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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.

Wynand Strydom

Group Company Secretary

Woodmead, Sandton 23 February 2021

PREPARATION OF FINANCIAL STATEMENTS

The Group consolidated financial statements and the Company financial statements were published on 23 February 2021 and are for the year ended 31 December 2020. These comprise the Audit Committee's report to stakeholders, the Directors' report, the Declaration by the Group Company Secretary, the External Auditor's Report, the Basis of Reporting and Significant Accounting Policies, and the financial statements.

These 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).

AUDIT COMMITTEE'S REPORT TO STAKEHOLDERS

Dear stakeholders

This report is provided by the Audit Committee (the Committee) appointed in respect of the 2020 financial year of AECI Ltd. This report incorporates the requirements of the Companies Act No. 71 of 2008 (Companies Act), the JSE Ltd (JSE) Listings Requirements and Debt Listings Requirements (Listings Requirements), and the principles of the King IV Report of Corporate Governance for South African (King IV). The Committee's operation is guided by detailed terms of reference that are informed by the Companies Act and King IV Code in South Africa and were approved by the Board.

MEMBERSHIP

The Committee was nominated by the Board in respect of the 2020 financial year and its members were confirmed by shareholders at the AGM held on 26 May 2020. Shareholders will be requested to confirm the appointment of the members of the Committee presenting themselves for re-election for the 2021 financial year at the AGM scheduled for 25 May 2021.

The Committee comprises solely Independent Non-executive Directors. Abridged biographies of these Directors are published at https://www.aeciworld.com/leadership.

Members in the period were:

- , PG Sibiya (Chairman)
- , FFT De Buck
- , G Gomwe
- > AJ Morgan (resigned on 26 May 2020)
- AM Roets (appointed on 1 June 2020)

The Chief Executive, the Chief Financial Officer (CFO), the Group Financial Manager, the External Auditor and the Head of Internal Audit attend by invitation, as does the Group Tax Manager and the PwC Internal Audit Engagement Partner, as required.

Mr Morgan served on the Committee from 2010. He resigned from the Board at the AGM held on 26 May 2020. The Committee thanks him for his service and guidance during his tenure.

Ms Roets was appointed on 1 June 2020.

PURPOSE

The purpose of the Committee is to:

- > assist the Board in overseeing the quality and integrity of the Company's integrated reporting process, specifically as it relates to the financial statements 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 External and Internal Auditors, management and stakeholders
- » 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, the integrity of financial statements and reporting and related risk management
- » provide the Company's CFO, the External Auditor and the Head of Internal Audit with unrestricted access to the Committee and its Chair, as required, in relation to any matter falling within the remit of the Committee

Five meetings were held in the year. Dates and attendance were as follows:

DIRECTOR	16 FEB ¹	21 FEB	22 MAY	24 JUL	20 NOV
PG Sibiya (Chair)	~	~	✓	✓	✓
FFT De Buck	✓	✓	✓	✓	✓
MA Dytor*	✓	~	✓	~	✓
G Gomwe	✓	✓	✓	✓	✓
KM Kathan*	✓	✓	✓	✓	✓
AJ Morgan (resigned on 26 May 2020)	✓	✓	✓	_	_
AM Roets (appointed on 1 June 2020)	_	_	_	✓	✓

¹ Special meeting.

^{*} By invitation.

- > meet with the External Auditor, the Head of Internal Audit, Senior Managers, Executives and Executive Directors as the Committee may elect
- assess the performance of the CFO and the Head of Internal Audit
- > review and recommend to the Company's Board, for approval, the Company's unaudited interim financial statements 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 King ${\sf IV}$
- 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
- > assess the performance and effectiveness of the Committee and its members on a regular basis.

In addition, the Chair of the Committee meets regularly with the Head of Internal Audit without the External Auditor, other Executive Board members or the Company's CFO being present.

EXECUTION OF FUNCTIONS

The Committee executed its duties and responsibilities during the 2020 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, specifically relating to the financial statements, and pursuant to the provisions of the Listings Requirements.

The Committee Chair reported to the Board on the Committee's activities, highlighting key matters discussed, after each Committee meeting.

During the year under review:

the Committee considered the results of an independent review of its terms of reference and subsequently made amendments to the terms of reference.

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

- nominated Deloitte & Touche for appointment as auditor for the financial year ended 31 December 2020, and ensured that the appointment was approved by shareholders at the AGM held on 26 May 2020 and 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
- » as required by paragraph 3.84(g) of the Listings Requirements, obtained the information listed in paragraph 22.15(h) of the Listings Requirements in its assessment of the suitability of Deloitte & Touche (Deloitte), as well as Mr Patrick Ndlovu, for appointment as External Auditor and designated individual audit partner respectively

- 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. This included a review of the following:
 - » information related to the outcome of external inspections conducted by the Independent Regulatory Board for Auditors (IRBA)
- » the internal monitoring processes followed by Deloitte
- » context in terms of the areas of improvement raised
- » the impact on the ability of the system of quality control to meet its objectives and the External Auditor's ability as an audit firm to meet its obligations in terms of the Listings Requirements
- > obtained an annual written statement from the External 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
- applied a policy setting out the categories of non-audit services that the External Auditor may or may not provide, split between permitted, permissible and prohibited services
- considered whether any non-audit services had been undertaken by Deloitte, which specifically required Committee approval per the policy, and determined that there were none
- 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 concluded that there were none.

The Committee is satisfied with the quality of the external audit in relation to the audit quality indicators.

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 presented the financial position of the Company and of the Group as at the end of the financial year, changes in equity, and the results of operations and cash flows for the financial year and considered the basis on which the Company and the Group 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
- › obtained assurances from management that adequate accounting records were being maintained by the Company and its subsidiaries

- ensured that the Company has established appropriate financial reporting procedures and that those procedures are operating effectively
- > considered all entities included in the consolidated Group IFRS financial statements, and ensured that it has access to all the financial information, to allow the Company to prepare and report on the financial statements of the Group 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
- > met separately with management, the External Auditor and the Head of Internal Audit.

In respect of internal control and Internal Audit, including ad hoc investigations, 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 and External Auditors 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 internal audit processes and the adequacy of corrective actions in response to significant internal audit findings and, where appropriate, challenged the actions taken by management
- ensured that the Head of Internal Audit had a direct reporting line to the Committee Chair and noted the administrative reporting line to the CFO
- › oversaw the performance of an external quality assessment review on the Internal Audit function. The rating in this regard was the highest attainable in terms of compliance with the International Institute of Internal Auditors' Standards. The Committee noted the recommendations made for further improvement
- 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 maintenance of effective material control systems, which resulted in any identified material financial loss.

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

- 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
- reviewed the continued progress made, and remedial action plans, by management on the IT general control environment, which has received significant attention in recent years, and agrees that this area is still of critical importance to the Group and that focus must be maintained to ensure delivery of the

- required enhancements in this key area. This will enable reliance on general IT controls and a more efficient audit approach to be adopted by the External Auditor
- agreed with the implementation of a formal combined assurance model in the Group which commenced in January 2021
- > reviewed and considered feedback from the Financial Review Committees' meetings, including those that related to risk management and IT.

Joint meeting of the Audit Committee and the Risk Committee:

At a joint meeting of the Audit Committee and the Risk Committee, the following areas were addressed:

- \rightarrow considered the status and action plans with regard to compliance with paragraph 3.84(k) of the Listings Requirements
- > considered the process followed to ensure that a risk-based approach is followed in terms of the annual audit plan, and recommended improvements to ensure detailed evidence of the risk-based approach is formulated for future audit plans
- considered the Enterprise Risk Management process and the Enterprise Risk Management Framework and made recommendations for improvement in this regard
- approved the proposal that a formal combined assurance model be implemented in the Group.

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

- > 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
- 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 Financial Director and CFO and his Finance team and concluded that these were appropriate.

Considered the appropriateness of the experience, expertise and the effectiveness of the Head of Internal Audit and concluded that his experience, expertise and performance were appropriate.

KEY AUDIT MATTER

The Committee noted the key audit matter set out in the External Auditor's report. The Committee considered the appropriateness of the key audit matter reported and considered the key judgements and estimates relating to the annual financial statements.

This was addressed by the Committee as follows:

SIGNIFICANT MATTER

HOW THE COMMITTEE ADDRESSED THE MATTER

The impairment assessment of goodwill amounts and indefinite life intangible assets that arose on the acquisition of Schirm GmbH and Much Asphalt (Pty) Ltd.

The Committee has considered and evaluated this matter and is satisfied that it is represented correctly.

INDEPENDENCE OF THE EXTERNAL AUDITOR

The Committee is satisfied that Deloitte is independent of the Company and the Group after taking the following factors into account:

- > representations made by Deloitte to the Committee
- > the Committee's review of the performance of the External Auditor and consequently nominated, for approval at the forthcoming AGM, Deloitte as the External Auditor for the 2021 financial year and Mr Patrick Ndlovu as the designated individual audit partner respectively
- the auditor does not, except as External Auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company (please refer to Non-audit Service Fees below, and the Company's Non-audit Services Policy, in particular. This is available at https://static1.squarespace.com/static/5ef9c6ed308afe044f73cd35/t/60229ca110202c2600f718b0/1612881057566/non-audit-services-policy.pdf
- > this is Deloitte's third year of appointment as External Auditor
- the designated individual audit partner has served for the same period
- the criteria specified for independence by the IRBA and international regulatory bodies.

NON-AUDIT SERVICE FEES

All new non-audit services performed by Deloitte during 2020 complied with the Company's Non-audit Services Policy in terms of the type of service provided as well as the quantum thereof. The Committee considered whether any non-audit services had been undertaken by Deloitte, which specifically required Committee approval according to the Policy threshold, and determined that there were none. All non-audit services performed, below the Policy threshold, were approved by the CFO. All non-audit services are pre-approved by Deloitte in accordance with its own independence policy framework.

ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the annual financial statements of AECI Ltd for the year ended 31 December 2020, 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.

Having met its obligations, the Committee recommended the annual financial statements for the year ended 31 December 2020 for approval to the AECI Board on 23 February 2021.

The Board has approved this report, which will be open for discussion at the forthcoming AGM.

KEY FOCUS AREAS FOR 2021

The Committee will continue to focus on ensuring that the Group's internal financial controls are effective and that remedial plans are properly monitored and executed.

The Committee will monitor progress on action plans to address control weaknesses with regard to IT general controls, particularly relating to access to programmes and data, i.e. conflict of duties within user access profiles, excessive privilege accounts, and management of access to the default administrator accounts.

The Committee will monitor the roll-out of the formal combined assurance model.

The Committee will monitor the implementation of recommended improvements to ensure that detailed evidence of the fully risk-based approach is formulated in internal audit plans.

CONCLUSION

The Committee is satisfied that it has complied with all its statutory duties as well as its terms of reference.

On behalf of the Audit Committee



Philisiwe Sibiya

Chair

Woodmead, Sandton 23 February 2021

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 31 December 2020.

NATURE OF BUSINESS

PROFILE AND STRATEGY

AECI is a diversified Group of 12 businesses. It operates in 22 countries on six continents — Africa, Europe, Asia's South Eastern region, North America, South America and Australia.

The businesses are structured into four strategic pillars. Their products and services are essential inputs in the businesses of a broad range of customers as follows:

- > the global mining sector (AECI Mining)
- > the water treatment market in Africa (AECI Water)
- the plant and animal health industry in Europe, the USA and Africa (AECI Agri Health)
- the food and beverage, manufacturing, road infrastructure and general industrial sectors, mainly in Southern Africa (AECI Chemicals).

Together with AECI Property Services & Corporate, these pillars are the Group's reporting segments. The activities of AECI Property Services relate mainly to property leasing and management in the office, industrial and retail sectors. Corporate includes centralised functions including the treasury.

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 the chosen geographies and markets served.

All business activities are underpinned by the Group's BIGGER values — of being Bold, Innovative, of Going Green and being Engaged and Responsible.

AECI MINING

AECI Mining Explosives and AECI Mining Chemicals provide a mine-to-mineral solution for the mining sector internationally. The offering includes commercial explosives, initiating systems and blasting services and surfactants for explosives manufacture right through the value chain to chemicals for ore beneficiation and tailings treatment.

AECI WATER

This business 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.

AECI AGRI HEALTH

Businesses in this pillar manufacture and distribute crop protection products, plant nutrients, animal premixes, specialty animal health products and fine chemicals on the African continent, in Europe and in the USA.

AECI CHEMICALS

These businesses supply raw materials and related services to a spectrum of customers in the food and beverage, manufacturing, infrastructure and general industrial sectors. Their markets are mainly in South Africa and in other Southern African countries, except for AECI SANS Fibers which is based in the USA.

AECI was registered as a company in South Africa in 1924 and has been listed on the JSE Ltd since 1966. At the end of 2020 its market capitalisation was R9 565 million and it had 6 807 employees.

INTERESTS OF DIRECTORS, THE DIRECTOR OF A MAJOR SUBSIDIARY, THE GROUP COMPANY SECRETARY AND PRESCRIBED OFFICERS IN ORDINARY SHARES

At 31 December 2020 the Directors, the Director of a major subsidiary (viz. AECI Mining Ltd), the Group Company Secretary and the Prescribed Officers had direct beneficial interests in the Company's ordinary share capital were as set out on page 95.

None of their associates (as defined in terms of the JSE Listings Requirements) had any interests. No individual's direct beneficial interests changed between the end of the financial year and the publication of the annual financial statements on 24 February 2021 and none of them have any interests in the Company's preference shares.

No Non-executive Director has been granted options or shares. The Executive Directors, the Director of AECI Mining, the Group Company Secretary and the Prescribed Officers have long-term incentive benefits as disclosed in note 31 to the financial statements.

INTERESTS IN ORDINARY SHARES

THIERESTS IN ORDINART SHARES	NUMBER OF SHARES		NUMBER C	F SHARES
	2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
EXECUTIVE DIRECTORS				
MA Dytor	158 686	_	105 097	_
KM Kathan	137 931	_	94 814	
	296 617	-	199 911	_
DIRECTOR OF AECI MINING LTD, A MAJOR SUBSIDIARY				
EE Ludick	39 972	_	9 250	_
	39 972	-	9 250	_
PRESCRIBED OFFICERS				
DJ Mulqueeny	26 894	_	8 578	_
DK Murray	28 833	-	10 487	_
	95 699	_	28 315	-
GROUP COMPANY SECRETARY				
EN Rapoo (resigned with effect from 31 December 2020)	24 054	_	8 223	_
	24 054	_	8 223	_
TOTAL	416 370	_	236 449	_

BORROWING POWERS

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

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.

SHARE CAPITAL AND SHARE PREMIUM

The issued share capital of the Company is 109 944 384 listed ordinary shares of R1 each (2019: 121 829 083 shares), 10 117 951 unlisted redeemable convertible B ordinary shares of no par value (2019: 10 117 951 shares) and 3 000 000 listed 5,5% cumulative preference shares of R2 each (2019: 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.

An interim ordinary cash dividend of 100 cents was declared on 28 July 2020 and was paid on 7 September 2020.

A final ordinary cash dividend of 470 cents was declared on 23 February 2021 and will be paid on 12 April 2021.

A dividend of 52 cents per share was declared on the unlisted redeemable convertible B ordinary shares in 2019 and paid in 2020. Another dividend of 52 cents on these shares was declared and paid in the current year.

Preference share dividends were paid on 15 June 2020 and on 15 December 2020. See note 26 to the financial statements for details in this regard.

CHANGES TO THE BOARD AND GROUP COMPANY SECRETARY

The following changes took effect during the year:

NON-EXECUTIVE DIRECTORS

RESIGNATIONS

- > Mr J Molapo, with effect from 24 November 2020
- > Mr AJ Morgan, with effect from 26 May 2020

APPOINTMENT

> Ms AM Roets, with effect from 1 June 2020

DIRECTORATE AND SECRETARY

Details of the Directorate and Secretary of the Company are available at: https://www.aeciworld.com/leadership.

In terms of the Company's MOI Mr MA Dytor, Mr G Gomwe, Ms PG Sibiya and Ms FFT De Buck retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

As already indicated, Ms Roets was appointed to the Board on 1 June 2020.

GROUP COMPANY SECRETARY

Ms EN Rapoo resigned with effect from 31 December 2020 and Mr WJ Strydom was appointed to act in this capacity with effect from 1 January 2021.

MAJOR SHAREHOLDERS

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

SPECIAL RESOLUTIONS

The Company passed the following resolutions at the AGM held on $26\,\mathrm{May}\,2020$:

- 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;

ACQUISITION BY THE COMPANY OF TREASURY SHARES

- 4. to approve the acquisition by the Company of the treasury shares pursuant to the distribution of the treasury shares by AECI Treasury Holdings (Pty) Ltd;
- to approve the decrease in the number of shares issued by the Company and the consequent reduction of the Company's issued share capital pursuant to the implementation of the proposed distribution;
- 6. to approve the revocation of special resolution number 4 if the proposed distribution lapses or is terminated or revoked.

MATERIAL CHANGES

There have been no material changes in the financial or trading position of the Company and its subsidiaries since 31 December 2020.

REGULATORY INTERACTION

The Group is involved in 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, THE DIRECTOR OF A MAJOR SUBSIDIARY, THE GROUP COMPANY SECRETARY AND PRESCRIBED OFFICERS

During 2020 no contracts were entered into in which the above individual/s had an interest and which significantly affected the business of the Group. The same individual/s 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, the Director of a major subsidiary, the Group Company Secretary and Prescribed Officers are disclosed in note 31 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;
- all reasonable enquiries to ascertain such facts have been made; and
- > 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.

After giving due, careful and proper consideration to these responsibilities, the Directors believe that their obligations under this statement have been met.

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 23 February 2020 and were signed on that date by:

Mark Dytor

Mark Kathan

Chief Executive

Chief Financial Officer

Woodmead, Sandton 23 February 2021

DIRECTORS' REPORT 9

ORDINARY SHAREHOLDER ANALYSIS

1. ANALYSIS OF REGISTERED ORDINARY 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 at 31 December 2020 was:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 – 1000 shares	3 251	67,00	874 600	0,79
1 001 – 10 000 shares	1 044	21,51	3 436 645	3,13
10 001 – 100 000 shares	389	8,02	13 828 315	12,58
100 001 – 1 000 000 shares	146	3,00	37 474 540	34,08
1 000 001 shares and above	23	0,47	54 330 284	49,42
TOTAL	4 853	100	109 944 384	100

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:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER TYPE				
Public	4 847	99,88	109 528 014	99,62
Non-public shareholders	6	0,12	416 370	0,38
Treasury shares	_	_	_	_
Directors '/related holdings	6	0,12	416 370	0,38
TOTAL	4 853	100	109 944 384	100

¹ Includes Company Directors, the Director of a major subsidiary, the Group Company Secretary and Principal Officers.

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 ordinary share capital as at 31 December 2020:

	Total shareholdin (number of share	
INVESTMENT MANAGER		
Allan Gray	18 303 47	9 16,65
PIC	11 813 79	0 10,75
PSG Asset Management	7 799 96	7,09
Kagiso Asset Management	7 495 390	0 6,82
Coronation Fund Managers	4 911 65	1 4,47
Dimensional Fund Advisors	4 534 09	7 4,12
AECI Community Education and Development Trust	4 426 60	4,03
The Vanguard Group	3 507 46.	3,19
TOTAL	62 792 43	3 57,12
BENEFICIAL SHAREHOLDINGS	Total shareholdin (number of share	
Government Employees Pension Fund (PIC)	11 557 99	7 10,51
Allan Gray Balanced Fund	6 587 96	5,99
AECI Community Education and Development Trust	4 426 60	4 4,03
PSG Flexible Fund	3 641 17	5 3,31
TOTAL	26 213 73	7 23,84
PREVIOUSLY DISCLOSED HOLDINGS		
INVESTMENT MANAGERS NOW HOLDING BELOW 3%	Total shareholding % c (number of shares) issued capit:	

BENEFICIAL SHAREHOLDERS NOW HOLDING BELOW 3%

Ninety One (formerly Investec Asset Management)

INVESTMENT MANAGER

TOTAL

No beneficial shareholders holding greater than 3% of the issued share capital in 2019 now hold below 3%.

3,69

3,69

2 524 677

2 524 677

2,30

2,30

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS

CECONAL INC OF ELL OF INVESTMENT MANAGENO AND COMMANY REPAIRS NO ESTACE	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	87 681 465	79,75
USA and Canada	17 150 094	15,60
United Kingdom	892 228	0,81
Rest of Europe	1 086 118	0,99
Rest of the world	3 134 479	2,85
TOTAL	109 944 384	100,00
GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	82 589 771	75,12
USA and Canada	16 470 829	14,99
United Kingdom	539 703	0,49
Rest of Europe	1 917 250	1,74
Rest of the world	8 426 834	7,66
TOTAL		

4. SHAREHOLDER CATEGORIES

BENEFICIAL SHAREHOLDER CATEGORIES

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

	lotal shareholding (number of shares)	% of issued capital
CATEGORY		
Unit trusts	42 559 047	38,71
Pension funds	32 348 151	29,42
Mutual fund	7 118 426	6,47
Black Economic Empowerment	5 596 271	5,09
Insurance companies	4 753 904	4,32
Private investor	4 496 235	4,09
Trading position	2 964 349	2,70
Hedge fund	1 226 131	1,12
Other	8 881 873	8,08
TOTAL	109 944 387	100,00

PREFERENCE SHAREHOLDER ANALYSIS

1. ANALYSIS OF REGISTERED PREFERENCE 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 dated 31 December 2020 was:

	Number of holders	% of total shareholders	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 – 1 000 shares	14	8,28	6 941	0,25
1 001 – 10 000 shares	102	60,36	440 989	15,58
10 001 – 100 000 shares	50	29,60	1 203 686	42,52
100 001 – 1 000 000 shares	3	1,76	1 179 206	41,65
TOTAL	169	100	2 830 822	100

There are no non-public holders of preference shares.

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 preference share capital as at 31 December 2020:

	Total shareholding (number of shares)	% of issued capital
INVESTMENT MANAGER		
Gingko Investments No. 2	769 952	27,20
Philip Schock Char and Educational Trust	298 124	10,53
Legae Peresec	111 130	3,93
Monro Family Trust	92 491	3,27
TOTAL	1 271 697	44,93
BENEFICIAL SHAREHOLDINGS		
	Total shareholding (number of shares)	% of issued capital
Gingko Investments No. 2	769 952	27,20
Philip Schock Char and Educational Trust	298 124	10,53
Legae Peresec	111 130	3,93
Monro Family Trust	92 491	3,27

PREVIOUSLY DISCLOSED HOLDINGS

TOTAL

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

No investment managers holding greater than 3% of the preference share capital in 2019 now hold below 3%.

