ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

ONE AECI,
FOR A BETTER WORLD

AECI®

good chemistry

Contents

Preparation of **financial statements**

The Group consolidated financial statements and the Company financial statements were approved on 28 February 2023 and are for the year ended 31 December 2022. 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 Group Chief Financial Officer, Aarti Takoordeen CA(SA).

Directors' responsibility **for financial reporting**

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;
- based on the going concern assessment, the Board is of the view that the Company has adequate resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis.
- the consolidated and separate annual financial statements have been prepared in compliance with the Companies Act, the JSE Listings Requirements, the South African Institute of Chartered Accountants (SAICA) financial reporting guides, and comply with the requirements of International Financial Reporting Standards (IFRS), the Company's MOI and all applicable legislation.
- the independent auditing firm Deloitte & Touche was given unrestricted access to all financial records and related data, including minutes of all meetings and have audited the annual financial statements. The Board believes that representations made to the independent auditor during audit were valid and appropriate. The Audit Report from the independent auditors is presented on pages 18 to 20; and
- all reasonable enquiries to ascertain such facts have been made;

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. Accordingly, all key areas of risk across the Company have been identified and management have endeavoured to mitigate the risks by ensuring that appropriate controls, systems, infrastructure and disciplines are applied.

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

Declaration by the Group Company Secretary

in respect of Section 88(2)(E) of the Companies Act, No. 71 of 2008

I hereby confirm that AECI Limited has lodged with the Registrar of Companies all such returns and notices in respect of the year under review as is 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.

Cheryl Singh
Group Company Secretary

Woodmead, Sandton
28 February 2023

Group Chief Executive and Group Chief Financial Officer's **responsibility statement**

Group Chief Executive and Group Chief Financial Officer's responsibility statement

Each of the directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 21 to 108, fairly present in all material respects the financial position, financial performance and cash flows of AECI in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to AECI and its consolidated subsidiaries have been provided to effectively prepare the financial statements of AECI;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with the primary responsibility for the implementing and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

(f) we are not aware of any fraud that involves directors during the past year.

Sam Coetzer
Interim Group Chief Executive

Aarti Tarkoordeen
Group Chief Financial Officer

Directors' **report**

The Directors have pleasure in submitting their report together with the consolidated and separate Group and Company financial statements for the year ended 31 December 2022.

Our purpose

Our vision is to deliver sustainable solutions for "a better world" through innovation and excellence founded on "good chemistry". This is the purpose of One AECI, for a better world, and drives who we are and everything we do. Key focus areas in this regard are aligned with selected United Nations Sustainable Development Goals. This includes Better Mining, Better Water, Better Food Systems and Better Chemicals.

Our "better world" strategy is enabled by three strategic platforms being:

- zero harm and sustainability;
- innovation; and
- digital.

This is underpinned by six related themes:

- passionate, purpose-led people;
- customer-centricity;
- partnerships and ecosystems;
- business excellence;
- growth; and
- financial and risk stewardship.

Our businesses and footprint

AECI was registered as a company in South Africa in 1924 and has been listed on the JSE Limited since 1966. At the end of the 2022 financial year, its market capitalisation was R9 243,36 million and it had 7 168 employees.

As a diversified Group of 12 businesses, we operate in 23 countries on six continents — Africa, Europe, Asia's South Eastern region, North America, South America and Australia.

Our businesses are structured into four strategic operating pillars that are closely aligned with the delivery of our overall strategy. Together with AECI Property Services and Corporate, the four operating pillars are the Group's reporting segments. Their products and application know-how 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, North America and Africa (AECI Agri Health); and
- food and beverage, manufacturing, road infrastructure and general industrial sectors, mainly in Southern Africa (AECI Chemicals).

The activities of AECI Property Services and Corporate relate mainly to property leasing and management in the office, industrial and retail sectors. Corporate covers centralised functions including Treasury and Finance; Human Capital; Safety, Health and the Environment, Stakeholder Relationships, Company Secretarial, Legal, Risk and Compliance; Environmental, Social and Governance; Information Technology and Strategy Execution.

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

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 segment 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, road 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.

Corporate governance

The Group subscribes to the Code of Good Corporate Practices and Conduct as contained in King IV™. The Board has satisfied itself that the Group has complied in all material aspects with King IV™, as well as the JSE Listings Requirements and the Debt Listings Requirements throughout the year under review. The corporate governance report will be included in the 2022 Integrated Report which will be available on the Group's website at www.aeciworld.com.

Independent audit

The annual Group and Company financial statements for the year ended 31 December 2022 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The designated individual audit partner assigned to perform the audit was Mr Eric Tshabalala. The Audit Committee performed the assessments required in terms of paragraph 22.15(h) of the JSE Listings Requirements and Section 90 of the Companies Act, and are satisfied with the independence and suitability of both the audit firm and the designated audit partner to be re-appointed as the Company's auditors. The Board agrees with the Audit Committees' recommendations and will be proposing the re-appointment of the auditors at the AGM on 30 May 2023.

Interests of Directors, the Group Company Secretary and Prescribed Officers in ordinary shares

At 31 December 2022 the Directors, the Group Company Secretary and the Prescribed Officers had direct beneficial interests in the Company's ordinary share capital as set out in note 31 to the Group and Company financial statements.

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 approval of the annual Group and Company financial statements on 28 February 2023 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 Group Company Secretary and the Prescribed Officers have long-term incentive benefits as disclosed in note 31 to the Group and Company financial statements.

	NUMBER OF SHARES	
	2022	2021
EXECUTIVE DIRECTORS [1]		
MA Dytor [2]	**222 669**	194 170
KM Kathan	**183 791**	164 172
A Takoordeen [3]	**–**	–
	406 460	358 342
PRESCRIBED OFFICERS [4]		
DJ Mulqueeny	**51 544**	39 949
DK Murray	**47 524**	36 079
C Singh (Group Company Secretary) [5]	**–**	–
	99 068	76 028
	505 528	434 370

1 H Riemensperger has been appointed as Chief Executive and Executive Director effective, 1 May 2023

2 MA Dytor retired as Chief Executive and Executive Director effective, 31 January 2023

3 A Takoordeen was appointed with effect from 20 May 2022

4 Prescribed Officers are classified in terms of Section 1 of the Companies Act, No. 71 of 2008

5 C Singh was appointed as a member of the AECI Executive Committee effective, 1 January 2022

Borrowing powers

In terms of its MOI, the Directors may raise or secure the payment or repayment of such monies in such a manner and upon such terms and conditions in all respects as they think fit, and in particular by mortgage bond.

Going concern

The Group and Company 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 105 517 780 listed ordinary shares of R1 each (2021: 109 944 384 shares), 10 117 951 unlisted redeemable convertible B ordinary shares of no par value (2021: 10 117 951 shares) and 3 000 000 listed 5,5% cumulative preference shares of R2 each (2021: 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 194 cents was declared on 26 July 2022 and was paid on 5 September 2022.

A final ordinary cash dividend of 580 cents was declared on 28 February 2023 and will be paid on 11 April 2023.

A dividend of 50 cents per share on the unlisted redeemable convertible B ordinary shares was declared and paid in the current year.

Preference share dividends were paid on 15 June 2022 and on 15 December 2022. Refer to note 26 to the Group and Company financial statements for details in this regard.

Changes to the Board

Changes that were announced and took effect in the year, as well as those that take effect in 2023, were as follows:

Aarti Takoordeen joined the Board on 20 May 2022 as the Group Chief Financial Officer and Executive Director. She joined the Risk Committee, the AECI Captive Insurance Board as Chairman and the AECI IT Steering Committee as a member on 31 May 2022.

Mark Kathan, who served as CFO from 2008, took up his role as CEO of AECI Mining on 20 May 2022, succeeding the previous incumbent who retired from that role. Mr Kathan remains an Executive Director of AECI.

Samuel Coetzer, a current Independent Non-executive Director of the Company, was appointed as the Interim Group CE with effect from 1 February 2023 until 30 April 2023.

Samuel Coetzer joined the Board on 1 July 2022 as an Independent Non-executive Director. He joined the Investment, Innovation and Technology Committee and the Safety, Health and Environmental Committee as a member on that same day. Samuel Coetzer's appointment was made to fill a vacancy after Advocate Rams Ramashia retired on 31 May 2022. Samuel's global mining experience and insight provide an invaluable contribution in the execution of the Company's international growth strategy.

Mark Dytor, in his capacity as Chief Executive (CE) and as an Executive Director of the AECI Group, announced his early retirement, effective 31 January 2023, after 39 years of service. He had been Group CEO since 2013.

Mr Holger Riemensperger has been appointed as the new Group Chief Executive, and Executive Director, of the AECI Group with effect from 1 May 2023.

Holger has held many executive and senior management positions in leading companies across Germany, the USA, Switzerland, Netherlands, Sweden and Malaysia and has extensive expertise in the mining, chemicals, agricultural and manufacturing sectors. His most recent role was as chief operating officer and executive director of the K+S Group AG (Germany) and has held previous global vice president and senior management roles at Bunge Lodgers Croklaan, BASF, Frutarom and Akzonobel.

Board committee changes

In support of the Company's Growth Strategy, Environment, Social and Governance (ESG) objectives and following the retirement of Adv. Rams Ramashia, a comprehensive board committee review assessment was undertaken. The outcome of the assessment resulted in the following changes to the Board Committees' mandates and memberships which took effect on 1 June 2022:

- The **Nominations Committee** is now called the **Nominations and Director's Affairs Committee.**
- Ms Philisiwe Sibiya was appointed as a new member of the Committee.
- The **Social and Ethics Committee** is now called the **Social, Ethics and Sustainability Committee.**
- Dr Khotso Mokhele, Ms Patrica O'Brien and Ms Marna Roets were appointed as new members of the Committee.
- The **Remuneration Committee** is now called the **Remuneration and Human Capital Committee.**
- Ms Fikile Dludlu (De Buck) was appointed as a new member of the Committee replacing Adv. Rams Ramashia.
- Mr Walter Dissinger was appointed as Chairman of the **Risk Committee** and Ms Philisiwe Sibiya was appointed as a new member of the Committee.
- The **Investment Committee** is now be called the **Investment, Innovation and Technology Committee**; and
- Mr Stephen Dawson was appointed as the Chairman of the newly formed **Safety, Health and Environment Committee.** Dr Khotso Mokhele, Mr Walter Dissinger and Ms Patricia O'Brien were all appointed as members of the new Committee.

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, Ms AM Roets, Mr G Gomwe, Ms PG Sibiya and Ms A Takoordeen retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Major shareholders

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

Special resolutions

The Company passed the following resolutions at the AGM held on 31 May 2022:

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

Material changes

There have been no material changes in the financial or trading position of the Company and its subsidiaries up to 28 February 2023.

Legal and 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 Group Company Secretary and Prescribed Officers

During 2022 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 Group and Company financial statements.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual Group and Company financial statements of the Company were approved by the Board of Directors on 28 February 2023, for release on 1 March 2023, and will be presented to the shareholders at the annual general meeting on 30 May 2023. The consolidated and separate Group and Company financial statements were signed by:

Aarti Takoordeen
Group Chief Financial Officer

Khotso Mokhele
Chairman

The Group Audit Committee's **report to stakeholders**

Dear stakeholders

The AECI Group audit committee (Committee) is pleased to present its report for the 2022 financial year. This report has been prepared based on the requirements of the South African Companies Act, No. 71 of 2008, as amended (Companies Act), the King Code of Governance for South Africa (King IV), the JSE Listings Requirements and other applicable regulatory requirements. The committee carried out its responsibilities, including those relating to the audit and financial reporting obligations of the Group, as set out in its board-approved charter. 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. The terms of reference were reviewed and approved by the Board on 31 May 2022.

The Committee's main objective is to assist the board in fulfilling its oversight responsibilities, and in the evaluation of the adequacy and efficiency of accounting policies, internal financial controls and financial and corporate reporting processes. In addition, the Committee assesses the effectiveness of the internal auditors, the independence and effectiveness of the external auditors, and considers and recommends to shareholders the appointment of the external auditors. This report aims to provide details related to how the Committee satisfied its various statutory obligations during the period, as well as share some of the significant matters that arose, and how the Committee addressed those in order to assist in ensuring the integrity of AECI's financial reporting.

Composition and governance

Members of the Committee satisfy the requirements to serve as members of an audit committee, as provided in Section 94 of the Companies Act, and have adequate knowledge and experience to carry out their duties. All members are independent non-executive directors.
The composition of the Committee and the attendance of meetings by its members for the 2022 financial year are set out below. Four formal and two special meetings were held in respect of the 2022 financial year, aligned with key reporting and regulatory timelines.

Director	22 Feb [1]	25 Feb	25 Ap [1]	20 May	22 Jul	18 Nov
PG Sibiya (Chair)	✓	✓	✓	✓	✓	✓
FFT De Buck	✓	✓	✓	✓	#	✓
G Gomwe	✓	✓	✓	✓	✓	✓
AM Roets	✓	✓	✓	✓	✓	✓

[1] Special meeting
[#] Apologies

Abridged biographies of these Directors are published at: **https://www.aeciworld.com/leadership**.

The Chief Executive, the Chief Financial Officer ("CFO"), the Group financial manager, the external auditor, head of treasury and the head of internal audit attend by invitation, as does the Group tax manager and the PwC internal audit engagement partner. Other members of management are invited to attend certain meetings to provide the committee with greater insight into specific issues or areas in the Group.

The Committee chairperson has regular contact with the AECI management team to discuss relevant matters directly. The head of internal audit and the external auditors have direct access to the committee, including closed sessions excluding management presence during the year.
These closed sessions address any matters that the participants regard as relevant to the fulfilment of the committee's responsibilities.

Execution of functions

The Committee executed its duties and responsibilities 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 JSE Listings Requirements. The chairman reported to the board on the Committee's activities, highlighting key matters discussed, key items requiring action as well as providing recommendations for resolution.

The chairman of the Committee had regular meetings with the CFO to discuss relevant matters as and when required. In addition, she met regularly with the Head of internal audit without the external auditor or other executive board members being present.

Key audit matters

The Committee considered the appropriateness of key audit matters reported in the external auditor's report and considered the significant accounting judgements and estimates relating to the annual financial statements. This was addressed by the committee as follows:

Significant matters	How the Committee addressed these matters
▪ The impairment of Property, Plant and Equipment ("PPE") in Schirm GmbH	The Committee considered the performance of Schirm Germany that resulted in the impairment indicator and the methodology adopted by management to determine the value-in-use and the level of impairment determined by management and is satisfied that it was appropriate and is presented suitably in the disclosures in the annual financial statements.
▪ The impairment assessment of the goodwill amount that arose on the acquisition of AECI Schirm	The Committee considered management's assessment of the goodwill and is satisfied that, following the impairment of PPE, no impairment goodwill was appropriate at this stage and that the turnaround strategy for Schirm will be a key focus in 2023.
▪ The impairment assessment of the goodwill amount that arose on the acquisition of AECI Much Asphalt	The Committee considered the improved performance of Much Asphalt and the methodology and assumptions used in assessing the goodwill and is satisfied that it was appropriate and is presented suitably in the disclosures in the annual financial statements.

The external auditors

The Committee is responsible for the appointment, compensation and oversight of the external auditors for the Group, namely Deloitte & Touche. During the period the Committee:

- reviewed and evaluated the effectiveness, independence as well as the internal quality control procedures of the external auditor. 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 & Touche
  - 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 their obligations in terms of the JSE Listings Requirements
- as required by paragraph 3.84(g) of the JSE Listings Requirements, obtained the information listed in paragraph 22.15(h) of the JSE Listings Requirements in its assessment of the suitability of Deloitte & Touche, as well as Mr Eric Tshabalala, for appointment as external auditor and designated individual audit partner respectively
- recommended Deloitte & Touche for appointment as auditor for the financial year ended 31 December 2022, and ensured that the appointment was approved by shareholders at the AGM held on 31 May 2022 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
- approved the external audit engagement letter, the audit plan and related scope of work, and the budgeted audit fees payable to the external auditor, and confirmed the appropriateness of key audit risks identified
- obtained an annual written statement from the external auditor that its independence was not impaired
- 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 the external auditor, 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
- 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

The Committee is satisfied with the quality of the external audit as it relates to the audit quality indicators, and that auditor independence, objectivity and effectiveness were maintained during the financial year ended 31 December 2022.

Annual financial statements

In respect to annual financial statements, the Committee, among other matters:

- ensured that the financial statements were prepared in accordance with IFRS and in compliance with the provisions of the Companies Act and the JSE Listings Requirements
- ensured that all comments and recommendations made in JSE Proactive Monitoring reports, were appropriately considered and addressed in the preparation of the financial statements for the financial year ended 31 December 2022
- confirmed the going concern as the basis of preparation of the interim and annual financial statements
- at each meeting reviewed the solvency and liquidity tests performed by management, and 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 significant key accounting judgements and estimates
- considered the appropriateness of the accounting policies adopted and any changes thereto
- obtained assurances from management that adequate accounting records were being maintained by the Company and its subsidiaries
- ensured that all entities included in the consolidated Group IFRS financial statements, have 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 effectively prepare and report on the financial statements of the Group
- considered the external auditor's audit report
- reviewed the representation letter relating to the Group financial statements, which was signed by management
- considered 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.

Group internal audit

The Group internal audit function performs an independent assurance function and forms part of the Group's third line of defense. The head of internal audit has a functional reporting line to the Committee chairperson. The function provides independent, objective assurance to the board, through the authority of the Committee, that the governance processes, including professional ethics, management of risk and systems of internal control, are adequate and effective to mitigate, the significant control risks, both current and emerging, that threaten the achievement of the Group's objectives.

The Committee reviewed and approved the annual internal-audit charter and annual audit plan and ensured that a risk based approach was formulated in the audit plan. The Committee also evaluated the independence, effectiveness and performance of Group internal audit function in compliance with its charter by having done the following:

- 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
- 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
- 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
- reviewed the process implemented with regard to the annual responsibility statement by the Chief Executive and the Chief Financial Officer on internal financial controls, as per the JSE Listings Requirement Section 3.84(k), and was satisfied with the effectiveness of this process.
  In particular:
  - reviewed regular progress reports regarding the implementation of the formal combined assurance model in the Group which commenced in January 2021. The initial combined assurance project scope has been completed. Subsequently the project scope was extended and this phase is nearing completion. The Committee is satisfied with the progress made on this project
- 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.

The Committee is satisfied that the internal audit function was independent and had the necessary resources and standing to execute its duties.

Risk management and information technology (IT)

To the extent that it was relevant to its functions, the Committee:

- considered the reports of Internal audit and the external auditor insofar as these were relevant to risk management and IT and could have an impact on financial controls, and ensured that the related management action plans were adequate
- ensured that an independent assessment was performed on the effectiveness of the risk management process, and was satisfied with the result thereof
- noted significant control deficiencies relating to the IT control environment reported by the external and internal auditors, and the remedial plans being implemented by management relating to these significant control deficiencies
- reviewed progress reports on the SAP One World project which entails the implementation of SAP across the AECI Group
- placed a heightened focus was placed on cyber-security and IT general controls.

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:

- considered the enterprise risk management (ERM) maturity roadmap and the risk universe and made recommendations for improvement in this regard
- reviewed the progress report regarding the implementation of a formal combined assurance model in the Group and was satisfied with the progress made to date
- considered the status update report with regard to cyber security controls and made recommendations for improvement.

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 the adequacy of whistleblowing procedures in relation to the receipt, processing and investigation of complaints and made recommendations in respect thereof
- considered reports provided by management, internal audit and the external auditor regarding compliance with legal and regulatory requirements
- monitored efforts to enhance and improve the robustness of the compliance management system in line with ISO 37301:2021.

Independence of the external auditor

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

- representations made by Deloitte & Touche to the Committee
- the Committee's review of the performance of the External Auditor and consequently nominated, for approval at the forthcoming AGM, Deloitte & Touche as the External Auditor for the 2023 financial year and Mr Eric Tshabalala 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/60229ca110 202c2600f 718b0/ 1612881057566/non-audit-services- policy.pdf**.
- this is Deloitte & Touche's fifth year of appointment as External Auditor
- the designated external audit partner has served since September 2021
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Non-audit service fees

All new non-audit services performed by the External Auditor during 2022 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 & Touche, 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 the External Auditor 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 2022, 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 2022 for approval to the AECI Board on 28 February 2023.

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

Addressing key focus areas for 2022, as listed in the Audit Committee report for the 2021 financial year

In terms of the 2022 key focus areas, the Committee addressed them as follows:

- monitored the process to ensure that the Group's internal financial controls are effective and that remedial plans are implemented
- ensured that the newly appointed CFO was successfully inducted
- significantly improved shareholder engagement and disclosure to the market, with a head of investor relations appointed on 3 October 2022
- monitored the progress of the SAP One World project
- monitored progress on actions plans to address control weaknesses in IT controls and agreed that further improvements are required in this area
- monitored the progress made regarding the implementation of the Combined Assurance model
- monitored the implementation of the Financial & Risk Stewardship initiatives as part of the execution of the AECI 2025 Strategy.

Key focus areas for 2023

In addition to the Committee's normal duties and responsibilities, it will focus on the following areas in 2023:

- monitor the progress and delivery of the Schirm turnaround
- ensuring that the Group's internal financial controls are effective and that remedial plans are properly monitored and executed
- continue to monitor the progress and successful implementation of the SAP One World project
- monitor progress on actions plans to address control weaknesses with regard to IT general controls and cyber security controls
- support the effectiveness of the investor relations function
- continue to advocate for appropriate disclosure and guidance to the market in particular regarding key shareholder issues
- continue to focus on and enhance the robustness of various governance processes and controls related to the functioning of the committee as well as the Group's whistleblowing line.

Conclusion

The Committee is satisfied that it has complied with all statutory duties as well as other duties given to it by the board under its terms of reference. The Committee reviewed the Group and the company annual financial statements for the year ended 31 December 2022 and recommended them for approval to the board on 28 February 2023.

The Committee is looking forward to working with the new Chief Executive and the rest of the executive team in delivering on the 2023 focus areas including the crafting of a new direction and strategy for the Group that will deliver sustainable value.

On behalf of the Audit Committee

Philisiwe Sibiya
Group Audit Committee Chairperson

Woodmead
28 February 2023

Ordinary shareholder **analysis**

1. Analysis of registered ordinary shareholders and company schemes

Source: Standard Bank

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2022:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1—1 000 shares	5 839	73,67	1 237 309	1,17
1 001—10 000 shares	1 427	18,00	4 550 989	4,31
10 001—100 000 shares	519	6,55	16 855 837	15,97
100 001—1 000 000 shares	124	1,57	35 373 966	33,53
1 000 001 shares and above	17	0,21	47 499 679	45,02
TOTAL	**7 926**	**100**	**105 517 780**	**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:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Public	7 921	99,94	87 070 467	82,52
Non-public shareholders	5	0,06	18 447 313	17,48
Major Shareholder > 10% (Government Employees Pension Fund)	1	0,01	17 941 785	17,0
Directors[1]/related holdings	4	0,05	505 528	0,48
TOTAL	**7 926**	**100**	**105 517 780**	**100**

[1] Includes Directors, 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 share capital as at 31 December 2022:

Investment manager	Total shareholding (number of shares)	% of issued capital
Public Investment Corporation	16 220 097	15,37
Allan Gray	10 385 497	9,84
PSG Asset Management	8 994 040	8,52
Sanlam Investment Management	7 134 736	6,76
Old Mutual Investment Group	5 791 919	5,49
Coronation Fund Managers	4 995 716	4,73
Vanguard Investment Management	4 749 538	4,50
Kagiso Asset Management	4 053 933	3,84
Aylett & Co	3 697 419	3,50
Dimensional Fund Advisors	3 362 042	3,19
TOTAL	**69 384 937**	**65,74**

BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund	17 941 785	17,00
PSG	10 370 838	9,83
Allan Gray	6 201 088	5,88
Old Mutual Group	6 080 720	5,76
Vanguard Investment Management	4 053 933	3,84
Sanlam Group	3 612 257	3,42
TOTAL	**48 260 621**	**45,73**

PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

No investment managers previously holding greater than 3% of the issued share capital in 2021 now hold below 3% in 2022.

3. Geographic split of shareholders

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	76 219 254	72,23
United States of America and Canada	15 096 407	14,31
United Kingdom	485 561	0,46
Rest of Europe	481 586	0,46
Rest of the World	2 146 432	2,03
Balance of shareholdings with no investment managers	11 088 540	10,51
TOTAL	**105 517 780**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	85 960 165	81,47
United States of America and Canada	15 643 516	14,83
United Kingdom	751 334	0,71
Rest of Europe	504 917	0,48
Rest of the World	2 657 848	2,51
TOTAL	**105 517 780**	**100,00**

4. Shareholder categories

BENEFICIAL SHAREHOLDER CATEGORIES

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

Distribution of Shareholders	Total shareholding (number of shares)	% of issued capital
Unit trusts	44 557 670	42,23
Pension funds	29 756 495	28,20
Mutual funds	7 959 588	7,54
Insurance companies	7 427 502	7,04
Black economic empowerment	5 772 016	5,47
Private investors	4 960 682	4,70
Other	2 140 669	2,03
Trading positions	1 773 491	1,68
Hedge funds	1 169 667	1,11
TOTAL	**105 517 780**	**100,00**

Preference **shareholder analysis**

1. Analysis of registered preference shareholders and company schemes

Source: Standard Bank

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2022:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1–1 000 shares	35	18,92	11 176	0,37
1 001–10 000 shares	108	58,38	549 668	18,32
10 001–100 000 shares	39	21,08	1 187 611	39,59
100 001–1 000 000 shares	3	1,62	1 251 545	41,72
TOTAL	**185**	**100**	**3 000 000**	**100,00**

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 share capital as at 31 December 2022:

Investment manager	Total shareholding (number of shares)	% of issued capital
Sanlam Investment Management	274 085	9,14
Personal Trust International	130 258	4,34
Melville Douglas Investment Management	92 491	3,08
TOTAL	**496 834**	**16,56**

BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Gingko Group	790 884	26,36
Philip Schock Charitable and Educational Trust	315 000	10,50
Mrs PMB Moore	145 661	4,86
Monro Family Trust	92 491	3,08
TOTAL	**1 344 036**	**44,80**

PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

No investment managers previously holding greater than 3% of the issued share capital in 2021 now hold below 3% in 2022.

