- adopt a safety, health and environmental Policy that meets the needs of the business;
- hold line management accountable for the implementation of the safety, health and environmental Policy;
- develop and maintain appropriate procedures to support the safety, health and environmental Policy;
- manage safety, health and environmental risks in a manner that meets all the legal requirements of the countries in which it operates and accepted international criteria;
- be prepared for and deal with any emergency;
- ensure that employees and contractors are trained effectively;
- maintain a record of safety, health and environmental information and meet statutory record-keeping requirements; and
- audit performance against its Policy, standards and procedures and report this regularly to the AECI Executive Committee.

The key performance indicators for reporting purposes are prepared in accordance with AECI's internal reporting criteria. These are available via the link **www.aeci.co.za/sustainability-reporting-standards.php**.

REVISED STRATEGY

A single SHE and Quality ("SHEQ") strategy was developed during 2017. This strategy is aimed at driving standardisation in SHEQ management across the Group and delivering a new long-term goal and vision as follows:

Our goal is Zero Harm. We aspire to operate sustainably, without harm to people, the environment and the communities in which we operate.

The vision reflects an organisational belief system that drives continuous improvement over the long-term — a journey towards Zero Harm.

The strategy has 12 focus areas that will be developed and implemented over four years to deliver improved performances in Process Safety, Occupational Safety, Occupational Health, Environmental Performance, Product Transportation and Quality. Work commenced in the year on the priority areas, namely: Leadership Alignment to Zero Harm, Employee Engagement, Process Safety Management, Life-saving Behaviours and SHE Risk Management.

The strategy has been endorsed by the leadership of all Group companies as well as the AECI Executive Committee, the Social and Ethics Committee and the full AECI Board. The Chief Executive remains accountable for SHEQ performance.

Implementation and the measurement of the effectiveness of this strategy is managed through a newly constituted Group SHE Committee and progress is reported on a monthly basis to the Executive Committee and quarterly to the Social and Ethics Committee.

COMPLIANCE

The legal environment in which the Group operates is increasingly complex owing to additional SHE-related legislative requirements in South Africa and the diversity of legislation in countries in the Group's geographic footprint. In 2016 a specialist third-party SHE consulting firm was contracted to undertake and manage an extensive audit programme across all AECI sites, internationally. The programme continued through 2017 and was completed in December. A total of 57 sites were audited, with primary focus on legal compliance in SHE matters. The audit results and progress in terms of addressing associated findings are discussed by the management teams concerned as well as being tracked by the Executive Committee on a monthly basis.

As reported in prior years, certain manufacturing operations at AEL's Modderfontein facility were unable to meet all the minimum emissions standards that came into effect on 1 April 2015, in terms of the National Environmental Management: Air Quality Act, No. 39 of 2004. AEL submitted an application to the regulatory authorities for the postponement of the compliance timeframes, so as to allow the company sufficient time to make the necessary commitments of capital required to achieve full compliance. In 2017, the Department of Environmental Affairs ("DEA") responded to this request by issuing a letter outlining alternative limits to be adhered to between 24 April 2017 and 30 March 2020. AEL has since commenced installing abatement equipment, and will continue to do so over the next two years, in order to meet the 2020 Minimum Emission Standards.

As in previous years, each Managing Director has submitted a Letter of Assurance to the Chief Executive, describing the main SHE-related risks faced by his or her business and the controls in place to manage these, and also confirming that the business is in compliance with AECI's SHE Standards. Where such confirmation cannot be given, the level of non-compliance is described and details of the plans in place to achieve compliance are provided.

SHEQ MANAGEMENT SYSTEMS

AECI's businesses and/or operating sites are required to align their SHEQ Management Systems with an external standard against which third-party audits may be undertaken. The most commonly adopted such standards are:

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

AEL utilises its in-house World Class system which comprises seven elements, including safety, health and the environment, but also commenced a programme in the year to obtain certification against OHSAS 18001:2007. The Central Engineering Department, based in Modderfontein, achieved certification in 2017 and a number of other areas are earmarked for the same certification over the next few years.

NATURAL CAPITAL

2017 HIGHLIGHTS

9 644

TONNES OF WASTE RECYCLED

11,8%

YEAR-ON-YEAR REDUCTION IN HAZARDOUS WASTE GENERATION

6,2%

YEAR-ON-YEAR REDUCTION IN WATER CONSUMPTION

Maintained "B" Level

STATUS PERFORMANCE IN THE CDP CLIMATE CHANGE AND WATER PROGRAMS, DESPITE STRICTER CRITERIA

ENVIRONMENTAL INCIDENTS

Because the Group has well over 100 manufacturing sites and an extensive product transportation network, the responsible management of environmental incidents is an important aspect of AECI's values. The prevention of incidents detrimental to the environment remains a key focus area and it is pleasing to report that there were no * major or serious environmental incidents in 2017 (no * major or serious incidents in 2016).

Environmental incidents are reported to external stakeholders through structures such as Modderfontein's Community Awareness and Emergency Response Committee, Stakeholder Forums and Licence Advisory Forums. Incidents are also reported on a monthly basis to the Executive Committee.

Of the moderate and minor incidents that did occur in 2017, the most significant are described below:

- Acacia Operations Services, Umbogintwini: a leak in a caustic soda delivery line resulted in this chemical entering the stormwater system and an on-site retention dam;
- AECI Chem Park, Chloorkop: contaminated stormwater from a leaking sump caused pollution of AECI's neighbouring Modderfontein property;
- AEL, Australia: approximately 500kg of ammonium nitrate spilled when a bag of product fell off a flatbed truck onto the road surface at AEL's facility in Bajool, Queensland;
- AEL, DRC: 12 bags of ammonium nitrate porous prill were spilled from a service provider's truck on the way to a customer's site;
- AEL, Indonesia: a mobile manufacturing unit tipped over while travelling to a blasting location. This resulted in the spillage of approximately 4 000kg of explosives emulsion, 1 000kg of ammonium nitrate, 125ℓ of diesel, and 50ℓ of hydraulic oil;
- AEL, Modderfontein, Nitrates: there was an overflow from a pond during transfer of nitrogenous effluent to the tank farm, resulting in ground pollution;
- AEL, Modderfontein: effluent and sewage overflowed into a canal as a result of the sewer drain manhole become blocked by concrete and sand. The quality of water discharged was adversely impacted;
- AEL, Modderfontein: spillage of approximately one tonne of weak ammonium nitrate solution impacted the quality of effluent discharged;
- Chemical Initiatives ("CI"): a spillage of sulphur occurred on the N1 highway near Hanover, in the Northern Cape, when the driver of a third-party transport service provider swerved to avoid a head-on collision;
- CI: a third-party service provider's truck carrying sulphuric acid leaked approximately one tonne of acid onto the N12 highway towards Potchefstroom, North West, due to a ruptured pipe;
- ChemSystems, Umbogintwini: effluent from the plant entered the stormwater system, resulting in contamination of a local stream;
- ChemSystems: a resin spillage resulted from a traffic incident about 130km from Mbombela, Mpumalanga.

In all of the incidents, clean-up was conducted effectively and there was no lasting, material environmental impact.

The reduction trend in the number of minor environmental incidents recorded in the Group in recent years has been maintained. It is concerning, however, that the number of moderate incidents has increased (see graph on page 64). A large proportion of these occurred during the transportation of product. A separate tracking method for transportation incidents will be instituted in 2018.

* Indicates limited assurance. See page 68.

ENVIRONMENTAL INCIDENTS PER YEAR*

PERFORMANCE BY BUSINESS SEGMENT

	Mining Solutions	Water & Process	Plant & Animal Health	Food & Beverage	Chemicals	Property	**Total 2017**	Total 2016*	% change
Water usage (m^3)	1 781 840	72 202	26 662	55 205	867 934	142 062	**2 945 905***	3 139 755*	(6,2)
Hazardous waste generated (t)	1 962	777	133	29	3 606	85	**6 592***	7 474*	(11,8)
Waste recycled (t)	3 374	26	—	37	5 595	612	**9 644**	10 323	(6,6)
Scope 1 emissions (tonnes of CO_2e)	327 965	579	330	3 474	11 266	22 665	**366 280***	314 780*	16,4
Scope 2 emissions (tonnes of CO_2e)	140 204	3 342	1 490	4 778	63 233	3 924	**216 971***	217 088*	(0,1)
Total emissions (Scopes 1 and 2)							**583 251***	531 868*	9,7

TOTAL FOR THE GROUP

	2017	2016	% change
Water usage (m^3)	**2 945 905***	3 139 755*	(6,2)
Hazardous waste generated (t)	**6 592***	7 474*	(11,8)
Waste recycled (t)	**9 644**	10 323	(6,6)
Electricity consumption (MWh)	**211 635**	211 239	0,2
Energy usage (GJ)	**2 320 449**	2 295 753	1,1

* Indicates limited assurance. See page 68.

RESOURCE EFFICIENCY

Water usage by the Group's operations decreased by 6,2% to 2 945 905 m^3 * (2016: 3 139 755 m^3 *). The most significant contributor to this was AEL's Modderfontein operations, where a number of plants at the Nitrates facility undertook a statutory maintenance shutdown during the year.

The generation of hazardous waste decreased significantly by 11,8% to 6 592 tonnes (2016: 7 474 tonnes). This was predominantly due to greater demand by customers for sulphuric acid by-product which was previously disposed of. Recycled waste decreased slightly to 9 644 tonnes from 10 323 tonnes in 2016. (Note: the 16 588 tonnes reported in the prior year was incorrect and the figure has been amended).

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 United Nations' 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 on the Company's website. See **www.aeci.co.za/sustainability-carbon-footprint.php**.

Total CO_2e emissions increased by 9,7% due to higher Scope 1 emissions from AEL's nitric acid facility. The increase was attributable to significantly higher online time at No. 9 Nitric Acid plant in 2017.

Scope 2 emissions were mainly from electricity consumption. The Group consumed 211 635 MWh* of electricity (2016: 211 239MWh*). This represents a 0,2% year-on-year increase. Total energy usage was 2 320 449GJ* (2016: 2 295 753GJ*).

GOING GREEN

Focus on the Going Green Programme was sustained in the year, with a number of effluent and water optimisation projects being implemented across the Group. The objectives were to reduce water consumption and/or discharge and also to improve the quality of effluent discharged. Key projects included upgrading the stormwater and effluent infrastructure at AECI Chem Park, effluent optimisation solutions at Modderfontein and several effluent quality improvements at Nulandis, Lake Foods and Industrial Oleochemical Products.

The National Cleaner Production Centre ("NCPC-SA") conducted energy assessments at CI's Umbogintwini facility and selected projects will be implemented from 2018. Waste assessments were also conducted by the NCPC-SA at some Group facilities and related opportunities will be assessed in the coming year.

LAND REMEDIATION

The guiding principles underlying AECI's land remediation activities are the protection of human health and the environment and the use of good science, proven concepts and the best available appropriate technologies. Human health and environmental risk assessments are undertaken and these influence subsequent activities. Stakeholder communication in the remediation process is vital and AECI cooperates with regulatory authorities and shares information with interested and affected parties on a regular basis.

Details on financial provisions for environmental liabilities are included in note 15 to the financial statements.

As in the prior year, the majority of AECI's remediation expenditure in 2017 was at the Umbogintwini Industrial Complex as the Group continued the progressive roll-out of its enhanced in-situ bioremediation programme. This programme involves the creation of bio-barrier zones, down gradient of the contamination source areas. The growth of microbes in the bio-barrier zones is enhanced significantly through the injection of a nutrient source (vegetable oil), known as substrate, into the subsurface area. On completion of substrate injections, it is anticipated that the substrate will ferment, microbial growth will be enhanced and, over time, an increased rate of contaminant degradation should become evident. Current monitoring results indicate that conditions are favourable for the establishment of bio-barriers and evidence of increased contaminant degradation in some areas is already evident.

Extensive engagements with officials from the DEA took place regarding Group sites in the Western Cape, KwaZulu-Natal and Gauteng to confirm that the authorities are in agreement with AECI's approach to land remediation.

A comprehensive remediation strategy for operations at Modderfontein was developed and presented at the AECI/Authorities Remediation Forum. It was pleasing that the strategy was adopted by these key stakeholders and implementation will commence in 2018. Although the largest part of Modderfontein remains an active manufacturing site, sizeable areas have been identified for improvement projects to be executed in the framework of AECI's Remediation Action Plan.

AECI applied for and received remediation authorisations for ImproChem's sites in Pietermaritzburg and Chloorkop as well as for a site formerly occupied by Vynide (a plastics converter) in Somerset West. Treatability studies have been conducted for both the ImproChem sites, with results indicating that the contaminated soils could be treated/stabilised and retained on site rather than requiring off-site disposal. The remediation activities are scheduled for 2018.

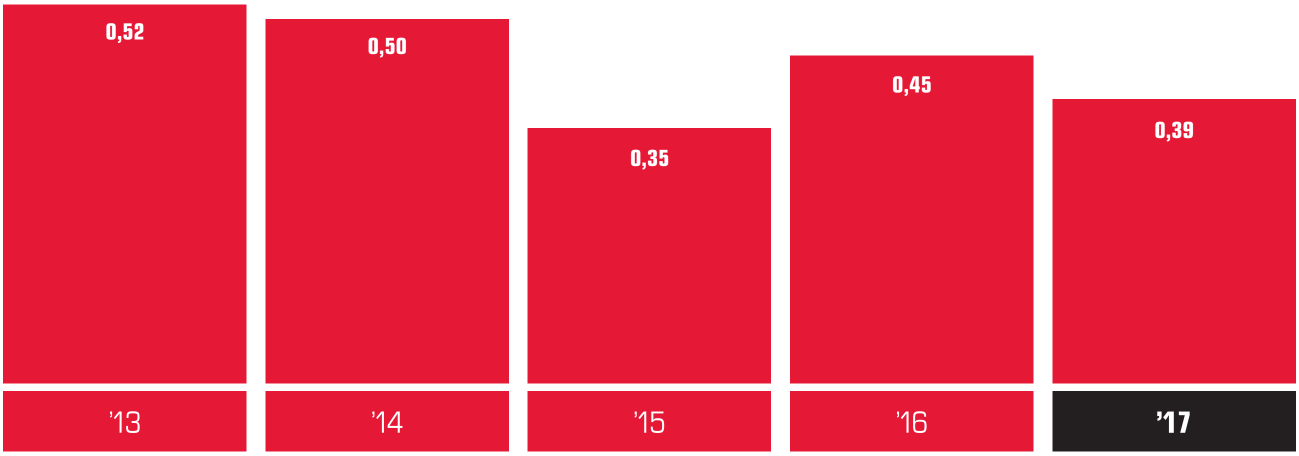
At the Vynide site, remediation was preceded by demolition of the factory buildings and soil sampling. With about half of the demolition and characterisation work completed, only a small area (about 5m in radius) has been found to be significantly contaminated. It has been isolated appropriately, pending remediation. Demolition, further characterisation and any necessary remediation will be undertaken in 2018.

From 1974, AECI operated the largest coal-based ammonia plant in the world at Modderfontein. A by-product of the coal gasification process was large quantities of comparatively high calorific-value ash. Serious efforts were made to re-use this in a specially designed and built steam boiler, but this proved to be unfeasible with the technology available at the time. As a result, the ash was deposited in slimes dams on site and more than 6 million tonnes had been accumulated by the time the ammonia plant shut down in the late 1990s. Leaving the ash in place was not an attractive proposition because a significant area of land is kept out of productive use and because slimes dams require maintenance and pose potential threats to the environment in the long term.

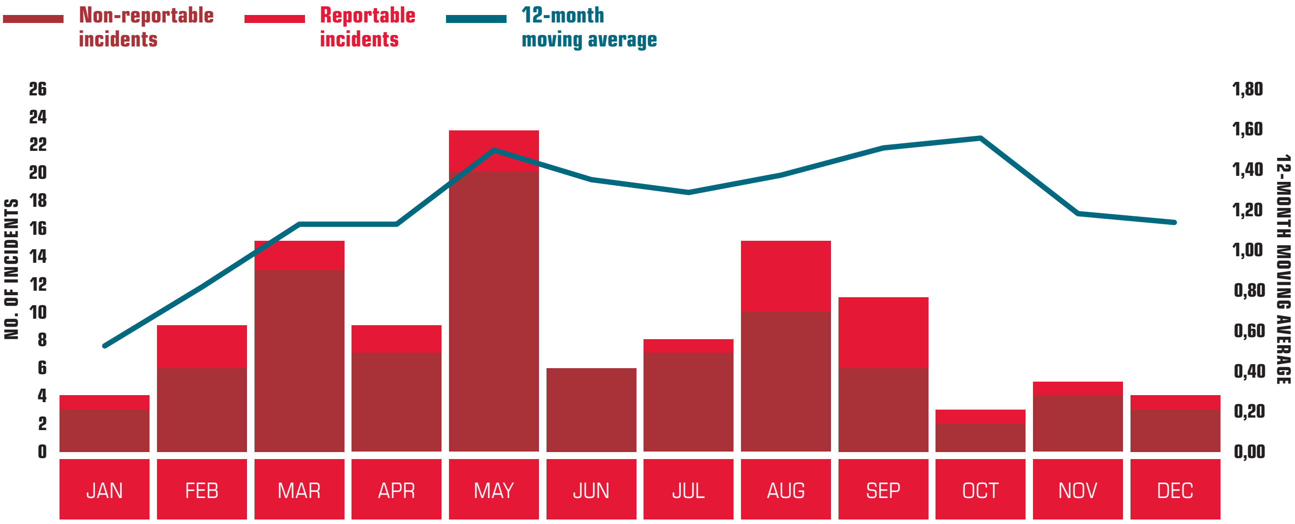
The ash from these historical gasifier operations at Modderfontein continues to be reclaimed by third parties. It is used by them as an energy source in the manufacture of various types of clay bricks, ranging from clay stock to high quality face bricks.

* Indicates limited assurance. See page 68.

ALL WORKERS TRIR BY YEAR*



2017 PROCESS SAFETY TOTAL INCIDENT RATE



* Indicates limited assurance. See page 68.

SOCIAL CAPITAL: EMPLOYEE SAFETY AND HEALTH

HEALTH AND SAFETY PERFORMANCE

The primary indicator used by AECI to measure its occupational health and safety performance is the Total Recordable Incident Rate ("TRIR"). The TRIR measures the number of incidents per 200 000 hours worked. The TRIR for 2017 was 0,39 *, better than 2016's rate of 0,45 *. Tragically, though, this performance was overshadowed by a fatality * on 26 July 2017. A contractor tanker driver who was delivering molten sulphur to the Chloorkop site on behalf of a supplier, succumbed to injuries he sustained when he fell from the top of the tanker while in the process of transferring the product. There were no * fatalities in the prior year.

The occupational illness rate was 0,03 * (2016: 0,02 *), with three reportable occupational illnesses diagnosed. One of these related to noise-induced hearing loss, one related to occupational asthma and the third related to work-aggravated asthma.

PROCESS SAFETY MANAGEMENT ("PSM") PERFORMANCE

As a signatory to Responsible Care®, AECI submits prescribed data to the Chemical and Allied Industries' Association ("CAIA"), as described in CAIA's Quantitative Indicators of Performance ("QIP") standard. The QIP requirements were updated in 2017, obliging signatories to publish data related to process safety incidents. As part of its revised SHEQ strategy, AECI has prioritised PSM and a revised indicator of performance has been adopted. This indicator is in line with the CAIA definitions, which are based on the American Petroleum Institute's ("API") Recommended Practice 754, and it has been adopted by every Group business. Performance data are reported monthly to the AECI Executive and to the Social and Ethics Committee on a quarterly basis.

Information on this indicator is included for the first time in this integrated report.

AECI has developed a Process Safety Total Incident Rate ("PSTIR") which reflects the occurrence of all levels (severity) of process safety incidents in relation to exposure hours worked. The graph on the facing page reflects the PSTIR over the year and also indicates occurrences of Reportable vs Non-reportable events. A Reportable event is defined as one which reaches certain thresholds as defined in API 754, commonly referred to as Tier 1 and Tier 2 events in the industry.

A total of 112 incidents occurred in the Group in 2017. Of these, 25 were Reportable. The 12-month moving average PSTIR at the end of the year was 1,14. It is recognised that the reporting culture for process safety incidents is still being established and, therefore, an increase in the number of incidents can be expected in the coming year.

The Group's PSM Management System has been redefined and key elements for implementation in 2018 will be prioritised. Capacity-building for effective PSM management will also be a focus.

ANNUAL AWARDS

CI's Chloorkop site received the Responsible Care® Award from CAIA at the Association's annual awards function. Only one signatory is recognised for its achievements each year.

The award's purpose is to:

- highlight and recognise the year-on-year SHE performance improvements of Responsible Care® signatories;
- encourage further improvement in performance through the implementation of the Responsible Care® initiative; and
- publicise the achievements of top year-on-year performance in CAIA's annual Responsible Care® Performance Report and in the media.

For CI at Chloorkop, CAIA noted the following specific improvements:

- effluent discharged per tonne of traded product;
- waste hierarchy per tonne of traded product (where waste hierarchy is the waste managed without disposal; eg. recycling, re-use, recovery, waste transfer); and
- water consumption per tonne of traded product.

Internally, annual awards for exemplary management and performance in SHE matters were awarded to Experse and Nulandis.

AECI ENVIRONMENTAL AWARD — NULANDIS

Nulandis achieved an excellent environmental performance in 2017 across the air emissions, water usage and waste parameters.

The Lilianton facility also achieved significant improvements in terms of effluent compliance due to process enhancements on the effluent system. Significant strides forward were made at the Modderfontein facility in terms of bunding, housekeeping and stormwater management.

AECI HEALTH AND SAFETY AWARD — EXPERSE

Experse reduced its TRIR from 3,26 in 2016 to zero in 2017 and recorded no occupational illnesses. Although four process safety incidents were reported, none of them were Reportable.

Experse has strong behaviour-based safety and process safety programmes in place and the business' committed leadership is setting a strong tone for Zero Harm.

EMPLOYEE WELLNESS

The overall welfare and wellbeing of AECI's employees is as important as their health and safety in the workplace. The Group's efforts in this regard, mainly in South Africa, are coordinated by a Wellness Steering Committee comprised of representatives from each operating site.

Awareness initiatives and assistance for employees in the year included Wellness Days, Blood Drives, Wellness Walks, and telephonic and face-to-face counselling services. Enhanced reporting on the initiatives implemented Group-wide to date will provide a deeper insight and assist in building a more integrated Wellness Programme from 2018. This integrated approach will aim to achieve higher engagement, inclusivity, productivity and job satisfaction for employees.

INVESTOR-RELATED INITIATIVES

AECI is involved in three main sustainability-related investor initiatives, namely the FTSE/JSE Responsible Investment Index Series, and the CDP Climate Change and Water Programs. The latter two are global programmes, administered in South Africa by the National Business Initiative.

AECI was included in the FTSE/JSE Responsible Investment Index for the third consecutive year. AECI participated in the CDP Climate Change Program for the eighth consecutive year and achieved a score in the "B" performance band, a sustained good performance and a score higher than the CDP Climate Change Program average. AECI participated in the CDP Water Program for the third year and achieved a score in the "B" band.

AECI's 2017 CDP submissions are available on the Company's website, as is its FTSE ESG Rating Profile. See **www.aeci.co.za/sustainability-cdp-wdp-submissions.php** and **www.aeci.co.za/aa_ftse-russel-rating-profile.php**.

* Indicates limited assurance. See page 68.

INDEPENDENT ASSURANCE PROVIDER'S LIMITED ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS

To the Directors of AECI Ltd

We have undertaken a limited assurance engagement on selected key performance indicators ("KPIs"), as described below, and presented in the Safety, Health and Environment commentary, and Human Capital commentary included in the 2017 integrated report to stakeholders of AECI Ltd ("AECI") for the year ended 31 December 2017 ("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 KPIs, marked with a * on the relevant pages in the report. The selected KPIs described below have been prepared in accordance with AECI's reporting criteria. These criteria are available on AECI's website **www.aeci.co.za/sustainability-reporting-standards.php**.

- **Environmental indicators** — number of environmental incidents (total major and serious) (page 63); total water usage, hazardous waste generated, carbon footprint — Scope1, Scope 2 and total of Scopes 1 and 2, total electricity usage, total energy usage (all on page 64);
- **Health and safety indicators** — Total Recordable Incident Rate (employees and contractors combined) (page 66); fatalities (employees and contractors combined) (page 67); occupational illness rate (employees and contractors combined) (page 67).
- **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, Junior Management and Skilled, Semi-skilled and Discretionary Decision-making and Unskilled and Defined Decision-making (page 51).

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with the AECI reporting criteria. 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 independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Services (Pty) Ltd applies the International Standard on Quality Control 1 and, accordingly, 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 KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 (revised), 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 KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) involves assessing the suitability in the circumstances of AECI's use of its reporting criteria guidelines as the basis of preparation for the selected KPIs, assessing the risks of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. 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 followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing with or reconciling 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 KPIs;
› 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 KPIs;
› undertook site visits to AEL (Modderfontein — Initiating Systems, Operations and Nitrates in South Africa), Acacia Operations Services (Umbogintwini), Chemical Initiatives (Umbogintwini), Industrial Oleochemical Products (Jacobs), ImproChem (Umbogintwini), Nulandis (Lilianton) and Senmin (Sasolburg). In addition, desktop reviews were performed for other AEL sites in South Africa (Coal, Sishen and Venetia) as well as sites in Zambia, Ghana and Indonesia. Desktop reviews were similarly undertaken for ImproChem (KwaZulu-Natal);
› evaluated whether the selected KPIs presented in the report are 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 KPIs have been prepared, in all material respects, in accordance with the AECI reporting criteria.

LIMITED ASSURANCE 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 KPIs as set out in the subject matter paragraph for the year ended 31 December 2017 have not been prepared, in all material respects, in accordance with the AECI reporting criteria.

OTHER MATTERS

The maintenance and integrity of AECI's website is the responsibility of AECI'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 limited assurance report that may have occurred since the initial date of its 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 KPIs 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
11 April 2018

1 Albany Road
Parktown
South Africa
2193

05

GOVERNANCE REPORT

The role of the Board is to exercise leadership, 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.

The AECI Board views good corporate governance as being fundamental to how it discharges its duty to oversee the Group as a whole. The Board's approach is to effect continuous improvement and endeavour to go beyond minimum compliance imperatives wherever appropriate. Accordingly, in 2017 the Directors continued to oversee the application of governance requirements to facilitate their ability to execute their statutory and fiduciary responsibilities and their duty of care and skill.

The Board, via its Committees, ensures alignment with best practice to support effective and ethical leadership, sustainability and good corporate citizenship.

The decision-making role of the Board is exercised through the formulation of fundamental policy and strategic goals in conjunction with management, whereas the oversight role concerns the review of management's decisions, the adequacy of systems and controls and the implementation of policies. In view of amendments to the JSE Listings Requirements, other legislative changes and the guidelines of King IV, the Board continued to lead the iterative journey of realigning the Company's processes and strategy in pursuit of progressive value-add and efficiencies.

Application of the guidelines contained in King IV is a journey that will continue in 2018 and thereafter. A summary of current adherence to King IV appears on page 77.

THE BOARD OF DIRECTORS

BOARD CHANGES DURING THE YEAR

The following members resigned from the Board:

- Schalk Engelbrecht, with effect from 28 February 2017;
- Richard Dunne, with effect from 29 May 2017;
- Moses Kgosana, with effect from 29 September 2017; and
- Liziwe Mda, with effect from 27 November 2017.

Philisiwe Sibaya was appointed to the Board after the reporting date, with effect from 27 February 2018.

BOARD STRUCTURE AND COMPOSITION

AECI has a unitary Board structure led by an Independent Non-executive Chairman, six other Independent Non-executive Directors (as at the date of this report) and two Executive Directors. The Board charter as well as the terms of reference of the Nominations Committee detail the procedure for appointments to the Board. Such appointments are formal and transparent and a matter for the Board as a whole.

The Board complement declined during 2017 and the Board took a step to supplementing its numbers with the appointment of Philisiwe Sibiya in February 2018. This appointment, and others that are being pursued, will safeguard the Board's ability to discharge of its fiduciary duties. Appointment processes take into account issues of diversity, race and gender and the Board, through its Nominations Committee, aims to ensure that it has the right balance of skills, expertise and experience.

Summarised biographical details of the Directors are provided on pages 14 to 16.

The charter in terms of which the Board operates will be due for review in 2018. A copy of the current charter and the terms of reference of all Board Committees can be found via the website link **http://www.aeci.co.za/gov_policy.php**.

GOVERNANCE FRAMEWORK

The Company's governance framework is defined as "freedom supported by a framework". The overall intention of this framework is to ensure that there is ongoing performance improvement and support for entrepreneurial flair by Group businesses while ensuring that at the same time all governance and regulatory obligations are met. A robust process is in place to confirm that the framework supporting the governance of the Group remains relevant, efficient and clear and aligns the expectations of the Board, management and the stakeholder community as a whole.

In 2017, the Board approved work to remodel the governance framework, redefine the strategic segment approach adopted for the Group's growth, enhance efficiencies and encourage portfolio management. This culminated in the redefinition of underlying internal governance structures to enable greater focus and appropriate oversight in all aspects of the Company's businesses.

ROTATION, TENURE, DIVERSITY AND SUCCESSION

There is no set retirement age for Non-executive Directors. Non-executive Directors may generally serve for up to nine years, subject to retirement and re-election by rotation as set out in the Company's MOI. Extensions of this period may be granted, provided the Nominations Committee remains satisfied that the Director's independence has not been compromised. The independence assessment, which is part of the Board and Committee evaluation, is conducted on a case-by-case basis and all Board members participate in the review process.

In 2017, the Board undertook independence assessments for Zellah Fuphe, Khotso Mokhele and Rams Ramashia.

The full Board participated and the outcomes confirmed that all three were considered independent, courageous and prepared to raise issues that are not always easily resolved. These same Directors are due for retirement by rotation at the forthcoming AGM and their fellow Directors had no hesitation in recommending them for re-election.

The Board is most mindful of ensuring that there is a robust succession plan in place and, through the Nominations Committee, has initiated the identification of talent for appointment in due course. In addition to diversity of race and gender, in line with the Gender Diversity Policy adopted in 2016, capacity and capability at Directorate level are top of mind when formulating and implementing succession plans. The Gender Diversity Policy is available via the link **http://www.aeci.co.za/gov_policy.php**.

TERMS OF EMPLOYMENT OF DIRECTORS

Executive Directors are employees of the Company and have standard terms and conditions of employment. Their notice periods are six months. They do not receive any special remuneration or other benefits for their additional duties as Directors. The Board, through its Nominations Committee, has had detailed discussions with the two Executive Directors regarding succession planning for all key roles including their own. The Board is satisfied that the potential risk associated with the continuity of leadership at this level has been mitigated adequately.

The Board, on the recommendation of the Remuneration Committee, determines the remuneration of Executive Directors, Executives 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. All Directors duly completed and updated this register in 2017.

The conflicts of interests set out in the table below were recorded in 2017 and the related Directors were recused from discussions and decision-making when these matter/transactions were considered and deliberated upon by Board.

Save for these instances, no other conflict of interests or recusals from Board discussions and deliberations were noted in relation to any proposed transaction. All recusals recorded in the Board minutes are available for inspection by the Company's external auditor.

INDUCTION AND ONGOING 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 one-on-one meetings with Executives, Senior Managers and the Managing Directors of subsidiaries.

Newly-appointed Directors are subjected to an induction process involving the consideration of key documentation that is the foundation of the Company's governance framework (including but not limited to the JSE Listings Requirements, King III and King IV, the MOI and the Code of Ethics and Business Conduct).

In addition, they are invited to visit key operational sites to enhance their understanding of the Group's diverse businesses.

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

The Board maintained its focus on building strong and responsive governance structures and, in 2017, it undertook its annual effectiveness evaluation under the guidance of the Chairman of the Board and the Group Company Secretary. All Non-executive Directors were assessed to verify their continued independence. This applied more specifically to those retiring and those with long tenure, as already described.

An area highlighted for improvement was engagement with shareholders on remuneration matters in particular. The Chairman of the Board and the Chairmen of the Remuneration and Audit Committees actively pursued this recommendation.

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. They also have unrestricted access to Executives, Senior Managers, the internal auditors and the external auditor to consult on any aspect of the Company's operations.

DIRECTORS' CONFLICTS OF INTERESTS

MATTER/TRANSACTION	RELATED DIRECTOR	CONFLICT OF INTERESTS
Acquisition of Schirm from Imperial Holdings ("Imperial").	Moses Kgosana — as a Non-executive Director of both Imperial and AECI.	Declaration made on 29 May 2017 and Mr Kgosana was recused from discussions and decision-making thenceforth, as recorded in the Board minutes on that day.
Acquisition of Schirm from Imperial.	Graham Dempster — as a Non-executive Director of both Imperial and AECI.	Declaration made on 29 May 2017 and Mr Dempster was recused from discussions and decision-making thenceforth, as recorded in the Board minutes on that day.
Acquisition of Much Asphalt from, inter alia, MIC Investment Holdings ("MIC").	Rams Ramashia — as a Non-executive Director of both MIC and AECI.	Declaration made on 25 July 2017 and Advocate Ramashia was recused from discussions and decision-making thenceforth, as recorded in the Board minutes on that date.

BOARD COMMITTEES

COMMITTEE	SUMMARISED DUTIES AND RESPONSIBILITIES
Audit Committee	› monitor the adequacy of financial controls and reporting; › review audit plans and adherence to these by assurance providers; › ascertain the reliability of the internal and external audit processes; › ensure that financial reporting complies with IFRS, the Companies Act and the JSE Listings Requirements; and › nominate the external auditor. 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 Chief Executive, the Chief Financial Officer and the external and internal auditors attend meetings of the Committee by invitation. The Chairman of the Board has a standing invitation for attendance. Owing to the size and geographic diversification of AEL, a FRRC for this business assists the Audit Committee in its work relating to this business. More information on the Audit Committee, including a summary of its work in 2017, is published in its report to stakeholders on page 79.
Risk Committee	› oversee the overall management of risk, operational resilience and business continuity; › monitor Company decisions to ensure alignment with the risk appetite; › ensure that proper controls and mitigations are in place to prevent risk; › oversee IT governance and related risks; and › oversee the compliance management processes. In the reporting period this Committee comprised five Non-executive Directors and all the Executive Committee members, including the two Executive Directors.
Social and Ethics Committee	Monitor the Company's compliance with section 72(8) of the Companies Act, read together with regulation 43. Focus is on the following: › recommendations on corruption of the Organisation for Economic Co-operation; › Employment Equity Act, No. 55 of 1998 in South Africa; › Broad-based Black Economic Empowerment Act, No. 53 of 2003; › labour and employment principles in line with global best practice; and › safety, health and environmental issues and performance. More information on the Social and Ethics Committee, including a summary of its work in 2017, is published in its report to stakeholders on page 47.
Nominations Committee	› consider suitable nominations for appointment to the Board and Executive succession planning, and make appropriate recommendations based on qualifications, experience, race and gender; › oversee the appointment of Board members to serve on various Committees; and › oversee the assessment of the Board and its Committees to ensure continual governance improvement. This Committee is comprised solely of Non-executive Directors and chaired by the Chairman of the Board.
Remuneration Committee	› establish the Group's remuneration philosophy; › determine the remuneration framework for Executives and Senior Managers; and › consider, review and approve Group policy on Executive remuneration and communicate this and the implementation thereof to stakeholders in the Company's integrated report. This Committee is comprised solely of Non-executive Directors.
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. 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 and that the business strategy is implemented accordingly.

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 the Chairman.

BOARD MEETINGS

The Board met four times in the year and one of these meetings included 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 **http://www.aeci.co.za/gov_directorate_2016.php**. Between Board meetings, the Executive Directors kept the Board up-to-date on emerging material matters that could not be deferred until the next formal Board meeting.

The practice by the Non-executive Directors to meet before the start of each Board meeting or outside of the Board Room so as to raise matters of interest and concern, without the Executive Directors being present, has become an entrenched process that contributes to the overall maturity of governance. 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 November 2017, the Board established a new committee, namely the Investments Committee which comprises solely Non-executive Directors. This Committee is charged with the responsibility of considering material transactions that include mergers, acquisitions and significant investments. Previously meeting on an ad hoc basis, the Committee has been formalised and added to the governance structure.

As a result of potential risks and tight timelines often associated with material transactions, the members of this Committee are required to work closely with management without compromising their independence. The Committee reverts to the full Board with its recommendations. The acquisitions of Schirm and Much Asphalt were cases in point in 2017.

The terms of reference of the Investments Committee will be developed and approved in 2018.

All 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 2017 they carried out their responsibilities in compliance with their mandates and terms of reference.

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, other than those of the Remuneration Committee.

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 2017 the Group Company Secretary oversaw the ongoing 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 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 available on page 18.

The Group Company Secretary is not a Director of the Company nor of any of its subsidiaries and, accordingly, maintains an arm's length relationship with the Board and its Directors.

FULFILMENT 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 Group as at the end of the financial year and of the profit or loss for that period, in conformity with IFRS.

The external auditor is responsible for auditing the financial statements of the Company and its subsidiaries and for expressing its opinion on these statements to shareholders. In addition, the external auditor is responsible for confirming whether the financial statements meet the requirements of the Companies Act and IFRS. In 2017, the external auditor also carried out certain agreed upon procedures pertaining to the Group's half-year results to 30 June.