44,93

1 271 697

3. GEOGRAPHIC SPLIT OF SHAREHOLDERS

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY-RELATED HOLDINGS

GEOGRAFING SEET OF INVESTMENT MANAGERS AND COMEANY RELATED HOLDINGS	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	2 822 342	99,70
Rest of Europe	8 480	0,30
TOTAL	2 830 822	100,00
GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS	Total shareholding (number of shares)	% of issued capital
REGION		
South Africa	2 822 342	99,70
Rest of Europe	8 480	0,30
TOTAL	2 830 822	100,00

4. SHAREHOLDER CATEGORIES

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

BENEFICIAL SHAREHOLDER CATEGORIES

	Total shareholding (number of shares)	% of issued capital
CATEGORY		
Private investor	2 052 390	72,50
Custodians	8 480	0,30
Unclassified	769 952	27,20
TOTAL	2 830 822	100,00

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AECI LTD

OPINION

We have audited the consolidated and separate financial statements of AECI Limited and its subsidiaries (the Group) set out on pages 18 to 107, which comprise the statements of financial position as at 31 December 2020, and the income statements and statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of 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 the Group and the Company as at 31 December 2020, and its consolidated and separate financial performance and its 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 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 corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

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 of 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. The key audit matter applies to the consolidated financial statements and there is no key audit matter for the separate financial statements.

KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Impairment assessment of goodwill and indefinite life intangible assets that arose on the acquisitions of Much Asphalt (Pty) Ltd (Much) and Schirm GmbH (Schirm)

As disclosed in notes 4 and 5, the Group's goodwill and indefinite life intangible assets in respect of the acquisitions in 2018 of Much and Schirm is as follows:

R millions	Much	Schirm group
Goodwill	1 531,0	317,0
Impairment	(821,0)	_
Brands*	64,0	80,0
Total	774,0	397,0

* Indefinite life intangible assets.

IAS 36- Impairment of assets (IAS 36) requires assets that are not subject to amortisation, such as goodwill and indefinite life intangible assets, to be assessed for impairment annually, irrespective of whether any impairment indicators exist.

The Directors performed an impairment assessment over the goodwill balances and brands by assessing the recoverable amount through the determination of the value-in-use amounts and comparing these to the carrying amounts. The value-in-use for the Much and Schirm group of cash-generating units (CGUs) was calculated using a discounted cash flow model.

Our audit procedures included the following:

- We assessed the design and implementation of key controls on management's budgeting and forecasting approval process;
- We focused our detailed testing of the review of impairment of the Much and Schirm goodwill on the key assumptions and inputs made by the Directors;
- Engaged our internal corporate finance specialists to assist with evaluating whether the value-in-use model used by Directors complies with the requirements of IAS 36;
- Engaged our internal corporate finance specialists to assist with validating the assumptions used to calculate the discount rates and recalculating these rates;
- Analysed and robustly challenged the revenue growth rates and trading profit margins with reference to the budgets and the probability of achieving targets in the future;
- > Tested the forecasts with reference to historical performance; and
- Reviewed the appropriateness of the disclosure in the financial statements.

KEY AUDIT MATTER CONTINUED

HOW THE MATTER WAS ADDRESSED IN THE AUDIT CONTINUED

Impairment assessment of goodwill and indefinite life intangible assets that arose on the acquisitions of Much Asphalt (Pty) Ltd (Much) and Schirm GmbH (Schirm)

Goodwill and indefinite life intangible assets were not considered impaired by the directors in the current year for Schirm.

Goodwill for Much was considered impaired by R821 million. No impairment was considered necessary for indefinite life intangible assets.

We considered the goodwill and brands impairment assessment of Much and Schirm to be a matter of most significance and a Key Audit Matter due to:

- > Their combined significant value to the Group's asset value;
- The acquisitions are the most recent to the Group and acquired in 2018; and
- Significant management judgement is applied along with significant estimation by the Directors in determining the value-in-use of the CGUs and selecting the appropriate key inputs of:
 - » revenue growth rates; and
- » discount rates.

The assumptions utilised were acceptable in the context of arriving at a conclusion in respect of the audit as a whole.

We have reviewed the disclosures in notes 4 and 5 to the financial statements which contain the key assumptions utilised and the sensitivities which could arise should these assumptions vary and we consider these to be appropriate.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's 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. The 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 and will 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 that we 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 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 either intend to liquidate the Group and/or 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 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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within 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 Audit Committee 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 Audit Committee 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 Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore 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 Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of AECI Ltd for three years.

Delo: Me : Tovele.

Deloitte & Touche

Registered Auditor

Per: Patrick Ndlovu

Partner

23 February 2021

5 Magwa Crescent Waterfall City, 2090 South Africa

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020

				COMPANY			
R millions	Note	2020	2019	2020	2019 Restated	2018 Restated	
ASSETS							
NON-CURRENT ASSETS		10 720	11 884	9 671	10 676	10 396	
Property, plant and equipment	1	5 671	5 722	490	555	536	
Right-of-use assets	2	404	592	10	27	_	
Investment property	3	225	228	245	253	249	
Intangible assets	4	999	964	9	14	4	
Goodwill	5	2 363	3 201	459	696	754	
Pension fund employer surplus accounts	30	584	662	584	662	341	
Investment in subsidiaries	6			7 331	7 921	7 913	
Loans to subsidiaries	6			398	399	434	
Investment in joint ventures	7	52	33	28	28	28	
Investment in associates	8	125	141	10	24	24	
Other investments	9	124	107	107	97	113	
Deferred tax	10	173	234	_	_	_	
CURRENT ASSETS	_	12 921	11 249	8 091	6 583	6 160	
Inventories	11	3 761	4 034	1 365	1 102	1 320	
Accounts receivable	12	5 129	4 908	2 015	1 691	1 387	
Other investments	9	398	252	123	116	135	
Loans to subsidiaries	6			2 727	3 267	3 301	
Tax receivable		76	77	_	_	_	
Cash		3 557	1 978	1 861	407	17	
TOTAL ASSETS		23 641	23 133	17 762	17 259	16 556	

STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 CONTINUED

		GROUP				
R millions	Note	2020	2019	2020	2019 Restated	2018 Restated
EQUITY AND LIABILITIES						
ORDINARY CAPITAL AND RESERVES		10 641	10 912	3 426	4 617	5 034
Share capital and share premium	13	110	110	116	128	128
Reserves		1 636	1 487	269	346	271
Retained earnings		8 895	9 315	3 041	4 143	4 635
PREFERENCE SHARE CAPITAL	13	6	6	6	6	6
SHAREHOLDERS' EQUITY		10 647	10 918	3 432	4 623	5 040
NON-CONTROLLING INTEREST	34	168	166			
TOTAL EQUITY	,	10 815	11 084	3 432	4 623	5 040
NON-CURRENT LIABILITIES		5 037	6 764	2 229	3 939	3 883
Deferred tax	10	590	527	114	132	60
Non-current borrowings	14	3 555	5 237	1 820	3 480	3 480
Lease liabilities	15	247	366	5	11	_
Contingent consideration	35	_		_	_	10
Put option liability	34	22	32	_	_	_
Non-current provisions and employee benefits	16	623	602	290	316	333
CURRENT LIABILITIES						
Accounts payable	17	5 391	4 683	2 592	1 999	2 072
Current borrowings	18	1 865	195	1 660	26	280
Lease liabilities	15	150	210	6	17	_
Loans from joint ventures	7	98	62	196	130	30
Loans from subsidiaries ¹	6			7 440	6 497	5 240
Contingent consideration	35	_	15	_	15	_
Tax payable		162	120	84	13	11
Bank overdraft		123	_	123		_
TOTAL LIABILITIES		12 826	12 049	14 330	12 636	11 516
TOTAL EQUITY AND LIABILITIES		23 641	23 133	17 762	17 259	16 556

¹ Restated (see note 6 for details).

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

		GI	ROUP	COMPANY		
R millions	Note	2020	2019	2020	2019	
REVENUE	19	24 111	24 799	6 098	5 860	
Net operating costs	20	(23 194)	(22 768)	(6 662)	(5 692)	
OPERATING PROFIT/(LOSS)		917	2 031	(564)	168	
(Loss)/profit on disposal of equity-accounted investees	8	(3)	234			
Share of profit of equity-accounted investees, net of tax	7, 8	27	30			
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		941	2 295	(564)	168	
Dividends received	29			1 070	_	
Net finance costs		(278)	(457)	(143)	(270)	
Interest expense	22	(365)	(516)	(340)	(478)	
Interest received	23	87	59	197	208	
PROFIT/(LOSS) BEFORE TAX		663	1 838	363	(102)	
Tax (expense)/credit	24	(503)	(511)	(22)	17	
PROFIT/(LOSS) FOR THE YEAR		160	1 327	341	(85)	
ATTRIBUTABLE TO:						
Ordinary shareholders		133	1 291	337	(88)	
Preference shareholders		4	3	4	3	
Non-controlling interest		23	33			
		160	1 327	341	(85)	
PER ORDINARY SHARE (CENTS):			, ,	,		
— Basic earnings	25	127	1 223			
 Diluted basic earnings 	25	121	1 179			
— Headline earnings	25	880	1 150			
 Diluted headline earnings 	25	844	1 108			
 Ordinary dividends paid 	26	514	522			
 Ordinary dividends declared after the reporting date 	26	470	414			

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	GR	OUP	COMPANY		
R millions	2020	2019	2020	2019	
PROFIT/(LOSS) FOR THE YEAR	160	1 327	341	(85)	
OTHER COMPREHENSIVE INCOME NET OF TAX:	232	97	13	261	
Items that may be reclassified subsequently to profit or loss:	231	(149)	(1)	(1)	
Foreign currency loan translation differences	21	(11)	(1)	(1)	
Foreign operations translation differences	214	(138)	_	-	
— Effective portion of cash flow hedges	(4)	_	_	_	
Tax effects on items that may be reclassified subsequently to profit or loss:	(5)	3	-	-	
Foreign currency loan translation differences	(5)	3	-	_	
Items that may not be reclassified subsequently to profit or loss:	8	338	20	366	
Remeasurement of defined-benefit obligations	(12)	326	_	354	
Remeasurement of post-retirement medical aid obligations	20	12	20	12	
Tax effects on items that may not be reclassified subsequently to profit or loss:	(2)	(95)	(6)	(104)	
Remeasurement of defined-benefit obligations	4	(91)	_	(100)	
Remeasurement of post-retirement medical aid obligations	(6)	(4)	(6)	(4)	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	392	1 424	354	176	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:	,				
Ordinary shareholders	358	1 388	350	173	
Preference shareholders	4	3	4	3	
Non-controlling interest	30	33			
	392	1 424	354	176	

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

R millions	Ordinary share capital	Share capital	Foreign currency translation reserve	Share-based payment reserve
GROUP				
BALANCE AT 1 JANUARY 2019 TOTAL COMPREHENSIVE INCOME FOR THE YEAR	110	110	1 327 (146)	259
Remeasurement of defined-benefit obligations Deferred tax on remeasurement of defined-benefit obligations Remeasurement of post-retirement medical aid obligations Deferred tax on remeasurement of post-retirement medical aid obligations Foreign currency loan translation differences			(11)	
Deferred tax on foreign currency loan translation differences Foreign operations translation differences Profit for the year			3 (138)	
TRANSACTIONS WITH OWNERS				76
Dividends paid Share-based payment reserve Settlement cost of performance shares Transfers between reserves				83 (45) 38
BALANCE AT 31 DECEMBER 2019	110	110	1 181	335
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			223	
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 Deferred tax on foreign currency loan translation differences Foreign operations translation differences Profit for the year			21 (5) 207	
TRANSACTIONS WITH OWNERS				(76)
Acquisition of non-controlling interest Recognition of put option liability for the future buy-out of non-controlling interests Dividends paid Share-based payment reserve Settlement cost of performance shares Transfers between reserves				39 (102) (13)
BALANCE AT 31 DECEMBER 2020	110	110	1 404	259

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 instruments have vested, the reserve is transferred to retained earnings.

CHANGE-IN-OWNERSHIP RESERVE

The change-in-ownership reserve is the reserve set aside for the buy-out of non-controlling interests at a date in the future. The future buy-out will be executed in terms of a put option held by the minority shareholders of the AECI Much Asphalt group of companies.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

Change-in- ownership reserve	Cash flow hedge reserves	Total other reserves	Retained earnings	Total	Non- controlling interest	Preference share capital	Total equity
(29)	_	1 557	8 387	10 054	156	6	10 216
		(146)	1 534	1 388	33	3	1 424
			326 (91) 12 (4)	326 (91) 12 (4)			326 (91) 12 (4)
		(11)		(11)			(11)
		3 (138)	1 291	3 (138) 1 291	_ 33	3	3 (138) 1 327
_		76	(606)	(530)	(23)	(3)	(556)
		83 (45) 38	(568)	(568) 83 (45)	(23)	(3)	(594) 83 (45)
							_
(29)		1 487	9 315	10 912	166	6	11 084
	(4)	219	139	358	30	4	392
			(12) 4 20 (6)	(12) 4 20 (6)			(12) 4 20 (6)
	(4)	(4) 21 (5) 207		(4) 21 (5) 207	7		(4) 21 (5) 214
			133	133	23	4	160
6	_	(70)	(559)	(629)	(28)	(4)	(661)
6		6	(6)	-	6		6
		39 (102) (13)	(566)	(566) 39 (102) —	(34)	(4)	(604) 39 (102)
(23)	(4)	1 636	8 895	10 641	168	6	10 815

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

R millions	Ordinary share capital	Share premium	
COMPANY			
BALANCE AT 1 JANUARY 2019 TOTAL COMPREHENSIVE INCOME FOR THE YEAR	122	6	
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			
Loss for the year TRANSACTIONS WITH OWNERS			
Dividends paid Share-based payment reserve Settlement cost of performance shares Transfers between reserves			
BALANCE AT 31 DECEMBER 2019	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 Foreign currency loan translation differences Loss for the year			
TRANSACTIONS WITH OWNERS	(12)		
Dividends paid Share-based payment reserve			
Settlement cost of performance shares Shares repurchased Transfers between reserves	(12)		
BALANCE AT 31 DECEMBER 2020	110	6	

OTHER RESERVES

The reserve for effective cash flow hedges and the foreign currency translation reserve.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

and	Share capital I share emium	Share-based payment reserve	Other reserves	Total other reserves	Retained earnings	Total	Preference share capital	Total equity
	128	260	11	271	4 637	5 036	6	5 042
		_	(1)	(1)	174	173	3	176
					354	354		354
					(100)	(100)		(100)
					12	12		12
					(4)	(4)		(4)
						-		_
			(1)	(1)	(0.0)	(1)		(1)
		L			(88)	(88)	3	(85)
		76		76	(668)	(592)	(3)	(595)
					(630)	(630)	(3)	(633)
		83		83		83		83
		(45)		(45)	(20)	(45)		(45)
		38		38	(38)			_
	128	336	10	346	4 143	4 617	6	4 623
			(1)	(1)	351	350	4	354
		Γ			20	20		20
					(6)	(6)		(6)
			(1)	(1)		(1)		(1)
					337	337	4	341
	(12)	(76)		(76)	(1 453)	(1 541)	(4)	(1 545)
					(616)	(616)	(4)	(620)
		39		39		39		39
		(102)		(102)		(102)		(102)
	(12)				(850)	(862)		(862)
		(13)		(13)	13	_		_
	116	260	9	269	3 041	3 426	6	3 432

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

R millions	Note				
17 1111110113	. 1000	2020	2019	2020	2019
CASH GENERATED BY OPERATIONS	i	2 915	3 347	355	497
Dividends received		8	50	8	_
Interest paid		(326)	(456)	(355)	(480)
Interest received		87	59	197	208
Tax (paid)/received	ii	(346)	(509)	25	(12)
Changes in working capital	iii	913	(538)	(5)	(132)
Cash flows relating to defined-benefit costs		(21)	(20)	(18)	(18)
Cash flows relating to non-current provisions and employee benefi	ts	(98)	(65)	(61)	(44)
CASH AVAILABLE FROM OPERATING ACTIVITIES		3 132	1 868	146	19
Dividends paid	iv	(604)	(594)	(620)	(633)
CASH FLOWS GENERATED FROM/(UTILISED BY)					
OPERATING ACTIVITIES		2 528	1 274	(474)	(614)
CASH FLOWS FROM INVESTING ACTIVITIES		(534)	(302)	1 952	1 320
Net replacement to maintain operations		(364)	(551)	(41)	(77)
Replacement of property, plant and equipment		(431)	(674)	(49)	(99)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets		67	123	8	22
Investments to expand operations		(196)	(141)	1 967	1 397
Acquisition of — property, plant and equipment		(199)	(129)	(31)	(23)
— intangible assets		(1)	(16)	_	(15)
— investment property		(1)	(14)	(1)	(12)
— investment in associate	8	(10)	-	(10)	_
investments		(128)	(53)	1 712	1 433
 subsidiaries, net of cash acquired 	vi	(82)	-	_	_
Proceeds from disposal of businesses and investment in subsidiarie	es v	222	-	222	_
Loans with — associates and other investments		(33)	2	9	14
— joint ventures		36	69	66	_
Proceeds from disposal of equity-accounted investees	8	26	390	26	
NET CASH GENERATED BEFORE FINANCING ACTIVITIES		1 994	972	1 478	706
CASH FLOWS FROM FINANCING ACTIVITIES		(591)	(547)	(147)	(316)
Lease payments		(269)	(246)	(19)	(17)
Non-current borrowings — raised		_	875	_	26
Current borrowings — repaid		(214)	(1 131)	(26)	(280)
Buy-out of non-controlling interest		(6)	-	_	_
Settlement of performance shares		(102)	(45)	(102)	(45)
INCREASE IN CASH		1 403	425	1 331	390
Cash at the beginning of the year		1 978	1 581	407	17
Translation gain/(loss) on cash		53	(28)	-	
CASH AT THE END OF THE YEAR'		3 434	1 978	1 738	407

¹ Includes cash of R3 276 million, restricted cash of R281 million and bank overdraft of R123 million (2019: cash of R1 978 million).

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
i. CASH GENERATED BY OPERATIONS				
Profit from operations	917	2 031	(564)	168
Adjusted for non-cash movements:				
Defined-benefit and defined-contribution costs	88	95	82	88
Depreciation and amortisation	1 112	1 031	133	109
Share-based payment expense	39	83	26	52
Impairment of goodwill	863	147	_	58
Impairment of property, plant and equipment	27	_	27	_
Profit on disposal of associate	_	_	(2)	_
Impairment of investment in subsidiaries			549	_
Non-current provisions and employee benefits	14	31	(8)	22
Surplus on disposal of property, plant and equipment	(12)	(69)	_	_
(Profit)/loss on disposal of businesses and investment in subsidiaries	(102)	_	112	_
Gain on bargain purchase	(24)		_	_
Fair value adjustment on put option liability	(7)	(2)	_	_
	2 915	3 347	355	497
ii. TAX (PAID)/RECEIVED				
Owing at the beginning of the year	(43)	(74)	(13)	(11)
Charge for the year	(393)	(478)	(46)	(14)
Business combinations	4	_	_	_
Owing/(receivable) at the end of the year	86	43	84	13
,	(346)	(509)	25	(12)
iii. CHANGES IN WORKING CAPITAL				
Decrease/(increase) in inventories	239	47	(294)	218
Increase in accounts receivable	(266)	(275)	(348)	(303)
Increase/(decrease) in accounts payable	778	(269)	637	(47)
1 /	751	(497)	(5)	(132)
Translation differences	162	(41)	_	_
	913	(538)	(5)	(132)
iv. DIVIDENDS PAID				
Paid during the year (see note 26)	(570)	(571)	(620)	(633)
Paid to non-controlling interest	(34)	(23)	(020)	(000)
5	(604)	(594)	(620)	(633)

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

v. DISPOSAL OF BUSINESSES AND INVESTMENT IN SUBSIDIARIES

SALE OF PULP AND PAPER CHEMICALS BUSINESS UNIT

On 1 June 2020, AECI finalised the sale of its pulp and paper chemicals business unit to Solenis Technologies South Africa (Pty) Ltd (Solenis). The business operated in AECI Specialty Chemicals which is part of the AECI Chemicals operating segment.

AECI Specialty Chemicals produces and supplies specialised chemical solutions for broadly the same spectrum of industries as Solenis, including the pulp, paper and tissue manufacturing industries in South Africa and Sub-Saharan Africa. Until this disposal, AECI Specialty Chemicals was Solenis' distributor in Africa.

The following table summarises the carrying amounts of assets and liabilities disposed of at the transaction date:

R millions	Group	Company
2020		
Property, plant and equipment (see note 1)	8	8
Goodwill (see note 5)	19	237
Inventories	31	31
Accounts receivable	20	20
Net assets disposed of (excluding cash)	78	296
Employee liabilities recognised	22	22
Profit/(loss) on disposal	108	(110)
PROCEEDS ON DISPOSAL	208	208

SALE OF SAUCES BUSINESS

A decision was taken by management to exit the sauces business. Accordingly, Afoodable (Pty) Ltd was sold to Lluvia Holdings (Pty) Ltd. All conditions were fulfilled in line with the sale agreement and the transaction was finalised on 4 August 2020.

The goodwill relating to this business, amounting to R7,4 million, was impaired at 30 June 2020.

The following table summarises the carrying amounts of assets and liabilities disposed of at the transaction date:

R millions	Group	Company
2020		
Investment	_	16
Property, plant and equipment (see note 1)	13	_
Right-of-use assets (see note 2)	2	_
Deferred tax	(2)	_
Inventories	7	_
Accounts receivable	8	_
Lease liabilities — non-current (see note 15)	(2)	_
Accounts payable	(2)	_
Tax payable	(4)	
Net assets disposed of (excluding cash)	20	16
Loss on disposal	(6)	(2)
PROCEEDS ON DISPOSAL	14	14
PROFIT/(LOSS) ON DISPOSAL OF BUSINESSES AND INVESTMENT IN SUBSIDIARIES	102	(112)
TOTAL PROCEEDS FROM DISPOSAL OF BUSINESSES AND INVESTMENT IN SUBSIDIARIES	222	222

NOTES TO THE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED.

vi. ACQUISITION OF A BUSINESS

In 2018 the Group, through its subsidiary, AECI Latam Produtos Quimicos Ltd, acquired 100% of an explosives business in Brazil, from Dinacon, for a cash consideration of US\$6,3 million.