3. Geographic split of shareholders

GEOGRAPHIC SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	558 294	18,61
Balance of shareholdings with no investment managers	2 441 706	81,39
TOTAL	**3 000 000**	**100,00**

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	2 830 756	94,36
United States of America and Canada	54 822	1,83
Rest of the World	114 422	3,81
TOTAL	**3 000 000**	**100,00**

4. Shareholder categories

BENEFICIAL SHAREHOLDER CATEGORIES

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

Distribution of Shareholders	Total shareholding (number of shares)	% of issued capital
Private investor	2 013 051	67,10
Unclassified	935 648	31,19
Custodians	51 301	1,71
TOTAL	**3 000 000**	**100,00**

Independent auditor's **report**

To the shareholders of AECI Limited

Report on the Audit of the consolidated and separate Financial Statements

OPINION

We have audited the consolidated and separate financial statements of AECI Limited Group and Company set out on pages 21 to 108, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate 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 AECI Limited and its subsidiaries and the Company as at 31 December 2022, and 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 and Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements 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 matters apply 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 THE PROPERTY, PLANT AND EQUIPMENT ("PPE") IN SCHIRM GERMANY	
The directors performed an impairment assessment, at an individual plant level constituting a cash generating unit ("CGU") in Schirm Germany, in accordance with IAS 16: Property, Plant and Equipment ("IAS 16") and IAS 36: Impairment of assets ("IAS 36"). The directors performed the impairment assessment using the discounted cashflow methodology. The calculated value-in-use for each CGU was compared to the net operating assets for each CGU to determine if an impairment is required or not for each CGU. The directors recorded an impairment of R404 million relating to the PPE in Schirm Germany in the current year as disclosed in note 1, and an impairment of R41 million relating to the Right-of-Use Assets in Schirm Germany as disclosed in note 2. We considered the impairment assessment of the PPE in Schirm Germany to be a matter of most significance and a Key Audit Matter due to: ▪ The significant value of the PPE in Schirm Germany to the Group's asset value; and ▪ Significant judgement is applied along with significant estimation by the directors in determining the value-in-use of the PPE and selecting the appropriate key inputs of: – trading profit margins; – revenue growth rates; and – discount rates.	Our audit procedures included the following: ▪ We evaluated the design and tested the implementation of relevant controls over the impairment assessment of the PPE in Schirm Germany; ▪ 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. 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 note 1 and note 2 to the financial statements which contain the key assumptions utilised and we consider these to be appropriate.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

IMPAIRMENT ASSESSMENT OF GOODWILL THAT AROSE ON THE ACQUISITIONS OF MUCH ASPHALT (PTY) LTD ("MUCH") AND SCHIRM GMBH ("SCHIRM").

As disclosed in note 5, the Group's goodwill in respect of the acquisition in 2018 of Much and Schirm is as follows:

	Much R'million	Schirm group R'million
Goodwill	1 531,0	365,0
Accumulated impairment*	(821,0)	-
Total	710,0	365,0

(*) impairment recorded in 2020

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

The directors performed an impairment assessment over the goodwill 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 the discounted cash flow methodology.

Goodwill was not considered to be impaired by the directors in the current year for Much and Schirm.

We considered the Goodwill for Much and Schirm group to be a matter of most significance and a Key Audit Matter due to:

- Their combined significant value to the Group's asset value; and
- Significant 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;
  - trading profit margins; and
  - discount rates.

Our audit procedures included the following:

- We evaluated the design and tested the implementation of relevant controls over the assessment of goodwill for impairment for these CGUs;
- 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.

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 note 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 information included in the document titled *AECI Limited Annual Financial Statements* for the year ended 31 December 2022, which includes the Directors' Report, the Audit Committee's Report to stakeholders, the Declaration by the Group company secretary as required by the Companies Act of South Africa, and the Chief Executive and Chief Financial Officer Responsibility Statement on internal financial controls 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 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 the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

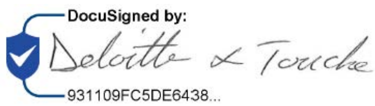
We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate 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 Limited for five years.



Deloitte & Touche
Registered Auditors

Per: MLE Tshabalala

Partner
28 February 2023

5 Magwa Crescent, Waterfall City, Waterfall, 2090
South Africa

Statements of **financial position**

AT 31 DECEMBER

		GROUP		COMPANY	
Rand million	Notes	**2022**	2021	**2022**	2021
ASSETS					
NON-CURRENT ASSETS		**11 134**	10 977	**10 031**	9 930
Property, plant and equipment	1	**5 992**	5 656	**596**	478
Right-of-use assets	2	**636**	593	**274**	59
Investment property	3	**226**	226	**237**	242
Intangible assets	4	**868**	929	**7**	4
Goodwill	5	**2 352**	2 369	**459**	459
Pension fund employer surplus accounts	30	**467**	495	**467**	495
Interest in subsidiaries	6			**7 406**	7 559
Loans to subsidiaries	6			**346**	348
Investment in joint ventures	7	**40**	69	**28**	28
Investments in associates	8	**133**	122	**10**	10
Loans to associate	8	**111**	48	**–**	–
Other investments	9	**203**	255	**201**	248
Deferred taxation assets	10	**106**	215	**–**	–
CURRENT ASSETS		**17 292**	13 201	**9 424**	7 588
Inventories	11	**6 780**	4 880	**2 550**	1 758
Trade and other receivables	12	**7 906**	5 872	**3 019**	2 521
Other investments	9	**472**	381	**158**	187
Loans to subsidiaries	6			**3 676**	3 093
Taxation receivable		**75**	115	**–**	–
Cash and cash equivalents		**2 059**	1 953	**21**	29
TOTAL ASSETS		**28 426**	24 178	**19 455**	17 518
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**11 635**	11 417	**2 613**	3 225
Share capital and share premium	13	**106**	110	**112**	116
Reserves		**1 968**	1 930	**319**	368
Retained earnings		**9 561**	9 377	**2 182**	2 741
PREFERENCE SHARE CAPITAL	13	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**11 641**	11 423	**2 619**	3 231
NON-CONTROLLING INTEREST	34	**181**	166		
TOTAL EQUITY		**11 822**	11 589	**2 619**	3 231
NON-CURRENT LIABILITIES		**2 250**	4 712	**544**	1 773
Deferred taxation liabilities	10	**583**	744	**24**	116
Non-current debt	14	**607**	2 873	**–**	1 320
Lease liabilities	15	**533**	475	**250**	51
Put option liability	34	**–**	18	**–**	–
Non-current provisions and employee benefits	16	**527**	602	**270**	286
CURRENT LIABILITIES		**14 354**	7 877	**16 292**	12 514
Trade and other payables	17	**7 767**	6 153	**3 374**	2 871
Current debt	18	**6 007**	1 186	**4 192**	946
Lease liabilities	15	**131**	117	**23**	9
Loans from joint ventures	7	**141**	111	**289**	225
Loans from subsidiaries	6			**8 237**	8 305
Put option liability	34	**14**	–	**–**	–
Taxation payable		**168**	248	**51**	96
Bank overdraft		**126**	62	**126**	62
TOTAL LIABILITIES		**16 604**	12 589	**16 836**	14 287
TOTAL EQUITY AND LIABILITIES		**28 426**	24 178	**19 455**	17 518

Statements of **profit or loss**

FOR THE YEAR ENDED 31 DECEMBER

		GROUP		COMPANY	
Rand million	Notes	**2022**	2021	**2022**	2021
REVENUE	19	**35 583**	26 053	**9 723**	7 485
Net operating costs	20	**(33 536)**	(24 001)	**(9 482)**	(6 838)
PROFIT FROM OPERATIONS		**2 047**	2 052	**241**	647
Share of profit of equity-accounted investees, net of taxation	7, 8	**26**	7		
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		**2 073**	2 059	**241**	647
Dividends received	29			**258**	–
Net finance costs		**(314)**	(207)	**(261)**	(145)
Finance costs	22	**(403)**	(265)	**(462)**	(285)
Finance income	23	**89**	58	**201**	140
PROFIT BEFORE TAXATION		**1 759**	1 852	**238**	502
Taxation expense	24	**(803)**	(642)	**(25)**	(82)
PROFIT FOR THE YEAR		**956**	1 210	213	420
Attributable to preference shareholders		**(3)**	(3)	(3)	(3)
Attributable to AECI minority shareholders		**(26)**	(20)		
ATTRIBUTABLE TO THE AECI GROUP		**927**	1 187	**210**	417
PER ORDINARY SHARE (CENTS)					
Basic earnings	25	**878**	1 125		
Diluted basic earnings	25	**874**	1 112		
Headline earnings	25	**1 287**	1 116		
Diluted headline earnings	25	**1 280**	1 103		
Ordinary dividends paid	26	**699**	650		
Ordinary dividends declared after the reporting date	26	**580**	505		

Statements of **comprehensive income**

FOR THE YEAR ENDED 31 DECEMBER

Rand million	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
PROFIT FOR THE YEAR	**956**	1 210	**213**	420
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAXATION:	**64**	329	**(52)**	115
Items that may be reclassified subsequently to profit or loss:	**85**	207	**(6)**	8
– Foreign currency loan translation differences	**21**	28	**–**	8
– Foreign operations translation differences	**70**	173	**–**	–
– Effective portion of cash flow hedges	**(6)**	6	**(6)**	–
Taxation effect on items that may be reclassified subsequently to profit or loss:	**(2)**	–	**–**	(3)
– Foreign currency loan translation differences	**(2)**	–	**–**	(3)
Items that may not be reclassified subsequently to profit or loss:	**37**	170	**(32)**	153
– Remeasurement of defined-benefit obligations	**65**	17	**(4)**	–
– Remeasurement of post-retirement medical aid obligations	**22**	14	**22**	14
– Remeasurement of equity securities at fair value through other comprehensive income (“FVOCI”)	**(50)**	139	**(50)**	139
Taxation effects on items that may not be reclassified subsequently to profit or loss:	**(56)**	(48)	**(14)**	(43)
– Remeasurement of defined-benefit obligations	**(41)**	(5)	**1**	–
– Remeasurement of post-retirement medical aid obligations	**(6)**	(4)	**(6)**	(4)
– Remeasurement of equity securities at FVOCI [1]	**(9)**	(39)	**(9)**	(39)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 020**	1 539	**161**	535
Attributable to preference shareholders	**(3)**	(3)	**(3)**	(3)
Attributable to AECI minority shareholders	**(29)**	(27)		
ATTRIBUTABLE TO THE AECI GROUP	**988**	1 509	**158**	532

[1] Includes taxation on capital gains of R50 million and reversal of deferred taxation of R41 million

Statements of **changes in equity**

FOR THE YEAR ENDED 31 DECEMBER

GROUP

Rand million	Ordinary share capital	**Share capital**	Foreign currency translation reserve	Share-based payment reserve	Change-in-ownership reserve
Balance at 1 January 2021	110	**110**	1 404	259	(23)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			194		
Remeasurement of defined-benefit obligations					
Deferred taxation on remeasurement of defined-benefit obligations					
Remeasurement of post-retirement medical aid obligations					
Deferred taxation on remeasurement of post-retirement medical aid obligations					
Cash flow hedge fair value adjustments					
Foreign currency loan translation differences			28		
Remeasurement of equity securities at FVOCI					
Deferred taxation on remeasurement of equity securities at FVOCI					
Foreign operations translation differences			166		
Profit for the year					
TRANSACTIONS WITH SHAREHOLDERS			(5)	(6)	
Dividends paid					
Share-based payment reserve				53	
Settlement cost of performance shares				(77)	
Transfers between reserves			(5)	18	
BALANCE AT 31 DECEMBER 2021	110	**110**	1 593	253	(23)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			86		
Remeasurement of defined-benefit obligations					
Deferred taxation on remeasurement of defined-benefit obligations					
Remeasurement of post-retirement medical aid obligations					
Deferred taxation on remeasurement of post-retirement medical aid obligations					
Cash flow hedge fair value adjustments					
Foreign currency loan translation differences			21		
Deferred taxation on foreign currency loan translation differences			(2)		
Remeasurement of equity securities at FVOCI					
Deferred taxation on remeasurement of equity securities at FVOCI					
Foreign operations translation differences			67		
Profit for the year					
TRANSACTIONS WITH SHAREHOLDERS	(4)	**(4)**		17	
Dividends paid					
Share-based payment reserve				62	
Settlement cost of performance shares				(85)	
AECI Community Education and Development Trust shares cancelled during the year	(4)	**(4)**			
Transfers between reserves				40	
BALANCE AT 31 DECEMBER 2022	106	**106**	1 679	270	(23)

Fair value reserve	Cash flow hedge reserves	**Total other reserves**	Retained earnings	**Total**	Non-controlling interest	Preference share capital	**Total equity**
–	(4)	**1 636**	8 895	**10 641**	168	6	**10 815**
100	6	**300**	1 209	**1 509**	27	3	**1 539**
			17	**17**			**17**
			(5)	**(5)**			**(5)**
			14	**14**			**14**
			(4)	**(4)**			**(4)**
	6	**6**		**6**			**6**
		28		**28**			**28**
139		**139**		**139**			**139**
(39)		**(39)**		**(39)**			**(39)**
		166		**166**	7		**173**
			1 187	**1 187**	20	3	**1 210**
5		**(6)**	(727)	**(733)**	(29)	(3)	**(765)**
			(709)	**(709)**	(29)	(3)	**(741)**
		53		**53**			**53**
		(77)		**(77)**			**(77)**
5		**18**	(18)				
105	2	**1 930**	9 377	**11 417**	166	6	**11 589**
(59)	(6)	**21**	967	**988**	29	3	**1 020**
			65	**65**			**65**
			(41)	**(41)**			**(41)**
			22	**22**			**22**
			(6)	**(6)**			**(6)**
	(6)	**(6)**		**(6)**			**(6)**
		21		**21**			**21**
		(2)		**(2)**			**(2)**
(50)		**(50)**		**(50)**			**(50)**
(9)		**(9)**		**(9)**			**(9)**
		67		**67**	3		**70**
			927	**927**	26	3	**956**
		17	(783)	**(770)**	(14)	(3)	**(787)**
			(743)	**(743)**	(14)	(3)	**(760)**
		62		**62**			**62**
		(85)		**(85)**			**(85)**
				(4)			**(4)**
		40	(40)	**–**			**–**
46	(4)	**1 968**	9 561	**11 635**	181	6	**11 822**

Statements of **changes in equity**

FOR THE YEAR ENDED 31 DECEMBER

Foreign currency translation reserve

This reserve includes the Group's foreign exchange differences from the translation of the financial statements of foreign operations to the presentation currency of AECI, 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.

Equity-settled share-based payment reserve

This 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

This reserve accounts for the buy-out of non-controlling interests at a future date. The future buy-out may be executed in terms of a put option held by the minority shareholders of the AECI Much Asphalt group of companies.

Fair value reserve

Investments in certain equity instruments are designated to be carried at fair value through other comprehensive income. These investments are not held for trading and are strategic long-term investments where the purpose of the investment is not dependent on the fair value. The reserve represents the cumulative fair value adjustment over time and may not be reclassified to profit or loss.

Statements of **changes in equity**

FOR THE YEAR ENDED 31 DECEMBER

COMPANY

Rand million	Ordinary share capital	Share premium	**Share capital and share premium**
Balance at 1 January 2021	110	6	**116**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Remeasurement of post-retirement medical aid obligations			
Deferred taxation on remeasurement of post-retirement medical aid obligations			
Foreign currency loan translation differences			
Deferred taxation on foreign currency loan translation differences			
Remeasurement of equity securities at FVOCI			
Taxation effects on remeasurement of equity securities at FVOCI			
Profit for the year			
TRANSACTIONS WITH SHAREHOLDERS			
Dividends paid			
Share-based payment reserve			
Settlement cost of performance shares			
Transfers between reserves			
BALANCE AT 31 DECEMBER 2021	110	6	**116**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Remeasurement of defined-benefit obligations			
Deferred taxation on remeasurement of defined-benefit obligations			
Remeasurement of post-retirement medical aid obligations			
Deferred taxation on remeasurement of post-retirement medical aid obligations			
Cash flow hedge fair value adjustments			
Remeasurement of equity securities at FVOCI			
Taxation effects on remeasurement of equity securities at FVOCI			
Profit for the year			
TRANSACTIONS WITH SHAREHOLDERS	(4)		**(4)**
Dividends paid			
Share-based payment reserve			
Settlement cost of performance shares			
AECI Community Education and Development Trust shares cancelled during the year	(4)		**(4)**
Transfers between reserves			
BALANCE AT 31 DECEMBER 2022	106	6	**112**

Other reserves

These reserves includes the reserves for effective cash flow hedges and the foreign currency translation reserve.

Fair value reserve

Investments in certain equity instruments are designated to be carried at fair value through other comprehensive income. These investments are not held for trading and are strategic long-term investments where the purpose of the investment is not dependent on the fair value. The reserve represents the cumulative fair value adjustment over time and may not be reclassified to profit or loss.

Share-based payment reserve	Fair value reserve	Other reserves	**Total other reserves**	Retained earnings	**Total**	Preference share capital	**Total equity**
260	–	9	**269**	3 041	**3 426**	6	**3 432**
	100	5	**105**	427	**532**	3	**535**
				14	**14**		**14**
				(4)	**(4)**		**(4)**
		8	**8**		**8**		**8**
		(3)	**(3)**		**(3)**		**(3)**
	139		**139**		**139**		**139**
	(39)		**(39)**		**(39)**		**(39)**
				417	**417**	3	**420**
(6)	5	(5)	**(6)**	(727)	**(733)**	(3)	**(736)**
				(709)	**(709)**	(3)	**(712)**
53			**53**		**53**		**53**
(77)			**(77)**		**(77)**		**(77)**
18	5	(5)	**18**	(18)	**–**		**–**
254	105	9	**368**	2 741	**3 225**	6	**3 231**
	(59)	(6)	**(65)**	223	**158**	3	**161**
				(4)	**(4)**		**(4)**
				1	**1**		**1**
				22	**22**		**22**
				(6)	**(6)**		**(6)**
		(6)	**(6)**		**(6)**		**(6)**
	(50)		**(50)**		**(50)**		**(50)**
	(9)		**(9)**		**(9)**		**(9)**
				210	**210**	3	**213**
16			**16**	(782)	**(770)**	(3)	**(773)**
				(743)	**(743)**	(3)	**(746)**
62			**62**		**62**		**62**
(85)			**(85)**		**(85)**		**(85)**
					(4)		**(4)**
39			**39**	(39)	**–**		**–**
270	46	3	**319**	2 182	**2 613**	6	**2 619**

Statements of **cash flows**

FOR THE YEAR ENDED 31 DECEMBER

		GROUP		COMPANY	
Rand million	Notes	**2022**	2021	**2022**	2021
CASH GENERATED FROM OPERATIONS	i	**3 840**	3 289	**757**	671
Dividends received		**50**	2	**–**	–
Finance costs paid		**(329)**	(224)	**(430)**	(292)
Finance income received		**89**	58	**201**	140
Taxation paid	ii	**(954)**	(528)	**(173)**	(110)
Changes in working capital	iii	**(2 570)**	(1 093)	**(672)**	(621)
Cash flows relating to defined-benefit costs		**(20)**	(21)	**(16)**	(17)
Cash flows relating to non-current provisions and employee benefits		**(29)**	(16)	**(24)**	(10)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**77**	1 467	**(357)**	(239)
Dividends paid	iv	**(760)**	(741)	**(746)**	(712)
CASH FLOWS (UTILISED BY)/GENERATED FROM OPERATING ACTIVITIES		**(683)**	726	**(1 103)**	(951)
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 637)**	(671)	**(853)**	482
Net replacement to maintain operations		**(501)**	(501)	**(73)**	(32)
Replacement of – property, plant and equipment		**(592)**	(584)	**(80)**	(45)
– investment property		**(8)**	–	**(8)**	–
– intangible assets		**–**	(2)		(2)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets		**99**	85	**15**	15
Investments to expand operations		**(1 136)**	(170)	**(780)**	514
Acquisition of – property, plant and equipment		**(947)**	(188)	**(73)**	(55)
– intangible assets		**(5)**	–	**(5)**	–
– investment property		**–**	(5)	**–**	(5)
– investments[1]		**(20)**	55	**(678)**	550
– business, net of cash acquired	v	**–**	–	**8**	–
Proceeds from the disposal of businesses and investment in subsidiaries[2]		**9**	–	**–**	–
Loans to and from – associate and other investments		**(173)**	(45)	**(32)**	(5)
– joint ventures		**–**	13	**–**	29
NET CASH (UTILISED)/GENERATED BEFORE FINANCING ACTIVITIES		**(2 320)**	55	**(1 956)**	(469)
CASH FLOWS FROM FINANCING ACTIVITIES		**2 276**	(1 706)	**1 884**	(1 302)
Capital repayment of lease liabilities		**(161)**	(198)	**(21)**	(11)
Proceeds from debt raised		**3 254**	446	**1 926**	446
Repayment of debt		**(762)**	(1 877)	**–**	(1 660)
Loans from – joint ventures		**30**	–	**64**	–
Settlement of performance shares		**(85)**	(77)	**(85)**	(77)
DECREASE IN CASH AND CASH EQUIVALENTS		**(44)**	(1 651)	**(72)**	(1 771)
Cash and cash equivalents at the beginning of the year		**1 891**	3 434	**(33)**	1 738
Translation gain on cash and cash equivalents		**86**	108		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR[3]		**1 933**	1 891	**(105)**	(33)

[1] Investments in the Group include movements in money market investments. Investments in the Company includes the funding of subsidiaries

[2] During the year, the Group disposed of its share of two businesses, Metswako Chemicals Proprietary Limited and Improchem GMA prestaca services Companhia De Discos De Angola

[3] Includes cash and cash equivalents of R2 059 million and a bank overdraft of R126 million (2021: cash and cash equivalents of R1 953 million and a bank overdraft of R62 million)

Notes to the **statements of cash flows**

FOR THE YEAR ENDED 31 DECEMBER

		GROUP		COMPANY	
Rand million		**2022**	2021	**2022**	2021
i.	**CASH GENERATED FROM OPERATIONS**				
	Operating profit	**2 047**	2 052	**241**	647
	Adjusted for non-cash movements:				
	Employee benefit obligations	**106**	99	**102**	93
	Depreciation and amortisation	**1 026**	1 032	**108**	129
	Share-based payment expense	**62**	53	**33**	28
	Impairment of property, plant and equipment	**430**	–	**–**	–
	Impairment of right-of-use assets	**41**	–	**–**	–
	Impairment/(reversal of impairment) of investment in subsidiaries	**–**	–	**212**	(242)
	Non-current provisions and employee benefits	**27**	11	**18**	11
	Movement in the expected credit loss ("ECL") for trade receivables and provision for obsolete inventories	**123**	62	**45**	13
	Profit on disposal of property, plant and equipment	**(12)**	(13)	**(2)**	(8)
	Profit on disposal of businesses and investment in subsidiaries	**(5)**	–	**–**	–
	Fair value adjustment on put option liability	**(5)**	(7)	**–**	–
	CASH GENERATED FROM OPERATIONS	**3 840**	3 289	**757**	671
ii.	**TAXATION PAID**				
	Owing at the beginning of the year	**(133)**	(86)	**(96)**	(84)
	Charge for the year	**(864)**	(575)	**(78)**	(122)
	Charge on equity securities at FVOCI	**(50)**	–	**(50)**	–
	Owing at the end of the year	**93**	133	**51**	96
	TAXATION PAID	**(954)**	(528)	**(173)**	(110)
iii.	**CHANGES IN WORKING CAPITAL**				
	Increase in inventories	**(2 065)**	(1 151)	**(588)**	(397)
	Increase in trade and other receivables	**(2 046)**	(778)	**(405)**	(510)
	Increase in trade and other payables	**1 567**	777	**321**	286
		(2 544)	(1 152)	**(672)**	(621)
	Translation differences	**(26)**	59	**–**	–
	CHANGES IN WORKING CAPITAL	**(2 570)**	(1 093)	**(672)**	(621)
iv.	**DIVIDENDS PAID**				
	Paid during the year (refer to note 26)	**(746)**	(712)	**(746)**	(712)
	Paid to non-controlling interest	**(14)**	(29)	**–**	–
	DIVIDENDS PAID	**(760)**	(741)	**(746)**	(712)

v. ACQUISITION OF SOUTHERN CANNED PRODUCTS PROPRIETARY LIMITED ("SCP") BY THE COMPANY

On 1 August 2022, SCP, a wholly-owned subsidiary of the Company, disposed of its business, including all its assets and liabilities, as a going concern to the Company. The disposal is a distribution made in anticipation of liquidation, winding-up or deregistration and is recognised as a dividend received of R258 million. The transaction was concluded as part of a restructuring project and has no impact on the consolidated position of the Group.

