ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ONE AECI,
FOR A BETTER WORLD

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Contents

Preparation of **financial statements**

The Group consolidated financial statements and the Company financial statements were approved on 27 February 2024 and are for the year ended 31 December 2023. These comprise the Group 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, Rochelle Gabriels 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 19 to 22; 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, the undersigned, Cheryl Singh, in my capacity as the company secretary, certify 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
- 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

27 February 2024

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 23 to 138, 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; and

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.

Holger Riemensperger
Group Chief Executive

Rochelle Gabriels
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 2023.

Our restated purpose and ambition

AECI has defined a new strategy with a restated purpose: "We are ONE AECI, for a better world." By reaffirming our vision, to deliver sustainable solutions for a better world through innovation and excellence, we aim to reinforce our collective commitment as a unified team towards creating a better world. The New AECI Strategy, approved by the Board in October 2023, is designed to transform our organisation, with an ambition to double profitability of the core businesses by 2026 and attain a global market position in Mining of #3 by 2030. To achieve this, AECI's portfolio will be optimised to focus on Mining and Chemicals, while strategically divesting from managed businesses being Schirm, Much Asphalt, SANS Fibers, Beverage and Animal Health.

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 2023 financial year, its market capitalisation was R11 574,50 million (2022: R9 243,36 million) and it had 7 235 (2022: 7 168) employees.

As a diversified Group of 13 businesses, we operate in 22 countries on six continents — Africa, Europe, Asia's South Eastern region, North America, South America and Australia.

Until 31 December 2023, our operating businesses were structured into five key operating business segments – AECI Mining, AECI Chemicals, AECI Agri Health, AECI Water and AECI Property Services and Corporate. With our new strategy and a restructuring of the Group to create a platform for growth, we will be focusing on AECI Mining and AECI Chemicals and divesting out of the managed businesses. AECI Chemicals business will be reorganised and repositioned to support mining solutions and provide operational and financial support through cash generation to drive Mining business growth.

The products, services, and application know-how we hold is supplied to a broad range of customers:

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

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 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.

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 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 Property Services and Corporate

This segment relates 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, Investor Relations , Stakeholder Relationships Management, Company Secretarial, Legal, Risk and Compliance; Environmental, Social and Governance; Information Technology and Strategy Execution.

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. A standalone governance report has been prepared for 2023 and a corporate governance report will also be included in the 2023 Integrated Report, both of which will be available on the Group's website at www.aeciworld.com.

Group Performance overview

The Group achieved strong results for the financial year ended 31 December 2023, with revenue of R37 500 million up 5.4% from the R 35 583 million achieved for the prior year ended 31 December 2022. Profit from operations of R2 571 million (2022: R2 047 million) was 25.6% higher while profit for the year was R1 180 million (2022: R956 million), an increase of 23.4%.

Independent audit

The annual Group and Company financial statements for the year ended 31 December 2023 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The designated individual audit partner assigned to perform the audit was Mr Moroa Eric Tshabalala.

During 2023, a matter concerning a breach of controls and an unauthorised payment of an immaterial amount was identified through the Group's internal processes. The payment was initiated by a former executive, who is no longer employed by AECI. The Board considered the matter and put preventative measures in place. The external auditors raised a reportable irregularity with IRBA in terms of section 45 of the Auditing Profession Act, No. 26 of 2005 ("the Act"). The external auditors have subsequently completed their reporting responsibilities in terms of the Act and communicated in writing that the reportable irregularity is no longer taking place, and that management has taken necessary steps for the recovery of the loss. The external auditors have issued an unmodified opinion on the Group's financial statements. The Board mandated management to take necessary remedial actions.

The Audit Committee performed the assessments required in terms of paragraphs 3.84 (g) and 7.3(e) of the JSE Listings and Debt Listings Requirements, respectively 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 28 May 2024.

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

On 31 December 2023 the Directors, 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 Group and Company annual financial statements on 27 February 2024 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	
	2023	2022
EXECUTIVE DIRECTORS		
H Riemensperger[1]	**10 000**	–
MA Dytor[2]	–	222 669
KM Kathan[3]	–	183 791
A Takoordeen[4]	–	–
	10 000	406 460
PRESCRIBED OFFICERS[5]		
DJ Mulqueeny[6]	–	51 544
DK Murray	**47 524**	47 524
R Fernandes[7]	–	–
C Singh (Group Company Secretary)[5]	–	–
	47 524	99 068
	57 524	505 528

[1] H Riemensperger was appointed as Chief Executive and Executive Director effective, 1 May 2023
[2] MA Dytor retired as Group Chief Executive and Executive Director effective, 31 January 2023
[3] KM Kathan resigned, by mutual consent as Chief Executive Officer of AECI Mining and Executive Director effective, 31 October 2023
[4] A Takoordeen resigned as Group Chief Financial Officer and Executive Director, effective 26 April 2023
[5] Prescribed Officers are classified in terms of Section 1 of the Companies Act, No. 71 of 2008
[6] DJ Mulqueeny retired as Group Executive of AECI Water effective 13 October 2023
[7] R Fernandes was appointed as Acting Group Financial Officer from 26 April 2023 to 31 December 2023

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.

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 (2022: 105 517 780 shares), and 3 000 000 listed 5,5% cumulative preference shares of R2 each (2022: 3 000 000 shares).

Strate

The dematerialisation of the Company's issued shares commenced in July 2001. Shares still in paper form are no longer good for delivery and will need to be dematerialised before participation in any transaction.

Shareholders may direct any enquiries in this regard to the Company's Transfer Secretaries on telephone number +27 (0) 861 100 950 in South Africa, or +44 (0) 870 889 3176 in the United Kingdom.

An interim ordinary cash dividend of 100 cents was declared on 26 July 2023 and was paid on 4 September 2023.

A final ordinary cash dividend of 119 cents was declared on 27 February 2024 and payable on 8 April 2024.

Preference share dividends were paid on 15 June 2023 and on 15 December 2023. 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 2024, were as follows:

Mr G Gomwe, who retired by rotation in terms of clause 14.3 of the MOI, did not stand for re-election and retired from the Board immediately following the conclusion of the AGM of 30 May 2023.

Ms Aarti Takoordeen, the Group Chief Financial Officer, Executive Director and AECI Captive Insurance Board Chairman resigned for personal reasons as of 26 April 2023. Mr Rafael Fernandes served as the Acting Group Chief Financial Officer, but not as an Executive Director until the appointment of Ms Rochelle Gabriels, who was appointed contractually on 29 September 2023 as the Group Chief Financial Officer with official start date of 2nd January 2024. In this capacity, she is an Executive Director. Mr Rafael Fernandes remained the AECI Captive Insurance Board Chairman.

Mr Mark Dytor, in his capacity as Chief Executive Officer 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 Chief Executive since 2013. The retirement was in accordance with the applicable pension fund rules.

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

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

Mr Mark Kathan stepped down as Executive Director of AECI Limited and Chief Executive Officer of AECI Mining by mutual agreement with effect from 31 October 2023. Mr Holger Riemensperger was appointed as the Acting Chief Executive Officer of AECI Mining from 31 October 2023. Mr Thinus Bierman was appointed as the Acting Managing Director of AECI Mining effective 1 February 2024.

Board committee changes

Changes that were announced and took effect in the year, as well as those that effect in 2024, were as follows:

- Ms Aarti Takoordeen resigned as a member of the Risk Committee, following her resignation as the Group CFO on 26 April 2023.
- Ms Marna Roets, a Non-executive Director of the Company since 2020, was appointed as the Chairman of the Remuneration and Human Capital Committee on 1 June 2023, succeeding Mr Godfrey Gomwe, who retired from the Board following the conclusion of the Annual General Meeting held on 30 May 2023. Ms Roets is also a member of the Audit and Social, Ethics and Sustainability Committees as well as a member of the AECI Captive Insurance Financial Review and Risk Committee.
- Mr Samuel Coetzer, a Non-executive Director of the Company, joined the Remuneration and Human Capital Committee on 1 June 2023 as a member to further bolster the experience and expertise of the Committee.
- Mr Holger Riemensperger joined the Risk; the Social, Ethics and Sustainability; the Investment, Innovation and Technology as well as the Safety, Health and Environment Committees, in his capacity as the new Group Chief Executive Officer on 1 May 2023.
- Mr Mark Kathan, an Executive Director of the Company and Chief Executive Officer of AECI Mining Limited (until his resignation effective 31 October 2023), stepped down from his position as a member of the Risk Committee as well as the Safety, Health and Environment Committee to align with the functions of the AECI Executive Committee.

- Ms Rochelle Gabriels, in her capacity of Group Chief Financial Officer and Executive Director effective 2 January 2024, is a member of the Risk 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, Mr Dawson, Mr Coetzer and Ms O'Brien 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 14 of the Group and Company financial statements.

Special resolutions

The Company passed the following resolutions at the AGM held on 30 May 2023:

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 27 February 2024.

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 2023 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 Group and Company annual financial statements were approved by the Board of Directors on 27 February 2024, for release on 28 February 2024, and will be presented to the shareholders at the annual general meeting on 28 May 2024 The consolidated and separate Group and Company financial statements were signed by:

Khotso Mokhele
Chairman

Rochelle Gabriels
Group Chief Financial Officer

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

Dear stakeholders

The AECI Group Audit Committee ("Committee") is pleased to present its report for the 2023 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 Limited Listings and Debt 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 AECI Board of Directors (Board) on 31 May 2022.

The Committee's main objective is to support 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 and independence of the internal auditors, the independence and effectiveness of the external auditors, and considers and recommends to shareholders the appointment of the external auditors. Furthermore, the Committee has responsibility in terms of overseeing information technology controls, procurement and reviewing whistle-blowing reports as it relates to the internal financial control environment. 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 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 2023 financial year are set out below. Four formal and four special meetings were held in the 2023 financial year, aligned with key reporting and regulatory timelines.

Director	21 Feb [1]	24 Feb	14 Apr [2]	19 Apr [3]	26 May	21 July	10 Nov	17 Nov [4]
PG Sibiya (Chair)	✓	✓	✓	✓	✓	✓	✓	✓
FFT De Buck	✓	✓	✓	✓	✓	✓	✓	✓
AM Roets	✓	✓	✓	✓	✓	✓	✓	✓
G Gomwe *	✓	✓	✓	✓				
S Coetzer ~#	✓	✓	✓	✓				
A Takoordeen ^#	✓	✓	✓	✓				
H Riemensperger ***#					✓	✓	✓	✓
R Fernandes +#					✓	✓	✓	✓

[1] Special meeting – AFS page turn meeting

[2] Special meeting – IAR page turn meeting

[3] Special meeting – review of full suite of IAR

[4] Special meeting – budget meeting

* Retired as at 30 May 2023

~ Appointed as Acting Group CEO from 1 February 2023 – 30 April 2023

^ Resigned as of 26 April 2023

*** Appointed as at 1 May 2023

+ Appointed as Acting CFO from 1 May 2023-31 December 2023

Members of the executive team attend by invitation

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

Mr Godfrey Gomwe, a Non-executive Director, retired from the Board and, consequently, the Group Audit Committee following the Annual General Meeting held on 30 May 2023.

The Group Chief Executive Officer ("CEO"), the Group Chief Financial Officer ("CFO"), the Group financial manager, the external auditor, head of treasury, head of internal audit and the head of investor relations attend by invitation, as does the Group head of tax 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, 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 and Debt Listings Requirements. The chairman of the Committee 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 Group CFO to discuss relevant matters as and when required. In addition, the chairman of the Committee 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:

Key audit matters	How the Committee addressed these matters
■ The impairment assessment of Property, Plant and Equipment ("PPE") in Schirm Germany	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 Committee is satisfied that there is no impairment in the current year and that the prior year impairment does not need to be reversed.
■ 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 no impairment of goodwill was appropriate at this stage.
■ The impairment assessment of the goodwill amount that arose on the acquisition of AECI Much Asphalt	The Committee considered the improved performance of AECI 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;
- obtained the information listed in paragraphs 3.84(g)(iii) and 7.3(e)(iii) of the JSE Listings and Debt 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 2023, and ensured that the appointment was approved by shareholders at the AGM held on 30 May 2023. 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;
- all new non-audit services performed by the External Auditor during 2023 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 Group CFO. All non-audit services are pre-approved by the External Auditor in accordance with its own independence policy framework;
- 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; and
- in respect of the coordination of assurance activities, the Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business considered whether any Reportable Irregularities were identified and reported by the external auditor in terms of the Auditing Profession Act, No. 26 of 2005 and ensured this was reported appropriately and that management has taken remedial action.

The Committee noted

- that this is Deloitte & Touche's sixth year of appointment as External Auditor
- that he 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.
- the satisfactory outcomes of quality control reviews of the firm (Deloitte & Touche)

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 2023.

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 2023.
- 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, that those procedures are operating effectively and 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.

Group internal audit

The Group internal audit function performs an independent assurance function and forms part of the Group's third line of defence. 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 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 Requirements 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

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 that could have an impact on financial controls, and ensured that the related management action plans were adequate.
- considered the formulation of an intended integrated assurance strategy and approach, noting the size and complexity of the AECI business and its effect of the implementation of an integrated risk assurance model.
- noted the need for a centralised procurement function to be established to meet the new AECI Strategy
- to ensure full alignment between the Audit Committee and Risk Committee, the Chairperson of the Audit Committee attends all Risk Committee meetings as a permanent invitee.
- considered the top risks applicable to the AECI Captive Insurance Company and the strategy actions to be taken over the next 5 years (2024 to 2028)

At a joint meeting of the Audit Committee and the Risk Committee, where members consider an integrated assurance approach for matters of common interest, the following areas were addressed:

- reviewed the progress on the development and implementation of a formal combined assurance model in the Group including the proposed way forward and management actions.
- oversight for the top strategic risks have been allocated to the respective Board committees. As part of the Governance, Risk and Compliance ("GRC") strategic work stream rollout, all key risks per the approved risk universe have been allocated across the lines of defence and to the applicable Board providing oversight. This will include reporting of risk, controls and appropriate mitigating actions, results of monitoring and assurance, as well as presentation and approval of integrated assurance plans by the applicable
- considered the progress against the approved enterprise risk management ("ERM") maturity roadmap and the effects of the GRC strategic work-streams underway.
- noted that the AECI Captive Insurer, which was established 30 years previously, was revisiting its strategy in light of changes to the insurance market and global risk landscape.
- considered the outcomes of the internal audit assessment of the forecasting process for AECI Much Asphalt and received an update on impairment risk.