On 1 March 2020, the effective date of the transaction, conditions precedent to make the transaction unconditional had been fulfilled. The initial accounting for the acquisition had been determined provisionally at the previous reporting date. At the date of finalisation of these results, the necessary market valuations and other calculations resulted in adjustments to the fair values of identifiable assets and liabilities. This, in turn, resulted in the recognition of a gain on bargain purchase.

The acquisition entitles the Group to 100% ownership of an explosives manufacturing plant, distribution and storage facilities and the requisite explosives operating licences as well as an opportunity for entry into the explosives market in Brazil and the rest of Latin America, in line with the Group's intent to continue expanding the geographic footprint of its AECI Mining strategic growth pillar.

In the past, Dinacon supplied explosives mainly to the Brazilian civil and construction industry. Its business in the local mining sector, which accounts for the world's third-largest output by value, has been limited. Brazil has more than 8 000 mines and hence there is a sizeable opportunity for growth, particularly in terms of leveraging AECI Mining Explosives' significant experience in open pit and underground mining; its African, Australian and Indonesian footprint; and its long-standing relationships with international mining companies.

The following table summarises the carrying amounts of assets and liabilities acquired at the transaction date:

R millions	Group
2020	
Property, plant and equipment (see note 1)	29
Definite life intangible assets (see note 4)	79
Inventories	4
Non-controlling interest	(6)
Net identifiable assets and liabilities acquired	106
Gain on bargain purchase	(24)
NET CONSIDERATION PAID	82

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 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 has five operating segments: AECI Mining, AECI Water, AECI Agri Health, AECI Chemicals and AECI Property Services & Corporate. See note 32 for further details.

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.

STATEMENT OF COMPLIANCE

The Group financial statements and the Company financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), and interpretations of those Standards as adopted by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, the JSE Debt Listings Requirements (JSE and the JSE Listings Requirements) and in accordance with the requirements of the South African Companies Act No. 71 of 2008. The annual financial statements were approved for issue by the Board of Directors on 23 February 2021.

BASIS OF PREPARATION

The Group financial statements and the Company financial statements have been prepared on the going concern basis using the historical cost convention, except for financial instruments measured at fair value through other comprehensive income, 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.

SIGNIFICANT ACCOUNTING POLICIES

The 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 of the Group's accounting policies.

IMPAIRMENT

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 (CGU) 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 CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets of the CGU. An impairment loss is reversed only to the extent that the carrying amount of the asset or CGU 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 CGUs that are expected to benefit from the synergies of the business combination. Goodwill and the CGUs 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS PUBLISHED BUT NOT YET EFFECTIVE

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:

AMENDMENTS TO THE IFRS 3 REFERENCE TO THE CONCEPTUAL FRAMEWORK

The amendments to IFRS 3 are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework), with a reference to the current version issued in March 2018 (the Conceptual Framework) without changing its requirements significantly.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential day-2 gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively for annual periods beginning on or after 1 January 2022, with earlier application permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

AMENDMENTS TO IAS 16 PROPERTY, PLANT AND EQUIPMENT PROCEEDS BEFORE INTENDED USE

The amendment to this standard prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing them, in profit or loss.

The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2022 only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for first-time adopters.

AMENDMENTS TO IAS 37 ONEROUS CONTRACTS - COSTS OF FULFILLING A CONTRACT

The amendments to this standard specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively for annual periods beginning on or after 1 January 2022 to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

AMENDMENTS TO IAS 1 – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

The amendments to this standard clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments must be applied retrospectively for annual periods beginning on or after 1 January 2023.

The application of these amendments is not expected to have a significant impact on the Group's financial results in future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. PROPERTY, PLANT AND EQUIPMENT

GROUP		DI . I	г .	C .	A.A	11.1	
R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2020							
COST	2 023	8 151	231	295	640	465	11 805
At the beginning of the year	1 917	7 534	141	291	677	698	11 258
Additions	40	150	36	4	30	370	630
Additions through business combinations	20	5	_	_	4	_	29
Disposals through sale of business	(7)	(49)	(2)	(1)	_	_	(59)
Disposals	(37)	(138)	(19)	(32)	(28)	(41)	(295)
Transfers	36	375	83	30	17	(541)	_
Transfers from accounts receivable	_	_	_	_	_	13	13
Translation differences	54	274	(8)	3	(60)	(34)	229
ACCUMULATED DEPRECIATION							
AND IMPAIRMENT	664	4 648	83	222	517	I	6 134
At the beginning of the year	611	4 054	87	219	565		5 536
Disposals through sale of business	(2)	(34)	(1)	(1)	_		(38)
Disposals	(36)	(127)	(19)	(32)	(26)		(240)
Impairment for the year							
(see note 5)	-	27	_	_	_		27
Depreciation for the year Translation differences	93	588 140	19	32	51		783
Translation differences	(2)	140	(3)	4	(73)		66
CARRYING AMOUNT	1 359	3 503	148	73	123	465	5 671
2019							
COST	1 917	7 534	141	291	677	698	11 258
At the beginning of the year	1 847	7 304	138	320	659	705	10 973
Additions	10	175	5	19	8	586	803
Disposals	(10)	(263)	(13)	(66)	(25)	(30)	(407)
Transfers	92	394	11	20	42	(559)	_
Translation differences	(22)	(76)	_	(2)	(7)	(4)	(111)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	611	4 054	87	219	565		5 536
At the beginning of the year	536	3 787	90	254	538		5 205
Disposals	(10)	(246)	(13)	(65)	(23)		(357)
Depreciation for the year	89	542	11	33	57		732
Translation differences	(4)	(29)	(1)	(3)	(7)		(44)
CARRYING AMOUNT	1 306	3 480	54	72	112	698	5 722

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

1. PROPERTY, PLANT AND EQUIPMENT CONTINUED

COMPANY			.				
R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2020							
COST	86	1 004	17	37	18	56	1 218
At the beginning of the year	83	973	17	40	21	52	1 186
Additions	2	46	1	1	_	30	80
Disposals through sale of business	_	(27)	_	_	_	_	(27)
Disposals	_	(11)	(1)	(6)	(1)	(2)	(21)
Transfers	1	23	_	2	(2)	(24)	_
ACCUMULATED DEPRECIATION							
AND IMPAIRMENT	43	631	13	26	15		728
At the beginning of the year	37	542	13	25	14		631
Disposals through sale							
of business	_	(19)	_	_	-		(19)
Disposals	_	(6)	(1)	(5)	(1)		(13)
Impairment during the year (see note 5)	_	27	_	_	_		27
Depreciation for the year	6	87	1	6	2		102
CARRYING AMOUNT	43	373	4	11	3	56	490
2019							
COST	83	973	17	40	21	52	1 186
At the beginning of the year	56	981	22	54	21	103	1 237
Additions	3	76	2	13	2	26	122
Disposals	(6)	(111)	(7)	(27)	(2)	(20)	(173)
Transfers	30	27	_	_	_	(57)	_
ACCUMULATED DEPRECIATION							
AND IMPAIRMENT	37	542	13	25	14		631
At the beginning of the year	37	585	18	47	14		701
Disposals	(6)	(109)	(7)	(27)	(2)		(151)
Depreciation for the year	6	66	2	5	2		81
CARRYING AMOUNT	46	431	4	15	7	52	555

ACCOUNTING POLICIES

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

1. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The estimated useful lives are as follows:

> Property

» land indefinite» buildings 5 to 50 years

> Plant and equipment

» plant and equipment
 » furniture and fittings
 » computer equipment
 » motor vehicles
 3 to 30 years
 3 to 15 years
 3 to 10 years
 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.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

ASSETS LIVES AND RESIDUAL VALUES

Items of property, plant and equipment 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.

COVID-19 CONSIDERATIONS

The Group has assessed the impact of the COVID-19 pandemic on the assumptions and significant judgements made in the valuation of items of property, plant and equipment.

Considered in this process were factors included in the Group's COVID-19 Response Plan and impairments that resulted in the segment realignment project undertaken in the year (see note 5). It was concluded that the effects of the coronavirus will not have a lasting effect on the productivity of the Group's property, plant and equipment.

In assessing the potential future impact of the pandemic's effects on the value of items of property, plant and equipment the following were considered:

- > several Group businesses were deemed to be providers of essential products and services at all stages of restrictions on activity and movement imposed to mitigate the spread of the coronavirus;
- > other businesses, where activities were curtailed or halted, are returning to pre-pandemic productivity in line with a gradual economic recovery;
- » as a consequence of this, together with the benefits of business realignment initiatives undertaken in the year, the present value of future cash flows of property, plant and equipment is not expected to be impacted negatively; and
- > the Group has been assessed as a going concern and plans to continue utilising items of property, plant and equipment to support its revenue-generating activities. The negative impact of COVID-19 has not been significant in this regard.

In view of the above, management does not expect that any medium-term changes in the value of items of property, plant and equipment assets will be material.

2. RIGHT-OF-USE ASSETS

GROUP				
R millions	Property	Plant and equipment	Motor vehicles	Total
2020				
COST	454	40	356	850
At the beginning of the year	434	25	351	810
Additions	3	18	3	24
Disposal through sale of a business Cancellations	(9)	-	-	(9)
Translation differences	(3)	(1) (2)	(3)	(7) 32
ACCUMULATED DEPRECIATION AND IMPAIRMENT	189	24	233	446
At the beginning of the year	96	10	112	218
Disposal through sale of a business	(7)	_	-	(7)
Cancellations	(3)	(1)	(3)	(7)
Depreciation for the year Translation differences	101	17	125	243
Translation differences	2	(2)	(1)	(1)
CARRYING AMOUNT	265	16	123	404
2019				
COST	434	25	351	810
Transition adjustment (see note 35)	411	23	361	795
Additions	19	3	-	22
Lease modifications Translation differences	14 (10)	(1)	(11)	3 (10)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	96	10	112	218
Depreciation for the year	97	10	113	220
Translation differences	(1)	_	(1)	(2)
CARRYING AMOUNT	338	15	239	592
COMPANY				
2020				
COST	38	4	_	42
At the beginning of the year	38	4		42
ACCUMULATED DEPRECIATION AND IMPAIRMENT	29	3	_	32
At the beginning of the year	14	1		15
Depreciation for the year	15	2		17
CARRYING AMOUNT	9	1		10
2019				
COST	38	4		42
Transition adjustment (see note 35)	29	1		30
Translation differences	9	3		12
ACCUMULATED DEPRECIATION AND IMPAIRMENT	14	1	-	15
Depreciation for the year	14	1		15
CARRYING AMOUNT	24	3		27

2. RIGHT-OF-USE ASSETS CONTINUED

ACCOUNTING POLICIES

The Group leases various properties, plant, equipment and motor vehicles. Rental contracts are typically entered into for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Although the lease agreements do not impose any covenants, leased assets may not be used as security for borrowing purposes. The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, being the date at which the leased asset was available for use by the Group. Right-of-use assets are measured at cost initially and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements in the lease liability.

The Group did not receive any rental concessions during the year.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in the management of contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group applied judgement to determine the lease term for some of the lease contracts, in which it is a lessee, that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee.

3. INVESTMENT PROPERTY

	GROUP		COMPANY	
R millions	2020	2019	2020	2019
COST	261	260	293	292
At the beginning of the year	260	250	292	280
Additions	1	14	1	12
Disposals	_	(4)	_	_
ACCUMULATED DEPRECIATION	36	32	48	39
At the beginning of the year	32	28	39	31
Depreciation for the year	4	4	9	8
CARRYING AMOUNT	225	228	245	253
ADDITIONAL INFORMATION	,			
Fair value 1,2	1 108	1 042	2 083	1 889
Rental and service income from investment property	346	342	470	457
Direct operating expenses relating to rental and service income	(339)	(325)	(339)	(325)

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

The Company leases property, offices and industrial sites to external customers as well as to its subsidiary companies. The lease periods are between one and 10 years, with most leases having a three-year term, with annual rental escalations between CPI and 8%. At 31 December 2020, the Gross Lettable Area of the office and industrial buildings was 177 133m² (2019: 177 133m²). Revenue from the investment property also includes amounts related to the provision of steam, water, effluent management, rail services and bulk electricity, mainly at the Umbogintwini Industrial Complex.

The Group did not provide any rental concessions during the year.

² The fair value in the Group is lower than the fair value in the Company because certain properties become owner-occupied on consolidation.

3. INVESTMENT PROPERTY CONTINUED

ACCOUNTING POLICIES

Investment properties, comprising properties or portions of properties 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 in 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.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

ASSETS LIVES AND RESIDUAL VALUES

Investment properties 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.

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 rolling three-year cycle in line with Group policy.

This entails valuing approximately a third of the Group's investment properties annually, thereby ensuring that each property is valued at least once in a three-year cycle. For the properties that were not subject to an independent valuation in any given year, an assessment of the key assumptions is performed by management. No significant changes to the key assumptions were identified in the current year.

The fair value for the investment property has been split into its components. Fair value measurement has been categorised as a Level 3 fair value based on the inputs of the valuation techniques used.

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 sales for parcels of raw, unserviced or rezoned and fully serviced land.	The enhanced fair value rate per square metre has a direct influence on fair value.
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 land valued at Modderfontein and Umbogintwini is zoned for business use and is partially serviced but it is not immediately sub-divisible and	
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 to derive a fair value.	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.	

3. INVESTMENT PROPERTY CONTINUED

Valuation technique

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 professionals in the property industry including other valuers, brokers, managers and investors.

Significant unobservable inputs

- > Capitalisation rate: 13,0%.
- > Vacancy rate for office space: 10,0% 20,0%
- Vacancy rate for industrial space:2% 18%
- > Operating expenses for all buildings: $R22,50/m^2 R28,40/m^2$

Inter-relationship between key unobservable inputs and fair value measurement

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)

4. INTANGIBLE ASSETS

GROUP	Customer and		Technical	Patents,	
R millions	marketing relationships	Brands	and licensing agreements	trademarks and other	Total
2020					
COST	925	155	203	64	1 347
At the beginning of the year	886	144	139	55	1 224
Additions through business combinations	_	_	79	_	79
Additions	_	_	_	1	1
Translation differences	39	11	(15)	8	43
ACCUMULATED AMORTISATION AND IMPAIRMENT	218	_	80	50	348
At the beginning of the year	159	_	67	34	260
Amortisation for the year	61	_	14	7	82
Translation differences	(2)	_	(1)	9	6
CARRYING AMOUNT	707	155	123	14	999
2019					
COST	886	144	139	55	1 224
At the beginning of the year	901	147	139	39	1 226
Additions	_	_	_	16	16
Translation differences	(15)	(3)	_	_	(18)
ACCUMULATED AMORTISATION AND IMPAIRMENT	159	_	67	34	260
At the beginning of the year	100	_	59	28	187
Amortisation for the year	61	_	8	6	75
Translation differences	(2)	_			(2)
CARRYING AMOUNT	727	144	72	21	964

4. INTANGIBLE ASSETS CONTINUED

INDEFINITE LIFE INTANGIBLE ASSETS: COMPANY BRANDS

The brands relate to the CGUs below. Brands have an indefinite useful life and are assessed annually for impairment as part of the goodwill impairment assessment (see note 5).

R millions

AECI SCHIRM 91

AECI Schirm was acquired through a share transaction, resulting in its brand also being acquired by AECI. The business name has a long tradition in the agrochemicals and fine chemicals industries. The name is considered a quality signal to the market and carries an attributable value. AECI Schirm operates as a contract manufacturer and does not sell products under its own product brands or trademarks.

Since all of AECI Schirm's sales are affected by its brand, total revenue was considered as the basis for the valuation. Due to the business' stable market position, characterised by a profound customer base and high barriers to entry for competitors, its brand was assessed as having an indefinite useful life.

R millions

AECI MUCH ASPHALT 64

AECI Much Asphalt is South Africa's largest independent manufacturer and supplier of asphalt products, bituminous road binders and emulsions. It has a strong brand reputation, established over more than 50 years of operations, and is recognised as a leader in its field.

AECI Much Asphalt operates in terms of a business-to-business (B2B) model and its customers include road construction companies (RCCs). These RCCs regularly approach AECI Much Asphalt for non-binding quotations. They have their own in-house asphalt manufacturing capabilities or have relationships with competing asphalt manufacturers.

Given AECI Much Asphalt's long history and that its predominant business model is B2B, with price competitiveness playing a major role in securing business against competitors with similar competitive products and manufacturing process, its brand was assessed as having an indefinite useful life.

COMPANY R millions	Patents, trademarks and other
	und other
2020	
COST	20
At the beginning of the year	20
ACCUMULATED AMORTISATION AND IMPAIRMENT	11
At the beginning of the year	6
Amortisation for the year	5
CARRYING AMOUNT	9
2019	
COST	20
At the beginning of the year	5
Additions	15
ACCUMULATED AMORTISATION AND IMPAIRMENT	6
At the beginning of the year	1
Amortisation for the year	5
CARRYING AMOUNT	14

4. INTANGIBLE ASSETS CONTINUED

ACCOUNTING POLICIES

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 for impairment at each reporting date.

The estimated useful lives are as follows:

Customer and marketing relationships
 Brands
 Technical and licensing agreements
 Patents and trademarks and other
 5 to 20 years
 10 to 17 years
 3 to 20 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.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

ASSET LIVES AND RESIDUAL VALUES

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.

5. GOODWILL				
	GR	OUP	СОМ	PANY
R millions	2020	2019	2020	2019
COST	3 518	3 500	699	936
At the beginning of the year	3 500	3 585	936	936
Disposals through sale of business	(19)	-	(237)	_
Written off	(7)	(23)	_	_
Translation differences	44	(62)	_	_
ACCUMULATED IMPAIRMENT LOSSES	1 155	299	240	240
At the beginning of the year	299	175	240	182
Written off	(7)	(23)	_	_
Impairment charge for the year	863	147	_	58
CARRYING AMOUNT	2 363	3 201	459	696
Goodwill is allocated to CGUs based on the Group's operating segm	ents as follows:			
AECI Mining	467	467	_	_
AECI Water	350	349	_	_
AECI Agri Health	569	483	100	100
AECI Chemicals	977	1 902	359	596
CARRYING AMOUNT	2 363	3 201	459	696

5. GOODWILL CONTINUED

IMPAIRMENT OF GOODWILL

Goodwill is tested for impairment by calculating the value-in-use of the CGU or CGUs to which the goodwill is allocated. The goodwill in the operating segments comprises individual CGUs, each of which has been tested for impairment. The goodwill balances are aggregated per operating segment, due to no single CGU in each operating segment being considered individually significant, other than the CGUs disclosed below.

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, approved budgets for three years and the business plan for a period of at least five years, and using an average trading margin of between 9% and 10% (2019: 8% and 11%) over the five years;
- > a post-tax discount rate between 7% and 26% (2019: 7% and 21%) was applied in determining the recoverable amount of the CGU and the discount rate was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to each CGU;
- > terminal value growth rates of between 2% and 5% (2019: 2% and 6%) 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 CGUs, other than for AECI Much Asphalt and AECI Schirm.

IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs as follows:

R millions	GF	GROUP		PANY
	2020	2019	2020	2019
AECI Much Asphalt¹	710	1 531	_	_
AECI Schirm ¹	362	317	_	_
AECI Mining Explosives	273	273		
AECI Water Chemical and Monitoring Solutions	218	218		
Multiple units with individually insignificant goodwill ²	800	862	459	696
CARRYING AMOUNT	2 363	3 201	459	696

- 1 The brands, which are intangible assets with indefinite useful lives, have been included in the impairment assessment of these CGUs (see note 4).
- 2 The remainder of the Group's goodwill comprises 30 CGUs which are individually insignificant.

AECI MUCH ASPHALT

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sector and have been based on historical data from both external and internal sources.

	GR	GROUP	
%	2020	2019	
Post-tax discount rate	14,3	13,8	
Terminal value growth rate	4,8	5,5	
Budgeted revenue growth rate 1	4,7	9,0	

¹ Revenue growth of 59% in 2021 and average growth of 4,7% for the next four years.

5. GOODWILL CONTINUED

A post-tax discount rate was applied in determining the recoverable amount of the CGU and estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 30%. The discount rate is influenced by changes in the country risk-free rate, currency default spread and risk premiums which, in turn, are influenced by changes in the macro-economic environment.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual earnings before interest, depreciation and amortisation (EBITDA) growth rate, consistent with the assumptions that a market participant would make.

Revenue growth and trading margins were projected taking into account the average growth levels over the past five years and the estimated sales volume and price growth for the next five years. Previously it was assumed that sales would increase in line with projected investment in road infrastructure that would materialise in the foreseeable future, based on the South African government's commitments to infrastructure spend as published by the National Treasury in its forecasts for the next five years.

Owing to government's fiscal priorities as a result of COVID-19, however, uncertainty remains as to the pace at which infrastructure projects will be executed in the medium term. The potential negative effects of this on the industry as a whole in the longer term is unclear as does the ongoing pandemic's socio-economic impact in the medium term. Against this background, management reduced its revenue growth and trading margin projections for the next five years. This resulted in the full realisation of cash flows relating to this CGU no longer being expected.

The value-in-use of the CGU was reassessed at 31 December 2020 by discounting its expected future cash flows based on the considerations above. Its recoverable amount was R1 690 million compared to its carrying value of R2 527 million. Accordingly, R821 million (attributable to ordinary shareholders) of the R1 531 goodwill recognised at the acquisition date was impaired.

Following the impairment loss recognised, the recoverable amount of the CGU was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

The following changes in assumptions would have resulted in a significant increase in the impairment loss as follows:

R millions	Impairment higher by
An increase in the post-tax discount rate from 14,3% to 16,0%	233
A decrease in the terminal growth rate from 4,8% to 3,8%	100
A decrease of 1,0% in the trading margin from 2021 to 2025	150

AECI SCHIRM

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sectors and have been based on historical data from both external and internal sources.

	GR	OUP
%	2020	2019
Post-tax discount rate 1	7,8	7,7
Terminal value growth rate	2,1	2,2
Budgeted revenue growth rate (average for the next five years) ²	3,0	4,3

- 1 Germany 7,6% and USA 8,0%.
- 2 Germany 2,7% and USA 3,2%.

A post-tax discount rate was applied in determining the recoverable amount of the CGU and was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 15% in both Germany and the USA. The discount rate is influenced by changes in the country risk-free rates, currency default spread and risk premiums which, in turn, are influenced by changes in the macro-economic environment.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

5. GOODWILL CONTINUED

Revenue growth was projected taking into account average growth levels over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales would increase in line with the expectation of a strong economic recovery post COVID-19 (especially in the automotive sector in Germany), securing major customers on tender, optimisation of existing manufacturing facilities and the delivery to expectations of capital investments in the USA.