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

2022 Rand million	COMPANY
Property, plant and equipment (refer to note 1)	53
Right-of-use assets (refer to note 2)	76
Deferred taxation asset	2
Inventories	230
Trade and other receivables	118
Trade and other payables	(132)
Lease liabilities	(97)
Net identifiable assets and liabilities acquired, excluding cash	250
Dividend received in specie	(258)
NET CASH ACQUIRED	(8)

Notes to the **financial statements**

FOR THE YEAR ENDED 31 DECEMBER

Accounting framework and critical judgements

BASIS OF PREPARATION

AECI Limited ("the Company") is a public company domiciled in South Africa. The address of the Company's registered office is AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, 2191. The consolidated annual financial statements of the Company for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities or business entities) as well as 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 and Corporate.
Refer to note 32 for further details.

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 Rand, except where otherwise stated.

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 South African Institute of Chartered Accountants ("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 (The JSE Listings Requirements) and in accordance with the requirements of the Companies Act No. 71 of 2008 ("Companies Act"). The financial statements were approved for issue by the Board of Directors on 28 February 2023.

The Group financial statements and the Company financial statements have been prepared using the historical cost convention, except for:

- financial instruments measured at fair value through profit or loss;
- financial instruments measured at fair value through other comprehensive income;
- defined-benefit obligations; pension fund employer surplus accounts and post-retirement medical aid obligation liabilities which are measured at fair value; and
- equity-settled share-based payments which are measured at fair value at the grant date.

GOING CONCERN

In determining the appropriate basis of preparation of the Group and Company financial statements, the directors are required to consider whether the Group and Company can continue to operate as a going concern for the foreseeable future and at least 12 months from the date of authorisation of these financial statements. The directors have reviewed the cash flow forecast for the next 12 months and have satisfied themselves that the Group and Company are able to generate positive operating cash flows to meet obligations as they fall due. The Group and Company has access to sufficient debt facilities to meet foreseeable cash requirements related to capital expenditure for replacement or expansion. The directors conclude that the going-concern assumption is an appropriate basis of preparation for these financial statements.

SIGNIFICANT ACCOUNTING POLICY

The accounting policies applied in the preparation of these Group and Company financial statements are consistent in all material respects with those applied for the year ended 31 December 2021. Unless specifically stated otherwise, the Company also applies all of the Group's accounting policies.

FOREIGN CURRENCIES

Foreign currency translations

Transactions in foreign currencies are translated into the functional currencies of each entity in the Group and Company at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency of the entity concerned at the rates of exchange ruling at the date the fair value was determined. Non-monetary items that are measured in terms of historic cost in a foreign currency are not re-translated. Gains or losses arising on exchange differences are recognised in the statement of profit or loss. Costs associated with forward cover contracts linked to debt are included in financing costs.

Foreign operations

The financial statements of foreign operations in the Group are translated into South African Rand as follows:

- assets, including goodwill, and liabilities at the rates of exchange ruling at the reporting date;
- income, expenditure and cash flow items at the weighted average rate of exchange during the accounting period; and
- equity at historic rates.

Differences arising on translation are recognised in other comprehensive income and are presented in the foreign currency translation reserve in reserves. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, while retaining control, the relevant portion of the cumulative foreign currency translation reserve is recognised in non-controlling interest. Differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered part of the net investment in a foreign operation and are recognised in other comprehensive income in the foreign currency translation reserve.

Impairment of non-financial assets

The carrying amounts of the Group's and Company's non-financial assets, other than inventories and deferred taxation assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If indeed an impairment indicator related to an asset exists, its recoverable amount is estimated to determine the extent of an 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, market conditions and the expected lives of the assets using an appropriate pre-taxation discount rate. 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 statement of profit or loss.

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 CGUs are initially allocated to the carrying amount of any goodwill associated with the CGU and thereafter to reduce the carrying amount of the other assets relating to 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 statement of profit or loss.

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.

Non-IFRS measures

To provide a more meaningful assessment of the Group's performance, non-IFRS measures are included in disclosures made. The non-IFRS measures are described in the respective notes and statements where disclosure is included.

Non-IFRS measures are the responsibility of the Group's directors. These measures may not be comparable to other similarly titled measures of performance of other companies. Non-IFRS measures are not an IFRS requirement, nor a JSE Listings Requirement and is a measurement used by the chief operating decision-makers of the Group.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There are a number of forthcoming new amendments to standards and interpretations, which have been issued by IASB prior to the publication of these financial statements, but are only effective in future accounting periods, unless early adoption is chosen. We have assessed the impact of the new amendments and we do not anticipate any material impact to the Group. The following may be applicable to the Group in the near future:

Title	Subject	Effective date per IASB
IFRS 17 Insurance contracts	Original issue	January 2023
Amendments to IFRS 17	Addressing concerns and implementation challenges encountered	January 2023
Amendments to IFRS 17	Initial application of IFRS 17 and IFRS 9 – comparative	January 2023
Amendments to IAS 1	Amendments regarding classification of debt with covenants	January 2024
Amendments to IAS 1	Classification of liabilities as current or non-current	January 2024
Amendments to IAS 1	Classification of liabilities as current or non-current – deferral of effective date	January 2024
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9	January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 2023
Amendments to IAS 12	Amendments regarding deferred tax on leases and decommissioning obligations	January 2023
Amendments to IAS 8	Definition of accounting estimates	January 2023

1. Property, plant and equipment

GROUP

Rand million	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2022							
COST	2 253	9 255	358	421	731	973	13 991
At the beginning of the year	2 020	8 662	250	352	680	512	12 476
Additions	172	146	109	35	22	1 055	1 539
Disposals	(2)	(131)	(6)	(7)	(20)	(69)	(235)
Transfers	29	415	2	39	29	(514)	–
Transfers from inventories	–	47	–	–	–	–	47
Translation differences	34	116	3	2	20	(11)	164
ACCUMULATED DEPRECIATION AND IMPAIRMENTS	969	6 031	136	286	577		7 999
At the beginning of the year	732	5 193	101	255	539		6 820
Disposals	(1)	(119)	(6)	(7)	(19)		(152)
Impairments for the year [1]	135	271	18	–	6		430
Depreciation for the year	91	610	21	36	40		798
Translation differences	12	76	2	2	11		103
CARRYING AMOUNT	1 284	3 224	222	135	154	973	5 992
2021							
COST	2 020	8 662	250	352	680	512	12 476
At the beginning of the year	2 023	8 151	231	295	640	465	11 805
Additions	5	110	14	8	11	624	772
Disposals	(33)	(217)	(3)	(5)	(32)	(51)	(341)
Transfers	19	426	2	52	33	(532)	–
Translation differences	6	192	6	2	28	6	240
ACCUMULATED DEPRECIATION AND IMPAIRMENTS	732	5 193	101	255	539		6 820
At the beginning of the year	664	4 648	83	222	517		6 134
Disposals	(33)	(199)	(2)	(4)	(31)		(269)
Depreciation for the year	89	605	19	34	39		786
Translation differences	12	139	1	3	14		169
CARRYING AMOUNT	1 288	3 469	149	97	141	512	5 656

[1] Impairments for the year includes the impairment of AECI Schirm Germany (R404 million) and other impairments in the Group (R26 million)

IMPAIRMENT ASSESSMENT

During 2022, in AECI Schirm Germany, the Russia/Ukraine conflict exacerbated the post-COVID-19 pandemic economic environment. This resulted in further decline of customer demand in particular, crop protection products in the agricultural industry in Ukraine. Due to the difficult trading conditions; cost increases, including energy and labour, were not fully recovered from customers and contractual volumes were unfortunately not met.

At 30 September 2022, the continued deterioration of the business financial performance in Germany necessitated a per site profitability analysis for the four manufacturing sites. Consequently, the evidence available from this analysis triggered an impairment assessment. These sites form part of the AECI Schirm business and are included in the Agri Health segment.

The recoverable amount of each site was estimated based on the value-in-use and was determined by discounting the future cash flows expected to be generated from the continued use of the manufacturing sites, taking into account market conditions, the expected useful lives of the assets, an updated forecast using risk-adjusted volumes, revenue growth rate of 24,9% in 2023 and an average revenue growth rate of 2,6% from 2024 to 2027, a pre-taxation discount rate of 11,3% and a terminal growth rate of 1,5%.

For two of the manufacturing sites, the recoverable amount was less than the carrying amount of the net operating assets. Consequently, an impairment of R445 million was recognised. The impairment loss was allocated to right-of-use assets, property, plant and equipment and included in net operating costs.

1. Property, plant and equipment CONTINUED

IMPAIRMENT ASSESSMENT CONTINUED

Rand million	GROUP 2022
Property	135
Plant and equipment	251
Furniture and fittings	18
PROPERTY, PLANT AND EQUIPMENT	404
Right-of-use assets – property (refer to note 2)	41
TOTAL IMPAIRMENT	445

COMPANY

Rand million	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2022							
COST	81	1 152	18	41	15	118	1 425
At the beginning of the year	66	1 071	18	42	18	54	1 269
Additions	13	46	5	3	1	85	153
Additions through the acquisition of a business	2	23	–	–	–	28	53
Disposals	–	(31)	(5)	(5)	(4)	(5)	(50)
Transfers	–	43	–	1	–	(44)	–
ACCUMULATED DEPRECIATION AND IMPAIRMENT	19	754	11	32	13		829
At the beginning of the year	16	715	13	31	16		791
Disposals	–	(28)	(4)	(5)	(4)		(41)
Depreciation for the year	3	67	2	6	1		79
CARRYING AMOUNT	62	398	7	9	2	118	596
2021							
COST	66	1 071	18	42	18	54	1 269
At the beginning of the year	86	1 004	17	37	18	56	1 218
Additions	2	49	2	4	2	41	100
Disposals	(30)	(10)	–	(1)	(2)	(6)	(49)
Transfers	8	28	(1)	2	–	(37)	–
ACCUMULATED DEPRECIATION AND IMPAIRMENT	16	715	13	31	16		791
At the beginning of the year	43	631	13	26	15		728
Disposals	(30)	(10)	–	(1)	(1)		(42)
Transfers		1	(1)				–
Depreciation for the year	3	93	1	6	2		105
CARRYING AMOUNT	50	356	5	11	2	54	478

1. Property, plant and equipment CONTINUED

ACCOUNTING POLICY

Property, plant and equipment is stated at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management, less accumulated depreciation and any impairment losses. Directly attributable costs include borrowing costs on qualifying assets and gains and losses on qualifying cash flow hedges.

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, and borrowing costs attributable to that asset. Subsequent costs are capitalised when the economic benefits from the asset are enhanced or extended.

Critical 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 use of the part will generate future economic benefits and its cost can be reliably measured. The carrying amount of the replaced part is derecognised. Maintenance costs associated with property, plant and equipment are recognised in the statement of profit or loss.

Depreciation charges are recognised from the date the asset is available for use. Depreciation is provided on property, plant and equipment (other than land) on the straight-line basis over the assets' expected useful lives. Assets under construction are not depreciated until they are available for use. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives are as follows:

- **Property**

– land	indefinite
– buildings	5 to 50 years

- **Plant and equipment**

– plant and equipment	3 to 30 years
– furniture and fittings	3 to 15 years
– computer equipment	3 to 10 years
– motor vehicles	3 to 12 years

Depreciation is included in operating profit.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

USEFUL LIFE OF ASSETS AND RESIDUAL VALUES

Items of property, plant and equipment are depreciated over their estimated useful lives taking into account residual values, where appropriate. The useful life and residual values of assets are assessed annually and may vary depending on a number of factors. In reassessing the useful life of assets, factors such as technology 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 its disposal value.

Impairment calculations require the use of estimates and assumptions. Significant changes to assumptions will impact the recoverable amount calculations and will affect the carrying amount of property, plant and equipment.

BORROWING COSTS

No borrowing costs were capitalised during the year (2021: Rnil).

SECURITY

Property, plant and equipment under construction at Schirm USA is held as collateral for debt of R376 million (2021: Rnil) related to expansion project launched during the year.

2. Right-of-use assets

GROUP

Rand million	Property	Plant and equipment	Motor vehicles	Total
2022				
COST	734	35	276	1 045
Balance at the beginning of the year	560	42	267	869
Additions	200	7	15	222
Derecognition of leases at end of term	(25)	(2)	(9)	(36)
Translation differences	(1)	(12)	3	(10)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	252	24	133	409
Balance at the beginning of the year	174	23	79	276
Derecognition of leases at end of term	(25)	(2)	(9)	(36)
Impairment for the year (refer to note 1)	41	–	–	41
Depreciation for the year	84	9	61	154
Translation differences	(22)	(6)	2	(26)
CARRYING AMOUNT AT 31 DECEMBER 2022	482	11	143	636
2021				
COST	560	42	267	869
Balance at the beginning of the year	454	40	356	850
Additions	194	13	207	414
Cancellations	(92)	(12)	(298)	(402)
Translation differences	4	1	2	7
ACCUMULATED DEPRECIATION AND IMPAIRMENT	174	23	79	276
Balance at the beginning of the year	189	24	233	446
Cancellations	(92)	(12)	(241)	(345)
Depreciation for the year	74	10	83	167
Translation differences	3	1	4	8
CARRYING AMOUNT AT 31 DECEMBER 2021	386	19	188	593

IMPAIRMENT ASSESSMENT

The continued deteriorating performance of AECI Schirm Germany together with a detailed review of the operations translated to impairment indicators in relation to the four manufacturing sites. As a result, an impairment loss of R41 million was recognised on the right-of-use assets, which represented their net book value (refer to note 1).

Rand million	Property	Plant and equipment	Total
COMPANY			
2022			
COST	301	1	302
Balance at the beginning of the year	68	1	69
Additions	157	–	157
Additions through business combinations	76	–	76
ACCUMULATED DEPRECIATION AND IMPAIRMENT	27	1	28
Balance at the beginning of the year	9	1	10
Depreciation for the year	18	–	18
CARRYING AMOUNT AT 31 DECEMBER 2022	274	–	274

2. Right-of-use assets CONTINUED

Rand million	Property	Plant and equipment	Total
2021			
COST	68	1	69
Balance at the beginning of the year	38	4	42
Additions	58	–	58
Disposals	(28)	(3)	(31)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	9	1	10
Balance at the beginning of the year	29	3	32
Disposals	(28)	(3)	(31)
Depreciation for the year	8	1	9
CARRYING AMOUNT AT 31 DECEMBER 2021	59	–	59

ACCOUNTING POLICY

The Group leases various properties, plant, equipment and motor vehicles. Rental contracts are typically entered into for fixed periods but may have extension options. The extension period has been included in the lease term on contracts where the Group is reasonably certain that it will exercise the extension option. Lease terms are negotiated on an individual basis and contain varying terms and conditions. The lease agreements do not impose any covenants on the Group, however, leased assets may not be used as security for debt 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 and lease liability is initially recognised at the present value of the minimum lease payments discounted at the rate implicit in the lease or, if not available, the Group's incremental borrowing rate.

A right-of-use asset is subsequently measured at the leased asset value less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements in the lease liability.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are assessed for impairment if there is an indicator of impairment.

Leases where the lease period is for 12 months or less, no extension option exists or no economic incentive to renew exists, are recognised on a straight-line basis as an expense in profit or loss. Low value assets are assets that, when new, have a value of R100 000 or less and are expensed in profit or loss as incurred.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

Extension and termination options are included in a number of leases across the Group. These options allow for maximised operational flexibility in the management of the lease contracts. The majority of extension and termination options available are exercisable only by the Group rather than by the respective lessor.

Management exercises judgement when determining the lease term. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options are only included in the lease term if is reasonably certain that the lease extension may be required. The lease term is reviewed if a significant event or a significant change in circumstances occurs and is within the control of the lessee.

3. Investment property

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
COST	**270**	266	**302**	298
At the beginning of the year	**266**	261	**298**	293
Additions	**8**	5	**8**	5
Disposals	**(4)**	–	**(4)**	–
ACCUMULATED DEPRECIATION	**44**	40	**65**	56
At the beginning of the year	**40**	36	**56**	48
Depreciation for the year	**4**	4	**9**	8
CARRYING AMOUNT	**226**	226	**237**	242
ADDITIONAL INFORMATION				
Fair value [1,2]	**1 169**	1 067	**2 397**	2 169
Rental and service income from investment property	**415**	386	**522**	496
Direct operating expenses relating to rental and service income	**(435)**	(394)	**(435)**	(394)

1 The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value, based on the inputs of the valuation techniques used
2 The fair value in the Group is lower than the fair value in the Company because certain properties become owner-occupied on consolidation

The Company leases property, offices and industrial sites to external customers as well as to its subsidiary companies under operating leases. The lease periods are between one and five years. Most leases have a three-year term and annual rental escalations between 6% and 8%. At 31 December 2022, the gross lettable area of the office and industrial buildings was 169 729m^2 (2021: 170 659m^2). Revenue from investment properties includes recoveries relating to services and utilities provided, mainly at the Umbogintwini Industrial Complex.

AECI Property Services manages the investment properties (mainly at the Group's two large sites, Modderfontein and Umbogintwini). The costs associated with managing these sites are borne by AECI Property Services. These costs are not allocated to individual lessees. All significant operating expenses support the generation of revenue.

ACCOUNTING POLICY

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. Buildings are depreciated on a straight-line basis over their estimated useful lives of 20 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date. Transfers between investment property and property, plant and equipment 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 ESTIMATES AND JUDGEMENTS

Investment properties are measured at cost and are depreciated over their estimated useful lives taking into account residual values, where appropriate. The useful life 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 considered. 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 geographic location and category of the property being valued, on a rolling three-year cycle in line with Group policy.

Approximately one-third of the Group's investment properties are valued 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 key assumptions were identified during the current year.

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

3. Investment property CONTINUED

UNOBSERVABLE INPUTS

A number of valuation techniques were used, depending on the optimal likely use of the property. The following table summarises the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs considered:

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASURE
The comparable sales approach was used to value vacant land. The valuation model was based on recent sales of comparable properties in the surrounding area, which were analysed to provide an estimate of the value for the property with adjustments made for differing characteristics. The comparable transactions were analysed in terms of their use and the purchase price adjusted for variances in the quality of the space. This purchase price was then divided by the land size to determine a value rate per square metre which was applied to the land in order to derive a fair value.	Comparable sales for parcels of raw, unserviced or rezoned and fully serviced land. The land valued at Modderfontein and Umbogintwini is zoned for business use and is partially serviced but it is not immediately sub-divisible or suitable for development. Therefore, a fair value per square metre had to be derived with reference to a comparable unzoned and unserviced parcel of land but enhanced by the perceived value of installed services and zoning.	The estimated fair value would increase/(decrease) if: ▪ the fair value rate per square meter is higher/(lower).
The income approach was used to value the buildings. The valuation model was based on discounted cash flows incorporating the lease obligations, including escalations, to termination. At lease expiry, a new lease is assumed and the commencing rental is assumed to be the current gross market rental escalated at an appropriate growth rate. The present value of the future cash flows was added to the present value of the hypothetical exit value, being the hypothetical net annual income capitalised into perpetuity at an appropriate market-related rate. The discount and exit capitalisation rates were determined by reference to comparable sales, appropriate surveys prepared by industry professionals, benchmarking against other comparable valuations, and after consultation with experienced and informed people in the property industry including other valuers, brokers, managers and investors.	▪ Capitalisation rate: 11% – 13% (2021: 13%) ▪ Vacancy rate for office space: 12% – 20% (2021: 10% – 20%) ▪ Vacancy rate for industrial space: 3% – 14% (2021: 2% – 18%) ▪ Operating expenses for all buildings: R24,50/m^2 – R30,20/m^2 (2021: R22,50/m^2 – R28,40/m^2)	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); and ▪ the operating expenses for all buildings were lower/(higher).

4. Intangible assets

GROUP

Rand million	Customer and marketing relationships	Brands	Technical and licensing agreements	Patents, trademarks and other	Total
2022					
COST	**883**	**156**	**210**	**58**	**1 307**
At the beginning of the year	**883**	**156**	**202**	**53**	**1 294**
Additions	**–**	**–**	**–**	**5**	**5**
Translation differences	**–**	**–**	**8**	**–**	**8**
ACCUMULATED AMORTISATION AND IMPAIRMENT	**284**	**–**	**109**	**46**	**439**
At the beginning of the year	**229**	**–**	**93**	**43**	**365**
Amortisation for the year	**53**	**–**	**14**	**3**	**70**
Translation differences	**2**	**–**	**2**	**–**	**4**
CARRYING AMOUNT	**599**	**156**	**101**	**12**	**868**
2021					
COST	883	156	202	53	1 294
At the beginning of the year	925	155	203	64	1 347
Additions	–	–	–	2	2
Written off	(45)	–	–	(15)	(60)
Transfers	–	–	(2)	2	–
Translation differences	3	1	1	–	5
ACCUMULATED AMORTISATION AND IMPAIRMENT	229	–	93	43	365
At the beginning of the year	218	–	80	50	348
Written off	(45)	–	–	(15)	(60)
Amortisation for the year	54	–	13	8	75
Translation differences	2	–	–	–	2
CARRYING AMOUNT	654	156	109	10	929

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 (refer to note 5).

	Rand million
AECI SCHIRM	**92**

On 30 January 2018, the Group completed the acquisition of AECI Schirm through a share transaction which included the acquisition of its well-established brand. During that time AECI Schirm, a reputable contract manufacturer in the agrochemicals and fine chemicals industries, had a long-standing tradition and was widely considered as a quality signal in the market, making it a valuable acquisition for the Group.

At acquisition, AECI Schirm's stable market position, characterised by a strong and established customer base, as well as high barriers to entry for competitors, led to the assessment that the Company's brand had an indefinite useful life.

4. Intangible assets CONTINUED

	Rand million
AECI MUCH ASPHALT	64

On April 2018, the Group acquired AECI Much Asphalt, a business recognised as a leading South African manufacturer and supplier of asphalt products, bituminous road binders, and emulsions. It had built a strong and reputable brand over the course of more than 50 years of operation. At acquisition, the company had solidified its position as a leader in the industry. AECI Much Asphalt operates on a business-to-business (B2B) model and serves a wide range of road construction customers, who frequently seek non-binding quotations from the company.

Given the company's long history, reputation for quality and leadership in the industry, the B2B business model and the fact that price competitiveness is a key factor in securing business against similar competitive products and manufacturing processes, the company's brand was assessed as having an indefinite useful life.

COMPANY

Rand million	Patents, trademarks and other
2022	
COST	27
At the beginning of the year	22
Additions	5
ACCUMULATED AMORTISATION AND IMPAIRMENT	20
At the beginning of the year	18
Amortisation for the year	2
CARRYING AMOUNT	7
2021	
COST	22
At the beginning of the year	20
Additions	2
ACCUMULATED AMORTISATION AND IMPAIRMENT	18
At the beginning of the year	11
Amortisation for the year	7
CARRYING AMOUNT	4

ACCOUNTING POLICY

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 generated by the specific asset to which it relates. All other expenditure is recognised in the statement of profit or loss 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:

- patents, trademarks and other — 3 to 20 years
- customer and marketing relationships — 5 to 20 years
- technical and licensing agreements — 10 to 17 years
- brands — indefinite

4. Intangible assets CONTINUED

Amortisation has been included in operating profit or loss. 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 are recognised in the statement of profit or loss when the asset is derecognised.

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.

Intangible assets are assessed for impairment if there is an impairment indicator.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

ASSET LIVES AND RESIDUAL VALUES

Intangible assets are amortised over their estimated useful lives taking into account residual values, where appropriate. The useful lives of the assets and their residual values are assessed annually and may vary depending on a number of factors which require a significant degree of judgement. In reassessing asset lives, factors such as technological innovation and product lifecycles are taken into account. Residual value assessments consider issues such as current market conditions, the remaining useful life of an asset and its disposal value.

5. Goodwill

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
COST	**3 469**	3 521	**562**	562
At the beginning of the year	**3 521**	3 518	**562**	699
Written off	**(35)**	(3)	**–**	(137)
Translation differences	**(17)**	6	**–**	–
ACCUMULATED IMPAIRMENT LOSSES	**1 117**	1 152	**103**	103
At the beginning of the year	**1 152**	1 155	**103**	240
Written off	**(35)**	(3)	**–**	(137)
CARRYING AMOUNT	**2 352**	2 369	**459**	459

Goodwill is allocated to the CGU that is expected to benefit from the acquisition and is measured and managed at an operating segment level as follows:

AECI Mining	**467**	467	**–**	–
AECI Water	**350**	350	**–**	–
AECI Agri Health	**558**	575	**100**	100
AECI Chemicals	**977**	977	**359**	359
CARRYING AMOUNT	**2 352**	2 369	**459**	459

ACCOUNTING POLICY

Business combinations are accounted for using the acquisition method applied on the date of acquisition, which represents 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 and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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 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 related to the business combination, are expensed as incurred.

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.

5. Goodwill CONTINUED

SIGNIFICANT ESTIMATES AND JUDGEMENTS

IMPAIRMENTS

An asset is impaired when its carrying amount exceeds its recoverable amount. Goodwill is tested annually at 30 September and the assessments are reviewed by management at each reporting date to determine whether there have been any significant changes to assumptions since the date of assessment. 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.