Information technology (IT)

- considered the reports of Internal audit and the external auditor insofar as these were relevant to IT and that could have an impact on financial controls, and ensured that the related management action plans were adequate.
- noted significant control deficiencies relating to the IT control environment reported by the internal auditors, the remedial plans being implemented by management relating to these and monitored progress on action plans to address these deficiencies in IT general controls and cyber security controls, specifically including Group IT strategy, AECI Mining SAP ECC6 general controls and infrastructure, SAP GRC basis and 'firefighter' access, Mimecast (email security), IT disaster recovery process and application controls related to the SAP OneWorld project implementation at AECI corporate office.
- continued to monitor the progress and successful implementation of the SAP One World project which entails the implementation of SAP across the AECI Group

Legal and regulatory requirements

To the extent that these may have an impact on the financial statements, the Committee:

- monitored concerns and complaints received via the Group's whistle-blowing line, 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.

Annual financial statements

Following the review by the Committee of the annual financial statements of AECI Ltd for the year ended 31 December 2023, 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 2023 for approval to the Board on 27 February 2024.

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

Addressing key focus areas for 2023 as listed in the Audit Committee report for the 2022 financial year

In terms of the 2023 key focus areas, the Committee's key focus areas were addressed by them as follows:

Monitor the progress and delivery of the Schirm turnaround plan	Assessed the financial performance of the Schirm business and the impact and delivery of the turnaround plan on those results
Ensured that the Group's internal financial controls are effective and that remedial plans are properly monitored and executed	Considered internal and external auditors findings and feedback and ensured management were taking appropriate steps in their remedial action
Continue to monitor the progress and successful implementation of the SAP One World project	Assessed the implementation of SAP in two areas of the Group during the year and guided management on process improvements required for implementation of the businesses in future including encouraging a centralised procurement function to be established and broadened to meet the New AECI Strategy
Monitor progress on actions plans to address control weaknesses regarding IT general controls and cyber security controls	Interrogated progress on remedial actions and urged management to address the weaknesses identified quickly and effectively
Support the effectiveness of the investor relations function	Reviewed communication to assess compliance with disclosure requirements, evaluated accuracy of financial information, and ensured transparency in reporting.
Continue to advocate for appropriate disclosure and guidance to the market regarding key shareholder issues	Drove a philosophy of broader disclosure to stakeholders on key matters in any commination issued by the Group and recommended key areas to address
Continued 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	Advocated policy development or enhancement on several areas related to governance and controls to ensure higher standards were achieved including promoting the use of suitable external investigators to perform urgent or sensitive investigations and considered the new AECI Whistle-blowing Policy and recommended it to the Board for approval

In addition, the Committee addressed these matters during the year:

- oversight of the Internal Audit Plan, status and result of audits, details of outstanding findings
- considered treasury matters outside of going concern and solvency.
- considered the 2024 budget and recommended to the Board for approval.
- considered the expertise and experience of the acting CFO to be appropriate for the period and considered the expertise and experience of the Group CFO to be appropriate relating to her involvement in the financial reporting process from the date of appointment.
- considered management's tax reports – including an outline of how other countries addressed the tax implications emanating from transfer pricing due to having operations in various jurisdictions.
- obtained an understanding of the JSE Listings Requirements amendments to financial reporting requirements (effective date 17 July 2023)
- oversight of the suite of corporate reports including interim results presentations

Key focus areas for 2024

In addition to the Committee's normal duties and responsibilities, it will focus on the following areas in 2024:

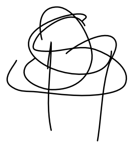
- monitor the impact of the new AECI strategy.
- continue to ensure that the Group's internal financial controls are effective and that remedial plans are properly monitored and execute.
- continue to monitor the progress and successful implementation of the SAP One World project.
- continue to focus on and enhance the robustness of various governance processes and controls related to the functioning of the Committee and the Group's whistle-blowing line.
- drive the appropriate structure of risk and internal audit with the outcomes of New AECI Strategy and the evolving operating model.
- monitor the implementation of the integrated assurance model.
- consider revisions of pertinent Human Capital policies (e.g. the Disciplinary Policy as they pertain to tip-offs) together with the Social and Ethics Committee
- opine the Capital Allocation Framework prior to recommending to the Board for approval.
- oversee the successful induction of the newly appointed Group CFO

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 2023 and recommended them for approval to the Board on 27 February 2024.

The Committee would like to convey their sincere thanks to Rafael Fernandes for acting in the Group CFO role during the year, supporting the Committee and business and for assisting with the transition of Rochelle Gabriels into the Group CFO role. The Committee is looking forward to supporting the Executive Management team in their execution of the New AECI Strategy

On behalf of the Audit Committee



Philisiwe Sibiya
Group Audit Committee Chairperson

Woodmead
27 February 2024

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 2023:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1—1 000 shares	5 987	76	1 173 982	1.11
1 001—10 000 shares	1 324	17	4 264 780	4.04
10 001—100 000 shares	464	6	15 028 580	14.24
100 001—1 000 000 shares	123	1	36 145 370	34.26
1 000 001 shares and above	13	0	48 905 068	46.35
TOTAL	7 911	100	105 517 780	100.00

PUBLIC & 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	7 909	99.97	105 468 256	100
Non-Public shareholders	2	0.03	49 524	0
Pension Fund)	–	–	–	–
Directors[1]/related holdings	2	0	49 524	0
TOTAL	7 911	100	105 517 780	100

[1] Includes Directors, the Group Company Secretary and Principal Officers.

2. Substantial investment management & beneficial interests

SUBSTANTIAL INVESTMENT MANAGEMENT & 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 2023:

Investment manager	Total shareholding (number of shares)	% of issued capital
Public Investment Corporation	24 782 583	23.49
Allan Gray	9 449 886	8.96
PSG Asset Management	10 573 359	10.02
Coronation Fund Managers	5 288 355	5.01
Vanguard Investment Management	4 231 717	4.01
Aylett & Co	4 090 585	3.88
Bateleur Capital	3 686 185	3.49
TOTAL	62 102 670	58.86

BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Government Employees Pension Fund	24 922 373	23.62
PSG	10 561 342	10.01
Allan Gray	6 331 894	6.00
Vanguard Investment Management	4 231 717	4.01
TOTAL	46 047 326	43.64

PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

Investment manager	Total shareholding (number of shares)	% of issued capital	Previous %
Old Mutual Investment Group	2 164 334	2.05	5.49
Sanlam Investment Management	1 131 515	1.07	6.76
TOTAL	3 295 849	3.12	12.25

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	70 685 753	66.99
United States of America & Canada	17 182 928	16.28
United Kingdom	367 349	0.35
Rest of Europe	422 726	0.40
Rest of the World	2 188 867	2.07
Balance of shareholdings with no investment managers	14 670 157	13.91
TOTAL	105 517 780	100.00

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	81 568 672	77.30
United States of America & Canada	20 165 902	19.11
United Kingdom	327 243	0.31
Rest of Europe	422 726	0.40
Rest of the World	3 033 237	2.88
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:

Category	Total shareholding (number of shares)	% of issued capital
Unit Trusts	40 818 892	38.68
Pension funds	33 380 329	31.63
Mutual Fund	8 050 917	7.63
Insurance companies	2 676 127	2.54
Black Economic Empowerment	1 169 667	1.11
Private investor	5 334 136	5.06
Other	6 785 092	6.43
Trading position	6 053 437	5.74
Hedge fund	1 249 183	1.18
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 2023:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1—1 000 shares	33	0	10 616	0.35
1 001—10 000 shares	105	1	536 267	17.88
10 001—100 000 shares	38	0	1 194 572	39.82
100 001—1 000 000 shares	3	0	1 258 545	41.95
TOTAL	179	1	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 2023:

Investment manager	Total shareholding (number of shares)	% of issued capital
Sanlam Investment Management	267 132	8.90
Personal Trust International	130 258	4.34
Melville Douglas Investment Management	92 491	3.08
TOTAL	489 881	16.32

BENEFICIAL SHAREHOLDINGS

Beneficial shareholdings	Total shareholding (number of shares)	% of issued capital
Gingko Group	790 884	26.36
Philip Schock Charitable and Educational Trust	322 000	10.73
Mrs PMB Moore	145 661	4.86
Monro Family Trust	92 491	3.08
TOTAL	1 351 036	45.03

PREVIOUSLY DISCLOSED HOLDINGS

INVESTMENT MANAGERS NOW HOLDING BELOW 3%

No investment managers previously holding greater than 3% of the issued share capital in 2022 now hold below 3% in 2023.

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	551 341	18.38
Balance of shareholdings with no investment managers	2 448 659	81.62
TOTAL	3 000 000	100.00

GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding (number of shares)	% of issued capital
South Africa	2 888 555	96.29
United States of America & Canada	4 620	0.15
Rest of the World	106 825	3.56
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:

Category	Total shareholding (number of shares)	% of issued capital
Private Investor	2 009 251	66.98
Unclassified	939 448	31.31
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 23 to 138, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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 material accounting policy information.

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 as at 31 December 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and 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 are no key audit matters 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 PPE in Schirm Germany of R729 million (2022: R1.1 billion) as disclosed in note 1 was not considered to be impaired by the directors in the current year. In the prior year, the directors recorded an impairment of R404 million relating to the PPE in Schirm Germany 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, and the directors have assessed that there should not be any reversal of this previously recognised impairment in the current year.	Our audit procedures included the following: ■ We evaluated the design and tested the implementation of relevant controls over the impairment assessment of the PPE for Schirm Germany; ■ Engaged our financial advisory specialists to assist with validating the assumptions used to calculate the discount rates and the terminal value growth 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;

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
IMPAIRMENT ASSESSMENT OF THE PROPERTY, PLANT AND EQUIPMENT ("PPE") IN SCHIRM GERMANY	
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; 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.	■ Tested the forecasts with reference to historical performance; ■ Assessed the directors' considerations around the non-reversal of the previously recognised impairment on the PPE; 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 to the financial statements and we consider these to be appropriate.
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 of Much and Schirm is as follows: (see table below) (*) 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 financial advisory specialists to assist with validating the assumptions used to calculate the discount rates and the terminal value growth 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.

	Much R'million	Schirm group R'million
Goodwill	1 531,0	409,0
Accumulated impairment*	(821,0)	-
Total	**710,0**	**409,0**

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 2023*", which includes the Directors' Report, the Group 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 and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 38 to the consolidated and separate financial statements.

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 six years.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor

Per: MLE Tshabalala
Partner

27 February 2024

5 Magwa Crescent, Waterfall City, Waterfall, 2090

South Africa

Statements of **financial position**

AT 31 DECEMBER 2023

Rand million	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
ASSETS					
NON-CURRENT ASSETS		**11 762**	11 134	**10 057**	10 031
Property, plant and equipment	1	**6 699**	5 992	**667**	596
Right-of-use assets	2	**755**	636	**322**	274
Investment property	3	**234**	226	**240**	237
Intangible assets	4	**848**	868	**5**	7
Goodwill	5	**2 345**	2 352	**459**	459
Pension fund employer surplus accounts	30	**373**	467	**373**	467
Investment in subsidiaries	6	**–**		**7 501**	7 406
Loans to subsidiaries	6	**–**		**383**	346
Investment in joint ventures	7	**42**	40	**28**	28
Investments in associates	8	**150**	133	**10**	10
Loans to associate	8	**56**	111	**1**	–
Other investments	9	**71**	203	**68**	201
Deferred tax assets	10	**189**	106	**–**	–
CURRENT ASSETS		**16 180**	17 292	**8 668**	9 424
Inventories	11	**6 126**	6 780	**2 183**	2 550
Trade and other receivables	12	**7 422**	7 906	**2 915**	3 019
Other investments	9	**576**	472	**239**	158
Loans to subsidiaries	6			**3 228**	3 676
Taxation receivable		**96**	75	**–**	–
Cash and cash equivalents		**1 960**	2 059	**103**	21
TOTAL ASSETS		**27 942**	28 426	**18 725**	19 455
EQUITY AND LIABILITIES					
ORDINARY CAPITAL AND RESERVES		**12 244**	11 635	**2 013**	2 613
Share capital and share premium	13	**106**	106	**112**	112
Reserves		**1 919**	1 968	**34**	319
Retained earnings		**10 219**	9 561	**1 867**	2 182
PREFERENCE SHARE CAPITAL	13	**6**	6	**6**	6
SHAREHOLDERS' EQUITY		**12 250**	11 641	**2 019**	2 619
NON-CONTROLLING INTEREST	35	**161**	181		
TOTAL EQUITY		**12 411**	11 822	**2 019**	2 619
NON-CURRENT LIABILITIES		**6 485**	2 250	**2 625**	544
Deferred tax liabilities	10	**520**	583	**36**	24
Non-current debt	14	**4 704**	607	**2 000**	–
Lease liabilities	15	**668**	533	**321**	250
Non-current provisions and employee benefits	16	**593**	527	**268**	270
CURRENT LIABILITIES		**9 046**	14 354	**14 081**	16 292
Trade and other payables	17	**7 757**	7 767	**3 249**	3 374
Current debt	18	**731**	6 007	**585**	4 192
Lease liabilities	15	**136**	131	**22**	23
Loans from joint ventures	7	**83**	141	**167**	289
Loans from subsidiaries	6			**9 978**	8 237
Put option liability	35	**–**	14	**–**	–
Taxation payable		**280**	168	**57**	51
Bank overdraft		**59**	126	**23**	126
TOTAL LIABILITIES		**15 531**	16 604	**16 706**	16 836
TOTAL EQUITY AND LIABILITIES		**27 942**	28 426	**18 725**	19 455

Statements of **profit or loss**

FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
Rand million	Note	**2023**	2022	**2023**	2022
REVENUE	19	**37 500**	35 583	**9 783**	9 723
Net operating costs	20	**(34 929)**	(33 536)	**(9 117)**	(9 482)
PROFIT FROM OPERATIONS		**2 571**	2 047	**666**	241
Share of profit of equity-accounted investees, net of taxation	7, 8	**39**	26	**–**	–
PROFIT FROM OPERATIONS AND EQUITY-ACCOUNTED INVESTEES		**2 610**	2 073	**666**	241
Dividends received	29			**84**	258
Net finance costs		**(513)**	(314)	**(524)**	(261)
Finance costs	22	**(637)**	(403)	**(790)**	(462)
Finance income	23	**124**	89	**266**	201
PROFIT BEFORE TAX		**2 097**	1 759	**226**	238
Taxation expense	24	**(917)**	(803)	**(30)**	(25)
PROFIT FOR THE YEAR		**1 180**	956	**196**	213
Attributable to preference shareholders		**(4)**	(3)	**(4)**	(3)
Attributable to AECI minority shareholders		**(2)**	(26)		
ATTRIBUTABLE TO THE AECI GROUP		**1 174**	927	**192**	210
PER ORDINARY SHARE (CENTS):					
Basic earnings	25	**1 112**	878		
Diluted basic earnings	25	**1 092**	874		
Headline earnings	25	**1 137**	1 287		
Diluted headline earnings	25	**1 117**	1 280		
Ordinary dividends paid	26	**680**	699		
Ordinary dividends declared after the reporting date	26	**119**	580		