The estimated recoverable amount of the CGU was equal to its carrying amount at 31 December 2020 but is sensitive to changes in certain key assumptions. Management identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following changes in assumptions would have resulted in an impairment loss as follows:

R millions	Impairment of
An increase in the post-tax discount rate of 1%	290
A decrease of 2% in the revenue growth rate from 2021 to 2025	120

AECI MINING EXPLOSIVES

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sector and have been based on historical data from both external and internal sources.

	GR	GROUP		
%	2020	2019		
Post-tax discount rate	12,5	12,0		
Terminal value growth rate	2,0	2,5		
Budgeted revenue growth rate	7,9	6,4		

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R3 500 million (2019: R3 297 million) and is not sensitive to changes in certain key assumptions. Management concluded that no reasonably possible change in any assumptions could cause the carrying amount to exceed the recoverable amount.

AECI WATER CHEMICAL AND MONITORING SERVICES

The recoverable amount of this CGU was based on the value-in-use, estimated using discounted cash flows.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant market sector and have been based on historical data from both external and internal sources.

	G	ROUP
%	2020	2019
Post-tax discount rate	15,4	14,5
Budgeted revenue growth rate	4,1	5,1

The cash flow projections included specific estimates for the contract term of the technology and licensing agreements. Revenue growth and trading margins were projected taking into account the average growth levels over the past five years and the estimated sales volume and price growth for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R292 million (2019: R761 million) and is not sensitive to changes in certain key assumptions. Management concluded that no reasonably possible change in any assumptions could cause the carrying amount to exceed the recoverable amount.

5. GOODWILL CONTINUED

SEGMENT REALIGNMENT PROJECT: FOOD & BEVERAGE AND CHEMICALS

Trading conditions for businesses in these segments have become increasingly challenging. In South Africa, subdued economic growth resulted in a slowdown in the manufacturing sector coupled with a slowdown in consumer spending, which directly impacted the affected serviced customers. In this context, operating costs increased progressively over time.

The impact of the COVID-19 pandemic compounded the challenges, with economic and industry forecasts revised downwards to account for the effects on business operations, as well as market uncertainty in respect of future economic activity.

The AECI Executive Committee considered various measures to deal with the challenges and to address the Group's operational requirements in this context. Following a business review of the two affected segments, they were integrated. This provides the Group with the opportunity to reduce costs, improve efficiencies, optimise synergies and have the agility to respond more effectively to market changes going forward.

The project also resulted in a decision to exit non-performing businesses and resulted in the following impairments being recognised:

R millions	Group	Company
Goodwill	(42)	_
Industrial Oleochemical Products distillation plant shutdown	(30)	_
Afoodable operational shutdown	(7)	_
Cobito brine market exit	(5)	_
Property, plant and equipment	(27)	(27)
IOP distillation plant shutdown	(19)	(19)
Chemical Initiatives plant nutrient elemental sulphur plant shutdown	(8)	(8)
IMPAIRMENTS	(69)	(27)

ACCOUNTING POLICIES

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.

CGUs 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, less
- » the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

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 CGU to which goodwill is attributed or for the CGU or asset where indicators of impairment have been assessed.

6. INVESTMENT IN SUBSIDIARIES AND LOANS WITH SUBSIDIARIES

	СОМ	PANY
R millions	2020	2019
At cost	7 582	7 621
Less: impairment losses	(601)	(51)
Fair value 1, 2	350	351
INVESTMENT IN SUBSIDIARIES (UNLISTED SHARES (see note 33))	7 331	7 921
INTEREST-BEARING NON-CURRENT LOANS TO SUBSIDIARIES 1, 3	398	399
INTEREST-BEARING CURRENT LOANS TO SUBSIDIARIES 2, 3	2 727	3 267
CURRENT LOANS FROM SUBSIDIARIES 3, 4, 5	(2 423)	(2 213)
INTEREST-BEARING CURRENT LOANS FROM SUBSIDIARIES 3	(5 017)	(4 284)

- 1 Other loans provided by 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.
- 3 Net loans with subsidiaries is calculated as the sum of loans to and loans from subsidiaries.
- 4 Current loans from subsidiaries are repayable on demand.
- 5 Restatement of loans from subsidiaries due to error. See below.

As the current loans from subsidiaries of R2 423 million (2019: R2 213 million) have no repayment terms and therefore have terms to be repaid on demand, the loans were classified incorrectly in prior periods as non-current. IAS 1 allows a loan to be classified as non-current if the Company has the unconditional right to defer settlement of the liability after the reporting period. As the terms are repayable on demand the requirement is not met and hence the incorrect classification in prior periods. The restatement did not have any cash flow impact. The balance of the same loans at 31 December 2018 was R2 197 million. This is the full impact of the restatement and no other financial statement line items are affected.

Net loans with subsidiaries were R3 965 million (R2 480 million) (see note 33).

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, and loans to subsidiaries and investments in unlisted shares of dormant entities, were made with reference to the net asset value, future business plans and cash flow forecasts of those subsidiaries. Where this resulted in the value of the investment having a recoverable amount lower than the carrying value, the investment was impaired. For all other financial assets, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If there has been no significant increase in credit risk, the loss allowance is measured at an amount equal to the 12-month expected credit losses (ECL) as the ECL is assessed to be immaterial.

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

ACCOUNTING POLICIES

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.

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.

LOANS TO SUBSIDIARIES

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

7. INVESTMENT IN AND LOANS WITH JOINT VENTURES AND JOINT OPERATIONS

INTERESTS IN JOINT VENTURES

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. SMSA is equity-accounted in the Group.

The Group has a residual interest in the net assets of SMSA and thus it is classified as a joint venture. The joint venture is not a publicly listed entity and, therefore, it does not have published price quotations.

The Group's share of profit of joint ventures for the year was R19 million (2019: R21 million).

In 2020 the Group received dividends of R8 million from its joint ventures (2019: R18 million).

Summarised financial information for the joint ventures was as follows:

STATEMENTS OF FINANCIAL POSITION

	SM	ISA
R millions	2020	2019
OWNERSHIP (%)	50	50
Current assets excluding cash and cash equivalents	36	26
Cash and cash equivalents	86	65
Non-current assets	12	11
TOTAL ASSETS	134	102
Trade and other payables	28	36
Non-current liabilities	2	_
TOTAL LIABILITIES	30	36
NET ASSETS	104	66
Group's share of net assets	52	33
CARRYING AMOUNT	52	33

INCOME STATEMENTS	SMSA	Crest Chemicals ¹	SMSA	Total
R millions	2020	2019	2019	2019
OWNERSHIP (%)	50	50	50	
Revenue	163	577	170	747
Net operating costs excluding depreciation and amortisation	(108)	(550)	(120)	(670)
Depreciation and amortisation	(3)	(11)	(3)	(14)
Interest expense	_	(5)	_	(5)
Interest received	1	1	4	5
Tax credit	(16)	(4)	(16)	(20)
Non-controlling interest	_	(1)	_	(1)
PROFIT	37	7	35	42
Group's share of profit	19	4	17	21

¹ The Group disposed of its 50% shareholding in Crest Chemicals in 2019.

7. INVESTMENT IN AND LOANS WITH JOINT VENTURES AND JOINT OPERATIONS CONTINUED

LOANS FROM JOINT VENTURES

	GROUP		СОМІ	PANY
R millions	2020	2019	2020	2019
Interest-bearing current loans from joint ventures	(98)	(62)	(196)	(130)

Loans bear interest at market-related variable rates, are unsecured and have no fixed terms of repayment. Loans are measured at amortised cost using the effective interest rate method, less any impairment losses.

Transactions of associates with related parties of the Group and the Company are disclosed in note 29.

INTEREST IN JOINT OPERATION

DetNet is a joint arrangement with Dyno Nobel, a subsidiary of Incitec Pivot Ltd. DetNet is represented globally by both AECI Mining Explosives and Dyno Nobel, thus providing global access to 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, which is consolidated proportionately. On proportionate consolidation the investment in unlisted shares is derecognised and the joint operation's results are consolidated on a line-by-line basis into those of the Group.

	СОМ	PANY
R millions	2020	2019
Unlisted shares at amortised cost	28	28
PERCENTAGE HELD BY AECI	2020	2019
OWNERSHIP (%)		
DetNet South Africa (Pty) Ltd	50	50
GROUP'S SHARE OF INCOME STATEMENT		
R millions	2020	2019
OWNERSHIP (%)	50	50
Revenue	251	281
Net operating costs excluding depreciation and amortisation	(216)	(229)
Depreciation and amortisation	(8)	(5)
Interest received	3	4
Tax expense	(5)	(15)
PROFIT	25	36

7. INVESTMENT IN AND LOANS WITH JOINT VENTURES AND JOINT OPERATIONS CONTINUED

GROUP'S SHARE OF FINANCIAL POSITION

R millions	2020	2019
OWNERSHIP (%)	50	50
Current assets excluding cash and cash equivalents	174	145
Cash and cash equivalents	18	34
Non-current assets	22	23
TOTAL ASSETS	214	202
Trade and other payables including provisions	35	47
Current financial liabilities excluding trade and other payables and provisions	1	2
Non-current liabilities	1	1
Non-current financial liabilities excluding trade and other payables and provisions	_	1
TOTAL LIABILITIES	37	51
NET ASSETS	177	151

BASIS OF CONSOLIDATION OF 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. 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.

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 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.

8. INVESTMENT IN ASSOCIATES

The Group has a 42,6% interest in PT Black Bear Resources Indonesia (BBRI). BBRI is an Indonesian company and owns an ammonium nitrate plant which supplies ammonium nitrate solution to the region, thereby improving AECI Mining's supply chain. BBRI is a strategic investment for that segment as it enables local supply to replace imports into this market.

The Group had 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. The investment was disposed of on 30 November 2020.

The Group has a 27% interest in Specialised Road Technologies (Pty) Ltd (SRT). SRT has a wide range of specialised equipment at its disposal for road surveillance testing and its laboratories are equipped to meet the latest requirements of asphalt design protocol and performance grade-binder specification testing. SRT is an associate of AECI Much Asphalt and is consolidated in the AECI Chemicals operating segment.

The Group acquired a 26% interest in Khula App (Pty) Ltd (Khula) on 1 August 2020. Khula is a technology offering targeting primarily emerging farmers. It allows them to procure their inputs for agricultural purposes and provides a platform for them to sell their produce to market offtakers. It also serves as an enabler for corporate entities focused on the agricultural sector as part of their Enterprise Supplier Development and Corporate Social Investment programmes. The investment enables AECI Plant Health to participate in the emerging farmer market space, providing synergies to Khula through AECI Plant Health's distribution footprint.

8. INVESTMENT IN ASSOCIATES CONTINUED

		GRO	DUP	COMPANY ¹		
R millions		2020	2019	2020	2019	
UNLISTED SHARES AT COST		285	299	10	24	
At the beginning of the year		299	299	24	24	
Disposals		(24)	_	(24)	_	
Acquisitions		10	-	10	_	
POST-ACQUISITION ACCUMULATED PROFITS/(LOSSES)		(160)	(158)			
Balance at the beginning of the year		(158)	(164)			
Disposals		(5)	_			
Dividends received		(8)	_			
Translation differences		3	(3)			
Current year's share of net profits of associate companies		8	9			
TOTAL INVESTMENT IN ASSOCIATES		125	141	10	24	
1 The Company's R10 million investment in Khula is carried at cost.						
GROUP						
R millions	BBRI	Clover Pride	Khula	SRT	Total	
2020						
OWNERSHIP (%)	42,6	49,0	26,0	27,0		
STATEMENT OF FINANCIAL POSITION		,				
Current assets	115	_	9	35	159	
Non-current assets	355	_	1	10	366	
Current liabilities	(126)	_	_	(3)	(129)	
Non-current liabilities	(52)	_	(2)	(1)	(55)	
NET ASSETS (100%)	292	_	8	41	341	
CARRYING AMOUNT OF INTEREST IN ASSOCIATES	104	_	11	10	125	
			Clover			
R millions		BBRI	Pride	SRT	Total	
2019						
OWNERSHIP (%)		42,6	49,0	27,0		
STATEMENT OF FINANCIAL POSITION						
Current assets		110	56	35	201	
Non-current assets		340	41	10	391	
Current liabilities		(121)	(15)	(3)	(139)	
Non-current liabilities		(50)	(13)	(1)	(64)	
NET ASSETS (100%)		279	69	41	389	
CARRYING AMOUNT OF INTEREST IN ASSOCIATES		97	34	10	141	
		-				

8. INVESTMENT IN ASSOCIATES CONTINUED

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Clover							
BBRI	Pride	Khula	SRT	Total			
42,6	49,0	26,0	27,0				
222	99	7	27	355			
(147)	(90)	(3)	(25)	(265)			
(59)	_		(4)	(63)			
(7)	_		_	(7)			
1	_		1	2			
_	(3)		_	(3)			
10	6	4	(1)	19			
4	3	1	_	8			
	BBRI	Clover Pride	SRT	Total			
	42,6	49,0	27,0				
	200	127	27	354			
	(139)	(109)	(23)	(271)			
	(46)		(4)	(50)			
	(11)	(2)	_	(13)			
	2	1	1	4			
	_	(4)	_	(4)			
	6	13	1	20			
	3						
	42,6 222 (147) (59) (7) 1 —	42,6 49,0 222 99 (147) (90) (59) — (7) — 1 — — (3) 10 6 4 3 BBRI 42,6 200 (139) (46) (11) 2 —	BBRI Pride Khula 42,6 49,0 26,0 222 99 7 (147) (90) (3) (59) - (7) 1 - - - (3) - 10 6 4 4 3 1 Clover Pride Pride 42,6 49,0 200 127 (139) (109) (46) - (11) (2) 2 1 - (4)	BBRI Pride Khula SRT 42,6 49,0 26,0 27,0 222 99 7 27 (147) (90) (3) (25) (59) - (4) (7) - - 1 - 1 - (3) - - (3) - - (1) - 4 3 1 - BBRI Pride SRT 42,6 49,0 27,0 200 127 27 (139) (109) (23) (46) - (4) (11) (2) - 2 1 1 - (4) -			

DISPOSAL OF INTEREST IN AN ASSOCIATE

In 2016, AECI entered into a transaction with Clover S.A. (Pty) Ltd (Clover) in which AECI sold 51% of its shareholding in Olive Pride to Clover in return for a consideration of R26 million. AECI's 49% stake in Olive Pride was treated as an equity-accounted investee in the AECI Chemicals operating segment. The initial sale agreement made provision for a call and put option exercisable after June 2020. Clover exercised its call option in October 2020 to purchase the remaining 49% of Olive Pride from AECI, with effect from 30 November 2020.

The following table summarises the carrying amounts of the investment disposed of at the transaction date:

R millions	Group	Company
Final adjusted purchase price	26	26
Carrying value of investment disposed of	(29)	(24)
Unlisted shares at cost	(24)	(24)
Post-acquisition accumulated profits and dividends	(5)	_
(LOSS)/PROFIT ON SALE OF ASSOCIATE	(3)	2

8. INVESTMENT IN ASSOCIATES CONTINUED

BASIS OF CONSOLIDATION OF 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 less any impairment losses 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. Dividend income from investments is recognised in the income statement when the shareholders' right to receive payment has been established.

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.

9. OTHER INVESTMENTS

	GR	COMPANY		
R millions	2020	2019	2020	2019
NON-CURRENT INVESTMENTS				
Equity instruments	109	99	107	97
Unlisted shares ¹	105	95	103	93
Capital contributions	4	4	4	4
Loans and receivables ²	15	8	-	_
OTHER NON-CURRENT INVESTMENTS	124	107	107	97
CURRENT INVESTMENTS				
Money market investment ³	240	136	_	_
Employer surplus accounts ⁴	117	101	117	101
Loans and receivables ²	41	15	6	15
OTHER CURRENT INVESTMENTS	398	252	123	116

- 1 AECI invested US\$5 million (2019: US\$5 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. Included in the unlisted shares is a R30 million (2019: R23 million) investment in the AECI Good Chemistry Fund, which enables the Group's Enterprise and Supplier Development programme. The Group designates these investments as measured at fair value through other comprehensive income. The fair value of the investment in Origin was categorised as a Level 3 asset because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares, other than the amount invested. The AECI Good Chemistry Fund is also considered to be a Level 3 asset in the fair value hierarchy. These investments are carried at fair value through other comprehensive income so as to not create non-trading related impact of profit from operations as a result of unrealised gains and losses.
- 2 These loans have varying repayment terms ranging from no fixed repayment terms to a repayment period of 10 years. Interest on these loans is charged at fixed rates of between nil and 15% annually, and at floating rates of prime plus 1% and USD LIBOR plus 5%.
- 3 The money market investments include an investment in a collective investment scheme with Investec Bank Ltd and a money market fund with Old Mutual Ltd. The investments are considered to be Level 1 financial assets and their carrying values were the same as their fair values at the reporting date.
- 4 Employer surplus accounts include the surpluses from the AECI Defined Contribution Pension Fund and the AECI Employees Provident Fund. The funds are invested in a money market account and the investment is thus considered to be a Level 1 financial asset. Its carrying value, therefore, was the same as its fair value at the reporting date. See note 30 for further information in this regard.

10. DEFERRED TAX

	GR	COMPANY		
R millions	2020	2019	2020	2019
Deferred tax assets	173	234	_	_
Deferred tax liabilities	(590)	(527)	(114)	(132)
NET DEFERRED TAX LIABILITY	(417)	(293)	(114)	(132)
At the beginning of the year	(293)	(165)	(132)	(60)
Recognised in the income statement				
 normal activities 	(110)	(33)	24	31
Recognised in other comprehensive income				
- foreign currency loan translation differences	(5)	3	_	_
— defined-benefit obligations	4	(91)	_	(100)
post-retirement medical aid obligations	(6)	(4)	(6)	(4)
Business combinations	2	_	_	_
Other	(9)	(3)	_	1
AT THE END OF THE YEAR	(417)	(293)	(114)	(132)
Analysis by major temporary differences:				
Property, plant and equipment	(553)	(598)	(45)	(61)
Right-of-use assets and finance lease liabilities	(16)	(13)		_
Intangible assets	(282)	(232)		_
Provisions and deferred income	400	468	177	193
Pension fund employer surplus accounts	(196)	(214)	(196)	(214)
Deferred foreign exchange differences	(26)	(35)	(48)	(43)
Computed tax losses	224	326		
Other	32	5	(2)	(7)
	(417)	(293)	(114)	(132)

ACCOUNTING POLICIES

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 value 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 in 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.

10. DEFERRED TAX CONTINUED

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

In terms of the deferred tax recognised, the Group has made estimates in assessing whether future taxable profits will be available. Future taxable profits are determined based on forecasts and budgets and business plans for individual subsidiaries within the Group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves.

COVID-19 CONSIDERATIONS

The COVID-19 pandemic negatively impacted the Group's profitability in the short term. However, management remains confident of the Group's ability to continue to generate future taxable income. Future taxable profits were estimated based on business plans which include estimates and assumptions regarding economic growth, interest and inflation rates and current market conditions as a result of the pandemic. Deferred tax assets were recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. These deferred tax assets do not expire.

11. INVENTORIES

	Gi	GROUP		PANY
R millions	2020	2019	2020	2019
Raw and packaging materials	1 536	1 471	248	204
In progress	40	18	7	6
Finished goods and merchandise	1 979	2 324	1 086	881
Consumable stores	179	205	_	_
Spares and other	236	204	49	29
Obsolescence provisions	(209)	(188)	(25)	(18)
	3 761	4 034	1 365	1 102
RECOGNISED IN PROFIT OR LOSS:				
Cost of inventories recognised as an expense	13 034	13 533	4 235	4 013
Losses and write-down of inventories	4	11	5	5
Inventory adjustments	115	81	17	(6)

ACCOUNTING POLICIES

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.

Obsolescence provision is made against slow-moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted by each business.

12. ACCOUNTS RECEIVABLE

	GF	GROUP		
R millions	2020	2019	2020	2019
Trade receivables (net of loss allowances)	4 244	4 035	1 564	1 193
Contracts with customers ¹	4 239	4 032	1 559	1 190
Lease receivables	5	3	5	3
Pre-payments	175	126	47	24
VAT ²	404	332	55	52
Deposits	136	138	15	13
Other	134	217	55	35
Forward exchange contracts	26	28	5	3
Joint ventures and associates	10	32	20	38
Subsidiaries	_	_	254	333
	5 129	4 908	2 015	1 691

Trade receivables are exposed to credit risk as described in note 28.

The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:

	GF	COMPANY		
R millions	2020	2019	2020	2019
South Africa	2 550	2 364	1 472	1 131
Rest of African continent	1 018	1 047	83	55
North America	111	99	_	_
South America	25	6	_	_
Asia	90	73	6	5
Australia	89	72	_	_
Europe	361	374	3	2
TRADE RECEIVABLES (NET OF LOSS ALLOWANCES)	4 244	4 035	1 564	1 193

¹ Group contracts with customers include R99 million (2019: R155 million) of contract assets. Contract assets are balances due from customers in the AECI Agri Health segment that represent the Group's right to consideration when the Group performs the contracted performance obligations over time. Payment is conditional on completion of the performance obligations. The contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

² Refunds have been suspended in some jurisdictions as a consequence of poor economic conditions. Further, in certain jurisdictions the non-refund of tax to the taxpayer has been enacted in law.