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 reportable segments comprises individual CGUs, each of which has been tested for impairment. The goodwill balances are aggregated per reportable 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 taking into account market conditions and the expected useful lives of the assets using an appropriate discount rate. The following key assumptions were applied:

- cash flows were projected based on actual operating results, approved budgets for three years and thereafter, the business plan for a period of at least two years, and using an average trading margin of between 8% and 11% (2021: 9% and 11%) over the five years;
- a post-taxation discount rate between 8% and 29% (2021: 8% and 24%) 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 (pre-taxation discount rate between 11% and 34%) (2021: 8% and 32%); and
- terminal value growth rates of between 1,5% and 5% (2021: 1,5% and 5,0%) were applied. This was based on sustainable earnings and a conservative growth model.

The tangible and intangible assets contained in the CGUs are tested for impairment prior to the collective portfolio CGU being tested for goodwill impairment. Any further impairment losses, arising from the portfolio CGU value-in-use calculation, are applied against goodwill and immediately recognised in the statement of profit or loss.

Other than AECI Much Asphalt, AECI Schirm and AECI Water Chemical and Monitoring Solutions, a plausible negative change in the assumptions used to calculate the value-in-use is not likely to cause the recoverable amount to fall below the carrying value of the remaining CGUs.

IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL

Goodwill has been allocated to the Group's CGUs as follows:

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
AECI Much Asphalt [1]	**710**	710		
AECI Schirm [1]	**365**	365		
AECI Mining Explosives	**273**	273		
AECI Water Chemical and Monitoring Solutions	**221**	218		
Multiple units with individually insignificant goodwill	**783**	803	**459**	459
CARRYING AMOUNT	**2 352**	2 369	**459**	459

[1] The brands, which are intangible assets with indefinite useful lives, have been included in the impairment assessment of these CGUs (refer to note 4)

The remainder of the Group's goodwill comprises 14 CGUs. The goodwill value associated with each of these is individually insignificant. A plausible change in the assumptions used to calculate the value-in-use is not likely to cause the recoverable amount to significantly fall below the carrying value of the remaining CGUs.

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.

5. Goodwill CONTINUED

	GROUP	
%	**2022**	2021
Post-taxation discount rate [1]	**14,4**	13,1
Terminal value growth rate	**5,3**	4,5
Revenue growth rate	**7,5**	5,0

[1] Pre-taxation discount rate of 17,9% (2021: 16,5%)

Infrastructure spend, including road infrastructure, in South Africa has been in decline since it peaked in 2016. The onset of the COVID-19 pandemic in 2020 put additional pressure on spending, as a result AECI's management expectations for growth in this sector were revised down for the period 2021 to 2025 impacting both revenue and margins. As a result, goodwill in the amount of R821 million was impaired in 2020.

The business improved performance in 2021 and 2022, on the back of unexpected improved spending in road infrastructure that the business was in the position to leverage.

Much Asphalt is well-placed to capitalise on potential market shifts due to its strategically located plants across South Africa, brand reputation, world-class technology, and a highly experienced workforce.

The award of tenders for 2023 and positive internal and external indicators point to a continued improvement in business performance for 2023. At 31 December 2022, management's projections for revenue growth and trading margins were based on the average growth levels and market volumes over the past five years, with particular focus on data predating the pandemic's impact, as well as the estimated sales volume and price growth for the next five years based on the factors discussed above. The resulting cash flow forecast demonstrates an enhancement in the value-in-use compared to the preceding period.

Management's assessment of the goodwill, estimated that the recoverable amount of the CGU exceeds its carrying amount by approximately R337 million (2021: R223 million). The following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- an increase of 1,8% in the post-taxation discount rate;
- a decrease of 3,1% in the terminal growth rate;
- a decrease of 5,1% in the revenue growth rate from 2023 to 2027; and
- a decrease of 1,5% in the trading margin from 2023 to 2027.

A post-taxation 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 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, taxation, depreciation and amortisation (EBITDA) growth rate, consistent with the assumptions that a market participant would make.

AECI SCHIRM

During the reporting period, the ongoing Russia/Ukraine conflict resulted in severe undesirable impacts as economic activities in most economies, including Germany, struggled to recover to pre-COVID-19 levels. Consequently, inflation and country risk-free rates used as inputs to assess the recoverable amount of AECI Schirm have increased.

USA

The AECI Schirm business in the USA delivered to expectations in 2022 and output on key plants was contracted to customers for the next 12 months. The new capacity expansion project, amounting to R504 million (USD 31 million) in capital expenditure is expected to be completed in H1 2023. The new capacity is supported by long-term contracts, strong demand and growth opportunities in the USA.

5. Goodwill CONTINUED

GERMANY

During 2022, in Schirm Germany, the Russia/Ukraine conflict exacerbated the post-COVID-19 pandemic economic environment. This resulted in further decline on customer demand in particular, crop protection products in the agricultural industry in Ukraine. Due to the difficult trading conditions; cost increases, including energy and labour, were not fully recovered from customers and contractual volumes were unfortunately not met.

The business turnaround project team, supported by external advisers and under the direction of the Board, has made significant progress in shaping a more sustainable way forward. The preliminary results have given management and the board evidence to make key decisions enabling the business to focus strongly on implementing solutions to address the current challenges and ensure a successful turnaround.

The unsatisfactory performance together with the detailed review of the operations highlighted impairment indicators in relation to the right-of-use assets, property, plant and equipment and an impairment of R445 million was recognised.

AECI SCHIRM GOODWILL IMPAIRMENT ASSESSMENT

The assessment of the goodwill at 31 December 2022 resulted in the estimated recoverable amount of the CGU exceeding its carrying amount by approximately R478 million (2021: R106 million). This improvement resulted from the overall improvement in the USA's medium-term prospects following the capital expansion project and the impact of the right-of-use assets, property, plant and equipment impairments in Germany, which significantly reduced the carrying amount of the CGU.

The assessment is sensitive to changes in certain key assumptions. Management identified that a change in key assumptions could cause the carrying amount to exceed the recoverable amount. The following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- an increase of 1,4% in the post-taxation discount rate;
- a decrease of 2,9% in the terminal growth rate;
- a decrease of 4,9% in the revenue growth rate from 2023 to 2027; and
- a decrease of 1,4% in the trading margin from 2023 to 2027.

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.

	GROUP			
	2022		2021	
%	**Germany**	**USA**	Germany	USA
Post-taxation discount rate [1]	**8,6**	**9,0**	7,0	7,6
Terminal value growth rate	**1,5**	**3,5**	1,5	2,3
Revenue growth rate (average for the next five years)	**7,1**	**5,0**	6,0	5,0

[1] Pre-taxation discount rate in Germany 11,3% (2021: 8,5%) and USA 10,8% (2021: 9,3%)

The recoverable amount of the CGU was estimated based on the value-in-use and the discounted cash flows of an updated forecast using the most conservative forecast volumes and growth rates for the German operations as well as reasonable forecasts related to the USA operations.

A post-taxation 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 macroeconomic 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. The estimate is still reliant on a successful turnaround strategy for the operations in Germany being put into place and achieving the expected results, as described above.

5. Goodwill CONTINUED

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.

	GROUP	
%	**2022**	2021
Post-taxation discount rate [1]	**14,0**	12,5
Terminal value growth rate	**2,0**	2,0
Revenue growth rate	**3,9**	8,1

[1] Pre-taxation discount rate of 20,5% (2021: 18,8%)

A post-taxation 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 30%. 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 macroeconomic environment.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately R2 381 million (2021: R2 096 million) and is not sensitive to changes in certain key assumptions. Management concluded that no material change in any assumptions would cause the carrying amount to exceed the recoverable amount.

AECI WATER CHEMICAL AND MONITORING SOLUTIONS AND WATER SEGMENT

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.

	GROUP	
%	**2022**	2021
Post-taxation discount rate [1]	**14,6**	13,4
Revenue growth rate	**11,5**	6,1

[1] Pre-taxation discount rate of 23,0% (2021: 24,0%)

A post-taxation 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 30%. 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 macroeconomic environment.

The cash flow projections included specific estimates for the contract term of the technology and licensing agreements of the CGU. 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 seven years.

The estimated recoverable amount of the AECI Water Chemical and Monitoring Solutions CGU exceeded its carrying amount by approximately R167 million (2021: R267 million). The assessment is sensitive to changes in certain key assumptions. Management identified that a change in key assumptions could cause the carrying amount to exceed the recoverable amount.

The following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- an increase of 3,6% in the post-taxation discount rate;
- a decrease of 2,1% in the revenue growth rate from 2023 to 2029; and
- a decrease of 1,6% in the trading margin from 2023 to 2029.

The estimated recoverable amount of the Water segment CGU exceeded its carrying amount by approximately R121 million (2021: R289 million). The assessment is sensitive to changes in certain key assumptions. Management identified that a change in key assumptions could cause the carrying amount to exceed the recoverable amount.

The following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- an increase of 2,2% in the post-taxation discount rate;
- a decrease of 1,8% in the revenue growth rate from 2023 to 2029; and
- a decrease of 3,8% in the trading margin from 2023 to 2029.

6. Interest in subsidiaries and loans with subsidiaries

	COMPANY	
Rand million	**2022**	2021
INTEREST IN SUBSIDIARIES		
At cost	**7 716**	7 571
Less: Impairment losses	**(560)**	(359)
Non-current loans to subsidiaries [1,2]	**250**	347
Interest in subsidiaries unlisted shares (refer to note 33)	**7 406**	7 559
LOANS WITH SUBSIDIARIES [3]		
Interest-bearing non-current loans to subsidiaries [1]	**346**	348
Interest-bearing current loans to subsidiaries [4]	**3 676**	3 093
Current loans from subsidiaries	**(8 237)**	(8 305)
Current loans from subsidiaries [5]	**(2 535)**	(2 323)
Interest-bearing current loans from subsidiaries	**(5 702)**	(5 982)

1 Other loans provided by the Company are not expected to be repaid within 12 months and are classified as non-current
2 The loans with non-operating business entities are considered part of the net investment in those entities and bear no interest
3 Refer to notes 22 and 23 for the related interest expense and income disclosure
4 Business entities are funded through the central treasury of the Company and such loans are classified as current
5 Current loans from subsidiaries are repayable on demand and are non-interest bearing

Net loans with subsidiaries were R3 965 million (2021: R4 517 million). Details of the Company's principal subsidiaries are presented in note 33.

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").

Due to the estimated recoverable amount exceeding the investment in AECI Much Asphalt in the current year, R177 million (2021: R242 million) of the impairment recognised was reversed. The net impairment is R130 million (2021: R307 million). Refer to note 5 for the assumptions applied to the enterprise value of this business entity.

Southern Canned Products Proprietary Limited, a wholly-owned subsidiary of the Company, disposed of its business, including all its assets and liabilities, as a going concern to the Company. The disposal is a distribution made in anticipation of liquidation, winding-up or deregistration and is recognised as a dividend received of R258 million in the statement of changes in equity. The transaction was concluded as part of a group company restructuring project and has no impact on the consolidated position of the Group. As a result of this distribution, the recoverable amount of the investment was nil and the investment of R389 million was impaired. The investment will be derecognised when SCP is deregistered.

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

ACCOUNTING POLICY

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidation from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been amended where necessary to ensure consistency with the policies adopted by the Group.

6. Interest in subsidiaries and loans with subsidiaries CONTINUED

Investments in subsidiaries are accounted for at cost less impairment and include the equity contributions of share-based payments to employees of subsidiaries as well as loans owing from non-operating subsidiaries, in the Company's separate financial statements. 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. Intercompany 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.

Loans by the Company to its 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 VENTURE

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.

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.

SPECIALTY MINERALS SOUTH AFRICA ("SMSA")

SMSA is a joint venture with Specialty Minerals Incorporated, a wholly-owned subsidiary of Minerals Technologies Incorporated, 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 50% interest in the net assets of SMSA and thus it is classified as a joint venture. The joint venture is an unlisted entity.

The Group's share of profit of SMSA for the year was R22 million (2021: R17 million). During the year, the Group received a total dividend of R50 million from SMSA (2021: nil). Summarised financial information for SMSA was as follows:

STATEMENTS OF FINANCIAL POSITION	SMSA	
Rand million	**2022**	2021
OWNERSHIP (%)	**50**	50
Current assets, excluding cash and cash equivalents	**47**	22
Cash and cash equivalents	**58**	121
Non-current assets	**20**	18
TOTAL ASSETS	**125**	161
Trade and other payables	**42**	21
Non-current liabilities	**3**	2
TOTAL LIABILITIES	**45**	23
NET ASSETS	**80**	138
Group's share of net assets	**40**	69
CARRYING AMOUNT	**40**	69

7. Investment in and loans with joint ventures and joint operations CONTINUED

STATEMENT OF PROFIT OR LOSS	SMSA	
Rand million	**2022**	2021
OWNERSHIP (%)	**50**	50
Revenue	**213**	165
Net operating costs excluding depreciation and amortisation	**(152)**	(116)
Depreciation and amortisation	**(4)**	(3)
Interest received	**2**	2
Taxation expense	**(16)**	(15)
PROFIT	**43**	33
Group's share of profit	**22**	17

LOAN PAYABLE TO JOINT VENTURE	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Loan payable to joint venture	**(141)**	(111)	**(289)**	(225)

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

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.

DETNET SOUTH AFRICA PROPRIETARY LIMITED ("DETNET")

DetNet is a joint arrangement with Dyno Nobel, a subsidiary of Incitec Pivot Limited. DetNet is represented globally by both AECI Mining Explosives and Dyno Nobel, thus providing global access and support for all its products. The Group bears no rights to the assets nor the obligations related to the liabilities. DetNet is itself a limited liability company. Since all of DetNet's output is provided to the partners, they are essentially the only sources of cash inflows available to DetNet to enable it to settle its liabilities.

As a result of these specific circumstances and certain other terms of the agreement between the partners, DetNet is classified as a joint operation and 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 with those of the Group.

	COMPANY	
Rand million	**2022**	2021
Unlisted shares at amortised cost	**28**	28

PERCENTAGE HELD BY AECI OWNERSHIP (%)	**2022**	2021
DetNet South Africa Proprietary Limited	**50**	50

7. Investment in and loans with joint ventures and joint operations CONTINUED

GROUP'S SHARE OF PROFIT OR LOSS

Rand million	2022	2021
OWNERSHIP (%)	**50**	50
Revenue	**322**	283
Net operating costs, excluding depreciation and amortisation	**(263)**	(258)
Depreciation and amortisation	**(7)**	(6)
Interest received	**7**	4
Taxation expense	**(13)**	(3)
PROFIT	**46**	20

GROUP'S SHARE OF FINANCIAL POSITION

Rand million	2022	2021
OWNERSHIP (%)	**50**	50
Current assets, excluding cash and cash equivalents	**245**	169
Cash and cash equivalents	**30**	55
Non-current assets	**18**	20
TOTAL ASSETS	**293**	244
Trade and other payables, including provisions	**51**	47
Current financial liabilities, excluding trade and other payables and provisions	**2**	–
Non-current financial liabilities excluding trade and other payables and provisions	**4**	–
TOTAL LIABILITIES	**57**	47
NET ASSETS	**236**	197

8. Investments in and loans to associates

PT BLACK BEAR RESOURCES INDONESIA ("BBRI")

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

KHULA APP PROPRIETARY LIMITED ("KHULA")

The Group has a 26% interest in Khula, a South African technology company serving primarily emerging farmers in South Africa, allowing them to procure their inputs for agricultural purposes and to provide 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 allows AECI Plant Health to participate in the emerging farmer market space, providing synergies to Khula through AECI Plant Health's distribution footprint.

SPECIALISED ROAD TECHNOLOGIES PROPRIETARY LIMITED ("SRT")

The Group has a 27% interest in SRT, a South African company with a wide range of specialised equipment at its disposal for road surveillance testing. 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 included in the AECI Chemicals operating segment.

8. Investments in and loans to associates CONTINUED

	GROUP		COMPANY[1]	
Rand million	**2022**	2021	**2022**	2021
UNLISTED SHARES AT COST	**285**	285	**10**	10
At the beginning of the year	**285**	285	**10**	10
POST-ACQUISITION ACCUMULATED LOSSES	**(152)**	(163)		
Balance at the beginning of the year	**(163)**	(160)		
Dividends received	**–**	(2)		
Translation differences	**7**	9		
Current year's share of net profits/(losses) of associate companies	**4**	(10)		
TOTAL INVESTMENTS IN ASSOCIATES	**133**	122	**10**	10

[1] The Company's R10 million investment in Khula is recognised at original cost

GROUP

Rand million	BBRI	Khula	SRT	Total
2022				
OWNERSHIP (%)	**42,6**	**26,0**	**27,0**	
STATEMENTS OF FINANCIAL POSITION				
Current assets	**267**	**14**	**34**	**315**
Non-current assets	**533**	**1**	**12**	**546**
Current liabilities	**(44)**	**–**	**5**	**(39)**
Non-current liabilities	**(253)**	**7**	**–**	**(246)**
NET ASSETS (100%)	**503**	**22**	**51**	**576**
CARRYING AMOUNT OF INTEREST IN ASSOCIATES	**110**	**12**	**11**	**133**

Rand million	BBRI	Khula	SRT	Total
2021				
OWNERSHIP (%)	42,6	26,0	27,0	
STATEMENT OF FINANCIAL POSITION				
Current assets	107	6	23	136
Non-current assets	371	1	12	384
Current liabilities	(102)	–	(3)	(105)
Non-current liabilities	(51)	1	–	(50)
NET ASSETS (100%)	325	8	32	365
CARRYING AMOUNT OF INTEREST IN ASSOCIATES	104	10	8	122

8. Investments in and loans to associates CONTINUED

STATEMENTS OF PROFIT OR LOSS	BBRI	Khula	SRT	Total
2022				
OWNERSHIP (%)	42,6	26,0	27,0	
Revenue	391	14	55	441
Net operating costs, excluding depreciation and amortisation	(327)	(5)	(38)	(356)
Depreciation and amortisation	(56)	–	(2)	(56)
Interest expense	(10)	–	–	(10)
Interest received	1	–	1	2
Taxation expense	–	(3)	(3)	(3)
(LOSS)/PROFIT	(1)	6	13	18
GROUP'S SHARE OF PROFIT	–	1	3	4

STATEMENTS OF PROFIT OR LOSS	BBRI	Khula	SRT	Total
2021				
OWNERSHIP (%)	42,6	26,0	27,0	
Revenue	226	4	36	266
Net operating costs, excluding depreciation and amortisation	(189)	(7)	(32)	(228)
Depreciation and amortisation	(54)	–	(2)	(56)
Interest expense	(7)	–	–	(7)
Interest received	1	–	1	2
Taxation expense	–	–	–	–
(LOSS)/PROFIT	(23)	(3)	3	(23)
GROUP'S SHARE OF PROFIT	(10)	(1)	1	(10)

LOANS TO ASSOCIATE

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Interest-bearing non-current loans to BBRI	111	48	–	–

Loans are not expected to be settled within the next 12 months and are classified as non-current. Interest is borne on the loans at 9,4% per annum and is repayable at least quarterly. The loans are measured at amortised cost using the effective interest rate method, less any impairment losses.

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.

Initially, an associate is recognised at cost 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 statements of profit or loss 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 statements of profit or loss 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

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
NON-CURRENT INVESTMENTS				
Equity instruments	**196**	250	**194**	248
Equity securities at FVOCI	**194**	244	**194**	244
Capital contributions	**2**	6	**–**	4
Loans and receivables [1]	**7**	5	**7**	–
OTHER NON-CURRENT INVESTMENTS	**203**	255	**201**	248
CURRENT INVESTMENTS				
Money market investments [2]	**220**	194	**–**	–
Employer surplus accounts [3]	**80**	134	**80**	134
Loans and receivables [1]	**172**	53	**78**	53
OTHER CURRENT INVESTMENTS	**472**	381	**158**	187

1 These loans have varying repayment terms ranging from no fixed repayment terms to a repayment period of less than 12 months. Interest on these loans is charged at fixed rates of between nil and 14% annually, and at floating rates of prime plus 1% and JIBOR plus 5%. During the current year, AECI provided additional funding of Euro 1,5 million (2021: Euro 2,5 million) to Clariter Société Anonyme of Luxembourg, by way of a convertible loan maturing on 30 June 2023 at an interest rate of 8% compounded annually. The equity component of the loan was not significant.

2 The money market investments include an investment in a collective investment scheme with Investec Bank Limited and a money market fund with Old Mutual Limited. 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.

3 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. Refer to note 30 for further information in this regard.

EQUITY SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments are designated to be carried at fair value through other comprehensive income. These investments are not held for trading and are strategic long-term investments where the purpose of the investment is not dependent on the fair value. The cumulative fair value adjustments may not be reclassified to profit or loss.

GROUP AND COMPANY

Rand million	Fair value as at 31 December 2021	Fair value adjustment	Translation differences	**Fair value as at 31 December 2022**
Origin Materials Incorporated ("Origin")	216	(63)	13	**166**
AECI Good Chemistry Fund	28	–	–	**28**
OTHER NON-CURRENT INVESTMENTS	244	(63)	13	**194**

ORIGIN MATERIALS ("ORIGIN")

AECI has invested a total of US Dollar 5,2 million (US Dollar 5,0 million in 2017 and an additional US Dollar 0,2 million in 2021) in Origin, a start-up company based in California, USA, that has pioneered the development of bio-based chemicals. These chemicals can be processed into a large number of products for application in global markets. The fair value of the investment in Origin was categorised as a Level 1 financial asset with listed shares (NASDAQ: ORGN). The shares are valued at the listed entity's share price of US Dollar 4,61 (2021: US Dollar 6,45) at the reporting date.

AECI GOOD CHEMISTRY FUND

This investment enables the Group's Enterprise and Supplier Development programme. The AECI Good Chemistry Fund is considered to be a Level 3 asset in the fair value hierarchy.

10. Deferred taxation

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Deferred taxation assets	**106**	215	**–**	–
Deferred taxation liabilities	**(583)**	(744)	**(24)**	(116)
NET DEFERRED TAXATION LIABILITY	**(477)**	(529)	**(24)**	(116)
Net movement in deferred taxation balance:				
At the beginning of the year	**(529)**	(417)	**(116)**	(114)
Recognised in the statements of profit or loss				
– current and prior year charge	**133**	(67)	**52**	40
– derecognition of deferred taxation asset	**(86)**	–	**–**	–
– taxation rate change [1]	**14**	–	**1**	–
Recognised in other comprehensive income				
– foreign currency loan translation differences	**(2)**	–	**–**	–
– reversal of deferred taxation on equity securities at FVOCI [2]	**41**	(39)	**41**	(39)
– defined-benefit obligations [3]	**(19)**	(5)	**1**	-
– post-retirement medical aid obligations	**(6)**	(4)	**(7)**	(4)
– derecognition of deferred taxation asset [4]	**(22)**	–	**–**	–
Business combinations [5]	**–**	–	**3**	–
Other	**(1)**	3	**1**	1
AT THE END OF THE YEAR	**(477)**	(529)	**(24)**	(116)
Analysis by major temporary differences:				
Property, plant and equipment	**(614)**	(614)	**(51)**	(47)
Right-of-use assets and finance lease liabilities	**21**	4	**7**	–
Intangible assets	**(232)**	(246)	**–**	–
Provisions and deferred income	**546**	455	**215**	197
Pension fund employer surplus accounts	**(183)**	(170)	**(146)**	(176)
Deferred foreign exchange differences	**(22)**	(35)	**(47)**	(86)
Computed taxation losses [6]	**41**	116	**–**	–
Other [7]	**(34)**	(39)	**(2)**	(4)
	(477)	(529)	**(24)**	(116)

1 In the South African 2021 Budget Speech the Minister of Finance announced a reduction in the corporate income taxation rate from 28% to 27%, for years of assessment starting on or after 1 April 2022. The closing deferred taxation assets and liabilities was raised at 27% to account for this change in legislation that had been substantively enacted at 23 February 2022

2 Deferred taxation liability for Origin Materials Incorporated ("Origin") reversed after the investment was realised due to the special purpose acquisition transaction during June 2021. The transaction incurred capital gains taxation which was paid to the revenue authority in 2022

3 Defined-benefit obligation for AECI Schirm in Germany and AECI Limited through other comprehensive income

4 Derecognition of AECI Schirm's deferred taxation assets on defined-benefit obligation in Germany due to uncertainty regarding the probability of future profits through other comprehensive income

5 Divisionalisation of Southern Canned Products Proprietary Limited into AECI Limited

6 A deferred taxation asset of R41 million (2021: R116 million) was raised relating to taxation assessed losses of R152 million (2021: R402 million). The deferred taxation asset balance not recognised for computed taxation losses was R247 million (2021: R121 million). Computed taxation losses were not recognised due to uncertainty regarding the future profitability of the respective entities. The significant decrease in the computed taxation losses was as a result of the derecognition of AECI Schirm's 2021 computed taxation assessed losses of R275 million in Germany (2021: nil) in the current year, given uncertainty as to the levels of future taxable profits for utilisation thereof. The remaining deferred taxation asset raised pertains to trading entities where there is greater certainty of future taxable profits. The deferred taxation asset recoverability assessment considers the probability of forecast future taxable income, which may include future taxation planning opportunities

7 Comprises pre-payments, income received in advance and other receivables

10. Deferred taxation CONTINUED

ACCOUNTING POLICY

Deferred taxation assets are recognised in respect of temporary differences between the carrying value of assets and liabilities for accounting purposes and their corresponding values for taxation purposes. A deferred taxation asset may be recognised on taxation losses but only to the extent that it is probable that future taxable profits will be available against which the associated unused taxation losses and deductible temporary differences can be utilised in the foreseeable future. Deferred taxation assets are reviewed at each reporting date.