Statements of **comprehensive income**

FOR THE YEAR ENDED 31 DECEMBER 2023

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
PROFIT FOR THE YEAR	**1 180**	956	**196**	213
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAXATION:	**93**	64	**(123)**	(52)
Items that may be reclassified subsequently to profit or loss:	**225**	85	**1**	(6)
- Foreign currency loan translation differences	**28**	21	**–**	–
- Foreign operations translation differences	**195**	70	**–**	–
- Effective portion of cash flow hedges	**2**	(6)	**1**	(6)
Taxation effect on items that may be reclassified subsequently to profit or loss:	**(8)**	(2)	**–**	–
- Foreign currency loan translation differences	**(8)**	(2)	**–**	–
Items that may not be reclassified subsequently to profit or loss:	**(121)**	37	**(121)**	(32)
- Remeasurement of defined-benefit obligations	**–**	65	**–**	(4)
- Remeasurement of post-retirement medical aid obligations	**11**	22	**11**	22
- Remeasurement of equity securities at fair value through other comprehensive income ("FVOCI")	**(132)**	(50)	**(132)**	(50)
Taxation effects on items that may not be reclassified subsequently to profit or loss:	**(3)**	(56)	**(3)**	(14)
- Remeasurement of defined-benefit obligations	**–**	(41)	**–**	1
- Remeasurement of post-retirement medical aid obligations	**(3)**	(6)	**(3)**	(6)
- Remeasurement of equity securities at FVOCI [1]	**–**	(9)	**–**	(9)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1 273**	1 020	**73**	161
Attributable to preference shareholders	**(4)**	(3)	**(4)**	(3)
Attributable to AECI minority shareholders	**(11)**	(29)		
ATTRIBUTABLE TO THE AECI GROUP	**1 258**	988	**69**	158

[1] 2022 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 2023

GROUP

Rand million	Ordinary share capital	**Share capital**	Foreign currency translation reserve	Share-based payment reserve	Change-in-ownership reserve
Balance at 1 January 2022	110	**110**	1 593	253	(23)
Impact of restatements		**–**	–		
BALANCE AT 1 JANUARY 2022	110	**110**	1 593	253	(23)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			86		
Remeasurement of defined-benefit obligations					
Deferred tax 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)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			206		
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		
Deferred taxation on foreign currency loan translation differences			(8)		
Remeasurement of equity securities at FVOCI					
Deferred taxation on remeasurement of equity securities at FVOCI					
Foreign operations translation differences			186		
Profit for the year					
TRANSACTIONS WITH SHAREHOLDERS	–	**–**	–	(148)	23
Change in ownership percentage					23
Dividends paid					
Share-based payment reserve				51	
Settlement cost of EST shares for deceased beneficiaries				(2)	
Transfers between reserves			–	(197)	
BALANCE AT 31 DECEMBER 2023	106	**106**	1 885	122	–

Fair value reserve	Cash flow hedge reserves	**Total other reserves**	Retained earnings	**Total**	Non-controlling interest	Preference share capital	**Total equity**
105	2	**1 930**	9 377	**11 417**	166	6	**11 589**
		–	–	**–**	–		**–**
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**
(132)	2	**76**	1 182	**1 258**	11	4	**1 273**
			11	**11**			**11**
			(3)	**(3)**			**(3)**
	2	**2**		**2**			**2**
		28		**28**			**28**
		(8)		**(8)**			**(8)**
(132)		**(132)**		**(132)**			**(132)**
–		**–**		**–**			**–**
		186		**186**	9		**195**
			1 174	**1 174**	2	4	**1 180**
–		**(125)**	(524)	**(649)**	(31)	(4)	**(684)**
		23	(3)	**20**	(20)		**–**
			(718)	**(718)**	(11)	(4)	**(733)**
		51		**51**			**51**
		(2)		**(2)**			**(2)**
		(197)	197	**–**			**–**
(86)	(2)	**1 919**	10 219	**12 244**	161	6	**12 411**

FOREIGN CURRENCY TRANSLATION RESERVE

This comprises all 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 was set aside for the buy-out of non-controlling interests. The minority shareholders of the AECI Much Asphalt group of companies exercised the put option during the year and the reserve has been settled.

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 and loss.

Statements of **changes in equity**

FOR THE YEAR ENDED 31 DECEMBER 2023

COMPANY

Rand million	Ordinary share capital	Share premium	**Share capital and share premium**
Balance at 1 January 2022	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**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
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	–		**–**
Dividends paid			
Share-based payment reserve			
Settlement cost of EST shares for deceased beneficiaries			
Transfers between reserves			
BALANCE AT 31 DECEMBER 2023	106	6	**112**

OTHER RESERVES

This reserve includes the reserve 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 and loss.

	Share-based payment reserve	Fair value reserve	Other reserves	**Total other reserves**	Retained earnings	**Total**	Preference share capital	**Total equity**
	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**
		(132)	1	**(131)**	200	**69**	4	**73**
					11	**11**		**11**
					(3)	**(3)**		**(3)**
			1	**1**		**1**		**1**
		(132)		**(132)**		**(132)**		**(132)**
		–		**–**		**–**		**–**
					192	**192**	4	**196**
	(148)	–	(6)	**(154)**	(515)	**(669)**	(4)	**(673)**
					(718)	**(718)**	(4)	**(722)**
	51			**51**		**51**		**51**
	(2)			**(2)**		**(2)**		**(2)**
	(197)	–	(6)	**(203)**	203	**–**		**–**
	122	(86)	(2)	**34**	1 867	**2 013**	6	**2 019**

Statements of **cash flows**

FOR THE YEAR ENDED 31 DECEMBER 2023

Rand million	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
CASH GENERATED FROM OPERATIONS	i	4 004	3 840	829	757
Dividends received		25	50	84	–
Finance costs paid		(581)	(329)	(770)	(430)
Finance income received		124	89	266	201
Taxation paid	ii	(989)	(954)	(15)	(173)
Changes in working capital	iii	1 037	(2 570)	336	(672)
Cash flows relating to defined-benefit costs		(19)	(20)	(15)	(16)
Cash flows relating to non-current provisions and employee benefits		(7)	(29)	(5)	(24)
CASH AVAILABLE FROM OPERATING ACTIVITIES		3 594	77	710	(357)
Dividends paid	iv	(733)	(760)	(722)	(746)
CASH FLOWS GENERATED FROM/(UTILISED BY) OPERATING ACTIVITIES		2 861	(683)	(12)	(1 103)
CASH FLOWS FROM INVESTING ACTIVITIES		(1 439)	(1 637)	1 853	(853)
Net replacement to maintain operations		(855)	(501)	(140)	(73)
Replacement of					
- property, plant and equipment		(869)	(592)	(145)	(80)
- investment property		–	(8)	–	(8)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets		14	99	5	15
Investments to expand operations		(584)	(1 136)	1 993	(780)
Acquisition of					
- property, plant and equipment		(434)	(947)	(31)	(73)
- intangible assets		–	(5)	–	(5)
- subsidiaries, net of cash acquired	v	(42)	–	–	–
- businesses, net of cash acquired		–	–	–	8
- non-controlling interest		(14)	–	–	–
Investments[1]		(36)	(20)	2 162	(678)
Proceeds from the disposal of businesses and investment in subsidiaries		–	9	–	–
Loans to and from - associates and other investments		–	(173)	(16)	(32)
Loans to and from - joint ventures		(58)	–	(122)	–
NET CASH GENERATED/(UTILISED) BEFORE FINANCING ACTIVITIES		1 422	(2 320)	1 841	(1 956)
CASH FLOWS FROM FINANCING ACTIVITIES		(1 551)	2 276	(1 656)	1 884
Capital repayment of lease liabilities		(201)	(161)	(46)	(21)
Proceeds from debt raised		4 182	3 254	2 585	1 926
Repayment of debt		(5 618)	(762)	(4 192)	–
Loans to and from - associates and other investments		88	–	–	–
Loans to and from - joint ventures		–	30	–	64
Share based payments		(2)	(85)	(3)	(85)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(129)	(44)	185	(72)
Cash and cash equivalents at the beginning of the year		1 933	1 891	(105)	(33)
Translation gain on cash and cash equivalents		97	86		
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR[2]		1 901	1 933	80	(105)

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

2 Group includes cash of R1 960 million, restricted cash of R73 million and a bank overdraft of R59 million (2022: cash of R2 059 million and a bank overdraft of R126 million). Company includes cash of R103 million and a bank overdraft of R23 million (2022: cash of R21 million and a bank overdraft of R126 million).

Notes to the **statements of cash flows**

FOR THE YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
		2023	2022	**2023**	2022
i.	**CASH GENERATED FROM OPERATIONS**				
	Profit from operations	**2 571**	2 047	**666**	241
	Adjusted for non-cash movements:				
	Employee benefit obligations	**58**	106	**49**	102
	Depreciation and amortisation	**1 053**	1 026	**139**	108
	Share-based payment expense	**51**	62	**37**	33
	Impairment of goodwill	**20**	–	**–**	–
	Impairment of property, plant and equipment	**–**	430	**–**	–
	Impairment of right-of-use assets	**–**	41	**–**	–
	(Reversal of impairment)/impairment of investment in subsidiaries	**–**	–	**(65)**	212
	Non-current provisions and employee benefits	**34**	27	**5**	18
	Movement in the expected credit loss ("ECL") for trade receivables and provision for obsolete inventories	**209**	123	**(2)**	45
	Loss/(gain) on disposal of property, plant and equipment	**8**	(12)	**–**	(2)
	Profit on disposal of businesses and investment in subsidiaries	**–**	(5)	**–**	–
	Fair value adjustment on put option liability	**–**	(5)	**–**	–
	CASH GENERATED FROM OPERATIONS	**4 004**	3 840	**829**	757
ii.	**TAXATION PAID**				
	Owing at the beginning of the year	**(93)**	(133)	**(51)**	(96)
	Charge for the year	**(1 098)**	(864)	**(21)**	(78)
	Translation differences	**18**	–	**–**	–
	Charge on equity securities at FVOCI	**–**	(50)	**–**	(50)
	Owing at the end of the year	**184**	93	**57**	51
	TAXATION PAID	**(989)**	(954)	**(15)**	(173)
iii.	**CHANGES IN WORKING CAPITAL**				
	Decrease/(increase) in inventories	**612**	(2 065)	**358**	(588)
	Decrease/(increase) in accounts receivable	**349**	(2 046)	**115**	(405)
	(Decrease)/increase in accounts payable	**(5)**	1 567	**(137)**	321
		956	(2 544)	**336**	(672)
	Translation differences	**81**	(26)	**–**	–
	CHANGES IN WORKING CAPITAL	**1 037**	(2 570)	**336**	(672)
iv.	**DIVIDENDS PAID**				
	Paid during the year (see note 26)	**(722)**	(746)	**(722)**	(746)
	Paid to non-controlling interest	**(11)**	(14)		–
		(733)	(760)	**(722)**	(746)

v. ACQUISITION OF A BUSINESS

AECI Mining Brasil Ltda, a wholly-owned subsidiary of AEL Mining Services Ltd, acquired 100% of the share capital of Dinaser Indústria Comércio e Serviços Ltda (Dinaser), owned by Sérgio Helenir Lopes at the time. The effective date of the transaction was 3 July 2023 when all conditions precedent to the transaction had been fulfilled and the transaction became unconditional.

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

2023

Rand million	GROUP
Property, plant and equipment (see note 1)	29
Intangible assets	12
Inventory	4
Accounts receivable	20
Accounts payable	(7)
Taxes and contributions payable	(6)
Payroll charges payable	(2)
Non-current borrowings	(15)
Goodwill on acquisition	7
Net identifiable assets and liabilities acquired, excluding cash	42

Notes to the **financial statements**

FOR THE YEAR ENDED 31 DECEMBER 2023

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 the First Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, 2191. The consolidated financial statements of the Company for the year ended 31 December 2023 comprise of the Company and its subsidiaries (together referred to as the Group and individually as Group entities or business entities) and the Group's interest in associates and joint arrangements. The Group has five operating segments: AECI Mining, AECI Water, AECI Agri Health, AECI Chemicals and AECI Property Services 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 (JSE and the JSE Listings Requirements) and in accordance with the requirements of the Companies Act No. 71 of 2008. The financial statements were approved for issue by the Board of Directors on 27 February 2024.

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;
- 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 for the foreseeable future. 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.

MATERIAL ACCOUNTING POLICIES

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regards to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information. 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 2022. 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 at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency of the entity concerned at the rates of exchange ruling at the dates of the transactions. Gains or losses arising on exchange differences are recognised in the 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 historical rates.

Differences arising on translation are recognised in other comprehensive income and are presented in the foreign currency translation reserve in reserves. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, while retaining control, the relevant portion of the cumulative foreign currency translation reserve is recognised in non-controlling interest. Differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered part of 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 non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of its fair value, less costs to sell, and its value-in-use.

Value-in-use is estimated taking into account future cash flows, forecast market conditions and the expected lives of the assets using an appropriate 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 a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets of the CGU. An impairment loss is reversed only to the extent that the carrying amount of the asset or CGU does not exceed the net carrying amount that would have been determined if no impairment loss had been recognised. A reversal of an impairment loss is recognised in the 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 AND AMENDED STANDARDS THAT ARE EFFECTIVE FOR THE CURRENT YEAR

There are a number of standards that have become effective during the current year and these standards and amendments have been adopted for the first time.

Title	Subject	Brought in use
IFRS 17	New standard and amendments regarding insurance contracts	January 2023
Amendments to IAS 8	Replacing the definition of changes in accounting estimates with a definition of accounting estimates	January 2023
Amendments to IAS 12	International tax reform – Pillar II Model Rules (see note 10)	January 2023
Amendment to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	January 2023

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 on the Group. The following could be applicable to the Group in the near future:

Title	Subject	Effective date per IASB
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
Amendment to IFRS 16	Amendments regarding sale and leaseback transactions	January 2024
Amendment to IAS 7 and IFRS 7	Amendments regarding supplier finance arrangements	January 2024
Amendments to IAS 21	Amendments regarding foreign currencies that are not exchangeable into another currency at a measurement date for a specified purpose	January 2025

1. Property, plant and equipment

GROUP

Rand million	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2023							
COST	2 790	10 171	228	443	888	839	15 359
At the beginning of the year	2 253	9 255	358	421	731	973	13 991
Additions	17	473	10	4	6	793	1 303
Additions through business	–	5	–	–	42	–	47
Disposals	(8)	(400)	(6)	(13)	(31)	(1)	(459)
Reclassification	3	147	(148)	(3)	1	–	–
Transfers	446	431	(4)	25	104	(1 002)	–
Transfers to investment property	(12)	–	–	–	–	–	(12)
Transfers to inventories	–	(24)	–	–	–	–	(24)
Translation differences	91	284	18	9	35	76	513
ACCUMULATED DEPRECIATION AND IMPAIRMENT	1 097	6 470	132	325	636		8 660
At the beginning of the year	969	6 031	136	286	577		7 999
Additions through business	–	4	–	–	14		18
Disposals	(5)	(384)	(5)	(13)	(30)		(437)
Reclassification	–	21	(20)	(2)	1		–
Depreciation for the year	98	587	17	49	46		797
Translation differences	35	211	4	5	28		283
CARRYING AMOUNT	1 693	3 701	96	118	252	839	6 699
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 IMPAIRMENT	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)
Impairment 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

[1] There were no impairments charges for the current year (2022: AECI Schirm Germany R404 million and other impairments in the Group R26 million).