12. ACCOUNTS RECEIVABLE CONTINUED

CONCENTRATION OF CREDIT RISK

The following table provides information on the exposure to credit risk and expected credit loss rates (ECLs) for trade receivables by geographic region as at 31 December 2020:

GROUP

R millions	Weighted- average loss rate (%)	Gross carrying amount	Specific loss allowances	Lifetime ECL allowance	Total loss allowance 1	Trade receivables (net of loss allowances)
SOUTH AFRICA						
Current (not yet due)	1	2 224	_	(13)	(13)	2 211
1 to 30 days past due	2	237	_	(4)	(4)	233
31 to 60 days past due	3	77	_	(2)	(2)	75
61 to 90 days past due	16	22	_	(3)	(3)	19
More than 90 days past due	100	103	(26)	(65)	(91)	12
		2 663	(26)	(87)	(113)	2 550
REST OF AFRICAN CONTINENT						
Current (not yet due) ²	_	765	_	(1)	(1)	764
1 to 30 days past due	_	149	_	_	_	149
31 to 60 days past due	_	87	_	_	_	87
61 to 90 days past due	_	13	_	_	_	13
More than 90 days past due	100	102	(2)	(95)	(97)	5
		1 116	(2)	(96)	(98)	1 018
EUROPE						
Current (not yet due)	1	350	_	(3)	(3)	347
1 to 30 days past due	_	12	_	_	_	12
31 to 60 days past due	_	1	_	_	_	1
61 to 90 days past due	_	1	_	_	_	1
More than 90 days past due	100	2	_	(2)	(2)	_
, ,		366	_	(5)	(5)	361
NORTH AMERICA						
Current (not yet due)	1	88	_	(1)	(1)	87
1 to 30 days past due	_	14	_	_	_	14
31 to 60 days past due	_	10	_	_	_	10
61 to 90 days past due	_	_	_	_	_	_
More than 90 days past due	100	1	_	(1)	(1)	_
		113	_	(2)	(2)	111
OTHER REGIONS						
Current (not yet due) 1	_	166	_	_	_	166
1 to 30 days past due	_	35	_	_	_	35
31 to 60 days past due	_	3	_	_	_	3
61 to 90 days past due	100	3	(3)	_	(3)	_
More than 90 days past due		_	_		_	
		207	(3)	_	(3)	204

¹ Total loss allowances are exclusive of VAT.

² Weighted average loss rate of less than 1%.

Other regions include South America, Asia and Australia.

12. ACCOUNTS RECEIVABLE CONTINUED

COMPANY

R millions	Weighted- average loss rate (%)	Gross carrying amount	Specific loss allowances	Lifetime ECL allowance	Total loss allowance 1	Trade receivables (net of loss allowances)
SOUTH AFRICA						
Current (not yet due) ¹	_	1 264	_	(3)	(3)	1 261
1 to 30 days past due	1	144	_	(1)	(1)	143
31 to 60 days past due	1	56	_	_	_	56
61 to 90 days past due	21	11	_	(2)	(2)	9
More than 90 days past due	100	32	(8)	(21)	(29)	3
		1 507	(8)	(27)	(35)	1 472
REST OF AFRICAN CONTINENT						
Current (not yet due) ¹	_	62	_	_	_	62
1 to 30 days past due	_	9	_	_	_	9
31 to 60 days past due		7	_	_	_	7
61 to 90 days past due	_	5	_	_	_	5
More than 90 days past due	100	1	(1)	_	(1)	_
		84	(1)	_	(1)	83

¹ Total loss allowances are exclusive of VAT.

Other regions amount to R12 million, with negligible losses expected. These include receivables from North America, South America, Europe, Asia and Australia.

IMPAIRMENT ALLOWANCE OF TRADE RECEIVABLES

The movements in the allowance for impairment in respect of trade receivables were as follows:

	GR	OUP	COMPANY		
R millions	2020	2019	2020	2019	
At the beginning of the year	(178)	(224)	(27)	(38)	
Net remeasurement of loss allowance	(70)	28	(17)	3	
Impairment allowances applied to trade receivables deemed irrecoverable	27	18	5	8	
AT THE END OF THE YEAR	(221)	(178)	(39)	(27)	
Contracts with customers	(220)	(178)	(38)	(27)	
Lease receivables	(1)	_	(1)		

The increase in loss allowance was attributable mainly to increased risk in the recoverability of trade receivables as a result of macro-economic conditions.

² Weighted average loss rate of less than 1%.

12. ACCOUNTS RECEIVABLE CONTINUED

ACCOUNTING POLICIES

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

The loss allowance is calculated using an ECL model instead of an incurred loss model. The Group uses a provision matrix to calculate ECLs, with amounts more than 90 days past due viewed as rebuttable default events. The weighted average loss rate is not applied to receivables that carry an insignificant risk of default due to credit insurance, letters of credit or other forms of guarantee.

The ECLs were calculated based on actual credit loss experience. The Group performed the calculation of ECL rates separately by segmenting exposures based on common credit risk characteristics and focused on the risks relevant to each geographic region.

Actual credit loss experience was adjusted to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

IMPAIRMENT

FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets except for the assets at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group recognises lifetime expected credit losses for accounts receivable and these are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions, including the time value of money where appropriate.

For all other financial assets, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If there has been no significant increase in credit risk, the loss allowance is measured as an amount equal to the 12-month expected credit losses.

The Group determines increases in credit risk by considering any change in the risk of default occurring since the date of initial recognition.

The Group considers that a rebuttable default has occurred when a financial asset is more than 90 days past due.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

FINANCIAL INSTRUMENTS

Determining expected credit losses requires assessments of general economic conditions, both current and future, and their impact on the credit risk of financial assets as well as using periods that amounts are past due to indicate levels of credit loss expected. Credit losses may occur differently to these expectations, both in terms of timing and amount.

COVID-19 CONSIDERATIONS

The following were considered by management in the forward-looking assessment to determine if the ECL was further affected by the impact of COVID-19:

- > the expected loss rate (allowance for credit losses) was applied to the outstanding balances to derive the amount provided for doubtful debt;
- > the trade receivables were assessed by analysing the industries in which the Group operates as well as reviewing media releases to ascertain whether any of the Group's customers or their industries were at risk of being impacted by adverse economic conditions or COVID-19 effects at the reporting date. The Group also considered any specific communications from customers that would cause concern in terms of their ability to meet their short-term obligations as at the reporting date. No such communications were received;
- > the data and research showed that an insignificant number of customers had formally requested an extension on current terms. None were in business rescue;
- > management also considered the type of products and services the Group provides to its customers. Certain of them were classified as providers of essential products and services throughout the pandemic. This allowed the Group to generate income, albeit at reduced levels in some instances.

13. SHARE CAPITAL AND SHARE PREMIUM

	NUMBER OF SHARES		GROUP		COMPANY	
R millions	2020	2019	2020	2019	2020	2019
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	109 944 384	110	110		
Company	121 829 083	121 829 083			122	122
Repurchased during the year						
— Company	(11 884 699)	_			(12)	_
At the end of the year						
Group	109 944 384	109 944 384	110	110		
Company	109 944 384	121 829 083			110	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
Total ordinary shares						
Group	109 944 384	109 944 384	110	110		
Company	120 062 335	131 947 034			116	128
No par value treasury shares held by a consolidated trust	10 117 951	10 117 951				
Par value treasury shares held by a subsidiary company	_	11 884 699				
Total treasury shares	10 117 951	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

DISTRIBUTION, CANCELLATION AND DELISTING OF TREASURY SHARES

AECI Treasury Holdings (Pty) Ltd, a wholly-owned subsidiary of the Company (TreasuryCo) held 11 884 699 ordinary shares constituting 9,76% of the issued listed ordinary shares in the Company. TreasuryCo Treasury Shares had no voting rights.

During the year, the Board of Directors of TreasuryCo resolved that TreasuryCo be deregistered/wound up/liquidated and that it would distribute all its assets to its sole shareholder in anticipation of deregistration. The assets distributed included the shares held in the Company and a loan claim of R200 million owed by the Company.

The effect of the distribution was that the shares repurchased were cancelled immediately by the Company and the loan claim was extinguished by operation of law. The transaction was approved by the Company's shareholders at the AGM held on 26 May 2020.

The distribution was executed in accordance with the requirements of the Companies Act and was cash neutral. The shares were cancelled and restored to the status of authorised but unissued shares. The Company applied to the JSE for the delisting of the Treasury Co Treasury Shares and, accordingly, the Treasury Co Treasury Shares were delisted on 26 June 2020.

13. SHARE CAPITAL AND SHARE PREMIUM CONTINUED

The distribution was accounted for at the fair value on the date of distribution, being the market value on the JSE recognised as a dividend received with related reduction of the Company's loan liability to zero, settlement of the investment and cancellation of the shares at par value.

R millions	Company
Settlement of loan	200
Settlement of investment	862
DIVIDEND RECEIVED IN SPECIE	1 062

In terms of the Company's MOI, all payments of dividends on the preference shares and all payments to be made in respect of the preference shares in the event of liquidation shall be made in pound sterling and calculated as though the shares were one pound sterling. The capital repayment to preference shareholders in the event of liquidation is limited to 3 150 000 pound sterling (1,05 pound sterling per share).

The following beneficial shareholders held 5% or more of the Company's listed ordinary shares at 31 December 2020:

R millions	Number of shares ¹	% of issued ordinary shares¹
Allan Gray	18 303 479	16,7
PIC	11 813 790	10,8
PSG Asset Management	7 799 960	7,1
Kagiso Asset Management	7 495 390	6,8

¹ Unaudited.

CAPITAL MANAGEMENT

The Board of Directors' policy is to actively manage the capital base so as to maintain investor and market confidence and 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 net assets (RONA). RONA is defined as operating profit plus the share of profit of equity-accounted investees, net of tax, as a percentage of average operating assets less average operating liabilities (see note 32). There are no externally-imposed capital requirements.

ACCOUNTING POLICIES

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.

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.

14. NON-CURRENT BORROWINGS

UNSECURE

R millions (unless otherwise indicated)		GROUP		COMPANY			
Facility	Terms of repayment	Interest rate ¹	Weighted average interest rate (%)	2020	2019	2020	2019
LOCAL							
Loans							
Term Ioan	Repayable in full on 12 April 2021	JIBAR + 1,94%	6,82	1 100	1 100	1 100	1 100
	Repayable in full on 21 November 2021	JIBAR + 1,41%	6,09	200	200	200	200
	Repayable in full on 21 November 2023	JIBAR + 1,60%	6,28	500	500	500	500
DMTN Programme ²							
AECI01	Repayable in full on 11 September 2021	JIBAR + 1,55%	6,55	360	360	360	360
AECI02	Repayable in full on 11 September 2023	JIBAR + 1,75%	6,68	520	520	520	520
AECI03	Repayable in full on 21 November 2022	JIBAR + 1,51%	6,19	500	500	500	500
AECI04	Repayable in full on 21 November 2023	JIBAR + 1,56%	6,24	300	300	300	300
FOREIGN							
Loans — US dollar							
	Paid in full on 23 November 2020	LIBOR + 1,45%	2,39	_	168		
	Repayable in full on 21 November 2021	LIBOR + 1,52%	2,38	205	196		
	Repayable in full on 21 November 2022	LIBOR + 1,83%	2,69	220	210		
	Repayable in full on 21 November 2023	LIBOR + 1,98%	2,84	293	281		
Loans — Euro							
	Repayable in full on 21 November 2023	EURIBOR + 2,00% ³	1,60	611	535		
	Repayable in full on 21 November 2023	0,27% + 2,00%	2,27	611	535		
TOTAL BORROWINGS				5 420	5 405	3 480	3 480
Current borrowings (s	ee note 18)			(1 865)	(168)	(1 660)	_
NON-CURRENT BORRO	OWINGS			3 555	5 237	1 820	3 480

¹ Applicable three-month base rate with interest accrued and repaid every three months.

² The JSE granted AECI the listing of its Senior Unsecured Floating Rate Notes, in terms of its Domestic Medium Term Note Programme (DMTN Programme), dated 4 September 2018. The DMTN Programme is guaranteed by AECI Mining Ltd, Chemical Services Ltd, Much Asphalt (Pty) Ltd and AECI Mauritius Limited, effective from 11 September 2018.

³ Three-month EURIBOR provided that if at any time while any amount is outstanding under Facility C1, the sum of such margin and EURIBOR is negative, the lenders will apply a floor of minus 2% to EURIBOR, such that the sum of the margin and EURIBOR remains greater than or equal to 0%.

14. NON-CURRENT BORROWINGS CONTINUED

SUMMARY OF REPAYMENTS

REPAYABLE DURING THE YEAR ENDING 31 DECEMBER

R millions	Total owing 2020	2021	2022	2023	Total owing 2019
GROUP					
Borrowings denominated in rand	3 480	1 660	500	1 320	3 480
Borrowings denominated in foreign currency	1 940	205	220	1 515	1 925
TOTAL BORROWINGS	5 420	1 865	720	2 835	5 405
COMPANY					
Borrowings denominated in rand	3 480	1 660	500	1 320	3 480
TOTAL BORROWINGS	3 480	1 660	500	1 320	3 480

FINANCIAL LIABILITIES

Borrowings are measured at amortised cost using the effective interest method.

15. LEASE LIABILITIES

	GR	OUP	COMI	PANY
R millions	2020	2019	2020	2019
Opening balance	576	739	28	30
Additions	24	22	_	12
Disposal of a subsidiary	(2)	_	_	_
Cancellations	(1)	_	_	_
Lease payments	(269)	(246)	(19)	(17)
Lease modifications	_	3	_	_
Interest	51	62	2	3
Translation differences	18	(4)	_	_
TOTAL LEASE LIABILITIES	397	576	11	28
Current lease liabilities	(150)	(210)	(6)	(17)
NON-CURRENT LEASE LIABILITIES	247	366	5	11

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R millions	Total owing 2020	Payable within 1 year	Payable between 1 and 5 years	Payable thereafter	Total owing 2019
GROUP					
Undiscounted amounts	482	183	239	60	690
Unearned interest	(85)	(33)	(44)	(8)	(114)
TOTAL LEASE LIABILITIES	397	150	195	52	576
COMPANY					
Undiscounted amounts	12	7	5	_	31
Unearned interest	(1)	(1)		_	(3)
TOTAL LEASE LIABILITIES	11	6	5	_	28

14. NON-CURRENT BORROWINGS CONTINUED

INFORMATION REGARDING VARIABLE LEASE ESCALATIONS

Some of the vehicle and property leases in which the Group is the lessee contain annual future escalations that are linked to local country CPI. All other leases contain fixed escalation rates.

	GR	OUP	СОМ	PANY
R millions	2020	2019	2020	2019
Fixed escalation leases	329	488	11	28
Variable escalation leases	68	88	_	_
— linked to South African CPI	66	87	_	_
— linked to foreign CPI	2	1	_	_
TOTAL LEASE LIABILITIES	397	576	11	28

FINANCIAL LIABILITIES

Lease liabilities are measured at amortised cost using the effective interest method.

ACCOUNTING POLICIES

The Group leases various properties, plant and equipment. Rental contracts are typically entered into for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Although the lease agreements do not impose any covenants, leased assets may not be used as security for borrowing purposes.

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date, being the date at which the leased asset was available for use by the Group. The right-of-use asset was measured at cost initially and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements in the lease liability.

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS

	GR	OUP	СОМ	PANY
R millions	2020	2019	2020	2019
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	163	165	106	107
Paid during the year	(8)	(4)	_	(1)
Charged to net operating costs during the year (see note 20)				
— Additional provision made	17	7	(5)	_
— Reversal of provision	_	(5)	_	_
Translation differences	(7)	_	_	_
	165	163	101	106
AT THE END OF THE YEAR	165	163	101	106
EARNINGS-BASED INCENTIVE SCHEME (see note 30)				
At the beginning of the year	16	22	16	21
Paid during the year	(12)	(9)	(12)	(8)
Charged to net operating costs during the year (see note 20)				
—Additional provision made	_	3	_	3
—Reversal of provision	(1)	_	(1)	_
	3	16	3	16
Current portion included in accounts payable (see note 17)	(3)	(16)	(3)	(16)
AT THE END OF THE YEAR	_	_	_	_

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS CONTINUED

	GR	GROUP		COMPANY	
R millions	2020	2019	2020	2019	
EARNINGS-GROWTH INCENTIVE SCHEME (see note 30)					
At the beginning of the year	78	91	37	40	
Paid during the year	(57)	(31)	(28)	(14)	
Charged to net operating costs during the year (see note 20)					
 Additional provision made 	1	24	1	14	
 Reversal of provision 	_	(6)	_	(3)	
	22	78	10	37	
Current portion included in accounts payable (see note 17)	(20)	(67)	(10)	(34)	
AT THE END OF THE YEAR	2	11	-	3	
CASH-SETTLED SHARE-BASED INCENTIVE SCHEME (see note 30)					
At the beginning of the year	9	22	9	22	
Paid during the year	(5)	(21)	(5)	(21)	
Charged to net operating costs during the year (see note 20)					
 Additional provision made 	_	8	_	8	
- Reversal of provision	(3)	_	(3)	_	
	1	9	1	9	
Current portion included in accounts payable (see note 17)	(1)	(9)	(1)	(9)	
AT THE END OF THE YEAR	_	_	_	_	
ACTUARIAL VALUATION OF OBLIGATIONS (see note 30)					
Post-retirement medical aid obligations	189	207	189	207	
Defined-benefit obligations	267	221	-	_	
AT THE END OF THE YEAR	456	428	189	207	
TOTAL NON-CURRENT PROVISIONS	623	602	290	316	

ACCOUNTING POLICIES

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

The environmental remediation provision is based on the Group's SHEQ policy, obligations in terms of legislation to remediate land and the most appropriate end-use for the land. The expenditure is expected to be incurred as and when the Group is legally required to do so, depending on end use for the land. The Group's environmental costs could increase significantly depending on the impact of possible changes in legislation and possible changes in practices by environmental authorities.

Cash-settled share-based payments

These schemes allow senior Group employees to participate in the performance of AECl's ordinary share price, in return for services rendered, through the payment of cash incentives which are based on the market price of AECl 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.

16. NON-CURRENT PROVISIONS AND EMPLOYEE BENEFITS CONTINUED

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

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.

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.

Post-retirement medical aid obligations

Details of the nature of the post-retirement medical aid obligations provision are contained in note 30. The costs will be incurred over the lifetime of all eligible employees and will vary depending on expected lives, changes to salary inflation, healthcare costs and discount rates.

Assumptions used to determine the obligations are detailed in note 30.

17. ACCOUNTS PAYABLE

	GF	ROUP	COM	IPANY
R millions	2020	2019	2020	2019
Trade	4 015	3 373	1 958	1 373
Payroll-related accruals	723	625	298	214
Other	84	221	22	105
Provisions	248	162	6	5
Accruals	164	110	65	67
Forward exchange contracts (see note 28)	111	65	54	25
VAT	18	25	_	_
Subsidiaries	_	_	175	151
Joint ventures and associates	4	10	_	_
	5 367	4 591	2 578	1 940
Current portion of non-current provisions (see note 16)	24	92	14	59
	5 391	4 683	2 592	1 999

18. CURRENT BORROWINGS

	GR	OUP	СОМ	PANY
R millions	2020	2019	2020	2019
Current portion of non-current borrowings (see note 14)	1 865	168	1 660	_
Unsecured interest-bearing short-term borrowings	_	27	_	26
	1 865	195	1 660	26

FINANCIAL LIABILITIES

Financial liabilities, including borrowings and accounts payable, are measured at amortised cost using the effective interest method.

19. REVENUE

DISAGGREGATION OF REVENUE BY NATURE

DISAGGREGATION OF REVENUE BY NATURE	G	ROUP	CON	COMPANY	
R millions	2020	2019 Restated¹	2020	2019 Restated¹	
AECI MINING	11 189	11 537			
Sale of goods	9 930	9 983			
Sale of goods and related product application services	1 259	1 554			
AECI WATER	1 447	1 452			
Sale of goods	26	37			
Sale of goods and related product application services	1 421	1 415			
AECI AGRI HEALTH	6 056	5 156	2 984	2 591	
Sale of goods	6 054	5 147	2 982	2 584	
Sale of goods and related product application services	2	9	2	7	
AECI CHEMICALS	5 427	6 668	2 762	2 927	
Sale of goods	5 394	6 606	2 738	2 873	
Sale of goods and related product application services	33	62	24	54	
AECI PROPERTY SERVICES & CORPORATE	343	338	356	343	
Sale of goods	_	7	_	_	
Sale of services	343	331	356	343	
REVENUE RECOGNISED AT A POINT IN TIME	24 462	25 151	6 102	5 861	
AECI PROPERTY SERVICES & CORPORATE	136	133	134	131	
Rental income	136	133	134	131	
Inter-segment	(487)	(485)	(138)	(132)	
TOTAL	24 111	24 799	6 098	5 860	

¹ Restatements are the result of a change in operating segments (see note 32).

19. REVENUE CONTINUED

DISAGGREGATION OF REVENUE BY INDUSTRY

	G	ROUP COI		PANY
R millions	2020	2019	2020	2019
Mining	11 510	11 848	298	272
Agriculture	5 271	4 843	2 922	2 551
Chemicals	2 578	2 819	370	364
Food and beverage	1 327	1 409	532	448
Oil and refining	557	715	128	224
Coatings, ink and adhesives	175	510	71	127
Textiles and leather	423	433	4	15
Paper and packaging	240	470	203	427
Toiletries, cosmetics and pharmaceuticals	363	348	356	339
Property	346	342	389	380
Detergents	249	251	248	250
Potable water	280	213	_	1
Engineering and foundry	185	144	183	142
Energy	181	39	152	2
Plastics and rubber	105	81	3	73
Construction	45	40	12	11
Automotive	32	35	21	23
Steel and metals	31	56	15	20
Appliances and furniture	9	10	3	4
Other	109	126	42	53
Subsidiaries	_	_	146	134
Sales to joint ventures and associates	95	67		
TOTAL	24 111	24 799	6 098	5 860

DISAGGREGATION OF REVENUE BY GEOGRAPHIC END MARKET

R millions	G	ROUP	COM	IPANY
	2020	2019	2020	2019
SADC1	14 186	15 294	5 827	5 580
Rest of African continent	4 953	5 222	98	89
International	4 877	4 216	27	57
Subsidiaries	_	_	146	134
Sales to joint ventures and associates	95	67	_	_
TOTAL	24 111	24 799	6 098	5 860

¹ Southern African Customs Union comprising South Africa, Botswana, Namibia, Lesotho and eSwatini.

19. REVENUE CONTINUED

ACCOUNTING POLICIES

REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

- > sale of goods in all its operating segments,
- » sale of goods and related product application services in its AECI Mining, AECI Water and AECI Chemicals operating segments, and
- > rental income and related facilities management services in its AECI Property Services & Corporate operating segment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. For certain revenue categories the Group identifies "sale of goods and services" as "not distinct" and thus combines goods and services with other promised goods or services until it identifies a "combined bundle of goods and services" as a single performance obligation.

SALE OF GOODS IN ALL OPERATING SEGMENTS

For sales of goods to customers, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of use or further distribution and price to sell the goods, has the primary responsibility for the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, since only the passage of time is required before payment is due.

SALE OF GOODS AND RELATED PRODUCT APPLICATION SERVICES

The Group provides product application services to customers. These are performed as and when goods are delivered and relate mainly to:

- » blasting services, where explosives are delivered directly to the point and location of usage and detonated within hours of delivery, and
- > dosing of chemicals directly into a customer's manufacturing or water treatment process, where the promise to the customer is a specific outcome to the process regardless of product volumes or service levels required to achieve that outcome.