Following discussions with the external auditor 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.

GOING-CONCERN

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 and solvency tests as required by the Companies Act. Accordingly, the going-concern basis of accounting remains appropriate.

COMPLIANCE

The Board and its Committees continue to monitor the implementation of AECI's compliance framework and related processes to effect ongoing improvements. Competition laws, anti-bribery, anti-corruption, health, safety and environmental laws identified as key compliance risk areas remain of key focus. The Board, via the Risk Committee, has implemented risk mitigations and controls for these areas, aiming to have a balanced approach to compliance, taking into account the Company's obligations, rights and related costs.

The Group's compliance universe is refined continually, considering all related developments in the regulatory context externally in all jurisdictions where the Group has business operations. In 2017 focus was on installing a compliance tool, Exclaim, geared at assisting with the process of ensuring compliance in a diverse and large footprint. This project will continue in 2018 as the maturity of the compliance process deepens.

With operations in more than 20 countries, there is a growing realisation that the process of staying abreast of all legislative developments is not a simple undertaking. However, there is a determination to ensure that the Group remains on par with the high standards that are set by other multinationals. The compliance processes and approach will be subjected to an independent review in 2018 to gauge the maturity levels of the Group's process and effect the desired improvements, where required.

REGULATORY INTERACTION

AUTHORITY	PURPOSE OF VISIT	OUTCOME
Department of Trade and Industry	The Non-Proliferation Secretariat met with representatives from Group businesses that carry earmarked “controlled goods,” for training on various aspects of the Non-proliferation of Weapons of Mass Destruction Act, No. 87 of 1993.	The officials were satisfied with the Group’s engagement and, subsequently, controls relating to this matter to enhance the management thereof.
Department of Labour (“DoL”)	A routine visit was sanctioned under the Basic Conditions of Employment Act, No. 75 of 1997, which authorises inspectors to visit places of employment to conduct inspections, at a reasonable time, where records are kept, without a warrant or notice to enter a place of employment.	The DoL was satisfied that all the requisite documentation was in order.
Competition Commission	The matter related to price fixing charges in relation to Akulu Marchon.	The matter was settled and a fine of R13 905 600 was paid by Akulu Marchon.

AFRICAN PROJECT UPDATE

Roll-out of this project continued and, in 2017, the development of compliance universes detailing all legislative imperatives in all other African countries of operation was completed. Although progress was slower than anticipated initially, attention will now shift to implementing the compliance framework in businesses on the rest of the continent.

REGULATORY INTERACTION

Interactions continued with regulators in South Africa on key ongoing matters as summarised in the table above. The outcomes of these matters are not expected to have a material effect on either the operations of the Group or on the results as presented.

ETHICAL BUSINESS CONDUCT

TRANSPARENCY

Governments, business, civil society and individual citizens are highly interconnected and interdependent. 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’ expectations 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.

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 and Business Conduct (“the Code”) continued across the Group. A copy of the Code is available at **www.aeci.co.za/governance-policy-documents.php**.

ETHICAL RISKS IDENTIFIED AND WHISTLE-BLOWING

Owing to the difficult prevailing economic climate, the Board, via its Audit and Risk Committees, is cognisant that ethics-related risks like conflict of interests, bribery and corruption should remain focus areas. The Group’s ethical risk mitigation processes include a whistle-blowing service, management reports and the like. Education and communication relevant to these risks are a cornerstone of preventative processes.

The whistle-blowing service, Tip-offs Anonymous, is managed by an independent third party and serves as a primary tool utilised by employees in diverse countries of operation to register concerns regarding non-compliance with policies, fraud and other matters relating to acceptable business conduct.

In 2017, the reports received were investigated by the Internal Audit function and shared with the Board. Issues related mainly to (i) failure to follow established business processes, (ii) unfair human resources practices, and (iii) unethical business conduct. Corrective measures included retraining on the principles and requirements of the Code and disciplinary action was taken where necessary. This included dismissal where the circumstances so warranted.

On an annual basis, as required by the Code, Group employees who have outside interests are required to declare them. Employees are also encouraged to declare any gifts that they may have accepted or given, further underpinning the Group’s ethos of doing business ethically.

DEALING IN SECURITIES

The revised Dealing in Securities and Price Sensitive Information Policy is in place. In terms of this policy there is a “closed period” that endures from the end of a 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, Prescribed Officers and other 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.

The policy has been shared with all affected individuals to ensure full compliance. A copy is available at **www.aeci.co.za/governance-policy-documents.php**.

The Group also has in place an Information Disclosure and Communications Policy designed to record AECI’s procedures with regard to communicating with the media, the investment community, securities professionals and other stakeholders to avoid 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.

SUMMARY OF ADHERENCE TO KING IV

A King IV gap analysis can be viewed via the website link: **www.aeci.co.za/governance-king-compliance.php**.

PRINCIPLE	APPLIED	COMMENT
Principle 1: The Governing Body ("GB")* should lead ethically and effectively.	✓	See Ethical Business Conduct on page 76. In 2018, it is planned that the Company's Code of Ethics and Business Conduct will be reviewed and amended, if required, in line with international developments.
Principle 2: The GB should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	✓	The GB, via its Risk and Social and Ethics Committees, continues to monitor and support the establishment of an ethical culture (e.g. the engagement on reports from Tip-offs Anonymous). See Ethical Business Conduct on page 76.
Principle 3: Responsible corporate citizenship.	✓	From both the compliance and corporate social investment perspectives, the GB, via its Social and Ethics Committee, focusses on health, safety and environmental issues and supports management in driving compliance and the adoption of best practices.
Principle 4: The GB should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	✓	The GB approves the Group's strategic direction each year. Management is charged with the implementation of strategy and reports back at each Board meeting. The KPIs of the Executive team include non-financial indicators and are aligned with related remuneration. The Board assesses the Group's solvency and liquidity with each material transaction.
Principle 5: The GB should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its long, medium and short term prospects.	✓	The GB approves the reporting framework, inclusive of content. Furthermore, the GB, via the Chairmen of the Board and the Remuneration Committee engage with key stakeholders for alignment. Both the financial and non-financial information in the Integrated report are subject to verification and/or audit by independent parties.
Principle 6: The GB should serve as a focal point and custodian of corporate governance in the organisation.	✓	See the link **www.aeci.co.za/governance-policy-documents.php**. Board Charter and terms of reference ("TORs") for various Committees and related attendance for each. This structure ensures the proper balance of power and authority at Board level. Focus in 2018 will remain on further aligning the various TORs with King IV guidelines.
Principle 7: The GB should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	✓	The GB focused its evaluation on independence issues for the retiring members, including the Chairman, and the other members undertook a self-evaluation. In addition the GB, via its Nomination Committee recommitted to gender diversity objectives during its succession planning process, in line with policy. The focus going forward will remain on enhancing the gender balance.
Principle 8: The GB should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of duties.	✓	The GB has set up adequate Committees with clear mandates to support its work, and these report back to the GB at each Board meeting. In the reporting period, the GB formalised the Investments Committee as an additional structure to assist with the vetting of material transactions in between Board meetings (with no approving powers).

* *In AECI, the Board is the GB.*

SUMMARY OF ADHERENCE TO KING IV continued

PRINCIPLE	APPLIED	COMMENT
Principle 9: The GB should ensure that the evaluation of its own performance and that of its committees and individual members support continued improvement in its performance and effectiveness.	✓	The GB conducts an evaluation of its performance annually and for the 2017 year focus was on independence of all members, but more specifically on the retiring members, including the Chairman of the Board.
Principle 10: The GB should ensure that the appointment of and delegation of management contribute to role clarity and effective exercise of authority and responsibilities.	✓	The Chief Executive's appointment is approved by Board via its Nominations Committee and his performance is evaluated by the Chairman of the Board and ratified by the full Board. The Group Company Secretary is appointed by the Board via the Chairman and the Chief Financial Officer. The Secretary's performance is evaluated by both and ratified by the Remuneration Committee.
Principle 11: The GB should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	✓	The process of setting strategy is aligned to the risk management evaluation — see Risk Management and Material Issues on page 8. The focus in the coming year will be on the measurement of the maturity levels of the risk management process.
Principle 12: The GB should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	✓	Focus has been on establishing a proper governance framework for IT, taking into account the business imperative, current legislation and IT trends. Going forward, the emphasis will be on improving the delivery of value to the business through strategic alignment, and mitigating the risks of IT by embedding accountability in the Group's businesses.
Principle 13: The GB should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation's ethical and good corporate citizenship.	✓	The focus of the organisation for the reporting period was on reviewing the compliance framework and applying a related tool to assist with this administratively intense process. In addition, focus has been to ensuring the roll-out of the compliance framework in foreign jurisdictions. This will continue into 2018.
Principle 14: The GB should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of the organisation's strategic objectives and positive outcomes in the short, medium and long term.	✓	The GB, via its Remuneration Committee has approved a revised Remuneration Philosophy and Framework to align to best market practices. See the Remuneration Committee's report on page 83.
Principle 15: The GB should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.	In progress	There is no formalised approach to combined assurance but the organisation is commencing a related process under the leadership of the Internal Audit function. Focus in 2018 will be on pursuing a formal framework for combined assurance in the Group across all assurance providers for better value-add.
Principle 16: The GB adopts a stakeholder inclusive approach that balances needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	✓	See Stakeholder Engagement on page 42.

AUDIT COMMITTEE'S REPORT TO STAKEHOLDERS

Dear stakeholders

This report is provided by the Audit Committee ("the Committee") appointed in respect of the 2017 financial year of AECI Ltd. This report incorporates the requirements of the Companies Act other regulatory requirements and King IV principles. The Committee's operation is guided by a detailed charter that is informed by the Companies Act and King IV and was approved by the Board.

MEMBERSHIP

The Committee was nominated by the Board in respect of the 2017 financial year and its members were confirmed by shareholders at the AGM held on 29 May 2017. Shareholders will be requested to confirm the appointment of the members of the Committee for the 2018 financial year at the AGM scheduled for 31 May 2018.

There were four meetings held in the year. Full details of the meeting dates and attendance are available via the link **http://www.aeci.co.za/gov_directorate_2017.php**.

The Committee comprises solely Independent Non-executive Directors. Abridged biographies of these Directors are published elsewhere in the integrated report.

Current members are:

› G Gomwe (Chairman)
› GW Dempster
› AJ Morgan
› PG Sibiya

Mr RMW Dunne resigned on 29 May 2017, having served on the Committee since 2007 and as its Chairman since 2014, and Mr RJM Kgosana resigned on 27 September 2017, having served on the Committee since 2016. Their services were greatly appreciated.

Mr Morgan has served on the Committee since 2010, Mr Gomwe since 2015 (and as Chairman since September 2017) and Mr Dempster since 2016. Ms Sibiya was appointed on 28 February 2018.

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, the 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 auditor 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 auditor, Senior Managers, Executives 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 auditor, 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, the Internal Audit function 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 executed its duties and responsibilities during the 2017 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, and pursuant to the provisions of the JSE Listings Requirement.

During the year under review:

In respect of the external auditor and the external audit, the Committee among other matters:

› nominated KPMG Inc. as the external auditor to shareholders for appointment as auditor for the financial year ended 31 December 2017, 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 is 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;
- applied 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;
- nominated the external auditor for each subsidiary company; and
- as required by section 3.84(h)(iii) of the JSE Listings Requirements, obtained the information listed in paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the suitability of Deloitte & Touche, as well as Mr Patrick Ndlovu, for appointment as external auditor with effect from 6 April 2018.

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 financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year, and considered the basis on which the Company and its subsidiaries, joint ventures and associates were determined to be going-concerns;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies and adopted any changes thereto;
- ensured that the Company has established appropriate financial reporting procedures, and that those procedures are operating effectively;
- 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 function and compliance with its charter;
- considered the reports of the internal auditor and the 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 actions in response to significant internal and forensic audit findings; and
- based on the above, the Committee formed the opinion that there were no material breakdowns in internal control, including financial controls, business risk management and the maintenance of effective material control systems.

In respect of risk management and IT, the Committee, insofar as relevant to its functions:

- reviewed the Group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going-concern assessment, and found them to be sound;
- considered and reviewed the findings and recommendations of the Risk Committee;
- considered the reports of Internal Audit and the external auditor insofar as these were relevant to risk management and IT and could have an impact on financial controls, and ensured that the related management action plans were adequate; and
- reviewed and considered feedback from the business segments' Financial Review and Risk Committee meetings, insofar as these related to risk management and IT.

In respect of sustainability issues the Committee has:

- overseen the process of sustainability reporting and considered the findings and recommendations of the Risk Committee and the Social and Ethics Committee.

In respect of legal and regulatory requirements to the extent that these may have an impact on the financial statements, the Committee:

- reviewed with management legal matters that could have a material impact on the Group;
- reviewed with the Company's internal counsel the adequacy and effectiveness of the Group's procedures, including its Risk Management Framework, to ensure compliance with legal and regulatory responsibilities;

- monitored complaints received via the Group's whistle-blowing service, including complaints or concerns regarding accounting matters, Internal Audit, internal accounting controls, contents of the financial statements, potential violations of the law and questionable accounting or auditing matters; and
- considered reports provided by management, 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.

KEY AUDIT MATTERS

The Committee noted the key audit matters set out in the independent auditor's report, which are:

- accounting for income and deferred taxes;
- impairment of goodwill.

The Committee has considered and evaluated these matters and is satisfied that they are represented correctly.

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.

ROTATION OF EXTERNAL AUDITOR

On 7 December 2017 the AECI Board announced that it had resolved in favour of the early adoption of the Independent Regulatory Board for Auditors' decision in respect of the mandatory rotation of external auditors at least every 10 years. Accordingly, the current external auditor, KPMG Inc., will not be considered for reappointment for the 2018 financial year.

KPMG has been AECI's auditor for 93 years, during which time the firm has provided a robust, independent and highly competent service to the Group and its shareholders.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the annual financial statements of AECI Ltd for the year ended 31 December 2017, 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.

On 6 April 2018, Deloitte & Touche was appointed as the new external auditor. On that same date, Mr Patrick Ndlovu was appointed as designated audit partner for the financial year ending 31 December 2018. Shareholders will be given an opportunity to reappoint this auditor at the AGM scheduled to be held on 31 May 2018.

Having met its obligations, the Committee recommended the annual financial statements for the year ended 31 December 2017 for approval to the AECI Board on 27 February 2018. The Committee subsequently also recommended the integrated report for approval. The Board has approved this report, which will be open for discussion at the forthcoming AGM.

On behalf of the Audit Committee

Godfrey Gomwe
Chairman

Woodmead, Sandton
27 February 2018
and
11 April 2018

05.3

REMUNERATION REPORT

REMUNERATION REPORT

PART 1: CHAIRMAN'S STATEMENT

I am honoured to take up the role of Chairman of the Remuneration Committee ("the Committee") and to continue building on the work of Richard Dunne, the previous Chairman.

I thank Richard and Schalk Engelbrecht for their service on the Committee and their valued input on the direction and principles of remuneration in the AECI Group. Further, I welcome the Chairman of AECI Khotso Mokhele, who joined the Committee as a member in May 2017.

The Committee seeks to comply with the standards set out in King IV and, as such, a particular focus on ethical and fair remuneration is an underlying and governing principle for the Committee in its review of AECI's Remuneration Policy, philosophy, and practices.

At the AGM in May 2017, shareholders expressed concern with respect to the Remuneration Policy. Of the votes cast, 55,33% were in favour of the Policy and 44,7% were against it.

As a consequence of the higher than 25% negative vote, members of the Committee and the AECI Executive Directors engaged with shareholders to understand their underlying concerns. Shareholder feedback indicated a general concern in relation to the performance conditions of the AECI Long-term Incentive Plan ("LTIP"), in that each instrument only had one performance condition and there was no condition linked to a measurement on return.

Specifically, the Committee and the AECI Executive Directors undertook the following actions:

- the reasons for the negative vote were canvassed from a number of shareholders;
- shareholders' primary concerns were identified as relating to the LTIP scheme, with issues being the award of retention shares, the choice of performance condition on performance vested shares and the vesting scale of the performance vested shares;
- the Committee worked extensively throughout 2017 to formulate revisions to the AECI LTIP performance conditions to address shareholder feedback;
- this rigorous process involved two independent remuneration advisors and two Special Remuneration Committee meetings;
- the Remuneration Policy section of this report (Part 2) outlines the changes which were approved by the Committee;
- changes include the conversion of the deferred share scheme and earnings-growth units to fair value equivalent performance share awards;
- further, the maximum potential earning cap on the LTI awards was adjusted from 300% to 200%. Participants in the scheme would receive an adjusted LTI award which would factor in these changes;
- the Committee reviewed and approved the introduction of a minimum shareholding guideline for Executives, which will be implemented over a five-year period.

These changes were discussed face-to-face or via teleconference with a number of institutional shareholders (Allan Gray, Coronation Asset Managers, Kagiso Asset Management, the PIC, PSG Asset Management, Sanlam Investment Management) between January and March 2018. The Chairman of the Board, the Remuneration Committee and the Audit Committee led these engagements.

The Committee is satisfied that the two independent advisors engaged during 2017 provided independent, non-biased advice and remained objective throughout the engagement process.

Overall, the Committee is of the opinion that the AECI Group maintains and adheres to its stated Remuneration Policy and that the Policy is in line with the stated principles. However, to remain closely linked to and aligned with market best practice, the Committee, in conjunction with the AECI Executive Directors, has embarked on an evolutionary journey to review the Remuneration Policy and philosophy against market best practice on fairness, equity and transparency.

The objective is to ensure that the Group maintains a robust, fit-for-purpose philosophy that addresses both internal and external stakeholder requirements as well as standards of ethical pay. Factored into this journey will be the integration and alignment of the remuneration positions of the two acquisitions which were announced in the last quarter of 2017, as well as the review of how the AECI performance management system integrates into the remuneration and reward of employees.

We look forward to further engagement with stakeholders and refinement of the AECI remuneration philosophy during 2018 as the Group seeks to enhance its alignment with market best practice and secure an equitable and fair remuneration position.

AGM RESOLUTIONS — 2017

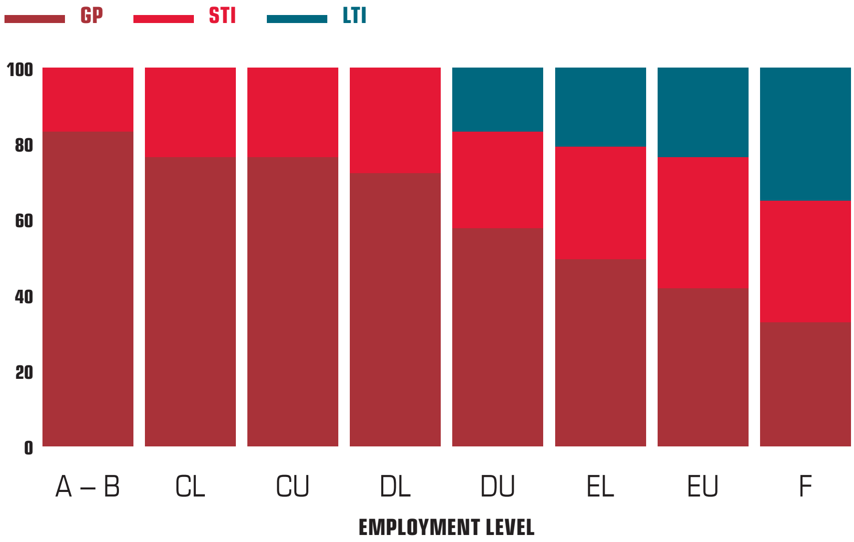
(%)	FOR	AGAINST
ORDINARY RESOLUTION NO. 7.1: REMUNERATION POLICY	55,33	44,67
ORDINARY RESOLUTION NO. 7.2: IMPLEMENTATION OF REMUNERATION POLICY	77,10	22,81
SPECIAL RESOLUTION NO. 1: DIRECTORS' FEES	100	—

Graham Dempster
Chairman

Woodmead, Sandton
11 April 2018

PART 2: REMUNERATION POLICY

REMUNERATION PHILOSOPHY: MAKE-UP OF REMUNERATION (%) BY EMPLOYMENT LEVEL



Key: GP = Guaranteed package; STI = Short-term incentive; LTI = Long-term incentive

2.1 REMUNERATION COMMITTEE

The Committee is comprised of four Non-executive Directors all of whom, including the Chairman, are Independent. Meetings of the Committee are usually held four times a year and additional meetings are held when deemed necessary. The Chief Executive and the Chief Financial Officer are invited to attend to discuss the remuneration of Executives and Senior Managers and to contribute to other discussions as warranted. Also in attendance is the Group Executive: Human Capital. The Group Compensation and Benefits Manager attends all meetings as secretary. No attendee may participate in or be present at any discussion or decision regarding his/her own remuneration. Current members of the Committee are:

- GW Dempster (Chairman)
- KDK Mokhele (appointed on 19 May 2017)
- G Gomwe
- R Ramashia

The responsibilities of the Committee are in accordance with its Board-approved terms of reference, which comply with King III. A copy of these is available via the link **www.aeci.co.za/governance-policy-documents.php**. Once the full impact of King IV has been finalised, the terms will be amended as required to ensure compliance with such changes. The Board is satisfied that the Committee's composition is appropriate with regard to the necessary balance of knowledge, skill and experience of its members.

2.1.1 REMUNERATION COMMITTEE ACTIONS

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

- approval of remuneration packages for Executives and Senior Managers for 2017;
- approval of STI payment pools for the Group and its individual businesses;
- approval of allocation principles, under the LTIP, of awards of performance shares ("PS"), in line with policy;
- review of LTIP scheme rules and performance criteria;
- approval of amended performance criteria for the LTIP;
- review and approval of the vesting of the PS awarded in 2014;
- review and approval of minimum shareholding guidelines;
- review and approval of TSR reserve list companies for the LTIP;
- review and approval of the HEPS calculation as it related to the vesting of the LTI schemes' earnings-growth units ("EGU") and its earnings-based incentive ("EBIS") units;
- review of Non-executive Directors' fees, as recommended by the Executive Directors, and the formulation of a recommendation to shareholders for the approval of increases; and review; and
- approval of the Company's 2017 Remuneration report.

2.1.2 INDEPENDENT ADVICE

Management engaged the services of PwC and Vasdex to assist with market benchmarks, advice, and recommendations.

2.2 REMUNERATION PHILOSOPHY

AECI's guiding philosophy with respect to remuneration is to offer a guaranteed package to all employees which meets the principles outlined on the facing page. The graphic above presents a high-level overview of the philosophy and Policy as they apply to all Group employees, with an in-depth focus on the remuneration of Executives.

The remuneration philosophy targets to remunerate employees at the 50th percentile of the market from a guaranteed package perspective.

New entrants are appointed at or above the AECI minimum salary per level and progress towards the 50th percentile over a period of between three and five years, where performance is average to above average.

On-target variable pay targets the 50th percentile of total reward market benchmarks.

The philosophy provides a detailed framework on AECI's offering of total remuneration and aligns closely with the AECI Employee Value Proposition ("EVP") and the performance management system. It seeks to complement and support the delivery of financial and non-financial key objectives which underpin the Group's strategy. Furthermore, it seeks to offer employees competitive guaranteed packages which are relevant to market benchmarks and allow AECI to secure key technical skills, high performers, and fill critical roles. Finally, the philosophy seeks to align the remuneration of Executives and Senior Managers with the creation of shareholder value and outperformance of critical objectives.

ALIGNMENT WITH STRATEGY

The philosophy outlines the appropriate reward for Executives and Senior Managers who contribute to the achievement of targets for growth and shareholder return. Accordingly, financial performance measures and Key Performance Indicators ("KPI") scorecards determine the levels of reward for Executives and Senior Managers.

Transformation, safety and compliance KPIs are cascaded via balanced scorecards across and throughout the organisation to embed behaviours which promote a viable, productive business environment.

PRINCIPLES

ATTRACT, MOTIVATE AND RETAIN	› Position AECI to attract, motivate and retain employees through the provision of broad benefits, market-related salaries, value-driven incentive schemes and a robust EVP.
RECOGNISE AND REWARD PERFORMANCE	› Recognise performance ranging from good to exceptional from an objective and rational position. › Encourage and reinforce behaviours which improve financial performance, the achievement of transformation, safety, adherence to risk governance principles and other key non-financial targets and standards.
FAIR AND EQUITABLE	› Enable the fair and equitable provision of remuneration and benefits across all employment levels, as appropriate. › Benchmark AECI's pay levels against market benchmarks, internal salary ranges and against a "living" wage standard.
ALIGNED WITH STRATEGIC OBJECTIVES	› Remunerate employees such that superior performance in the achievement of strategic objectives is rewarded through incentive schemes.
GOVERNANCE AND BEST PRACTICE	› Balance and align the needs and expectations of shareholders, employees, customers and regulators to create long-term sustainable growth. › Enforce the principles of good corporate governance to provide the appropriate share of value to relevant stakeholders.

GLOSSARY OF TERMS

TERM	DESCRIPTION
DS	Deferred shares.
EBIS	Earnings-based incentive. Former LTI scheme instrument; no issues granted since 2012.
EGU	Earnings-growth units. Cash-settled scheme which tracks growth in HEPS.
EVP	Employee Value Proposition.
GP	Guaranteed package. Basic salary, fixed cash allowances and Company contributions to benefit schemes.
HEPS	Headline earnings per share.
LTI	Long-term incentive. Company scheme referred to as the AECI LTIP.
MEDIAN/50TH PERCENTILE	The value at the midpoint of a frequency distribution where there is an equal probability of falling above or below.
ON-TARGET	Targeted earnings at the median or the 50th percentile.
PS	Performance share awards. AECI ordinary share award which tracks Company performance; equity-settled.
RONA	Return on net assets.
STI	Short-term incentive.
TOTAL REMUNERATION PACKAGE	Basic salary, fixed cash allowances, Company contributions to benefit schemes, variable pay (STI, LTI).
TP	Trading profit.
TSR	Total shareholder return.

FAIR AND RESPONSIBLE REMUNERATION

In an ongoing effort to ensure overall fairness of pay across all levels of employment, a robust pay differential analysis is conducted on a bi-annual basis, factoring in the wage gap between junior and senior employees. The results of this analysis are considered when reviewing pay increases at all levels, but at Executive level in particular. In general, the trend has been to provide lower increases at Executive level and higher increases at bargaining unit level.

The analysis to be undertaken in 2018 will include additional factors such as cost of living increases, inflation, pay disparity within occupational levels and the overall wage gap.

The pay differential analysis is tabled with the Executive Committee, the Remuneration Committee, the Social and Ethics Committee and the full AECI Board with associated action plans for individual Group businesses to address any areas of concern.

All businesses are required to review the pay differential in salary ranges and between high and low earners. It is AECI's position that employees at the lowest employment level should earn a living wage that is inclusive of medical and retirement fund benefits.

The Remuneration Policy is aligned with the Group's Employment Equity targets in that it seeks to allow businesses to reduce income differentials as appropriate and to ensure fair and equitable remuneration at all levels of employment.

2.3 GUARANTEED PACKAGE

DESCRIPTION	The GP comprises base pay, allowances, and retirement and medical aid benefits. It is managed in relation to the market median. Benefits such as travel allowances and contributions to retirement and medical funds are maintained at market-competitive levels and are benchmarked against market data on a regular basis.
BENCHMARKS	AECI compares itself to the national market as represented in industry surveys published annually. It also compares itself to appropriate sector-specific surveys where such exist. Market surveys are used as a basis for establishing market remuneration information for most positions, including Executives and Senior Managers. The GP for Executives and Senior Managers are benchmarked against the market median (50th percentile) of similar-sized companies and industry. To ensure that benchmarks are appropriate and accurate, AECI uses three sets of data from three survey providers, on the premise that data from three sources provide a fair assumption on pay levels.
EVALUATION METHOD	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 into consideration: › skills and knowledge; › conceptual abilities; › interpersonal skills; › job impact; › problem-solving abilities; › decision making; and › resource control.
BENEFITS	To ensure that the component elements of GP are aligned across the Group, fringe benefits and allowances such as medical aid subsidies and car allowance structures have been standardised for Executives and for Senior Managers.

2.4 SHORT-TERM INCENTIVE

DESCRIPTION	The scheme for Executives and Senior Managers Group-wide comprises a weighted scorecard of Group and business-specific objectives and personal components. The Company has developed a bonus model for each business based on growth and financial management targets. Businesses that achieve their TP targets and grow their earnings substantially above Consumer Price Index ("CPI") and Gross Domestic Product ("GDP") rates could earn multiple bonus factors. The bonus curve is designed so that significant bonus payments are made only to businesses where there is a positive change in economic value added ("EVA") performance.
ELIGIBILITY	Executives and Managers at all levels.
COMPONENTS	Individual performance (balanced scorecard) — 25%; Financial performance (Group or business entity financial performance) — 75%.
FORMULA	STI = annual basic salary multiplied by the on-target percentage per level. The on-target portion is subject to a split between personal and financial performance. Personal performance can range from 50% to 120%. Financial performance can range from 0% to 200%.
FINANCIAL PERFORMANCE	The Group/business financial rating is determined by actual financial performance relative to predetermined targets for HEPS for the Group or TP for 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, with targeted growth in relation to CPI plus GDP applied to the preceding base year performance. The doubling point is set at CPI plus GDP plus 9%. Thereafter, the multiple is determined by the growth above the on-target HEPS/TP. After the third year, the base year performance is reset prior to the next three-year cycle. 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.

No bonus	On-target (1 x bonus)	2 x bonus
Achievement of or below 90% of on-target	Base HEPS plus GDP plus HEPS plus 1%	Base HEPS plus GDP plus 9%

INDIVIDUAL PERFORMANCE	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 Recordable Incident Rate on a linear scale; › cash flow management — measured on improved working capital management and capital spend; › B-BBEE/Employment Equity — measured against specific acquisitions, retention, development and governance targets; › implementation of strategic projects — measured against specific projects agreed to with the Board.
ON-TARGET BONUS PERCENTAGES	Chief Executive and Executives: 50% of annual basic salary; Senior Managers: between 33% and 50% of annual basic salary.
MAXIMUM BONUS PERCENTAGES	All STI payments are capped at 150% of GP. In exceptional cases, the Committee has the authority to extend the bonus cap to 250% of GP. This will only occur if there has been exceptional growth in profits and if the EVA and TP-sharing targets have been met by the Group or business concerned.
DISCRETION OF THE COMMITTEE	The Committee has the full discretion to adjust bonuses and/or amend the rules of the scheme as it deems fit, taking into account the balance between fair reward for the individual and stakeholders' interests.

2.5 LONG-TERM INCENTIVE

ELIGIBILITY

Executives and selected Senior Managers of the Company and its business entities.

PURPOSE

The purpose of the LTIP is to attract, retain, motivate and reward Executives and Senior Managers who are able to influence the performance of AECI and/or its businesses on a basis which aligns their interests with those of the Company's stakeholders. The revised scheme allows AECI to remain competitive in terms of LTIs, it rewards long-term sustainable Company performance, acts as a retention tool and ensures that Executives and Senior Managers share a significant level of personal risk with the Company's stakeholders. The PS element aligns the interests of stakeholders and AECI's senior employees closely by rewarding superior shareholder returns and financial performance in the future. As annual awards are made, each award requires the resetting of the performance criteria; it is only with continued and sustained outperformance by the Company that significant reward accrues to participants.

In response to the feedback received from shareholders, AECI has implemented changes to its remuneration policy for the current and future years. The table below outlines the high level changes to the LTI scheme.

LTI SCHEME CHANGES

	2016 AND PRIOR YEARS	CURRENT YEAR (2017)	FUTURE YEARS (FROM 2018)
INSTRUMENTS USED	EGU, PS, DS awards	PS awards	PS awards
PERFORMANCE CONDITIONS	TSR	TSR	TSR, RONA, HEPS
VESTING RANGE (%)	0 – 300	0 – 300	0 – 200
MINIMUM SHAREHOLDING REQUIREMENTS	No	No	Yes
AWARD MONTH	July	July	April

Details for the prior, current and future years are described in detail below.

2.5.1 POLICY UNTIL 2016

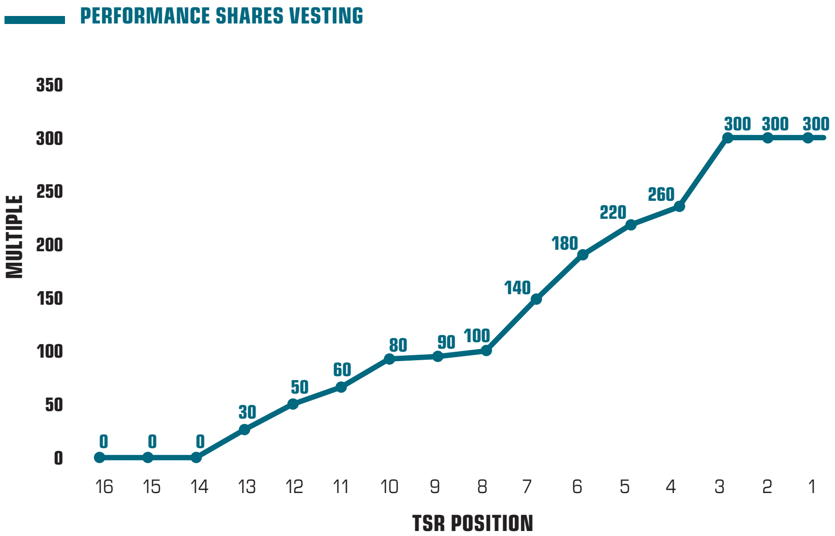
From 2012 to 2016, the AECI LTIP comprised three instruments, namely awards of EGUs, PS and DS.

Details on previous PS awards and the performance vesting profile are presented in Part 3.

OPERATION AND INSTRUMENTS	Annual award of PS.
PS	The PS will vest on the third anniversary of the award, to the extent that the Company has met specified performance criteria over the intervening period. 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 depends 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.
PERFORMANCE CONDITIONS FOR PS	The 2015 award methodology of vesting will measure the Company's comparative TSR in relation to a peer group of 17 companies (including AECI):

Afrox	Astral	Aveng
Grindrod	JD Group	Illovo
Tongaat Hulett	Northam	Omnia
PPC	Rainbow	Reunert
Sappi	Barloworld	Nampak
Pioneer		

PERFORMANCE CONDITIONS FOR PS (continued)	**VESTING VS POSITIONING IN RELATION TO COMPARATOR GROUP (%)**



This peer group was selected from a portfolio of companies:

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

2.5.2 CURRENT POLICY: 2017 ISSUE

To better align the LTI scheme with the delivery of shareholder returns and market best practices, the AECI LTIP was revised during 2017. Details of the new policy are outlined below. Two key changes to the scheme were:

1. Conversion of EGUs to PS

The EGU instrument tracked growth in HEPS performance over a three-year period and was settled in cash, after vesting, over an additional three-year period. As an instrument, it was failing to deliver real value to the participants. Furthermore, market best practice indicates that an LTI instrument should have more than one performance condition and preferably should be equity-settled.

As such, the 2017 EGU awards were converted on a fair value basis to an equivalent PS award. The conversion calculation factored in the various vesting periods and market versus non-market performance conditions.

All EGU awards issued prior to 2017 remain in effect and will vest under the terms on which they were issued. The 2017 LTI award of PS is linked to the current TSR performance condition and peer group.

2. Conversion of DS scheme to PS

After due consideration of the appropriateness of a non-performance condition-linked LTI instrument, the value of the DS scheme was incorporated into the 2017 PS award, which is subject to a TSR performance condition. No further awards under the DS scheme will be issued and existing awards will vest under the terms on which they were issued.

No awards of these two instruments were issued in 2017. Details of the instruments granted during 2017 are disclosed in Part 3 of this report.

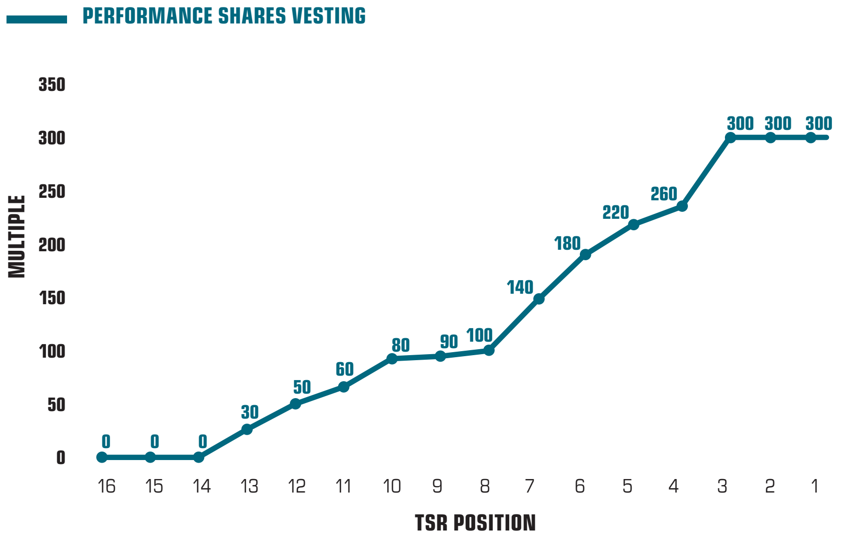
OPERATION AND INSTRUMENTS	Annual award of PS.
PS	The PS will vest on the third anniversary of the award, to the extent that the Company has met specified performance criteria over the intervening period. The value per share that vests is the full value of the share (there is no strike price), but the number of shares that will vest depends on whether the Company's performance over the intervening three-year period has been on target, or an under- or over-performance against the target/s set at the award date.