1. Property, plant and equipment CONTINUED

COMPANY

Rand million	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
2023							
COST	76	1 235	24	42	19	160	1 556
At the beginning of the year	81	1 152	18	41	15	118	1 425
Additions	5	61	4	2	3	101	176
Transfers to investment property	(12)	–	–	–	–		(12)
Disposals	(2)	(24)	(1)	(4)	–	(2)	(33)
Transfers	4	46	3	3	1	(57)	–
ACCUMULATED DEPRECIATION AND IMPAIRMENT	21	807	15	32	14		889
At the beginning of the year	19	754	11	32	13		829
Disposals	(2)	(21)	–	(5)	–		(28)
Depreciation for the year	4	74	4	5	1		88
CARRYING AMOUNT	55	428	9	10	5	160	667
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

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 them 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.

1. Property, plant and equipment CONTINUED

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 commences when the asset is available for immediate 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 profit from operations.

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 immediately 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 technological innovation, product lifecycles and maintenance programmes are taken into account. Residual value assessments consider issues such as current market conditions, the remaining useful life of an asset and its estimated disposal value.

Impairment calculations require the use of estimates and assumptions. Changes to future cash flow assumptions will impact the recoverable amount calculations and will affect the carrying amount of property, plant and equipment where there is an impairment.

BORROWING COSTS

Borrowing costs of R27 million related to the expansion at Schirm USA has been capitalised during the year (2022: Rnil).

SECURITY

Property, plant and equipment at Schirm USA is encumbered as security for debt of R594 million related to the expansion project completed during the year (2022: R376 million).

2. Right-of-use assets

GROUP

Rand million	Property	Plant and equipment	Motor vehicles	Total
2023				
COST	937	66	288	1 291
Balance at the beginning of the year	734	35	276	1 045
Additions	236	30	14	280
Cancellations	(16)	–	–	(16)
Derecognition of leases at end of term	(45)	(3)	(7)	(55)
Lease modifications	–	1	–	1
Translation differences	28	3	5	36
ACCUMULATED DEPRECIATION AND IMPAIRMENT	310	37	189	536
Balance at the beginning of the year	252	24	133	409
Cancellations	(9)	–		(9)
Derecognition of leases at end of term	(45)	(3)	(7)	(55)
Depreciation for the year	99	17	59	175
Translation differences	13	(1)	4	16
CARRYING AMOUNT AT 31 DECEMBER 2023	627	29	99	755
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	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

1 There were no impairment charges for the current year (2022: AECI Schirm Germany R41 million).

2. Right-of-use assets CONTINUED

COMPANY

Rand million	Property	Plant and equipment	Total
2023			
COST	372	5	377
Balance at the beginning of the year	301	1	302
Additions	84	5	89
Derecognition of leases at end of term	(13)	(1)	(14)
ACCUMULATED DEPRECIATION AND IMPAIRMENT	55	–	55
Balance at the beginning of the year	27	1	28
Derecognition of leases at end of term	(13)	(1)	(14)
Depreciation for the year	41	–	41
CARRYING AMOUNT AT 31 DECEMBER 2023	317	5	322
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

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 various 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 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 as an expense in profit or loss. Low value right-of-use 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 to not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group.

3. Investment property

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
COST	**281**	270	**313**	302
At the beginning of the year	**270**	266	**302**	298
Additions	**–**	8	**–**	8
Disposals	**(1)**	(4)	**(1)**	(4)
Transfers from property, plant and equipment	**12**	–	**12**	–
ACCUMULATED DEPRECIATION	**47**	44	**73**	65
At the beginning of the year	**44**	40	**65**	56
Disposals	**(1)**	–	**(1)**	–
Depreciation for the year	**4**	4	**9**	9
CARRYING AMOUNT	**234**	226	**240**	237
ADDITIONAL INFORMATION				
Fair value [1, 2]	**1 170**	1 169	**2 462**	2 397
Rental and service income from investment property [2]	**452**	415	**559**	522
Direct operating expenses relating to rental and service income	**(472)**	(435)	**(472)**	(435)

[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 and rental and service income in the Group is lower that 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 7% and 8% (2022: 6% and 8%). At 31 December 2023, the gross lettable area of the office and industrial buildings was 169 729m^2 (2022: 169 729m^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.

3. Investment property CONTINUED

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.

UNOBSERVABLE INPUT

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

VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
The comparable sales approach was used to value vacant land. The valuation model was based on 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: 10% – 12% (2022: 11% – 13%) • Vacancy rate for office space: 3% – 15% (2022: 12% – 20%) • Vacancy rate for industrial space: 1% – 9% (2022: 3% – 14%) • Operating expenses for all buildings: R26,00/m^2 – R32,00/m^2 (2022: R24,50/m^2 – R30,20/m^2)	The estimated fair value would increase/(decrease) if: • the capitalisation rate was lower/(higher); • the vacancy rate for office space was lower/(higher); • the vacancy rate for industrial space was lower/(higher); • 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
2023					
COST	931	167	231	58	1 387
At the beginning of the year	883	156	210	58	1 307
Additions through business combinations	4	–	8	–	12
Translation differences	44	11	13	–	68
ACCUMULATED AMORTISATION AND IMPAIRMENT	359	–	130	50	539
At the beginning of the year	284	–	109	46	439
Amortisation for the year	58	–	16	3	77
Translation differences	17	–	5	1	23
CARRYING AMOUNT	572	167	101	8	848
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

INDEFINITE LIFE INTANGIBLE ASSETS: COMPANY BRANDS

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

	Rand million
AECI SCHIRM	102

On the 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.

4. Intangible assets CONTINUED

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.

	Rand million
AECI MUCH ASPHALT	64

In April 2018, the Group acquired AECI Much Asphalt, which during that time was 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, being the largest independent provider of such products in South Africa, 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
2023	
COST	27
At the beginning of the year	27
ACCUMULATED AMORTISATION AND IMPAIRMENT	22
At the beginning of the year	20
Amortisation for the year	2
CARRYING AMOUNT	5
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

4. Intangible assets CONTINUED

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

Amortisation has been included in profit from operations. 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 with finite useful lives are assessed for impairment if there is an indicator for impairment.

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	**2023**	2022	**2023**	2022
COST	**3 482**	3 469	**562**	562
At the beginning of the year	**3 469**	3 521	**562**	562
Additions through business combinations	**7**	–	**–**	–
Written off	**–**	(35)	**–**	–
Translation differences	**6**	(17)	**–**	–
ACCUMULATED IMPAIRMENT LOSSES	**1 137**	1 117	**103**	103
At the beginning of the year	**1 117**	1 152	**103**	103
Written off	**–**	(35)	**–**	–
Impairment charge for the year	**20**	–	**–**	–
CARRYING AMOUNT	**2 345**	2 352	**459**	459

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

AECI Mining	**473**	467	**–**	–
AECI Water	**350**	350	**–**	–
AECI Agri Health	**545**	558	**100**	100
AECI Chemicals	**977**	977	**359**	359
CARRYING AMOUNT	**2 345**	2 352	**459**	459

ACCOUNTING POLICY

Business combinations are accounted for using the acquisition method applied at the acquisition date, which is the date on which control is transferred to the Group. Goodwill is not amortised. The goodwill of joint ventures and associates is included in the carrying amount of the relevant equity-accounted investee. Goodwill is reviewed for impairment at least annually 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 once the budgeting process is concluded on 30 September 2023. 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 the next year and thereafter, the business plan for a period of at least four years, and using an average trading margin of between 1% and 23% (2022: 8% and 11%) over the five years;
- A post-tax discount rate between 8% and 29% (2022: 8% and 29%) 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-tax discount rate between 11% and 37%) (2022: 11% and 34%); and
- terminal value growth rates of between 1,5% and 10,5% (2022: 1,5% and 5,0%) were applied. This was based on sustainable earnings and a conservative growth model.

The tangible and intangible assets in the CGUs are tested for impairment prior to the 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 Water, AECI Animal Health, AECI Much Asphalt and AECI Schirm, a reasonably possible change in the assumptions used to calculate the value-in-use is not likely to cause the recoverable amount to fall below the carrying value of the remaining CGUs.

IMPAIRMENT TESTING FOR CGUs CONTAINING GOODWILL

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

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
AECI Much Asphalt [1]	**710**	710		
AECI Schirm [1]	**409**	365		
AECI Mining Explosives	**273**	273		
AECI Water Chemical and Monitoring Solutions	**221**	221		
Multiple units with individually insignificant goodwill [2]	**732**	783	**459**	459
CARRYING AMOUNT	**2 345**	2 352	**459**	459

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

[2] Included within the units is other goodwill relating to the AECI Water segment amounting to R129 million.

The remainder of the Group's goodwill comprises 13 CGUs. The goodwill of each of these is individually insignificant. A likely 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.

5. Goodwill CONTINUED

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.

	GROUP	
%	**2023**	2022
Post-tax discount rate [1]	**15.3**	14.4
Terminal value growth rate	**5.0**	5.3
Revenue growth rate (average for the next five years)	**9.2**	7.5

[1] Pre-tax discount rate of 19,1% (2022: 17,9%).

Goodwill in the amount of R821 million was impaired in 2020.

The business has recovered significantly each year since 2020 when the COVID-19 pandemic had such a material negative impact on both the business and the industry. The business has faced challenges with the industry still well below its 2016 peak, the closure of refineries and the decisions not to produce bitumen in South Africa had a major impact on Much Asphalt's business model, and well documented project award issues with SANRAL. The performance in 2023 was pleasing, given these challenges as the business grew volumes as well as improving profitability over the previous year. There are a number of major road infrastructure projects currently in progress and a significant number of SANRAL tenders have been issued towards the end of 2023. Much Asphalt remains well-placed to capitalise on market growth due to its strategically located plants across South Africa, brand reputation, world class technology, and a highly experienced workforce.

The improved market conditions in 2023 are indicative that the industry is beginning to move back to pre-pandemic levels of activity. At 31 December 2023, management's projections for revenue growth and trading margins were based on lower growth levels and market volumes seen over the past three years, and the estimated sales volume and price growth for the next five years based on the factors discussed above but with a bias to the latter years of the forecast cycle. Despite the increase in the post-tax discount rate and the lower growth expectation in the short-term, the projections indicated that the value-in-use was at a similar level to the previous period.

Management's assessment of the goodwill, estimated that the recoverable amount of the CGU exceeds its carrying amount by approximately R299 million (2022: R 337 million). The following changes in assumptions, individually, would result in the recoverable amount being equal to the carrying amount:

- An increase in the post-tax discount rate of 1,7%
- A decrease of 2,8% in the terminal growth rate
- A decrease of 4,3% in the revenue growth rate from 2024 to 2028
- A decrease of 1,2% in the trading margin from 2024 to 2028

A post-tax discount rate was applied in determining the recoverable amount of the CGU and estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 33%.

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

5. Goodwill CONTINUED

AECI SCHIRM

During the reporting period, the ongoing Russia/Ukraine conflict continued to impact economic activity, especially Germany, with volatile demand affecting both markets in which Schirm operates.

USA

The AECI Schirm business in the USA did not deliver the growth expectations in 2023 due to delays in the completion of the new plant capacity which was brought into use much later in the year than was anticipated. Both new plants have now been completed and the Ennis facility is commencing full production in the first quarter of 2024. The new capacity expansion project delays resulted in higher capital expenditure costs than anticipated, rising to R 622 million (USD 33,9 million). The new plants are still expected to deliver good returns as it is supported by long term contracts and growth opportunities in the USA.

GERMANY

During 2023, the business embarked on a turnaround plan to deliver a more sustainable way forward for Schirm Germany. One of the significant decisions taken was to close the Wolfenbuttel site and transfer profitable production to Schirm's other facilities. The additional employment cost recognised in 2023 will result in cost savings into the future. These additional once-off costs together with the project team costs amounted to R160 million (€7,9 million). The business met operational EBIT expectations, excluding these additional costs, through the impact of the turnaround initiatives, though the expected benefits were not fully realised. The German Chemical industry output decreased significantly in 2023 as a continuing result of the energy crisis impacting much of Europe. This lower demand impacted the effectiveness of the turnaround plan in 2023 however the sustainable measures put into place should result in benefit when the market stabilises.

AECI SCHIRM GOODWILL IMPAIRMENT ASSESSMENT

The assessment of the goodwill at 31 December 2023 resulted in the estimated recoverable amount of the CGU exceeding its carrying amount by approximately R 611 million (2022: R478 million). The headroom in Rand terms was affected by the weakening of the Rand in 2023. The USA's medium-term prospects are still expected to flow despite the delay of full production commencing in the new plants. The value in use was also enhanced by the closure of the Wolfenbuttel site, where assets were impaired in 2022 and where future cash flows were expected to be negative.

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 in the post-tax discount rate of 1,8%
- A decrease of 2,8% in the terminal growth rate
- A decrease of 6,0% in the revenue growth rate from 2024 to 2028
- A decrease of 6,8% in the trading margin from 2024 to 2028

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			
	2023		2022	
%	**Germany**	**USA**	Germany	USA
Post-tax discount rate [1]	**8.2**	**10.2**	8.6	9.0
Terminal value growth rate	**2.2**	**1.5**	1.5	3.5
Revenue growth rate (average for the next five years)	**3.5**	**7.8**	7.1	5.0

[1] Pre-tax discount rate in Germany 10.8% (2022: 11.3%) and USA 12,4% (2022: 10,8%).

5. Goodwill CONTINUED

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-tax discount rate was applied in determining the recoverable amount of the CGU and was estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 16% in both Germany and the USA. The discount rate is influenced by changes in the country risk-free rates, currency default spread and risk premiums which, in turn, are influenced by changes in the macro- economic environment.

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

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	
%	**2023**	2022
Post-tax discount rate [1]	**13.8**	14.0
Terminal value growth rate	**5.0**	2.0
Revenue growth rate (average for the next five years)	**3.5**	3.9

[1] Pre-tax discount rate of 17,7% (2022: 20,5%).