No deferred taxation 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 taxation 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.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity. Deferred taxation assets and liabilities are measured at the taxation rates that are expected to apply in the period when the asset is realised or the liability is settled, based on taxation rates/laws that have been enacted or substantively enacted at the end of the reporting period.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

When a deferred taxation asset is recognised, the Group makes estimates in assessing whether taxable profits will be available in the foreseeable future. Future taxable profits are determined based on forecasts, budgets and business plans for individual Group subsidiaries, which include estimates and assumptions regarding economic growth, market conditions and other economic factors.

11. Inventories

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Raw and packaging materials	**2 454**	1 686	**802**	468
In progress	**112**	102	**13**	10
Finished goods and merchandise	**4 133**	2 898	**1 764**	1 300
Consumable stores	**263**	301	**–**	–
Spares and other	**176**	134	**26**	9
Obsolescence provisions	**(358)**	(241)	**(55)**	(29)
TOTAL INVENTORIES	**6 780**	4 880	**2 550**	1 758
Recognised in profit or loss:				
Cost of inventories recognised as an expense	**21 551**	14 452	**7 113**	5 256
Losses and write-down of inventories	**116**	41	**32**	8
Inventory adjustments	**258**	105	**33**	(2)

ACCOUNTING POLICY

Inventories of raw and packaging materials, finished goods 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.

An 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. Trade and other receivables

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Trade receivables (net of loss allowances)	**6 651**	4 876	**2 397**	1 863
Contracts with customers [1]	**6 649**	4 872	**2 395**	1 859
Lease receivables	**2**	4	**2**	4
Pre-payments	**307**	250	**68**	70
VAT [2]	**557**	464	**72**	134
Deposits	**190**	134	**19**	19
Other [3]	**97**	65	**74**	46
Forward exchange contracts	**90**	77	**9**	46
Joint ventures and associates	**14**	6	**16**	16
Subsidiaries	**–**	–	**364**	327
TOTAL TRADE AND OTHER RECEIVABLES	**7 906**	5 872	**3 019**	2 521

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

[1] Group contracts with customers include R138 million (2021: R160 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] The VAT receivable on the Group's financial statements represents a VAT credit or refund owed by revenue authorities in various jurisdictions. The timing of receipt of the refund varies and can be delayed by verification processes, local practices, and conditions in local economic environments. As of the latest reporting period, no refundable amounts are outside the prescription periods, and there are no indications that the amounts due to the Group are not recoverable from the various revenue authorities
The VAT receivable includes a R155 million receivable from the Zambia Revenue Authority ("ZRA"). The ZRA has a statutory obligation to refund taxpayers with net VAT receivable. Management has considered the classification of the VAT receivable as a current asset

[3] Other receivables include those relating to sundry receivables and loans to employees

Exposure to credit risk for trade receivables is assessed by geographic region as follows:

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
South Africa	**4 154**	3 048	**2 234**	1 733
Rest of the African continent	**1 412**	1 037	**142**	111
Europe	**448**	439	**18**	14
North America	**211**	173	**–**	–
Australia	**308**	99	**–**	2
Asia	**77**	74	**2**	3
South America	**41**	6	**1**	–
TRADE RECEIVABLES (NET OF LOSS ALLOWANCES)	**6 651**	4 876	**2 397**	1 863

12. Trade and other receivables CONTINUED

CONCENTRATION OF CREDIT RISK

The following table provides information on the exposure to credit risk and loss allowances for trade receivables by geographic region as at 31 December 2022:

GROUP

Rand million	Weighted average loss rate (%) [1]	Gross carrying amount [2]	Specific loss allowances	Lifetime ECL allowances	Total loss allowances [2]	Trade receivables (net of loss allowances)
SOUTH AFRICA						
Current (not yet due)	1	3 257	–	(17)	(17)	3 240
1 – 30 days past due	1	698	–	(5)	(5)	693
31 – 60 days past due	1	167	–	(1)	(1)	166
61 – 90 days past due	2	47	–	(1)	(1)	46
More than 90 days past due	100	113	(24)	(80)	(104)	9
		4 282	**(24)**	**(104)**	**(128)**	**4 154**
REST OF THE AFRICAN CONTINENT						
Current (not yet due)	1	1 160	–	(7)	(7)	1 153
1 – 30 days past due	1	144	–	(1)	(1)	143
31 – 60 days past due	19	39	(1)	(6)	(7)	32
61 – 90 days past due	6	84	(6)	(5)	(11)	73
More than 90 days past due	100	108	–	(97)	(97)	11
		1 535	**(7)**	**(116)**	**(123)**	**1 412**
EUROPE						
Current (not yet due)	–	425	–	–	–	425
1 – 30 days past due	–	21	–	–	–	21
31 – 60 days past due	–	2	–	–	–	2
More than 90 days past due	100	3	–	(3)	(3)	–
		451	**–**	**(3)**	**(3)**	**448**
NORTH AMERICA						
Current (not yet due)	–	147	–	(1)	(1)	146
1 – 30 days past due	–	51	–	–	–	51
31 – 60 days past due	–	13	–	–	–	13
61 – 90 days past due	–	1	–	–	–	1
More than 90 days past due	100	1	–	(1)	(1)	–
		213	**–**	**(2)**	**(2)**	**211**
AUSTRALIA						
Current (not yet due)	–	300	–	(1)	(1)	299
1 – 30 days past due	–	8	–	–	–	8
31 – 60 days past due	–	1	–	–	–	1
		309	**–**	**(1)**	**(1)**	**308**
OTHER REGIONS [3]						
Current (not yet due)	–	111	–	–	–	111
1 – 30 days past due	–	4	–	–	–	4
31 – 60 days past due	–	3	–	–	–	3
		118	**–**	**–**	**–**	**118**

1 Weighted average loss rate of less than 1% where no figures are presented
2 The gross carrying amount is inclusive of VAT. Total loss allowances are exclusive of VAT
3 Other regions include Asia and South America

12. Trade and other receivables CONTINUED

COMPANY

SOUTH AFRICA

Rand million	Weighted average loss rate (%) [1]	Gross carrying amount [2]	Specific loss allowances	Lifetime ECL allowances	Total loss allowances [2]	Trade receivables (net of loss allowances)
Current (not yet due)	1	1 733	–	(9)	(9)	1 724
1 – 30 days past due	1	379	–	(3)	(3)	376
31 – 60 days past due	1	106	–	(1)	(1)	105
61 – 90 days past due	1	29	–	–	–	29
More than 90 days past due	100	53	(24)	(29)	(53)	–
		2 300	**(24)**	**(42)**	**(66)**	**2 234**
REST OF THE AFRICAN CONTINENT						
Current (not yet due)	1	60	–	–	–	60
1 – 30 days past due	1	19	–	–	–	19
31 – 60 days past due	1	8	–	–	–	8
61 – 90 days past due	1	56	–	(1)	(1)	55
More than 90 days past due	100	3	–	(3)	(3)	–
		146	**–**	**(4)**	**(4)**	**142**
OTHER REGIONS [3]						
Current (not yet due)	–	18	–	–	–	18
1 – 30 days past due	–	2	–	–	–	2
31 – 60 days past due	–	1	–	–	–	1
		21	**–**	**–**	**–**	**21**

[1] Weighted average loss rate of less than 1% where no figures are presented
[2] The gross carrying amount is inclusive of VAT. Total loss allowances are exclusive of VAT
[3] Other regions include receivables from Asia, Australia and Europe

The reconciliation of the allowance is as follows:

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
At the beginning of the year	**(251)**	(221)	**(48)**	(39)
Subsidiaries acquired	**–**	–	**(1)**	–
Increase in allowance	**(53)**	(33)	**(18)**	(23)
Receivables written off	**47**	3	**(3)**	14
AT THE END OF THE YEAR	**(257)**	(251)	**(70)**	(48)
Contracts with customers	**(256)**	(249)	**(69)**	(46)
Lease receivables	**(1)**	(2)	**(1)**	(2)

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

12. Trade and other receivables CONTINUED

ACCOUNTING POLICY

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. Trade receivables are recognised initially at the consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore, classifies trade receivables as financial assets at amortised cost using the effective interest method, less any loss allowances.

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 when the performance obligation is delivered and it is invoiced to the customer.

IMPAIRMENT

FINANCIAL ASSETS

The Group applies the simplified approach as permitted by IFRS 9 when providing for loss allowances on trade receivables. Under the simplified approach, the loss allowance is calculated over the lifetime of the asset. Trade receivables are disaggregated into major categories based on common credit risk characteristics and focusing on risks specific to each geographic region, and the credit risk is assessed for each category. This is in terms of the provision matrix approach. Credit risk per category is determined using actual credit loss data from past information and experience with debtors as well as expectations of the future recoverability of amounts due from debtors. Factors which are considered when assessing the past and future risk associated with each category include an analysis of debtors' current financial position, adjusted for factors that are specific to each debtor, general economic conditions in which the debtor operates and an assessment of both the current as well as the forecast direction of macro-economic conditions at the reporting date. Loss allowances are reviewed at the end of each reporting period.

Trade and other receivables are written off when no reasonable expectation of settlement is determined.

Except for assets at fair value, the Group recognises a loss allowance on financial assets through profit or loss. The amount of the loss allowance is updated at each reporting date to reflect changes in credit risk since the last reporting date.

For all other financial assets, the Group recognises lifetime loss allowances 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.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

FINANCIAL INSTRUMENTS

Determining ECLs necessitates assessments of current and future general economic conditions and their impact on the credit risk of financial assets, as well as the use of past-due amounts to indicate expected levels of credit loss. Credit losses may occur at a different time and in a different amount than anticipated.

13. Share capital and share premium

	NUMBER OF SHARES		GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021	**2022**	2021
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	**109 944 384**	109 944 384			**110**	110
Cancelled during the year						
Group	**(4 426 604)**	–	**(4)**	–		
Company	**(4 426 604)**	–			**(4)**	–
At the end of the year						
Group	**105 517 780**	109 944 384	**106**	110		
Company	**105 517 780**	109 944 384			**106**	110
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	**105 517 780**	109 944 384	**106**	110		
Company	**115 635 731**	120 062 335			**112**	116
No par value treasury shares held by a consolidated trust	**10 117 951**	10 117 951				
Total treasury shares	**10 117 951**	10 117 951				
LISTED PREFERENCE SHARES						
Authorised and issued						
5,5% cumulative shares of R2 each	**3 000 000**	3 000 000	**6**	6	**6**	6

13. Share capital and share premium CONTINUED

AECI repurchased 4 426 604 AECI ordinary shares of 100 cents each ("Repurchased Shares") from the AECI Community Education and Development Trust for no consideration ("the Specific Repurchase"). This represented 4,02% of the total number of shares in issue before the Specific Repurchase was effected. The Repurchased Shares reverted to authorised unissued shares of the Company in accordance with Section 35(5) of the Companies Act, 2008 and were cancelled on 15 February 2022.

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 the return on net assets ("RONA"). RONA is defined as operating profit plus the share of profit of equity-accounted investees, net of taxation, as a percentage of average operating assets less average operating liabilities (refer to note 32). There are no externally-imposed capital requirements.

Accounting policy

ORDINARY SHARE CAPITAL

Share capital comprises ordinary shares and redeemable convertible B ordinary shares (refer to note 21). 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

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

Preference shares are measured at historical cost, are cumulative and are classified as equity unless they are mandatorily redeemable on a specific date, in which case they are classified as liabilities. Dividends paid are disclosed in the statement of changes in equity.

14. Non-current debt

Accounting policy

Debt is recognised initially at the fair value of proceeds received, net of transaction costs incurred, when the Group becomes party to the contractual arrangements. Debt is classified as financial liabilities at amortised cost. The detailed accounting policy for financial liabilities is contained in note 28.

Rand million (unless otherwise indicated)				GROUP		COMPANY	
Facility	Terms of repayment	Interest rate [1]	Weighted average interest rate (%)	**2022**	2021	**2022**	2021
UNSECURED							
LOCAL							
Loans							
Term loan	Repayable in full on 21 November 2023	JIBAR + 1,60%	5,27	**500**	500	**500**	500
Refinanced term loan	Repayable in full on 21 November 2023	JIBAR + 1,15%	7,80	**500**	–	**500**	–
DMTN Programme [2]							
AECI02	Repayable in full on 11 November 2023	JIBAR + 1,75%	5,42	**520**	520	**520**	520
AECI03	Repaid in full on 21 November 2022	JIBAR + 1,51%	5,18	**–**	500	**–**	500
AECI04	Repayable in full on 21 November 2023	JIBAR + 1,56%	5,30	**300**	300	**300**	300
FOREIGN							
Loans – US Dollar							
	Repaid in full on 21 November 2022	LIBOR + 1,83%	1,99	**–**	240		
	Repayable in full on 21 November 2023	LIBOR + 1,98% [3]	2,14	**340**	319		
	Repayable in full by 31 May 2028 [4]	SOFR + 1,65%	5,30	**376**	–		
Loans – Euro							
	Repayable in full on 21 November 2023	EURIBOR + 2,00% [5]	1,45	**617**	617		
	Repayable in full on 21 November 2023	0,27% + 2,00%	2,27	**617**	617		
	Repayable in full on 21 November 2023	EURIBOR + 1,39%	2,66	**182**	–		
Loans – Australian Dollar							
	Repayable in full on 30 November 2027	BBSW + 1,95%	4,74	**231**	–		
Total debt				**4 183**	3 613	**1 820**	1 820
Current debt (refer to note 18)				**(3 576)**	(740)	**(1 820)**	(500)
NON-CURRENT DEBT				**607**	2 873	**–**	1 320

1 Interest rates are based on the applicable three-month base rate with interest accrued and repaid every three months

2 The Domestic Medium-Term Note Programme (DMTN Programme) is listed on the JSE and includes Senior Unsecured Floating Rate Notes. It is guaranteed by AECI Mining Limited, Chemical Services Limited, Much Asphalt Proprietary Limited and AECI Mauritius Limited, effective from 11 September 2018

3 The remaining US dollar LIBOR referencing debt is due to be settled on 21 November 2023. US dollar 3-month LIBOR will be quoted for the last time in June 2023. Thereafter, LIBOR is to be replaced with the Secured Overnight Financing Rate ("SOFR") in terms of IBOR reform. By agreement with the lender, the last interest rate reset on this debt will take place in August 2023 and will reference 3-month Term SOFR

4 The settlement date is estimated based on the date of the completion of the expansion project launched during the year. The assets under construction at AECI Schirm USA are held as collateral for the debt (refer to note 1)

5 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 nil

14. Non-current debt CONTINUED

Summary of repayments

Rand million	Total owing 2022	Payable: Within 1 year	Payable: 1 to 2 years	Payable: 2 to 5 years	Payable: More than 5 years	Total owing 2021
GROUP						
Debt denominated in South African Rand	1 820	1 820	–	–	–	1 820
Debt denominated in foreign currency	2 363	1 756	113	457	37	1 793
TOTAL DEBT	4 183	3 576	113	457	37	3 613
COMPANY						
Debt denominated in South African Rand	1 820	1 820	–	–	–	1 820
TOTAL DEBT	1 820	1 820	–	–	–	1 820

Debt covenants

	GROUP 2022	GROUP 2021
Non-current debt	607	2 873
Current debt	6 007	1 186
Cash and cash equivalents	(2 059)	(1 953)
Bank overdraft	126	62
Lease liabilities	664	592
NET DEBT	5 345	2 760

DESCRIPTION	THRESHOLD	GROUP 2022	GROUP 2021
Net debt to EBITDAC [1]	<2,5 times	1,5 times	0,9 times
EBITDAC to net financing cost	≥3,0 times	8,9 times	11,5 times
Consolidated tangible net worth	≥ R2 500 million	R8 602 million	R8 291 million

[1] EBITDAC refers to earnings before interest, depreciation, amortisation and impairments as defined in the covenant agreements. Net debt to EBITDAC would be breached if debt increased by R3 489 million or EBITDAC decreased by R1 396 million

As of the reporting date, a significant portion of the Group's long-term debt is due in 2023 and will need to be refinanced. The Group has engaged with its bankers, who have expressed interest in refinancing the debt and are willing to extend additional borrowings to the Company. Discussions with lenders regarding the 2023 debt maturities have been ongoing for an extended period and the Group anticipates successfully completing a formal process to refinance this debt during the 2023 financial year. The refinancing process is expected to involve both loan and debt capital markets.

At 31 December 2022, the Group had undrawn bank facilities of approximately R2 400 million available (2021: R3 200 million), in addition to cash and cash equivalents on hand. The Group remains well capitalised.

Debt level mitigations

The Group's net debt levels are considered to be conservative, with gearing (net debt as a percentage of equity) at 45% (2021:24%).

The following areas are controlled by management and are available for use to mitigate the impact of a deterioration in the financial health of the Group:

- operational expenditure management;
- withholding or delay in non-regulatory capital expenditure;
- ongoing improvements in working capital management; and
- deferral of dividend payment dates.

15. Lease liabilities

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Opening balance	**592**	397	**60**	11
Additions	**191**	414	**129**	58
Acquisition of a subsidiary	**–**	–	**97**	–
Cancellations of lease contracts	**–**	(64)	**–**	–
Lease payments	**(161)**	(198)	**(21)**	(11)
Interest on lease liabilities	**42**	40	**8**	2
Translation differences	**–**	3	**–**	–
Total lease liabilities	**664**	592	**273**	60
Current lease liabilities	**(131)**	(117)	**(23)**	(9)
NON-CURRENT LEASE LIABILITIES	**533**	475	**250**	51

Maturity analysis

		PAYABLE			
Rand million	**Total owing 2022**	**Payable within 1 year**	**between 1 and 5 years**	**Payable hereafter**	Total owing 2021
GROUP					
Undiscounted amounts	**830**	**169**	**411**	**250**	694
Unearned interest	**(166)**	**(38)**	**(77)**	**(51)**	(102)
TOTAL LEASE LIABILITIES	**664**	**131**	**334**	**199**	592
COMPANY					
Undiscounted amounts	**390**	**38**	**148**	**204**	94
Unearned interest	**(117)**	**(15)**	**(51)**	**(51)**	(34)
TOTAL LEASE LIABILITIES	**273**	**23**	**97**	**153**	60

Information on variable lease escalations

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Fixed escalation leases	**598**	561	**267**	60
Variable escalation leases	**66**	31	**6**	–
– linked to South African CPI	**32**	18	**6**	–
– linked to foreign CPI	**34**	13	**–**	–
TOTAL LEASE LIABILITIES	**664**	592	**273**	60

Financial liabilities

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

Accounting policy

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 debt purposes.

15. Lease liabilities CONTINUED

A right-of-use asset and the corresponding lease liability are recognised 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 initially at the present value of the lease payments outstanding at the commencement date, discounted using the rate implicit in the lease or, if not readily determined, the Group's incremental borrowing rate.

Each lease payment is allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are assessed for impairment if there is an indicator for impairment.

Leases where the period is for 12 months or less and there are no extension options or no economic incentive to renew the leases, are recognised on a straight-line basis and are expensed in profit or loss. Low value assets are assets that, when new, have a value of R100 000 or less and are expensed in profit or loss as incurred.

Significant estimates and judgements

Management exercises judgement when determining the lease term. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or 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).

16. Non-current provisions and employee benefits

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**168**	165	**106**	101
Paid during the year	**(18)**	–	**(18)**	–
Charged to net operating costs during the year (refer to note 20)				
– Additional provision made	**37**	11	**28**	5
– Reversal of provision	**(9)**	(8)	**(9)**	–
AT THE END OF THE YEAR	**178**	168	**107**	106
ACTUARIAL VALUATION OF OBLIGATIONS (refer to note 30)				
Post-retirement medical aid obligations	**163**	180	**163**	180
Defined-benefit pension obligations	**186**	254	**–**	–
AT THE END OF THE YEAR	**349**	434	**163**	180
TOTAL NON-CURRENT PROVISIONS	**527**	602	**270**	286

Accounting policy

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-taxation rate that reflects the 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.

16. Non-current provisions and employee benefits CONTINUED

POST-RETIREMENT BENEFIT OBLIGATIONS

Details of the nature of the post-retirement medical aid obligations provision are presented 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.

SIGNIFICANT ESTIMATES AND JUDGEMENTS

ENVIRONMENTAL PROVISION

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 and rates of increases in compensation costs.

17. Trade and other payables

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Trade payables	**6 037**	4 739	**2 567**	2 199
Payroll-related accruals	**996**	764	**419**	352
Other [1]	**64**	103	**19**	32
Provisions	**140**	84	**24**	4
Accruals	**437**	403	**97**	71
Forward exchange contracts (refer to note 28)	**44**	17	**19**	3
VAT payable	**27**	24	**–**	–
Amounts due to subsidiaries	**–**	–	**226**	200
Amounts due to joint ventures and associates	**16**	1	**–**	–
	7 761	6 135	**3 371**	2 861
Current portion of non-current provisions	**6**	18	**3**	10
TOTAL TRADE AND OTHER PAYABLES	**7 767**	6 153	**3 374**	2 871

[1] Other payables include those relating to deposits, royalties, rebates and dividends payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as financial liabilities at amortised cost using the effective interest method. The detailed accounting policy for financial liabilities is presented in note 28.

Provisions

Provisions include royalties, import taxes and taxation sector services (professional fees).

	GROUP	COMPANY
Rand million	**2022**	**2022**
At the beginning of the year	**84**	**4**
Paid during the year	**(21)**	**(3)**
Charged to net operating costs during the year	**74**	**23**
Translation differences	**3**	**–**
AT THE END OF THE YEAR	**140**	**24**

18. Current debt

	GROUP		COMPANY	
Rand million	2022	2021	2022	2021
Current portion of non-current debt (refer to note 14)	3 576	740	1 820	500
Unsecured interest-bearing short-term debt	2 431	446	2 372	446
TOTAL CURRENT DEBT	6 007	1 186	4 192	946

Financial liabilities, including debt and trade and other payables, are measured at amortised cost using the effective interest method.

19. Revenue

	GROUP		COMPANY	
Rand million	2022	2021	2022	2021
AECI MINING	18 096	11 969		
Sale of goods	16 214	10 519		
Sale of goods and related product application services	1 882	1 450		
AECI WATER	2 018	1 541		
Sale of goods	35	29		
Sale of goods and related product application services	1 983	1 512		
AECI AGRI HEALTH	7 067	6 020	3 910	3 379
Sale of goods	7 067	6 018	3 910	3 377
Sale of goods and related product application services	–	2	–	2
AECI CHEMICALS	8 529	6 462	5 415	3 717
Sale of goods	8 529	6 456	5 415	3 717
Sale of goods and related product application services	–	6	–	–
AECI PROPERTY SERVICES AND CORPORATE	457	422	474	438
Rental related services	457	422	474	438
REVENUE RECOGNISED AT A POINT IN TIME	36 167	26 414	9 799	7 534
AECI PROPERTY SERVICES AND CORPORATE	111	113	111	111
Rental income	111	113	111	111
Inter-segment	(695)	(474)	(187)	(160)
TOTAL REVENUE	35 583	26 053	9 723	7 485

Disaggregation of revenue by geographic end market

	GROUP		COMPANY	
Rand million	2022	2021	2022	2021
SACU [1]	21 177	16 288	8 898	7 118
Rest of the African continent	7 541	5 140	477	130
Rest of the world	6 865	4 625	83	39
Subsidiaries	–	–	265	198
TOTAL REVENUE	35 583	26 053	9 723	7 485

Revenue includes foreign and export revenue of R16 288 million (2021: R10 626 million).

[1] Southern African Customs Union comprising South Africa, Botswana, Eswatini, Lesotho and Namibia

19. Revenue CONTINUED

Disaggregation of revenue by segment and geographic end market

2022	SACU [1]	Rest of the African continent	Rest of the world	Inter-segment	Total segment revenue
AECI Mining	7 573	6 259	4 054	210	18 096
AECI Water	1 482	460	41	35	2 018
AECI Agri Health	4 332	397	2 171	167	7 067
AECI Chemicals	7 668	132	599	130	8 529
AECI Property Services and Corporate	122	293	–	153	568
Inter-segment	–	–	–	(695)	(695)
TOTAL REVENUE	21 177	7 541	6 865	–	35 583

[1] Southern African Customs Union comprising South Africa, Botswana, Eswatini, Lesotho and Namibia

Accounting policy

REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

- sale of goods in all its reportable segments;
- sale of goods and related product application services in the AECI Mining, AECI Water, AECI Chemicals and AECI Agri Health reportable segments; and
- rental income and related facilities management services in the AECI Property Services and Corporate reportable 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 delivers a service to a customer. The Group combines goods and services as a combined bundle for certain revenue streams where these comprise a single performance obligation.

SALE OF GOODS IN ALL OPERATING SEGMENTS

Revenue from sales of goods to customers is recognised when the goods are delivered and control of the goods has transferred. Following delivery the customer bears all risks and rewards for the goods. At the same time a receivable is recognised by the Group as the right to the consideration becomes unconditional, and only the passage of time is required before payment is due.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customer as a result of the satisfaction of a performance obligation. Group performance obligations are met both at a single point in time and over time. Revenue recognised reflects the consideration that the Group expects to be entitled to for each distinct performance obligation after deducting indirect taxes, rebates and trade discounts. The Group allocates revenue based on standalone selling prices.

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 geographic 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 allowing the product to be used by the customer at that point in time. As a consequence, revenue is recognised when both the product and related application services are delivered and the right to the consideration becomes unconditional.

RENTAL INCOME AND RELATED FACILITIES MANAGEMENT SERVICES IN THE AECI PROPERTY SERVICES AND 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 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 it is due.