PERFORMANCE CONDITIONS FOR PS

The 2017 award methodology of vesting will measure the Company's comparative TSR in relation to a peer group of 16 companies (including AECI):

Afrox	Astral	Aveng
Grindrod	Tongaat Hulett	KAP Industrial
Northam	Omnia	PPC
Rainbow	Reunert	Sappi
Barloworld	Nampak	Pioneer

VESTING VS POSITIONING IN RELATION TO COMPARATOR GROUP (%)



This peer group was selected from a portfolio of companies:

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

2.5.3 FUTURE POLICY (FROM 2018 ONWARDS)

In response to shareholder feedback, the following changes will be implemented in 2018 and will apply thereafter. To be better aligned with market best practice from 2018, two new performance measures will be added and the maximum vesting will be reduced from 300% to 200%. Details of the performance conditions, measurement, and vesting from 2018 onwards are as follows:

OPERATION AND INSTRUMENTS	Annual award of PS.
QUANTUM OF AWARDS	Allocations and awards are 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.
AWARD DATE	To synchronise performance periods, the award date has moved to April.
PS	The PS will vest on the third anniversary of the award, to the extent that the Company has met specified performance criteria over the intervening period. 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 depends on whether the Company's performance over the intervening three-year period has been on target, or an under- or over-performance against the target/s set at the award date.

PERFORMANCE CONDITIONS FOR PS

The Board will determine the performance criteria for each award. The 2018 award methodology of vesting will measure the Company's performance against three financial measures:

		Vesting range				
Metric	**Weight**	**0%**	**50%**	**100%**	**150%**	**200%**
TSR	30%	Rank 16 – 9	Rank 8	Rank 6	Rank 4	Rank 1 – 2
HEPS	40%	less than CPI	CPI + GDP	CPI + GDP +2%	CPI + GDP +3,5%	CPI + GDP +5% or more
RONA	30%	less than 15%	15%	17%	18,5%	20% or more

TSR

A ranking in a peer group of companies where performance below the median results in a 0% vesting award. Rank 8 to rank 3 have a set of predetermined vesting ranges. The table above is illustrative of rank 8, 6 and 4. The Company's comparative position at or above the median is used to determine the final vesting percentage, where the top two positions result in a 200% vesting award.

RONA

The target and base RONA will be subject to adjustment as corporate actions, such as acquisitions and mergers, occur. As approved by the Committee, the RONA target will factor in unusual corporate actions to ensure that financially sound business decisions continue to be made; decisions otherwise might adversely affect the RONA performance. Thus, management will continue to maintain a long-term financial view on the Company's growth and performance, even while continuing to ensure that an adequate measure on return is in place in the LTI scheme.

HEPS GROWTH

CPI is calculated on a weighted average of the different areas and regions in which AECI operates, dependent on the local currency. The final CPI figure used in these calculations is linked to the same methodology used to translate foreign income into rand terms, and on the same proportional basis.

Furthermore, the HEPS target and base will be adjusted for major corporate actions which may hyper-inflate current performance or moderate good performance. Previous HEPS results have been adjusted to compensate for the financial effects of, inter alia, the de-risking of the Company's post-retirement medical aid liabilities and bulk sales of properties at Somerset West and Modderfontein. This also considers any restatement of financial accounts due to IFRS changes. Likewise, any unusual adjustments which the Committee will either add or subtract from HEPS will also be included.

2.6 PACKAGE DESIGN AND PAY MIX

The table below outlines the on-target percentage of GP which the LTI is designed to deliver for target performance. The second column outlines the proposed LTI award, which is the value at award should 100% of the awarded units ultimately vest. This has been adjusted from prior years, given the reduction of maximum vesting from 300% to 200%. Since only a proportion of the number of units awarded are expected to ultimately vest due to the performance vesting conditions applied, the first column ("target") represents a lower percentage than the maximum. If all three measures reach target performance, the Chief Executive would receive 100% of his GP in the LTI vesting process and would receive 200% of his GP should all three measures achieve maximum stretch performance levels.

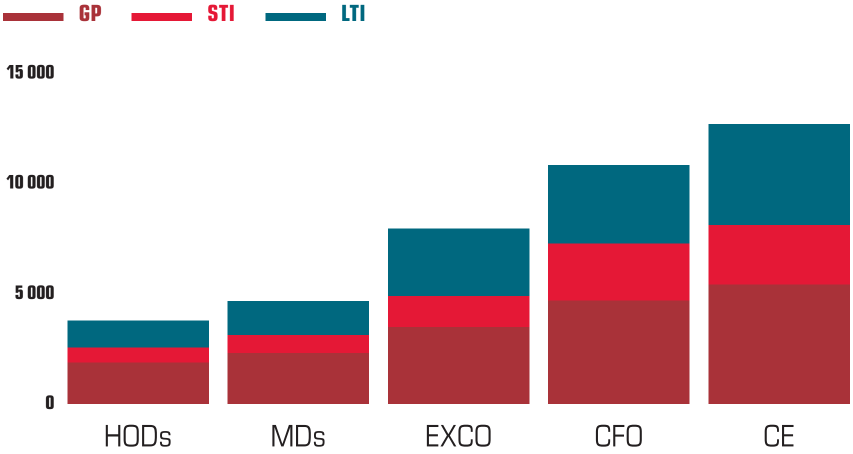
TITLE	MINIMUM (%)	TARGET OF PERCENTAGE OF GP (%)	MAXIMUM LTI PERCENTAGE OF GP AWARD (%)
CE	0	100	200
CFO	0	85	170
EXCO	0	70	140

The proposed LTI award is expressed in expected value terms and is broadly aligned with market benchmarks that AECI obtained independently.

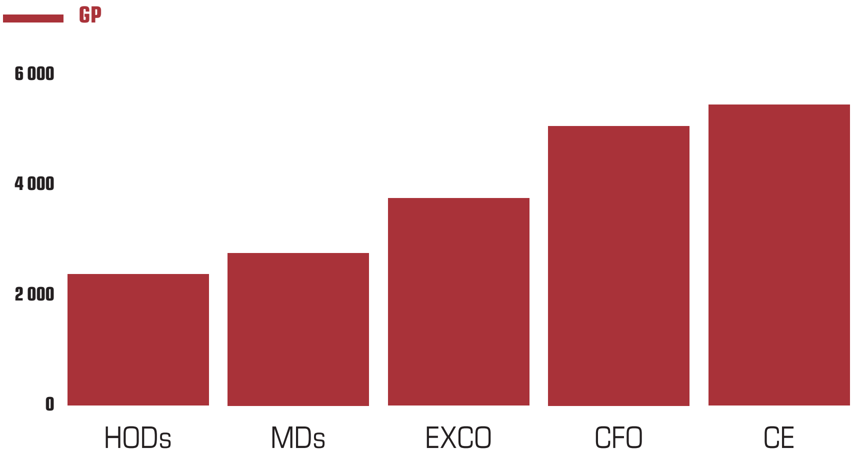
In addition, the performance period is amended to reflect AECI's financial year of January to December:

- awards will be issued in April and would vest three years hence;
- TSR performance will be calculated from 1 January to 31 December over the three-year period;
- RONA and HEPS will also be measured over the three financial years.

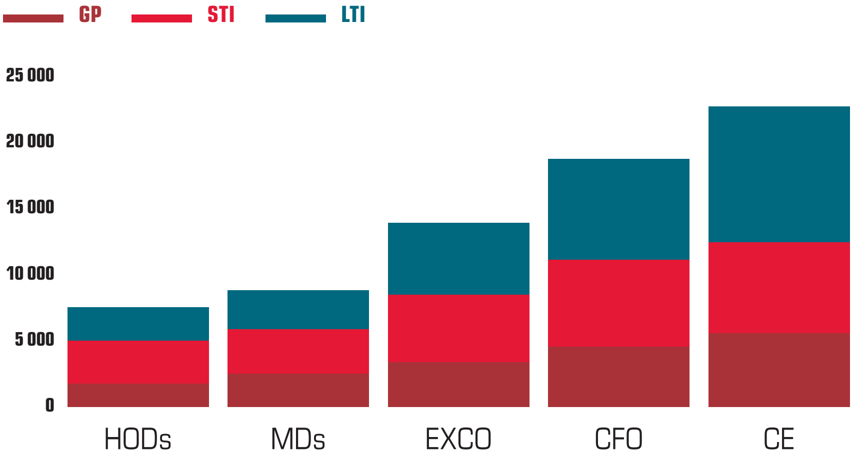
ON-TARGET PERFORMANCE PAY MIX
(R THOUSANDS)



BELOW EXPECTED PERFORMANCE
(R THOUSANDS)



ABOVE EXPECTED PERFORMANCE
(R THOUSANDS)



Key: GP = Guaranteed package; STI = Short-term incentive; LTI = Long-term incentive; HODs = Heads of functional departments; MDs = Managing Directors or equivalent of operating entities; EXCO = Executive Committee members; CFO = Chief Financial Officer; CE = Chief Executive

AECI has adopted a pay mix policy that supports the philosophy that the performance-based pay of Executives and Senior Managers should form a greater portion of their expected total compensation than GP 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). This is particularly relevant at Executive level and for the Managing Directors of Group businesses, where the focus is on shareholder returns and the achievement of financial targets.

The mix of fixed and variable pay is designed to meet AECI's operational needs and strategic objectives based on targets that are stretching, verifiable and relevant. A Group-wide standard has been adopted while recognising that the different nature of AECI's businesses requires a varied approach between these individual entities.

The pay mix proportionality of the Chief Executive through to that of a Senior Manager is shown in the schematics to the left. Three remuneration scenarios are demonstrated: below expected performance, on-target performance and above expected performance.

STI and LTI outcomes are subject to extensive review through two mechanisms:

1. Performance management review
Each employee who participates in the variable pay incentives participates in the AECI performance management process, which involves a bi-annual review of set KPIs linked to non-financial key objectives of the organisation.

2. Audit of financials and full-year results
Company financial performance is subject to Executive Committee and Remuneration Committee review based on audited financial results. The Company factor is determined through a robust model calculation linked to HEPS and TP targets over a three-year period.

2.7 EXECUTIVE DIRECTORS' AND EXECUTIVES' SERVICE CONTRACTS

Neither of the Executive Directors has extended employment contracts or special termination benefits. Both Executive Directors have restraints of trade for 12 months in place. Service contracts of Executive Directors and other Executives are in accordance with AECI's standard terms and conditions of employment and their notice period is six months.

In principle, AECI does not offer sign-on bonuses but, in instances were a sign-on bonus is included, the contract will stipulate that the employee must remain employed by the Group for a period of three years. The sign-on bonus is paid in instalments over the three-year period and all payments are subject to claw-back conditions.

Generally, it is not AECI's policy to offer balloon payments on termination of service. An employee, even at Executive level, who resigns from the Group forfeits all LTI awards and will not receive an STI payment. Where an employee's service is terminated through the sale of a business or no fault retrenchment, the terms of that termination are negotiated and may include the continued vesting of previous LTI awards.

2.8 MINIMUM SHAREHOLDING GUIDELINE

A minimum shareholding guideline will be adopted in 2018. In terms of this, members of the Executive Committee will be asked to hold a specified percentage of their GP in AECI unencumbered ordinary shares, by 2022. The table below outlines the proposed percentages to be held, by level:

TITLE	% OF GP
CE	150
CFO	125
OTHER EXCO MEMBERS	100

2.9 NON-EXECUTIVE DIRECTORS' FEES

TERMS OF APPOINTMENT

Non-executive Directors do not have service contracts. Non-executive Directors do not participate in any of the Company's STI or LTI schemes and no shares are granted to them. Non-executive Directors receive a fixed fee per annum for their contribution, which is comprised of a base retainer fee paid monthly in 12 equal instalments and, where applicable, a committee membership fee. Meeting attendance fees are paid at a fixed value.

In addition, the Company pays for all travel and accommodation expenses incurred by Directors to attend Board and committee meetings and visits to Company businesses.

Non-executive Directors' fees are arrived at after an independent, annual benchmarking exercise commissioned by the Executive Directors. Based on the Committee's recommendation, the fees are tabled for approval by shareholders at the AGM. In arriving at the proposed fee, cognisance is taken of market norms and practices as well as the additional responsibilities placed on Board members by new legislation and corporate governance principles.

Details of the emoluments paid to the Non-executive Directors in 2017 are disclosed in Part 3 and the proposed fees are disclosed in the Notice of AGM for 2018 commencing on page 197.

2.10 NON-BINDING ADVISORY VOTE

In terms of the JSE Listings Requirements and the recommendations of King IV, the following will be put to a non-binding vote at the AGM of shareholders of the Company scheduled to take place on 31 May 2018:

- the Remuneration Policy as outlined in Part 2 of this report; and
- the application of the Remuneration Policy as outlined in Part 3.

In the event that either the Policy or the implementation vote receive 25% or more votes against, the Committee commits to implementing the following:

- shareholders will be invited to engage with the Committee regarding their concerns and the reasons motivating the negative voting results;
- individual or combined interactions will be scheduled to understand the concerns of shareholders;
- the Committee will aggregate these responses and analyse them to determine where changes are necessary in the Policy or in its implementation;
- a shareholder communication pack will be prepared, highlighting the Policy or implementation changes being undertaken as well as reasons and motivation for elements where the Committee determines that no change is warranted;
- shareholders will then be engaged regarding the changes that the Committee will implement in response to the issues and concerns raised.

2.11 ORDINARY RESOLUTION NO 8: AMENDMENT TO LONG-TERM INCENTIVE PLAN

The Committee reviewed the terms of the AECI LTIP Plan ("Plan") and resolved to amend the Plan by the deletion of paragraph 21.3. The Plan, was approved and adopted by shareholders on 28 May 2012 and this amendment involves the removal of paragraph 21.3.

Paragraph 21.3 relates to a provision in the Plan which, in event of a Change of Control, allows Participants to resign within one year of the Change of Control and retain all previous awards under the Scheme. The Directors believe that the removal of the clause protects shareholder interests in the event of a Change of Control.

PART 3: IMPLEMENTATION OF POLICY IN 2017

3.1 GP ADJUSTMENTS

The Committee reviewed GP for Executives and Senior Managers, as recommended by the Chief Executive, taking into consideration market data as provided by the Deloitte Top Executive Remuneration Survey 2017, market data from PwC Remchannel™, the results of Execeval™, individuals' experience and current levels of performance.

An average increase of 6,8% was approved by the Committee for Executives, except where there had been increases in responsibilities. In those instances, an increase higher than the average was awarded.

The balance of Group employees in South Africa generally received average increases in line with the same approved percentage but, on average, slightly higher increases were awarded at the lower employment levels. At bargaining unit level, a 7,5% increase was agreed under the auspices of the National Bargaining Council for the Chemical Industry. This increase was passed to all bargaining unit employees in South Africa and, where required, an additional increase between 2% and 5% was provided in line with agreements in place to bring affected employees in line with AECI's minimum salary.

3.2 SHORT-TERM INCENTIVE OUTCOMES

The cash-based STIs awarded for 2017 were calculated on the basis of 2017's financial performance.

1. Performance management review

As stipulated by policy, all employees who participate in the short-term incentive scheme reviewed their performance relative to KPIs linked to the key non-financial objectives of the organisation. This process applied to members of the Executive Committee and a summary of their KPIs and their achievement thereof is outlined on page 95.

2. Audit of financials and full-year results

The financial components of the STI bonus attributable to the Group's overall performance resulted in an 2,84 times financial performance multiplier at Group level. This was based on the achievement of HEPS of 959 cents against the on-target growth in base HEPS plus CPI plus GDP plus 1%. AECI reached the doubling point by achieving growth in excess of 9% above CPI plus GDP (see Part 2).

An adjustment in relation to the transaction costs for the two acquisitions announced in 2017 was approved and the adjustment has been included in the base for the 2018 year.

TARGET HEPS	ACHIEVED HEPS
875,18 cents	959,00 cents

Differing levels of financial performance were achieved by individual businesses and business segments. Thus, in the broader AECI Group, Senior Managers received incentives based on operating business performance.

The tables below indicate the actual performance relative to Company targets and personal KPIs, and the resultant annual cash incentives paid to the CE, the CFO and the Prescribed Officers in the 2017 financial year.

Although external factors precluded the achievement in full of some of the Company's financial growth targets, the value of the 2017 STI payments was linked indelibly to the achievement of core KPIs in areas that included B-BBEE, safety, collaboration, growth issues and the revision of financial controls.

Safety is a non-negotiable strategic imperative and the AECI Executive set the example in demonstrating its importance by adopting a zero rating for achievement of this KPI. Although the AECI Group's overall TRIR improved to 0,39 from 0,45 in the prior year, this improvement was overshadowed by a fatality.

The management and control of the Group's working capital and free cash flow is included in the finance-related KPIs for most Executives. Performance in this regard was slightly disappointing, resulting in a lower score for them.

Executives and Senior Managers' variable pay is linked to the sustainability of the Company and adverse risk-taking behaviour is not incentivised. Instead, AECI seeks to incentivise responsible and sound management of the Company to ensure future growth and sustainable revenue and profit, in line with the risk appetite.

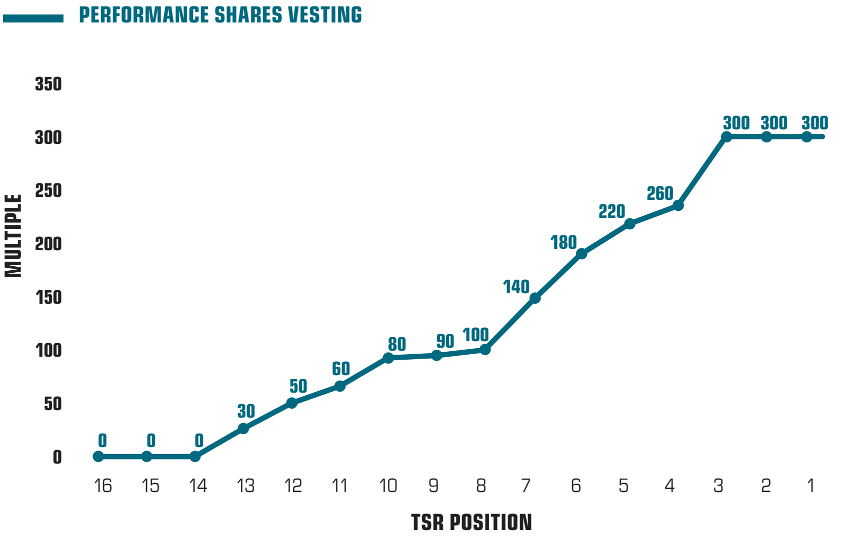
3.3 LTIs AWARDED DURING 2017

The LTI awards made in during 2017, in terms of the LTIP, were as per the table at the bottom of the page.

3.3.1 PERFORMANCE CONDITIONS

The performance condition that will apply to the PS granted during 2017 is the Company's comparative TSR in relation to a peer group of 15 companies. The graph below illustrates how the TSR position will determine the value of the vesting after three years.

VESTING VS POSITIONING IN RELATION TO COMPARATOR GROUP (%)



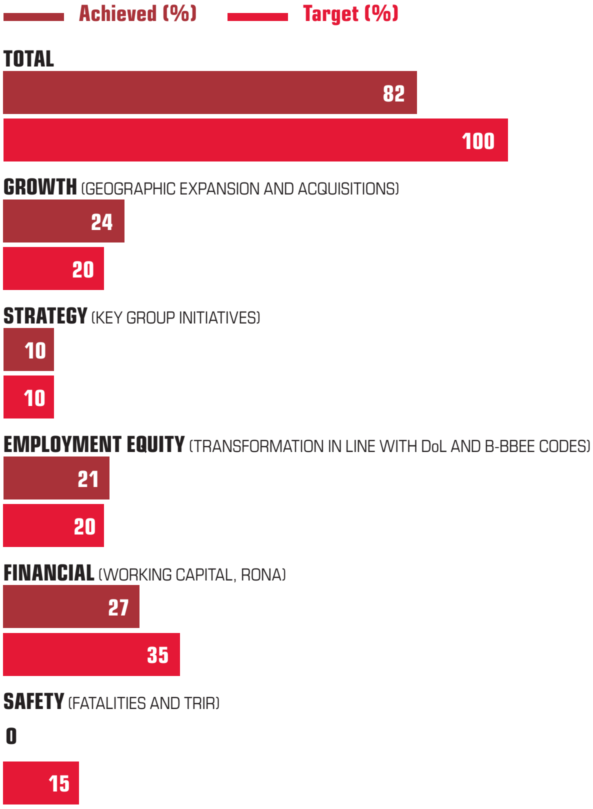
STI VALUES FOR EXECUTIVES AND PRESCRIBED OFFICERS

	% OF GP	% OF GP FROM KPI	% OF GP FROM COMPANY PERFORMANCE	VALUE (BEFORE TAX) (R THOUSANDS)
MA DYTOR	95	8	87	5 198
KM KATHAN	95	8	87	4 578
EE LUDICK	96	9	87	3 749
MVK MATSHITSE	93	8	85	3 167

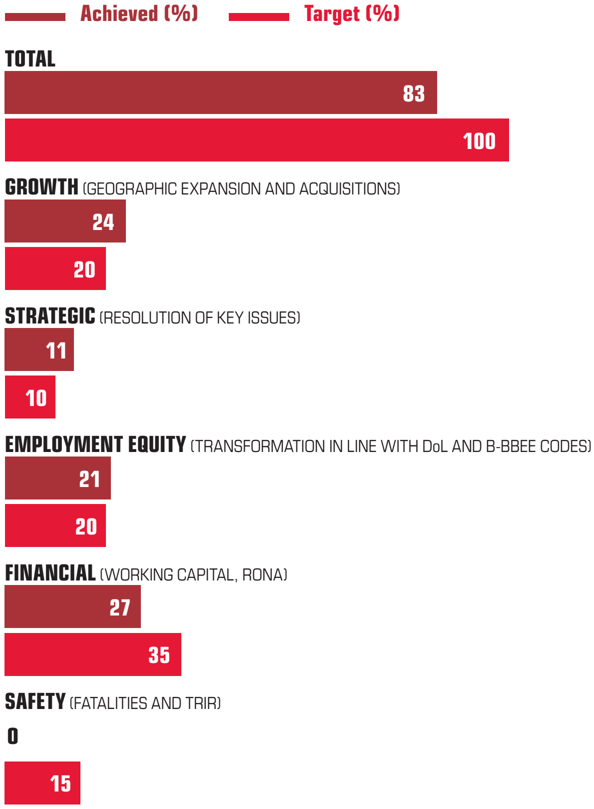
LTI AWARDS 2017

	NO. OF PS	MARKET VALUE BASED ON AWARD PRICE (20-DAY VWAP) OF R105,53 (R THOUSANDS)	% OF TOTAL GP
MA DYTOR	43 766	4 619	71
KM KATHAN	35 215	3 716	64
EE LUDICK	25 096	2 648	56
MVK MATSHITSE	14 476	1 528	56

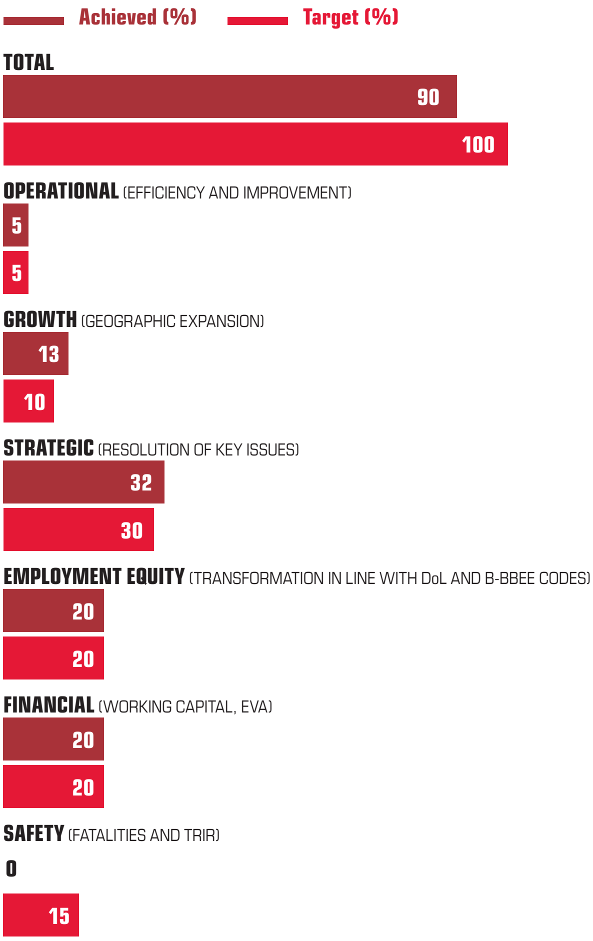
CHIEF EXECUTIVE
MA DYTOR



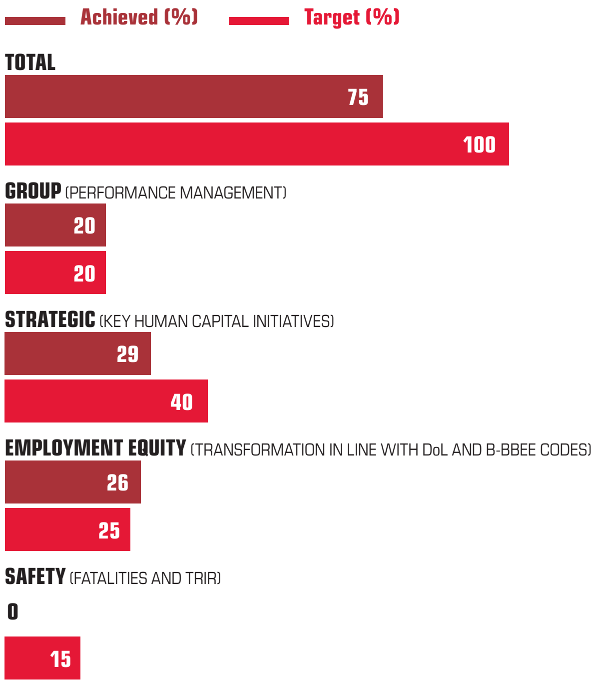
CHIEF FINANCIAL OFFICER
KM KATHAN



AEL MANAGING DIRECTOR
EE LUDICK



GROUP EXECUTIVE: HUMAN CAPITAL
MVK MATSHITSE



PS AWARDED IN 2014 AND VESTED IN 2017

	NO. OF PS AWARDED (GRANT PRICE = R115,97)	NO. OF ORDINARY SHARES RECEIVED ON VESTING DATE (SETTLED PRICE = R108,43)	VALUE AT VESTING (BEFORE TAX) (R THOUSANDS)
MA DYTOR	17 956	32 321	3 505
KM KATHAN	13 724	24 703	2 679
EE LUDICK	6 084	10 951	1 187
MVK MATSHITSE	6 144	11 059	1 199

3.4 LTI VESTING AND VESTING OUTCOMES IN 2017

3.4.1 VESTING OF THE 2014 LTI AWARD

3.4.1.1 PERFORMANCE SHARES

The PS allocation from 2014 vested on 30 June 2017. On this date, AECI achieved ninth position in relation to its comparator peer group of 17 companies, using TSR as a measure (see Part 2 for details on the peer group). In terms of the performance condition curve for the 2014 award, sixth position resulted in a multiple of 180%, which was applied to the PS award. Participants in the scheme received their allocations of AECI ordinary shares at the end of July, after the Group's results for the half-year ended 30 June 2017 had been released. The TSR measurement was calculated and verified by an independent third-party provider.

The vesting of the 2015 PS award will follow the same methodology in relation to assessing performance against a peer group of 17 companies, including two delisted entities. The table above indicates the final value of the PS awarded in 2014, which vested in 2017.

3.4.1.2 EGUs

The 2014 EGU allocation vested on 30 June 2017 and the first third of the award is now exercisable. The value of the award is determined by the growth in HEPS between the issue date and the vesting date. The HEPS value is linked to the audited results of the AECI Group.

3.5 ACTUAL REMUNERATION OUTCOMES (SINGLE FIGURE)

Details of the basic salary and GP paid to the Executive Directors and the Prescribed Officers are set out in the table on page 97, with the face value of the vested incentive schemes included.

3.6 TABLE OF UNVESTED AWARDS

Disclosure of the number of awards, and their estimated values which were outstanding as at 31 December 2017 are indicated on pages 98 to 105. Awards made during 2017 and their estimated values have been included. The column "vested in year" indicates the portion of the award which vested and the actual value at the vesting date. Vested awards may still be exercised by recipients at a future date and will be disclosed in the annual financial statements of the year in which they were exercised.

3.7 INCREASE IN NON-EXECUTIVE DIRECTORS' FEES

At the AGM scheduled for 31 May 2018 shareholders will be asked to pass special resolutions, to take effect from 31 May 2018, approving the proposed changes in Non-executive Directors' fees by an average of 6,0% (in line with CPI and the increases awarded to the Executive Directors) as set out in the Notice of AGM commencing on page 197.

Directors' and Prescribed Officers' holdings in the Company's securities are disclosed in note 30 to the financial statements.

Details of fees paid to the Non-executive Directors in 2017 are also disclosed in note 30 to the financial statements.

3.8 NON-BINDING ADVISORY VOTE

In terms of the JSE Listings Requirements and the recommendations of King IV, the following will be put to a non-binding vote at the forthcoming AGM:

› the Remuneration Policy as outlined in Part 2 of this report; and

› the application of the Remuneration Policy as outlined in Part 3.

In the event that either the Policy or the implementation vote receive 25% or more votes against, the Committee commits to engagements as set out in 2.10 on page 93.

ACTUAL REMUNERATION (SINGLE FIGURE)

R thousands	2017	2016	Change %
CE — MA DYTOR			
Basic salary	**4 388**	4 120	6,50
Benefits	**1 008**	953	
STI	**5 198**	4 100	26,79
LTI[1]	**—**	—	
PS[2]	**3 505**	2 344	
EGU[3]	**860**	712	
DS[4]	**—**	1 030	
Other[5]	**224**	585	
TOTAL	**15 183**	13 844	11,01
CFO — KM KATHAN			
Basic salary	**3 917**	3 678	6,50
Benefits	**897**	850	
STI	**4 578**	3 659	24,98
LTI[1]	**—**	—	
PS[2]	**2 679**	2 175	
EGU[3]	**858**	806	
DS[4]	**—**	919	
Other[5]	**7**	261	
TOTAL	**12 936**	12 348	4,70
AEL MANAGING DIRECTOR — EE LUDICK			
Basic salary	**3 183**	2 989	6,49
Benefits	**753**	734	
STI	**3 749**	2 963	26,53
LTI[1]	**—**	—	
PS[2]	**1 187**	495	
EGU[3]	**351**	298	
DS[4]	**—**	747	
Other[5]	**—**	—	
TOTAL	**9 223**	8 226	12,11
GROUP EXECUTIVE: HUMAN CAPITAL — MVK MATSHITSE			
Basic salary	**2 733**	2 566	6,51
Benefits	**674**	639	
STI	**3 167**	2 547	24,34
LTI[1]	**—**	—	
PS[2]	**1 199**	506	
EGU[3]	**357**	305	
DS[4]	**—**	641	
Other[5]	**6**		
TOTAL	**8 137**	7 204	12,94

1 Restatement of previous figure, which reflected the exercise of previous allocations.
2 PS awarded in July 2014 and the applicable performance period ended on 30 June 2017. The value stated is the pre-tax value as at 30 June 2017.
3 EGUs awarded in 2012, 2013, 2014 vested in the performance period, which ended on 30 June 2017. Value was determined by the difference between the HEPS at the grant date and the HEPS determined for LTI purposes in 2017.
4 Value of DS award at the grant date, as determined by the 20-day VWAP as at 30 June 2016.
5 Inclusive of encashed leave, club fees and expenses claimed.

TABLE OF UNVESTED AWARDS

MA DYTOR

EGUs

R thousands

Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	NUMBER OF OUTSTANDING AWARDS Opening balance	Vested in the year	Closing balance
2012	157 857	52 619	2015	2019	—		
		52 619	2016	2019	—		
		52 619	2017	2019	52 619	(52 619)	—
2013	393 974	131 325	2016	2020			
		131 325	2017	2020	131 325	(131 325)	—
		131 325	2018	2020	131 325	—	131 325
2014	210 594	70 198	2017	2021	70 198	(70 198)	—
		70 198	2018	2021	70 198		70 198
		70 198	2019	2021	70 198		70 198
2015	392 862	130 954	2018	2022	130 954		130 954
		130 954	2019	2022	130 954		130 954
		130 954	2020	2022	130 954		130 954
2016	258 598	86 199	2019	2023	86 199		86 199
		86 199	2020	2023	86 199		86 199
		86 199	2021	2023	86 199		86 199
					1 004 924	**(254 142)**	**750 782**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on HEPS for the second half of 2017.
3 Vested awards settled in prior years and value of award at vesting date.

PS

R thousands

Grant date	Award (no.)	Exercise date	Lapsing date	NUMBER OF OUTSTANDING AWARDS Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2014	17 956	2017	2017	17 956	14 365	32 321	—
2015	27 783	2018	2018	27 783		—	27 783
2016	28 049	2019	2019	28 049		—	28 049
2017	43 766	2020	2020	43 766		—	43 766
				117 554	**14 365**	**32 321**	**99 598**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the 20-day VWAP at 31 December 2017.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2017.
5 Value of vested award as at 20-day pre-tax VWAP share price on date of vesting.

DS

R thousands

Grant date	Award (no.)	Exercise date	Lapsing date	NUMBER OF OUTSTANDING AWARDS Opening balance	Effect of performance	Vested in the year	Closing balance
2015	8 292	2018	2018	8 292			8 292
2016	11 870	2019	2019	11 870			11 870
				20 162	**—**	**—**	**20 162**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date [2]	Effect of performance	Settlement value	Value of unexercised award at year-end
					120 [3]	48	168	—
	—	140	(140)	—	140	38		179
	—	544	(544)	—	544	—	544	—
	—	474		474				
	—	175	(175)	—	175	—	175	—
	—	138		138				
	—	138		138				
	—	426		426				
	—	426		426				
	—	426		426				
	—	203		203				
	—	203		203				
	—	203		203				
	—	**3 495**	**(860)**	**2 230**	**980**	**87**	**888**	**179**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date [2]	Effect of share price [3]	Effect of performance [4]	Vested in the year [5]	Value at year-end	Settlement value
	2 082	(135)	1 558	3 505	—	3 505
	3 256	(689)	(513)	—	2 053	
	2 434	157	(518)	—	2 073	
	4 619	(576)	(4 043)		—	
	12 391	**(1 243)**	**(3 517)**	**3 505**	**4 126**	**3 505**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date [1]	Effect of share price [2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	972	(206)			766	
	1 030	66			1 097	
	2 002	**(139)**	**—**	**—**	**1 862**	**—**

TABLE OF UNVESTED AWARDS continued

KM KATHAN

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	182 233	60 744	2015	2021	—		
		60 744	2016	2021	—		
		60 744	2017	2021	60 744	(60 744)	—
2013	443 119	147 706	2016	2022			
		147 706	2017	2022	147 706	(147 706)	—
		147 706	2018	2022	147 706	—	147 706
2014	195 120	65 040	2017	2023	65 040	(65 040)	—
		65 040	2018	2023	65 040		65 040
		65 040	2019	2023	65 040		65 040
2015	350 549	116 850	2018	2024	116 850	—	116 850
		116 850	2019	2024	116 850		116 850
		116 850	2020	2024	116 850		116 850
2016	230 761	76 920	2019	2025	76 920	—	76 920
		76 920	2020	2025	76 920		76 920
		76 920	2021	2025	76 920		76 920
					978 746	**(273 491)**	**705 256**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on based on HEPS for the second half of 2017.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2014	13 724	2017	2017	13 724	10 979	24 703	—
2015	20 453	2018	2018	20 453			20 453
2016	20 650	2019	2019	20 650			20 650
2017	35 215	2020	2020	35 215			35 215
				90 042	**10 979**	**24 703**	**76 318**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the 20-day VWAP at 31 December 2017.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2017.
5 Value of vested award as at 20-day pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	7 401	2018	2018	7 401			7 401
2016	10 594	2019	2019	10 594			10 594
				17 995	**—**	**—**	**17 995**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

	VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
	Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
	—	162	(162)	—	162	—	—	162
	—	533	(533)	—	533	—	—	533
	—	533	—	533				
	—	163	(163)	0	163	—	—	163
	—	128		128				
	—	128		128				
	—	380		380				
	—	380		380				
	—	380		380				
	—	181	—	—				
	—	181		181				
	—	181		181				
	—	**3 329**	**(858)**	**1 929**	**858**	**—**	**—**	**858**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
	1 592	(103)	1 190	2 679	—	2 679
	2 397	(508)	(378)		1 512	
	1 792	116	(382)		1 526	
	3 716	(463)	(3 253)		—	
	9 497	**(959)**	**(2 822)**	**2 679**	**3 038**	**2 679**

	VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
	Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
	867	(184)			684	
	919	59			979	
	1 787	**(124)**	**—**	**—**	**1 662**	**—**

TABLE OF UNVESTED AWARDS continued

EE LUDICK

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	107 340	35 780	2015	2021	—		
		35 780	2016	2021	—		
		35 780	2017	2021	35 780	(35 780)	—
2013	133 266	44 422	2016	2022			
		44 422	2017	2022	44 422	(44 422)	—
		44 422	2018	2022	44 422	—	44 422
2014	114 166	38 055	2017	2023	38 055	(38 055)	—
		38 055	2018	2023	38 055		38 055
		38 055	2019	2023	38 055		38 055
2015	243 999	81 333	2018	2024	81 333		81 333
		81 333	2019	2024	81 333		81 333
		81 333	2020	2024	81 333		81 333
2016	156 588	52 196	2019	2025	52 196		52 196
		52 196	2020	2025	52 196		52 196
		52 196	2021	2025	52 196		52 196
					534 985	**(118 257)**	**416 728**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on based on HEPS for the second half of 2017.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2014	6 084	2017	2017	6 084	4 867	10 951	—
2015	10 785	2018	2018	10 785			10 785
2016	10 615	2019	2019	10 615			10 615
2017	25 096	2020	2020	25 096			25 096
				52 580	**4 867**	**10 951**	**46 496**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the 20-day VWAP at 31 December 2017.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2017.
5 Value of vested award as at 20-day pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	4 995	2018	2018	4 995			4 995
2016	8 611	2019	2019	8 611			8 611
				13 606	**—**	**—**	**13 606**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
—	96	(96)	—	96	—	—	96
—	160	(160)	—	160	—	—	160
—	160		160				
—	95	(95)	—	95	—	—	95
—	75		75				
—	75		75				
—	264		—				
—	264		264				
—	264		264				
—	123		—				
—	123		123				
—	123		123				
—	**1 822**	**(351)**	**839**	**351**	**—**	**—**	**351**

VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
706	(46)	528	1 187	—	1 187
1 264	(268)	(199)		797	
921	59	(196)		784	
2 648	(330)	(2 318)		—	
5 539	**(584)**	**(2 186)**	**1 187**	**1 581**	**1 187**

VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
585	(124)			461	
747	48			795	
1 333	**(76)**	**—**	**—**	**1 257**	**—**

TABLE OF UNVESTED AWARDS continued

MVK MATSHITSE

EGUs

R thousands					NUMBER OF OUTSTANDING AWARDS		
Grant date	Total award (no.)	Award per year (no.)[1]	Vesting date	Lapsing date	Opening balance	Vested in the year	Closing balance
2012	109 668	36 556	2015	2021	—		
		36 556	2016	2021	—		
		36 556	2017	2021	36 556	(36 556)	—
2013	136 069	45 356	2016	2022	—	—	—
		45 356	2017	2022	45 356	(45 356)	—
		45 356	2018	2022	45 356	—	45 356
2014	115 308	38 436	2017	2023	38 436	(38 436)	—
		38 436	2018	2023	38 436		38 436
		38 436	2019	2023	38 436		38 436
2015	219 003	73 001	2018	2024	73 001	—	73 001
		73 001	2019	2024	73 001		73 001
		73 001	2020	2024	73 001		73 001
2016	136 124	45 375	2019	2025	45 375	—	45 375
		45 375	2020	2025	45 375		45 375
		45 375	2021	2025	45 375		45 375
					506 954	**(120 348)**	**386 606**

1 EGUs vest over a three-year period.
2 The estimated value of the EGUs is based on based on HEPS for the second half of 2017.
3 Value of award at date of vesting in 2016.