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 30,5%. 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 R3 084 million (2022: R 2 381 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	
%	**2023**	2022
Post-tax discount rate [1]	**14.7**	14.6
Revenue growth rate	**6.7**	11.5

[1] Pre-tax discount rate of 22,3% (2022: 23,0%).

5. Goodwill CONTINUED

AECI Water had a challenging year in 2023 with no growth in revenue from the previous year. Profitability was impacted by the weighting towards Public Water where margins are lower, working capital requirements higher, both inventory holding and the timing of payments from customers can extend beyond agreed terms. These factors not only dampened performance but also the outlook for growth within the current business strategy. The Group's strategic review proposes to shift the focus for AECI Water to the development of technology and an integrated service offering within South Africa. The strategy will also consider the future business model for public water. The recoverable amount for the goodwill impairment testing was determined using the current status of the business and resulted in a lower value in use in the current period. This resulted in a significantly lower headroom for the CGUs.

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 30,5%. 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 six years.

The estimated recoverable amount of the AECI Water Chemical and Monitoring Solutions CGU exceeded its carrying amount by approximately R55 million (2022: R167 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 R10 million (2022: R121 million). The assessment is sensitive to changes in certain key assumptions. Management identified that any marginal change in key assumptions could cause the carrying amount to exceed the recoverable amount.

5. Goodwill CONTINUED

AECI ANIMAL HEALTH

AECI Animal Health is a business unit in the AECI Agri Health 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	
%	**2023**	2022
Post-tax discount rate [1]	**17.4**	16.9
Terminal value growth rate	**5.5**	5.3
Revenue growth rate (average for the next five years)	**8.6**	8.4

[1] Pre-tax discount rate of 22,8% (2022: 22,5%).

Animal Health has been subject to margin pressure due to an excess supply in the industry, especially in 2022. The prices declined throughout 2023 and this placed pressure on margins particularly as demand has remained flat. Although steps are being taken to increases prices, especially to key customers, the lack of growth in demand and lower margins achieved in 2023 reduced the outlook for this business.

The value-in-use of the CGU was assessed by discounting its expected future cash flows based on the considerations above. Its recoverable amount was R113 million compared to its carrying value of R133 million. Accordingly, R20 million of the R42 million goodwill recognised at the acquisition date was impaired.

A post-tax discount rate was applied in determining the recoverable amount of the CGU and estimated based on the Group's weighted average cost of capital, adjusted for the risk profile applicable to the CGU, with a possible debt leveraging of 30,5%.

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

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

The following changes in assumptions, individually, would result in an increase in the impairment loss as follows:

Rand million	Impairment higher by
• An increase in the post-tax discount rate from 17.4% to 19.0%	18
• A decrease of 1,0% in the revenue growth rate from 2024 to 2028	11
• A decrease of 1,0% in the revenue growth rate from 2024 to 2028	22
• A decrease of 1,0% in the trading margin from 2024 to 2028	19

6. Investment in subsidiaries and loans with subsidiaries

	COMPANY	
Rand million	**2023**	2022
INVESTMENT IN SUBSIDIARIES		
At cost	**7 721**	7 716
Less: impairment losses	**(470)**	(560)
Investment in subsidiaries unlisted shares (see note 34)	**7 251**	7 156
Non-current loans to subsidiaries [1,2]	**250**	250
	7 501	7 406
LOANS WITH SUBSIDIARIES [3]		
Interest-bearing non-current loans to subsidiaries [1]	**383**	346
Interest-bearing current loans to subsidiaries [4]	**3 228**	3 676
Current loans from subsidiaries	**(9 978)**	(8 237)
Current loans from subsidiaries [5]	**(2 588)**	(2 535)
Interest-bearing current loans from subsidiaries	**(7 390)**	(5 702)

[1] Other loans provided by the Company are not expected to be repaid within 12 months and are classified as non-current.

[2] These 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 R6 117 million (2022: R3 965 million). Details of the Company's principal subsidiaries are presented in note 34.

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, R65 million (2022: R177 million) of the impairment recognised was reversed. The net impairment is R65 million (2022: R130 million). Refer to note 5 for the assumptions applied to the enterprise value of this business entity.

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

6. Interest in subsidiaries and loans with subsidiaries CONTINUED

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.

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 R26 million (2022: R22 million). During the year the Group received a total dividend of R25 million from SMSA (2022: R50 million). Summarised financial information for SMSA is as follows:

STATEMENTS OF FINANCIAL POSITION	**SMSA**	
Rand million	**2023**	2022
OWNERSHIP (%)	**50**	50
Current assets, excluding cash and cash equivalents	**32**	47
Cash and cash equivalents	**71**	58
Non-current assets	**22**	20
TOTAL ASSETS	**125**	125
Trade and other payables	**40**	42
Non-current liabilities	**2**	3
TOTAL LIABILITIES	**42**	45
NET ASSETS	**83**	80
Group's share of net assets	**42**	40
CARRYING AMOUNT	**42**	40

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

STATEMENT OF PROFIT OR LOSS	SMSA	
Rand million	**2023**	2022
OWNERSHIP (%)	**50**	50
Revenue	**293**	213
Net operating costs excluding depreciation and amortisation	**(218)**	(152)
Depreciation and amortisation	**(6)**	(4)
Interest received	**3**	2
Tax expense	**(20)**	(16)
PROFIT	**52**	43
Group's share of profit	**26**	22

LOAN PAYABLE TO JOINT VENTURE	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Loan payable to joint venture	**(83)**	(141)	**(167)**	(289)

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 joint ventures with related parties of the Group and the Company are disclosed in note 29.

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

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 in relation to the Group interest in assets, liabilities, revenue and expenses. On consolidation, the investment in unlisted shares is derecognised and the joint operation's results are consolidated in relation to the Group's interest on a line-by-line basis with those of the Group.

	COMPANY	
Rand million	**2023**	2022
Unlisted shares at amortised cost	**28**	28

PERCENTAGE HELD BY AECI OWNERSHIP (%)	**2023**	2022
DetNet South Africa Proprietary Limited	**50**	50
GROUP'S SHARE OF PROFIT OR LOSS		
Revenue	**468**	322
Net operating costs, excluding depreciation and amortisation	**(421)**	(263)
Depreciation and amortisation	**(7)**	(7)
Interest received	**12**	7
Tax expense	**(10)**	(13)
PROFIT	**42**	46
GROUP'S SHARE OF FINANCIAL POSITION		
Current assets, excluding cash and cash equivalents	**272**	245
Cash and cash equivalents	**26**	30
Non-current assets	**31**	18
TOTAL ASSETS	**329**	293
Trade and other payables, including provisions	**119**	51
Current financial liabilities, excluding trade and other payables and provisions	**2**	2
Non-current financial liabilities excluding trade and other payables and provisions	**3**	4
TOTAL LIABILITIES	**124**	57
NET ASSETS	**205**	236

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 PROPERIETARY 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.

	GROUP		COMPANY [1]	
Rand million	**2023**	2022	**2023**	2022
UNLISTED SHARES AT COST	**285**	285	**10**	10
At the beginning of the year	**285**	285	**10**	10
POST-ACQUISITION ACCUMULATED	**(135)**	(152)		
Balance at the beginning of the year	**(152)**	(163)		
Dividends received	**(2)**	–		
Translation differences	**6**	7		
Current year's share of net profits of associate companies	**13**	4		
TOTAL INVESTMENTS IN ASSOCIATES	**150**	133	**10**	10

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

GROUP

Rand million	**BBRI**	**Khula**	**SRT**	**Total**
2023				
OWNERSHIP (%)	42.6	26.0	27.0	
STATEMENTS OF FINANCIAL POSITION				
Current assets	220	9	26	255
Non-current assets	508	2	14	524
Current liabilities	(104)	(1)	(2)	(107)
Non-current liabilities	(175)	(13)	–	(188)
NET ASSETS (100%)	449	(3)	38	484
CARRYING AMOUNT OF INTEREST IN ASSOCIATES	129	11	10	150

The carrying amount of BBRI is net of impairment

8. Investments in and loans to associates CONTINUED

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

STATEMENTS OF PROFIT OR LOSS	**BBRI**	**Khula**	**SRT**	**Total**
2023				
OWNERSHIP (%)	**42.6**	**26.0**	**27.0**	
Revenue	**433**	**21**	**42**	**496**
Net operating costs, excluding depreciation and	**(323)**	**(26)**	**(37)**	**(386)**
Depreciation and amortisation	**(63)**	**–**	**(3)**	**(66)**
Interest expense	**(19)**	**–**	**–**	**(19)**
Interest received	**3**	**–**	**1**	**4**
Tax expense	**–**	**–**	**(2)**	**(2)**
PROFIT/(LOSS)	**31**	**(5)**	**1**	**27**
GROUP'S SHARE OF PROFIT/(LOSS)	**13**	**(1)**	**1**	**13**

STATEMENTS OF PROFIT OR LOSS	**BBRI**	**Khula**	**SRT**	**Total**
2022				
OWNERSHIP (%)	42.6	26.0	27.0	
Revenue	391	14	55	460
Net operating costs, excluding depreciation and	(327)	(5)	(38)	(370)
Depreciation and amortisation	(56)	–	(2)	(58)
Interest expense	(10)	–	–	(10)
Interest received	1	–	1	2
Tax expense	–	(3)	(3)	(6)
(LOSS)/PROFIT	(1)	6	13	18
GROUP'S SHARE OF PROFIT	–	1	3	4

LOANS TO ASSOCIATE

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Interest-bearing non-current loans to BBRI	**55**	111	**–**	–
Interest free non-current loan to Khula	**1**	–	**1**	–
LOANS TO ASSOCIATE	**56**	111	**1**	–

8. Investments in and loans to associates CONTINUED

$3.5 million of the loan granted to BBRI was repaid in November 2023 earlier than the initial due date of 30 June 2024. The remaining balance of $3 million is repayable on 30 June 2026 and bears interest at an effective interest rate of 9.4%.

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	**2023**	2022	**2023**	2022
NON-CURRENT INVESTMENTS				
Equity instruments	**64**	196	**62**	194
Equity securities at FVOCI	**62**	194	**62**	194
Capital contributions	**2**	2	**–**	–
Loans and receivables [1]	**7**	7	**6**	7
OTHER NON-CURRENT INVESTMENTS	**71**	203	**68**	201
CURRENT INVESTMENTS				
Money market investments [2]	**265**	220	**–**	–
Employer surplus accounts [3]	**144**	80	**144**	80
Loans and receivables [1]	**167**	172	**95**	78
OTHER CURRENT INVESTMENTS	**576**	472	**239**	158

[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 no funding (2022: € 1.5 million) to Clariter Société Anonyme of Luxemburg.

[2] The money market investments include an investment in a collective investment scheme with Ninety One 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. See note 30 for further information in this regard.

EQUITY SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in these 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.

9. Other investments CONTINUED

GROUP AND COMPANY

Rand million	Fair value as at 31 December 2022	Fair value adjustment	Translation differences	**Fair value as at 31 December 2023**
Origin Materials Incorporated ("Origin")	166	(132)	–	**34**
AECI Good Chemistry Fund	28	–	–	**28**
OTHER NON-CURRENT INVESTMENTS	194	(132)	–	**62**

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 0.84 (2022: US Dollar 4.61) 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	**2023**	2022	**2023**	2022
Deferred taxation assets	**189**	106	**–**	–
Deferred taxation liabilities	**(520)**	(583)	**(36)**	(24)
NET DEFERRED TAXATION LIABILITY	**(331)**	(477)	**(36)**	(24)
Net movement in deferred taxation balance:				
At the beginning of the year	**(477)**	(529)	**(24)**	(116)
- current year and prior year charge	**181**	133	**(9)**	52
- derecognition of deferred taxation asset	**–**	(86)		
- taxation rate change[1]	**–**	14	**–**	1
Recognised in other comprehensive income				
- foreign currency loan translation differences	**(8)**	(2)	**–**	–
- remeasurement of equity securities at FVOCI[2]	**–**	41	**–**	41
- defined-benefit obligations[3]	**–**	(19)	**–**	1
- post-retirement medical aid obligations	**(3)**	(6)	**(3)**	(7)
- derecognition of deferred taxation asset[4]	**–**	(22)		–
Other	**(24)**	(1)	**–**	4
AT THE END OF THE YEAR	**(331)**	(477)	**(36)**	(24)
Analysis by major temporary differences:				
Property, plant and equipment	**(733)**	(614)	**(61)**	(51)
Right-of-use assets and finance lease liabilities	**29**	21	**13**	7
Intangible assets	**(238)**	(232)	**–**	–
Provisions and deferred income	**730**	546	**207**	215
Prepaid expenses and income received in advance	**(30)**	–	**(4)**	–
Pension fund employer surplus accounts	**(166)**	(183)	**(138)**	(146)
Deferred foreign exchange differences	**26**	(22)	**(53)**	(47)
Computed taxation losses[5]	**84**	41	**–**	–
Other[6]	**(33)**	(34)	**–**	(2)
	(331)	(477)	**(36)**	(24)

10. Deferred taxation CONTINUED

[1] In the South African 2021 Budget Speech the Minister of Finance announced a reduction in the corporate income tax rate from 28% to 27% to be effective on 1 April 2022. The closing deferred tax rate is raised at 27% to account for this change in legislation that has been substantially enacted on 5 January 2022.

[2] Deferred tax liability for Origin Materials Incorporated (Origin) was released due to the realisation of the investment that resulted from a SPAC transaction during June 2021, resulting in a capital gain which was paid to the revenue authority in 2022.

[3] Defined pension obligation for Schirm GmBH and AECI Limited through Other Comprehensive Income.

[4] Derecognition of the deferred tax asset, relating to AECI Schirm's defined benefit obligation in Germany, due to uncertainty regarding the probability of future profits, through other comprehensive income.

[5] Included in the deferred tax asset balance is R84 million (2022: R41 million) relating to tax assessed losses of R360 million (2022: R152 million). The deferred tax asset raised pertains to trading entities and they are expected to make future taxable profits. The deferred tax asset recoverability assessment considers the probability of forecasted future taxable income, which may include future tax planning opportunities.

Computed tax losses of R1 434 million (2022: R1 219 million) have not been recognised as deferred tax assets due to estimated future profitability for the respective entities. This includes amounts attributable to AECI Schirm GmbH, Germany, of R1 270 million (2022: R970 million).

[6] Comprises of other receivables.

OECD PILLAR TWO - IAS 12 CONSIDERATIONS

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various governments around the world have issued, or are in the process of issuing legislation on this framework. The Pillar Two rules apply to multinational enterprises that have consolidated revenues of €750 million in at least two of the last four years.