The goods and services are delivered simultaneously or near-simultaneously and results in the product being used by the customer at that point in time. As a consequence, revenue is recognised when the product and related application service are delivered and the right to consideration becomes unconditional.

RENTAL INCOME AND RELATED FACILITIES MANAGEMENT SERVICES IN THE AECI PROPERTY SERVICES & CORPORATE OPERATING SEGMENT

IFRS 15 does not apply to revenue from lease contracts within the scope of IFRS 16 Leases. Consequently, the Group continues to recognise revenue in respect of rentals received from leasing activities 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.

Facilities management services to lessees comprise rail, environmental and laboratory services, steam generation, effluent treatment, electricity provision and storage and handling services. Revenue from these services is recognised as and when the services are provided since these services are usage-based and are delivered at a point in time.

20. NET OPERATING COSTS

	GROUP		COMPANY	
R millions	2020	2019	2020	2019
Cost of sales	16 151	16 497	5 000	4 741
Selling and distribution expenses	2 026	1 797	456	425
Administrative expenses	5 017	4 474	1 206	526
NET OPERATING COSTS	23 194	22 768	6 662	5 692
Net operating costs have been arrived at after taking into account:				
Auditor's remuneration	34	31	11	12
Audit fees	31	25	8	6
— Other services	3	6	3	6
Depreciation and amortisation	1 112	1 031	133	109
- Property, plant and equipment	783	732	102	81
 Investment property 	4	4	9	8
 Right-of-use assets 	243	220	17	15
 Intangible assets 	82	75	5	5
Foreign exchange gains	(599)	(387)	(15)	(1)
Foreign exchange losses	639	425	1	13
Impairment of goodwill	863	147	_	58
Impairment of investment in AECI Much Asphalt			549	_
Impairment of property, plant and equipment	27	_	27	-
Increase/(decrease) in non-current provisions and employee benefits	14	31	(8)	22
 Environmental remediation 	17	2	(5)	_
— Earnings-based incentive scheme	(1)	3	(1)	3
— Earnings-growth incentive scheme	1	18	1	11
— Cash-settled share-based incentive scheme	(3)	8	(3)	8
Lease costs	140	127	15	18
Research and development expenditure	65	64	2	7
Gain on bargain purchase	(24)	_	-	_
Sale of carbon credits	(46)	_		
Fair value adjustment on put option liability	7	2	-	_
Profit on disposal of equity-accounted investees	_	_	(2)	_
(Profit)/loss on disposal of businesses and investment in subsidiaries	(102)	_	112	_
(Surplus)/loss on disposal of property, plant and equipment	(12)	(69)	_	1
Total salaries and other staff costs	4 436	4 484	721	761
— Salaries and other staff costs	4 397	4 401	695	709
— Performance share-based payment	39	83	26	52

20. NET OPERATING COSTS CONTINUED

SALE OF CARBON CREDITS

The introduction of a Carbon Tax in South Africa at an initial rate of R120/tonne CO_2 for the 2019 calendar year, and stepped up to R127/tonne CO_2 for the 2020 calendar year, created an alternative market for Certified Emission Reductions for AECI Mining Explosives.

During the year, AECI Mining Explosives participated in a Request for Proposal for Carbon Credits. The net proceeds were recognised as sundry income on the completion of Carbon Offset Administration System requirements to transfer credits. 1,3 million carbon credits were agreed for sale. The first tranche of 0,6 million units was sold with a net value of R46 million.

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.

21. SHARE-BASED PAYMENTS

AECI EMPLOYEES SHARE TRUST (EST)

On 9 February 2012, the EST subscribed for 10 117 951 redeemable convertible AECI B ordinary shares of no par value, 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 did not participate in any of the Group's existing long-term incentive schemes at 9 February 2012 and Black Managers who were employed at that same date in the Group's South African operations, and any other employees and Black Managers who were employed subsequently and granted allocations by the AECI Executive Committee.

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.

21. 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 is 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:

	/6
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 rate	South African rand prime curve				
Dividend yield	Based on 10% of forecast dividends				
Grant date	30 Apr 2012	1 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.

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		
	2020	2019	
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	1 868 021	1 866 712	
UNALLOCATED POOL SHARES	738 071	736 762	

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 are eliminated together with the dividend paid by the Company in the Group results. Dividends paid to beneficiaries of the EST are not eliminated.

 $B\ ordinary\ shares\ for feited\ return\ to\ the\ pool\ of\ unallocated\ shares\ and\ are\ available\ for\ reallocation.$

 $^{2\ \ \}text{The issue price increased by the rate of }85\%\ \text{of the prime rate compounded monthly in arrears over the }10\text{-year EST term}.$

21. SHARE-BASED PAYMENTS CONTINUED

AECI PERFORMANCE SHARES (PS)

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
Equity-settled share-based payment	39	83	39	83
 Recognised in profit from operations 	39	83	26	52
 Investment in subsidiaries and joint ventures 			13	31

	NUMBER OF SHARES		
	2020	2019	
SHARE ALLOCATION			
Number of PS allocated at the beginning of the year	2 515 596	1 954 285	
Number of PS allocated to beneficiaries during the year	1 380 236	1 097 603	
Number of PS exercised during the year	(579 603)	(335 690)	
Number of PS forfeited during the year	(216 158)	(200 602)	
TOTAL PS ALLOCATED AS AT 31 DECEMBER	3 100 071	2 515 596	

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 Senior Managers who are able to influence the performance of AECI and its subsidiaries on a basis which aligns their interests with those of the Group.

Annual conditional awards of PS are 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. A peer group of 16 JSE-listed companies (including AECI) has been used to determine AECI's relative performance. From 2018, in respect of new awards, the vesting performance measurements included a measure on return on average net assets (RONA) and growth in headline earnings per share (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 at 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 RONA and HEPS performance measures are estimated at each reporting date, based on actual results and latest forecasts of the RONA and HEPS for the Group, to determine the expected number of shares that will vest. The cost recognised in the income statement is adjusted accordingly, if required.

21. SHARE-BASED PAYMENTS CONTINUED

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

	Sixth allocation	Seventh allocation	Eighth allocation	Ninth allocation
Market price of the Company's shares at the grant date (rand)	106,28	114,87	95,86	74,72
Risk-free interest rates		South African ran	d zero swaps curv	e
Prime rate		South African r	and prime curve	
Dividend yield		Based on fore	cast dividends	
Grant date	30 Jun 2017	16 Apr 2018	15 Apr 2019	15 Apr 2020
Vesting date ¹	30 Oct 2020	16 Apr 2021	14 Apr 2022	14 Apr 2023
Share price volatility (% per annum)	24,96	24,40	21,23	23,39
Fair value of equity instrument (rand)	199,46	110,89	86,40	61,36
Number of PS allocated	675 369	920 224	1 097 603	1 380 236

¹ The vesting of the sixth allocation was deferred from 30 June 2020 to 30 October 2020 in line with the Company's focus on safeguarding its financial position in terms of liquidity through the COVID-19 pandemic.

The sixth allocation was approved in June 2017 resulting in a grant date of 30 June 2020. The performance period was from 1 June 2017 to 1 June 2020, although the vesting was deferred from 30 June 2020 until 30 October 2020. This notwithstanding, all the calculations and performance periods still ended on 30 June 2020. The seventh allocation was approved in April 2018 resulting in a grant date of 16 April 2018. The performance period is from 1 January 2018 to 31 December 2021. The eighth allocation was approved in April 2019 resulting in a grant date of 15 April 2019. The performance period is from 1 January 2019 to 31 December 2022. The ninth allocation was approved in April 2020 resulting in a grant date of 15 April 2020. The performance period is from 1 January 2020 to 31 December 2023.

The performance period for the sixth allocation was completed on 1 June 2020 and AECI achieved fifth position in the peer group, with the number of shares vesting equal to the allocated shares multiplied by 2,2. The number of PS granted to eligible employees was 675 369 with 95 766 shares having been forfeited prior to vesting. Each awarded share was multiplied by 2,2 and this resulted in 1168 049 ordinary shares vesting to eligible employees. AECI contracted with Investec Ltd (Investec) to purchase the shares on the JSE and Avior Capital Markets (Pty) Ltd (Avior) to deliver them to eligible employees on the vesting date. Investec purchased the shares at a cost of R102 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.

ACCOUNTING POLICY

EQUITY-SETTLED SHARE-BASED PAYMENTS

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. These 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.

22. INTEREST EXPENSE

R millions	GR	GROUP		PANY
	2020	2019	2020	2019
Non-current borrowings	(287)	(364)	(235)	(304)
Current borrowings	(22)	(82)	(11)	(71)
Lease liabilities	(51)	(62)	(2)	(3)
Subsidiary companies			(87)	(88)
Joint ventures	(2)	_	(5)	(7)
Unwinding of discount (see notes 34 and 35)	(3)	(8)	_	(5)
	(365)	(516)	(340)	(478)

ACCOUNTING POLICY

FINANCE COSTS

Interest expense is recognised in the income statement in the period in which it is incurred.

23. INTEREST RECEIVED

	GR	GROUP		PANY
R millions	2020	2019	2020	2019
Joint ventures	_	3	_	2
Subsidiaries	_	—	133	179
Loans and receivables	87	56	64	27
	87	59	197	208

Interest is received from financial assets at amortised cost (see note 28).

ACCOUNTING POLICY

INVESTMENT INCOME

Interest income is recognised in the income statement as it accrues and it is measured using the effective interest method.

24. TAX (EXPENSE)/CREDIT

24. IAA (EAFENSE//GREDII	GROUP		COMPANY	
R millions	2020	2019	2020	2019
Current tax	(392)	(481)	(41)	(10)
South African and foreign normal tax	(351)	(451)	(41)	(10)
Foreign withholding taxes	(41)	(30)	_	_
Securities transfer tax	_	_	_	_
Deferred tax	(96)	(50)	21	23
South African and foreign deferred tax	(96)	(50)	21	23
	(488)	(531)	(20)	13
Adjustment for prior years	(15)	20	(2)	4
South African and foreign normal tax	(1)	3	(5)	(4)
Deferred tax	(14)	17	3	8
	(503)	(511)	(22)	17
Analysis of deferred tax charge by major temporary differences:			'	
Property, plant and equipment	25	(23)	17	(4)
Right-of-use assets and finance lease liabilities	(3)	18	_	_
Intangible assets	20	1	_	_
Provisions and deferred income	46	(36)	27	(58)
Pension fund employer surplus accounts	(17)	80	(17)	80
Deferred foreign exchange differences	8	(1)	(4)	3
Computed tax losses utilised	(90)	(136)	_	_
Other	(85)	47	(2)	2
	(96)	(50)	21	23
Adjustment for prior years	(14)	17	3	8
	(110)	(33)	24	31
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	(323)	(484)	_	_
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	217	92	_	_
	(106)	(392)	_	
	C.P.	OUP	СОМ	DANV
R millions	2020	2019	2020	2019
			'	
Reconciliation of tax rate computed in relation to profit before tax: Effective rate	75,9	27,8	6,1	16,7
Capital and non-taxable receipts	9,0	11,4	0,7	10,7
Exempt dividend income	-, , ,		82,6	_
Non-deductible expenses	(13,2)	(3,7)	(10,3)	4,1
Impairment of goodwill and equity-accounted investee (non-deductible)	(35,5)	(2,2)	(42,4)	15,9
S23N interest limitation	_	(0,9)	_	16,3
Foreign withholding taxes	(6,2)	(1,6)	_	_
Adjustment for prior years	(2,1)	1,1	(0,5)	(4,1)
Capital gains	(4,6)	(4,1)	(8,5)	_
Effects of share-based payment arrangements	_	2,2	_	(12,4)
	4,7	(2,0)	0,3	(8,5)
Other	• • • •	(=,0)	-,-	(-,-)

24. TAX (EXPENSE)/CREDIT CONTINUED

ACCOUNTING POLICIES

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.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

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. The Group considers how tax legislation applies to the Group's transfer pricing arrangements and applies the interpretation to the treatment of uncertain taxes.

25. EARNINGS PER SHARE

GROUP

R millions	2020	2019
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to ordinary shareholders	133	1 291
Impairment of goodwill	863	147
Impairment of property, plant and equipment	19	
Impairment of property, plant and equipment — gross	27	_
Tax effects of impairments of property, plant and equipment	(8)	_
Gain on bargain purchase — net	(15)	_
Gain on bargain purchase — gross	(24)	_
Tax effect of gain on bargain purchase	9	_
(Profit)/loss on disposal of businesses and investment in subsidiaries $-$ net	(66)	_
(Profit)/loss on disposal of businesses and investment in subsidiaries — gross	(102)	_
Tax effect of disposal of businesses and investment in subsidiaries	36	_
Loss/(profit) on disposal of equity-accounted investees $-$ net	3	(167)
Loss/(profit) on disposal of equity-accounted investees — gross	3	(234)
Tax effects of disposal of equity-accounted investees	_	67
Surplus on disposal of investment property, property, plant and equipment $-$ net	(9)	(58)
Surplus on disposal of investment property, property, plant and equipment $-$ gross	(12)	(69)
Tax effects of disposal of investment property, property, plant and equipment	3	11
HEADLINE EARNINGS 1	928	1 213

¹ The headline earnings adjustments had no non-controlling interest effect.

25. EARNINGS PER SHARE CONTINUED

GROUP

GROUP	2020	2019
EARNINGS PER ORDINARY SHARE (EPS)		
Basic (cents)	127	1 223
Headline (cents)	880	1 150
Weighted average number of ordinary shares in issue	131 947 034	131 947 034
Weighted average number of shares held by consolidated subsidiary cancelled during the year (see note 13)	(11 884 699)	_
Weighted average number of ordinary shares at the end of the year	120 062 335	131 947 034
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)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR BASIC AND HEADLINE EARNINGS PER SHARE	105 517 780	105 517 780

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 (2019: 105 517 780 net of treasury shares).

GROUP

Cents	2020	2019
DILUTED EARNINGS PER ORDINARY SHARE		
Basic	121	1 179
Headline	844	1 108

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 109 975 027 (2019: 109 507 102). AECl's average share price since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, was R83,58 (2019: R105,04). The other dilutive potential ordinary shares do not have an exercise price.

GROUP	2020	2019
RECONCILIATION OF THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHAR	E	
Weighted average number of ordinary shares	105 517 780	105 517 780
Dilutive adjustment for potential ordinary shares	4 457 248	3 989 322
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	109 975 028	109 507 102

ACCOUNTING POLICIES

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 CEDT, the potential shares issued to the EST and the performance shares issued as part of the Group's LTIP.

26. DIVIDENDS

		GROUP		PANY
R millions	2020	2019	2020	2019
ORDINARY				
Final for the prior year: No. 172 of 414 cents (2019: 366 cents) paid on 26 October 2020'	448	398	498	441
Interim for the current year: No. 173 of 100 cents (2019: 156 cents) paid on 7 September 2020	108	170	108	189
Total ordinary dividends paid: 514 cents (2019: 522 cents) PREFERENCE	556	568	606	630
Nos. 164 and 165 paid on 15 June 2020 and 15 December 2020 respectively EST	4	3	4	3
A dividend of 52 cents per share was declared in 2019 and paid in the current year	5	_	5	_
A dividend of 52 cents per share was declared and paid in the current year	5	_	5	_
	570	571	620	633
Proposed final ordinary dividend No. 174 for the year ended 31 December 2020 of 470 cents (2019: 414 cents) per share payable on 12 April 2021	508	448	508	497
	508	448	508	497

¹ The dividend payment was deferred from 6 April 2020 to 26 October 2020 in line with the Company's focus on safeguarding its financial position in terms of liquidity through the COVID-19 pandemic.

ACCOUNTING POLICY

DIVIDENDS

Dividends are recognised as a liability when declared and are included in the statement of changes in equity.

27. COMMITMENTS AND CONTINGENT LIABILITIES

COMMITMENTS

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
Capital commitments authorised	544	574	13	31
Contracted for	239	182	9	25
Not contracted for	305	392	4	6
Acquisitions authorised and contracted for 1	_	88	_	_
Future rentals on short-term and low value assets	49	35	_	_
Payable within 1 year	46	22	_	
Payable between 1 and 5 years	3	12	_	-
Payable thereafter	_	1	_	_

27. COMMITMENTS AND CONTINGENT LIABILITIES CONTINUED

CONTINGENT LIABILITIES

DISPUTE IN WEST AFRICA

A subsidiary in the West African region is defending an action brought by an Administration of Customs, claiming CFA 1652 000 000 (US\$2,8 million) and penalties up to CFA 44 546 724 967 (US\$76 million). Based on local and international legal advice, management is confident in its legal position. Subsidiaries in this region comply strictly with the Common External Tariff adopted and applied by the West African Economic Monetary Union.

OTHER CONTINGENT LIABILITIES

The Group is involved in 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.

ACCOUNTING POLICY

SIGNIFICANT JUDGEMENT

The Group applies judgement in assessing the potential outcome of uncertain legal and regulatory matters. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will occur and a reliable estimate thereof can be made, at which time a provision is recognised.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group finances its operations by a combination of retained profits, current borrowings, non-current borrowings and financial instruments denominated in both rand and foreign currencies. The Group also enters into derivative transactions 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 and forward rate agreements.

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 on 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 risk management is deployed in the Group and respective areas and how management monitors compliance with the Group's risk management policies and procedures. It reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

R millions		CARRYING	AMOUNT	FAIR VALUE	
		2020	2019	2020	2019
GROUP					
FINANCIAL ASSETS					
At fair value through other comprehensive income — equity instrument ¹		105	95	105	95
- Unlisted shares - Level 3	9	105	95	105	95
At fair value through profit or loss ²	_	383	265	383	265
- Forward exchange contracts - Level 2	12	26	28	26	28
 Money market investment in collective investment scheme – Level 1 	9	240	136	240	136
— Employer surplus accounts — Level 1	9	117	101	117	101
Amortised cost	_	8 137	6 423		
- Accounts receivable ³	12	4 524	4 422		
— Cash⁴		3 557	1 978		
$-$ Loans and receivables relating to other investments $^{\rm 5}$	9	56	23		
		8 625	6 783	488	360
FINANCIAL LIABILITIES					
Not measured at fair value	_	(9 744)	(9 098)		
— Accounts payable ³	17	(4 103)	(3 604)		
 Bank overdraft⁴ 		(123)	_		
 Loans from joint ventures ⁴ 	7	(98)	(62)		
 Borrowings⁵ 	14, 18	(5 420)	(5 432)		
At fair value through profit or loss		(133)	(112)	(133)	(112)
- Forward exchange contracts - Level 2	17	(111)	(65)	(111)	(65)
- Contingent consideration - Level 3		_	(15)	_	(15)
- Put option liability - Level 3 ⁶		(22)	(32)	(22)	(32)
		(9 877)	(9 210)		

¹ These financial assets have been designated at initial recognition to be carried at fair value through other comprehensive income.

² These financial assets are measured at fair value through profit or loss because they are not measured at amortised cost nor at fair value through other comprehensive income.

³ 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.

⁴ The fair value would not be materially different from the carrying amounts.

⁵ The fair values of the interest-bearing borrowings have not been disclosed as they are not materially different from the carrying amounts.

⁶ Not measured at fair value and subject to estimation uncertainty (see note 34).

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

		CARRYING	AMOUNT	FAIR VALUE	
R millions	Note	2020	2019	2020	2019
COMPANY					
FINANCIAL ASSETS					
At fair value through other comprehensive income — equity instrument ¹		103	93	103	93
– Unlisted shares – Level 3	9	103	93	103	93
At fair value through profit or loss ²		122	104		
 Forward exchange contracts — Level 2 	12	5	3	5	3
– Employer surplus accounts – Level 1	9	117	101	117	101
Amortised cost	_	7 250	6 051		
– Accounts receivable ³	12	1 908	1 612		
– Cash⁴		1 861	407		
 Non-current loans to subsidiaries⁴ 	12	748	750		
 Current loans to subsidiaries ⁴ 	6	2 727	3 267		
$-$ Loans and receivables relating to other investments 4	9	6	15		
		7 475	6 248	225	197
FINANCIAL LIABILITIES					
At fair value through profit or loss		(54)	(40)	(54)	(40)
 Forward exchange contracts — Level 2 	17	(54)	(25)	(54)	(25)
 Contingent consideration — Level 3 	36	_	(15)	_	(15)
Not measured at fair value	_	(13 394)	(11 762)		
— Accounts payable ³	17	(2 155)	(1 629)		
— Bank overdraft ⁴		(123)	_		
– Borrowings⁵	14, 18	(3 480)	(3 506)		
 Loans from joint ventures⁴ 	7	(196)	(130)		
 Current loans from subsidiaries ⁴ 	6	(7 440)	(6 497)		
		(13 448)	(11 802)		

- 1 These financial assets have been designated at initial recognition to be carried at fair value through other comprehensive income.
- 2 These financial assets are measured at fair value through profit or loss because they are not measured at amortised cost nor at fair value through other comprehensive income.
- 3 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.
- 4 The fair value would not be materially different from the carrying amounts.
- 5 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 are 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 9).

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year.

28. 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.

CURRENCY HEDGING

For foreign currency commitments, including highly probable forecast sales and purchases, the Group's policy is to hedge the full value of the transaction and consequently designates an item in its entirety as the hedged item in a hedging relationship.

Since the notional amount, life and underlying value of the hedging instruments and their corresponding hedged items are the same, it is expected that the value of the hedging instruments and the value of the corresponding hedged items will change systematically in opposite directions in response to movements in the underlying exchange rates.

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 foreign currencies.

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
Rand value of the hedging instruments, based on the contract rates	333	522	453	468
Profit on the hedging instruments recognised in the income statement	20	66	15	30

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.

	GF	GROUP		PANY
R millions	2020	2019	2020	2019
Value of hedging instruments, based on the contract rates	98	_	98	8

Maturing of the hedging instruments and payment related to the corresponding hedged items occur simultaneously. The cash flows relating to the hedging instruments are expected to occur within 12 months from the reporting date and will not affect the income statement, as the amount accumulated in equity will be removed from other comprehensive income and recognised in the initial cost of the related items of plant and equipment and inventory.

	GROUP		COMPANY	
R millions	2020	2019	2020	2019
Amount recognised directly in other comprehensive income under hedge				
accounting principles in respect of the effective portion of cash flow hedges	4	_	_	_

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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.