PS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Forfeited/ gained in the year[1]	Vested in the year	Closing balance
2014	6 144	2017	2017	6 144	4 915	11 059	—
2015	9 680	2018	2018	9 680			9 680
2016	9 228	2019	2019	9 228			9 228
2017	14 476	2020	2020	14 476			14 476
				39 528	**4 915**	**11 059**	**33 384**

1 Number of awards as determined by final TSR position in the vesting year.
2 Value determined by 20-day VWAP share price at the award date.
3 PS awards estimated values as determined by the 20-day VWAP at 31 December 2017.
4 The effect of performance has been determined through an estimated TSR position for each award as at 31 December 2017.
5 Value of vested award as at 20-day pre-tax VWAP share price on date of vesting.

DS

R thousands				NUMBER OF OUTSTANDING AWARDS			
Grant date	Award (no.)	Exercise date	Lapsing date	Opening balance	Effect of performance	Vested in the year	Closing balance
2015	5 164	2018	2018	5 164			5 164
2016	7 392	2019	2019	7 392			7 392
				12 556	**—**	**—**	**12 556**

1 Value determined by 20-day VWAP share price at the award date.
2 The estimated value of the DS awards was determined by the 20-day VWAP share price at 31 December.

VALUE OF OUTSTANDING AWARDS				CASH SETTLEMENT			
Value of award	Effect of performance	Vested in the year	Value of outstanding award at year-end	Value of award at vesting date[2]	Effect of performance	Settlement value	Value of unexercised award at year-end
				83[3]	14		98
—	98	(98)	—	98	—		98
—	—	—	—	146[3]	18		164
—	164	(164)	—	164	—		164
—	164	—	164				
—	96	(96)	—	96	—		96
—	76		76				
—	76		76				
—	237	—	—				
—	237		237				
—	237		237				
—	107	—	—				
—	107		107				
—	107		107				
—	**1 704**	**(357)**	**790**	**587**	**32**	**—**	**619**

VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
Value at award date[2]	Effect of share price[3]	Effect of performance[4]	Vested in the year[5]	Value at year-end	Settlement value
713	(46)	533	1 199	—	1 199
1 134	(240)	(179)		715	
801	52	(170)		682	
1 528	(190)	(1 337)		—	
4 175	**(425)**	**(1 154)**	**1 199**	**1 397**	**1 199**

VALUE OF OUTSTANDING AWARDS					CASH SETTLEMENT
Value at award date[1]	Effect of share price[2]	Effect of performance	Vested in the year	Value at year-end	Settlement value
605	(128)			477	
641	41			683	
1 247	**(87)**	**—**	**—**	**1 160**	**—**

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 31 December 2017. AECI was registered as a company in South Africa in 1924 and has been listed on the JSE since 1966. At the end of 2017 its market capitalisation was R12,2 billion.

NATURE OF BUSINESS

PROFILE AND STRATEGY

AECI is a South African-based company focused on providing products and services to a broad spectrum of customers in the mining, water treatment, plant and animal health, food and beverage, infrastructure and general industrial sectors. It has regional and international businesses in Africa, Europe, South East Asia, North America and Australia.

The Group now comprises 17 businesses and, at 31 December 2017, it had 6 522 employees. Another 850 permanent employees joined the Group when Schirm became AECI-owned on 30 January 2018 and a further 536 joined from Much Asphalt when this transaction closed on 3 April 2018.

The Group's strategy is to be the supplier of choice in the markets in which it operates and to continue to grow domestically as well as through ongoing expansion of its footprint in terms of the geographies and markets served. In line with this strategy the five growth pillars are Mining Solutions (AEL Mining Services, Experse and Senmin), Water & Process (ImproChem), Plant & Animal Health (Nulandis and newly acquired Schirm), Food & Beverage (Lake Foods and Southern Canned Products), and Chemicals (Chemfit, Chemical Initiatives, ChemSystems, Industrial Oleochemical Products, SANS Technical Fibers and newly acquired Much Asphalt). Also in this pillar are two joint ventures — Crest Chemicals and Specialty Minerals South Africa.

AECI was registered as a company in South Africa in 1924 and has been listed on the JSE since 1966. At the end of 2017 its market capitalisation was R12,2 billion.

Mining Solutions: the businesses in this pillar provide a mine-to-metal solution for the mining sector internationally. The offering includes surfactants for explosives manufacture, commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.

Water & Process: ImproChem provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.

Plant & Animal Health: Nulandis manufactures and supplies an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa. Schirm, based in Germany, is a contract manufacturer of agrochemicals and fine chemicals with a European and US footprint. It is the largest provider of external agrochemical formulation services in Europe.

Food & Beverage: the businesses in this pillar supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.

Chemicals: these businesses supply chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing, infrastructure and general industrial sectors mainly in South Africa and in other Southern African countries. SANS Technical Fibers is based in the USA.

Acacia Real Estate, the Group's property division, focuses mainly on managing AECI's leasing portfolio and on the provision of services at the Umbogintwini Industrial Complex in KwaZulu-Natal.

DIRECTORS' AND GROUP COMPANY SECRETARY'S INTERESTS IN SHARES

At 31 December 2017, the Directors had direct beneficial interests in the share capital of the Company as set out on the next page. None of the Directors' associates (as defined in terms of the JSE Listings Requirements) had any interests. The direct beneficial interests of Messrs Dytor and Kathan were unchanged between the end of the financial year, the publication of the annual financial statements and as at the date of the integrated report.

No Non-executive Director has been granted options or shares. The Executive Directors and the Prescribed Officers have been issued long-term incentive benefits as disclosed in note 30 to the financial statements.

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 ventures and associates have adequate resources to continue as going-concerns in the foreseeable future.

BORROWING POWERS

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

INDEPENDENT AUDITOR

On 7 December 2017 the AECI Board announced that it had resolved in favour of the early adoption of the Independent Regulatory Board for Auditors' decision in respect of the mandatory rotation of external auditors at least every 10 years. Accordingly, the current external auditor, KPMG Inc., will not be considered for reappointment for the 2018 financial year.

KPMG has been AECI's auditor for 93 years, during which time the firm has provided a robust, independent and highly competent service to the Group and its shareholders.

On 6 April 2018, Deloitte & Touche was appointed as the new external auditor. On that same date, Mr Patrick Ndlovu was appointed as designated audit partner for the financial year ending 31 December 2018. Shareholders will be given an opportunity to reappoint this auditor at the AGM scheduled to be held on 31 May 2018.

DIRECTORS' AND GROUP COMPANY SECRETARY'S INTERESTS IN SHARES

	2017		2016	
Number of shares	**Direct**	**Indirect**	Direct	Indirect
EXECUTIVE DIRECTORS				
MA Dytor	**62 061**	**0**	44 618	0
KM Kathan	**63 244**	**0**	49 913	0
	125 305	**0**	94 531	0
NON-EXECUTIVE DIRECTORS				
S Engelbrecht[1]	**0**	**0**	6 629	600
	0	**0**	6 629	600
TOTAL SHARES	**125 305**	**0**	101 160	600

1 Retired on 28 February 2017.

SHARE CAPITAL AND SHARE PREMIUM

The issued share capital of the Company is 121 829 083 listed ordinary shares of R1 each (2016: 121 829 083 shares), 10 117 951 unlisted redeemable convertible B ordinary shares of no par value (2016: 10 117 951 shares) and 3 000 000 listed 5,5% cumulative preference shares of R2 each (2016: 3 000 000 shares).

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

An interim ordinary cash dividend of 138 cents was declared on 25 July 2017 and was paid on 4 September 2017.

A final ordinary cash dividend of 340 cents was declared on 26 February 2018 and was paid on 9 April 2018.

Preference share dividends were paid on 15 June 2017 and on 15 December 2017.

See note 25 to the financial statements for details in this regard.

CHANGES TO THE BOARD

The following Non-executive Directors resigned from the Board during the year:

- Mr S Engelbrecht on 28 February;
- Mr RMW Dunne on 29 May;
- Mr RJM Kgosana on 29 September; and
- Ms LL Mda on 27 November.

Ms PG Sibiya was appointed to the Board as a Non-executive Director after the reporting date, with effect from 27 February 2018.

DIRECTORATE AND SECRETARY

Details of the Directorate and Secretary of the Company are published elsewhere in this integrated report.

In terms of the Company's MOI Ms Z Fuphe, Mr KM Kathan, Dr KDK Mokhele and Adv R Ramashia retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

MAJOR SHAREHOLDERS

Details of the interests of shareholders who hold beneficial interests equal to or in excess of 5% of the Company's share capital are included in note 13 to the financial statements.

SPECIAL RESOLUTIONS

The Company passed the following special resolutions at the AGM held on 29 May 2017:

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;
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; and
4. to amend the Company's MOI.

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 2017.

REGULATORY INTERACTION

The investigation process undertaken by the Competition Commission of South Africa ("the Commission") in 2014, into collusion by Akulu Marchon ("Akulu") and a competitor, as reported in the intervening years, was concluded. Both parties concluded separate settlement agreements with the Commission. Akulu made a payment of the penalty of R13 905 600 on 30 October 2017. Akulu also agreed to and implemented behavioural remedies which will be applied across the Group.

Also as previously reported on 14 December 2015 the Department of Environmental Affairs, jointly with representatives from the City of Johannesburg, executed a search and seizure operation at AEL in Modderfontein. The operation and ensuing allegations related to AEL's compliance with certain conditions of its air emissions licence. The matter was finalised with the authorities and AEL paid a penalty of R8,5 million.

The Group is involved in various legal proceedings and is in consultation with its legal counsel, assessing the outcome of these proceedings on an ongoing basis. As proceedings progress, the Group's management makes provision in respect of legal proceedings where appropriate. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

INTERESTS OF DIRECTORS AND OFFICERS

During 2017, 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 the remuneration and participation in the Group's long-term incentive schemes by the Company's Executive Directors and Prescribed Officers are disclosed in note 30 to the financial statements.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors 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:

- ensuring that 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, are appropriately designed, implemented and maintained;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes ensuring that adequate accounting records and an effective system of risk management are maintained.

APPROVAL OF CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

The consolidated and separate annual financial statements of the Company were approved by the Board of Directors on 27 February 2018. The Board of Directors subsequently approved the integrated report. The financial statements and the integrated report were signed by:

Mark Dytor
Chief Executive

Mark Kathan
Chief Financial Officer

Woodmead, Sandton
27 February 2018

SHAREHOLDER ANALYSIS

1. ANALYSIS OF REGISTERED SHAREHOLDERS AND COMPANY SCHEMES

Source: J.P. Morgan Cazenove

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms that the spread of registered shareholders, as detailed in the integrated report and accounts, on 29 December 2017 was:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	2 730	65,61	796 577	0,65
1 001 – 10 000 shares	936	22,49	3 001 534	2,46
10 001 – 100 000 shares	348	8,36	12 432 850	10,21
100 001 – 1 000 000 shares	119	2,86	32 396 334	26,59
1 000 001 shares and above	28	0,68	73 201 788	60,09
TOTAL	**4 161**	**100,00**	**121 829 083**	**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 type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Public shareholders	4 157	99,90	109 819 079	90,14
Non-public shareholders	4	0,10	12 010 004	9,86
— Treasury shares	1	0,03	11 884 699	9,76
— Directors/related holdings	3	0,07	125 305	0,10
TOTAL	**4 161**	**100,00**	**121 829 083**	**100,00**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

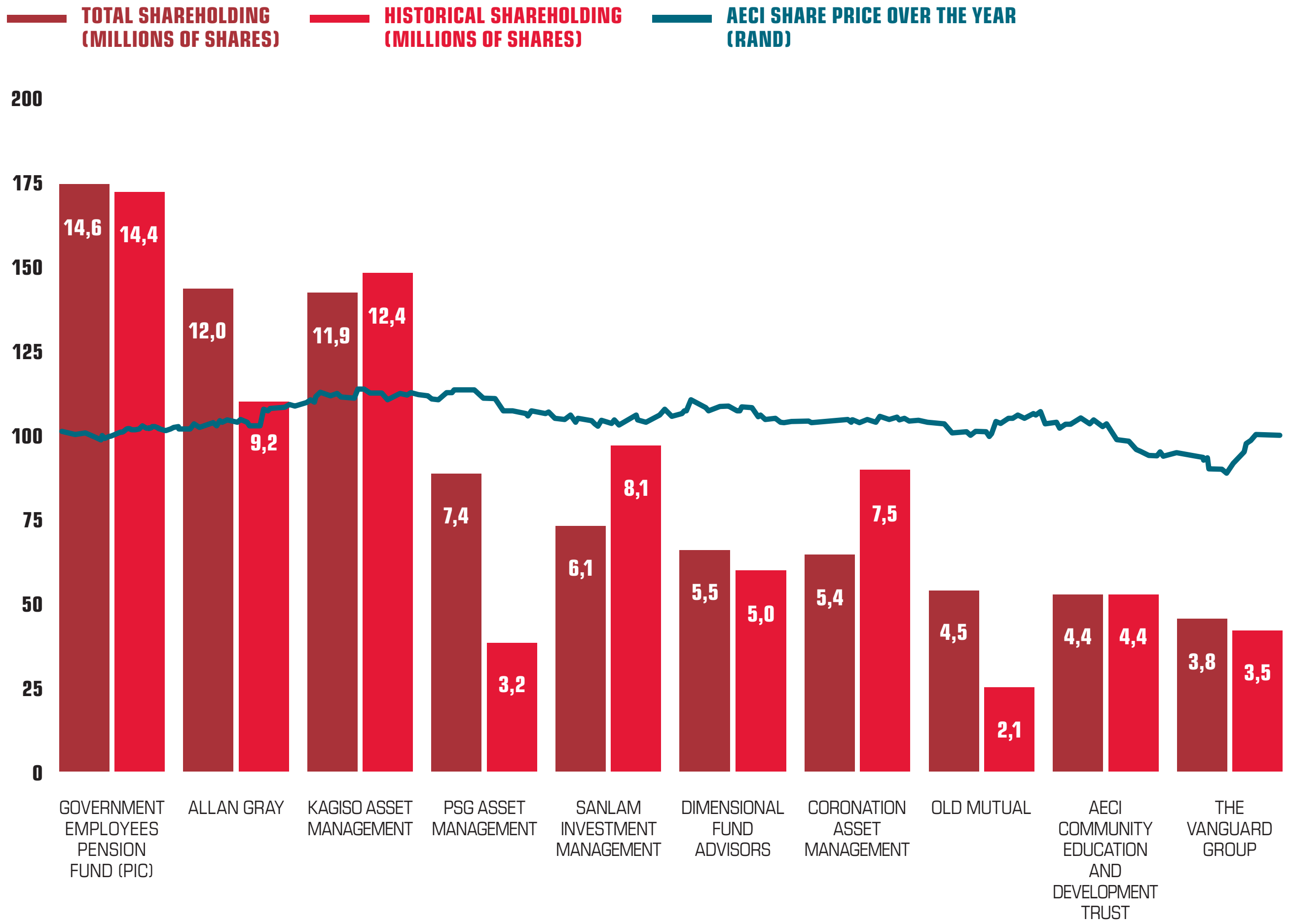
Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 29 December 2017:

INVESTMENT MANAGEMENT SHAREHOLDINGS, EXCLUDING TREASURY SHARES

Investment manager	Total shareholding (number of shares)	% of issued capital
Public Investment Corporation ("PIC")	14 584 182	11,97
Allan Gray	12 034 261	9,88
Kagiso Asset Management	11 877 477	9,75
PSG Asset Management	7 364 688	6,05
Sanlam Investment Management	6 064 270	4,98
Dimensional Fund Advisors	5 495 847	4,51
Coronation Asset Management	5 381 219	4,42
Old Mutual	4 465 414	3,67
AECI Community Education and Development Trust	4 426 604	3,63
The Vanguard Group	3 794 488	3,11
TOTAL	**75 488 450**	**61,97**

2. SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS continued

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

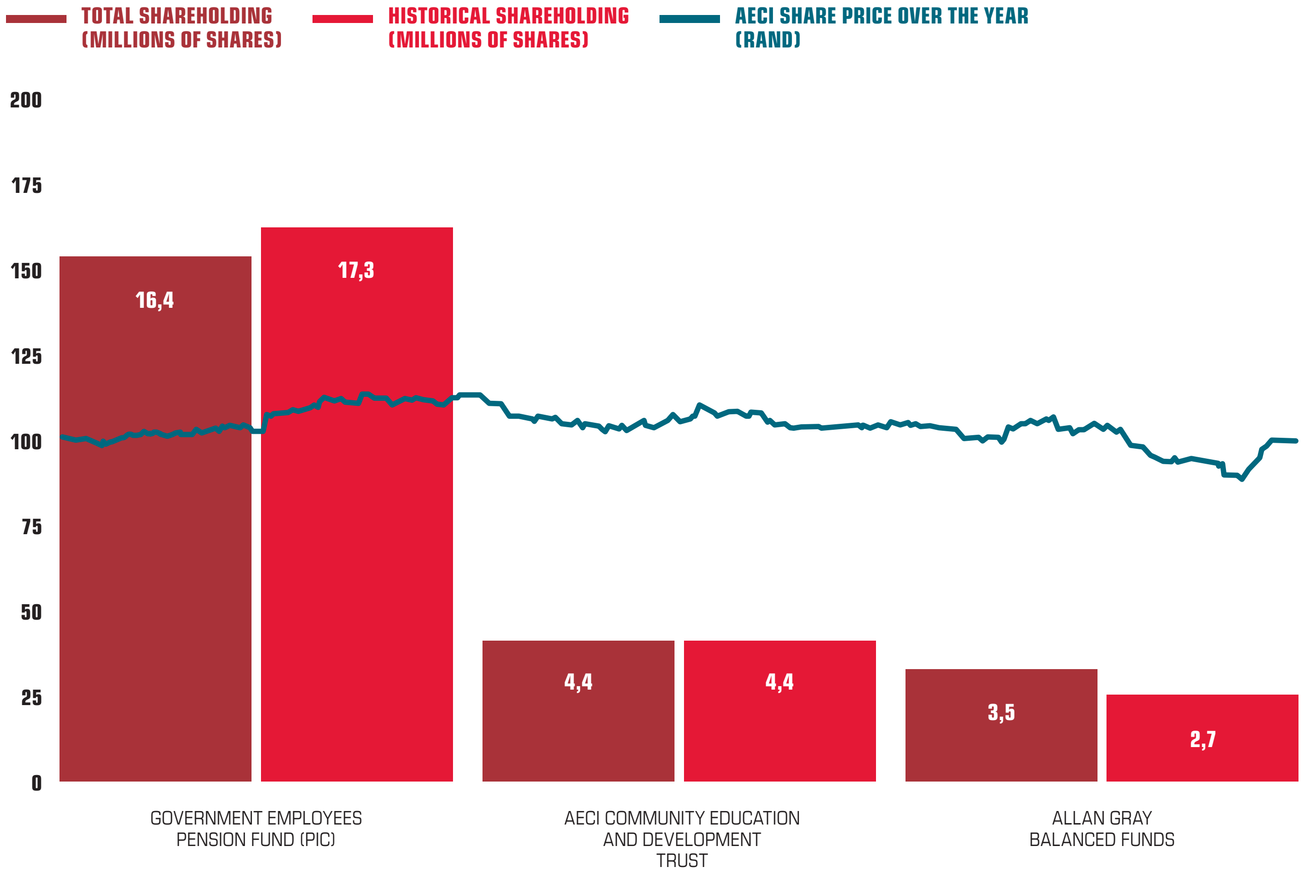


BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund (PIC)	16 370 132	13,44
AECI Community Education and Development Trust	4 426 604	3,63
Allan Gray Balanced Funds	3 467 958	2,85
TOTAL	**24 264 694**	**19,92**

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 %
Business Ventures Investments No. 88	0	0,00	2,88
TOTAL	**0**	**0,00**	**2,88**

BENEFICIAL OWNERS NOW HOLDING BELOW 3%

Beneficial owner	Total shareholding (number of shares)	% of issued capital	Previous %
Business Ventures Investments No. 88	0	0,00	2,88
TOTAL	**0**	**0,00**	**2,88**

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	79 752 638	65,46
United States of America and Canada	17 157 233	14,08
United Kingdom	5 974 071	4,90
Rest of Europe	1 557 445	1,28
Rest of the world[1]	17 387 696	14,28
TOTAL	**121 829 083**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	81 816 082	67,16
United States of America and Canada	17 130 498	14,06
United Kingdom	3 025 909	2,48
Rest of Europe	4 113 531	3,38
Rest of the world[1]	15 743 063	12,92
TOTAL	**121 829 083**	**100,00**

1 Represents all shareholdings except those in the above regions.

4. SHAREHOLDER CATEGORIES

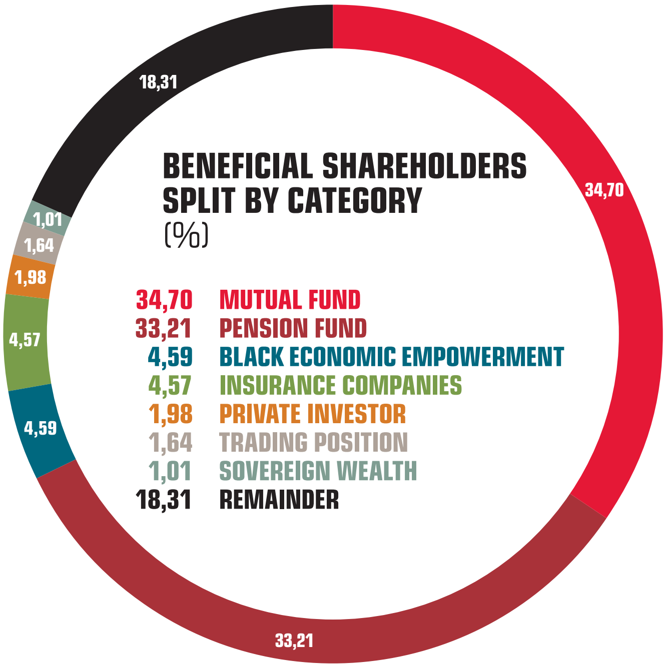
An analysis of beneficial shareholdings, supported by the section 56 enquiry process, confirmed the following beneficial shareholder types:

BENEFICIAL SHAREHOLDER CATEGORIES

Category	Total shareholding (number of shares)	% of issued capital
Mutual fund	42 277 831	34,70
Pension fund	40 464 563	33,21
Black Economic Empowerment	5 596 271	4,59
Insurance companies	5 562 250	4,57
Private investor	2 406 801	1,98
Trading position	1 994 959	1,64
Sovereign wealth	1 225 142	1,01
Exchange-traded fund	1 059 367	0,87
Custodians	864 448	0,71
Hedge fund	729 669	0,60
University	338 659	0,28
Local authority	303 630	0,25
Medical aid scheme	208 490	0,17
Charity	204 900	0,17
Unclassified	28 050	0,02
Other	18 564 053	15,23
TOTAL	**121 829 083**	**100,00**

4. SHAREHOLDER CATEGORIES continued

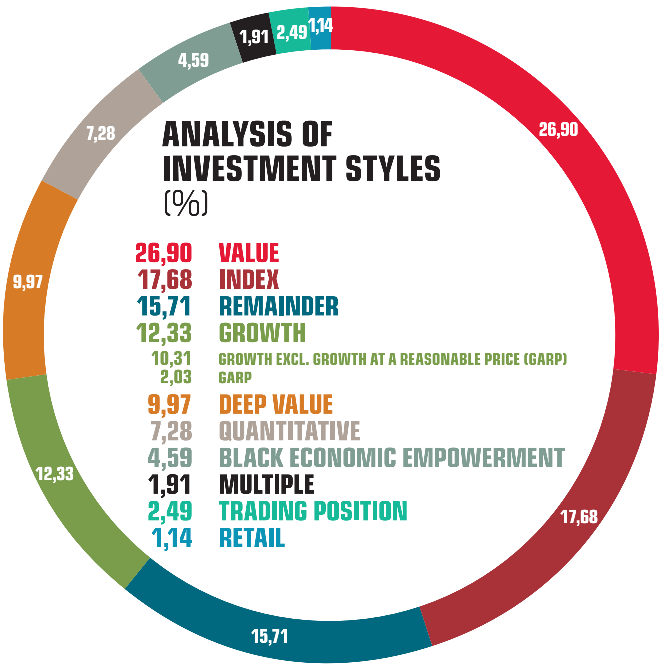
BENEFICIAL SHAREHOLDERS SPLIT BY CATEGORY[1]



1 *Includes categories above 2% only.*

5. ANALYSIS OF INVESTMENT STYLES[1]

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



1 *Includes categories above 1% only.*

HISTORICAL REVIEWS

ABRIDGED FINANCIAL STATEMENTS

R millions	**2017**	2016	2015	2014	2013
INCOME STATEMENTS[1]					
Revenue	**18 482**	18 596	18 446	16 903	15 942
Local	**12 246**	12 117	12 085	11 486	10 718
Foreign	**6 236**	6 479	6 361	5 417	5 224
Profit from operations	**1 579**	1 335	1 703	1 596	1 398
Net financing costs	**167**	215	187	150	174
Tax	**429**	336	464	368	313
Profit attributable to ordinary shareholders	**950**	777[4]	1 007	1 096	946
Headline earnings	**1 012**	864[4]	988	943	885
STATEMENTS OF FINANCIAL POSITION					
Total shareholders' interest	**9 356**	9 046	9 042	7 803	6 877
Deferred tax (net)	**(302)**	(273)	(95)	(366)	(300)
Net interest-bearing debt	**424**	297	1 179	666	1 741
Capital employed	**9 478**	9 070	10 126	8 103	8 318
Represented by:					
Non-current assets excluding deferred tax assets	**6 970**	7 011	7 852	6 606	6 004
Net current assets, excluding cash, less non-current provisions	**2 508**	2 059	2 274	1 497	2 314
Employment of capital	**9 478**	9 070	10 126	8 103	8 318
STATEMENTS OF CASH FLOWS					
Cash generated by operations[2]	**1 757**	1 555	1 918	1 723	1 684
Changes in working capital	**(358)**	488	(215)	547	(426)
Expenditure relating to non-current provisions, employee benefits and restructuring	**(178)**	(103)	(348)	(153)	(32)
Settlement of performance shares	**(44)**	(22)	(94)		
Net replacement to maintain operations[3]	**(368)**	(305)	(235)	131	(240)
	809	1 613	1 026	2 248	986
Dividends paid	**(497)**	(435)	(838)	(378)	(336)
	312	1 178	188	1 870	650
Investment to expand operations[3]	**(385)**	(147)	(609)	(835)	(532)
Proceeds from disposal of businesses, investments and joint venture	**—**	—	—	—	—
Net cash generated/(utilised)	**(73)**	1 031	(421)	1 035	118
Depreciation and amortisation charges	**597**	626	590	547	537
COMMITMENTS					
Capital expenditure authorised	**405**	233	436	342	746
Future rentals on property, plant and equipment leased	**367**	443	331	358	199
	772	676	767	700	945

1 Includes the results of discontinued operations.

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

3 Excludes property, plant and equipment of companies acquired.

4 After loss on settlement of defined-benefit pension fund obligations and post-retirement medical aid obligations of R4 million.

RATIOS AND EMPLOYEE DETAILS

	2017	2016	2015	2014	2013
PROFITABILITY AND ASSET MANAGEMENT					
Profit from operations to revenue (%)	**8,5**	7,2	9,2	9,4	8,8
Trading cash flow to revenue (%)	**11,8**	10,5	12,4	12,7	12,1
Return on average net assets (%)[1]	**17,3**	14,4	18,1	17,8	16,4
Return on invested capital (%)[2]	**12,5**	10,6	13,6	13,6	12,7
Return on average ordinary shareholders' interest (%)[3]	**11,2**	9,7	11,9	13,0	14,1
Net working capital to revenue (%)[4]	**15,6**	12,7	17,2	15,4	19,6
Inventory cover (days)	**81**	76	80	70	76
Average credit extended to customers (days)	**64**	57	64	61	64
LIQUIDITY					
Cash interest cover[5]	**13,4**	11,0	12,4	14,6	11,4
Interest-bearing debt less cash to cash generated by operations	**0,2**	0,1	0,5	0,3	0,8
Gearing (%)[6]	**4,5**	3,3	13,0	8,5	25,3
Current assets to current liabilities	**1,7**	1,9	1,4	1,8	1,5
EMPLOYEES					
Number of employees at year-end[7]	**6 522**	6 630	6 246	6 443	6 279
Employee remuneration (R millions)	**3 173**	3 404	3 352	2 805	2 976
Value added per rand of employee remuneration (rand)	**1,70**	1,60	1,69	1,79	1,68

1 *Operating profit 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 *Operating profit 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 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.*

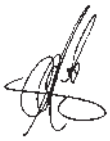
ORDINARY SHARE STATISTICS

	2017	2016	2015	2014	2013
MARKET PRICE (CENTS PER SHARE)					
High	**10 241**	11 000	14 110	13 845	12 857
Low	**10 000**	7 401	8 109	10 600	7 901
31 December	**10 000**	10 110	8 866	13 382	12 500
Earnings yield (%)	**9,6**	8,1	10,1	6,3	6,3
Dividend yield (%) *	**4,8**	4,3	4,3	2,5	2,5
Dividend cover *	**2,0**	1,9	2,3	2,5	2,5
In issue (millions)	**121,8**	121,8	122,3	128,2	128,2
Value traded (R millions)	**6 174**	7 031	4 501	4 154	5 093
Volume traded (millions)	**101,5**	75,2	42,0	33,6	47,0
Volume traded (%)	**83,3**	61,7	34,3	26,2	36,7
Market capitalisation (R millions)	**12 183**	12 317	10 841	17 161	16 030
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)					
Headline earnings	**959**	818	894	842	791
Dividends declared*	**478**	435	385	340	315
Special dividend declared	**—**	—	—	375	—
Net asset value	**8 399**	8 107	8 092	6 640	5 860

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

DECLARATION BY THE GROUP COMPANY SECRETARY

I hereby confirm that AECI Ltd 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
27 February 2018

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The Group annual financial statements and Company annual financial statements were published on 27 February 2018 and are for the year ended 31 December 2017. These comprise the Audit Committee's report to stakeholders, the Directors' report, the Declaration by the Group Company Secretary, the Independent Auditor's report, the Basis of Reporting and Significant Accounting Policies, and the financial statements.

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).

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AECI LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of AECI Ltd (the "Group and the Company") set out on pages 120 to 195, which comprise the statements of financial position at 31 December 2017, and the income statements, statements of comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements and the significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of AECI Ltd at 31 December 2017, 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company, in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for income taxes and deferred tax assets (relates to the consolidated and separate financial statements). Refer to pages 121 and 123 for the accounting policies applied and notes 9 and 23 to the financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The AECI Group operates across numerous geographical regions and is required to comply with tax legislation in various jurisdictions. The determination of the Group and Company's tax is based on interpretations applied in terms of the respective tax legislations and may be subject to periodic challenges by tax authorities. This gives rise to significant judgement and estimation being applied in accounting for any uncertain tax positions. Furthermore, the AECI Group carries significant deferred tax assets in respect of deductible temporary differences and accumulated tax losses in the consolidated financial statements, amounting to R395 million. The recognition of deferred tax assets requires management to apply significant judgement in forecasting future taxable income and estimating the probability of utilising the estimated tax losses. Future taxable profits are estimated based on economic growth, interest and inflation rates and market conditions. Given the significant estimation and judgement involved, accounting for income taxes in the Group and Company and deferred tax assets in the Group was considered a key audit matter in our audit of the consolidated and separate financial statements.	Our audit procedures included, amongst others: › understanding the nature of the uncertain tax positions and how management had reached their conclusions relating to the exposures identified. We evaluated the appropriateness of management's conclusions by involving our tax specialists, who formed part of the audit team. Our evaluation was performed based on our in depth tax knowledge and past experiences with interacting with tax authorities within the geographical regions that AECI operates in and by reviewing correspondence with the tax authorities; › evaluating management's determination of the estimated manner in which the deferred tax assets would be utilised by comparing the assessment made by management to business plans implemented and profit forecasts based on our knowledge of the businesses within the Group and the industries in which they operate; › critically assessing whether profit forecasts are reasonable in relation to historical trends, current year performance and the future plans; and › assessing the appropriateness of the disclosures made in the consolidated and separate financial statements.

Allocation and impairment of goodwill (relates to consolidated and separate financial statements). Refer to pages 121 and 122 for the accounting policies applied and notes 4 and 31 to the financial statements.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Goodwill is required to be tested annually for impairment in terms of IAS 36 Impairment of Assets. Given the realignment of the businesses in terms of the Group's strategic growth pillars during the year, and the consequent re-organisation of the businesses and operating segments, management were required to assess the appropriateness of the allocation of the goodwill to cash generating units (CGUs). The calculation of value-in-use as part of the goodwill impairment assessments requires the determination and application of key assumptions in respect of: › cash flow projections, which are based on business plans and the latest publicly available market information, including the variations in the amount and timing of these cash flows; › discount rates; and › growth rates. Given the significance of the goodwill amount, the significant judgement involved in the allocation of goodwill to appropriate CGUs and the determination of the key assumptions used in the value-in-use calculations, this was considered to be a key audit matter in our audit of the consolidated and separate financial statements.	Our audit procedures included, amongst others: › critically assessing, through the involvement of our technical specialists who formed part of the audit team, whether the goodwill allocated to CGUs was appropriate in terms of the relevant accounting standards and based on our understanding of the realignment of the businesses in terms of the Group's strategic growth pillars; › challenging the assumptions used by management in their value-in-use calculations by: » assessing the reasonableness of cash flow projections, revenue and profit growth based on management's historical forecasting accuracy and our knowledge of the businesses within the Group and Company and the industries in which they operate; » assessing the reasonableness of the perpetuity growth rates in relation to external market data; » assessing the reasonableness of the discount rates applied by independently calculating the rates and comparing the rates to those used by management; and » subjecting the key assumptions to sensitivity analyses to assess the impact on the value-in-use calculations; and › assessing the appropriateness of the disclosures made in the consolidated and separate financial statements.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Audit Committee's report to stakeholders, the Directors' report, and the Declaration by the Group Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors intend either to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities in the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and, therefore, are the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette No. 39475 of 4 December 2015, we report that KPMG Inc. has been the auditor of AECI Ltd for 93 years.