Pillar Two GloBE rules apply if a jurisdiction in which the Group operates has passed the rules into national legislation. There are two Globe Rules, (i) the Income Inclusion Rule (IIR) which applies from 01 January 2024, and (ii) Undertaxed Payment Rules (UTPR) which will apply from 01 January 2025. The IIR applies on a top-down approach and requires the Ultimate Parent Entity to pay any top-up tax in respect of low-tax subsidiaries. The UTPR applies where the IIR is not implemented in a jurisdiction higher up in the structure. Entities in a jurisdiction with a UTPR will be required to pay top-up tax in respect of entities in a low-tax jurisdiction by disallowing deductions or other similar mechanisms. A jurisdiction may also apply a Qualified Domestic Top-up Tax (QDMTT) which will essentially supersede the IIR and UTPR in other jurisdictions and collect the top-up tax in its jurisdiction.

From an AECI perspective, South Africa has published draft Pillar Two legislation on 21 February 2024 with a proposed effective date of 01 January 2024. Germany has already introduced legislation that applies with effect from 2024 and Australia has also announced that they will introduce legislation soon that will apply with effect from 2024. The AECI entities in these and the other jurisdictions where AECI operates will have to assess the impact of Pillar Two in 2024 as South Africa has indicated that it will apply the IIR which means that if the effective tax rate in a particular country is below the 15% minimum rate, top up tax may have to be paid in South Africa. AECI is in the process of assessing the full impact of Pillar Two on the AECI Group.

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 taxation 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	**2023**	2022	**2023**	2022
Raw and packaging materials	**2 521**	2 454	**739**	802
In progress	**150**	112	**9**	13
Finished goods and merchandise	**3 408**	4 133	**1 477**	1 764
Consumable stores	**392**	263	**–**	–
Spares and other	**83**	176	**22**	26
Obsolescence provisions	**(428)**	(358)	**(64)**	(55)
TOTAL INVENTORIES	**6 126**	6 780	**2 183**	2 550
Recognised in profit or loss:				
Cost of inventories recognised as an expense	**21 819**	21 551	**7 131**	7 113
Losses and write-down of inventories	**52**	116	**(2)**	32
Inventory adjustments	**200**	258	**2**	33

ACCOUNTING POLICY

Inventories of raw and packaging materials, products and intermediates and merchandise are measured at cost using the first-in first-out method or the weighted average cost method, depending on the nature of the inventories or their use to businesses in the Group.

The cost of finished goods and work in progress comprises raw and packaging materials, manufacturing costs, depreciation and an appropriate allocation of production overheads. Costs may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases.

In all cases inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses, taking into account obsolescence.

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	**2023**	2022	**2023**	2022
Trade receivables (net of loss allowances)	**6 196**	6 651	**2 221**	2 397
Contracts with customers [1]	**6 194**	6 649	**2 219**	2 395
Lease receivables	**2**	2	**2**	2
Pre-payments	**332**	307	**56**	68
VAT [2]	**480**	557	**25**	72
Deposits	**249**	190	**24**	19
Other [3]	**116**	97	**88**	74
Forward exchange contracts	**40**	90	**8**	9
Joint ventures and associates	**9**	14	**32**	16
Subsidiaries	**–**	–	**461**	364
TOTAL TRADE AND OTHER RECEIVABLES	**7 422**	7 906	**2 915**	3 019

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

1 Group contracts with customers include R200 million (2022: R138 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 represents a VAT credit or refund owed by revenue authorities in various jurisdictions. The timing of receipt of the refund to each entity in the Group varies and can be delayed by verification processes, local practices and conditions in local economic environments. No refundable amounts are outside 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 (2022: R155 million) receivable from the Zambia Revenue Authority ("ZRA"). The ZRA has a statutory obligation to refund taxpayers with a 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	
	2023	2022	**2023**	2022
South Africa	**3 482**	4 154	**2 089**	2 234
Rest of the African continent	**1 591**	1 412	**117**	142
Europe	**470**	448	**8**	18
North America	**169**	211	**–**	–
Australia	**298**	308	**–**	–
Asia	**119**	77	**7**	2
South America	**67**	41	**–**	1
TRADE RECEIVABLES (NET OF LOSS ALLOWANCES)	**6 196**	6 651	**2 221**	2 397

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 2023:

GROUP
Rand million

SOUTH AFRICA	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)	–	2 727	(2)	(12)	(14)	2 713
1 - 30 days past due	1	440	–	(5)	(5)	435
31 - 60 days past due	2	193	–	(3)	(3)	190
61 - 90 days past due	4	135	–	(5)	(5)	130
More than 90 days past due	100	121	(20)	(87)	(107)	14
		3 616	(22)	(112)	(134)	3 482
REST OF THE AFRICAN CONTINENT						
Current (not yet due)	–	1 282	(4)	(3)	(7)	1 275
1 - 30 days past due	1	115	(1)	(1)	(2)	113
31 - 60 days past due	–	84	–	–	–	84
61 - 90 days past due	10	94	(1)	(9)	(10)	84
More than 90 days past due	100	272	(2)	(235)	(237)	35
		1 847	(8)	(248)	(256)	1 591
EUROPE						
Current (not yet due)	–	456	–	–	–	456
1 - 30 days past due	–	7	–	–	–	7
31 - 60 days past due	–	3	–	–	–	3
61 - 90 days past due	–	4	–	–	–	4
More than 90 days past due	100	4	–	(4)	(4)	–
		474	–	(4)	(4)	470

[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.

12. Trade and other receivables CONTINUED

GROUP

Rand million

NORTH AMERICA	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)	–	129	–	(1)	(1)	128
1 - 30 days past due	–	22	–	–	–	22
31 - 60 days past due	1	5	–	–	–	5
61 - 90 days past due	6	15	–	(1)	(1)	14
More than 90 days past due	–	–	–	–	–	–
		171	**–**	**(2)**	**(2)**	**169**
AUSTRALIA						
Current (not yet due)	–	46	–	–	–	46
1 - 30 days past due	–	252	–	–	–	252
31 - 60 days past due	–	–	–	–	–	–
		298	**–**	**–**	**–**	**298**
OTHER REGIONS[1]						
Current (not yet due)	–	159	–	–	–	159
1 - 30 days past due	–	18	–	–	–	18
31 - 60 days past due	–	6	–	–	–	6
61 - 90 days past due	–	3	–	–	–	3
		186	**–**	**–**	**–**	**186**

[1] Other regions include South America and Asia.

COMPANY

SOUTH AFRICA						
Current (not yet due)	1	1 545	–	(9)	(9)	1 536
1 - 30 days past due	1	302	–	(3)	(3)	299
31 - 60 days past due	1	147	–	(1)	(1)	146
61 - 90 days past due	1	105	–	(1)	(1)	104
More than 90 days past due	100	49	(20)	(25)	(45)	4
		2 148	**(20)**	**(39)**	**(59)**	**2 089**

12. Trade and other receivables CONTINUED

REST OF THE AFRICAN CONTINENT	'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	52	–	(1)	(1)	51
1 - 30 days past due	1	18	–	–	–	18
31 - 60 days past due	2	5	–	–	–	5
61 - 90 days past due	1	43	–	–	–	43
More than 90 days past due	–	–	–	–	–	–
		118	**–**	**(1)**	**(1)**	**117**
OTHER REGIONS[3]						
Current (not yet due)	–	12	–	–	–	12
1 - 30 days past due	–	3	–	–	–	3
		15	**–**	**–**	**–**	**15**

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 allowance are exclusive of VAT
3 Other regions include receivables from Asia, Australia and Europe

LOSS ALLOWANCE

The reconciliation of the allowance is as follows:

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
At the beginning of the year	**(257)**	(251)	**(70)**	(48)
Subsidiaries acquired	**(1)**	–	**–**	(1)
Increase in allowance	**(158)**	(53)	**4**	(18)
Receivables written off	**20**	47	**6**	(3)
AT THE END OF THE YEAR	**(396)**	(257)	**(60)**	(70)
Contracts with customers	**(396)**	(256)	**(60)**	(69)
Lease receivables	**–**	(1)	**0**	(1)

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.

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 represents 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 assets are reclassified to trade receivables when the performance obligation is delivered and it is invoiced to the customer.

12. Trade and other receivables CONTINUED

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 there is no reasonable expectation of settlement.

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	**2023**	2022	**2023**	2022	**2023**	2022
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	**105 517 780**	109 944 384	**106**	110		
Company	**105 517 780**	109 944 384			**106**	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**	105 517 780	**106**	106		
Company	**105 517 780**	105 517 780			**106**	106
CONVERTIBLE B ORDINARY SHARES AT THE BEGINNING AND END OF THE YEAR						
Company	**10 117 951**	10 117 951				
Cancelled during the year						
Company	**(10 117 951)**	–				
Share premium less share issue expenses			**–**	–	**6**	6
Total ordinary shares						
Group	**105 517 780**	105 517 780	**106**	106		
Company	**105 517 780**	115 635 731			**112**	112
No par value treasury shares held by a consolidated trust	**–**	10 117 951				
Total treasury shares	**–**	10 117 951				
LISTED PREFERENCE SHARES						
Authorised and issued	**3 000 000**	3 000 000	**6**	6	**6**	6
5,5% cumulative shares of R2 each	**3 000 000**	3 000 000	**6**	6	**6**	6

13. Share capital and share premium CONTINUED

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 tax, as a percentage of average operating assets less average operating liabilities (see 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 (see 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 (%)	**2023**	2022	**2023**	2022
UNSECURED							
LOCAL							
Loans							
Term loan	Repayable in full on 21 November 2026	JIBAR + 1.28%	9.7	**300**	–	**300**	–
Term loan	Repayable in full on 21 November 2027	JIBAR + 1.37%	9.8	**700**	–	**700**	–
Term loan	Repayable in full on 21 November 2023	JIBAR + 1,60%	9.5	**–**	500	**–**	500
Refinanced Term Loan	Repayable in full on 21 November 2023	JIBAR + 1.15%	8.9	**–**	500	**–**	500
DMTN Programme[2]							
AECI05	Repayable in full on 11 September 2026	JIBAR + 1.39%	9.8	**535**	–	**535**	–
AECI06	Repayable in full on 11 September 2028	JIBAR + 1.50%	9.9	**465**	–	**465**	–
AECI02	Repayable in full on 11 September 2023	JIBAR + 1,75%	9.6	**–**	520	**–**	520
AECI04	Repayable in full on 21 November 2023	JIBAR + 1,56%	9.5	**–**	300	**–**	300
FOREIGN							
Loans - US Dollar							
	Repayable in full on 7 November 2028[4]	SOFR + 1.65%	7.0	**594**	376		
	Repayable in full on 21 November 2023	LIBOR + 1,98%[3]	7.5	**–**	340		
Loans - Euro							
	Repayable in full on 03 August 2026	EURIBOR + 1.80%	5.9	**410**	–		
	Repayable in full on 17 November 2026	EURIBOR + 1.90%	5.8	**1 581**	–		
	Repayable in full on 21 November 2023	EURIBOR + 2,00%	5.9	**–**	617		
	Repayable in full on 21 November 2023	0,27% + 2,00%	2.3	**–**	617		
	Repayable in full on 21 November 2023	EURIBOR + 1,39%	5.3	**–**	182		
Loans - Australian							
Term loan	Repayable in monthly instalments up to 30 November 2027	BBSW + 1.95%	6.3	**238**	231		
Loans - Brazilian Real							
Term loan	Repayable in full on 31 August 2027	4.44% pa	4.4	**2**	–		
Term loan	Repayable in full on 31 January 2026	8.64% pa	8.6	**1**	–		
Total debt				**4 826**	4 183	**2 000**	1 820
Current debt (see note 18)				**(122)**	(3 576)	**–**	(1 820)
NON-CURRENT debt				**4 704**	607	**2 000**	–

[1] Interest rates other than 1M Term SOFR are based on the applicable three-month base rate with reference rate and interest is accrued and repaid at the relevant interval.

[2] The Domestic Medium Term Note Programme (DMTN Programme) is listed on the Johannesburg Stock Exchange 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.

[3] The remaining US dollar LIBOR referencing debt was settled on 21 November 2023. US dollar 3-month LIBOR was quoted for the last time in June 2023. Thereafter, LIBOR was 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 took place in August 2023, and referenced 3-month Term SOFR.

[4] Schirm USA completed construction of the expansion plant in late 2023, the 60 monthly capital repayments will end in November 2028

14. Non-current debt CONTINUED

SUMMARY OF REPAYMENTS

GROUP Rand million	Total owing 2023	Payable Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total owing 2022
Debt denominated in South African Rand	2 000	–	–	2 000	–	1 820
Debt denominated in foreign currency	2 826	122	121	2 583	–	2 363
TOTAL DEBT	4 826	122	121	4 583	–	4 183
COMPANY						
Debt denominated in South African Rand	2 000	–	–	2 000	–	1 820
TOTAL DEBT	2 000	–	–	2 000	–	1 820

DEBT COVENANTS

	GROUP 2023	GROUP 2022
Non-current debt	4 704	607
Current debt	731	6 007
Cash and cash equivalents	(1 960)	(2 059)
Bank overdraft	59	126
Lease liabilities	804	664
NET DEBT	4 338	5 345

DESCRIPTION	THRESHOLD	GROUP 2023	GROUP 2022
Net debt to EBITDAC[1]	<2,5 times	1,2 times	1,5 times
EBITDAC to net financing cost	≥3,0 times	5,8 times	8,9 times
Consolidated tangible net worth	≥ R2 500 million	R9 223 million	R8 602 million

1 EBITDAC refers to earnings before interest, taxation, depreciation and amortisation as defined in the covenant agreements. Net debt to EBITDAC would be breached if debt increased by R4 915 million or EBITDAC decreased by R1 966 million.

The Group repaid its 2023 term debt maturities as they fell due and raised new term funding in both the loan and debt capital markets.

At 31 December 2023, the Group had undrawn bank facilities of approximately R3 700 million available (2022: R2 400 million), in addition to cash on hand.

DEBT LEVEL MITIGATIONS

The Group's net debt levels are considered to be conservative, with gearing (net debt as a percentage of equity) at 35% (2022:45%).