EXPOSURE TO CURRENCY RISK

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

	2020			2019		
R millions	Euro	US dollar	Other	Euro	US dollar	Other
Cash	15	137	41	21	116	96
Trade receivables	40	438	39	111	458	85
Trade payables	(172)	(709)	(52)	(149)	(532)	(135)
Gross exposure	(117)	(134)	28	(17)	42	46
Forward exchange contracts	478	725	20	21	242	(47)
NET EXPOSURE	361	591	48	4	284	(1)

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

		2020			2019	
R millions	Euro	US dollar	Other	Euro	US dollar	Other
Cash	13	_	_	_	6	_
Trade receivables	1	28	_	3	30	1
Loans to subsidiaries	_	398	_	_	399	_
Trade payables	(86)	(391)	(6)	(48)	(137)	(2)
Gross exposure	(72)	35	(6)	(45)	298	(1)
Forward exchange contracts	150	563	8	81	321	4
NET EXPOSURE	78	598	2	36	619	3

The following significant exchange rates applied during the year:

	CLOSI	CLOSING RATE		
Rand	2020	2019	2020	2019
Euro	17,97	15,73	18,78	16,18
US dollar	14,65	14,03	16,46	14,45

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS

Based on the Group's net exposure to currency risk, a 10% strengthening of the rand at 31 December would have increased/(decreased) equity and profit by the amounts shown below, assuming all other variables remained constant:

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
Equity ¹	(141)	(64)	(40)	(38)
Profit for the year before tax	(101)	(26)	(36)	(26)

¹ The equity impact includes the currency risk of interest-bearing non-current loans to subsidiaries denominated in foreign currencies (see note 6).

(B) INTEREST RATE RISK

The Group borrows extensively in both local and offshore markets to minimise its borrowing costs in rand terms.

Exposure to interest rate risk on borrowings and receivables is managed on a proactive basis. Depending on market conditions, the Group makes appropriate use of forward rate agreements, interest rate swaps and interest rate caps and floors to generate the desired interest rate profile and to manage exposure to interest rate fluctuations. No target levels of exposure are maintained.

The interest rate risk profile of financial liabilities at 31 December was:

	TOTAL		FLOATING RATE FINANCIAL LIABILITIES								
R millions	2020	2019	2020	2019	2020	2019					
GROUP											
Rand											
— Current (see note 18)	1 660	27	1 660	27	_	_					
- Non-current	1 820	3 480	1 820	3 480	_	_					
Euro											
- Non-current	1 222	1 070	611	535	611	535					
US dollar											
- Current	205	168	205	168	_	_					
- Non-current	513	687	513	687	_	_					
	5 420	5 432	4 809	4 897	611	535					
Loans from joint ventures	98	62	98	62	_	_					
TOTAL	5 518	5 494	4 907	4 959	611	535					
COMPANY											
Rand											
- Current	1 660	26	1 660	26	_	_					
— Non-current	1 820	3 480	1 820	3 480	_	_					
	3 480	3 506	3 480	3 506	_	_					
Loans from joint ventures	196	130	196	130	_	_					
Loans from subsidiaries	5 017	4 284	5 017	4 284	_	_					
TOTAL	8 693	7 920	8 693	7 920	_						

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

SENSITIVITY ANALYSIS

The Group has used a sensitivity analysis technique that measures the estimated change in profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only as, in practice, market rates rarely change in isolation.

The Group is exposed mainly to fluctuations in the following market interest rates: JIBAR, LIBOR, EURIBOR and money market rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the year and assumes that all other variables, in particular foreign currency rates, remained constant. The analysis was performed on the same basis as that used for 2019.

		2020	2019		
		E)/INCREASE IN BEFORE TAX	(DECREASE)/INCREASE IN PROFIT BEFORE TAX		
R millions	Upward change in interest rate	Downward change in interest rate	Upward change in interest rate	Downward change in interest rate	
3-month JIBAR	35	(35)	35	(35)	
3-month LIBOR	7	(7)	9	(9)	
3-month EURIBOR	6	(6)	5	(5)	

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
2020					
FINANCIAL LIABILITIES					
Unsecured borrowings	5 446	5 873	2 071	870	2 932
- Capital	5 420	5 420	1 865	720	2 835
- Interest accrued 1	26	453	206	150	97
Loans from joint ventures	98	98	98	_	_
Trade and other payables	4 103	4 103	4 103	_	_
Bank overdraft	123	123	123	_	_
Put option liability	22	27	_	_	27
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	(26)	(1 960)	(1 960)	_	_
- outflows	111	737	737	_	_
TOTAL FINANCIAL LIABILITIES	9 877	9 001	5 172	870	2 959
PERCENTAGE PROFILE (%)		100	57	10	33

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

GROUP			146.4		
R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2019					
FINANCIAL LIABILITIES					
Unsecured borrowings	5 478	6 572	595	458	5 519
— Capital	5 432	5 600	195	168	5 237
- Interest accrued 1	46	972	400	290	282
Loans from joint ventures	62	62	62	_	
Trade and other payables	3 604	3 604	3 604	_	_
Contingent consideration	15	15	15	_	_
Put option liability	32	44	_	_	44
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
- inflows	(28)	(1 363)	(1 363)	_	_
- outflows	65	1 147	1 147	_	
TOTAL FINANCIAL LIABILITIES	9 228	10 081	4 060	458	5 563
PERCENTAGE PROFILE (%)	,	100	40	5	55
COMPANY					
	Carrying	Contractual	Within	1 to 2	2 to 5
R millions	amount	cash flows	1 year	years	years
2020					
FINANCIAL LIABILITIES					
Unsecured borrowings	3 502	3 825	1 824	612	1 389
— Capital	3 480	3 480	1 660	500	1 320
- Interest accrued 1	22	345	164	112	69
Loans from joint ventures	196	196	196		
Current loans from subsidiaries	7 440	7 440	7 440	_	_
Trade and other payables	2 133	2 133	2 133	_	_
Bank overdraft	123	123	123	_	_
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
- inflows	(5)	(778)	(778)	_	_
- outflows	54	58	58	_	_
TOTAL FINANCIAL LIABILITIES	13 443	12 997	10 996	612	1 389

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

COMPANY

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2019					
FINANCIAL LIABILITIES					
Unsecured borrowings	1 167	4 307	368	244	3 695
— Capital	1 126	3 506	26	_	3 480
- Interest accrued¹	41	801	342	244	215
Loans from joint ventures	130	130	130	_	
Current loans from subsidiaries (restated, see note 6)	6 497	6 497	6 497	_	_
Trade and other payables	1 588	1 588	1 588	_	_
Contingent consideration	15	15	15	_	_
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
— inflows	(3)	(472)	(472)	_	
— outflows	25	66	66	_	
TOTAL FINANCIAL LIABILITIES	9 419	12 131	8 192	244	3 695
PERCENTAGE PROFILE (%)		100	68	2	30

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. These loans have no fixed repayment terms and are classified as current.

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 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 12.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

ACCOUNTING POLICIES

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 recognised subsequently 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.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, the pension fund employer surplus accounts in the defined-contribution plans (ESAs), 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

Investments in unlisted equity securities are classified as financial assets at fair value through other comprehensive income and are measured at fair value with any gains or losses, including foreign exchange, recognised in other comprehensive income, along with the associated deferred tax. When these assets are derecognised, the gain or loss accumulated in other comprehensive income is reclassified to retained income. Dividends on these investments are recognised in the income statement as investment income when they are declared and the Group has a right to receive them.

29. RELATED PARTY INFORMATION

The significant operating subsidiaries of the Group are identified in note 33, joint ventures in note 7 and associate companies in note 8.

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.

Dividends of R8 million were received from associate companies (2019: nil). Transactions with Directors are disclosed in note 31.

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	2020	2019
TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE:		
Leasing income and sales by the Company to		
— Subsidiaries	192	181
Sales to the Company by		
— Subsidiaries	157	77
 Joint ventures 	_	29
Dividends received by the Company from		
– Subsidiaries (see note 13)	1 062	_
Associates	8	_
Interest received by the Company from		
— Subsidiaries	133	179
 Joint ventures 	_	2
Interest paid by the Company to		
 Subsidiaries 	87	88
 Joint ventures and joint operations 	5	7
Rental of premises to the Company by		
 Subsidiaries 	30	32
Secretarial and administration fees paid to the Company by		
— Subsidiaries	170	179
 Joint ventures 	_	7
OUTSTANDING BALANCES WITH RELATED PARTIES OF THE COMPANY AT 31 DECEMBER WERE: (see notes 6 and 7)		
Loan amounts owing to the Company by		
— Subsidiaries	3 475	4 017
Loan amounts owing by the Company to		
— Subsidiaries	7 440	6 497
 Joint ventures 	196	130

29. RELATED PARTY INFORMATION CONTINUED

GROUP

R millions	2020	2019
KEY MANAGEMENT PERSONNEL COMPENSATION:		
— short-term employee benefits	34	44
– post-retirement benefits	2	2
- other long-term benefits	16	5
	52	51

Accounts receivable from and payable to related parties of the Group and the Company are disclosed in notes 12 and 17. Loans with joint ventures and dividends received from joint ventures are disclosed in note 7. Dividends received from associate companies are disclosed in note 8.

The key management personnel are the Directors, the Director of a major subsidiary, Prescribed Officers, and Managing Executives or equivalent of operating business entities.

The key management personnel compensation above relates to the Managing Executive of each major subsidiary or equivalent and excludes Directors and Prescribed Officers' remuneration which is set out in note 31.

30. EMPLOYEE BENEFITS

RETIREMENT BENEFITS

The Group provides retirement benefits for the majority of its permanent employees by means of an independent defined-contribution pension fund and an independent defined-contribution provident fund. The Group has four legacy defined-benefit pension funds which have no active members. The employees of certain acquired companies have separate retirement benefit arrangements. AECI Schirm has statutory arrangements whilst AECI Much Asphalt makes available membership in umbrella funds which employees may contribute to.

Restructuring of the Group's pension funds commenced in 2014 and progress has been reported annually in the integrated reports.

Restructuring of the AECI Pension Fund (APF) and the AECI Supplementary Pension Fund (ASPF) was completed in 2019. The remaining administrative matters were completed in 2020 and the two funds have been placed into liquidation. There are no further liabilities to stakeholders in respect of these two funds.

The AECI Employees Pension Fund (AEPF) and the Dulux Employees Pension Fund (DEPF) completed the majority of their restructuring processes in 2019. The transfer of a small and final group of pensioner members not included in the original transfer to Old Mutual was approved on 27 November 2020, well beyond the expected timeframe. Both funds have now transferred all their members and have settled their outstanding obligations. Both funds have some administrative processes to attend to including the transfer of unclaimed benefits. Once these processes have been concluded, the funds will be in a position to determine whether there are any remaining assets to be distributed as an "agterskot" to remaining former members. Thereafter, is it intended that both funds be placed in liquidation. The target is to complete this by the end of 2021.

The legacy funds no longer have any ongoing obligations to members and the Company has no further obligations to former members of these funds in the form of benefits. The liquidation process is expected to take some time since it is a legislated process. There are no longer any IAS 19 obligations to be accounted for.

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 or the Liquidator 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 bonds, insurance policies and cash.

Defined-benefit funds are valued every year actuarially, unless in liquidation, using the projected unit credit method of valuation by an independent firm of consulting actuaries. No valuations are required for defined-contribution funds.

30. EMPLOYEE BENEFITS CONTINUED

The Group has the following ESAs:

GROUP AND COMPANY

R millions	2020	2019
NON-CURRENT	584	662
AECI Supplementary Pension Fund (ASPF)	3	3
AECI Defined Contribution Pension Fund (ADCPF)	581	659
CURRENT — CLASSIFIED AS A FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (see note 9)	117	101
AECI Employees Provident Fund (AEPrF)	60	37
AECI Defined Contribution Pension Fund (ADCPF)	57	64
	701	763

PENSION FUNDS' ESAs			
R millions	ADCPF 2020	AEPrF 2020	Total 2020
At the beginning of the year	723	37	760
s15E transfer from the APF	(91)	91	_
Contribution holiday	(59)	(71)	(130)
Unvested retirement benefit equalisation target	18	-	18
Investment return	47	3	50
AT THE END OF THE YEAR	638	60	698

The financial information of the defined-benefit funds has not been disaggregated as the plans have similar risks subsequent to the settlements that took place in prior years.

Based on interim valuations by the funds' actuaries, the defined-benefit funds' financial positions at 31 December were:

GROUP AND COMPANY

R millions	APF 2020	ASPF 2020	AEPF 2020	DEPF 2020	Total 2020	Total 2019
Fair value of plan assets	8	3	80	4	95	104
Present actuarial value of defined-benefit obligations	_	_	_	_	_	_
Asset ceiling	(8)	_	(80)	(4)	(92)	(101)
PENSION FUNDS' ESA	_	3	-	_	3	3

The fair value of the funds' plan assets at 31 December 2020 comprised mainly bonds and some cash. It did not comprise any equity instruments nor any AECI securities.

As the funds have no future long-term obligations to members, no relevant actuarial assumptions were used in the current year's valuations.

30. EMPLOYEE BENEFITS CONTINUED

Certain employees of AECI Schirm in Germany are entitled to retirement benefits which are dependent on their seniority, length of service and level of pay. The plans are unfunded. The defined-benefit obligations are valued actuarially every year using the projected unit credit method of valuation by an independent firm of consulting actuaries. The liability is denominated in Euro and the disclosure has been prepared using the year-end ZAR/€ exchange rate.

GROUP

R millions	2020	2019
At the beginning of the year	(221)	(194)
Benefits paid	3	2
Exchange difference	(30)	6
RECOGNISED IN THE INCOME STATEMENT	(6)	(7)
Current service cost	(3)	(4)
Interest expense	(3)	(3)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	(13)	(28)
Actuarial gain/(loss) from changes in financial assumptions	2	(30)
Actuarial (loss)/gain on experience	(15)	2
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	(267)	(221)
Principal actuarial assumptions applied at 31 December in the valuations were:		
%	2020	2019
Discount rate	1,06	1,06
Expected salary increases	2,00	2,00
Future pension increases	1,75	1,75

A reasonably possible change to the discount rates and mortality rates used in the valuation will not have a material impact on the liability.

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.

Based on interim valuations by the actuaries, the funded status of the PRMA obligations at 31 December was:

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
Present actuarial value of defined-benefit obligations	(189)	(207)	(189)	(207)
At the beginning of the year	(207)	(216)	(207)	(216)
Current service cost	(1)	(1)	(1)	(1)
Interest cost	(19)	(20)	(19)	(20)
Benefits paid	18	18	18	18
Net actuarial gains	20	12	20	12
NET PRMA LIABILITY	(189)	(207)	(189)	(207)

30. EMPLOYEE BENEFITS CONTINUED

Principal actuarial assumptions for the PRMA obligations were:

GROUP

%	2020	2019
Annual increase in healthcare costs	CPI + 2	CPI + 1
Discount rate	11,20	9,70

Healthcare cost inflation was estimated based on long-term CPI and adjusted with a risk premium of 0.5% due to the economic uncertainty caused by the COVID-19 pandemic. As a result, the percentage used in the valuation was 8.8%.

Estimated employer's contributions in respect of PRMA obligations for the coming year for both the Group and the Company are R19 million, representing the subsidies for the remaining eligible pensioner members.

Amounts recognised in the income statement in respect of the PRMA obligations were:

	GR	GROUP		PANY
R millions	2020	2019	2020	2019
Current service cost	(1)	(1)	(1)	(1)
Interest cost	(19)	(20)	(19)	(20)
RECOGNISED IN THE INCOME STATEMENT	(20)	(21)	(20)	(21)
Remeasurements recognised in other comprehensive income in respect of PRMA obligations:				
Actuarial gain	20	12	20	12
RECOGNISED IN OTHER COMPREHENSIVE INCOME	20	12	20	12

SENSITIVITY ANALYSIS	31 Dec	Discount rate +0,5%	Discount rate -0,5%	Future inflation +0,5%	Future inflation -0,5%
For a change in significant actuarial assumptions:					
Present actuarial value of obligations (R millions)	(189)	(174)	(207)	(207)	(174)
Change in liability (%)		(8,0)	9,6	9,4	(8,2)
Current service cost for 2021 (R millions)	1	1	1	1	1
Change in current service cost (%)		_	_	9,4	(16,0)
Interest cost for 2021 (R millions)	20	20	20	22	19
Change in interest cost (%)		_	_	9,5	(4,2)

30. 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 a participant ceases to be an employee other 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 time in 2012.

Details of EBIS units at 31 December were:

NUMBER OF UNITS

Expiry date	Grant date	Issue price (Rand)	Granted	Exercised	Forfeited	Outstanding
February 2020	March 2010	3,34	18 594 101	16 433 223	2 160 878	_
February 2021	March 2011	5,84	17 643 920	14 309 161	2 692 970	641 789
			36 238 021	30 742 384	4 853 848	641 789

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.

30. EMPLOYEE BENEFITS CONTINUED

In the event that a participant ceases to be an employee other 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
June 2020	June 2013	6,27	19 361 771	15 886 434	3 475 337	_
June 2021	June 2014	7,91	13 833 744	10 034 717	2 430 350	1 368 677
June 2022	June 2015	6,63	10 532 462	7 099 534	1 564 730	1 868 198
June 2023	June 2016	7,53	8 097 793	3 061 194	1 322 129	3 714 470
		,	51 825 770	36 081 879	8 792 546	6 951 345

	GR	OUP	COMPANY	
R millions	2020	2019	2020	2019
Total carrying amount of EG units liabilities (see note 16)	22	78	10	37

ACCOUNTING POLICIES

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, historically, 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 permitted 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 30).

30. EMPLOYEE BENEFITS CONTINUED

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. The South African obligations are contained in separate legal entities and are denominated in rand, while the German obligations, at AECI Schirm, are unfunded and are denominated in Euro.

Actuarial valuations are conducted annually by a qualified actuary and the calculation is performed using the projected unit credit method.

In the South African entities, the calculation results in a benefit to the Group. However, the recognised asset is limited to amounts credited to the ESAs in accordance with the Act, where this does not exceed the present value of economic benefits available in the form of 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 net operating costs 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 year, 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 services 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 net operating costs in the income statement includes the current service cost and the net interest on the net defined-benefit liability. Net interest expense is the interest on the net defined-benefit liability at the beginning of the year, 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 any changes in actuarial assumptions or experience adjustments, are remeasurements and are recognised immediately in other comprehensive income.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw from the offer of those benefits or when the Group recognises costs of restructuring.

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 services in the current and prior years. That benefit is discounted to determine its present value. Remeasurements are recognised in the income statement in the period in which they arise.

31. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION AND INTERESTS

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

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

		ABER OF SHAR	ES	
	2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
EXECUTIVE DIRECTORS				
MA Dytor	158 686	_	105 097	_
KM Kathan	137 931	_	94 814	_
	296 617	_	199 911	_
PRESCRIBED OFFICERS				
EE Ludick	39 972	_	9 250	_
DJ Mulqueeny	26 894	_	8 578	_
DK Murray	28 833	_	10 487	_
	95 699	_	28 315	_
GROUP COMPANY SECRETARY				
EN Rapoo ¹	24 054	_	8 223	_
	24 054	_	8 223	=
	416 370	_	236 449	_

¹ EN Rapoo resigned with effect from 31 December 2020.

Non-executive Directors did not have any beneficial holdings in either of the years presented.

No Director or Prescribed Officer nor the Group Company Secretary had beneficial holdings in the Company's cumulative preference shares 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 the reporting date and the issue date of the financial statements.

NON-EXECUTIVE DIRECTORS' REMUNERATION

R thousands	Directors' fees	Chairman/ Committee fees	Attendance fees	2020 Total	2019 Total
KDK Mokhele	1 406	224	214	1 844	1 847
SA Dawson (appointed Jan 2020)	367	202	815	1 384	_
FFT De Buck	272	303	214	789	188
WH Dissinger (appointed 1 Jan 2020)	367	202	815	1 384	_
G Gomwe	272	489	297	1 058	1 008
R Ramashia	272	374	273	919	793
AM Roets (appointed on 1 June 2020)	162	132	132	426	_
PG Sibiya	272	449	237	958	645
J Molapo (resigned on 24 November 2020)	249	68	107	424	326
AJ Morgan (resigned on 26 May 2020)	110	198	81	389	951
	3 749	2 641	3 185	9 575	5 758

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

EXECUTIVE DIRECTORS' REMUNERATION

R thousands	MA Dytor	KM Kathan	Total
2020			
Basic salary	6 135	4 686	10 821
Bonus and performance-related payments ¹	2 914	2 226	5 140
Expense allowances, medical aid and insurance contributions	1 171	893	2 064
Leave pay	236	180	416
Retirement fund contributions	522	399	921
Total cash-settled share-based payments and other long-term benefits	2 694	3 416	6 110
Benefit unit payments ²	361	2 246	2 607
EG unit payments	2 333	1 170	3 503
Pre-tax benefit of PS vested	7 659	6 162	13 821
Aggregate remuneration	21 331	17 962	39 293
Pre-tax benefit of PS vested	(7 659)	(6 162)	(13 821)
AGGREGATE REMUNERATION PAID BY THE COMPANY	13 672	11 800	25 472
2019			
Basic salary	5 577	4 442	10 019
Bonus and performance-related payments	4 146	3 308	7 454
Expense allowances, medical aid and insurance contributions	756	595	1 351
Leave pay	214	_	214
Retirement fund contributions	475	378	853
Total cash-settled share-based payments and other long-term benefits	1 530	4 233	5 763
Benefit unit payments	431	3 252	3 683
DS unit payments	1 099	981	2 080
Pre-tax benefit of PS vested	3 602	2 652	6 254
Aggregate remuneration	16 300	15 608	31 908
Pre-tax benefit of PS vested	(3 602)	(2 652)	(6 254)
AGGREGATE REMUNERATION PAID BY THE COMPANY	12 698	12 956	25 654

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 7 600 benefit units which generated a benefit of R360 722 before tax. KM Kathan exercised 47 320 benefit units which generated a benefit of R2 246 280 before tax.