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	
Rand million	**2022**	2021	**2022**	2021
Cost of sales	**25 737**	17 898	**8 156**	6 112
Selling and distribution expenses	**2 262**	2 060	**489**	476
Administrative expenses	**5 537**	4 043	**837**	250
NET OPERATING COSTS	**33 536**	24 001	**9 482**	6 838
Net operating costs include:				
Auditor's remuneration	**41**	38	**16**	15
– Audit fees	**38**	35	**13**	12
– Other services	**3**	3	**3**	3
Depreciation and amortisation	**1 026**	1 032	**108**	129
– Property, plant and equipment	**798**	786	**79**	105
– Investment property	**4**	4	**9**	8
– Right-of-use assets	**154**	167	**18**	9
– Intangible assets	**70**	75	**2**	7
Foreign exchange gains	**(398)**	(428)	**(15)**	(44)
Foreign exchange losses	**396**	349	**–**	1
Impairment reversal of investment in AECI Much Asphalt	**–**	–	**(177)**	(242)
Impairment of investment in Southern Canned Products Proprietary Limited	**–**	–	**389**	–
Impairment of property, plant and equipment	**430**	–	**–**	–
Impairment of right-of-use assets	**41**	–	**–**	–
Increase in non-current provisions and employee benefits	**27**	11	**18**	11
– Environmental remediation	**28**	3	**19**	5
– Earnings-growth incentive scheme	**(1)**	7	**(1)**	5
– Cash-settled share-based incentive scheme	**–**	1	**–**	1
Lease costs	**190**	162	**19**	24
Research and development expenditure	**81**	71	**13**	4
Sale of carbon credits	**–**	(65)	**–**	–
Fair value adjustment on put option liability	**5**	7	**–**	–
Profit on disposal of businesses and investment in subsidiaries	**(5)**	–	**–**	–
Profit on disposal of property, plant and equipment	**(12)**	(13)	**(2)**	(8)
Total salaries and other employee costs	**5 005**	4 473	**829**	770
Salaries and other employee costs	**4 943**	4 420	**796**	742
Performance share-based payment	**62**	53	**33**	28

Research and development

Research costs are expensed in the statements of profit or loss 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 statements of profit or loss 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 statements of profit or loss.

21. Share-based payments

AECI Employees Share Trust ("EST")

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 (with a possible extension by one year in terms of the Trust Deed) based on a predetermined award formula.

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 shares were unlisted, not transferable or saleable, had the same voting rights as AECI ordinary shares and any dividend declared on the B ordinary shares could not exceed the dividend declared on the ordinary shares. The EST held the shares on behalf of its beneficiaries for an initial 10-year lock-in period. The Company exercised its option to extend the lock-in for a further year to enhance the possibility of the EST delivering value to beneficiaries.

The lock-in period terminated on 9 February 2023 in accordance with the terms of the EST trust deed. The EST distribution formula was applied and the result was that beneficiaries were not entitled to any vested B ordinary shares. In accordance with the trust deed, there is no distribution and both allocated and unallocated B ordinary shares were redeemed for no consideration.

The distribution formula and result on 9 February 2023 was as follows:

$A = B \times \{1 - [(C - E + F + X) \div D]\}$

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 or negative, there will be no distribution and the remaining vested shares not distributed will be redeemed for no consideration.

B = 10 117 951 and is the total number of shares vested in beneficiaries at the termination date.

C = R177,61 and 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 = R89,00 and 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 = R53,04 and 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 = R4,47 and 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 = R0,85 and 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.

A = 10 117 951 x {1 – [(R177,61 – R53,04 + R4,47 + R0,85) ÷ R89,00]}

A = – 4 648 573

A share-based payment expense was recognised as an equity-settled share-based payment in profit from operations, with a corresponding credit to a share-based payment reserve, over the vesting period of the shares with reference to the fair value of the equity instruments granted. The expense already recognised is not altered by the outcome of the scheme and the share-based payment reserve will be transferred directly to retained income in 2023.

	NUMBER OF SHARES	
	2022	2021
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	**2 005 214**	1 868 021
UNALLOCATED POOL SHARES	**875 264**	738 071

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 were treated as treasury shares. Any dividends received by the EST were eliminated together with the dividend paid by the Company in the Group results. Dividends paid to beneficiaries of the EST are not eliminated.

21. Share-based payments CONTINUED

AECI Performance Shares ("PS")

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Equity-settled share-based payments	**62**	53	**62**	53
– Recognised in profit from operations	**62**	53	**33**	28
– Investment in subsidiaries and joint ventures			**29**	25

	NUMBER OF SHARES	
	2022	2021
SHARE ALLOCATION		
Number of PS allocated at the beginning of the year	**3 312 991**	3 100 071
Number of PS allocated to beneficiaries during the year	**1 049 803**	1 071 120
Number of PS exercised during the year	**(759 085)**	(758 865)
Number of PS forfeited during the year	**(286 668)**	(99 335)
TOTAL PS ALLOCATED AS AT 31 DECEMBER	**3 317 041**	3 312 991

The AECI Long-term Incentive Plan ("LTIP") was approved by shareholders in 2012. The purpose of the plan is to attract, retain, motivate and reward Executives and Managers who are able to influence the performance of AECI and its subsidiaries on a basis which aligns their interests with those of the Group.

Annual conditional awards of PS 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. 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 measure on return on average net assets ("RONA"), achievement of ESG targets and growth in headline earnings per share ("HEPS") over the three-year vesting period. The 2022 allocation was amended to include a set of ESG targets with a weighting of 25%, adjusting the weighting of the RONA and HEPS targets.

A peer group of 16 JSE-listed companies (including AECI) has been used to determine AECI's relative performance for the TSR target. The combined weight calculated for each performance measure will determine the number of awards that will vest at the vesting date. The performance measures and the weightings that are applied to determine the actual vesting results are as follows:

- TSR peer rank weight: 30%;
- HEPS weight: 20% (prior to 2022 – 40%);
- RONA weight: 25% (prior to 2022 – 30%);
- ESG weight: 25% (prior to 2022 – nil).

The fair value of the PS was determined using a Monte Carlo option pricing approach to simulate the future share price of the Company's listed shares and those of the peer companies, and their correlations to one another. The approach involves a large number of simulations of the share prices using the spot share prices on the grant date, as well as risk-free interest rates and volatilities for the different shares as inputs. As the TSR calculation requires the simulation of a number of correlated random variables, the correlations between the share price returns of AECI and the peer companies are incorporated into the valuation. For each outcome of the AECI and peer companies' share prices, the TSR will be calculated, incorporating the historical TSR indices. A vesting percentage for the PS will be determined in accordance with the pre-defined ranking rules. The product of this vesting percentage and the simulated AECI share price will provide the fair value of the PS for each simulation. The present value of all simulations was averaged to determine the fair value of the PS.

The RONA, HEPS and ESG target performance measures are estimated at each reporting date, based on actual results and latest forecasts for these measures for the Group, to determine the expected number of shares that will vest. The cost recognised in the statements of profit or loss 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:

	2019 ALLOCATION	2020 ALLOCATION	2021 ALLOCATION	2022 ALLOCATION
Market price of the Company's shares at the grant date (South African Rand)	95,86	74,72	98,23	103,82
Risk-free interest rates	South African Rand zero swaps curve			
Prime rate	South African Rand prime curve			
Dividend yield	Based on forecast dividends			
Approval date	April 2019	April 2020	April 2021	April 2022
Grant date	15 April 2019	15 April 2020	15 April 2021	14 April 2022
Vesting date	14 April 2022	14 April 2023	29 March 2024	29 March 2025
Performance period	**1 January 2019 to 31 December 2021**	**1 January 2020 to 31 December 2022**	**1 January 2021 to 31 December 2023**	**1 January 2022 to 31 December 2024**
Share price volatility (% per annum)	21,23	23,39	27,41	27,99
Fair value of equity instrument (South African Rand)	86,4	61,36	83,97	108,81
Number of PS allocated	1 097 603	1 380 236	1 071 120	1 049 803

The performance period for the 2020 allocation was completed on 31 December 2022 and AECI achieved tenth position in the TSR peer group. Neither the RONA nor the HEPS performance target was achieved. The tenth position in the TSR condition results in a no vesting. As such, the 2020 award has an overall nil vesting. The Remuneration Committee noted the vesting report and outcome. The number of PS granted to eligible employees was 1 380 236 with 106 317 shares having been forfeited prior to vesting.

Accounting policy

EQUITY-SETTLED SHARE-BASED PAYMENTS

A share-based payment expense is recognised as an equity-settled share-based payment in profit or loss, 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.

Equity-settled share-based payments are measured at fair value at the grant date.

Senior employees are awarded performance shares. These awards entitle certain employees to receive ordinary shares after a three-year lock-in period.

The fair value determined at the grant date of the equity-settled share-based payments is charged as an employee cost, with a corresponding increase in equity, on a straight-line basis over the period that the employee becomes unconditionally entitled to the shares, based on management's estimation of the number of 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.
Once instruments have vested, the reserve is transferred to retained earnings.

22. Finance costs

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Non-current debt	**(173)**	(170)	**(120)**	(134)
Current debt	**(181)**	(45)	**(164)**	(35)
Lease liabilities	**(42)**	(40)	**(8)**	(2)
Subsidiary companies	**–**	–	**(157)**	(107)
Joint ventures	**(6)**	(3)	**(13)**	(7)
Unwinding of discount [1]	**(1)**	(7)	**–**	–
	(403)	(265)	**(462)**	(285)

[1] This is associated with AECI Much Asphalt put options, as disclosed in note 34

Accounting policy

FINANCE COSTS

Interest expense is recognised during the period in which it is incurred, and is measured using the effective interest rate method.

23. Finance income

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Subsidiary companies	**–**	–	**153**	103
Loans and receivables	**89**	58	**48**	37
	89	58	**201**	140

Interest is received from money market investments in collective investment schemes; employer surplus accounts and loans and receivables.

Accounting policy

INVESTMENT INCOME

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

24. Taxation expense

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Income taxation expense for the year:				
Current taxation expense	**(864)**	(575)	**(78)**	(122)
South African and foreign normal taxation	**(810)**	(485)	**(81)**	(125)
Foreign withholding taxes	**(51)**	(70)	**(4)**	(3)
Prior year adjustment [1]	**(3)**	(20)	**7**	6
Deferred taxation expense	**61**	(67)	**53**	40
South African and foreign deferred taxation	**157**	(67)	**54**	45
Derecognition of deferred taxation assets [2]	**(86)**	–	**–**	–
Taxation rate change	**14**	–	**1**	–
Prior year adjustment [1]	**(24)**	–	**(2)**	(5)
TOTAL INCOME TAXATION EXPENSE	**(803)**	(642)	**(25)**	(82)
The deferred taxation movement is attributable to the following items:				
Property, plant and equipment	**18**	3	**(1)**	2
Right-of-use assets and finance lease liabilities	**7**	2	**1**	–
Intangible assets	**10**	15	**–**	–
Provisions and deferred income	**91**	31	**31**	25
Pension fund employer surplus accounts	**23**	20	**23**	20
Deferred foreign exchange differences	**12**	(9)	**(2)**	–
Computed taxation losses utilised	**(113)**	(106)	**–**	–
Taxation rate change	**14**	–	**1**	–
Other [3]	**23**	(23)	**2**	(2)
	85	(67)	**55**	45
Adjustment for prior years	**(24)**	–	**(2)**	(5)
	61	(67)	**53**	40

	GROUP		COMPANY	
%	**2022**	2021	**2022**	2021
Reconciliation of taxation rate computed in relation to profit before taxation:[4]				
Effective rate on profit before taxation [5]	**45,7**	34,7	**10,5**	16,3
(Reversal of impairment)/impairment of investments [6]	**–**	–	**(4,9)**	15,0
Effective rate on adjusted profit before taxation [7]	**45,7**	34,7	**5,6**	31,3
Capital and non-taxable receipts	**3,1**	0,8	**20,9**	0,4
Non-taxable equity settled share-based payments	**1,7**	0,1	**4,6**	0,4
Dividends received	**–**	–	**16,1**	–
Other capital gains and non-taxable receipts [8]	**1,4**	0,7	**0,2**	–
Non-deductible expenses	**(4,4)**	(3,8)	**(1,6)**	(2,5)
Depreciation	**(0,5)**	(0,6)	**(0,6)**	(1,0)
Legal fees relating to AECI Burkina Société à Responsabilité Limitée customs matter	**(0,9)**	–	**–**	–
Other non-deductible expenses [9]	**(3,0)**	(3,2)	**(1,0)**	(1,5)
Net equity-accounted income not included as taxable income in income taxation legislation	**0,4**	–	**–**	–
Foreign withholding taxes on dividends received and service fees in foreign jurisdictions (related party transactions)	**(2,9)**	(3,8)	**(0,8)**	(1,1)

24. Taxation expense CONTINUED

	GROUP		COMPANY	
%	**2022**	2021	**2022**	2021
Adjustment to taxation provision following final taxation computation on completion of prior year taxation returns	**(1,5)**	(1,1)	**1,2**	0,5
Capital gains	**(0,6)**	(0,1)	**(0,1)**	(0,5)
Sale of capital assets and discounted loan	**(0,6)**	–	**(0,1)**	–
Other capital gains	**–**	(0,1)	**–**	(0,5)
Taxation rate change [10]	**1,3**	–	**0,2**	–
Effect of taxation rates in foreign jurisdictions that differ from the South African normal taxation rate	**1,8**	1,4	**–**	–
Special taxation allowances (primarily research and development allowances in South Africa)	**0,5**	0,4	**0,4**	0,8
Unutilised and unrecognised assessed losses	**(14,5)**	(0,3)	**–**	–
AECI Shirm Germany [11]	**(13,1)**	–	**–**	–
Spraypave Proprietary Limited [12]	**(0,9)**	–	**–**	–
Loss making entities where deferred taxation is not recognised	**(0,5)**	(0,3)	**–**	–
Other [13]	**(0,9)**	(0,2)	**2,2**	(0,9)
SOUTH AFRICAN STANDARD RATE	**28,0**	28,0	**28,0**	28,0

1 Prior year adjustments relate to the (under)/over provision of taxation in relation to the taxation liability at 31 December 2021 compared to the taxation returns submitted to revenue authorities for the 2021 year
2 Derecognition of AECI Schirm Germany assessed losses due to uncertainty regarding the probability of future profits
3 Comprises pre-payments, income received in advance and other receivables
4 Additional disclosure will be provided in the AECI Taxation Transparency Report for 2022
5 The effective taxation rate for the Group was based on a taxation expense of R803 million (2021: R642 million) over net profit before taxation of R1 759 million (2021: R1 852 million). The effective taxation rate for the Company was based on taxation expense of R25 million (2021: R82 million) over net profit before taxation of R2,38 million (2021: R502 million).
6 Relates to the impairment of Southern Canned Products Proprietary Limited and the reversal of the impairment of Much Asphalt Proprietary Limited
7 Net profit before taxation was adjusted to provide a comparable effective taxation rate to the prior year. The adjusted net profit before taxation excludes the effects of the impairments.
8 Sale of capital assets and partial income exemption
9 Other non-deductible expenses include expenses not permitted as deductions under respective income taxation legislation, such as unrealised foreign exchange, consulting fees in certain circumstances
10 During the South African 2021 Budget Speech the Minister of Finance announced a reduction in the Corporate Income Taxation Rate from 28% to 27%. Consequently the closing deferred taxation assets and liabilities are raised at 27% to account for this change in legislation that has been substantially enacted on 23 February 2022.
11 Derecognition of deferred taxation asset on assessed losses at AECI Schirm Germany and unutilised current year losses
12 Derecognition of deferred taxation asset of Spraypave Proprietary Limited subsequent to its divisionalisation into Much Asphalt Proprietary Limited
13 Includes translation differences relating to foreign operations

Accounting policy

Income taxation comprises current and deferred taxation. Income taxation expense is recognised in the statements of profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date and any adjustment to taxation payable in respect of prior years.

Significant estimates and judgements

The Group is subject to income taxes in various jurisdictions which apply different taxation legislation. As such management has applied judgement in assessing the taxation treatment of certain transactions. The Group considers how taxation legislation applies to its transfer pricing arrangements and applies the interpretation to the treatment of uncertain taxes.

25. Earnings per share

	GROUP	
Rand million	**2022**	2021
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to the AECI Group	**927**	1 187
Impairment of property, plant and equipment – net	**402**	–
Impairment of property, plant and equipment – gross	**430**	–
Taxation effects of impairments of property, plant and equipment	**(28)**	–
Impairment of right-of-use assets	**41**	–
Profit on disposal of businesses and investment in subsidiaries – net	**(4)**	–
Profit on disposal of businesses and investment in subsidiaries – gross	**(5)**	–
Taxation effect of disposal of businesses and investment in subsidiaries	**1**	–
Surplus on disposal of investment property, property, plant and equipment – net	**(8)**	(9)
Surplus on disposal of investment property, property, plant and equipment – gross	**(12)**	(13)
Taxation effects of disposal of investment property, property, plant and equipment	**4**	4
HEADLINE EARNINGS [1]	**1 358**	1 178

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

EARNINGS PER ORDINARY SHARE (EPS)

	2022	2021
Basic (cents)	**878**	1 125
Headline (cents)	**1 287**	1 116
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES		
Weighted average number of ordinary shares in issue	**120 062 335**	120 062 335
AECI Community Education and Development Trust cancelled during the year (refer to note 13)	**(4 426 604)**	–
Weighted average number of ordinary shares at the end of the year	**115 635 731**	120 062 335
Weighted average number of ordinary shares held by the consolidated AECI Employees Share Trust	**(10 117 951)**	(10 117 951)
Weighted average number of contingently returnable ordinary shares held by the AECI Community Education and Development Trust	**–**	(4 426 604)
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 (2021: 105 517 780).

	GROUP	
	2022	2021
DILUTED EARNINGS PER ORDINARY SHARE		
Basic (cents)	**874**	1 112
Headline (cents)	**1 280**	1 103

The performance share allocations are potentially dilutive 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 106 106 934 (2021: 106 755 918). AECI's average share price since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, was R99,30 (2021: R103.24). The other dilutive potential ordinary shares do not have an exercise price.

25. Earnings per share CONTINUED

	GROUP	
	2022	2021
RECONCILIATION OF THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE		
Weighted average number of ordinary shares	**105 517 780**	105 517 780
Dilutive adjustment for potential ordinary shares [1]	**589 154**	1 238 138
Weighted average number of ordinary shares for diluted earnings per share	**106 106 934**	106 755 918

[1] Relates to performance shares. The contingently returnable ordinary shares issued to the AECI Community Education and Development Trust and the potential shares issued to the AECI Employees Share Trust have no dilutive effect in the reporting period.

Accounting policy

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 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 performance shares issued as part of the Group's long-term incentive plan.

26. Dividends

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
DIVIDENDS PAID ON ORDINARY SHARES				
Final for the prior year: Number 176 of 505 cents (2021: 470 cents) paid on 11 April 2022	**533**	508	**533**	508
Interim for the current year: Number 177 of 194 cents (2021: 180 cents) paid on 5 September 2022	**205**	195	**205**	195
Total ordinary dividends paid: 699 cents (2021: 650 cents)	**738**	703	**738**	703
Dividend number 178 declared and approved by the board on the 28 February 2023 for the year ended 31 December 2022 of 580 cents (2021: 505 cents) per share is payable on 11 April 2023				
DIVIDENDS PAID ON AECI EMPLOYEE SHARE TRUST SHARES A dividend of 50 cents per share was declared and paid in the current year (2021: 65 cents)	**5**	6	**5**	6
DIVIDENDS PAID TO SHAREHOLDERS OF THE AECI GROUP	**743**	709	**743**	709
DIVIDENDS PAID ON PREFERENCE SHARES Number 168 and 169 paid on 15 June 2022 and 15 December 2022, respectively	**3**	3	**3**	3
DIVIDENDS PAID TO MINORITY SHAREHOLDERS	**14**	29		
TOTAL DIVIDENDS PAID	**760**	741	**746**	712

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

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Capital commitments authorised	**1 112**	829	**44**	64
Contracted for	**211**	484	**32**	53
Not contracted for	**901**	345	**12**	11
Future rentals on short-term and low value assets	**28**	44	**–**	–
Payable within 1 year	**26**	37	**–**	–
Payable between 1 and 5 years	**2**	7	**–**	–

Contingent liabilities

DISPUTE IN WEST AFRICA

A settlement agreement was reached on 4 August 2022 between the State of Burkina Faso, AECI Mauritius Limited, and AEL Burkina Faso regarding the Customs Administration claim disclosed in prior years. A settlement amount of CFA francs 800 million (approximately USD 1,4 million) was paid as full and final settlement of this matter. The following conditions were satisfied: withdrawal of pending litigation and criminal matters, acceptance of withdrawal of arbitration at the International Centre for Settlement of Investment Disputes ("ICSID"), and confirmation of the public release of a joint statement by the State of Burkina Faso.

As a result of the settlement agreement, the contingent liability no longer exists and there will be no material adverse effect on the Group going forward.

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 ESTIMATES AND JUDGEMENTS

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 can be made, at which time a provision is recognised.

28. Financial instruments and financial risk management

The Group finances its operations through a combination of retained profits, current debt, non-current debt and financial instruments denominated in both South African 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 debt centrally and on-lends to its business entities or divisions at market-related interest rates. The Group borrows in both the local and international debt markets in South African Rand and foreign currencies. The Group uses derivatives, where appropriate, to generate the desired effective currency and interest rate profile. The derivatives used for this purpose are mostly forward foreign currency contracts and forward rate agreements.

The Group does not write interest rate or currency options and only purchases currency options when it is considered that these 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 related to 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 in other relevant notes as indicated.

28. Financial instruments and financial risk management CONTINUED

The Board of Directors is responsible for the risk management activities of 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 Group Risk Committee. The Group Risk Committee oversees how risk management is deployed across the Group and how management monitors compliance to policies and procedures. The Committee also undertakes regular reviews of the adequacy of the Risk Management Framework in relation to the risks faced by the Group.

Categories of financial instruments and fair values

GROUP

		CARRYING AMOUNT		FAIR VALUE	
Rand million	Note	**2022**	2021	**2022**	2021
FINANCIAL ASSETS					
At fair value through other comprehensive income – equity instrument [1]		**194**	244	**194**	244
– Listed shares – Level 1	9	**166**	216	**166**	216
– Unlisted shares – Level 3	9	**28**	28	**28**	28
At fair value through profit or loss [2]		**390**	405	**390**	405
– Forward exchange contracts – Level 2	12	**90**	77	**90**	77
– Money market investment in collective investment schemes – Level 1	9	**220**	194	**220**	194
– Employer surplus accounts – Level 1	9	**80**	134	**80**	134
Amortised cost		**9 340**	7 152		
– Trade and other receivables [3]	12	**6 970**	5 081		
– Cash [4]		**2 059**	1 953		
– Loans receivable [3]		**21**	12		
– Interest-bearing non-current loans to associates [4]	8	**111**	48		
– Loans and receivables relating to other investments [4]	9	**179**	58		
		9 924	7 801		
FINANCIAL LIABILITIES					
Amortised cost		**(13 043)**	(9 093)		
– Trade payables [3]	17	**(6 117)**	(4 843)		
– Bank overdraft [4]		**(126)**	(62)		
– Loans from joint ventures [4]	7	**(141)**	(111)		
– Debt [5]	14, 18	**(6 614)**	(4 059)		
– Interest accrued		**(45)**	(18)		
At fair value through profit or loss		**(58)**	(35)	**(58)**	(35)
– Forward exchange contracts – Level 2	17	**(44)**	(17)	**(44)**	(17)
– Put option liability – Level 3 [6]		**(14)**	(18)	**(14)**	(18)
		(13 101)	(9 128)		

1 Designated at initial recognition to be carried at fair value through other comprehensive income

2 Measured at fair value through profit or loss because the asset is neither measured at amortised cost nor at fair value through other comprehensive income

3 The fair values for financial instruments such as short-term receivables and payables have not been disclosed because their carrying amounts are a reasonable approximation of their fair value. Trade and other receivables includes deposits, joint ventures and associates. Trade payables includes Other and Amounts due to joint ventures and associates.

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

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

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

28. Financial instruments and financial risk management CONTINUED

Categories of financial instruments and fair values CONTINUED

COMPANY

		CARRYING AMOUNT		FAIR VALUE	
Rand million	Notes	**2022**	2021	**2022**	2021
FINANCIAL ASSETS					
At fair value through other comprehensive income – equity instruments [1]		**194**	244	**194**	244
– Listed shares – Level 1	9	**166**	216	**166**	216
– Unlisted shares – Level 3	9	**28**	28	**28**	28
At fair value through profit or loss [2]		**89**	180	**89**	180
– Forward exchange contracts – Level 2	12	**9**	46	**9**	46
– Employer surplus accounts – Level 1	9	**80**	134	**80**	134
Amortised cost		**7 249**	6 141		
– Trade and other receivables [3]	12	**2 871**	2 271		
– Cash [4]		**21**	29		
– Non-current loans to subsidiaries [4]	9, 12	**596**	695		
– Current loans to subsidiaries [4]	6	**3 676**	3 093		
– Loans and receivables relating to other investments [4]	9	**85**	53		
		7 532	6 565		
FINANCIAL LIABILITIES					
At fair value through profit or loss		**(19)**	(3)	**(19)**	(3)
– Forward exchange contracts – Level 2	17	**(19)**	(3)	**(19)**	(3)
Amortised cost		**(15 657)**	(13 289)		
– Trade payables [3]	17	**(2 775)**	(2 417)		
– Bank overdraft [4]		**(126)**	(62)		
– Debt [5]	14, 18	**(4 192)**	(2 266)		
– Interest accrued		**(38)**	(14)		
– Loans from joint ventures [4]	7	**(289)**	(225)		
– Current loans from subsidiaries [4]	6	**(8 237)**	(8 305)		
		(15 676)	(13 292)		

[1] Designated at initial recognition to be carried at fair value through other comprehensive income

[2] 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 values for financial instruments such as short-term receivables and payables have not been disclosed because their carrying amounts are a reasonable approximation of their fair value. Trade and other receivables includes deposits, joint ventures and associates. Trade payables includes joint ventures and associates.