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	**2023**	2022	**2023**	2022
Opening balance	**664**	592	**273**	60
Additions	**280**	191	**89**	129
Acquisition of a subsidiary	**–**	–	**–**	97
Cancellations of lease contracts	**(7)**	–	**(1)**	–
Lease payments	**(201)**	(161)	**(46)**	(21)
Interest on lease liabilities	**53**	42	**28**	8
Translation differences	**15**	–	**–**	–
Total lease liabilities	**804**	664	**343**	273
Current lease liabilities	**(136)**	(131)	**(22)**	(23)
NON-CURRENT LEASE LIABILITIES	**668**	533	**321**	250

Maturity analysis

GROUP	PAYABLE				
Rand million	**Total owing 2023**	**Payable within 1 year**	**Payable between 1 and 5 years**	**Payable thereafter**	Total owing 2022
Undiscounted amounts	**994**	**177**	**460**	**357**	830
Unearned interest	**(190)**	**(41)**	**(96)**	**(53)**	(166)
TOTAL LEASE LIABILITIES	**804**	**136**	**364**	**304**	664
COMPANY					
Undiscounted amounts	**451**	**38**	**180**	**233**	390
Unearned interest	**(108)**	**(16)**	**(54)**	**(38)**	(117)
TOTAL LEASE LIABILITIES	**343**	**22**	**126**	**195**	273

Information on variable lease escalations

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Fixed escalation leases	**726**	598	**338**	267
Variable escalation leases	**78**	66	**5**	6
- linked to South African CPI	**32**	32	**5**	6
- linked to foreign CPI	**46**	34	**–**	–
TOTAL LEASE LIABILITIES	**804**	664	**343**	273

Financial liabilities

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

15. Lease liabilities CONTINUED

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.

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 right-of-use 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	**2023**	2022	**2023**	2022
ENVIRONMENTAL REMEDIATION				
At the beginning of the year	**178**	168	**107**	106
Paid during the year	**–**	(18)	**–**	(18)
Charged to net operating costs during the year (see note 20)				
- Additional provision made	**37**	37	**9**	28
- Reversal of provision	**(4)**	(9)	**(4)**	(9)
Translation differences	**2**	–	**1**	–
AT THE END OF THE YEAR	**213**	178	**113**	107
ACTUARIAL VALUATION OF OBLIGATIONS (see note 30)				
Post-retirement medical aid obligations	**155**	163	**155**	163
Defined-benefit pension obligations	**225**	186	**–**	–
AT THE END OF THE YEAR	**380**	349	**155**	163
TOTAL NON-CURRENT PROVISIONS	**593**	527	**268**	270

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-tax 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 Safety, Health, Environment and Quality 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.

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

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

16. Non-current provisions and employee benefits CONTINUED

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	**2023**	2022	**2023**	2022
Trade payables	**5 914**	6 037	**2 444**	2 567
Payroll-related accruals[1]	**1 067**	996	**395**	419
Other[2]	**74**	64	**10**	19
Provisions	**147**	140	**13**	24
Accruals	**469**	437	**124**	97
Forward exchange contracts (see note 28)	**43**	44	**22**	19
VAT payable	**37**	27	**–**	–
Amounts due to subsidiaries	**–**	–	**236**	226
Amounts due to joint ventures and associates	**6**	16	**–**	–
	7 757	7 761	**3 244**	3 371
Current portion of non-current provisions	**–**	6	**5**	3
	7 757	7 767	**3 249**	3 374

1 Payroll-related accruals include incentive bonus, commission and salaries.

2 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 tax services professional fees

	GROUP	COMPANY
Rand million	**2023**	**2023**
At the beginning of the year	**140**	**24**
Paid during the year	**(24)**	**(21)**
Charged to net operating costs during the year	**19**	**10**
Translation differences	**12**	**–**
AT THE END OF THE YEAR	**147**	**13**

18. Current debt

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Current portion of non-current debt (see note 14)	**122**	3 576	**–**	1 820
Unsecured interest-bearing short-term debt	**609**	2 431	**585**	2 372
	731	6 007	**585**	4 192

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

19. Revenue

DISAGGREGATION OF REVENUE BY NATURE

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
AECI MINING	**19 621**	18 096		
Sale of goods	**17 828**	16 214		
Sale of goods and related product application services	**1 793**	1 882		
AECI WATER	**2 009**	2 018		
Sale of goods	**30**	35		
Sale of goods and related product application services	**1 979**	1 983		
AECI AGRI HEALTH	**7 619**	7 067	**4 077**	3 910
Sale of goods	**7 619**	7 067	**4 077**	3 910
AECI CHEMICALS	**8 159**	8 529	**5 259**	5 415
Sale of goods	**8 159**	8 529	**5 259**	5 415
AECI PROPERTY SERVICES AND CORPORATE	**485**	457	**505**	474
Rental income and related services	**485**	457	**505**	474
REVENUE RECOGNISED AT A POINT IN TIME	**37 893**	36 167	**9 841**	9 799
AECI PROPERTY SERVICES AND CORPORATE	**126**	111	**124**	111
Lease rental income	**126**	111	**124**	111
Inter-segment	**(519)**	(695)	**(182)**	(187)
TOTAL REVENUE	**37 500**	35 583	**9 783**	9 723

DISAGGREGATION OF REVENUE BY GEOGRAPHIC END MARKET

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
SACU[1]	**21 263**	21 177	**9 063**	8 898
Rest of the African continent	**8 271**	7 541	**322**	477
Rest of the world	**7 966**	6 865	**120**	83
Subsidiaries			**278**	265
TOTAL REVENUE	**37 500**	35 583	**9 783**	9 723

Revenue includes foreign and export revenue of R17 664 million (2022: R16 288 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

2023	SACU [1]	Rest of the African continent	Rest of the world	Inter-segment	Total segment revenue
AECI Mining	7 450	7 196	4 846	129	19 621
AECI Water	1 550	376	52	31	2 009
AECI Agri Health	4 445	500	2 580	94	7 619
AECI Chemicals	7 366	199	488	106	8 159
AECI Property Services and Corporate	452	–	–	159	611
Inter-segment	–	–	–	(519)	(519)
TOTAL REVENUE	21 263	8 271	7 966	–	37 500

[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 operating segments;
- sale of goods and related product application services in AECI Mining and AECI Water operating segments; and
- rental income and related facilities management services in AECI Property Services and Corporate operating segment.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or 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.

19. Revenue CONTINUED

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	**2023**	2022	**2023**	2022
Cost of sales	**26 182**	25 737	**8 152**	8 156
Selling and distribution expenses	**2 674**	2 262	**395**	489
Administrative expenses	**6 073**	5 537	**570**	837
NET OPERATING COSTS	**34 929**	33 536	**9 117**	9 482
Net operating costs include:				
Auditor's remuneration	**52**	41	**20**	16
- Audit fees	**46**	38	**15**	13
- Other services	**6**	3	**5**	3
Depreciation and amortisation	**1 053**	1 026	**140**	108
- Property, plant and equipment	**797**	798	**88**	79
- Right-of-use assets	**175**	154	**41**	18
- Investment property	**4**	4	**9**	9
- Intangible assets	**77**	70	**2**	2
Foreign exchange gains	**(493)**	(398)	**(49)**	(15)
Foreign exchange losses	**530**	396	**2**	–
Impairment of goodwill	**20**	–	**–**	–
Impairment reversal of investment in AECI Much Asphalt	**–**	–	**(65)**	(177)
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	**34**	27	**5**	18
- Environmental remediation	**33**	28	**5**	19
- Earnings-growth incentive scheme	**1**	(1)	**–**	(1)
Lease costs	**236**	190	**14**	19
Research and development expenditure	**79**	81	**13**	13
Fair value adjustment on put option liability	**–**	5	**–**	–
Profit on disposal of businesses and investment in subsidiaries	**–**	(5)	**–**	–
Loss/(surplus) on disposal of property, plant and equipment	**8**	(12)	**–**	(2)
Total salaries and other employee costs	**5 952**	5 005	**962**	829
Salaries and other employee costs	**5 901**	4 943	**925**	796
Performance share-based payment	**51**	62	**37**	33

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 PERFORMANCE SHARES ("PS")

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Equity-settled share-based payments	**51**	62	**51**	62
– Recognised in profit from operations	**51**	62	**37**	33
– Investment in subsidiaries and joint ventures			**14**	29

	NUMBER OF SHARES	
	2023	2022
SHARE ALLOCATION		
Number of PS allocated at the beginning of the year	**3 317 041**	3 312 991
Number of PS allocated to beneficiaries during the year	**1 477 872**	1 049 803
Number of PS exercised during the year	**–**	(759 085)
Number of PS forfeited during the year	**(1 352 002)**	(286 668)
TOTAL PS ALLOCATED AS AT 31 DECEMBER	**3 442 911**	3 317 041

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 and subsequent allocations include a set of ESG targets with a weighting of 25%, adjusting the weighting of the RONA and HEPS targets compared to previous allocations.

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).

21. Share-based payments CONTINUED

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 and 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.

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

	2020 ALLOCATION	**2021 ALLOCATION**	**2022 ALLOCATION**	**2023 ALLOCATION**
Market price of the Company's shares at the grant date	74.72	98.23	103.82	92.21
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 2020	April 2021	April 2022	April 2023
Grant date	15 April 2020	15 April 2021	14 April 2022	13 April 2023
Vesting date	14 April 2023	29 March 2024	29 March 2025	31 March 2026

The performance period for the 2020 allocation was completed on 31 December 2022 and AECI achieved tenth position in the TSR peer group which resulted in no vesting for this performance measure. Neither the RONA nor the HEPS performance targets was achieved. 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

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

22. Finance costs

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Non-current debt	**(291)**	(173)	**(179)**	(120)
Current debt	**(282)**	(181)	**(249)**	(164)
Lease liabilities	**(53)**	(42)	**(28)**	(8)
Subsidiary companies	**–**	–	**(311)**	(157)
Joint ventures	**(11)**	(6)	**(23)**	(13)
Unwinding of discount[1]	**–**	(1)	**–**	–
	(637)	(403)	**(790)**	(462)

[1] This is associated with AECI Much Asphalt Proprietary Limited put options, as disclosed in note 35.

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	**2023**	2022	**2023**	2022
Subsidiary companies	**–**	–	**217**	153
Loans and receivables	**124**	89	**49**	48
	124	89	**266**	201

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.

Dividend income from investments is recognised in the statements of profit or loss when the shareholders' right to receive payment has been established.

24. Taxation expense

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Income taxation expense for the year:				
Current taxation expense	**(1 098)**	(864)	**(21)**	(78)
South African and foreign normal taxation	**(921)**	(810)	**(30)**	(81)
Foreign withholding taxes	**(106)**	(51)	**(2)**	(4)
Prior year adjustment[1]	**(71)**	(3)	**11**	7
Deferred taxation expense	**181**	61	**(9)**	53
South African and foreign deferred taxation	**174**	157	**(4)**	54
Derecognition of deferred taxation assets[2]	**–**	(86)	**–**	–
Taxation rate change	**–**	14	**–**	1
Prior year adjustment[1]	**7**	(24)	**(5)**	(2)
TOTAL INCOME TAXATION EXPENSE	**(917)**	(803)	**(30)**	(25)
The deferred taxation movement is attributable to the following items:				
Property, plant and equipment	**(17)**	18	**(6)**	(1)
Right-of-use assets and finance lease liabilities	**3**	7	**6**	1
Intangible assets	**24**	10	**–**	–
Provisions and deferred income	**57**	91	**(5)**	31
Pension fund employer surplus accounts	**8**	23	**8**	23
Deferred foreign exchange differences	**42**	12	**(8)**	(2)
Computed taxation losses utilised	**56**	(113)	**–**	–
Taxation rate change	**–**	14	**–**	1
Other[3]	**1**	23	**1**	2
	174	85	**(4)**	55
Adjustment for prior years	**7**	(24)	**(5)**	(2)
	181	61	**(9)**	53

24. Taxation expense CONTINUED

	GROUP		COMPANY	
%	**2023**	2022	**2023**	2022
Reconciliation of taxation rate computed in relation to profit before taxation:[4]				
Effective tax rate on profit before taxation[5]	**43.7**	45.7	**13.3**	10.5
S23N interest limitation	**(2.4)**	–	**(22.4)**	–
Goodwill impairment	**(0.3)**	–	**–**	–
Reversal of/(impairment) of investment[6]	**–**	–	**7.7**	(4.9)
Effective rate on adjusted profit before taxation[7]	**41.0**	45.7	**(1.4)**	5.6
Capital and non-taxable receipts	**3.4**	3.1	**29.6**	20.9
Non-taxable equity settled share-based payments	**–**	1.7	**–**	4.6
Dividends received	**–**	–	**10.0**	16.1
Other capital gains and non-taxable receipts[8]	**3.4**	1.4	**19.6**	0.2
Non-deductible expenses	**(9.4)**	(4.4)	**(3.5)**	(1.6)
Depreciation	**(0.5)**	(0.5)	**(1.7)**	(0.6)
Legal fees relating to AEL Burkina Société à Responsabilité Limitée customs matter	**–**	(0.9)	**–**	–
Unrealised foreign exchange differences	**(2.2)**	–	**–**	–
Unproductive Interest	**(0.7)**	–	**–**	–
Thin capitalisation limitation	**(1.5)**	–	**–**	–
Other non-deductible expenses[9]	**(4.5)**	(3.0)	**(1.8)**	(1.0)
Net equity-accounted income not included as taxable income in income taxation legislation	**0.5**	0.4	**–**	–
Foreign withholding taxation on dividends received and service fees in foreign jurisdictions (related party transactions)	**(5.1)**	(2.9)	**(1.1)**	(0.8)
Adjustment to taxation provision following final taxation computation on completion of taxation returns relating to prior years[1]	**(3.0)**	(1.5)	**2.7**	1.2
Capital gains	**–**	(0.6)	**–**	(0.1)
Taxation rate change[10]	**–**	1.3	**–**	0.2
Effect of taxation rates in foreign jurisdictions that differ from the South African normal taxation rate	**1.9**	1.8	**–**	–
Special taxation allowances (primarily research and development allowances in South Africa)	**0.4**	0.5	**0.7**	0.4
Unutilised and unrecognised assessed losses	**(3.1)**	(14.5)	**–**	–
AECI Schirm Germany[11]	**(3.8)**	(13.1)		
Spraypave Proprietary Limited[12]	**–**	(0.9)		
Loss making entities where deferred taxation is not recognised	**0.7**	(0.5)		
Other[13]	**0.4**	(0.9)	**–**	2.2
SOUTH AFRICAN STANDARD RATE	**27.0**	28.0	**27.0**	28.0

24. Taxation expense CONTINUED

[1] Included in prior year adjustments is R60 million paid relating to 2012-2018 transfer pricing assessment in a West African subsidiary. The remaining R11 million is a prior year adjustment relating to the (under) / over provision of tax in relation to 2022 year end tax liability, compared to the 2022 tax returns submitted to the revenue authorities.

[2] Derecognition of AECI Schirm Germany assessed losses due to uncertainty regarding the probability of future profits.

[3] Other comprises prepayments, income received in advance and other receivables.

[4] Additional disclosure will be provided in the AECI Tax Transparency Report.

[5] The effective tax rate for the Group is based on a tax expense of R917 million (2022: R803 million) over profit before tax of R2 099 million (2022: R1 759 million). The effective tax rate for the Company is based on a tax expense of R30 million (2022: R25 million) over a profit before tax of R226 million (2022: R238 million).