KPMG Inc.
Registered Auditor

Per ML Watson
Chartered Accountant (SA)
Registered Auditor
Director

85 Empire Road, Parktown
Johannesburg, 2193
27 February 2018

BASIS OF REPORTING AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

AECI Ltd ("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 2017 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 operates in six operating segments: Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, Chemicals, and Property & Corporate. Refer to note 31 for further details.

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 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 Financial Instruments. The Group adopted IFRS 9 with effect from 1 January 2018.

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. The three principal classification categories for financial assets are: measured at amortised cost, fair value through profit or loss and fair value through other comprehensive income ("FVOCI").

  Based on the Group's preliminary assessment, the Group believes that the new classification, if applied at 31 December 2017, would not have had a significant impact on its accounting for financial assets. The Group's available for sale financial assets will be designated as FVOCI.

  IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" ("ECL") model. The Group will apply the practical expedient in IFRS 9 to calculate the ECL on trade receivables using a provision matrix. The Group is finalising its new impairment models that will be applied to financial assets measured at amortised cost (i.e. primarily trade receivables).

- **IFRS 15 Revenue from Contracts with Customers** — this standard introduces a new revenue recognition model for contracts with customers and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. IFRS 15 also includes extensive new disclosure requirements. It replaces existing revenue recognition guidance, including IAS 8 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group will adopt IFRS 15 from 1 January 2018.

  The Group has performed an extensive gap analysis to determine the impact of adopting IFRS 15 as compared to its current accounting for revenue under IAS 18. The nature of the Group's revenue from providing goods and services to customers was identified and stratified into revenue streams after considering:

  a) the promises made to customers and whether there is a single performance obligation or whether there is more than one performance obligation;

  b) whether performance obligations identified are bundled together or whether they are distinctly separate; and

  c) the frequency of delivery of goods and services to customers, and specifically whether these goods and services are delivered at a point in time or over time.

  Contracts in each revenue stream were analysed against the five-step revenue recognition model in IFRS 15 and, based on the impact assessment performed, the following initial findings were identified:

  - certain contracts include a sale of goods performance obligation, where revenue is recognised at a point in time, as well as a technical services performance obligation where revenue will be required to be recognised over time. The timing of revenue recognition will be affected by recognising revenue as two distinct, separate performance obligations;
  - variable considerations were identified in certain contracts that may affect the transaction price. The variability arises from rebates, discounts and right of returns;
  - for certain contracts revenue is currently recognised when the related risks and rewards of ownership transfer, when the customer uses the goods. Under IFRS 15 revenue on these contracts will be recognised when the customer obtains control of the goods. This is anticipated to occur earlier than under the current recognition criteria; and
  - costs may be incurred in securing a contract which may need to be capitalised.

  The Group has yet to finalise its decision on the transition method to be applied and or the practical expedients to be used, if elected. The impact that the above findings will have on the Group's financial statements is currently being finalised.

- **Amendments to IFRS 2 Clarifying share-based payment accounting** — currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payments.

  The new requirements could affect the classification and/or measurement of these arrangements and, potentially, the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for annual periods commencing on or after 1 January 2018. AECI's share-based payment arrangements will not be affected by the changes.

- **IAS 40 Transfers of Investment Property** — the IASB has amended the requirements in IAS 40 Investment Property as they relate to when a company should transfer a property asset to, or from, investment property.

  The amendments apply for annual periods beginning on or after 1 January 2018. AECI will assess their impact should transactions of this nature occur.

- **IFRIC 22 Foreign Currency Transactions and Advance Considerations** — when a foreign currency consideration is paid or received in advance of the item it relates to (which may be an asset, an expense or income), IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

  This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

  The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

- **IFRS 16 Leases** — this standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exceptions for short-term leases and leases of low-value items. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It includes more disclosures for both lessees and lessors.

  The Group will adopt this standard when it becomes effective. Management is assessing the potential impact of this new standard and still needs to make a decision on the transition method to be applied as well as the practical expedients to be used, if elected.

- **IFRIC 23 Uncertainty over Income Tax Treatments** — this standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

  IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.

  IFRIC 23 applies for annual periods beginning on or after 1 January 2019.

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, contingent consideration, pension fund employer surplus accounts and post-retirement medical aid obligation liabilities which are measured at fair value. Equity-settled share-based payments are measured at fair value at the 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.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

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

The accounting policies which have been identified as including assumptions and estimation uncertainties that may have an impact on the future results are as follows:

INCOME AND DEFERRED TAX

The Group is subject to income taxes in various jurisdictions which apply different tax legislation and the calculation of the Group's tax charge involves a degree of estimation and judgement. 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 market conditions.

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 social, political, environmental, safety, business and statutory considerations. As explained in note 15 to the financial statements, the Group has to apply judgement in determining the environmental remediation provision. The provision may need to be adjusted when detailed characterisation of the land is performed or when the end use is determined.

ASSET LIVES AND RESIDUAL VALUES

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

POST-RETIREMENT BENEFIT OBLIGATIONS

Post-retirement defined benefits are provided for certain existing and former employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, the expected long-term rate of return of retirement plan assets, healthcare inflation costs and rates of increase in compensation costs. The net present value of current estimates for post-retirement medical aid benefits has been discounted to its present value at 9,5% per annum (2016: 9,3%), being the estimated investment return assuming the liability is fully funded. Medical cost inflation of CPI +1% per annum has been assumed (2016: CPI +1%). See note 29 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.

CONTINGENT CONSIDERATIONS

Any contingent consideration is measured at fair value at the date of acquisition. The contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. See note 27 for the judgements applied in determining the fair value.

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 prior 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 other 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 the income statement.

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 the income statement. 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.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing 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 the 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 losses 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 in the Company financial statements.

An associate is recognised at cost initially in the Group. 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

Investments in subsidiaries 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 arose at the date of acquisition. 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 is measured at fair value at the date of acquisition. The contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the income statement. Change in estimate of the contingent consideration is recognised in net operating costs and changes as a result of the time value of money are recognised in interest expense.

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 recognised only 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 as follows:

› Property

» land	unlimited
» buildings	5 to 50 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

Investment properties comprising properties surplus to the Group's operational requirements, and leased to third parties, are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated and buildings are depreciated on a straight-line basis over their useful lives 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 accumulated 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 estimated useful lives are as follows:

› Customer and marketing relationships	5 to 20 years
› Patents and trademarks	15 to 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 ongoing basis and are capitalised if they can be measured reliably, the product or process is technically and commercially feasible, it is probable that the asset will generate future economic benefits and the Group intends, 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 accumulated 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.

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.

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.

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, the reversal is recognised in the income statement.

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 packaging 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 finished goods and work in progress comprises raw and packaging 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.

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 in interest expense.

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 redeemable convertible 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. For no par value shares, the fair value is presented in full as share capital.

Shares repurchased by the Company are cancelled immediately and are delisted as soon as is practicable. The amount paid is recognised by reducing the share capital by the par value of shares repurchased, with any excess reducing the carrying amount of share premium to the extent available, and thereafter reducing retained earnings.

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 ("EST") 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 ("CEDT"), the potential shares issued to the 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 ("VAT") and rental income from investment properties.

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.

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; and
- 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 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. 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 Group disposes of its entire interest in a foreign operation or partially disposes of a subsidiary, resulting in loss of control, all foreign currency translation differences are reclassified to profit or loss.

FINANCIAL INSTRUMENTS

Financial instruments are recognised at fair value initially. Directly attributable transaction costs are included in the amount recognised only when changes in fair value are not subsequently recognised in the income statement. Subsequent to initial recognition, these instruments are measured as set out as follows 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, the pension fund employer surplus accounts ("ESAs") in the defined-contribution plans, loans to and from subsidiaries, accounts receivable, cash, loans and borrowings, loans from joint ventures, contingent consideration 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 substantively 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

Money market investments are classified as financial assets at fair value through profit or loss. All changes in fair value are recognised in the income statement. Fair value is determined using an observable market value.

Investments in equity securities are classified as available for sale financial assets and are measured at fair value with any gains or losses recognised in other comprehensive income, along with the associated deferred tax. Where the fair value cannot be measured reliably, these instruments are carried at cost. When these assets are derecognised, the gain or loss accumulated in other comprehensive income is reclassified to profit or loss.

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.

FINANCE COSTS

Interest is recognised in the income statement in the period in which it is incurred.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments including currency swaps, forward rate agreements and forward exchange contracts to manage its exposure to foreign exchange risk 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 in the income statement when the shareholders' right to receive payment has been established.

LEASES

FINANCE LEASES

Leases that transfer substantively 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.

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 its 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.

The Group's two defined-contribution plans both have ESAs which were created through transfers from the ESAs in the AECI Pension Fund (a defined-benefit plan). These ESAs can only be utilised in accordance with the allowed uses as defined by the Pension Funds Act, No. 24 of 1956, as amended ("the Act").

The ESAs in the defined-contribution plans are recognised as financial assets and are measured at fair value with all changes in fair value being recognised in the income statement.

The ESAs have been utilised to fund a portion of the employer contribution made on behalf of members to these funds. The ESAs are invested in money market assets and earn a return on this investment. The ESA of the AECI Defined Contribution Pension Fund may also increase as a result of the unvested retirement benefit equalisation target ("RBET"), transferred when employees leave the fund before becoming entitled to that portion of the RBET (see note 29).

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 ESAs, in accordance with the Act, 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. 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.

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 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 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 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 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. The gain or loss on settlement is determined as follows:

› the net defined-benefit liability is remeasured at the date of the settlement as if no settlement has occurred;
› the gain or loss on settlement is then determined as the difference between the carrying amount (present value of the defined-benefit obligation) being settled and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

For the purpose of determining the value of plan assets transferred, AECI uses only the value of the recognised plan assets (as limited by the asset ceiling). Unrecognised surpluses, which include those not allocated to an ESA or which were not otherwise available for use by AECI, are not taken into account.

The Group recognises gains and losses on the settlement of a defined-benefit plan when the settlement occurs.

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.

OTHER LONG-TERM EMPLOYEE BENEFITS

The Group's obligation in respect of long-term employee benefits is 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. Remeasurements are recognised in the income statement in the period in which they arise.

SHARE-BASED PAYMENTS

The Group has equity-settled and cash-settled share-based compensation plans.

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT AND RETENTION 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 employees provide services to the Group.

EQUITY-SETTLED SHARE-BASED SCHEMES

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

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

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

The fair value determined at the grant 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. On settlement, where shares are repurchased in the market, the cost is recognised as a change in the share-based payment reserve.

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.

Dividends withholding 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 the income statement 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 them and to assess their performances.

Inter-segment transactions are concluded on terms that are no more and no less favourable than transactions with unrelated external parties.

The Group reports on its segments based on the nature of the products or services offered, as follows:

- **Mining Solutions** — the businesses in this segment provide a mine-to-metal solution for the mining sector internationally. The offering includes commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment;
- **Water & Process** — provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities;
- **Plant & Animal Health** — manufacturer and supplier of an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa;
- **Food & Beverage** — the businesses in this segment supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions;
- **Chemicals** — supply of specialty chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing and general industrial sectors;
- **Property & Corporate** — mainly property leasing and management in the office, industrial and retail sectors, and corporate functions including the treasury.

Segment reporting is based on IFRS and is representative of the internal structure used for management reporting.

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017

		GROUP		COMPANY	
R millions	Note	**2017**	2016	**2017**	2016
ASSETS					
NON-CURRENT ASSETS		**7 365**	7 538	**8 657**	7 338
Property, plant and equipment	1	**3 965**	3 990	**519**	539
Investment property	2	**216**	140	**247**	60
Intangible assets	3	**188**	211	**4**	—
Goodwill	4	**1 524**	1 541	**754**	903
Pension fund employer surplus accounts	29	**487**	583	**487**	583
Investment in subsidiaries	5			**6 125**	4 814
Loans to subsidiaries	5			**367**	400
Investment in joint ventures	6	**274**	327	**28**	28
Investment in associates	7	**199**	194	**24**	—
Other investments	8	**117**	25	**102**	11
Deferred tax	9	**395**	527	**—**	—
CURRENT ASSETS		**8 606**	8 282	**5 830**	5 791
Inventories	10	**3 355**	3 174	**1 235**	1 180
Accounts receivable	11	**3 793**	3 342	**1 503**	1 452
Other investments	8	**155**	190	**78**	118
Assets classified as held for sale	12	**—**	60	**—**	—
Loans to subsidiaries	5			**2 846**	2 719
Tax receivable		**97**	51	**43**	—
Cash		**1 206**	1 465	**125**	322
TOTAL ASSETS		**15 971**	15 820	**14 487**	13 129
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**9 234**	8 913	**3 728**	2 522
Share capital and share premium	13	**110**	110	**128**	128
Reserves		**1 102**	1 280	**225**	196
Retained earnings		**8 022**	7 523	**3 375**	2 198
PREFERENCE SHARE CAPITAL	13	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**9 240**	8 919	**3 734**	2 528
NON-CONTROLLING INTEREST	33	**116**	127		
TOTAL EQUITY		**9 356**	9 046	**3 734**	2 528
NON-CURRENT LIABILITIES		**1 614**	2 324	**2 171**	2 695
Deferred tax	9	**93**	254	**18**	21
Loans from subsidiaries	5			**703**	676
Non-current borrowings	14	**1 100**	1 600	**1 100**	1 600
Contingent consideration		**29**	58	**29**	58
Non-current provisions and employee benefits	15	**392**	412	**321**	340
CURRENT LIABILITIES		**5 001**	4 450	**8 582**	7 906
Accounts payable	16	**4 272**	4 148	**2 122**	2 370
Current borrowings	17	**530**	162	**530**	8
Loans from joint ventures	6	**130**	75	**178**	118
Loans from subsidiaries	5			**5 752**	5 404
Tax payable		**69**	65	**—**	6
TOTAL LIABILITIES		**6 615**	6 774	**10 753**	10 601
TOTAL EQUITY AND LIABILITIES		**15 971**	15 820	**14 487**	13 129

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

		GROUP		COMPANY	
R millions	Note	**2017**	2016	**2017**	2016
REVENUE	18	**18 482**	18 596	**5 716**	5 919
Net operating costs	19	**(16 903)**	(17 261)	**(5 616)**	(5 711)
OPERATING PROFIT		**1 579**	1 335	**100**	208
Share of profit of equity-accounted investees, net of tax	6, 7	**—**	28		
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		**1 579**	1 363	**100**	208
Dividends received	28			**1 864**	—
Net finance costs		**(167)**	(215)	**(279)**	(265)
Interest expense	21	**(202)**	(270)	**(444)**	(434)
Interest received	22	**35**	55	**165**	169
PROFIT/(LOSS) BEFORE TAX		**1 412**	1 148	**1 685**	(57)
Tax (expense)/credit	23	**(429)**	(336)	**12**	69
PROFIT FOR THE YEAR		**983**	812	**1 697**	12
ATTRIBUTABLE TO:					
Ordinary shareholders		**950**	777	**1 694**	9
Preference shareholders		**3**	3	**3**	3
Non-controlling interest		**30**	32		
		983	812	**1 697**	12
PER ORDINARY SHARE (CENTS):					
— Basic earnings	24	**900**	735		
— Diluted basic earnings	24	**859**	720		
— Headline earnings	24	**959**	818		
— Diluted headline earnings	24	**915**	800		
— Ordinary dividends paid	25	**438**	395		
— Ordinary dividends declared after the reporting date	25	**340**	300		

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
PROFIT FOR THE YEAR	**983**	812	**1 697**	12
OTHER COMPREHENSIVE INCOME NET OF TAX:	**(205)**	(379)	**11**	22
Items that may be reclassified subsequently to profit or loss:	**(239)**	(392)		
— Foreign currency loan translation differences	**(58)**	(96)		
— Foreign operations translation differences	**(177)**	(293)		
— Effective portion of cash flow hedges	**(4)**	(3)		
Tax effect on items that may be reclassified subsequently to profit or loss:	**23**	13		
— Foreign currency loan translation differences	**23**	13		
Items that may not be reclassified subsequently to profit or loss:	**15**	(1)	**15**	(1)
— Remeasurement of defined-benefit obligations	**—**	(20)	**—**	(20)
— Remeasurement of post-retirement medical aid obligations	**15**	19	**15**	19
Tax effects on items that may not be reclassified subsequently to profit or loss:	**(4)**	1	**(4)**	23
— Remeasurement of defined-benefit obligations	**—**	6	**—**	6
— Remeasurement of post-retirement medical aid obligations	**(4)**	(5)	**(4)**	17
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**778**	433	**1 708**	34
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Ordinary shareholders	**752**	405	**1 705**	31
Preference shareholders	**3**	3	**3**	3
Non-controlling interest	**23**	25		
	778	433	**1 708**	34

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

R millions	Ordinary share capital	**Total ordinary capital**	Foreign currency translation reserve
GROUP			
BALANCE AT 1 JANUARY 2016	110	**110**	1 455
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			(369)
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			
Foreign currency loan translation differences			(96)
Deferred tax on foreign currency loan translation differences			13
Foreign operations translation differences			(286)
Profit for the year			
TRANSACTIONS WITH OWNERS			
Transfer between reserves			
Dividends paid			
Share-based payment reserve			
Settlement cost of performance shares			
Shares repurchased			
BALANCE AT 31 DECEMBER 2016	110	**110**	1 086
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			(205)
Remeasurement of post-retirement medical aid obligations			
Deferred tax on remeasurement of post-retirement medical aid obligations			
Cash flow hedge fair value adjustments			
Foreign currency loan translation differences			(58)
Deferred tax on foreign currency loan translation differences			23
Foreign operations translation differences			(170)
Profit for the year			
TRANSACTIONS WITH OWNERS			2
Change in ownership percentage			2
Dividends paid			
Share-based payment reserve			
Settlement cost of performance shares			
BALANCE AT 31 DECEMBER 2017	110	**110**	883

FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve comprises all the Group's 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 for which settlement is neither planned nor likely to occur in the foreseeable future.

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 transferred to retained earnings.

OTHER RESERVES

The reserve for effective cash flow hedges.

Share-based payment reserve	Other reserves	**Total other reserves**	Retained earnings	**Total**	Non-controlling interest	Preference share capital	**Total equity**
150	—	**1 605**	7 217	**8 932**	104	6	**9 042**
	(3)	**(372)**	777	**405**	25	3	**433**
			(20)	**(20)**			**(20)**
			6	**6**			**6**
			19	**19**			**19**
			(5)	**(5)**			**(5)**
	(3)	**(3)**		**(3)**			**(3)**
		(96)		**(96)**			**(96)**
		13		**13**			**13**
		(286)		**(286)**	(7)		**(293)**
			777	**777**	32	3	**812**
45	2	**47**	(471)	**(424)**	(2)	(3)	**(429)**
	2	**2**	(2)	**—**			**—**
			(430)	**(430)**	(2)	(3)	**(435)**
67		**67**		**67**			**67**
(22)		**(22)**		**(22)**			**(22)**
			(39)	**(39)**			**(39)**
195	(1)	**1 280**	7 523	**8 913**	127	6	**9 046**
	(4)	**(209)**	961	**752**	23	3	**778**
			15	**15**			**15**
			(4)	**(4)**			**(4)**
	(4)	**(4)**		**(4)**			**(4)**
		(58)		**(58)**			**(58)**
		23		**23**			**23**
		(170)		**(170)**	(7)		**(177)**
			950	**950**	30	3	**983**
29		**31**	(462)	**(431)**	(34)	(3)	**(468)**
		2	15	**17**	(17)		**—**
			(477)	**(477)**	(17)	(3)	**(497)**
73		**73**		**73**			**73**
(44)		**(44)**		**(44)**			**(44)**
224	(5)	**1 102**	8 022	**9 234**	116	6	**9 356**

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 CONTINUED

R millions	Ordinary share capital	Share premium
COMPANY		
BALANCE AT 1 JANUARY 2016	122	45
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		(39)
Dividends paid		
Share-based payment reserve		
Settlement cost for performance shares		
Shares repurchased		(39)
BALANCE AT 31 DECEMBER 2016	122	6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		
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		
Settlement cost of performance shares		
BALANCE AT 31 DECEMBER 2017	122	6

	Total ordinary capital	Share-based payment reserve	Total other reserves	Retained earnings	Total	Preference share capital	Total equity
	167	151	151	2 644	2 962	6	2 968
				31	31	3	34
				(20)	(20)		(20)
				6	6		6
				19	19		19
				17	17		17
				9	9	3	12
	(39)	45	45	(477)	(471)	(3)	(474)
				(477)	(477)	(3)	(480)
		67	67		67		67
		(22)	(22)		(22)		(22)
	(39)				(39)		(39)
	128	196	196	2 198	2 522	6	2 528
				1 705	1 705	3	1 708
				15	15		15
				(4)	(4)		(4)
				1 694	1 694	3	1 697
		29	29	(528)	(499)	(3)	(502)
				(528)	(528)	(3)	(531)
		73	73		73		73
		(44)	(44)		(44)		(44)
	128	225	225	3 375	3 728	6	3 734

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

			GROUP		COMPANY
R millions	Note	**2017**	2016	**2017**	2016
CASH GENERATED BY OPERATIONS	i	**2 350**	2 328	**401**	516
Dividends received		**55**	46	**—**	—
Interest paid		**(202)**	(238)	**(444)**	(402)
Interest received		**35**	55	**165**	169
Tax paid	ii	**(481)**	(636)	**(43)**	(92)
Changes in working capital	iii	**(358)**	488	**(270)**	84
Cash flows relating to defined-benefit costs		**(101)**	(27)	**(101)**	(27)
Cash flows relating to non-current provisions and employee benefits		**(77)**	(76)	**(37)**	(61)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**1 221**	1 940	**(329)**	187
Dividends paid	iv	**(497)**	(435)	**(531)**	(480)
CASH FLOWS FROM OPERATING ACTIVITIES		**724**	1 505	**(860)**	(293)
CASH FLOWS FROM INVESTING ACTIVITIES		**(753)**	(491)	**627**	2 343
Net replacement to maintain operations		**(368)**	(305)	**(25)**	(96)
Replacement of — property, plant and equipment		**(416)**	(319)	**(57)**	(98)
Proceeds from disposal of assets classified as held for sale and recognition of investment in associate	12	**30**	—	**30**	—
Proceeds from disposal of property, plant and equipment and intangible assets		**18**	14	**2**	2
Investments to expand operations		**(385)**	(186)	**652**	2 439
Acquisition of — property, plant and equipment		**(210)**	(175)	**(56)**	(80)
— intangible assets		**—**	(4)	**(4)**	—
— investment property		**(78)**	(4)	**(190)**	(4)
— investments		**(94)**	(5)	**(85)**	(1)
Loans with — associates and other investments		**(3)**	2	**(2)**	—
— subsidiaries				**989**	2 524
Sale of business	v			**(2)**	—
NET CASH GENERATED/(UTILISED) BEFORE FINANCING ACTIVITIES		**(29)**	1 014	**(235)**	2 050
CASH FLOWS FROM FINANCING ACTIVITIES		**(121)**	(1 532)	**38**	(2 051)
Non-current borrowings — raised		**—**	1 100	**—**	1 100
Current borrowings — raised		**250**	10	**250**	8
— repaid		**(382)**	(2 620)	**(228)**	(3 144)
Loans with joint ventures		**55**	39	**60**	46
Buy-out of non-controlling interest	33	**(11)**	—		
Proceeds from disposal to non-controlling interest	33	**11**	—		
Shares repurchased		**—**	(39)	**—**	(39)
Settlement of performance shares		**(44)**	(22)	**(44)**	(22)
DECREASE IN CASH		**(150)**	(518)	**(197)**	(1)
Cash at the beginning of the year		**1 465**	2 114	**322**	323
Translation loss on cash		**(109)**	(131)		
CASH AT THE END OF THE YEAR		**1 206**	1 465	**125**	322

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
i. CASH GENERATED BY OPERATIONS				
Profit from operations	**1 579**	1 335	**100**	208
Adjusted for non-cash movements:				
Defined-benefit and defined-contribution costs	**56**	194	**56**	192
Depreciation and amortisation	**597**	626	**80**	84
Share-based payment expense	**73**	67	**32**	24
Impairment of goodwill	**3**	28	**130**	—
Impairment of property, plant and equipment	**10**	54	**—**	—
Non-current provisions and employee benefits	**69**	49	**32**	26
(Surplus)/loss on disposal of property, plant and equipment	**(8)**	9	**—**	—
Loss on disposal of investment in associate company	**2**	—	**2**	—
Gain on reassessment of contingent consideration	**(31)**	(34)	**(31)**	(18)
	2 350	2 328	**401**	516
ii. TAX PAID				
Owing at the beginning of the year	**(14)**	(151)	**(6)**	(54)
Charge for the year	**(439)**	(499)	**6**	(44)
(Receivable)/owing at the end of the year	**(28)**	14	**(43)**	6
	(481)	(636)	**(43)**	(92)
iii. CHANGES IN WORKING CAPITAL				
(Increase)/decrease in inventories	**(194)**	173	**(141)**	6
(Increase)/decrease in accounts receivable	**(452)**	513	**(131)**	(53)
Increase/(decrease) in accounts payable	**313**	(62)	**44**	178
	(333)	624	**(228)**	131
Translation differences and other	**(25)**	(136)	**(42)**	(47)
	(358)	488	**(270)**	84
iv. DIVIDENDS PAID				
Paid during the year (see note 25)	**(480)**	(433)	**(531)**	(480)
Paid to non-controlling interest	**(17)**	(2)		
	(497)	(435)	**(531)**	(480)

v. SALE OF BUSINESS

On 1 August 2017, AECI disposed of its Experse division at book value to AECI Mining Solutions Ltd, which is part of the Mining Solutions operating segment. This transaction was part of the realignment of the Group's businesses in terms of its reportable segments.

The following table summarises the recognised amounts of assets and liabilities disposed of at the transaction date:

	COMPANY 2017	COMPANY 2016
Property, plant and equipment (see note 1)	**69**	—
Non-current and employee benefit provisions (see note 15)	**(6)**	—
Goodwill (see note 4)	**19**	—
Inventories	**71**	—
Accounts receivable	**76**	—
Accounts payable	**(100)**	—
Other	**(9)**	—
Net assets disposed of (excluding cash)	**120**	—
Exchanged for investment in subsidiary	**(122)**	—
NET CASH DISPOSED OF	**(2)**	—

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. PROPERTY, PLANT AND EQUIPMENT

GROUP

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2017							
COST	**1 291**	**6 210**	**132**	**399**	**584**	**444**	**9 060**
At the beginning of the year	**1 237**	**5 951**	**125**	**354**	**611**	**420**	**8 698**
Additions	**58**	**324**	**11**	**52**	**25**	**156**	**626**
Disposals	**(2)**	**(36)**	**(6)**	**(7)**	**(14)**	**(9)**	**(74)**
Transfers	**10**	**75**	**4**	**5**	**4**	**(98)**	**—**
Transfers from inventories	**—**	**24**	**—**	**—**	**—**	**—**	**24**
Translation differences	**(12)**	**(128)**	**(2)**	**(5)**	**(42)**	**(25)**	**(214)**
ACCUMULATED DEPRECIATION AND IMPAIRMENT	**480**	**3 752**	**79**	**318**	**466**		**5 095**
At the beginning of the year	**429**	**3 455**	**84**	**289**	**451**		**4 708**
Disposals	**(1)**	**(31)**	**(13)**	**(6)**	**(13)**		**(64)**
Transfers from inventories	**—**	**9**	**—**	**—**	**—**		**9**
Impairment for the year	**—**	**10**	**—**	**—**	**—**		**10**
Depreciation for the year	**59**	**404**	**10**	**40**	**59**		**572**
Translation differences	**(7)**	**(95)**	**(2)**	**(5)**	**(31)**		**(140)**
CARRYING AMOUNT	**811**	**2 458**	**53**	**81**	**118**	**444**	**3 965**
2016							
COST	1 237	5 951	125	354	611	420	8 698
At the beginning of the year	1 194	5 911	114	347	648	468	8 682
Additions	4	31	2	5	11	441	494
Disposals	(10)	(128)	(4)	(12)	(26)	(3)	(183)
Transfers	74	297	15	17	29	(432)	—
Transfers to assets classified as held for sale	—	(1)	—	—	—	—	(1)
Translation differences	(25)	(159)	(2)	(3)	(51)	(54)	(294)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	429	3 455	84	289	451		4 708
At the beginning of the year	390	3 211	79	265	441		4 386
Disposals	(6)	(115)	(4)	(12)	(24)		(161)
Impairment for the year	—	54	—	—	—		54
Depreciation for the year	57	420	11	40	69		597
Translation differences	(12)	(115)	(2)	(4)	(35)		(168)
CARRYING AMOUNT	808	2 496	41	65	160	420	3 990

IMPAIRMENT ASSESSMENT

During the year the Directors performed a detailed impairment assessment in respect of the property, plant and equipment of operations in Mozambique included in the Mining Solutions operating segment. The recoverable amount in respect of each cash generating unit was estimated based on the greater of its value in use and fair value less costs of disposal.

As a result, a decision was taken to impair the assets in Mozambique following unsuccessful attempts to secure the necessary explosives licences in that country. An impairment loss of R10 million was recognised on the assets, which represented their net book value.

1. PROPERTY, PLANT AND EQUIPMENT continued

COMPANY

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2017							
COST	**52**	**855**	**24**	**59**	**26**	**130**	**1 146**
At the beginning of the year	**62**	**853**	**26**	**75**	**29**	**146**	**1 191**
Additions	**1**	**77**	**2**	**3**	**1**	**29**	**113**
Disposals through sale of business	**(10)**	**(106)**	**(2)**	**(17)**	**(1)**	**(9)**	**(145)**
Transfers from inventories	**—**	**24**	**—**	**—**	**—**	**—**	**24**
Disposals	**(1)**	**(22)**	**(2)**	**(3)**	**(3)**	**(6)**	**(37)**
Transfers	**—**	**29**	**—**	**1**	**—**	**(30)**	**—**
ACCUMULATED DEPRECIATION AND IMPAIRMENT	**33**	**512**	**18**	**49**	**15**		**627**
At the beginning of the year	**30**	**523**	**26**	**57**	**16**		**652**
Disposals through sale of business	**(1)**	**(59)**	**(2)**	**(13)**	**(1)**		**(76)**
Transfers from inventories		**9**	**—**	**—**	**—**		**9**
Disposals	**(1)**	**(21)**	**(7)**	**(3)**	**(3)**		**(35)**
Depreciation for the year	**5**	**60**	**1**	**8**	**3**		**77**
CARRYING AMOUNT	**19**	**343**	**6**	**10**	**11**	**130**	**519**
2016							
COST	62	853	26	75	29	146	1 191
At the beginning of the year	61	852	26	77	26	87	1 129
Additions	3	38	2	3	7	125	178
Disposals	(3)	(97)	(2)	(8)	(6)	—	(116)
Transfers	1	60	—	3	2	(66)	—
ACCUMULATED DEPRECIATION AND IMPAIRMENT	30	523	26	57	16		652
At the beginning of the year	27	558	25	54	19		683
Disposals	(3)	(95)	(2)	(8)	(6)		(114)
Depreciation for the year	6	60	3	11	3		83
CARRYING AMOUNT	32	330	—	18	13	146	539

2. INVESTMENT PROPERTY

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
COST	**241**	163	**271**	81
At the beginning of the year	**163**	159	**81**	77
Additions	**78**	4	**190**	4
ACCUMULATED DEPRECIATION	**25**	23	**24**	21
At the beginning of the year	**23**	22	**21**	20
Depreciation for the year	**2**	1	**3**	1
CARRYING AMOUNT	**216**	140	**247**	60
ADDITIONAL INFORMATION				
Fair value[1, 2]	**809**	731	**1 571**	1 367
Rental and service income from investment property	**300**	398	**339**	322
Direct operating expenses — relating to rental and service income	**(298)**	(301)	**(298)**	(301)
Direct operating expenses — that did not generate rental income	**(4)**	(20)	**(2)**	(4)

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.
2 The fair value in the Group is lower than the fair value in the Company because certain properties become owner-occupied on consolidation.

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 one and five years, with most leases having a three-year term, with annual rental escalations between 6% and 8%. At 31 December 2017, the gross lettable area of the office and industrial buildings was 177 133m² (2016: 151 722m²). 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.

MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

The fair value of investment property is determined by an external independent property valuation expert, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, on a three-year cycle as per Group policy. In the prior year, such a fair value of investment property was thus determined. In the current year an assessment of the key assumptions was performed by management and no significant changes to the key assumptions were identified.

The fair value for the investment property has been split into its components. Fair value measurement for buildings and land has been categorised as a Level 3 fair value based on the inputs of the valuation technique used.

2. INVESTMENT PROPERTY continued

UNOBSERVABLE INPUTS

A number of valuation techniques were used, depending on the optimal likely use of the property. The following table summarises the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs considered:

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
The comparable sales approach was used to value vacant land. The valuation model was based on sales of comparable properties in the surrounding area, which were analysed to provide an estimate of the value for the property with adjustments made for differing characteristics. The comparable transactions were analysed in terms of their use and the purchase price adjusted for variances in the quality of the space. This purchase price was then divided by the land size to determine a value rate per square metre which was applied to the land in order to derive a fair value.	Comparable sales for parcels of raw, unserviced or rezoned and fully serviced land. The land valued at Modderfontein and Umbogintwini is zoned for business use and is partially serviced but it is not immediately sub-divisible and developable. Therefore, a fair value per square metre had to be derived with reference to a comparable unzoned and unserviced parcel of land but enhanced by the perceived value of installed services and zoning.	The enhanced fair value rate per square metre has a direct influence on fair value.

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
The income approach was used to value the buildings. The valuation model was based on discounted cash flows 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 flows was 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 were 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.	› Capitalisation rate: 10,5% – 14,0% › Vacancy rate for office space: 10,0% – 30,0% › Vacancy rate for industrial space: 10,0% – 30,0% › Operating expenses for all buildings: R21,00/m² – R26,30/m²	The estimated fair value would increase/(decrease) if: › the capitalisation rate were lower/(higher); › the vacancy rate for office space were lower/(higher); › the vacancy rate for industrial space were lower/(higher); › the operating expenses for all buildings were lower/(higher).

3. INTANGIBLE ASSETS

GROUP

R millions	Customer and marketing relationships	Patents and trademarks	Technical and licensing agreements	Other	Total
2017					
COST	**134**	**21**	**138**	**18**	**311**
At the beginning of the year	**134**	**21**	**138**	**18**	**311**
ACCUMULATED AMORTISATION AND IMPAIRMENT	**46**	**11**	**51**	**15**	**123**
At the beginning of the year	**32**	**9**	**44**	**15**	**100**
Amortisation for the year	**14**	**2**	**7**	**—**	**23**
CARRYING AMOUNT	**88**	**10**	**87**	**3**	**188**
2016					
COST	134	21	138	18	311
At the beginning of the year	134	46	138	14	332
Additions	—	—	—	4	4
Disposals	—	(1)	—	—	(1)
Transfers to assets classified as held for sale	—	(24)	—	—	(24)
ACCUMULATED AMORTISATION AND IMPAIRMENT	32	9	44	15	100
At the beginning of the year	18	9	36	12	75
Transfers to assets classified as held for sale	—	(3)	—	—	(3)
Amortisation for the year	14	3	8	3	28
CARRYING AMOUNT	102	12	94	3	211

COMPANY

R millions	Customer and marketing relationships	Patents and trademarks	Technical and licensing agreements	Other	Total
2017					
COST	**—**	**4**	**—**	**—**	**4**
Additions	**—**	**4**	**—**	**—**	**4**
CARRYING AMOUNT	**—**	**4**	**—**	**—**	**4**

4. GOODWILL

R millions	GROUP 2017	GROUP 2016	COMPANY 2017	COMPANY 2016
COST	**1 662**	1 711	**936**	1 011
At the beginning of the year	**1 711**	1 732	**1 011**	1 011
Disposals through sale of business	**(1)**	—	**(19)**	—
Written off	**(35)**	—	**(56)**	—
Transfers to assets classified as held for sale	**—**	(27)	**—**	—
Translation differences	**(13)**	6	**—**	—
ACCUMULATED IMPAIRMENT LOSSES	**138**	170	**182**	108
At the beginning of the year	**170**	142	**108**	108
Written off	**(35)**	—	**(56)**	—
Impairment charge for the year	**3**	28	**130**	—
CARRYING AMOUNT	**1 524**	1 541	**754**	903
Goodwill is allocated to cash generating units based on the Group's operating segments as follows:				
Mining Solutions	**467**	467	**—**	149
Water & Process	**349**	349	**—**	—
Plant & Animal Health	**190**	204	**100**	100
Food & Beverage	**198**	198	**62**	62
Chemicals	**320**	323	**592**	592
CARRYING AMOUNT	**1 524**	1 541	**754**	903

IMPAIRMENT OF GOODWILL

Goodwill is tested for impairment by calculating the value-in-use of the cash generating unit ("CGU") or units to which the goodwill is allocated. The goodwill in the operating segments comprises individual CGUs, each of which has been tested for impairment.