[4] The fair values would not be materially different from the carrying amounts

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

28. Financial instruments and financial risk management CONTINUED

Fair value of financial instruments

The carrying amounts of financial instruments are either at fair value based on 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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 values of the money market investment in a collective investment scheme and the employer surplus accounts are based on quoted market prices (refer to note 9).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the holdings of its financial instruments.

The objective of market risk management is to manage and control exposures within acceptable parameters, while optimising return.

Currency risk

Where possible, the Group's non-South African operations match their assets and liabilities in the same currency to avoid significant 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 debt in currencies other than rand. The main contributors of currency risk are the Euro and US Dollar.

Currency exposures are managed using appropriate exposure management techniques with oversight by the Group's central treasury function.

The management of each business entity is tasked with managing the foreign currency exposures arising in its own entity in consultation with the centralised treasury. All material purchases and sales in foreign currencies are executed through the Group's central treasury function.

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, it 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.

28. Financial instruments and financial risk management CONTINUED

Fair value hedges

Fair value hedges have been recognised on the net exposure from trading in foreign currency. Forward exchange contracts have been designated as hedging instruments in respect of amounts denominated in foreign currencies.

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Rand value of the hedging instruments, based on the contract rates	**654**	1 135	**944**	944
Profit on the hedging instruments recognised in the statements of profit or loss	**78**	103	**78**	103

Cash flow hedges

The Group has hedged its foreign currency exposure on imports of raw materials by entering into forward exchange contracts for the purchase commitments.

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Value of hedging instruments, based on the contract rates	**95**	189	**95**	189

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 statements of profit or loss, 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	
Rand million	**2022**	2021	**2022**	2021
Amount recognised directly in other comprehensive income in accordance with hedge accounting principles in respect of the effective portion of cash flow hedges	**6**	(6)	**–**	–

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 statements of profit or loss. 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 statements of profit or loss.

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 statements of profit or loss in the same period in which the asset or liability affects the statements of profit or loss.

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 statements of profit or loss.

28. Financial instruments and financial risk management CONTINUED

Exposure to currency risk

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

	2022			2021		
Rand million	**Euro**	**US Dollar**	**Other**	Euro	US Dollar	Other
Cash and cash equivalents	**(8)**	**166**	**37**	6	349	119
Trade receivables	**71**	**527**	**27**	19	399	79
Trade payables	**(241)**	**(1 037)**	**(90)**	(144)	(998)	(105)
Gross exposure	**(178)**	**(344)**	**(26)**	(119)	(250)	93
Forward exchange contracts	**(47)**	**948**	**(152)**	201	1 199	(76)
NET EXPOSURE	**(225)**	**604**	**(178)**	82	949	17

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

	2022			2021		
Rand million	**Euro**	**US Dollar**	**Other**	Euro	US Dollar	Other
Cash and cash equivalents	**–**	**(1)**	**8**	6	–	–
Trade receivables	**1**	**58**	**–**	4	45	3
Loans to subsidiaries	**–**	**346**	**–**	–	348	-
Trade payables	**(151)**	**(614)**	**(5)**	(88)	(571)	(1)
Gross exposure	**(150)**	**(211)**	**3**	(78)	(178)	2
Forward exchange contracts	**217**	**978**	**7**	178	952	3
NET EXPOSURE	**67**	**767**	**10**	100	774	5

The following significant exchange rates applied during the year:

	CLOSING RATE		AVERAGE RATE	
Rand million	**2022**	2021	**2022**	2021
Euro	**18,15**	18,13	**17,21**	17,48
US Dollar	**17,01**	15,98	**16,37**	14,78

Sensitivity analysis

Based on the Group's net exposure to currency risk, a 10% strengthening of the South African Rand against the US Dollar at 31 December would have increased/(decreased) equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant and is performed on the same basis as 2021.

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Equity [1]	**(121)**	(132)	**(34)**	(35)
Profit for the year before taxation	**(87)**	(97)	**66**	51

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

28. Financial instruments and financial risk management CONTINUED

Interest rate risk

The Group's income and operations are substantially independent of changes in market interest rates. The Group's interest rate risk arises from debt, in both local and offshore markets, receivables and cash and cash equivalents.

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

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

	TOTAL		FLOATING RATE FINANCIAL LIABILITIES		FIXED RATE FINANCIAL LIABILITIES	
Rand million	**2022**	2021	**2022**	2021	**2022**	2021
GROUP						
South African Rand						
– Current (refer to note 18)	**4 251**	946	**4 251**	946	**–**	–
– Non-current	**–**	1 320	**–**	1 320	**–**	–
Euro						
– Current	**1 416**	–	**799**	–	**617**	–
– Non-current	**–**	1 234	**–**	617	**–**	617
US Dollar						
– Current	**340**	240	**340**	240	**–**	–
– Non-current	**376**	319	**376**	319	**–**	–
Australian Dollar						
– Non-current	**231**	–	**231**	–	**–**	–
	6 614	4 059	**5 997**	3 442	**617**	617
Loans from joint ventures	**141**	111	**141**	111	**–**	–
TOTAL	**6 755**	4 170	**6 138**	3 553	**617**	617
COMPANY						
South African Rand						
– Current	**4 192**	946	**4 192**	946	**–**	–
– Non-current	**–**	1 320	**–**	1 320	**–**	–
	4 192	2 266	**4 192**	2 266	**–**	–
Loans from joint ventures	**289**	225	**289**	225	**–**	–
Loans from subsidiaries	**5 702**	5 982	**5 702**	5 982	**–**	–
TOTAL	**10 183**	8 473	**10 183**	8 473	**–**	–

28. Financial instruments and financial risk management CONTINUED

Sensitivity analysis

The Group has estimated the impact on profit or loss of an increase or decrease of 100 basis points (2021: 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.

The Group is mainly exposed to fluctuations in the market interest rates presented below. 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 taxation by the amounts shown below.

The analysis assumes the change occurring at the start of the year and that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as 2021.

	2022		2021	
	Increase/(decrease) in profit before taxation			
Rand million	**Downward change in interest rate**	Upward change in interest rate	**Downward change in interest rate**	Upward change in interest rate
3-month JIBAR	**18**	(18)	**18**	(18)
3-month LIBOR	**3**	(3)	**6**	(6)
3-month SOFR	**4**	(4)	**–**	–
3-month EURIBOR	**8**	(8)	**6**	(6)
3-month BBSW	**2**	(2)	**–**	–

Liquidity risk

Liquidity risk arises when the Group has insufficient funds or marketable assets available to fulfil its future cash flow obligations. The Group's liquidity risk management framework is designed to identify, measure and manage liquidity risk such that sufficient liquid resources are always available to fund operations and commitments. A balance between continuity of funding and flexibility is maintained through the use of debt from a range of institutions, with varying debt maturities. Discussions with lenders regarding the 2023 debt maturities have been ongoing for an extended period and the Group anticipates successfully completing a formal process to refinance this debt during the 2023 financial year. Refer to note 14 and note 36 for further information.

The Group manages liquidity risk by managing working capital and capital expenditure and monitoring forecast cash flows to ensure that adequate unutilised debt facilities are maintained. Appropriate probability factors are applied to cash flow forecasts, when forecasts are not certain. Monthly, quarterly and five-year cash flows are updated in the ordinary course of business. The undiscounted cash flows of the Group's trade and other payables, debt and non-derivative financial liabilities fall into the maturity profiles that follow.

28. Financial instruments and financial risk management CONTINUED

(i) Maturity profile of financial liabilities at 31 December

GROUP

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2022						
FINANCIAL LIABILITIES						
NON-DERIVATIVE FINANCIAL LIABILITIES						
Unsecured debt	6 283	6 449	6 175	11	263	–
– Capital	6 238	6 238	6 007	–	231	–
– Interest accrued [1]	45	211	168	11	32	–
Secured debt	376	484	20	133	286	45
– Capital [3]	376	376	–	113	226	37
– Interest accrued [1]	–	108	20	20	60	8
Loans from joint ventures	141	141	141	–	–	–
Trade and other payables	6 117	6 117	6 117	–	–	–
Bank overdraft	126	126	126	–	–	–
Put option liability	14	15	15	–	–	–
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
– inflows	–	(3 418)	(3 418)	–	–	–
– outflows	44	2 668	2 668	–	–	–
TOTAL FINANCIAL LIABILITIES[2]	13 101	12 582	11 844	144	549	45
PERCENTAGE PROFILE (%)		100	95	1	4	–
2021						
FINANCIAL LIABILITIES						
NON-DERIVATIVE FINANCIAL LIABILITIES						
Unsecured debt	4 077	4 274	1 317	2 957	–	–
– Capital	4 059	4 059	1 186	2 873	–	–
– Interest accrued [1]	18	215	131	84	–	–
Loans by associate companies	111	111	111	–	–	
Trade and other payables	4 843	4 843	4 843	–	–	–
Contingent consideration	62	62	62	–	–	–
Put option liability	18	19	–	19	–	–
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
– inflows	–	(2 439)	(2 439)	–	–	–
– outflows	17	1 114	1 114	–	–	–
TOTAL FINANCIAL LIABILITIES [2]	9 128	7 984	5 008	2 976	–	–
PERCENTAGE PROFILE (%)		100	63	37	–	–

1 Interest is based on the closing rate at 31 December and the repayment dates of the debt
2 The maturity profile of lease liabilities is included in note 15
3 The assets under construction at AECI Schrim USA held as collateral for the debt (refer to note 14)

28. Financial instruments and financial risk management CONTINUED

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

COMPANY

	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2022					
FINANCIAL LIABILITIES					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Unsecured debt	4 230	4 318	4 318	–	–
– Capital	4 192	4 192	4 192	–	–
– Interest accrued [1]	38	126	126	–	–
Loans from joint ventures	289	289	289	–	–
Current loans from subsidiaries	8 237	8 237	8 237	–	–
Trade and other payables	2 775	2 775	2 775	–	–
Bank overdraft	126	126	126	–	–
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
– inflows	–	(1 301)	(1 301)	–	–
– outflows	19	98	98	–	–
TOTAL FINANCIAL LIABILITIES [2]	15 676	14 542	14 542	–	–
PERCENTAGE PROFILE (%)	–	100	100	–	–
2021					
FINANCIAL LIABILITIES					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Unsecured debt	2 280	2 419	1 042	1 377	–
– Capital	2 266	2 266	946	1 320	–
– Interest accrued [1]	14	153	96	57	–
Loans from joint ventures	225	225	225	–	–
Current loans from subsidiaries	8 305	8 305	8 305	–	–
Trade and other payables	2 417	2 417	2 417	–	–
Contingent consideration	62	62	62	–	–
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
– inflows	–	(1 213)	(1 213)	–	–
– outflows	3	80	80	–	–
TOTAL FINANCIAL LIABILITIES [2]	13 292	12 295	10 918	1 377	–
PERCENTAGE PROFILE (%)		100	88	12	–

[1] Interest is based on the closing rate at 31 December and the repayment dates of the debt
[2] The maturity profile of lease liabilities is included in note 15

The Company's liquidity risk is managed through short-term debt 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 the 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.

Capital risk management

The Group finances its operations through a combination of cash generated from operations, bank and other long-term debt. These together with surplus cash may be advanced as a loan internally or contributed to certain subsidiaries as equity. The capital structures of the Group and Company comprise net debt and equity. The Group and Company manage their capital to ensure that entities in the Group will be able to continue as going concerns while maximising return to shareholders. The Group's strategy is to maintain a gearing ratio, debt to equity ratio and interest cover ratio within the covenants prescribed by its lenders.

Further detail relating to the financial covenants contained in some of the Group's loan agreements are contained in note 14.

Credit risk

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

28. Financial instruments and financial risk management CONTINUED

Accounting policy

FINANCIAL INSTRUMENTS

Financial instruments are recognised initially at fair value. Directly attributable transaction costs are included in the amount recognised only when changes in fair value are not recognised subsequently in the statements of profit or loss. Subsequent to initial recognition, these instruments are measured as set out as follows in respect of derivative and non-derivative financial instruments.

Non-derivative financial instruments comprise of investments in equity securities, the pension fund employer surplus accounts in the defined-contribution plans ("ESAs"), loans to and from subsidiaries, trade and other receivables, cash, loans and debt, loans from joint ventures, contingent consideration and trade and other payables.

FINANCIAL ASSETS

The Group classifies its financial assets (except derivative financial assets) at amortised cost. The classification depends on the business model and whether the Group's business model is to hold these receivables for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on this principal amount. Impairment of financial assets is recognised in terms of the expected credit loss model and is disclosed as impairment losses on financial assets in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The measurement of expected credit losses includes the calculation of probability of default, loss given default and the exposure at default, taking the time value of money into consideration. The assessment of the probability of default and loss given default within the next 12-months is based on historical data adjusted for forward looking information. The exposure at default is the gross carrying amount of the loan receivable at the reporting date. If there is a significant increase in the risk of default, the probability of default and the loss given default is calculated over the lifetime of the receivable. The Group considers a default event as a breach of financial covenants by the counterparty or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full. An impairment gain or loss is recognised for all loans and receivables in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group measures the loss allowance for trade receivables and contract assets by applying the simplified approach and calculating the loss allowance on a lifetime basis. Lifetime expected credit losses are estimated using a provision matrix, that uses past default experience of debtors and incorporates forward looking information and general economic conditions of the industry at the reporting date.

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.

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 taxation. 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 statements or profit or loss as investment income when they are declared and the Group has a right to receive them.

FINANCIAL LIABILITIES

The Group classifies its financial liabilities (except derivative financial liabilities) at amortised cost. Financial liabilities at amortised cost are initially recognised at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method. Interest calculated at the effective interest rate for all financial liabilities at amortised cost is recognised as finance costs in profit or loss. Financial liabilities are derecognised when the Group's obligation is discharged, cancelled, or expires.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial assets and liabilities are classified at fair value through profit or loss and recognised at fair value. These assets and liabilities are initially and subsequently recognised at fair value. Transaction costs are expensed in profit or loss. Gains or losses arising from changes in the fair value are presented in other income or other expenses in profit or loss in the period in which they arise.

The Group measures the fair value of derivative instruments using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. The valuation technique used to value interest rate swaps is the present value of the estimated future cash flows based on observable yield curves. As all significant inputs required to fair value derivative instruments are observable, derivative instruments are included as Level 2 in the fair value hierarchy.

OFFSET

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

29. Related party information

Related party transactions constitute the transfer of resources, services or obligations between parties related to the Group. Details of transactions with related parties not disclosed elsewhere in the financial statements are set out below. Transactions with related parties are concluded on terms that are no more and no less favourable than transactions with unrelated external parties.

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.

Transactions with Directors are disclosed in note 31.

	COMPANY	
Rand million	**2022**	2021
TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE:		
Leasing income and sales by the Company to		
– Subsidiaries	**286**	220
Sales to the Company by		
– Subsidiaries	**131**	136
Dividends received by the Company from		
– Subsidiaries	**258**	–
– Associates	**–**	2
Interest received by the Company from		
– Subsidiaries	**153**	103
Interest paid by the Company to		
– Subsidiaries	**157**	107
– Joint ventures and joint operations	**13**	7
Rental of premises to the Company by		
– Subsidiaries	**32**	31
Secretarial and administration fees paid to the Company by		
– Subsidiaries	**255**	215
OUTSTANDING BALANCES WITH RELATED PARTIES OF THE COMPANY AT 31 DECEMBER WERE: (refer to notes 6 and 7)		
Loan amounts owing to the Company by		
– Subsidiaries	**4 272**	3 788
Loan amounts owing by the Company to		
– Subsidiaries	**8 237**	8 305
– Joint ventures	**289**	225

	GROUP	
Rand million	**2022**	2021
KEY MANAGEMENT PERSONNEL COMPENSATION [1]:		
– short-term employee benefits	**49**	45
– post-retirement benefits	**2**	2
– other long-term benefits	**9**	10
	60	57

Trade and other receivables from and trade and other payables 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.

Key management personnel are the Directors, Prescribed Officers and Managing Executives or equivalent of operating business entities.

[1] Key management personnel compensation above relates to the Managing Executive of each major subsidiary or equivalent. Directors, and Prescribed Officers' remuneration are excluded from key management personnel compensation, refer to 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 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.

All South African 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 employer surplus account ("ESA"), unless specified otherwise in the fund's rules. The ESAs in the defined-benefit 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 fall due. The assets are invested in segregated or pooled investments with a spread of asset classes including bonds, insurance policies and cash.

All funds are actuarially valued every year, unless in liquidation, using the projected unit credit method of valuation by independent firms of consulting actuaries. Statutory valuations are required, by law, every three years.

The Group has four legacy defined-benefit pension funds which have no active members and has no benefit obligations to any former members of these funds. There are no further IAS 19 obligations to be accounted for. Restructuring of the Group's pension funds commenced in 2014 and progress has been reported annually in the annual financial statements.

The liquidation process for the AECI Pension Fund ("APF") and the AECI Supplementary Pension Fund ("ASPF") continues. Although this process is taking longer than expected, finalisation is anticipated in 2023.

During 2022, the liquidator identified seven pensioners as being eligible for benefits from the APF. They were previously considered ineligible. The obligation for these future pensions has been insured through the purchase of a pension policy with Sanlam and the policy remains an asset of the fund, so as to fund the future obligation, until liquidation is complete. The arrears pensions have been included as an actuarial liability of the fund. The utilisation of surplus assets to fund these seven pensioners, as well as the accruals for the expected costs of fund closure, has resulted in a shortfall in the fund of R3 million. The liability was recognised in 2022 as an actuarial loss on experience and recognised in other comprehensive income.

The AECI Employees' Pension Fund ("AEPF") and the Dulux Employees' Pension Fund ("DEPF") completed the majority of their restructuring processes in 2019 and 2020. During 2022, approval was obtained for the transfer of unclaimed benefits to a specialist fund. The unclaimed benefits of both funds were transferred to the Momentum Unclaimed Benefit Preservation Fund together with the assets set aside to cover those benefits. The funds have determined the remaining assets in the funds that can be distributed as an "agterskot" to remaining former members and this process is underway. Once the distribution has been completed, it is intended that both funds be placed in liquidation. The target is to complete this in 2023 or early in 2024 but is dependent on the regulator adhering to its self-imposed timeframes for the approval of the "agterskot" and appointment of the liquidator.

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	
Rand million	**Total 2022**	Total 2021
Fair value of plan assets	**110**	106
Present actuarial value of defined-benefit obligations	**(12)**	–
Asset ceiling	**(98)**	(103)
PENSION FUNDS' NET ASSETS	**–**	3
Net assets comprise:		
APF net liability recognised in other payables	**(3)**	–
ASPF net asset ("ESA")	**3**	3
	–	3

30. Employee benefits CONTINUED

The fair value of the funds' plan assets at 31 December 2022 comprised mainly bonds and cash and there were no investments in 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.

The Group has the following ESAs:

	GROUP AND COMPANY	
Rand million	**Total 2022**	Total 2021
NON-CURRENT	**467**	495
AECI Supplementary Pension Fund ("ASPF")	**3**	3
AECI Defined Contribution Pension Fund ("ADCPF")	**464**	492
CURRENT – CLASSIFIED AS A FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (refer to note 9)	**80**	134
AECI Employees Provident Fund ("AEPrF")	**21**	72
AECI Defined Contribution Pension Fund ("ADCPF")	**59**	62
	547	629

PENSION FUNDS' EMPLOYER SURPLUS ACCOUNTS

Rand million	ASPF 2022	ADCPF 2022	AEPrF 2022	Total 2022
At the beginning of the year	3	537	89	629
Contribution holiday	–	(55)	(71)	(126)
Unvested retirement benefit equalisation target	–	8	–	8
Investment return	–	33	3	36
AT THE END OF THE YEAR	**3**	**523**	**21**	**547**

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/EURO exchange rate.

	GROUP	
Rand million	**2022**	2021
At the beginning of the year	**(254)**	(267)
Benefits paid	**4**	4
Exchange difference	**(1)**	(2)
RECOGNISED IN THE STATEMENTS OF PROFIT OR LOSS	**(4)**	(6)
Current service cost	**(1)**	(4)
Interest expense	**(3)**	(2)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**69**	17
Actuarial gain from changes in financial assumptions	**76**	1
Actuarial (loss)/gain on experience	**(7)**	16
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	**(186)**	(254)

30. Employee benefits CONTINUED

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

%	2022	2021
Discount rate	1,15	0,78
Expected salary increases	2,00	2,00
Future pension increases	1,75	1,75

Any likely change to the discount rates and mortality rates used in the valuation will not have a material impact on the liability.

The payment-weighted expected duration of the obligation is 14,80 years (2021: 17,14 years).

Defined benefit obligation by participant category

	2022	2021
Active participants	(90)	(137)
Deferred participants	(14)	(47)
Pensioners	(82)	(70)
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	(186)	(254)
Maturity profile of future payments:		
Expected within 12 months	(6)	(5)
Expected between 12 and 24 months	(7)	(6)
Expected between 24 and 36 months	(8)	(7)
Expected between 36 and 48 months	(9)	(8)
Expected between 48 and 60 months	(9)	(9)
Expected between 60 and 108 months	(50)	(48)
Expected thereafter	(97)	(171)
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	(186)	(254)

SENSITIVITY ANALYSIS

	31 December 2022	Discount rate +1%	Discount rate -1%
For a change in significant actuarial assumptions:			
Present actuarial value of obligations (South African Rand million)	186	161	217
Change in liability (%)		(13,5)	16,7

30. Employee benefits CONTINUED

Post-retirement medical aid (PRMA) benefits

The Group provides medical aid benefits for all its permanent employees domiciled in South Africa, principally via the AECI Medical Aid Society. Historically, qualifying employees were granted a subsidy on their medical aid contributions after retirement. The obligation of the employer to continue to subsidise medical aid contributions after retirement is no longer a condition of employment for new employees and has not been offered since 1 January 2002.

The subsidy is a portion of the required medical aid contributions of participating members in a ratio between 3,0% and 66,7% of the total contribution, depending on each employee's date of employment in the Group. The medical aid fund is liable to pay medical claims in terms of its rules and the risk in respect of the liability relates to the increase in contribution levels required by the medical aid fund. The Group does not have any specific obligation to the medical aid fund.

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

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Present actuarial value of defined-benefit obligations	**(162)**	(180)	**(162)**	(180)
At the beginning of the year	**(180)**	(189)	**(180)**	(189)
Current service cost	**(1)**	(1)	**(1)**	(1)
Interest cost	**(19)**	(20)	**(19)**	(20)
Benefits paid	**16**	17	**16**	17
Net actuarial gains	**22**	13	**22**	13
NET PRMA LIABILITY	**(162)**	(180)	**(162)**	(180)

Principal actuarial assumptions for the PRMA obligations were:

	GROUP	
%	**2022**	2021
Annual increase in healthcare costs	**9,00**	8,80
Discount rate	**11,70**	10,80

Healthcare cost inflation was estimated based on long-term CPI and adjusted with a risk premium of 2,0% for the expected higher medical inflation. The percentage used in the valuation was 9,0%.

Estimated employer's contributions in respect of PRMA obligations for the coming year for both the Group and the Company are R15 million, representing the subsidies for the remaining eligible pensioner members.

Amounts recognised in the statements of profit or loss in respect of the PRMA obligations were:

	GROUP		COMPANY	
Rand million	**2022**	2021	**2022**	2021
Current service cost	**(1)**	(1)	**(1)**	(1)
Interest cost	**(19)**	(20)	**(19)**	(20)
RECOGNISED IN THE STATEMENTS OF PROFIT OR LOSS	**(20)**	(21)	**(20)**	(21)
Remeasurements recognised in other comprehensive income in respect of PRMA obligations:				
Actuarial gain	**22**	13	**22**	13
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**22**	13	**22**	13

30. Employee benefits CONTINUED

Sensitivity analysis

	31 December 2022	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 (Rand million)	(163)	(150)	(178)	(178)	(150)
Change in liability (%)		(7,9)	9,3	9,0	(7,8)
Current service cost for 2023 (South African Rand million)	1	1	1	1	1
Change in current service cost (%)		–	–	18,5	12,7
Interest cost for 2023 (South African Rand million)	18	18	18	21	18
Change in interest cost (%)		–	–	15,1	(2,6)

Expected duration of liability

	GROUP		COMPANY	
Years	**2022**	2021	**2022**	2021
Average duration – undiscounted cash flows	**25,3**	25,3	**25,3**	25,3
Average duration – discounted cash flows	**10,0**	10,5	**10,5**	10,5

The schemes expose the Group to a number of risks:

Interest rate risk: The scheme's liabilities are assessed using market yields on government bonds to discount the liabilities. An increase in the interest rate will decrease the plan liability.

Mortality risk: An increase in the life expectancy of the plan participants will increase the plan's liability.

Inflation risk: An increase in the inflation rate will impact healthcare/retirement costs, which will increase the plan liability.

The interest rate used to discount the liability less the inflation rate used to estimate the costs gives the real long-term discount rate.

A decrease in the real discount rate will increase the plan liability.

Accounting policies

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

The cost of all short-term employee benefits is recognised in the statements of profit or loss 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.