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

PRESCRIBED OFFICERS' REMUNERATION 1

R thousands		EE Ludick	DJ Mulqueeny	DK Murray	CBH Watson ²	Total
2020			1 /	,		
Basic salary		3 792	3 227	3 161	2 760	12 940
Bonus and performance-related payments ³		1 787	1 533	1 501	865	5 686
Expense allowances, medical aid and insurance	contributions	704	719	752	473	2 648
Leave pay	56.16.15 de.61.5	_	124	122	_	246
Retirement fund contributions		323	275	269	240	1 107
Total cash-settled share-based payments and o long-term benefits	ther	635	_	1 289	_	1 924
EG unit payments ⁴		635	_	1 289		1 924
Pre-tax benefit of PS vested	L	4 391	2 619	2 623		9 633
		11 632	8 497	9 717	4 338	34 184
Aggregate remuneration Pre-tax benefit of PS vested		(4 391)	(2 619)	(2 623)	4 330	(9 633)
Aggregate remuneration paid by subsidiaries		(7 241)	(2 017)	(2 023) —	_	(7 241)
AGGREGATE REMUNERATION PAID BY THE COMP			5 878	7 094	4 338	17 310
AGGREGATE REMONERATION FAID BY THE COMP			·			1/ 310
R thousands	MVK Matshise	EE Ludick	DJ Mulqueeny	DK Murray	CBH Watson²	Total
2019						
Basic salary	250	3 594	3 073	3 010	_	9 927
Bonus and performance-related payments	_	2 658	2 269	2 223	_	7 150
Expense allowances, medical aid and						
insurance contributions	39	441	566	591	_	1 637
Notice pay	1 881	_	_	_	_	1 881
Retirement lump sum	4 289	_	_	_	_	4 289
Leave pay	349	_	_	_	_	349
Retirement fund contributions	24	306	262	256	_	848
Total cash-settled share-based payments and other long-term benefits	693	929	651	650	_	2 923
Benefit unit payments ³	_	65	_	_		65
EG unit payments	693	67	_	_	_	760
DS unit payments	_	797	651	650	_	2 098
Pre-tax benefit of PS vested	_	1 363	787	801	_	2 951
Aggregate remuneration	7 525	9 291	7 608	7 531	_	31 955
Pre-tax benefit of PS vested	_	(1 363)	(787)	(801)	_	(2 951)
Aggregate remuneration paid by subsidiaries		(7 928)		_	_	(7 928)
AGGREGATE REMUNERATION PAID BY THE COMPANY	7 525	_	6 821	6 730	_	21 076

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 CBH Watson was appointed with effect from 1 January 2020.

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

⁴ DK Murray exercised 276 430 EG units which generated a benefit of R128 025 before tax. EE Ludick exercised 133 524 which generated a benefit of R635 336 before tax.

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

AGGREGATE REMUNERATION

R thousands	2020	2019
Non-executive Directors	9 575	7 022
Executive Directors	39 293	31 908
Prescribed Officers	34 184	31 955
	83 052	70 885

LONG-TERM INCENTIVE SCHEMES

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

CASH-SETTLED SHARE-BASED SCHEME (BENEFIT UNITS)

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

1	J١	J	м	R	FR	0	Fι	J١	۷ľ	TS

	Grant date	Issue price (Rand)	Granted	Exercised	Lapsed or forfeited	Outstanding
MA Dytor	March 2010	59,80	7 600	7 600	_	_
,	March 2011	83,82	6 600	_	_	6 600
KM Kathan	March 2010	59,80	47 320	47 320	_	_
	March 2011	83,82	18 100	_	_	18 100
			79 620	54 920	_	24 700

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

	NUMBER	R OF UNITS
	2020	2019
Outstanding at the beginning of the year	79 620	152 330
Exercised during the year	(54 920)	(72 710)
OUTSTANDING AT THE END OF THE YEAR	24 700	79 620

MA Dytor exercised 7 600 benefit units which generated a benefit of R360 722 before tax. KM Kathan exercised 47 320 benefit units which generated a benefit of R2 246 280 before tax.

31. 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	June 2014	7,91	210 594	210 594	_	_
,	June 2015	6,63	392 862	392 862	_	_
	June 2016	7,53	258 598	172 382	_	86 216
KM Kathan	June 2014	7,91	195 120	195 120	_	_
	June 2015	6,63	350 549	233 699	_	116 850
	June 2016	7,53	230 761	76 913	_	153 848
EE Ludick	June 2015	6,63	243 999	162 666	_	81 333
	June 2016	7,53	156 588	52 191	_	104 397
DJ Mulqueeny	June 2016	7,53	125 539	_	_	125 539
DK Murray	June 2014	7.91	109 824	109 824	_	_
·	June 2015	6.63	231 882	231 882	_	_
	June 2016	7,53	127 794	85 188	_	42 606
			2 634 110	1 923 321	_	710 789

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

NUMBER OF UNITS

	2020	2019
Outstanding at the beginning of the year	1 884 034	2 399 447
Lapsed during the year	_	(320 563)
Exercised during the year	(1 173 245)	(194 850)
OUTSTANDING AT THE END OF THE YEAR	710 789	1 884 034

MA Dytor exercised 504 488 EG units which generated a benefit of R2 332 936 before tax. KM Kathan exercised 258 803 EG units which generated a benefit of R1170 010 before tax. EE Ludick exercised 133 524 EG units which generated a benefit of R635 336 before tax. DK Murray exercised 276 430 EG units which generated a benefit of R1 289 025 before tax.

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

AECI PERFORMANCE SHARES (PS)

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

Lapsed or Grant date Vested¹ Granted forfeited Outstanding MA Dytor June 2017 43 766 43 766 April 2018 62 474 62 474 April 2019 70 494 70 494 April 2020 120 924 120 924 KM Kathan June 2017 35 215 35 215 April 2018 46 200 46 200 April 2019 48 531 48 531 April 2020 80 152 80 152 EE Ludick June 2017 25 096 25 096 April 2018 31 004 31 004 April 2019 32 632 32 632 April 2020 53 893 53 893

14 966

22 984

28 683

39 323

14 990

22 685

28 313

38 865

32 671

893 861

14 966

14 990

134 033

22 984

28 683

39 323

22 685

28 313

38 865

32 671

759 828

NUMBER OF PS

MA Dytor: R7 658 509 KM Kathan: R6 162 202 EE Ludick: R4 391 482 DJ Mulqueeny: R2 618 855 DK Murray: R2 623 070

DJ Mulqueeny

DK Murray

CBH Watson

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

June 2017

April 2018

April 2019

April 2020

June 2017

April 2018

April 2019

April 2020

April 2020

,	NUMBER	R OF UNITS
	2020	2019
Outstanding at the beginning of the year	528 033	432 643
Lapsed during the year	_	(41 585)
Issued during the year	365 828	208 653
Vested during the year	(134 033)	(71 678)
OUTSTANDING AT THE END OF THE YEAR	759 828	528 033

¹ The pre-tax benefits generated by PS vested in Directors and Prescribed Officers were:

32. OPERATING SEGMENTS

BASIS OF SEGMENTATION

The realignment and rebranding of the Group's businesses was completed in the year. This included repositioning businesses in four strategic pillars. These pillars, together with AECI Property Services & Corporate, are the Group's reportable segments and are described below.

The Food & Beverage segment, previously reported separately, was integrated with the AECI Chemicals segment in the current year. AECI Animal Health transferred from AECI Chemicals to AECI Agri Health. Associated internal reporting was amended to reflect these changes and audited 2019 disclosure has been restated accordingly.

Businesses in each pillar offer differing products and services and are managed separately because they require different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
AECI Mining	The businesses in this segment provide a mine-to-mineral solution for the mining sector internationally. The offering includes commercial explosives, initiating systems, blasting services and surfactants for explosives manufacture right through the value chain to chemicals for ore beneficiation and tailings treatment.
AECI Water	This business provides customers on the African continent with integrated water treatment solutions, process chemicals and equipment solutions for a diverse range of applications. These include, inter alia, public and industrial water, desalination and utilities.
AECI Agri Health	Businesses in this pillar manufacture and distribute crop protection products, plant nutrients, animal premixes, specialty animal health products and fine chemicals on the African continent, in Europe and in the USA.
AECI Chemicals	Businesses in this segment supply raw materials and related services to a broad spectrum of customers in the food and beverage, manufacturing, infrastructure and general industrial sectors. Their markets are mainly in South Africa and in other Southern African countries, except for AECI SANS Fibers which is based in the USA.
AECI Property Services & Corporate	Mainly property leasing and management in the office, industrial and retail sectors, and 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.

INFORMATION RELATING TO REPORTABLE SEGMENTS

Information relating to each reportable segment is set out below. Segmental profit from operations is used to measure performance because AECI's Executive Committee believes that this information is the most relevant in evaluating the results of the respective segments.

	EXTERNAL REVENUE		INTER-SI REVE		TOTAL SEGMENT REVENUE		
R millions	2020	2019	2020	2019	2020	2019	
AECI Mining	11 035	11 429	154	108	11 189	11 537	
AECI Water	1 421	1 415	26	37	1 447	1 452	
AECI Agri Health	6 005	5 109	51	47	6 056	5 156	
AECI Chemicals	5 304	6 504	123	164	5 427	6 668	
AECI Property Services & Corporate	346	342	133	129	479	471	
Inter-segment	_	_	(487)	(485)	(487)	(485)	
	24 111	24 799	_	_	24 111	24 799	

32. OPERATING SEGMENTS CONTINUED

	DEPREC	DEPRECIATION		TISATION	IMPAIRMENTS'		
R millions	2020	2019	2020	2019	2020	2019	
AECI Mining	613	615	7	1	_	_	
AECI Water	33	20	15	19	_	_	
AECI Agri Health	196	154	31	27	_	_	
AECI Chemicals	154	139	23	23	890	147	
AECI Property Services & Corporate	74	67	5	5	_	_	
Inter-segment	(39)	(39)					
	1 031	956	81	75	890	147	

	•	OSS) FROM ATIONS	EB	ITDA²		PITAL IDITURE
R millions	2020	2019	2020	2019	2020	2019
AECI Mining	1 120	1 305	1 744	1 923	325	479
AECI Water	211	190	259	229	40	22
AECI Agri Health	290	228	518	409	166	121
AECI Chemicals	(531)	399	555	970	78	139
AECI Property Services & Corporate	(165)	(83)	(86)	(11)	23	72
Inter-segment	(8)	(8)	(47)	(47)		
	917	2 031	2 943	3 473	632	833

		OPERATING ASSETS ³		
R millions	2020	2019	2020	2019
AECI Mining	7 044	7 917	1 964	1 931
AECI Water	1 205	1 205	256	263
AECI Agri Health	5 113	4 529	1 857	1 491
AECI Chemicals	4 631	5 396	1 384	1 024
AECI Property Services & Corporate	1 082	1 126	319	328
Inter-segment	(523)	(524)	(389)	(354)
	18 552	19 649	5 391	4 683

¹ Includes impairments of goodwill, property, plant and equipment.

ACCOUNTING POLICY

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.

Segment reporting is based on IFRS and is representative of the internal management reporting.

² Earnings before interest, taxation, depreciation and amortisation calculated as profit from operations and equity-accounted investees plus depreciation, amortisation and impairments. EBITDA is unaudited.

³ Operating assets comprise property, plant and equipment, right-of-use assets, investment property, intangible assets, goodwill, inventories, accounts receivable and assets classified as held for sale. Operating liabilities comprise accounts payable.

Geographical information on non-current assets has not been disclosed as it is not readily available.

33. PRINCIPAL SUBSIDIARIES

33. PRINCIPAL SUBSIDIARIES	ISSUED SHARE CAPITAL	EFF SHAREH	ECTIVE OLDING	INI	TEREST OF AECI LTD# SHARES		TEREST OF AECI LTD# TO/(FROM)
	2020 Number of shares	2020 %	2019 %	2020 R millions	2019 R millions	2020 R millions	2019 R millions
HOLDING COMPANIES DIRECTLY HELD							
AECI Treasury Holdings (Pty) Ltd	100	100	100	_		_	(151)
INSURANCE DIRECTLY HELD	242.222	100	100		5 4	(460)	(110)
AECI Captive Insurance Company Ltd	810 000	100	100	51	51	(160)	(110)
AECI MINING DIRECTLY HELD							
AECI Mining Ltd INDIRECTLY HELD	400 000 000	100	100	4 438	4 438	(423)	597
AECI Australia (Pty) Ltd	13 700 000	100	100	_	_	_	_
AECI Ghana Ltd	1 000 000	100	100	_	_	_	_
AECI (Mauritius) Limited	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 SARL¹	100 000	100	100	_	_	_	_
AEL DRC SPRL ²	10 000	100	100	_	_	_	_
AEL Mali SARL	8 659	100	100	_	_	_	_
AEL Morocco	2 500	100	100	_	_	_	_
AEL Zambia plc	25 508 250	75	75	_	_	_	_
AEL Mining Services Ltd++	100	100	100	_	_	(395)	(381)
African Explosives (Botswana) Ltd	3	100	100	_	_	_	_
African Explosives Holdings (Pty) Ltd	4 331 278	100	100	_	_	(1 133)	(920)
African Explosives (Tanzania) Ltd	26	100	100	_	_	_	_
PT AEL Indonesia	1 150	100	100	_	_	_	_
AECI WATER							
INDIRECTLY HELD							
Blendtech (Pty) Ltd	1 800	100	100	_	_	(5)	(5)
ImproChem (Pty) Ltd	4 000	100	100	_	_	(485)	(345)

[#] Cost less impairments.

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. Burkina Faso 2. Democratic Republic of Congo.

⁺⁺ Trading as an agent on behalf of AECI Mining Ltd.

33. PRINCIPAL SUBSIDIARIES CONTINUED

33. I KINGII AL 3003IDIAKIL3 CONTINUED	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		EFFECTIVE		INT	EREST OF AECI LTD# SHARES		EREST OF AECI LTD# IO/(FROM)
	2020 Number of shares	2020 %	2019 %	2020 R millions	2019 R millions	2020 R millions	2019 R millions		
AECI AGRI HEALTH DIRECTLY HELD									
Biocult (Pty) Ltd INDIRECTLY HELD	5 000	100	100	23	17	2	16		
Farmers Organisation Ltd ³	240	100	100	_	_	_	_		
Schirm GmbH ⁴	100	100	100	_	_	_	_		
Other				_	_	(48)	(49)		
AECI CHEMICALS DIRECTLY HELD									
Chemical Services Ltd	83 127 950	100	100	818	818	(420)	(449)		
SANS Fibers Inc.⁵	100	100	100	_	_	398	399		
SANS Fibres (Pty) Ltd+	17 979 433	100	100	8	8	(126)	(126)		
Much Asphalt (Pty) Ltd	100	98	98	1 258	1 801	406	405		
Afoodable (Pty) Ltd	100	_	100	_	16		29		
Southern Canned Products (Pty) Ltd INDIRECTLY HELD	100 000	100	100	241	241	48	173		
Chemfit (Pty) Ltd	4 000	100	100	_	_	(162)	(76)		
Chemfit Fine Chemicals (Pty) Ltd	1 000	100	100	_	_	(42)	(72)		
Other				_	_	(440)	(412)		
AECI PROPERTY SERVICES									
Acacia Real Estate (Pty) Ltd	1 000	100	100	_	_	(317)	(347)		
Paardevlei Properties (Pty) Ltd	1	100	100	_	_	(379)	(380)		
Other	_	_	_	3	3	(271)	(268)		
OTHER				142	177	(13)	(8)		
				6 981	7 570	(3 965)	(2 480)		

[#] Cost less impairments.

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: 3. Malawi 4. Germany 5. United States of America.

⁺ Trading as an agent on behalf of AECI Ltd.

34. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interest:

NON-CONTROLLING INTEREST (%) Non-current assets Current assets Non-current liabilities Current liabilities NET ASSETS Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	25 98 476 (18) (126) 430 108 (712)	2 987 367 (328) (342) 684 41	10	
Non-current assets Current assets Non-current liabilities Current liabilities NET ASSETS Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	98 476 (18) (126) 430 108	987 367 (328) (342) 684	10	
Current assets Non-current liabilities Current liabilities NET ASSETS Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	476 (18) (126) 430	367 (328) (342) 684	10	
Non-current liabilities Current liabilities NET ASSETS Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(18) (126) 430 108	(328) (342) 684		
Current liabilities NET ASSETS Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(126) 430 108	(342) 684		
NET ASSETS Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	430 108	684	10	
Carrying amount of non-controlling interest Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	108		10	
Revenue Profit PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST		41		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(712)		19	168
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(/12)	(1 190)		
Other comprehensive income OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(71)	(4)		
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(18)	(5)	_	(23)
	(24)	_	24	_
TOTAL COMPDEHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(6)	_	(1)	(7)
TOTAL COMI RETENSIVE INCOME ALLOCATED TO NON CONTROLLING INTEREST	(24)	(5)	(1)	(30)
Dividends paid	(87)	(9)		
Other cash flows from operating activities	133	49		
Cash flows from operating activities	46	40		
Cash flows from investing activities	(39)	(29)		
Cash flows from financing activities	(3)	(14)		
Cash flows from financing activities				
Increase/(decrease) in cash	4	(3)		
Cash at the beginning of the year	159	39		
CASH AT THE END OF THE YEAR	163	36		

¹ AECI Ltd holds 98% of Much Asphalt (Pty) Ltd and indirectly holds 55% of East Coast Asphalt (Pty) Ltd, a subsidiary of Much Asphalt (Pty) Ltd.

34. NON-CONTROLLING INTEREST CONTINUED

R millions	AEL Zambia	Much Asphalt¹	Other	Total
2019		1		
NON-CONTROLLING INTEREST (%)	25	2		
Non-current assets	64	1 012	,	
Current assets	512	359		
Non-current liabilities	(14)	(331)		
Current liabilities	(140)	(352)		
NET ASSETS	422	688		
Carrying amount of non-controlling interest	106	45	15	166
Revenue	(732)	(1 876)		
Profit	(89)	(125)		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST	(22)	(10)	1	(31)
Other comprehensive income	8	_	_	8
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	2	_	_	2
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(20)	(10)	1	(29)
Dividends paid	(60)	(5)		
Other cash flows from operating activities	88	178		
Cash flows from operating activities	28	173		
Cash flows from investing activities	(9)	(38)		
Cash flows from financing activities	1	(138)		
Increase in cash	20	(3)		
Cash at the beginning of the year	142	42		
Translation loss on cash	(3)	_		
CASH AT THE END OF THE YEAR	159	39		

¹ AECI Ltd holds 98% of Much Asphalt (Pty) Ltd and indirectly holds 55% of East Coast Asphalt (Pty) Ltd, a subsidiary of Much Asphalt (Pty) Ltd.

NON-CONTROLLING INTEREST PUT OPTION LIABILITY

The business combination of Much Asphalt included a clause whereby the non-controlling interest equity holders are able to put 100% of their shareholding to the Group on or before 3 April 2023, the expiry date of the option.

The put option liability is the present value of the fair value of the option at exercise date. In arriving at the option value, a weighted average EBITDA for the three years preceding the exercise date, less net debt estimated at the exercise date, was multiplied by an EBITDA multiple of 7,7. This liability is considered to be a Level 3 financial liability at fair value through profit or loss. The discount rate was estimated based on the Group's weighted average cost of capital adjusted to reflect the most affordable funding available to the Group at the reporting date.

R millions	2020	2019
Balance at the beginning of the year	32	31
Settlement	(6)	_
Fair value adjustment on put option liability	(7)	(2)
Unwinding of discount	3	3
NON-CONTROLLING INTEREST PUT OPTION LIABILITY	22	32

During the year, a non-controlling interest equity holder in Much Asphalt exercised the put option in accordance with the option agreement. This resulted in a settlement of R6 million at the date of exercising the option. The non-controlling interest percentage remained unchanged at approximately 2%.

34. NON-CONTROLLING INTEREST CONTINUED

ACCOUNTING POLICY

Where the Group writes a put option over the equity of a subsidiary, a gross obligation (put option liability) is recognised in the consolidated financial statements at an amount equal to the present value of the amount that could be expected to be paid to the counterparty. The corresponding debit is presented separately in equity as a deduction from other reserves to AECI.

Subsequently, the put option liability is remeasured in line with IFRS 9 Financial Instruments, with changes in the measurement of the financial liability recognised in the profit or loss attributable to AECI.

SIGNIFICANT JUDGEMENTS MADE BY MANAGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

These liabilities arise when new acquisitions have contractual obligations enabling non-controlling interest shareholders to put their shares back to the Group at an agreed price. The initial recognition of these amounts is debited directly to equity with subsequent remeasurements of the liability recognised in profit or loss. In arriving at the liability, future earnings are assessed and discounted back to calculate the present value. This is based on management's best estimate at initial recognition and at each subsequent reporting period.

35. CONTINGENT CONSIDERATION

The contingent consideration arose on the acquisition of Biocult (Pty) Ltd in 2015. The contingent consideration was dependent on the future earnings of this business. It was settled in November 2020, five years after the effective date of the acquisition.

ACCOUNTING POLICY

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. A 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.

36. EVENTS AFTER THE REPORTING DATE

No reportable events occurred after the reporting date.

37. GOING CONCERN

The Board continues to believe that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

The Group's assets, at both book and fair values, substantially exceeded its liabilities for 2020. Net asset value was R10 815 million at 31 December 2020 and for the year then ended the Group generated an EBITDA of R2 943 million.

The outbreak of the COVID-19 pandemic, and the measures adopted by governments in the various jurisdictions in which the Group operates to mitigate its spread, impacted the Group. In South Africa, an initial 21-day national lockdown commenced on 26 March 2020 and was then extended to 30 April 2020. Businesses which had been determined by government as providers of essential products and services to support its response to the pandemic were exempted from the lockdown measures. Several Group businesses in South Africa provide certain raw materials, intermediates, products and services to customers who, based on information at the Board's disposal, were considered essential as envisaged in the lockdown regulations in South Africa. As such, these parts of these businesses were required to remain operational to fulfill the Group's vital link in the value chain for essential products and services.

An unwavering focus on the diligent management of cash through the COVID-19 pandemic enabled a considerable improvement in cash generation compared to the prior corresponding period. The benefits of this were reflected in the Company's net gearing ratio which was at 22% at 31 December 2020 compared to 36% at 31 December 2019.

The Group has stress tested multiple solvency and liquidity scenarios and no loan covenants were breached in any of those scenarios.

The financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. At 31 December 2020 the Group had resources comprising cash and cash equivalents, as well as undrawn committed bank facilities of approximately R5,5 billion. This positions AECI to remain well capitalised through these uncertain times.

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and

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EXTERNAL AUDITOR

Deloitte & Touche

PRIMARY TRANSACTIONAL AND FUNDING BANKS

Absa Bank Ltd

First National Bank of Southern Africa Ltd (A Division of FirstRand Bank Ltd)

Investec Bank Ltd

Nedbank Ltd

Sanlam Life Insurance Ltd (Acting through its Sanlam Capital Markets Division)

Standard Chartered Bank

The Standard Bank of South Africa Ltd

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