Given the realignment of the operating segments (see note 31), the goodwill has been reallocated appropriately to the restated operating segments.

Value-in-use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU 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 12% and 18% (2016: 12% and 18%) was applied in determining the recoverable amount of the CGUs. The discount rate was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to each CGU;

› the key assumptions applied by management in arriving at the business plan were based on the latest publicly available market information; and

› terminal value growth rates between 2% and 3% (2016: 2% and 10%) 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 recoverable amount to fall below the carrying value of the remaining CGUs.

IMPAIRMENTS DURING THE YEAR

During the year, the Company reassessed the composition of its CGUs subsequent to the disposal of the Experse division. This resulted in an impairment loss of R130 million being recognised in respect of divisional goodwill in the Company. Given that the goodwill to which this impairment relates was eliminated on consolidation, the impairment was reversed for Group purposes.

5. INVESTMENT IN SUBSIDIARIES AND LOANS WITH SUBSIDIARIES

COMPANY

R millions	2017	2016
Unlisted shares (see note 32)	**5 706**	4 717
At cost	**5 757**	4 768
Less impairment losses	**(51)**	(51)
Non-current loans to subsidiaries	**419**	97
Amounts owing[1]	**419**	108
Less impairment losses	**—**	(11)
Investment in subsidiaries	**6 125**	4 814
Non-current loans from subsidiaries[1]	**(703)**	(676)
NET INVESTMENT IN SUBSIDIARIES	**5 422**	4 138
Interest-bearing non-current loans to subsidiaries	**367**	400
Interest-bearing current loans to subsidiaries[2]	**2 846**	2 719
INTEREST-BEARING LOANS TO SUBSIDIARIES	**3 213**	3 119
Interest-bearing current loans from subsidiaries	**(5 752)**	(5 404)
INTEREST-BEARING LOANS FROM SUBSIDIARIES	**(5 752)**	(5 404)
NET LOANS WITH SUBSIDIARIES (SEE NOTE 32)	**(2 823)**	(2 864)

1 *Other loans provided by and to the Company are not expected to be repaid within 12 months and are classified as non-current.*
2 *Business entities are funded through the central treasury of the Company and such loans are classified as current.*

The loans with non-operating business entities are considered part of the net investment in those entities and bear no interest.

All significant subsidiaries' financial information included in the financial statements is prepared as at the reporting date of the parent.

Impairment assessments on investments in unlisted shares of dormant entities were made with reference to the net asset value of those entities. Where this resulted in the value of the investment having a recoverable amount lower than the carrying value, the investments were impaired.

Impairment assessments on investments in and loans to subsidiary companies were made with reference to the net asset value, future business plans and cash flow forecasts of those companies. Where this resulted in the value of the investment having a recoverable amount lower than the carrying value, the investments were impaired.

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

6. INVESTMENT IN JOINT VENTURES AND LOANS WITH JOINT VENTURES

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Interest-bearing current loans from joint ventures	**(130)**	(75)	**(178)**	(118)
LOANS FROM JOINT VENTURES	**(130)**	(75)	**(178)**	(118)

INTERESTS IN JOINT VENTURES

The Group's share of profit in the equity-accounted investees for the year was R1 million (2016: R60 million).

In 2017 the Group received dividends of R55 million from its equity-accounted investees (2016: R46 million).

Crest Chemicals ("Crest") is a joint venture with the Brenntag AG Group. Crest 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.

During the year Crest, which is 50% owned by the Group and treated as an equity-accounted investee, lost a key customer that compromised the future of Crest's caustic soda business. The Directors performed a detailed impairment assessment in respect of the CGU to which the lost business related, resulting in an impairment loss being recognised by Crest.

6. INVESTMENT IN JOINT VENTURES AND LOANS WITH JOINT VENTURES continued

The net impact of this on the Group was a reduction in the share of profits received from the equity-accounted investee in an amount of R54 million.

Specialty Minerals South Africa ("SMSA") 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, SMSA 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 in South Africa.

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

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

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

STATEMENTS OF FINANCIAL POSITION

R millions	Crest	SMSA	Total
2017			
OWNERSHIP (%)	**50**	**50**	
Current assets excluding cash and cash equivalents	**733**	**22**	**755**
Cash and cash equivalents	**16**	**104**	**120**
Non-current assets	**150**	**19**	**169**
TOTAL ASSETS	**899**	**145**	**1 044**
Trade and other payables	**425**	**26**	**451**
Non-current liabilities	**20**	**3**	**23**
TOTAL LIABILITIES	**445**	**29**	**474**
Non-controlling interest	**22**	**—**	**22**
NET ASSETS	**432**	**116**	**548**
Group's share of net assets	**216**	**58**	**274**
CARRYING AMOUNT	**216**	**58**	**274**
2016			
OWNERSHIP (%)	50	50	
Current assets excluding cash and cash equivalents	637	24	661
Cash and cash equivalents	61	121	182
Non-current assets	270	10	280
TOTAL ASSETS	968	155	1 123
Trade and other payables	352	40	392
Non-current liabilities	45	3	48
TOTAL LIABILITIES	397	43	440
Non-controlling interest	29	—	29
NET ASSETS	542	112	654
Group's share of net assets	271	56	327
CARRYING AMOUNT	271	56	327

6. INVESTMENT IN JOINT VENTURES AND LOANS WITH JOINT VENTURES continued

INCOME STATEMENTS

R millions	Crest	SMSA	Total
2017			
OWNERSHIP (%)	**50**	**50**	
Revenue	**1 710**	**149**	**1 859**
Net operating costs excluding depreciation and amortisation	**(1 637)**	**(93)**	**(1 730)**
Depreciation and amortisation	**(16)**	**(2)**	**(18)**
Impairment of goodwill	**(9)**	**—**	**(9)**
Impairment of intangible assets	**(98)**	**—**	**(98)**
Interest expense	**(1)**	**—**	**(1)**
Interest received	**4**	**5**	**9**
Tax expense/(credit)	**9**	**(17)**	**(8)**
Non-controlling interest	**(2)**	**—**	**(2)**
(LOSS)/PROFIT	**(40)**	**42**	**2**
Group's share of (loss)/profit	**(20)**	**21**	**1**
2016			
OWNERSHIP (%)	50	50	
Revenue	1 917	166	2 083
Net operating costs excluding depreciation and amortisation	(1 802)	(102)	(1 904)
Depreciation and amortisation	(11)	(1)	(12)
Interest expense	(4)	—	(4)
Interest received	7	4	11
Tax expense	(31)	(19)	(50)
Non-controlling interest	(4)	—	(4)
PROFIT	72	48	120
Group's share of profit	36	24	60

INTERESTS IN JOINT OPERATIONS

COMPANY

R millions	2017	2016
Unlisted shares at amortised cost	**28**	28

DetNet is a joint venture 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.

PERCENTAGE HELD BY AECI

Ownership (%)	2017	2016
DetNet South Africa (Pty) Ltd	**50**	50

6. INVESTMENT IN JOINT VENTURES AND LOANS WITH JOINT VENTURES continued

GROUP'S SHARE OF INCOME STATEMENT

R millions	2017	2016
OWNERSHIP (%)	**50**	50
Revenue	**166**	121
Net operating costs excluding depreciation and amortisation	**(153)**	(116)
Depreciation and amortisation	**(2)**	(2)
Interest received	**3**	3
Tax expense	**(2)**	(1)
PROFIT	**12**	5

GROUP'S SHARE OF FINANCIAL POSITION

R millions	2017	2016
OWNERSHIP (%)	**50**	50
Current assets excluding cash and cash equivalents	**89**	82
Cash and cash equivalents	**9**	6
Non-current assets	**21**	21
TOTAL ASSETS	**119**	109
Trade and other payables	**24**	24
Non-current liabilities	**1**	1
TOTAL LIABILITIES	**25**	25
NET ASSETS	**94**	84

7. INVESTMENT IN ASSOCIATES

GROUP

	GROUP		COMPANY	
R millions	2017	2016	2017	2016
UNLISTED SHARES AT COST	**289**	273	**24**	—
At the beginning of the year	**273**	273	**—**	—
Acquisitions	**24**	—	**24**	—
Disposals	**(8)**	—	**—**	—
POST-ACQUISITION RETAINED EARNINGS	**(90)**	(79)		
Balance at the beginning of the year	**(79)**	(23)		
Translation differences	**(10)**	(24)		
Current year's share of net losses of associate companies	**(1)**	(32)		
TOTAL INVESTMENT IN ASSOCIATES	**199**	194	**24**	—

7. INVESTMENT IN ASSOCIATES continued

The Group has a 42,6% interest in PT Black Bear Resources Indonesia ("BBRI"). BBRI is an Indonesian company and has built an ammonium nitrate plant which supplies ammonium nitrate solution to the region, thereby improving AECI Mining Solutions' supply chain. BBRI is a strategic investment for that segment as it enables local supply to replace imports into this market.

The Group has a 49% interest in Clover Pride (Pty) Ltd ("Clover Pride"), a South African manufacturer and importer of olive oils, extra virgin olive oils, balsamic vinegars and related products (see note 12). The investment in Clover Pride is carried at cost by the Company.

R millions	BBRI	Clover Pride	Total
2017			
OWNERSHIP (%)	**42,6**	**49,0**	
STATEMENT OF FINANCIAL POSITION			
Current assets	**93**	**38**	**131**
Non-current assets	**331**	**43**	**374**
Current liabilities	**(87)**	**(13)**	**(100)**
Non-current liabilities	**(126)**	**(11)**	**(137)**
NET ASSETS (100%)	**211**	**57**	**268**
CARRYING AMOUNT OF INTEREST IN ASSOCIATE	**170**	**29**	**199**

R millions	BBRI	Total
2016		
OWNERSHIP (%)	42,6	
STATEMENT OF FINANCIAL POSITION		
Current assets	90	90
Non-current assets	391	391
Current liabilities	(80)	(80)
Non-current liabilities	(174)	(174)
NET ASSETS (100%)	227	227
CARRYING AMOUNT OF INTEREST IN ASSOCIATE	176	176

INCOME STATEMENT

R millions	BBRI	Clover Pride	Total
2017			
OWNERSHIP (%)	**42,6**	**49,0**	
Revenue	**179**	**99**	**278**
Net operating costs excluding depreciation and amortisation	**(147)**	**(86)**	**(233)**
Depreciation and amortisation	**(32)**	**—**	**(32)**
Interest expense	**(13)**	**(1)**	**(14)**
Interest received	**2**	**—**	**2**
Tax expense	**(1)**	**(3)**	**(4)**
(LOSS)/PROFIT	**(12)**	**9**	**(3)**
GROUP SHARE OF (LOSSES)/PROFITS	**(5)**	**4**	**(1)**

7. INVESTMENT IN ASSOCIATES continued

INCOME STATEMENT

R millions	BBRI	Total
2016		
OWNERSHIP (%)	42,6	
Revenue	170	170
Net operating costs excluding depreciation and amortisation	(149)	(149)
Depreciation and amortisation	(51)	(51)
Interest expense	(20)	(20)
Interest received	1	1
Tax expense	(26)	(26)
LOSS	(75)	(75)
GROUP SHARE OF LOSS	(32)	(32)

8. OTHER INVESTMENTS

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
NON-CURRENT INVESTMENTS				
Equity instruments	**91**	6	**89**	4
Unlisted shares[1]	**87**	2	**85**	—
Capital contributions	**4**	4	**4**	4
Loans and receivables	**26**	19	**13**	7
OTHER NON-CURRENT INVESTMENTS	**117**	25	**102**	11
CURRENT INVESTMENTS	**155**	190	**78**	118
Money market investment[2]	**77**	72	**—**	—
Employer surplus accounts[3]	**78**	118	**78**	118
OTHER CURRENT INVESTMENTS	**155**	190	**78**	118

1 *In July 2017 AECI invested US$5 million (R65 million) in Origin Materials ("Origin"), a start-up company based in California, USA, that has pioneered the development of bio-based chemicals which can be processed into a large number of products for application in global markets. Origin is considered to be a Level 3 available-for-sale financial asset. The Group has applied the IAS 39 exemption (paragraph 46c) and carries the investment at cost. Included in the unlisted shares is a R22 million investment in the Good Chemistry Fund, which is also considered to be a Level 3 available-for-sale financial asset.*

2 *The money market investment is an investment in a collective investment scheme with Investec Bank Ltd. The investment is considered to be a Level 1 financial asset and its carrying value, therefore, was the same as its fair value at the reporting date.*

3 *Employer surplus accounts include the surpluses from the AECI Defined Contribution Pension Fund and the AECI Employees Provident Fund. The investment is considered to be a Level 1 financial asset and its carrying value, therefore, was the same as its fair value at the reporting date. See note 29 for further information in this regard.*

9. DEFERRED TAX

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
At the beginning of the year	**273**	95	**(21)**	(153)
Recognised in the income statement				
— normal activities	**3**	163	**6**	113
— rate change	**7**			
Recognised in other comprehensive income				
— foreign currency loan translation differences	**23**	13	**—**	—
— defined-benefit obligations	**—**	6	**—**	6
— post-retirement medical aid obligations	**(4)**	(5)	**(4)**	17
Other	**—**	1	**1**	(4)
AT THE END OF THE YEAR	**302**	273	**(18)**	(21)
Analysis by major temporary differences:				
Property, plant and equipment	**(391)**	(520)	**(37)**	(39)
Provisions and deferred income	**361**	436	**192**	254
Pension fund employer surplus accounts	**(158)**	(196)	**(158)**	(196)
Deferred foreign exchange differences	**(53)**	(69)	**(28)**	(39)
Computed tax losses	**524**	641	**13**	—
Other	**19**	(19)	**—**	(1)
	302	273	**(18)**	(21)
Comprising:				
Deferred tax assets	**395**	527	**—**	—
Deferred tax liabilities	**(93)**	(254)	**(18)**	(21)
	302	273	**(18)**	(21)

Deferred tax assets of R395 million (2016: R527 million) were 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 were estimated based on business plans which include estimates and assumptions regarding economic growth, interest and inflation rates and market conditions.

10. INVENTORIES

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Raw and packaging materials	**1 114**	1 023	**308**	252
In progress	**25**	16	**7**	7
Finished goods and merchandise	**1 970**	1 917	**906**	900
Consumable stores	**182**	152	**—**	—
Spares and other	**64**	66	**14**	21
	3 355	3 174	**1 235**	1 180
INCOME STATEMENT				
Cost of inventories recognised as an expense	**10 548**	10 737	**3 932**	3 994
Losses and write-down of inventories	**6**	8	**4**	6
Inventory adjustments	**3**	(39)	**21**	19

11. ACCOUNTS RECEIVABLE

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Trade	**3 226**	2 915	**1 072**	1 011
Pre-payments	**153**	85	**29**	28
VAT	**204**	121	**104**	66
Other	**152**	164	**62**	57
Forward exchange contracts	**43**	12	**7**	3
Subsidiaries and joint ventures	**15**	45	**229**	287
	3 793	3 342	**1 503**	1 452

Trade receivables are exposed to credit risk as described in note 27.

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:				
South Africa	**2 134**	1 894	**1 005**	960
Rest of Africa	**867**	767	**58**	32
North America	**39**	36	**1**	—
South America	**19**	16	**—**	1
Asia	**67**	78	**4**	10
Australia	**59**	79	**1**	2
Europe	**41**	45	**3**	6
	3 226	2 915	**1 072**	1 011
The ageing of gross trade receivables at 31 December was:				
Not past due	**2 390**	2 190	**916**	845
Past due 0 to 30 days	**597**	470	**111**	95
Past due 30 to 90 days	**125**	124	**22**	33
Past due more than 90 days	**263**	316	**39**	62
GROSS TRADE RECEIVABLES	**3 375**	3 100	**1 088**	1 035
The ageing of impairment allowances in respect of trade receivables at 31 December was:				
Not past due	**(2)**	(14)	**(1)**	(11)
Past due 0 to 30 days	**—**	(2)	**—**	(1)
Past due 30 to 90 days	**(1)**	(7)	**—**	(1)
Past due more than 90 days	**(146)**	(162)	**(15)**	(11)
TOTAL IMPAIRMENT ALLOWANCES	**(149)**	(185)	**(16)**	(24)
NET TRADE RECEIVABLES	**3 226**	2 915	**1 072**	1 011
IMPAIRMENT ALLOWANCES OF TRADE RECEIVABLES				
At the beginning of the year	**(185)**	(171)	**(24)**	(29)
Additional impairment allowances recognised during the year	**(55)**	(26)	**(6)**	(3)
Impairment allowances reversed during the year	**79**	5	**2**	1
Impairment allowances applied to trade receivables deemed irrecoverable	**12**	7	**12**	7
AT THE END OF THE YEAR	**(149)**	(185)	**(16)**	(24)

Impairment allowances in respect 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.

12. ASSETS CLASSIFIED AS HELD FOR SALE

The disposal of Olive Pride, a business that was part of the Food & Beverage operating segment and which was classified as held for sale at 31 December 2016, was completed on 1 April 2017. The assets disposed of were transferred initially to a separate legal entity, Clover Pride, that was wholly-owned by the Group through its subsidiary Southern Canned Products (Pty) Ltd. Subsequent to the transfer of the assets, the interest in Clover Pride was distributed to the Company as a dividend in specie. The shareholding in Clover Pride was then reduced through the sale of a 51% stake to Clover S.A. (Pty) Ltd for a total consideration of R30 million.

The Group's remaining 49% stake in Clover Pride is treated as an equity-accounted investee in terms of IAS 28 Investments in Associates and Joint Ventures, and it is part of the Food & Beverage operating segment (see note 7).

The sale agreement provided for continued trading by the business throughout the disposal process, resulting in movements in its held-for-sale asset values between the prior reporting date and the date of disposal.

The carrying amount of total assets sold was:

GROUP

R millions	2016 At 31 Dec	**2017 Movements**	**2017 At 1 Apr**
Goodwill	27	**1**	**28**
Property, plant and equipment	1	**—**	**1**
Intangible assets	21	**—**	**21**
Inventory	11	**(3)**	**8**
ASSETS CLASSIFIED AS HELD FOR SALE	60	**(2)**	**58**
Exchanged for:			
— trade loans with associate			**4**
— investment in associate			**24**
Proceeds on disposal			**30**
SURPLUS/(SHORTFALL) ON DISPOSAL			**—**

COMPANY

R millions	**2017**
Dividend in specie received — 100% interest in Clover Pride	**58**
Disposal of 51% interest in Clover Pride	**(30)**
Residual investment	**28**
Comprised of:	
— trade loans with associate	**4**
— investment in associate	**24**
SURPLUS/(SHORTFALL) ON DISPOSAL	**—**

No assets or disposal groups were classified as held for sale at the reporting date.

13. SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF SHARES		GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016	**2017**	2016
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						
At the beginning of the year						
Group	**109 944 384**	110 386 596	**110**	110		
Company	**121 829 083**	122 271 295			**122**	122
Repurchased during the year						
Group	**—**	(442 212)	**—**	—		
Company	**—**	(442 212)			**—**	—
At the end of the year						
Group	**109 944 384**	109 944 384	**110**	110		
Company	**121 829 083**	121 829 083			**122**	122
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			**—**	—	**6**	6
At the beginning of the year			**—**	—	**6**	45
Shares repurchased			**—**	—	**—**	(39)
Total ordinary shares						
Group	**109 944 384**	109 944 384	**110**	110		
Company	**131 947 034**	131 947 034			**128**	128
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	**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

13. SHARE CAPITAL AND SHARE PREMIUM continued

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).

Other than treasury shares, the following beneficial shareholders held 5% or more of the Company's listed ordinary shares at 31 December:

	Number of shares	% of issued ordinary shares
BENEFICIAL SHAREHOLDER		
Public Investment Corporation	14 584 182	12,0
Allan Gray	12 034 261	9,9
Kagiso Asset Management	11 877 477	9,8
PSG Asset Management	7 364 688	6,1

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.

14. NON-CURRENT BORROWINGS

		GROUP		COMPANY	
R millions	Weighted closing interest rate (%)	**2017**	2016	**2017**	2016
UNSECURED					
LOCAL					
Loans:					
Inception date and settlement date:					
2015 to 2018	8,71	**500**	500	**500**	500
2016 to 2021	8,95	**1 100**	1 100	**1 100**	1 100
FOREIGN					
Loans — US dollar	—	**—**	8	**—**	8
Loans — US dollar	—	**—**	152	**—**	—
SECURED					
LOCAL					
Loans — other	—	**—**	2	**—**	—
		1 600	1 762	**1 600**	1 608
Current portion (see note 17)		**(500)**	(162)	**(500)**	(8)
CARRYING AMOUNT		**1 100**	1 600	**1 100**	1 600

SUMMARY OF REPAYMENTS

R millions	Year	Local	Total
GROUP			
	2018	500	500
	2021	1 100	1 100
TOTAL REPAYMENTS		**1 600**	**1 600**
COMPANY			
	2018	500	500
	2021	1 100	1 100
TOTAL REPAYMENTS		**1 600**	**1 600**

15. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**165**	162	**104**	119
Paid during the year	**(27)**	(4)	**(1)**	—
Charged to net operating costs during the year				
— Additional provision made	**31**	19	**6**	—
— Reversal of provision	**—**	(31)	**—**	(15)
Amount claimable from external third party	**—**	19	**—**	—
Translation differences	**(2)**	—	**—**	—
	167	165	**109**	104
Current portion included in accounts payable (see note 16)	**(12)**	(19)	**—**	—
AT THE END OF THE YEAR	**155**	146	**109**	104
EARNINGS-BASED INCENTIVE SCHEME				
At the beginning of the year	**67**	103	**63**	97
Paid during the year	**(26)**	(54)	**(24)**	(51)
Charged to net operating costs during the year				
— Additional provision made	**4**	46	**4**	43
— Reversal of provision	**(8)**	(28)	**(8)**	(26)
	37	67	**35**	63
Current portion included in accounts payable (see note 16)	**(37)**	(67)	**(35)**	(63)
AT THE END OF THE YEAR	**—**	—	**—**	—
EARNINGS-GROWTH INCENTIVE SCHEME				
At the beginning of the year	**108**	88	**48**	39
Paid during the year	**(20)**	(14)	**(8)**	(6)
Disposal through sale of business	**—**	—	**(6)**	—
Charged to net operating costs during the year				
— Additional provision made	**35**	43	**21**	19
— Reversal of provision	**(4)**	(9)	**(2)**	(4)
	119	108	**53**	48
Current portion included in accounts payable (see note 16)	**(73)**	(54)	**(32)**	(24)
AT THE END OF THE YEAR	**46**	54	**21**	24
CASH-SETTLED SHARE-BASED INCENTIVE SCHEME				
At the beginning of the year	**38**	33	**38**	33
Paid during the year	**(4)**	(4)	**(4)**	(4)
Charged to net operating costs during the year				
— Additional provision made	**11**	9	**11**	9
	45	38	**45**	38
Current portion included in accounts payable (see note 16)	**(39)**	(33)	**(39)**	(33)
AT THE END OF THE YEAR	**6**	5	**6**	5
POST-RETIREMENT MEDICAL AID OBLIGATIONS				
Actuarial valuation of obligations (see note 29)	**185**	207	**185**	207
AT THE END OF THE YEAR	**185**	207	**185**	207
TOTAL NON-CURRENT PROVISIONS	**392**	412	**321**	340

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.

15. 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 29).

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 29. 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 29.

16. ACCOUNTS PAYABLE

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Trade	**3 016**	2 759	**1 367**	1 357
Payroll-related accruals	**547**	497	**199**	216
Other payables[1]	**412**	617	**270**	413
Forward exchange contracts	**109**	52	**58**	21
VAT	**11**	34	**—**	—
Subsidiaries and joint ventures	**16**	16	**122**	243
	4 111	3 975	**2 016**	2 250
Current portion of non-current provisions (see note 15)	**161**	173	**106**	120
	4 272	4 148	**2 122**	2 370

1 *In 2016, an amount of R172 million included in other payables related to the settlement of post-retirement medical aid obligations to pensioners. There was no corresponding amount in the current year.*

17. CURRENT BORROWINGS

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Current portion of non-current borrowings (see note 15)	**500**	162	**500**	8
Unsecured interest-bearing short-term borrowings	**30**	—	**30**	—
	530	162	**530**	8

Borrowings of R220 million were raised in August 2017 through the placement of senior unsecured notes under the Group's Domestic Medium Term Note programme. These borrowings were settled before the reporting date.

18. REVENUE

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Sale of goods and related services	**18 182**	18 198	**4 990**	5 082
Leasing and related services	**300**	398	**288**	290
Sales to subsidiary companies			**387**	515
Leasing and related services to subsidiary companies			**51**	32
	18 482	18 596	**5 716**	5 919
Local	**12 246**	12 117	**5 022**	5 080
Foreign	**6 236**	6 479	**256**	292
Subsidiary companies			**438**	547
	18 482	18 596	**5 716**	5 919

19. NET OPERATING COSTS

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Cost of sales	**12 263**	12 561	**4 604**	4 704
Selling and distribution expenses	**1 735**	1 708	**429**	371
Administrative expenses	**2 905**	2 992	**583**	636
NET OPERATING COSTS	**16 903**	17 261	**5 616**	5 711
Net operating costs have been arrived at after taking into account:				
Auditor's remuneration	**27**	25	**8**	5
— Audit fees	**19**	19	**5**	4
— Other services	**8**	6	**3**	1
Depreciation and amortisation	**597**	626	**80**	84
— Property, plant and equipment	**572**	597	**77**	83
— Investment property	**2**	1	**3**	1
— Intangible assets	**23**	28	**—**	—
Foreign exchange gains	**(223)**	(346)	**—**	—
— Realised	**(122)**	(265)	**—**	—
— Unrealised	**(101)**	(81)	**—**	—
Foreign exchange losses	**268**	433	**55**	67
— Realised	**192**	319	**6**	5
— Unrealised	**76**	114	**49**	62
Impairment of goodwill	**3**	28	**130**	—
Impairment of property, plant and equipment	**10**	54	**—**	—
Increase in non-current provisions and employee benefits	**69**	49	**32**	26
— Environmental remediation	**31**	(12)	**6**	(15)
— Earnings-based incentive scheme	**(4)**	18	**(4)**	17
— Earnings-growth incentive scheme	**31**	34	**19**	15
— Cash-settled share-based incentive scheme	**11**	9	**11**	9
Operating lease costs	**173**	189	**33**	36
Research and development expenditure	**50**	52	**—**	—
Gain on reassessment of contingent consideration	**31**	34	**31**	18
Loss on disposal of investment in associate company	**2**	—	**2**	—
(Surplus)/loss on disposal of property, plant and equipment	**(8)**	9	**—**	—
Total salaries and other staff costs	**3 246**	3 277	**739**	889
— Salaries and other staff costs	**3 173**	3 210	**707**	865
— EST share-based payment	**19**	24	**3**	4
— Performance share-based payment	**54**	43	**29**	20
Loss on settlement included in defined-benefit costs (see note 29)	**4**	149	**4**	147
— Post-retirement medical aid obligations	**4**	149	**4**	147

20. SHARE-BASED PAYMENTS

AECI EMPLOYEES SHARE TRUST ("EST")

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Equity-settled share-based payment	**19**	24	**19**	24
— Recognised in profit from operations	**19**	24	**3**	4
— Investment in subsidiaries and joint ventures			**16**	20

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 ALLOCATED
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 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 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 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 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 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 B ordinary shares held by the EST.

20. SHARE-BASED PAYMENTS 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 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 fair value determined were:

	FIRST ALLOCATION	SECOND ALLOCATION	THIRD ALLOCATION	FOURTH ALLOCATION	FIFTH ALLOCATION
Market price of the Company's listed shares at the grant date (rand)	88,89	80,95	116,76	120,59	91,00
Issue price (rand)[1]	75,82	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 date	30 Apr 2012	01 Oct 2012	1 Sep 2013	1 Sep 2014	31 Mar 2016
Termination date	9 Feb 2022	9 Feb 2022	9 Feb 2022	9 Feb 2022	9 Feb 2022
Hurdle price (rand)[2]	216,26	199,75	222,35	203,25	104,00
Share price volatility (% per annum)[3]	24,70	22,50	22,00	23,93	22,77
Vesting dates	7 years, in accordance with the forfeiture profile above				
Number of simulations	50 000	50 000	50 000	50 000	500 000
Fair value of equity instrument (rand)	18,54	12,27	29,64	32,81	8,08
Number of shares allocated	7 569 669	509 102	560 978	710 562	1 897 590

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 EST term.*
3 *Volatility was measured using the daily historic volatility equally weighted over a period of 10 years, being equivalent to the EST term.*

	NUMBER OF SHARES	
	2017	2016
EST SHARE ALLOCATION		
Number of shares issued to the EST	**10 117 951**	10 117 951
Number of shares allocated to beneficiaries	**(11 247 901)**	(11 247 901)
Number of shares forfeited	**1 415 541**	1 469 612
UNALLOCATED POOL SHARES	**285 591**	339 662

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 B ordinary shares are 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.

B ordinary shares forfeited return to the pool of unallocated shares and are available for reallocation. In 2016, certain shares were recorded as forfeited but it was subsequently determined that they had not been. As a result, the number of shares forfeited reduced in 2017 as the beneficiaries affected were reinstated.

20. SHARE-BASED PAYMENTS continued

AECI PERFORMANCE SHARES ("PS")

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Equity-settled share-based payment	**54**	43	**54**	43
— Recognised in profit from operations	**54**	43	**29**	20
— Investment in subsidiaries and joint ventures			**25**	23

	NUMBER OF SHARES	
	2017	2016
SHARE ALLOCATION		
Number of PS allocated at the beginning of the year	**915 714**	838 575
Number of PS allocated to beneficiaries during the year	**675 369**	388 290
Number of PS exercised during the year	**(222 942)**	(259 505)
Number of PS forfeited during the year	**—**	(51 646)
TOTAL PS ALLOCATED AS AT 31 DECEMBER	**1 368 141**	915 714

The AECI Long-term Incentive Plan ("LTIP") was approved by shareholders in 2012. The purpose of the plan is to attract, retain, motivate and reward Executives and Managers who are able to influence the performance of AECI and its subsidiaries on a basis which aligns their interests with those of the Group.

Annual conditional awards of PS will be allocated to Executives 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 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. Since 2016 a peer group of 16 JSE-listed companies (including AECI) has been used to determine AECI's relative performance. From 2018 it is proposed that vesting performance measurements will include a measure on return on average net assets and growth of HEPS over the three-year vesting period.

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 are 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 fair value determined were as follows:

	THIRD ALLOCATION	FOURTH ALLOCATION	FIFTH ALLOCATION	SIXTH ALLOCATION
Market price of AECI's listed shares at the grant date (rand)	123,55	95,20	83,00	106,28
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	31 Oct 2014	31 Oct 2015	30 Jun 2016	30 Jun 2017
Vesting date	30 Jun 2017	30 Jun 2018	30 Jun 2019	30 Jun 2020
AECI share price volatility (% per annum)	21,17	21,84	24,33	24,96
Fair value of equity instrument (rand)	195,21	102,95	108,51	199,46
Number of PS allocated	260 702	336 182	388 290	675 369

20. SHARE-BASED PAYMENTS continued

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 was from 1 June 2014 to 1 June 2017. The fourth allocation was approved in October 2015 resulting in a grant date of 31 October 2015, though the award date was 30 June 2015. The performance period is from 1 June 2015 to 1 June 2018. The fifth allocation was approved in June 2016 resulting in a grant date of 30 June 2016. The performance period is from 1 June 2016 to 1 June 2019. The sixth allocation was approved in June 2017 resulting in a grant date of 30 June 2017. The performance period is from 1 June 2017 to 1 June 2020.

The third allocation of PS vested on 30 June 2017. The performance period for those shares was completed on 1 June 2017 and AECI achieved sixth position in the peer group, with the total number of allocated shares vesting. The number of PS granted to eligible employees was 260 702 with 37 760 shares having been forfeited prior to vesting. This resulted in 222 942 ordinary shares vesting to eligible employees. AECI contracted with Avior Capital Markets (Pty) Ltd ("Avior") to purchase the shares on the JSE Ltd and to deliver them to eligible employees on the vesting date. Avior purchased the shares at a cost of R44 million and this settlement was recognised in the share-based payment reserve. Avior facilitated the transfer or sale of shares as desired by eligible employees. The shares were settled in equity by AECI and the facilitation of further transactions on the vested shares does not alter the nature of the scheme.

21. INTEREST EXPENSE

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Non-current borrowings	**(148)**	(162)	**(148)**	(162)
Current borrowings	**(52)**	(102)	**(47)**	(90)
Subsidiary companies and joint ventures			**(247)**	(176)
Unwinding of discount on contingent consideration	**(2)**	(6)	**(2)**	(6)
	(202)	(270)	**(444)**	(434)

22. INTEREST RECEIVED

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Subsidiary companies and joint ventures	**—**	4	**146**	145
Loans and receivables	**35**	51	**19**	24
	35	55	**165**	169

23. TAX (EXPENSE)/CREDIT

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Current tax	**(451)**	(515)	**—**	(69)
South African and foreign normal tax	**(415)**	(475)	**—**	(69)
Foreign withholding taxes	**(36)**	(40)	**—**	—
Deferred tax	**23**	142	**6**	85
South African and foreign deferred tax	**16**	142	**6**	85
Deferred tax rate change	**7**	—	**—**	—
	(428)	(373)	**6**	16
Adjustment for prior years	**(1)**	37	**6**	53
South African and foreign normal tax	**12**	16	**6**	25
Deferred tax	**(13)**	21	**—**	28
	(429)	(336)	**12**	69
Analysis of deferred tax charge by major temporary differences:				
Property, plant and equipment	**119**	52	**(9)**	5
Provisions and deferred income	**(17)**	(38)	**(21)**	(25)
Pension fund employer surplus accounts	**11**	73	**11**	73
Deferred foreign exchange differences	**47**	24	**11**	32
Computed tax losses (utilised)/raised	**(141)**	20	**13**	—
Change in rate	**7**	—	**—**	—
Other	**(3)**	11	**1**	—
	23	142	**6**	85
Adjustment for prior years	**(13)**	21	**—**	28
	10	163	**6**	113
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	**(503)**	73	**46**	—
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	**30**	78	**—**	—
	(473)	151	**46**	—

	GROUP		COMPANY	
%	**2017**	2016	**2017**	2016
Reconciliation of tax rate computed in relation to profit before tax:				
Effective rate	**30,4**	29,3	**(0,7)**	121,1
Capital and non-taxable receipts	**6,5**	3,6	**31,8**	(12,0)
Non-deductible expenses	**(10,7)**	(7,3)	**(6,5)**	26,9
Foreign withholding taxes	**(2,6)**	(3,5)	**—**	—
Adjustment for prior years	**(0,1)**	3,2	**0,4**	(93,0)
Settlement of performance shares	**0,9**	(0,5)	**0,4**	(5,7)
Securities transfer tax	**—**	—	**—**	0,2
Tax rate change	**0,5**	—	**—**	—
Other	**3,1**	3,2	**2,6**	(9,5)
SOUTH AFRICAN STANDARD RATE	**28,0**	28,0	**28,0**	28,0

24. EARNINGS PER SHARE

GROUP

R millions	**2017**	2016
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to ordinary shareholders	**950**	777
Impairment of goodwill[1]	**3**	28
Impairment of property, plant and equipment — net	**10**	42
Impairment of property, plant and equipment — gross[2]	**10**	54
Tax effects of impairments of property, plant and equipment	**—**	(12)
Impairments recognised by equity-accounted investees — net	**40**	—
Impairments recognised by equity-accounted investees — gross[2]	**54**	—
Tax effect of impairments recognised by equity-accounted investees	**(14)**	—
Foreign currency translation differences reclassified on net investments in foreign operations — net	**13**	11
Foreign currency translation differences reclassified on net investments in foreign operations — gross[2]	**18**	17
Tax effect on translation differences reclassified on net investments in foreign operations	**(5)**	(6)
Loss on disposal of equity-accounted investee[1,2]	**2**	—
(Surplus)/loss on disposal of property, plant and equipment — net	**(6)**	6
(Surplus)/loss on disposal of property, plant and equipment — gross[2]	**(8)**	9
Tax effects of disposal of property, plant and equipment	**2**	(3)
HEADLINE EARNINGS	**1 012**	864

1 The remeasurements had no tax effect.
2 The remeasurements had no non-controlling interest effect.

GROUP

	2017	2016
EARNINGS PER ORDINARY SHARE		
Basic (cents)	**900**	735
Headline (cents)	**959**	818
Weighted average number of ordinary shares in issue	**131 947 034**	132 389 246
Weighted average number of ordinary shares held by the consolidated EST	**(10 117 951)**	(10 117 951)
Weighted average number of contingently returnable ordinary shares held by the CEDT	**(4 426 604)**	(4 426 604)
Weighted average number of shares held by a consolidated subsidiary	**(11 884 699)**	(11 884 699)
Weighted average number of shares repurchased during the year	**—**	(297 018)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC AND HEADLINE EARNINGS PER SHARE	**105 517 780**	105 662 974

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 105 517 780, net of treasury shares (2016: 105 662 974).