Obligations for contributions to defined-contribution pension plans are recognised in the statements of profit or loss as the related service is provided.

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 statements of profit or loss.

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 statements of profit or loss includes the current service cost and the net interest on the net defined-benefit liability/(asset). Net interest expense/(income) is the interest on the net defined-benefit liability/(asset) at the beginning of the 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 statements of profit or loss) and the effect of the asset ceiling (excluding the interest cost) and any changes in actuarial assumptions or experience adjustments, are remeasurements and are recognised immediately in other comprehensive income.

DEFINED-BENEFIT POST-RETIREMENT MEDICAL AID OBLIGATIONS

The Group provides defined-benefit post-retirement healthcare benefits to certain of its retirees and eligible current employees. The Group's net obligation is calculated by estimating the amount of future benefit that these 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 statements of profit or loss 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 statements of profit or loss 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:

	NUMBER OF SHARES	
	2022	2021
EXECUTIVE DIRECTORS [1]		
MA Dytor [2]	**222 669**	194 170
KM Kathan	**183 791**	164 172
A Takoordeen [3]	**–**	–
	406 460	358 342
PRESCRIBED OFFICERS [4]		
DJ Mulqueeny	**51 544**	39 949
DK Murray	**47 524**	36 079
C Singh (Group Company Secretary) [5]	**–**	–
	99 068	76 028
	505 528	434 370

1 H Riemensperger has been appointed as Chief Executive and Executive Director effective, 1 May 2023
2 MA Dytor retired as Chief Executive and Executive Director effective, 31 January 2023
3 A Takoordeen was appointed with effect from 20 May 2022
4 Prescribed Officers are classified in terms of Section 1 of the Companies Act, No. 71 of 2008
5 C Singh was appointed as a member of the AECI Executive Committee effective, 1 January 2022

No Director or Prescribed Officer had indirect holdings of ordinary shares of the Company or 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 fee**	**Attendance fees**	**2022**	2021
KDK Mokhele	**1 520**	**452**	**435**	**2 407**	2 148
SA Dawson	**646**	**638**	**711**	**1 995**	1 098
FFT De Buck	**293**	**368**	**374**	**1 035**	918
WH Dissinger	**646**	**639**	**782**	**2 067**	1 076
G Gomwe	**293**	**514**	**511**	**1 318**	1 275
P Mishic O'Brien	**646**	**446**	**681**	**1 773**	546
ST Coetzer (appointed on 1 July 2022) [1]	**327**	**180**	**481**	**988**	-
R Ramashia (retired on 31 May 2022)	**120**	**164**	**137**	**421**	1 016
AM Roets	**293**	**286**	**385**	**964**	879
PG Sibiya	**293**	**464**	**398**	**1 155**	1 096
	5 077	**4 151**	**4 895**	**14 123**	10 052

1 ST Coetzer was appointed to the Board as a Non-executive Director with effect from 1 July 2022 and as Interim Chief Executive on 1 February 2023. He will continue in this position until 30 April 2023. On 1 May 2023, he will return to his duties as a Non-executive Director.

31. Directors' and prescribed officers' remuneration and interests CONTINUED

Executive directors' remuneration

R thousands	MA Dytor	KM Kathan	A Takoordeen	Total
2022				
Basic salary	6 636	5 069	3 111	14 816
Bonus and performance-related payments [1]	7 263	5 930	7 377	20 570
Expense allowances medical aid and insurance contributions	827	674	395	1 896
Retention bonus	–	–	2 200	2 200
Leave pay	255	–	–	255
Retirement fund contributions	647	494	330	1 471
Total cash-settled share-based payments and other long-term benefits	–	529	–	529
Benefit unit payments [2]	–	529	–	529
Pre-taxation benefit of equity-settled vested PS	5 795	3 990	–	9 785
Aggregate remuneration	21 423	16 686	13 413	51 522
Pre-taxation benefit of equity-settled vested PS	(5 795)	(3 990)	–	(9 785)
AGGREGATE REMUNERATION PAID BY THE COMPANY	**15 628**	**12 696**	**13 413**	**41 737**
2021				
Basic salary	6 380	4 874	–	11 254
Bonus and performance-related payments	1 994	1 523	–	3 517
Expense allowances, medical aid and insurance contributions	821	652	–	1 473
Leave pay	221	187	–	408
Retirement fund contributions	622	475	–	1 097
Total cash-settled share-based payments and other long-term benefits	109	298	–	407
Benefit unit payments	109	298	–	407
Pre-taxation benefit of equity-settled vested PS	6 136	4 537	–	10 673
Aggregate remuneration	16 283	12 546	–	28 829
Pre-taxation benefit of equity-settled vested PS	(6 136)	(4 537)	–	(10 673)
AGGREGATE REMUNERATION PAID BY THE COMPANY	10 147	8 009	–	18 156

1 Bonus and performance-related amounts are in respect of the current year's performance but are paid in the following year
2 KM Kathan exercised 116 850 EG units which generated a benefit of R529 321 before taxation

Prescribed officers' remuneration [1]

R thousands	C Singh	DJ Mulqueeny	DK Murray	CBH Watson	Total
2022					
Basic salary	2 917	3 490	3 419	753	10 579
Bonus and performance-related payments [2]	4 230	5 057	4 970	–	14 257
Expense allowances, medical aid and insurance contributions	514	626	719	140	1 999
Notice pay	–	–	–	1 600	1 600
Leave pay	–	134	–	–	134
Retirement fund contributions	284	340	333	74	1 031
Pre-taxation benefit of equity-settled vested PS	–	2 358	2 328	–	4 686
Aggregate remuneration	7 945	12 005	11 769	2 567	34 286
Pre-taxation benefit of equity-settled vested PS	–	(2 358)	(2 328)	–	(4 686)
Aggregate remuneration paid by subsidiaries	–	(5 211)	–	–	(5 211)
AGGREGATE REMUNERATION PAID BY THE COMPANY	7 945	4 436	9 441	2 567	24 389

1 Members of the AECI Executive Committee exercise general control over the management of the business and activities of the Company. There are no other persons who exercise such control over the business or a significant portion thereof. Accordingly, the AECI Executive Committee members are the Company's Prescribed Officers.
2 Bonus and performance-related amounts are in respect of the current year's performance but are paid in the following year

31. Directors' and prescribed officers' remuneration and interests CONTINUED

R thousands	EE Ludick	DJ Mulqueeny	DK Murray	CBH Watson	Total
2021					
Basic salary	3 943	3 356	3 287	2 898	13 484
Bonus and performance-related payments	1 017	1 007	978	866	3 868
Expense allowances, medical aid and insurance contributions	90	614	697	510	1 911
Leave pay	–	129	–	–	129
Retirement fund contributions	384	327	321	283	1 315
Total cash-settled share-based payments and other long-term benefits	846	–	177	–	1 023
EG unit payments	846	–	177	–	1 023
Pre-taxation benefit of equity-settled vested PS	3 045	2 257	2 228	–	7 530
Aggregate remuneration	9 325	7 690	7 688	4 557	29 260
Pre-taxation benefit of equity-settled vested PS	(3 045)	(2 257)	(2 228)	–	(7 530)
Aggregate remuneration paid by subsidiaries	(6 280)	(4 075)	–	–	(10 355)
AGGREGATE REMUNERATION PAID BY THE COMPANY	–	1 358	5 460	4 557	11 375

Aggregate remuneration

R thousands	2022	2021
Non-executive Directors	**14 123**	10 052
Executive Directors	**51 522**	28 829
Prescribed Officers	**34 286**	29 260
	99 931	68 141

Long-term incentive schemes

EARNINGS-GROWTH INCENTIVE SCHEMES ("EG UNITS")

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

		NUMBER OF UNITS			
	Grant date	**Issue price (Rand)**	**Granted**	**Exercised**	**Outstanding**
MA Dytor [1]	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	350 549	–
	June 2016	7,53	230 761	76 913	153 848
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	127 794	–
			2 233 523	**1 867 920**	**365 603**

[1] MA Dytor exercised his outstanding number of units as at 13 December 2022, which was approved and paid in January 2023. He retired as Chief Executive, and Executive Director effective, 31 January 2023.

31. Directors' and prescribed officers' remuneration and interests CONTINUED

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

	NUMBER OF UNITS	
	2022	2021
Outstanding at the beginning of the year	**482 453**	710 789
Exercised during the year	**(116 850)**	(228 336)
OUTSTANDING AT THE END OF THE YEAR	**365 603**	482 453

KM Kathan exercised 116 850 EG units which generated a benefit of R529 321 before taxation.

AECI PERFORMANCE SHARES ("PS")

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

	NUMBER OF PS				
	Grant date	**Granted**	**Vested** [1]	**Lapsed or forfeited**	**Outstanding**
MA Dytor [2]	April 2019	70 494	55 200	15 294	–
	April 2020	120 924	–	–	120 924
	April 2021	78 636	–	–	78 636
	April 2022	69 294	–	–	69 294
KM Kathan	April 2019	48 531	38 002	10 529	–
	April 2020	80 152	–	–	80 152
	April 2021	52 388	–	–	52 388
	April 2022	46 161	–	–	46 161
DJ Mulqueeny	April 2019	28 683	22 460	6 223	–
	April 2020	39 323	–	–	39 323
	April 2021	30 782	–	–	30 782
	April 2022	27 112	–	–	27 112
DK Murray	April 2019	28 313	22 170	6 143	–
	April 2020	38 865	–	–	38 865
	April 2021	30 745	–	–	30 745
	April 2022	27 112	–	–	27 112
C Singh	April 2022	22 682	–	–	22 682
A Takoordeen	April 2022	46 294	–	–	46 294
CBH Watson	April 2020	32 671	–	32 671	–
	April 2021	26 505	–	26 505	–
		945 667	**137 832**	**97 365**	**710 470**

[1] The pre-taxation benefits generated by PS vested in Directors and Prescribed Officers were:
MA Dytor: R5 795 133
KM Kathan: R3 989 620
DJ Mulqueeny: R2 357 970
DK Murray: R2 327 523

[2] MA Dytor retired as Chief Executive, and Executive Director effective, 31 January 2023

31. Directors' and prescribed officers' remuneration and interests CONTINUED

AECI PERFORMANCE SHARES ("PS") CONTINUED

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

	NUMBER OF PS	
	2022	2021
Outstanding at the beginning of the year	**828 519**	759 828
Lapsed during the year	**(97 365)**	–
Retirements during the year	**(121 507)**	
Issued during the year	**238 655**	254 038
Vested during the year	**(137 832)**	(185 347)
OUTSTANDING AT THE END OF THE YEAR	**710 470**	828 519

32. Operating segments

BASIS OF SEGMENTATION

The Group has five reportable segments, as stated below. Each business division offers different products and services and is managed separately because each requires different technology and marketing strategies.

REPORTABLE SEGMENTS	OPERATIONS
AECI Mining	The businesses in this segment provide a mine-to-mineral solution for the international mining sector. The offering includes commercial explosives, initiating systems, blasting services and surfactants for explosives manufacture across 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 segment 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 United States of America.
AECI Chemicals	Businesses in this segment supply raw materials and related services to a broad spectrum of customers in the food and beverage, manufacturing, road 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 United States of America.
AECI Property Services and Corporate	Property Services and Corporate relate mainly to property leasing and management in the office, industrial and retail sectors. Corporate includes centralised functions namely, Treasury and Finance; Human Capital; Safety, Health and the Environment, Stakeholder Relations; Company Secretarial; Legal Risk and Compliance; Environmental Social and Governance; Information Technology and Strategy Execution.

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.

32. Operating segments CONTINUED

INFORMATION RELATING TO REPORTABLE SEGMENTS

Management makes decisions based on management accounting information which reflects revenue plus costs by business division.

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

Rand million	EXTERNAL REVENUE 2022	EXTERNAL REVENUE 2021	INTER-SEGMENT REVENUE 2022	INTER-SEGMENT REVENUE 2021	TOTAL SEGMENT REVENUE 2022	TOTAL SEGMENT REVENUE 2021
AECI Mining	**17 886**	11 820	**210**	149	**18 096**	11 969
AECI Water	**1 983**	1 512	**35**	29	**2 018**	1 541
AECI Agri Health	**6 900**	5 959	**167**	61	**7 067**	6 020
AECI Chemicals	**8 399**	6 376	**130**	86	**8 529**	6 462
AECI Property Services and Corporate	**415**	386	**153**	149	**568**	535
Inter-segment	**–**	–	**(695)**	(474)	**(695)**	(474)
	35 583	26 053	**–**	–	**35 583**	26 053

Rand million	DEPRECIATION 2022	DEPRECIATION 2021	AMORTISATION 2022	AMORTISATION 2021	IMPAIRMENTS [1] 2022	IMPAIRMENTS [1] 2021
AECI Mining	**565**	538	**7**	7	**26**	–
AECI Water	**33**	38	**12**	12	**–**	–
AECI Agri Health	**180**	176	**29**	29	**445**	–
AECI Chemicals	**158**	154	**21**	21	**–**	–
AECI Property Services and Corporate	**34**	66	**1**	6	**–**	–
Inter-segment	**(14)**	(15)	**–**	–	**–**	–
	956	957	**70**	75	**471**	–

Rand million	PROFIT/(LOSS) FROM OPERATIONS 2022	PROFIT/(LOSS) FROM OPERATIONS 2021	EBITDA [2,4] 2022	EBITDA [2,4] 2021	CAPITAL EXPENDITURE 2022	CAPITAL EXPENDITURE 2021
AECI Mining	**1 743**	1 277	**2 342**	1 813	**582**	476
AECI Water	**212**	212	**257**	262	**24**	31
AECI Agri Health	**(297)**	179	**358**	383	**704**	152
AECI Chemicals	**562**	586	**765**	778	**161**	83
AECI Property Services and Corporate	**(170)**	(190)	**(135)**	(118)	**81**	35
Inter-segment	**(3)**	(12)	**(17)**	(27)	**–**	–
	2 047	2 052	**3 570**	3 091	**1 552**	777

Rand million	OPERATING ASSETS [3,4] 2022	OPERATING ASSETS [3,4] 2021	OPERATING LIABILITIES [3,4] 2022	OPERATING LIABILITIES [3,4] 2021
AECI Mining	**10 144**	7 985	**3 386**	2 504
AECI Water	**1 815**	1 232	**376**	264
AECI Agri Health	**6 333**	5 629	**2 530**	2 027
AECI Chemicals	**5 760**	5 205	**1 842**	1 780
AECI Property Services and Corporate	**1 595**	1 344	**414**	327
Inter-segment	**(887)**	(870)	**(781)**	(749)
	24 760	20 525	**7 767**	6 153

1 Includes impairment of property, plant and equipment and right-of-use assets
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, trade and other receivables and assets classified as held for sale. Operating liabilities comprise trade and other payables.
4 Non-IFRS measure

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

33. Principal subsidiaries

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INVESTMENT IN SUBSIDIARIES #		INTEREST OF AECI LIMITED # LOANS TO/(FROM)	
	2022	**2022**	2021	**2022**	2021	**2022**	2021
	Number of shares	**%**	%	**Rand million**	Rand million	**Rand million**	Rand million
HOLDING COMPANIES							
Directly held							
AECI Treasury Holdings Proprietary Limited	**100**	**100**	100	**–**	–	**–**	–
INSURANCE							
Directly held							
AECI Captive Insurance Company Limited	**810 000**	**100**	100	**51**	51	**(243)**	(202)
AECI MINING							
Directly held							
AECI Mining Limited	**400 000 000**	**100**	100	**4 438**	4 438	**22**	(655)
Indirectly held							
AECI Australia Proprietary Limited	**13 700 000**	**100**	100	**–**	–	**–**	–
AECI Ghana Limited	**1 000 000**	**100**	100	**–**	–	**–**	–
AECI Mauritius Limited	**866**	**100**	100	**–**	–	**–**	–
AECI Mining and Chemical Services Namibia Proprietary Limited	**100**	**100**	100	**–**	–	**–**	–
AECI Mining and Chemical Services (Chile) Limitada	**2**	**100**	100	**–**	–	**–**	–
AECI Burkina Société à Responsabilité Limitée [1]	**100 000**	**100**	100	**–**	–	**–**	–
AEL DRC Société Privée à Responsabilité Limitée [2]	**10 000**	**100**	100	**–**	–	**–**	–
AECI Mali Société à Responsabilité Limitée	**8 659**	**100**	100	**–**	–	**–**	–
AECI Mining Explosives Public Listed Corporation [3]	**25 508 250**	**75**	75	**–**	–	**–**	–
AEL Mining Services Limited ++	**100**	**100**	100	**–**	–	**(413)**	(413)
African Explosives (Botswana) Limited	**3**	**100**	100	**–**	–	**–**	–
African Explosives Holdings Proprietary Limited	**4 331 278**	**100**	100	**–**	–	**(1 381)**	(1 172)
African Explosives (Tanzania) Limited	**26**	**100**	100	**–**	–	**–**	–
PT AEL Indonesia	**1 150**	**100**	100	**–**	–	**–**	–
AECI LATAM Produtos Quimicos Limiteda [4]	**65 758 530**	**100**	100	**–**	–	**–**	–
AECI WATER							
Indirectly held							
Blendtech Proprietary Limited	**1 800**	**100**	100	**–**	–	**–**	(5)
ImproChem Proprietary Limited	**4 000**	**100**	100	**–**	–	**(305)**	(617)

Original cost less impairments
++ Trading as an agent on behalf of AECI Mining Limited

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 3. Zambia 4. Brazil

33. Principal subsidiaries CONTINUED

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INVESTMENT IN SUBSIDIARIES #		INTEREST OF AECI LIMITED # LOANS TO/(FROM)	
	2022	**2022**	2021	**2022**	2021	**2022**	2021
	Number of shares	**%**	%	**Rand million**	Rand million	**Rand million**	Rand million
AECI AGRI HEALTH							
Directly held							
Biocult Proprietary Limited	5 000	100	100	23	23	22	23
Indirectly held							
Farmers Organisation Limited [4]	240	100	100	–	–	–	–
Schirm Gesellschaft mit beschränkter Haftung [5]	100	100	100	–	–	–	–
Other			–	–	–	(87)	(41)
AECI CHEMICALS							
Directly held							
Chemical Services Limited	83 127 950	100	100	818	818	(461)	(416)
SANS Fibers Incorporated [6]	100	100	100	–	–	346	348
SANS Fibers Proprietary Limited +	17 979 433	100	100	8	8	(126)	(126)
Much Asphalt Proprietary Limited	100	98	98	1 677	1 500	350	346
Southern Canned Products Proprietary Limited	100 000	100	100	–	241	–	76
Indirectly held							
Chemfit Proprietary Limited	4 000	100	100	–	–	(181)	(174)
Chemfit Fine Chemicals Proprietary Limited	1 000	100	100	–	–	(16)	(34)
Other		–	–	–	–	(497)	(476)
AECI PROPERTY SERVICES							
Acacia Real Estate Proprietary Limited	1 000	100	100	–	–	(315)	(312)
Paardevlei Properties Proprietary Limited	1	100	100	–	–	(378)	(378)
Other	–	–	–	3	3	(290)	(278)
OTHER				138	130	(12)	(11)
				7 156	7 212	**(3 965)**	(4 517)

Original cost less impairments
+ Trading as an agent on behalf of AECI Limited

All companies are incorporated in the Republic of South Africa except for those whose country of incorporation is indicated by their registered company name, and those annotated as follows: 4. Malawi 5. Germany 6. United States of America.

34. Non-controlling interest

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

Rand million	Zambia [1]	Much Asphalt [2]	Other	Total
2022				
Non-controlling interest (%)	25	2		
STATEMENTS OF FINANCIAL POSITION				
Non-current assets	75	958		
Current assets	495	539		
Non-current liabilities	(17)	(322)		
Current liabilities	(113)	(381)		
NET ASSETS	440	794		
Carrying amount of non-controlling interest	110	46	25	181
STATEMENTS OF PROFIT OR LOSS				
Revenue	(872)	(2 230)		
Profit	(35)	(54)		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST	(9)	(5)	(12)	(26)
STATEMENTS OF COMPREHENSIVE INCOME				
Other comprehensive income	(12)	–	–	(12)
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(3)	–	–	(3)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(12)	(5)	(12)	(29)
STATEMENTS OF CASH FLOW				
Dividends paid	(17)	(5)		
Other cash flows from operating activities	8	64		
Cash flows from operating activities	(9)	59		
Cash flows from investing activities	(5)	(59)		
Cash flows from financing activities	(2)	1		
(Decrease)/increase in cash	(16)	1		
Cash at the beginning of the year	90	35		
CASH AT THE END OF THE YEAR	74	36		

[1] AECI Mining Limited holds 75% of AECI Mining Explosive Public Listed Corporation, domiciled in Zambia
[2] AECI Limited holds 98% of Much Asphalt Proprietary Limited. Much Asphalt Proprietary Limited holds 55% of East Coast Asphalt Proprietary Limited.

34. Non-controlling interest CONTINUED

Rand million	Zambia [1]	Much Asphalt [2]	Other	Total
2021				
Non-controlling interest (%)	25	2		
STATEMENTS OF FINANCIAL POSITION				
Non-current assets	69	972		
Current assets	439	467		
Non-current liabilities	(21)	(326)		
Current liabilities	(78)	(369)		
NET ASSETS	409	744		
Carrying amount of non-controlling interest	102	47	17	166
STATEMENTS OF PROFIT OR LOSS				
Revenue	(733)	(1 625)		
Profit	(39)	(61)		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST	(10)	(5)	(5)	(20)
STATEMENTS OF COMPREHENSIVE INCOME				
Other comprehensive income	(32)	–	2	(30)
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(8)	–	1	(7)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(18)	(5)	(4)	(27)
STATEMENTS OF CASH FLOW				
Dividends paid	(91)	–		
Other cash flows from operating activities	14	111		
Cash flows from operating activities	(77)	111		
Cash flows from investing activities	1	(51)		
Cash flows from financing activities	3	(61)		
Decrease in cash	(73)	(1)		
Cash at the beginning of the year	163	36		
CASH AT THE END OF THE YEAR	90	35		

1 AECI Mining Limited holds 75% of AECI Mining Explosive Public Listed Corporation, domiciled in Zambia
2 AECI Limited holds 98% of Much Asphalt Proprietary Limited. Much Asphalt Proprietary Limited holds 55% of East Coast Asphalt Proprietary Limited.

NON-CONTROLLING INTEREST PUT OPTION LIABILITY

The business combination of AECI 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.

Rand million	**2022**	2021
Balance at the beginning of the year	**18**	22
Fair value adjustment on put option liability	**(5)**	(7)
Unwinding of discount	**1**	3
NON-CONTROLLING INTEREST PUT OPTION LIABILITY	**14**	18

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 the owners of the Company.

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 the owners of the Company.

Significant judgements made by management and sources of estimation uncertainty

These liabilities arise when acquisitions have contractual obligations enabling non-controlling interest shareholders to sell their shares back to the Group at an agreed price. The initial recognition of these amounts is debited directly to equity with the subsequent remeasurements to 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 each subsequent reporting period.

35. Events after the reporting date

No reportable events occurred after the reporting date.

36. Going concern

The Board continues to expect that the Group has adequate resources to continue in operation for at least the next 12 months from the date of authorisation of these financials and that the going concern basis of accounting remains appropriate. The Group's and Company's assets, at both book and fair values, substantially exceeded its liabilities for 2022.

Net asset value was R11 822 million at 31 December 2022 and for the year ended 31 December 2022 the Group earned EBITDA of R3 570 million.

The AECI Group has stress tested multiple solvency and liquidity scenarios and no loan covenants were breached in any of those scenarios. At 31 December 2022, the Group had undrawn bank facilities of approximately R2 400 million available (2021: R3 200 million), in addition to the cash on hand. This will position AECI to remain well capitalised. Discussions with lenders regarding the 2023 debt maturities have been ongoing for an extended period and the Group anticipates successfully completing a formal process to refinance this debt during the 2023 financial year.

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The Directors are of the opinion that the Group and Company has adequate resources to continue as a going concern in the foreseeable future.

Corporate **information**

AECI Limited

(Incorporated in the Republic of South Africa)
(Registration No. 1924/002590/06)
Taxation reference No. 9000008608
Share code: AFE ISIN: ZAE000000220
Hybrid code: AFEP ISIN: ZAE000000238
Bond company code: AECI
LEI: 3789008641F1D3D90E85
("AECI" or the "Company" or the "Group")

Group Company Secretary and registered office

Cheryl Singh
AECI Place
24 The Woodlands
Woodlands Drive
Woodmead
Sandton 2191
South Africa
(no postal deliveries to this address)
Email: cheryl.singh@aeciworld.com

Postal address and contact details

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Telephone: +27 (0)11 806 8700
Email: groupcommunications@aeciworld.com

Web address

www.aeciworld.com

London Secretary

St James's Corporate Services Limited
Suite 31, Second Floor
107 Cheapside London EC2V 6DN
England

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue, Rosebank
2196
Private Bag X9000, Saxonwold
2132
South Africa

and

Computershare Investor Services Public Company Limited
PO Box 82
The Pavilions Bridgwater Road
Bristol BS99 7NH
England

External auditor

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Waterfall
2090
South Africa

Primary transactional and funding banks

Absa Bank Limited
First National Bank of Southern Africa Limited
(A Division of FirstRand Bank Limited)
Investec Bank Limited
Nedbank Limited
Sanlam Life Insurance Limited
(Acting through its Sanlam Capital Markets Division)
Standard Chartered Bank
The Standard Bank of South Africa Limited

South African equity and debt sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton
2196
South Africa

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