24. EARNINGS PER SHARE continued

GROUP

Cents	**2017**	2016
DILUTED EARNINGS PER ORDINARY SHARE		
Basic	**859**	720
Headline	**915**	800

The B ordinary shares issued to the EST in 2012, which may be converted to ordinary shares, the contingently returnable shares issued to the CEDT 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 EPS and diluted HEPS 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 110 548 653 (2016: 107 967 723). AECI's average share price since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, was R104,22 (2016: R93,99). The other potential ordinary shares do not have an exercise price.

GROUP

Cents	**2017**	2016
RECONCILIATION OF THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE:		
Weighted average number of ordinary shares	**105 517 780**	105 662 974
Dilutive adjustment for potential ordinary shares	**5 030 873**	2 304 749
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**110 548 653**	107 967 723

25. DIVIDENDS

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
ORDINARY				
Final for the prior year: No. 166 of 300 cents (2016: 260 cents) paid on 10 April 2017	**324**	282	**360**	313
Interim for the current year: No. 167 of 138 cents (2016: 135 cents) paid on 4 September 2017	**150**	148	**165**	164
Total ordinary dividends paid: 438 cents (2016: 395 cents)	**474**	430	**525**	477
PREFERENCE				
Nos. 158 and 159 paid on 15 June 2017 and 15 December 2017 respectively	**3**	3	**3**	3
EST				
A dividend of 35 cents per share was declared in 2016 and paid in the current year	**3**	—	**3**	—
	480	433	**531**	480
Proposed final dividend No. 168 for the year ended 31 December 2017 of 340 cents (2016: 300 cents) per share payable on 9 April 2018	**374**	330	**414**	365
	374	330	**414**	365

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

The Company also declared a dividend of 84 cents (2016: 35 cents) on the B ordinary shares held by the EST, which is payable in 2018.

26. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Capital commitments authorised	**405**	233	**14**	30
Contracted for	**119**	62	**12**	20
Not contracted for	**286**	171	**2**	10
Acquisitions authorised and contracted for	**4 173**	—	**2 272**	—

The Group has entered into an agreement with Capitalworks Private Equity, MIC Investment Holdings (Pty) Ltd and the Much Asphalt management team to acquire 100% of the issued share capital in Much Asphalt, for a total consideration of R2,272 billion which is payable in cash, subject to the conditions precedent being fulfilled.

After the reporting date AECI (Mauritius) Ltd, a wholly-owned subsidiary of AECI, acquired 100% of the share capital in Schirm GmbH and shareholder loan claims from Imperial Chemical Logistics GmbH, a wholly-owned subsidiary of Imperial Holdings Ltd. The transaction was concluded on 17 January 2018 and payment was made on 30 January 2018 (see note 34).

The expenditure will be financed from funds on hand and internally generated, supplemented by borrowings against facilities available to the Group.

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Future rentals on leased property, plant and equipment	**367**	443	**2**	18
Payable within 1 year	**116**	123	**2**	9
Payable between 1 and 5 years	**224**	263	**—**	9
Payable thereafter	**27**	57	**—**	—

The Group's leasing arrangements relate primarily to property and vehicles and the lease periods range from three to six years. Certain of the properties have renewal options at the option of either the lessor or the Group.

CONTINGENT LIABILITIES

The investigation process undertaken by the Competition Commission of South Africa ("the Commission") in 2014, into collusion by Akulu Marchon ("Akulu") and a competitor, was concluded. Both these parties concluded separate settlement agreements with the Commission. Akulu made a payment of the penalty of R13 905 600 on 30 October 2017. Akulu also agreed to and implemented behavioural remedies which will be applied across the Group.

The Group is involved in various legal proceedings and is in consultation with its legal counsel, assessing the outcome of these proceedings, on an ongoing basis. As proceedings progress, the Group's management makes provision in respect of legal proceedings where appropriate. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

27. 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 to manage the currency and interest rate risks arising from its operations.

The Group raises non-current and current borrowings centrally and on-lends to its business entities 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 when these are considered to offer a cost-effective alternative to forward foreign exchange contracts. It is Group policy that no financial instruments be 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, credit and 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	**2017**	2016	**2017**	2016
GROUP				
FINANCIAL ASSETS				
Available-for-sale financial assets[1]	**87**	2		
— Unlisted shares — Level 3	**87**	2		
Financial assets at fair value through profit or loss	**198**	202	**198**	202
— Forward exchange contracts — Level 2	**43**	12	**43**	12
— Money market investment in collective investment scheme — Level 1	**77**	72	**77**	72
— Employer surplus accounts — Level 1	**78**	118	**78**	118
Loans and receivables	**4 625**	4 608		
— Accounts receivable[2]	**3 393**	3 124		
— Cash[3]	**1 206**	1 465		
— Loans receivable[3]	**—**	—		
— Loans and receivables relating to other investments[3]	**26**	19		
	4 910	4 812		
FINANCIAL LIABILITIES				
Financial liabilities not measured at fair value	**(5 204)**	(5 229)		
— Accounts payable[2]	**(3 444)**	(3 392)		
— Loans from joint ventures[3]	**(130)**	(75)		
— Borrowings[4]	**(1 630)**	(1 762)		
Financial liabilities at fair value through profit or loss	**(138)**	(110)	**(138)**	(110)
— Forward exchange contracts — Level 2	**(109)**	(52)	**(109)**	(52)
— Contingent consideration — Level 3	**(29)**	(58)	**(29)**	(58)
	(5 342)	(5 339)		

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

	CARRYING AMOUNT		FAIR VALUE	
R millions	**2017**	2016	**2017**	2016
COMPANY				
FINANCIAL ASSETS				
Available-for-sale financial assets[1]	**85**	—		
— Unlisted shares — Level 3	**85**	—		
Financial assets at fair value through profit or loss	**85**	121	**85**	121
— Forward exchange contracts — Level 2	**7**	3	**7**	3
— Employer surplus accounts — Level 1	**78**	118	**78**	118
Loans and receivables not measured at fair value	**5 133**	4 900		
— Accounts receivable[2]	**1 363**	1 355		
— Cash[3]	**125**	322		
— Non-current loans to subsidiaries[3]	**786**	497		
— Current loans to subsidiaries[3]	**2 846**	2 719		
— Loans and receivables relating to other investments[3]	**13**	7		
	5 303	5 021		
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss	**(87)**	(79)	**(87)**	(79)
— Forward exchange contracts — Level 2	**(58)**	(21)	**(58)**	(21)
— Contingent consideration — Level 3	**(29)**	(58)	**(29)**	(58)
Financial liabilities not measured at fair value	**(10 022)**	(9 819)		
— Accounts payable[2]	**(1 759)**	(2 013)		
— Borrowings[4]	**(1 630)**	(1 608)		
— Loans from joint ventures[3]	**(178)**	(118)		
— Non-current loans from subsidiaries[3]	**(703)**	(676)		
— Current loans from subsidiaries[3]	**(5 752)**	(5 404)		
	(10 109)	(9 898)		

1 *Items are classified as available-for-sale financial assets when they are not classified in another category or when specifically designated as such. The Group has applied the IAS 39 exemption (paragraph 46c) and carries the investments at cost.*
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 to 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 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. The fair value of the money market investment in a collective investment scheme and the employer surplus accounts is based on quoted market prices (see note 8). The fair value of the contingent consideration is calculated using discounted cash flows. The valuation model considers the present value of the expected future payment, discounted using a risk-adjusted discount rate of 7,5% (2016: 8,1%). The expected payment is determined by considering the possible scenarios of forecast earnings before interest, tax, depreciation and amortisation ("EBITDA"), the amount to be paid under each scenario and the probability of each scenario.

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

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

Where possible, the Group's non-South African operations 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 and US dollar. Currency exposures are managed using appropriate exposure management techniques.

The management of each business entity is tasked with managing the foreign currency exposures arising in its own entity in consultation with the central treasury. All material purchases and sales in foreign currencies are transacted through the central treasury.

HEDGE ACCOUNTING

FAIR VALUE HEDGES

Fair value hedges have been recognised for the net exposure to trading in foreign currency. Forward exchange contracts have been designated as hedging instruments in respect of amounts denominated in euro and US dollars.

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Rand value of the hedging instrument, based on the contract rates	**522**	720	**468**	468
Profit on the hedging instruments recognised in the income statement	**66**	20	**30**	14

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.

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Value of hedging instruments, based on the contract rates	**73**	43	**48**	19

The cash flows relating to the hedging instruments will occur in 2018 and will not affect the income statement if the hedge is effective as the amount recognised in other comprehensive income will be removed from other comprehensive income and recognised in the initial cost of the items of plant and equipment and inventory.

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Amount recognised directly in other comprehensive income for the year in respect of the cash flow hedges	**4**	3	**—**	—

EXPOSURE TO CURRENCY RISK

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

		2017			2016	
R millions	**Euro**	**US dollar**	**Other**	Euro	US dollar	Other
Cash	**11**	**21**	**19**	1	90	52
Trade receivables	**48**	**185**	**22**	29	241	119
Interest-bearing liabilities	**—**	**(30)**	**—**	—	(8)	(2)
Trade payables	**(132)**	**(426)**	**(55)**	(193)	(395)	(188)
Gross exposure	**(73)**	**(250)**	**(14)**	(163)	(72)	(19)
Forward exchange contracts	**187**	**467**	**(59)**	313	488	(38)
NET EXPOSURE	**114**	**217**	**(73)**	150	416	(57)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

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

	2017			2016		
R millions	**Euro**	**US dollar**	**Other**	Euro	US dollar	Other
Cash	**1**	**1**	**—**	2	24	1
Trade receivables	**2**	**80**	**—**	6	55	3
Loans to subsidiaries	**—**	**363**	**—**	—	400	—
Interest-bearing liabilities	**—**	**(30)**	**—**	—	(8)	—
Trade payables	**(75)**	**(283)**	**(1)**	(79)	(262)	(2)
Gross exposure	**(72)**	**131**	**(1)**	(71)	209	2
Forward exchange contracts	**118**	**395**	**3**	102	389	(4)
NET EXPOSURE	**46**	**526**	**2**	31	598	(2)

The following significant exchange rates applied during the year:

	CLOSING RATE		AVERAGE RATE	
Rand	**2017**	2016	**2017**	2016
Euro	**14,75**	14,52	**15,04**	16,29
US dollar	**12,31**	13,73	**13,31**	14,72

SENSITIVITY ANALYSIS

Based on the Group's net exposure to currency risk, a 10% strengthening of the rand at 31 December would have decreased equity and profit by the amounts shown below, assuming all other variables remained constant:

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Equity	**(66)**	(94)	**(54)**	(60)
Profit for the year before tax	**(33)**	(57)	**(54)**	(60)

(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	**2017**	2016	**2017**	2016	**2017**	2016
GROUP						
Rand						
— Current	**530**	2	**530**	2	**—**	—
— Non-current	**1 100**	1 600	**1 100**	1 600	**—**	—
Other						
— Current	**—**	160	**—**	152	**—**	8
	1 630	1 762	**1 630**	1 754	**—**	8
Loans from joint ventures	**130**	75	**130**	75	**—**	—
TOTAL	**1 760**	1 837	**1 760**	1 829	**—**	8

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

R millions	TOTAL 2017	TOTAL 2016	FLOATING RATE FINANCIAL LIABILITIES 2017	FLOATING RATE FINANCIAL LIABILITIES 2016	FIXED RATE FINANCIAL LIABILITIES 2017	FIXED RATE FINANCIAL LIABILITIES 2016
COMPANY						
Rand						
— Current	**530**	—	**530**	—	**—**	—
— Non-current	**1 100**	1 600	**1 100**	1 600	**—**	—
Other						
— Current	**—**	8		—	**—**	8
	1 630	1 608	**1 630**	1 600	**—**	8
Loans from joint ventures	**178**	118	**178**	118	**—**	—
Loans from subsidiaries	**5 752**	5 404	**5 752**	5 404	**—**	—
TOTAL	**7 560**	7 130	**7 560**	7 122	**—**	8

SENSITIVITY ANALYSIS

Based on the Group's and Company's exposure to interest rate risk, a 50 basis point increase in interest rates at 31 December would not have had a significant effect on profit or 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
2017					
FINANCIAL LIABILITIES					
Unsecured borrowings	**1 654**	**2 009**	**684**	**98**	**1 226**
— Capital	**1 630**	**1 630**	**530**	**—**	**1 100**
— Interest accrued[1]	**24**	**379**	**154**	**98**	**126**
Loans from joint ventures	**130**	**130**	**130**	**—**	**—**
Trade and other payables	**3 420**	**3 420**	**3 420**	**—**	**—**
Contingent consideration	**29**	**29**	**—**	**29**	**—**
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	**(43)**	**(1 239)**	**(1 239)**	**—**	**—**
— outflows	**109**	**644**	**644**	**—**	**—**
TOTAL FINANCIAL LIABILITIES	**5 299**	**4 993**	**3 639**	**127**	**1 226**
PERCENTAGE PROFILE (%)		**100**	**73**	**3**	**25**

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

GROUP

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2016					
FINANCIAL LIABILITIES					
Secured non-current borrowings	2	2	2	—	—
Unsecured borrowings	1 786	2 301	333	635	1 333
— Capital	1 760	1 760	160	500	1 100
— Interest accrued[1]	26	541	173	135	233
Loans from joint ventures	75	75	75	—	—
Trade and other payables	3 366	3 366	3 366	—	—
Contingent consideration	58	58	—	—	58
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	(12)	(1 263)	(1 263)	—	—
— outflows	52	499	499	—	—
TOTAL FINANCIAL LIABILITIES	5 327	5 038	3 012	635	1 391
PERCENTAGE PROFILE (%)		100	60	13	28

COMPANY

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2017					
FINANCIAL LIABILITIES					
Unsecured borrowings	**1 654**	**2 009**	**684**	**98**	**1 226**
— Capital	**1 630**	**1 630**	**530**	**—**	**1 100**
— Interest accrued[1]	**24**	**379**	**154**	**98**	**126**
Loans from joint ventures	**178**	**178**	**178**	**—**	**—**
Non-current loans from subsidiaries	**703**	**703**	**—**	**—**	**703**
Current loans from subsidiaries	**5 752**	**5 752**	**5 752**	**—**	**—**
Trade and other payables	**1 735**	**1 735**	**1 735**	**—**	**—**
Contingent consideration	**29**	**29**	**—**	**29**	**—**
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	**(7)**	**(602)**	**(602)**	**—**	**—**
— outflows	**58**	**86**	**86**	**—**	**—**
TOTAL FINANCIAL LIABILITIES	**10 102**	**9 890**	**7 833**	**127**	**1 929**
PERCENTAGE PROFILE (%)		**100**	**79**	**1**	**20**

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT continued

COMPANY

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2016					
FINANCIAL LIABILITIES					
Unsecured borrowings	1 634	2 149	181	635	1 333
— Capital	1 608	1 608	8	500	1 100
— Interest accrued[1]	26	541	173	135	233
Loans from joint ventures	118	118	118	—	—
Non-current loans from subsidiaries	676	676	—	—	676
Current loans from subsidiaries	5 404	5 404	5 404	—	—
Trade and other payables	1 987	1 987	1 987	—	—
Contingent consideration	58	58	—	—	58
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	(3)	(586)	(586)	—	—
— outflows	21	99	99	—	—
TOTAL FINANCIAL LIABILITIES	9 895	9 905	7 203	635	2 067
PERCENTAGE PROFILE (%)		100	73	6	21

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

The Company's liquidity risk is managed through short-term borrowing facilities from which funding is drawn down as and when required. In addition, the repayment of loans from subsidiaries is controlled by the Company as these loans do not have fixed repayment terms, and repayment can be deferred if needed.

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 business entity managing its own credit control procedures because of the Group's diversified customer base. Adequate allowance is made for impairment losses.

Details of the carrying amounts and exposure to credit risk of trade receivables, as well as impairments recognised, are contained in note 11.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

28. RELATED PARTY INFORMATION

The subsidiaries of the Group are identified in note 32, joint ventures 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 (2016: nil).

Transactions with Directors are disclosed in note 30.

Transactions with related parties are concluded on terms that are no more and no less favourable than transactions with unrelated external parties.

COMPANY

R millions	**2017**	2016
TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE:		
Leasing income and sales by the Company to		
— Subsidiaries	**438**	547
Sales to the Company by		
— Subsidiaries	**106**	55
— Joint ventures	**67**	45
Dividends received by the Company from		
— Subsidiaries	**1 864**	—
Interest received by the Company from		
— Subsidiaries	**146**	141
— Joint ventures	**—**	4
Interest paid by the Company to		
— Subsidiaries	**239**	168
— Joint ventures	**8**	8
Rental of premises to the Company by		
— Subsidiaries	**34**	33
Secretarial and administration fees paid to the Company by		
— Subsidiaries	**163**	91
— Joint ventures	**8**	6
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	**3 632**	3 216
Loan amounts owing by the Company to		
— Subsidiaries	**6 455**	6 080
— Joint ventures	**178**	118

GROUP

R millions	**2017**	2016
KEY MANAGEMENT PERSONNEL COMPENSATION:		
— short-term employee benefits	**64**	54
— post-retirement benefits	**3**	3
— other long-term benefits	**6**	4
	73	61

Accounts receivable from and payable to related parties of the Group and the Company are disclosed in notes 11 and 16. Loans with joints ventures are disclosed in note 6.

Key management personnel are the Directors, Prescribed Officers and Managing Directors or equivalent of operating business entities.

The key management personnel compensation above relates to the Managing Director or equivalent and excludes Directors' and Prescribed Officers' remuneration which is set out in note 30.

29. EMPLOYEE BENEFITS

RETIREMENT BENEFITS

The Group provides retirement benefits for all its permanent employees by means of an independent defined-contribution pension fund and an independent defined-contribution provident fund. The Group has two legacy defined-benefit pension funds of which only one has active members, two other legacy defined-benefit funds which have no active members and a small number of pensioners. Only the latter two legacy funds have been converted to defined-contribution funds. Offers have been made to members to convert the other two funds and the conversion process is ongoing.

Following the settlement of the defined-benefit liabilities for the majority of the active members, deferred pensioners and pensioners (collectively referred to as "members") of the AECI Pension Fund ("APF") and all members of the AECI Supplementary Pension Fund ("ASPF"), the liabilities of the 22 remaining deferred pensioners and 20 of the 24 remaining pensioners of the APF were settled through transfers to external pension funds, the AECI Defined Contribution Pension Fund ("ADCPF") or outsourced to Sanlam. The liabilities and assets for the remaining members have not yet been accounted for as a settlement but the asset values to be settled were set aside in 2015 with an asset limitation being applied to reduce AECI's recognised asset to the amount in the ESA.

In October 2016, the Group made offers to members of its remaining defined-benefit funds. These are the AECI Employees Pension Fund ("AEPF"), which has over 1 683 members but only seven active employees, and the Dulux Employees Pension Fund ("DEPF"), which has 68 pensioner members. Because the surpluses in both funds are significantly higher than their liabilities, it was possible to offer members significant enhancements. The required rule amendments of the funds have been approved by the Registrar of Pension Funds ("Registrar") and more than 75% of the members of each fund have accepted the offers made to them. In 2018, the transfer applications will be prepared and submitted to the Registrar. The active employees were transferred to the ADCPF from 1 December 2016 and are now contributing members of this fund in anticipation of the conversion.

AECI transferred assets from the ESA of the APF to the ESA of the ASPF (R8 million) and to that of the AECI Employees Provident Fund ("AEPrF") (R41 million) during the year. The ESA of the AEPrF has been utilised to take a continued contribution holiday. The ADCPF ESA is also being utilised for this purpose.

INFORMATION PERTAINING TO THE AEPF AND THE DEPF

As the relevant transfer applications have yet to be submitted to the Registrar, the funds are treated as ongoing defined-benefit funds.

Members were required to pay a contribution of 6% of pensionable earnings, with the employer's contribution being 9% of pensionable earnings.

Members are entitled to receive an annual pension, at pensionable age of 65 years, calculated as 1/53 multiplied by the number of years of continuous service multiplied by average annual pensionable emoluments over the last two years of membership.

Members with at least five years of pensionable service may elect to retire within 10 years of pensionable age, based on pensionable service up to retirement age, reduced by 0,25% for each month that actual retirement age is less than 62 years.

Ill-health retirement pension becomes payable from the date of ill-heath retirement based on the same benefit, with pensionable service being based on the service that could have been served until normal retirement and pensionable emoluments calculated at the date of ill-health retirement.

In the event of death, the funds 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, to qualifying beneficiaries.

All funds are governed by the Pension Fund Act, No. 24 of 1956, as amended ("the Act"). The Act provides that any actuarial surplus in any fund belongs to the fund and that the only portion of the assets of the funds that may be utilised by, or for the benefit of, the employer are any credit balances in the ESA, unless specified otherwise in the fund's rules. The ESA 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 risks 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 valuations are required.

29. EMPLOYEE BENEFITS continued

The Group has the following ESAs:

GROUP AND COMPANY

R millions	**2017**	2016
NON-CURRENT	**487**	583
AECI Pension Fund ("APF")	**468**	572
AECI Employees Pension Fund ("AEPF")	**11**	10
AECI Supplementary Pension Fund ("ASPF")	**7**	—
Dulux Employees Pension fund ("DEPF")	**1**	1
CURRENT — CLASSIFIED AS A FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (SEE NOTE 8)	**78**	118
AECI Employees Provident Fund ("AEPrF")	**26**	46
AECI Defined Contribution Pension Fund ("ADCPF")	**52**	72
	565	701

PENSION FUNDS' ESAs

R millions	**ADCPF 2017**	**AEPrF 2017**	**Total 2017**
At the beginning of the year	**72**	**46**	**118**
S15E transfer from the APF	**—**	**41**	**41**
Contribution holiday	**(61)**	**(65)**	**(126)**
Unvested retirement benefit equalisation target	**36**	**—**	**36**
Investment return	**5**	**4**	**9**
AT THE END OF THE YEAR	**52**	**26**	**78**

29. EMPLOYEE BENEFITS continued

The financial information of the defined-benefit funds has been disaggregated even though the plans have similar risks due to the settlements that took place during the year.

Based on interim valuations by the funds' actuaries, the defined-benefit funds' financial positions at 31 December were:

GROUP AND COMPANY

R millions	APF 2017	ASPF 2017	AEPF 2017	DEPF 2017	Total 2017	Total 2016
FAIR VALUE OF PLAN ASSETS	**985**	**7**	**834**	**39**	**1 865**	2 059
At the beginning of the year	**1 147**	**—**	**870**	**41**	**2 058**	2 630
Interest income	**100**	**—**	**83**	**4**	**187**	228
Return on plan assets below interest income	**(23)**	**—**	**(84)**	**(5)**	**(112)**	(93)
S15E transfers	**(49)**	**8**	**—**	**—**	**(41)**	(362)
Settlement of PRMA liability	**(101)**	**—**	**—**	**—**	**(101)**	(14)
Benefits paid	**(1)**	**—**	**(35)**	**(1)**	**(37)**	(49)
Assets transferred on settlement	**(88)**	**(1)**	**—**	**—**	**(89)**	(281)
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	**(4)**	**—**	**(377)**	**(13)**	**(394)**	(482)
At the beginning of the year	**(63)**	**—**	**(406)**	**(13)**	**(482)**	(577)
Current service cost	**—**	**—**	**—**	**—**	**—**	—
Interest expense	**(2)**	**—**	**(38)**	**(1)**	**(41)**	(51)
Benefits paid	**1**	**—**	**35**	**1**	**37**	49
Actuarial gain/(loss) from changes in financial assumptions	**2**	**—**	**17**	**1**	**20**	(22)
Actuarial gain/(loss) on experience	**7**	**—**	**15**	**(1)**	**21**	(3)
Present value of liabilities settled	**51**	**—**	**—**	**—**	**51**	122
ASSET CEILING	**(513)**	**—**	**(446)**	**(25)**	**(984)**	(993)
At the beginning of the year	**(512)**	**—**	**(454)**	**(27)**	**(993)**	(1 130)
Interest cost	**(51)**	**—**	**(45)**	**(2)**	**(98)**	(120)
Effects of settlement	**37**	**—**	**—**	**—**	**37**	159
Change in effect of the asset ceiling	**13**	**—**	**53**	**4**	**70**	98
PENSION FUNDS' ESA	**468**	**7**	**11**	**1**	**487**	583

The fair value of the funds' plan assets at 31 December 2017 comprised bonds (5%; 2016: 6%), cash (52%; 2016: 47%) and insurance policies (43%; 2016: 45%). The fair value of the funds' plan assets at 31 December 2017 did not comprise any equity instruments (2016: 2%).

The fair value of the funds' plan assets did not include any AECI shares.

All assets of the funds are held in instruments that have quoted market prices in active markets. The APF holds the assets in a combination of segregated and pooled portfolios. The AEPF and DEPF have linked policies and insurance policies with Old Mutual and Coronation and do not own the underlying instruments. The asset allocations are derived from the strategic asset allocation of the linked and cash policies.

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

%	2017	2016
Discount rate	**10,23**	9,67
Expected return on plan assets	**10,23**	9,67
Future price inflation	**6,32**	6,46
Expected salary increases	**7,82**	7,96
Future pension increases	**5,69**	5,81

29. EMPLOYEE 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)	(394)	(366)	(426)	(407)
Change in liability (%)		(7,0)	8,1	3,4

The sensitivity was determined by keeping all other assumptions constant except for a change in the discount rate, up from 10,23% to 11,23% and down from 10,23% to 9,23%. The post-retirement mortality rates were adjusted from PA(90) minus two years to PA(90) minus three years.

Actual cash contributions made by the Group to the 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 ESA of the fund. The remaining funds no longer have any active members and no employer contributions are required.

The total R135 million cost recognised in the income statement (2016: R116 million) in respect of the defined-contribution funds represents contributions payable by the Group at rates specified in the rules of the schemes. These contributions were paid from the ESA of the defined-contribution funds as a contribution holiday (R118 million) and in cash (R17 million).

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

GROUP AND COMPANY

R millions	**APF 2017**	**AEPF 2017**	**DEPF 2017**	**Total 2017**	Total 2016
Interest cost	**(2)**	**(38)**	**(1)**	**(41)**	(51)
Expected return on plan assets	**100**	**83**	**4**	**187**	228
Change in effect of the asset ceiling	**(51)**	**(45)**	**(2)**	**(98)**	(120)
Fair value of assets transferred on settlement	**(88)**	**—**	**—**	**(88)**	(281)
Liabilities extinguished	**51**	**—**	**—**	**51**	122
Asset ceiling utilised	**37**	**—**	**—**	**37**	159
RECOGNISED IN THE INCOME STATEMENT	**47**	**—**	**1**	**48**	57
Remeasurements recognised in other comprehensive income in respect of the defined-benefit obligations were:					
Actuarial gain/(loss) on financial assumptions	**2**	**17**	**1**	**20**	(22)
Actuarial gain/(loss) on experience	**7**	**15**	**(1)**	**21**	(3)
Actual return in excess of expected interest income	**(23)**	**(84)**	**(5)**	**(112)**	(93)
Change in the effect of the asset ceiling	**13**	**53**	**4**	**70**	98
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**(1)**	**1**	**(1)**	**—**	(20)

29. EMPLOYEE BENEFITS continued

POST-RETIREMENT MEDICAL AID ("PRMA") BENEFITS

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 3,0% 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.

In 2016, AECI made a second alternative benefit offer to retired employees entitled to a PRMA subsidy. The 371 pensioners who accepted the offer were derecognised from the liability in 2016. The derecognition was treated as a settlement of the defined-benefit obligation. The costs of the settlement, together with the reduction in the liability, were recognised in the income statement with the anticipated costs being accrued at 31 December 2016. The cost of the settlement comprised two components. The first component was an amount of the APF ESA to be transferred via section 14 transfer to Momentum for those eligible pensioners who were members of the APF and accepted the offer. The second component related to pensioners who were not members of the APF and this amount was paid in cash to purchase annuities for those pensioners. The amounts accrued for the settlement were R95 million and R77 million, respectively. The corresponding liabilities determined and derecognised were R85 million and R73 million, respectively, resulting in a net cost of R13 million in 2016. The assets transferred from the APF ESA to Momentum in 2017 amounted to R101 million. The annuities were purchased for R83 million in January 2017. The liabilities related to those settlements were R89 million and R78 million, respectively. The total settlement cost was R17 million and this resulted in a further loss of R4 million being recognised in the income statement in 2017.

Based on interim valuations by the actuaries, the funded status of the PRMA obligations at 31 December was:

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Present actuarial value of defined-benefit obligations	**(185)**	(207)	**(185)**	(207)
At the beginning of the year	**(207)**	(481)	**(207)**	(479)
Current service cost	**(1)**	(3)	**(1)**	(3)
Interest cost	**(18)**	(42)	**(18)**	(42)
Benefits paid	**19**	27	**19**	27
Liabilities settled	**7**	273	**7**	271
Net actuarial gains	**15**	19	**15**	19
NET PRMA LIABILITY	**(185)**	(207)	**(185)**	(207)

Principal actuarial assumptions for the PRMA obligations were:

GROUP

%	**2017**	2016
Annual increase in healthcare costs	**CPI + 1**	CPI + 1
Discount rate	**9,50**	9,30

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

%	
2018/2019	**6,4**
2019/2020	**6,0**
2020/2021	**6,0**
2021 and later	**8,4**

Estimated employer's contributions in respect of PRMA obligations for the coming year: Group — R16 million; Company — R16 million, representing the subsidies for the remaining eligible pensioners.

29. EMPLOYEE BENEFITS continued

Amounts recognised in the income statement in respect of the PRMA obligations were:

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Current service cost	**(1)**	(3)	**(1)**	(3)
Interest cost	**(18)**	(42)	**(18)**	(42)
Loss on settlement of obligation for certain pensioners	**(4)**	(149)	**(4)**	(147)
Liabilities settled	**7**	273	**7**	271
Cost of annuities accrued (see note 16)	**172**	(172)	**172**	(172)
Cost of annuities paid in cash	**(82)**	—	**(82)**	—
Defined-contribution funds' ESA transferred to members' fund accounts	**—**	(236)	**—**	(232)
AEPF ESA transferred to members' pension fund accounts	**—**	(3)	**—**	(3)
Cost of annuities transferred from APF	**(101)**	(11)	**(101)**	(11)
RECOGNISED IN THE INCOME STATEMENT	**(23)**	(194)	**(23)**	(192)
Remeasurements recognised in other comprehensive income in respect of PRMA obligations:				
Actuarial gain	**15**	19	**15**	19
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**15**	19	**15**	19

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)	(185)	(169)	(205)	(204)	(169)
Change in liability (%)		(8,9)	10,6	10,2	(8,7)
Current service cost for 2018 (R millions)	1	1	1	1	1
Change in current service cost (%)		—	—	13,1	(22,4)
Interest cost for 2018 (R millions)	18	18	18	19	15
Change in interest cost (%)		—	—	5,7	(13,3)

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

The Group 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 its subsidiary companies and contribute to their growth and profitability.

The benefit on realisation of a benefit unit is calculated based on the AECI share price at its exercise date after deducting the issue price of that unit, and is settled in cash.

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 a 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 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.

29. EMPLOYEE BENEFITS continued

Details of benefit units at 31 December were:

			NUMBER OF UNITS			
Expiry date	Grant date	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
February 2017	March 2007	70,90	199 725	161 450	38 275	—
February 2018	March 2008	67,25	184 550	88 620	42 130	53 800
February 2019	March 2009	43,42	382 650	162 054	45 150	175 446
February 2020	March 2010	59,80	399 316	159 316	41 412	198 588
February 2021	March 2011	83,82	447 640	141 279	67 858	238 503
			1 613 881	712 719	234 825	666 337

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Cash-settled share-based payment transactions recognised in the income statement	**3**	4	**3**	4
Total carrying amount of cash-settled share-based transaction liabilities (see note 15)	**32**	33	**32**	33
Total intrinsic value of vested cash-settled share-based transaction liabilities	**24**	28	**24**	28

DEFERRED SHARES FOR EXECUTIVES AND SENIOR MANAGERS ("DS")

The Group offers DS, 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 a DS is calculated based on the AECI share price at the exercise date, after deducting the issue price of that unit, and is settled in cash.

Vesting will take place on the third anniversary of the allocation (or the closest working day).

If a participant leaves the employ of the Group or one of its subsidiary companies for any reason on or before the vesting date, any units granted will lapse.

The DS were issued in 2016.

Details of DS at 31 December were:

		NUMBER OF UNITS			
Expiry date	Grant date	Granted	Exercised	Forfeited	Outstanding
July 2018	January 2016	81 532	—	2 362	79 170
July 2019	August 2016	137 874	—	6 333	131 541
		219 406	—	8 695	210 711

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Cash-settled share-based payment transactions recognised in the income statement	**8**	5	**8**	5
Total carrying amount of cash-settled share-based transaction liabilities (see note 15)	**13**	5	**13**	5
Total intrinsic value of vested cash-settled share-based transaction liabilities	**21**	23	**21**	23

29. EMPLOYEE BENEFITS continued

EARNINGS-BASED INCENTIVE SCHEMES ("EBIS UNITS")

The Group 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 its subsidiary companies and contribute to their growth and profitability.

The benefit on realisation of an EBIS unit is calculated on an earnings number, similar to HEPS 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 the Group 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	Grant date	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
February 2017	March 2007	5,42	6 137 100	4 973 290	1 163 810	—
February 2018	March 2008	5,12	5 417 800	3 825 300	969 400	623 100
February 2019	March 2009	5,96	6 258 700	4 888 980	525 600	844 120
February 2020	March 2010	3,34	18 594 101	14 441 375	2 160 878	1 991 848
February 2021	March 2011	5,84	17 643 920	11 253 293	2 655 770	3 734 857
			54 051 621	39 382 238	7 475 458	7 193 925

Chemical Services Ltd ("CSL") (a subsidiary of the Group) 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 a CSL EBIS unit is calculated based on an earnings number, similar to HEPS 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:

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 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.

29. EMPLOYEE BENEFITS continued

Details of CSL EBIS units at 31 December were:

			NUMBER OF UNITS			
Expiry date	Grant date	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
February 2018	March 2008	4,77	8 224 600	5 925 880	1 903 000	395 720
February 2019	March 2009	7,37	5 820 000	3 316 200	1 590 800	913 000
			14 044 600	9 242 080	3 493 800	1 308 720

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Total carrying amount of EBIS liabilities (see note 15)	**37**	103	**35**	97

EARNINGS-GROWTH INCENTIVE SCHEME ("EG UNITS")

The Group 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 its subsidiary companies and contribute to their growth and profitability.

On settlement, the value accruing to participants will be their share of the full appreciation in the Group's HEPS.

Participants are entitled to exercise their units as follows:

After 3 years — up to 33,3% of the units

After 4 years — up to 66,6% of the units

After 5 years — up to 100% of the units

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

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

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

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

Details of EG units at 31 December were:

			NUMBER OF UNITS			
Expiry date	Grant date	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
November 2019	November 2012	7,21	15 067 761	5 621 414	2 991 014	6 455 333
June 2020	June 2013	6,27	19 361 771	5 459 474	3 057 561	10 844 736
June 2021	June 2014	7,91	13 833 744	1 381 541	1 987 541	10 464 662
June 2022	June 2015	6,63	10 532 462	—	855 948	9 676 514
June 2023	June 2016	7,53	8 097 793	—	243 130	7 854 663
			66 893 531	12 462 429	9 135 194	45 295 908

	GROUP		COMPANY	
R millions	**2017**	2016	**2017**	2016
Total carrying amount of EG units liabilities (see note 15)	**119**	108	**53**	48

30. 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			
	2017 Direct	**2017 Indirect**	2016 Direct	2016 Indirect
EXECUTIVE DIRECTORS				
MA Dytor	**62 061**	**—**	44 618	—
KM Kathan	**63 244**	**—**	49 913	—
	125 305	**—**	94 531	—
NON-EXECUTIVE DIRECTORS				
S Engelbrecht[1]	**—**	**—**	6 629	600
	—	**—**	6 629	600
	125 305	**—**	101 160	600

1 Retired on 28 February 2017.

Neither EE Ludick nor MVK Matshitse, the Company's Prescribed Officers, had any beneficial holdings in either of the years presented.

There has been no change in the aggregate beneficial holdings of the Directors and Prescribed Officers of the Company between year-end, the date of issuing the financial statements and the date of the integrated report.

NON-EXECUTIVE DIRECTORS' REMUNERATION

R thousands	Directors' fees	Chairman/ Committee fees	Attendance fees	**2017 Total**	2016 Total
GW Dempster (appointed on 31 January 2016)	230	363	259	**852**	564
RMW Dunne (retired on 29 May 2017)	93	221	70	**384**	973
S Engelbrecht (retired on 28 February 2017)	—	222	30	**252**	1 439
Z Fuphe	230	126	103	**459**	428
G Gomwe	230	329	269	**828**	607
RM Kgosana (appointed on 1 September 2016, resigned on 29 September 2017)	171	73	62	**306**	135
LL Mda (resigned on 27 November 2017)	230	63	51	**344**	348
KDK Mokhele (appointed on 1 March 2016)	133	1 099	208	**1 440**	289
AJ Morgan	230	414	238	**882**	791
LM Nyhonyha (resigned on 31 December 2016)	—	—	—	**—**	621
R Ramashia	230	253	237	**720**	658
	1 777	3 163	1 527	**6 467**	6 853

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

EXECUTIVE DIRECTORS' REMUNERATION

R thousands	MA Dytor	KM Kathan	Total
2017			
Basic salary	**4 388**	**3 917**	**8 305**
Bonus and performance-related payments[1]	**5 198**	**4 578**	**9 776**
Expense allowances, medical aid and insurance contributions	**635**	**522**	**1 157**
Leave pay	**169**	**—**	**169**
Retirement fund contributions	**428**	**382**	**810**
Total cash-settled share-based payments and other long-term benefits	**1 002**	**—**	**1 002**
Benefit unit payments[2]	**114**	**—**	**114**
EG unit payments[3]	**888**	**—**	**888**
Pre-tax benefit of PS vested	**3 505**	**2 679**	**6 184**
Aggregate remuneration	**15 325**	**12 078**	**27 403**
Pre-tax benefit of PS vested	**(3 505)**	**(2 679)**	**(6 184)**
AGGREGATE REMUNERATION PAID BY THE COMPANY	**11 820**	**9 399**	**21 219**

1 Bonus and performance-related amounts are in respect of the current year's performance but are paid in the following year.
2 MA Dytor exercised 3 500 benefit units which generated a benefit of R113 575 before tax.
3 MA Dytor exercised 254 139 EG units which generated a benefit of R887 552 before tax.

R thousands	MA Dytor	KM Kathan	Total
2016			
Basic salary	4 120	3 678	7 798
Bonus and performance-related payments[1]	4 100	3 659	7 759
Expense allowances, medical aid and insurance contributions	551	491	1 042
Leave pay	585	261	846
Retirement fund contributions	402	359	761
Total cash-settled share-based payments and other long-term benefits	3 025	6 594	9 619
Benefit unit payments	166	—	166
EBIS unit payments	1 523	5 841	7 364
CSL EBIS units payments	793	—	793
EG unit payments	543	753	1 296
Pre-tax benefit of PS vested	2 344	2 175	4 519
Aggregate remuneration	15 127	17 217	32 344
Pre-tax benefit of PS vested	(2 344)	(2 175)	(4 519)
AGGREGATE REMUNERATION PAID BY THE COMPANY	12 783	15 042	27 825

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

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

PRESCRIBED OFFICERS' REMUNERATION[1]

R thousands	EE Ludick	MVK Matshitse	Total
2017			
Basic salary	**3 183**	**2 733**	**5 916**
Bonus and performance-related payments[2]	**3 749**	**3 167**	**6 916**
Expense allowances, medical aid and insurance contributions	**443**	**414**	**857**
Retirement fund contributions	**310**	**266**	**576**
Pre-tax benefit of PS vested	**1 187**	**1 199**	**2 386**
Aggregate remuneration	**8 872**	**7 779**	**16 651**
Pre-tax benefit of PS vested	**(1 187)**	**(1 199)**	**(2 386)**
Aggregate remuneration paid by subsidiaries	**(7 685)**	**—**	**(7 685)**
AGGREGATE REMUNERATION PAID BY THE COMPANY	**—**	**6 580**	**6 580**
2016			
Basic salary	2 989	2 566	5 555
Bonus and performance-related payments[2]	2 963	2 547	5 510
Expense allowances, medical aid and insurance contributions	443	389	832
Retirement fund contributions	291	250	541
Total cash-settled share-based payments and other long-term benefits	1 908	64	1 972
Earnings-based incentive scheme payments	1 163	—	1 163
CSL EBIS units payments	439	—	439
EG unit payments	306	64	370
Pre-tax benefit of PS vested	496	506	1 002
Aggregate remuneration	9 090	6 322	15 412
Pre-tax benefit of PS vested	(496)	(506)	(1 002)
Aggregate remuneration paid by subsidiaries	(8 594)	—	(8 594)
AGGREGATE REMUNERATION PAID BY THE COMPANY	—	5 816	5 816

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 *Bonus and performance-related amounts are in respect of the current year's performance but are paid in the following year.*
3 *No compensation was paid to any Director, Prescribed Officer, past Directors or past Prescribed Officers for loss of office.*
4 *There were no other pensions paid by the Company to any Directors, Prescribed Officers, past Directors or past Prescribed Officers of the Company.*

AGGREGATE REMUNERATION

R thousands	2017	2016
Non-executive Directors	**6 467**	6 853
Executive Directors	**27 403**	32 344
Prescribed Officers	**16 651**	15 412
	50 521	54 609

30. 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 29.

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

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

			NUMBER OF UNITS			
	Grant date	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
MA Dytor	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
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 2011	83,82	5 100	—	—	5 100
			160 080	3 500	—	156 580

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

	NUMBER OF UNITS	
	2017	2016
Outstanding at the beginning of the year	**160 080**	164 380
Exercised during the year	**(3 500)**	(4 300)
OUTSTANDING AT THE END OF THE YEAR	**156 580**	160 080

MA Dytor exercised 3 500 benefit units which generated a benefit of R113 575 before tax.

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

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

EARNINGS-GROWTH INCENTIVE SCHEMES ("EG UNITS")

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

			NUMBER OF UNITS			
	Grant date	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
MA Dytor	November 2012	7,21	157 857	105 236	—	52 621
	June 2013	6,27	393 974	262 648	—	131 326
	June 2014	7,91	210 594	70 197	—	140 397
	June 2015	6,63	392 862	—	—	392 862
	June 2016	7,53	258 598	—	—	258 598
KM Kathan	November 2012	7,21	182 233	121 488	—	60 745
	June 2013	6,27	443 119	147 706	—	295 413
	June 2014	7,91	195 120	—	—	195 120
	June 2015	6,63	350 549	—	—	350 549
	June 2016	7,53	230 761	—	—	230 761
EE Ludick	November 2012	7,21	107 340	71 558	—	35 782
	June 2013	6,27	133 266	44 421	—	88 845
	June 2014	7,91	114 166	—	—	114 166
	June 2015	6,63	243 999	—	—	243 999
	June 2016	7,53	156 588	—	—	156 588
MVK Matshitse	November 2012	7,21	109 668	36 555	—	73 113
	June 2013	6,27	136 069	—	—	136 069
	June 2014	7,91	115 308	—	—	115 308
	June 2015	6,63	219 003	—	—	219 003
	June 2016	7,53	136 124	—	—	136 124
			4 287 198	859 809	—	3 427 389

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

	NUMBER OF UNITS	
R millions	**2017**	2016
Outstanding at the beginning of the year	**3 681 528**	3 505 127
Issued during the year	**—**	782 071
Exercised during the year	**(254 139)**	(605 670)
OUTSTANDING AT THE END OF THE YEAR	**3 427 389**	3 681 528

During the year MA Dytor exercised 254 139 EG units which generated a benefit of R887 552 before tax.

None of the other Directors or Prescribed Officers exercised any EG units in the current year.

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

DEFERRED SHARES FOR EXECUTIVES AND SENIOR MANAGERS ("DS")

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

			NUMBER OF UNITS			
	Grant date	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
MA Dytor	January 2016	96,82	8 292	—	—	8 292
	August 2016	96,82	11 870	—	—	11 870
KM Kathan	January 2016	96,82	7 401	—	—	7 401
	August 2016	96,82	10 594	—	—	10 594
EE Ludick	January 2016	96,82	4 995	—	—	4 995
	August 2016	96,82	8 611	—	—	8 611
MVK Matshitse	January 2016	96,82	5 164	—	—	5 164
	August 2016	96,82	7 392	—	—	7 392
			64 319	—	—	64 319

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

	NUMBER OF UNITS	
	2017	2016
Outstanding at the beginning of the year	**64 319**	—
Issued during the year	**—**	64 319
OUTSTANDING AT THE END OF THE YEAR	**64 319**	64 319

AECI PERFORMANCE SHARES ("PS")

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

		NUMBER OF PS			
	Grant date	Granted	Vested[1]	Lapsed or forfeited	Outstanding
MA Dytor	June 2014	17 956	17 956	—	—
	June 2015	27 783	—	—	27 783
	June 2016	28 049	—	—	28 049
	June 2017	43 766	—	—	43 766
KM Kathan	June 2014	13 724	13 724	—	—
	June 2015	20 453	—	—	20 453
	June 2016	20 650	—	—	20 650
	June 2017	35 215	—	—	35 215
EE Ludick	June 2014	6 084	6 084	—	—
	June 2015	10 785	—	—	10 785
	June 2016	10 615	—	—	10 615
	June 2017	25 096	—	—	25 096
MVK Matshitse	June 2014	6 144	6 144	—	—
	June 2015	9 680	—	—	9 680
	June 2016	9 228	—	—	9 228
	June 2017	14 476	—	—	14 476
		299 704	43 908	—	255 796

1 *The pre-tax benefits generated by PS vested in Directors and Prescribed Officers were:*
MA Dytor: R3 504 576
KM Kathan: R2 678 554
EE Ludick: R1 187 420
MVK Matshitse: R1 199 131

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

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

	NUMBER OF UNITS	
	2017	2016
Outstanding at the beginning of the year	**181 151**	179 101
Issued during the year	**118 553**	68 542
Vested during the year	**(43 908)**	(66 492)
OUTSTANDING AT THE END OF THE YEAR	**255 796**	181 151

31. OPERATING SEGMENTS

BASIS OF SEGMENTATION

In 2014, AECI revised its strategy and developed key growth pillars. The Group's businesses have been aligned in terms of these pillars and internal reporting was altered to reflect this realignment. The pillars, which are the Group's reportable segments, are described below. Businesses in the pillars offer differing products and services, and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
Mining Solutions	The businesses in this pillar provide a mine-to-metal solution for the mining sector internationally. The offering includes commercial explosives, initiating systems and blasting services right through the value chain to chemicals for ore beneficiation and tailings treatment.
Water & Process	Provides integrated water treatment and process chemicals, and equipment solutions, for a diverse range of applications in Africa. These include, inter alia, public and industrial water, desalination and utilities.
Plant & Animal Health	Manufacturer and supplier of an extensive range of crop protection products, plant nutrients and services for the agricultural sector in Africa.
Food & Beverage	The businesses in this pillar supply ingredients and commodities to the dairy, beverage, wine, meat, bakery, health and nutrition industries. The other main activity is the manufacture and distribution of a broad range of juice-based products and drinks, including formulated compounds, fruit concentrate blends and emulsions.
Chemicals	Supply of chemical raw materials and related services for use across a broad spectrum of customers in the manufacturing and general industrial sectors.
Property & Corporate	Mainly property leasing and management in the office, industrial and retail sectors, and the corporate centre functions including the treasury.

There are varying levels of integration between the segments. This includes transfers of raw materials and finished goods, and property management services. Inter-segment pricing is determined on terms that are no more and no less favourable than transactions with unrelated external parties.

31. OPERATING SEGMENTS continued

INFORMATION RELATED TO REPORTABLE SEGMENTS

Information relating to each reportable segment is set out below. Segmental profit from operations is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. The comparative figures for 2016 have been restated to reflect the revised operating segments.

	EXTERNAL REVENUE		INTER-SEGMENT REVENUE		TOTAL SEGMENT REVENUE	
R millions	**2017**	Restated 2016	**2017**	Restated 2016	**2017**	Restated 2016
Mining Solutions	**9 643**	9 856	**75**	82	**9 718**	9 938
Water & Process	**1 409**	1 368	**45**	40	**1 454**	1 408
Plant & Animal Health	**2 479**	2 496	**64**	44	**2 543**	2 540
Food & Beverage	**1 190**	1 121	**5**	1	**1 195**	1 122
Chemicals	**3 445**	3 427	**119**	121	**3 564**	3 548
Property & Corporate	**316**	328	**90**	82	**406**	410
Inter-segment	**—**	—	**(398)**	(370)	**(398)**	(370)
	18 482	18 596	**—**	—	**18 482**	18 596

	PROFIT/(LOSS) FROM OPERATIONS		DEPRECIATION AND AMORTISATION		IMPAIRMENTS	
R millions	**2017**	Restated 2016	**2017**	Restated 2016	**2017**	Restated 2016
Mining Solutions	**1 097**	911	**424**	437	**10**	54
Water & Process	**182**	159	**50**	53	**—**	—
Plant & Animal Health	**133**	172	**12**	10	**—**	—
Food & Beverage	**64**	13	**15**	17	**—**	28
Chemicals	**365**	394	**71**	82	**3**	—
Property & Corporate	**(262)**	(314)	**25**	27	**—**	—
	1 579	1 335	**597**	626	**13**	82

	OPERATING ASSETS		OPERATING LIABILITIES		CAPITAL EXPENDITURE	
R millions	**2017**	Restated 2016	**2017**	Restated 2016	**2017**	Restated 2016
Mining Solutions	**6 308**	6 216	**1 730**	1 557	**435**	298
Water & Process	**1 228**	1 150	**277**	218	**21**	8
Plant & Animal Health	**1 664**	1 558	**1 089**	1 087	**64**	29
Food & Beverage	**819**	862	**259**	252	**11**	14
Chemicals	**2 244**	2 117	**798**	693	**42**	78
Property & Corporate	**778**	555	**150**	341	**131**	75
	13 041	12 458	**4 303**	4 148	**704**	502

Operating assets comprise property, plant and equipment, investment property, intangible assets, goodwill, inventories, accounts receivable and assets classified as held for sale. Operating liabilities comprise accounts payable.

32. PRINCIPAL SUBSIDIARIES

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LTD# SHARES		INTEREST OF AECI LTD# LOANS TO/(FROM)	
	2017 Number of shares	**2017 %**	2016 %	**2017 R millions**	2016 R millions	**2017 R millions**	2016 R millions
HOLDING COMPANIES							
DIRECTLY HELD							
AECI International (Ireland) Ltd	**1**	**100**	100	**—**	—	**4**	5
AECI Treasury Holdings (Pty) Ltd	**100**	**100**	100	**—**	—	**(31)**	21
African Explosives International Ltd[1]	**1 307**	**100**	100	**—**	—	**—**	—
INSURANCE							
DIRECTLY HELD							
AECI Captive Insurance Company Ltd	**810 000**	**100**	100	**11**	11	**(67)**	(48)
MINING SOLUTIONS							
DIRECTLY HELD							
AECI Mining Solutions Ltd	**400 000 000**	**100**	100	**4 438**	3 468	**1 266**	953
INDIRECTLY HELD							
AECI Australia (Pty) Ltd	**13 700 000**	**100**	100	**—**	—	**—**	—
AECI Ghana Ltd	**1 000 000**	**100**	100	**—**	—	**—**	—
AECI (Mauritius) Ltd	**866**	**100**	100	**—**	—	**—**	—
AECI Mining and Chemical Services Namibia (Pty) Ltd	**100**	**100**	100	**—**	—	**—**	—
AECI Mining and Chemical Services (Chile) Ltda	**2**	**100**	100	**—**	—	**—**	—
AEL Burkina SARL[2]	**100 000**	**100**	100	**—**	—	**—**	—
AEL DRC SPRL[3]	**10 000**	**100**	100	**—**	—	**—**	—
AEL Mali SARL	**8 659**	**100**	100	**—**	—	**—**	—
AEL Morocco	**2 500**	**100**	100	**—**	—	**—**	—
AEL Zambia plc	**25 508 250**	**75**	80	**—**	—	**—**	—
AEL Mining Services Ltd++	**100**	**100**	100	**—**	—	**(409)**	(352)
African Explosives (Botswana) Ltd	**3**	**100**	100	**—**	—	**—**	—
African Explosives Holdings (Pty) Ltd	**4 331 278**	**100**	100	**—**	—	**(853)**	(735)
African Explosives (Tanzania) Ltd	**26**	**100**	100	**—**	—	**—**	—
Extractive Technologies (Pty) Ltd*	**100**	**100**	100	**—**	—	**—**	—
Senmin International (Pty) Ltd*	**8 008 500**	**100**	100	**—**	—	**—**	(353)
PT AEL Indonesia	**1 150**	**100**	100	**—**	—	**—**	—
WATER & PROCESS							
INDIRECTLY HELD							
Blendtech (Pty) Ltd	**1 800**	**100**	50	**—**	—	**(35)**	(20)
ImproChem (Pty) Ltd	**4 000**	**100**	100	**—**	—	**(38)**	52

\# *Cost less impairments.*
\+ *Trading as an agent on behalf of AECI Ltd.*
++ *Trading as an agent on behalf of AECI Mining Solutions Ltd.*
* *In the process of being deregistered.*

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.

32. PRINCIPAL SUBSIDIARIES continued

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INTEREST OF AECI LTD[#] SHARES		INTEREST OF AECI LTD[#] LOANS TO/(FROM)	
	2017 Number of shares	**2017 %**	2016 %	**2017 R millions**	2016 R millions	**2017 R millions**	2016 R millions
PLANT & ANIMAL HEALTH							
DIRECTLY HELD							
Biocult (Pty) Ltd	**5 000**	**100**	100	**17**	17	**9**	4
INDIRECTLY HELD							
Farmers Organisation Ltd[4]	**240**	**100**	100	**—**	—	**2**	—
Other Plant & Animal Health subsidiaries				**—**		**(36)**	
FOOD & BEVERAGE							
DIRECTLY HELD							
Afoodable (Pty) Ltd	**100**	**100**	100	**16**	16	**36**	30
Southern Canned Products (Pty) Ltd	**100 000**	**100**	100	**241**	241	**183**	130
INDIRECTLY HELD							
Cobito (Pty) Ltd	**300**	**100**	100	**—**	—	**—**	—
Lake International Technologies (Pty) Ltd[+]	**13 395**	**100**	100	**—**	—	**—**	(2)
CHEMICALS							
DIRECTLY HELD							
Chemical Services Ltd	**83 127 950**	**100**	100	**818**	818	**(1 824)**	(1 527)
SANS Fibers Inc.[5]	**100**	**100**	100	**—**		**363**	395
SANS Fibres (Pty) Ltd[+]	**17 979 433**	**100**	100	**8**	8	**(126)**	(126)
INDIRECTLY HELD							
Akulu Marchon (Pty) Ltd	**410 000**	**100**	100	**—**	—	**—**	
Chemfit (Pty) Ltd	**4 000**	**100**	100	**—**	—	**(48)**	(48)
Chemfit Fine Chemicals (Pty) Ltd	**1 000**	**90**	90	**—**	—	**(29)**	(11)
Chemical Initiatives (Pty) Ltd[+]	**1**	**100**	100	**—**	—	**—**	—
Chemserve Systems (Pty) Ltd[+]	**625 000**	**100**	100	**—**	—	**—**	—
Industrial Oleochemical Products (Pty) Ltd[+]	**4 001**	**100**	100	**—**	—	**—**	—
SANS Technical Fibers LLC[5]	**—**	**100**	100	**—**	—	**—**	—
Other chemical subsidiaries				**—**	—	**(321)**	(360)
PROPERTY							
Acacia Real Estate (Pty) Ltd	**1 000**	**100**	100	**—**	—	**(276)**	(280)
Paardevlei Properties (Pty) Ltd	**1**	**100**	100	**—**	—	**(319)**	(320)
Other property subsidiaries	**—**	**—**		**3**	2	**(264)**	(260)
OTHER				**154**	136	**(10)**	(12)
				5 706	4 717	**(2 823)**	(2 864)

Cost less impairments.

\+ *Trading as an agent on behalf of AECI Ltd.*

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: 4. Malawi 5. United States of America.

33. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest:

R millions	AEL Zambia	Blendtech	Chemfit Fine Chemicals	Other	Total
2017					
NON-CONTROLLING INTEREST (%)	**25**		**10**		
Non-current assets	**62**		**63**		
Current assets	**337**		**119**		
Non-current liabilities	**(15)**		**(7)**		
Current liabilities	**(48)**		**(35)**		
NET ASSETS	**336**		**140**		
Carrying amount of non-controlling interest	**84**		**14**	**18**	**116**
Revenue	**(722)**	**(147)**	**(319)**		
Profit	**(88)**	**(12)**	**(16)**		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST	**(21)**	**(4)**	**(2)**	**(3)**	**(30)**
Other comprehensive income	**28**	**—**	**—**	**—**	**28**
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	**7**	**—**	**—**	**—**	**7**
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	**(14)**	**(4)**	**(2)**	**(3)**	**(23)**
Cash flows from operating activities	**(14)**		**18**		
Cash flows from investing activities	**—**		**—**		
Cash flows from financing activities	**5**		**(18)**		
Increase/(decrease) in cash	**(9)**		**—**		
Cash at the beginning of the year	**157**		**—**		
Translation loss on cash	**(15)**		**—**		
CASH AT THE END OF THE YEAR	**133**		**—**		

33. NON-CONTROLLING INTEREST continued

R millions	AEL Zambia	Blendtech	Chemfit Fine Chemicals	Other	Total
2016					
NON-CONTROLLING INTEREST (%)	20	50	10		
Non-current assets	63	17	64		
Current assets	373	43	105		
Non-current liabilities	(14)	—	(8)		
Current liabilities	(72)	(2)	(37)		
NET ASSETS	350	58	124		
Carrying amount of non-controlling interest	70	29	12	16	127
Revenue	(705)	(206)	(282)		
Profit	(85)	(23)	(15)		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST	(17)	(11)	(1)	(3)	(32)
Other comprehensive income	—	—	—	—	—
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	7	—	—	—	7
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(10)	(11)	(1)	(3)	(25)
Cash flows from operating activities	83	31	20		
Cash flows from investing activities	3	2	2		
Cash flows from financing activities	8	(29)	(47)		
Increase in cash	94	4	(25)		
Cash at the beginning of the year	71	4	25		
Translation loss on cash	(8)	—	—		
CASH AT THE END OF THE YEAR	157	8	—		

ACQUISITION OF NON-CONTROLLING INTEREST

On 31 October 2017, the Group acquired the remaining 50% interest in Blendtech (Pty) Ltd ("Blendtech") for R11 million in cash, increasing its ownership from 50% to 100%. The carrying amount of Blendtech's net assets in the Group's consolidated financial statements on the date of the acquisition was R68 million. The Group recognised a decrease in non-controlling interest of R34 million and an increase in retained earnings of R23 million attributable to changes in the Company's ownership interest in Blendtech.

R millions	**2017**
Carrying amount of non-controlling interest acquired (R68 million x 50%)	**34**
Consideration paid to non-controlling interest	**(11)**
Increase in equity attributable to ordinary shareholders of the Group	**23**

DISPOSAL OF NON-CONTROLLING INTEREST

On 25 March 2017, the Group disposed of a 5% interest in AEL Zambia plc ("AEL Zambia") for R11 million in cash, decreasing its ownership from 80% to 75%. The effective rate at which the Group's ownership was reduced was 6,25%, being 5% of 80%. The carrying amount of AEL Zambia's net assets in the Group's consolidated financial statements on the date of the disposal was R282 million. The Group recognised an increase in non-controlling interest of R17 million, a decrease in retained earnings of R8 million and an increase in the foreign currency translation reserve of R2 million attributable to changes in the Company's ownership interest in AEL Zambia.

R millions	**2017**
Carrying amount of non-controlling interest acquired (R282 million x 6,25%)	**(17)**
Consideration paid by non-controlling interest	**11**
Decrease in equity attributable to ordinary shareholders of the Group	**(6)**

34. EVENTS AFTER THE REPORTING DATE

GROUP

AECI (Mauritius) Limited, a wholly-owned subsidiary of AECI, acquired 100% of the share capital in Schirm GmbH and shareholder loan claims from Imperial Chemical Logistics GmbH ("ICL"), a wholly-owned subsidiary of Imperial Holdings Ltd. The effective date of this transaction was 30 January 2018. As part of the acquisition, Schirm GmbH acquired the contract manufacturing service business of ICL, and a property in Wolfenbüttel, Germany (collectively, "Schirm"). On 17 January 2018, all conditions precedent to the transaction had been fulfilled and the transaction became unconditional. The financial results of Schirm will be consolidated from the effective date as part of the Group's Plant & Animal Health segment. However Schirm will operate as a stand-alone entity.

The purchase consideration of the transaction was €128,4 million (R1,901 billion), subject to certain adjustments based on the closing accounts, and was settled in cash on the effective date.

AECI already has well-established businesses in Africa, South East Asia, the USA and Australia. Domestic and international growth in Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals is a strategic focus. The acquisition of Schirm is in line with the Company's international expansion strategy as Schirm is a market leader in the provision of formulation services for agrochemicals in Europe; it has long-standing customer relationships with its blue-chip customer base; it has invested substantially in capital expenditure over the past two years and it is expected that this investment will enable significant revenue growth as well as cost efficiencies. Furthermore, there are potential synergies associated with the extension of Schirm's manufacturing expertise to AECI as well as expansion and supply chain opportunities for the Group's existing Plant & Animal Health pillar. This includes opportunities for AECI to replace some of the raw materials it currently imports from third parties; enhanced geographic and product diversity for AECI's wider Chemicals portfolio; synergistic benefits associated with differing seasonal demand cycles in the northern and southern hemispheres; and currency diversification for AECI.

The initial accounting for the business combination has not been completed and, as a result, it was impracticable for certain IFRS 3 Business Combinations disclosures to be made.

The Group has entered into an agreement with Capitalworks Private Equity, MIC Investment Holdings (Pty) Ltd and the Much Asphalt management team to acquire 100% of the issued share capital in Much Asphalt, for a total consideration of R2,272 billion which is payable in cash, subject to the conditions precedent being fulfilled.

Apart from the above, no other events after the reporting date occurred that may give rise to further disclosures or reported figures.

2018 CALENDAR

2017 FINAL ORDINARY DIVIDEND NO. 168	
DECLARATION DATE	**26 FEBRUARY**
LAST DATE TO TRADE CUM DIVIDEND	**3 APRIL**
EX DIVIDEND TRADE	**4 APRIL**
RECORD DATE	**6 APRIL**
PAYMENT DATE	**9 APRIL**

5,5% PREFERENCE SHARES DIVIDEND NO. 160	
DECLARATION DATE	**22 MAY**
LAST DATE TO TRADE CUM DIVIDEND	**5 JUNE**
EX DIVIDEND TRADE	**6 JUNE**
RECORD DATE	**8 JUNE**
PAYMENT DATE	**15 JUNE**

94TH ANNUAL GENERAL MEETING	**31 MAY**

2018 INTERIM ORDINARY DIVIDEND NO. 169	
DECLARATION DATE	**24 JULY**
LAST DATE TO TRADE CUM DIVIDEND	**28 AUGUST**
EX DIVIDEND TRADE	**29 AUGUST**
RECORD DATE	**31 AUGUST**
PAYMENT DATE	**3 SEPTEMBER**

2018 INTERIM FINANCIAL RESULTS RELEASED	**25 JULY**

5,5% PREFERENCE SHARES DIVIDEND NO. 161	
DECLARATION DATE	**20 NOVEMBER**
LAST DATE TO TRADE CUM DIVIDEND	**4 DECEMBER**
EX DIVIDEND TRADE	**5 DECEMBER**
RECORD DATE	**7 DECEMBER**
PAYMENT DATE	**14 DECEMBER**

FINANCIAL YEAR-END	**31 DECEMBER**
2018 FINANCIAL RESULTS RELEASED	**FEBRUARY 2019**
2018 INTEGRATED REPORT AND AFS POSTED	**APRIL 2019**

NOTICE OF ANNUAL GENERAL MEETING ("AGM" OR "THE MEETING")

AECI Ltd
("AECI" or "the Company" or "the Group")
Incorporated in the Republic of South Africa
(Registration Number 1924/002590/06)
JSE Share code: AFE ISIN No. ZAE000000220

NOTICE OF MEETING

Notice is hereby given that the 94th AGM of shareholders of the Company will be held on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton on Thursday, 31 May 2018 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 2017;
› 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 2017 be received and adopted.

ORDINARY RESOLUTION NUMBER 2

REAPPOINTMENT OF INDEPENDENT AUDITOR

Resolved that, upon the recommendation of the current Audit Committee, Deloitte & Touche be reappointed as the independent registered auditor of the Company and Mr Patrick Ndlovu be reappointed as the designated individual audit partner, to undertake the audit during the financial year ending 31 December 2018.

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 Ms Z Fuphe
3.2 Dr KDK Mokhele
3.3 Adv R Ramashia

A brief curriculum vitae of each of the Directors standing for re-election is provided on pages 14 to 16 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 A NON-EXECUTIVE DIRECTOR

Resolved that Ms PG Sibiya, who was appointed on 27 February 2018, be appointed in terms of the MOI.

A brief curriculum vitae of Ms Sibiya is provided on page 17 of the integrated report of which this Notice forms part.

ORDINARY RESOLUTION NUMBER 5

RE-ELECTION OF AN EXECUTIVE DIRECTOR

Resolved that Mr KM Kathan, who is retiring in terms of the Company's MOI and who, being eligible, be re-elected.

A brief curriculum vitae of Mr Kathan is provided on page 16 of the integrated report of which this Notice forms part.

ORDINARY RESOLUTIONS NUMBERS 6.1 TO 6.3

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 GW Dempster
6.2 Mr G Gomwe
6.3 Mr AJ Morgan
6.4 Ms PG Sibiya

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 14 and 15 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 7.1 AND 7.2

REMUNERATION POLICY

7.1 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 83 to 93. Remuneration of Directors: page 93.

7.2 Resolved to endorse, by way of a non-binding advisory vote, the implementation of the Company's Remuneration Policy as set out on pages 84 to 93 in the integrated report of which this Notice forms part.

Each of the ordinary resolutions 7.1 and 7.2 will be considered by way of a separate vote.

DIRECTORS' FEES

Rand per annum	Current	Proposed
BOARD		
1.1 Chairman	1 218 470	1 291 578
1.2 Non-executive Directors	235 320	249 439
AUDIT COMMITTEE		
1.3 Chairman	200 022	212 023
1.4 Members	100 064	106 068
OTHER BOARD COMMITTEES		
1.5 Chairman	129 532	137 304
1.6 Members	64 766	68 652
1.7 Meeting attendance fee	10 750	11 400

ORDINARY RESOLUTION NUMBER 8

AMENDMENT OF THE COMPANY'S LONG-TERM INCENTIVE PLAN

Resolved that the Company's Long-term Incentive Plan ("Plan"), as approved and adopted by shareholders on 28 May 2012, be and is hereby amended by the deletion of paragraph 21.3 thereof.

Paragraph 21.3 relates to a provision in the Plan which, in event of a Change of Control, allows Participants to resign within one year of the Change of Control and retain all previous awards under the Scheme. The Directors believe that the removal of the clause protects shareholder interests in the event of a Change of Control.

The full Plan document is available for inspection during normal business hours at AECI's registered office, from the date of issue of this Notice.

In terms of the JSE Listings Requirements, 75% of the votes cast by shareholders present or represented by proxy at the AGM must be cast in favour of this ordinary resolution Number 8 for it to be approved.

SPECIAL RESOLUTIONS NUMBERS 1.1 TO 1.7

DIRECTORS' FEES

Resolved that the annual fees payable by the Company to its Non-executive Directors, with effect from 29 May 2018, be approved as set out in the table above.

EXPLANATORY NOTE

Section 66(9) of the Companies Act No. 71 of 2008, as amended ("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 1.7 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 1.7 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 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 Board") confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Company;
- 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 that company's behalf;
- an announcement giving such details as may be required in terms of the JSE Listings Requirements be released when the Company has 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;

- 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, in writing, prior to the commencement of the prohibited period. The Company or its subsidiaries have instructed an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company or its subsidiaries, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

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 following the date of the general repurchase;

(ii) the assets of the Company and the Group will exceed the liabilities of the Company and the Group for a period of 12 months following the date of the general repurchase. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies applied 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 following 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 following 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 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 Board undertakes that:

(i) it will not adopt a resolution to authorise such financial assistance, unless it is satisfied that:
  - immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and

(ii) written notice of any such resolution by the Board shall be given to all shareholders of the Company and any trade union representing its employees:
  - within 10 business days after the Board adopted the resolution if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds one-tenth of 1% of the Company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

The reason for and effect of special resolution number 3 is to grant the Directors of the Company the authority to cause the Company to provide financial assistance to any company or other legal entity which is related or inter-related to the Company.

RECORD DATE

The Board has, in terms of section 59(1)(a) of the Companies Act, set the record date, for the purpose of determining which shareholders of the Company are entitled to receive Notice of the AGM as being Friday, 20 April 2018 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, 25 May 2018. 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 Tuesday, 22 May 2018.

APPROVALS REQUIRED FOR RESOLUTIONS

Ordinary resolutions numbers 1 to 7 contained in this Notice of AGM require the 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.

Ordinary resolution number 8 and special resolutions numbers 1 to 3 contained in this Notice of AGM require the 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 commencing on page 109);

(ii) Share capital of the Company (refer to the Directors' report commencing on page 106).

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 Auditor's report and the date of this Notice.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors whose names appear on pages 14 to 17 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 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 09h00 on Tuesday, 29 May 2018 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; and
- 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.

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.

Forms of proxy must be lodged with the Company's Transfer Secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, or emailed to proxy@computershare.co.za. Any forms of proxy not received in advance must be handed to the Chairman of the AGM immediately prior to the AGM.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

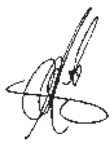
All resolutions shall be decided on a poll and every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

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 AGM, 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, or emailed to proxy@computershare.co.za.

All participants at the AGM will be required to provide identification reasonably satisfactory to the Chairman of the AGM (which may take the form of a valid identity document, driver's licence or passport, for example).

By order of the Board



Nomini Rapoo
Group Company Secretary

Woodmead, Sandton
11 April 2018

FORM OF PROXY

AECI Ltd ("AECI or "the Company"or "the Group") Incorporated in the Republic of South Africa
(Registration Number: 1924/002590/06) JSE Share code: AFE ISIN No. AE000000220 ("the Company")

This proxy form relates to the 94th Annual General Meeting ("AGM") to be held on Thursday, 31 May 2018 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.

The record date, in terms of section 59(1)(a) of the Companies Act, for the purpose of determining which shareholders of the Company are entitled to receive Notice of the AGM has been set for Friday, 20 April 2018. The record date, in terms of section 59(1)(b) of the Companies Act, for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the AGM, has been set for Friday, 25 May 2018. 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 Tuesday, 22 May 2018.

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 auditor			
Ordinary resolution No. 3	Re-election of Non-executive Directors			
	3.1 Ms Z Fuphe			
	3.2 Mr KDK Mokhele			
	3.3 Adv R Ramashia			
Ordinary resolution No. 4	Appointment of a Non-executive Director			
Ordinary resolution No. 5	Re-election of an Executive Director			
Ordinary resolution No. 6	Election of Audit Committee members			
	6.1 Mr GW Dempster			
	6.2 Mr G Gomwe			
	6.3 Mr AJ Morgan			
	6.4 Ms PG Sibiya			
Ordinary resolution No. 7	Remuneration Policy			
	7.1 Remuneration Policy			
	7.2 Implementation of Remuneration Policy			
Ordinary resolution No. 8	Amendment of the LTIP			
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 Meeting attendance 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 ______________________________ 2018

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 to, amongst other things, 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. The record date, in terms of section 59(1)(a) of the Companies Act, for the purpose of determining which shareholders of the Company are entitled to receive Notice of the AGM has been set for Friday, 20 April 2018. The record date, in terms of section 59(1)(b) of the Companies Act, for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the AGM, has been set for Friday, 25 May 2018. 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 Tuesday, 22 May 2018.
7. Forms of proxy must be lodged with to the Company's Transfer Secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2107, or emailed to proxy@computershare.co.za. Any forms of proxy not received in advance must be handed to the Chairman of the AGM immediately prior to the AGM.
8. 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.
9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the sub-register.
10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the 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.
11. Shareholders who wish to attend and vote at the AGM must ensure that their letters of authority from their CSDP or stockbroker are lodged with the Company's Transfer Secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196, or posted to the Transfer Secretaries at PO Box 61051, Marshalltown, 2017, or emailed to proxy@computershare.co.za.
12. 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.
13. 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.
14. 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.
15. A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
16. 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.
17. 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.
18. 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.
19. 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
E-mail: groupcommunication@aeci.co.za

WEB ADDRESS

www.aeci.co.za

LONDON SECRETARY

St James's Corporate Services Ltd
Suite 31, Second Floor
107 Cheapside
London EC2V 6DN
England

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
PO Box 61051
Marshalltown
2107
South Africa
and
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
England

AUDITOR

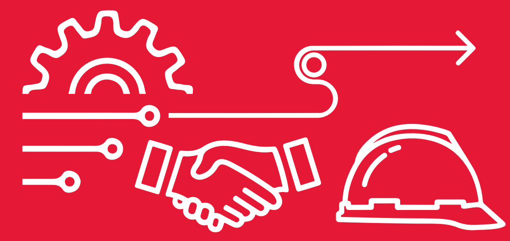
KPMG Inc. (to 6 April 2018)
Deloitte & Touche (from 6 April 2018)

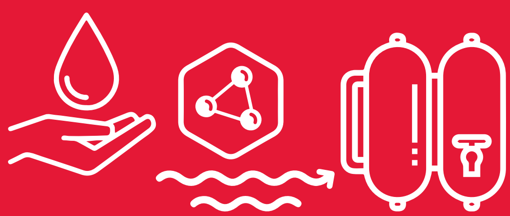
PRIMARY TRANSACTIONAL AND FUNDING BANKS

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





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