[6] Relates to the reversal of the impairment in investment of Much Asphalt Proprietary Limited.

[7] The profit before tax is adjusted to provide a comparable effective tax rate to the prior year. The adjusted profit before tax excludes the effects of the impairments and a once-off corporate transaction which has a nil tax effect.

[8] Sale of capital assets and partial income exemption.

[9] Other non-deductible expenses includes expenses not allowed as a deduction under respective income tax legislation. Examples of non-deductibles expenses are consulting fees (in certain circumstances), unrealised foreign exchange losses and expenses not in the production of income.

[10] The Corporate Income Tax Rate reduced from 28% to 27% effective 1 January 2023. The change in tax rate was effective for deferred tax purposes in 2022 financial year.

[11] Derecognition of deferred tax assets on assessed losses, timing differences at AECI Schirm Germany and unutilised current year losses and timing differences.

[12] Derecognition of deferred tax asset of Spray Pave (Pty) Ltd due to its divisionalisation into AECI Much Asphalt (Pty) Ltd.

[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	**2023**	2022
HEADLINE EARNINGS ARE DERIVED FROM:		
Profit attributable to the AECI Group	**1 174**	927
Impairment of goodwill	**20**	–
Impairment of property, plant and equipment	–	402
Impairment of property, plant and equipment - gross	–	430
Tax effects of impairment 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)
Tax effect of disposal of businesses and investment in subsidiaries	–	1
Loss/(surplus) on disposal of investment property, property, plant and equipment - net	**6**	(8)
Loss/(surplus) on disposal of investment property, property, plant and equipment - gross	**8**	(12)
Tax effects of disposal of investment property, property, plant and equipment	**(2)**	4
HEADLINE EARNINGS[1]	**1 200**	1 358

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

EARNINGS PER ORDINARY SHARE

	2023	2022
Basic (cents)	**1 112**	878
Headline (cents)	**1 137**	1 287
Weighted average number of ordinary shares in issue	**115 635 731**	120 062 335
AECI Community Education and Development Trust cancelled during the year (see note 13)	–	(4 426 604)
AECI Employees Share Trust cancelled during the year (see note 13)	**(10 117 951)**	–
Weighted average number of ordinary shares at the end of the year	**105 517 780**	115 635 731
Weighted average number of ordinary shares held by the consolidated AECI Employees Share	–	(10 117 951)
Weighted average number of contingently returnable ordinary shares held by the AECI	–	–
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 (2022: 105 517 780).

25. Earnings per share CONTINUED

	GROUP	
Cents	**2023**	2022
DILUTED EARNINGS PER ORDINARY SHARE		
Basic	**1 092**	874
Headline	**1 117**	1 280

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 earnings per share and diluted headline earnings per share have been calculated on the profit attributable to the AECI Group and headline earnings, respectively, for the financial year as shown above and on a weighted average number of shares of 107 462 685 (2022: 106 106 934). AECI's average share price since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, was R97.33 (2022: R99.30). The other dilutive potential ordinary shares do not have an exercise price.

	GROUP	
	2023	2022
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]	**1 944 905**	589 154
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**107 462 685**	106 106 934

1 Relates to performance shares

ACCOUNTING POLICY

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the AECI Group by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to the AECI 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 paid

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
DIVIDENDS PAID ON ORDINARY SHARES				
Final for the prior year: No. 178 of 580 cents (2022: 505 cents) paid on 11 April 2023	**612**	533	**612**	533
Interim for the current year: No. 179 of 100 cents (2022: 194 cents) paid on 6 September 2023	**106**	205	**106**	205
Total ordinary dividends paid: 680 cents (2022: 699 cents)	**718**	738	**718**	738
Dividend number 180 declared and approved by the Board on 27 February 2024 for the year ended 31 December 2023 of 119 cents (2022: 580 cents) per share is payable on 8 April 2024				
DIVIDENDS PAID ON AECI EMPLOYEE SHARE TRUST SHARES				
No dividend was declared in the current year (2022: 50 cents)	**–**	5	**–**	5
DIVIDENDS PAID TO SHAREHOLDERS OF THE AECI GROUP	**718**	743	**718**	743
DIVIDENDS PAID ON PREFERENCE SHARES				
Nos. 170 and 171 paid on 15 June 2023 and 15 December 2023, respectively	**4**	3	**4**	3
DIVIDENDS PAID TO MINORITY SHAREHOLDERS	**11**	14		
TOTAL DIVIDENDS PAID	**733**	760	**722**	746
Proposed final ordinary dividend No. 180 for the year ended 31 December 2023 of 119 cents (2022: 580 cents) per share payable on 8 April 2022	**126**	580	**126**	580
	126	580	**126**	580

ACCOUNTING POLICY

DIVIDENDS

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

27. Commitments and contingent liabilities

COMMITMENTS

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Capital commitments authorised	**1 135**	1 112	**64**	44
Contracted for	**318**	211	**39**	32
Not contracted for	**817**	901	**25**	12
Future rentals on short-term and low value assets	**60**	28	**–**	–
Payable within 1 year	**58**	26	**–**	–
Payable between 1 and 5 years	**2**	2	**–**	–

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.

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.

28. Financial instruments and financial risk management CONTINUED

CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

GROUP

		CARRYING AMOUNT		FAIR VALUE	
Rand million	Note	**2023**	2022	**2023**	2022
FINANCIAL ASSETS					
At fair value through other comprehensive income – equity instrument[1]		**62**	194	**62**	194
Listed shares – Level 1	9	**34**	166	**34**	166
Unlisted shares – Level 3	9	**28**	28	**28**	28
At fair value through profit or loss[2]		**449**	390	**449**	390
Forward exchange contracts – Level 2	12	**40**	90	**40**	90
Money market investment in collective investment schemes – Level 1	9	**265**	220	**265**	220
Employer surplus accounts – Level 1	9	**144**	80	**144**	80
Amortised cost		**8 775**	9 340		
Trade and other receivables[3]	12	**6 570**	6 970		
Cash[4]		**1 960**	2 059		
Loans receivable[3]		**15**	21		
Interest-bearing non-current loans to associates[4]	8	**56**	111		
Loans and receivables relating to other investments[4]	9	**174**	179		
		9 286	9 924	**–**	–
FINANCIAL LIABILITIES					
Amortised cost		**(11 614)**	(13 043)		
Trade payables[3]	17	**(5 994)**	(6 117)		
Bank overdraft[4]		**(59)**	(126)		
Loans from joint ventures 4	7	**(83)**	(141)		
Debt[5]	14, 18	**(5 435)**	(6 614)		
Interest accrued		**(43)**	(45)		
At fair value through profit or loss		**(43)**	(58)	**(43)**	(58)
Forward exchange contracts – Level 2	17	**(43)**	(44)	**(43)**	(44)
Put option liability – Level 3[6]		**–**	(14)	**–**	(14)
		(11 657)	(13 101)		

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 not measured at either 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 their carrying amounts
6 Not measured at fair value and subject to estimation uncertainty (see note 35)

28. Financial instruments and financial risk management CONTINUED

COMPANY

		CARRYING AMOUNT		FAIR VALUE	
Rand million	Notes	**2023**	2022	**2023**	2022
FINANCIAL ASSETS					
At fair value through other comprehensive income - equity instruments[1]		62	194	62	194
– Listed shares – Level 1	9	34	166	34	166
– Unlisted shares – Level 3	9	28	28	28	28
At fair value through profit or loss[2]		152	89	152	89
– Forward exchange contracts – Level 2	12	8	9	8	9
Employer surplus accounts – Level 1	9	144	80	144	80
Amortised cost		6 641	7 249		
– Trade and other receivables[3]	12	2 826	2 871		
– Cash[4]		103	21		
- Non-current loans to subsidiaries[4]	12	383	596		
– Current loans to subsidiaries[4]	6	3 228	3 676		
– Loans and receivables relating to other investments[4]	9	101	85		
		6 855	7 532	214	
FINANCIAL LIABILITIES					
At fair value through profit or loss		(22)	(19)	(22)	(19)
– Forward exchange contracts – Level 2	17	(22)	(19)	(22)	(19)
Amortised cost		(15 473)	(15 657)		
– Trade payables[3]	17	(2 690)	(2 775)		
– Bank overdraft[4]		(23)	(126)		
– Debt[5]	14, 18	(2 585)	(4 192)		
– Interest accrued		(30)	(38)		
– Loans from joint ventures[4]	7	(167)	(289)		
– Current loans from subsidiaries[4]	6	(9 978)	(8 237)		
		(15 495)	(15 676)		

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

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

3 The fair 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)
- 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 (see 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.

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.

28. Financial instruments and financial risk management CONTINUED

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.

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	**2023**	2022	**2023**	2022
Rand value of the hedging instruments, based on the contract rates	**156**	654	**756**	944
Profit/(Loss) on the hedging instruments recognised in the statements of profit or loss	**(42)**	78	**(2)**	78

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	**2023**	2022	**2023**	2022
Value of hedging instruments, based on the contract rates	**117**	95	**117**	95

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	**2023**	2022	**2023**	2022
Amount recognised directly in other comprehensive income in accordance with hedge accounting principles in respect of the effective portion of cash flow hedges	**(2)**	6	**–**	–

28. Financial instruments and financial risk management CONTINUED

HEDGE ACCOUNTING

If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in the 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:

	2023			2022		
Rand million	**Euro**	**US Dollar**	**Other**	Euro	US Dollar	Other
Cash and cash equivalents	(36)	69	21	(8)	166	37
Trade receivables	50	510	8	71	527	27
Trade payables	(249)	(1 021)	(19)	(241)	(1 037)	(90)
Gross exposure	(235)	(442)	10	(178)	(344)	(26)
Forward exchange contracts	(115)	524	(137)	(47)	948	(152)
NET EXPOSURE	(350)	82	(127)	(225)	604	(178)

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

	2023			2022		
Rand million	**Euro**	**US Dollar**	**Other**	Euro	US Dollar	Other
Cash and cash equivalents	1	–	–	–	(1)	8
Trade receivables	1	52	–	1	58	–
Loans to subsidiaries	–	383	–	–	346	–
Trade payables	(117)	(559)	(4)	(151)	(614)	(5)
Gross exposure	(115)	(124)	(4)	(150)	(211)	3
Forward exchange contracts	209	661	3	217	978	7
NET EXPOSURE	94	537	(1)	67	767	10

The following significant exchange rates applied during the year:

	CLOSING RATE		AVERAGE RATE	
	2023	2022	**2023**	2022
Euro	20.31	18.15	19.95	17.21
US Dollar	18.35	17.01	18.45	16.37

28. Financial instruments and financial risk management CONTINUED

Sensitivity analysis

Based on the Group's net exposure to currency risk, a 10% strengthening of the South African Rand against the exposed currencies at 31 December would have (decreased)/increased 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 2022.

	GROUP		COMPANY	
Rand million	**2023**	2022	**2023**	2022
Equity[1]	**(58)**	(121)	**(37)**	(34)
Profit for the year before tax	**(21)**	(87)	**34**	66

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

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	**2023**	2022	**2023**	2022	**2023**	2022
GROUP						
South African Rand						
– Current (see note 18)	**609**	4 251	**609**	4 251	**–**	–
– Non-current	**2 000**	–	**2 000**	–	**–**	–
Euro						
– Current	**–**	1 416	**–**	799	**–**	617
– Non-current	**1 991**	–	**1 991**	–		
US Dollar						
– Current	**122**	340	**122**	340	**–**	–
– Non-current	**472**	376	**472**	376	**–**	–
Australian Dollar						
– Non-current	**238**	231	**238**	231	**–**	–
Brazilian Real						
– Non-current	**3**	–	**–**	–	**3**	–
	5 435	6 614	**5 432**	5 997	**3**	617
Loans from joint ventures	**83**	141	**83**	141	**–**	–
TOTAL	**5 518**	6 755	**5 515**	6 138	**3**	617
COMPANY						
South African Rand						
– Current	**585**	4 192	**585**	4 192	**–**	–
– Non-current	**2 000**	–	**2 000**	–	**–**	–
	2 585	4 192	**2 585**	4 192	**–**	–
Loans from joint ventures	**167**	289	**167**	289	**–**	–
Loans from subsidiaries	**7 390**	5 702	**7 390**	5 702	**–**	–
TOTAL	**10 142**	10 183	**10 142**	10 183	**–**	–

28. Financial instruments and financial risk management CONTINUED

Sensitivity analysis

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.

The Group has estimated the impact on profit or loss of an increase or decrease of 100 basis points (2022: 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.

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

The analysis 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 2022.

	2023		**2022**	
	Increase/(decrease) in profit before tax		Increase/(decrease) in profit before tax	
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	**20**	**(20)**	18	(18)
3-month LIBOR	**–**	**–**	3	(3)
3-month SOFR	**6**	**(6)**	4	(4)
3-month EURIBOR	**20**	**(20)**	8	(8)
3-month BBSW	**2**	**(2)**	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. The Group successfully completed a formal process to refinance debt during the 2023 financial year. Refer to note 14 and note 37 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

Rand million	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2023						
FINANCIAL LIABILITIES						
NON-DERIVATIVE FINANCIAL LIABILITIES						
Unsecured debt	4 884	5 934	936	327	4 671	–
– Capital	4 841	4 841	609	–	4 232	–
– Interest accrued[1]	43	1 093	327	327	439	–
Secured debt	594	779	164	163	452	–
– Capital[3]	594	594	122	121	351	–
– Interest accrued[1]	–	185	42	42	101	–
Loans from joint ventures	83	83	83	–	–	–
Trade and other payables	5 994	5 994	5 994	–	–	–
Bank overdraft	59	59	59	–	–	–
Put option liability	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES						
Forward exchange contracts						
– inflows	–	(2 488)	(2 488)	–	–	–
– outflows	43	2 216	2 216	–	–	–
TOTAL FINANCIAL LIABILITIES[2]	11 657	12 577	6 964	490	5 123	–
PERCENTAGE PROFILE (%)		100	55	4	41	–

[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 secured debt relates to Schirm USA and is secured by property, plant and equipment brought into use in 2023 (see note 1 and note 14)

28. Financial instruments and financial risk management CONTINUED

(i) MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER

Rand million	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	–

[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 secured debt relates to Schirm USA and is secured by property, plant and equipment brought into use in 2023 (see note 1 and note 14)

28. Financial instruments and financial risk management CONTINUED

LIQUIDITY RISKS CONTINUED

(i) MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER CONTINUED

COMPANY

Rand million	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years
2023					
FINANCIAL LIABILITIES					
NON-DERIVATIVE FINANCIAL LIABILITIES					
Unsecured debt	2 615	3 293	781	196	2 316
– Capital	2 585	2 585	585	–	2 000
– Interest accrued[1]	30	708	196	196	316
Loans from joint ventures	167	167	167	–	–
Current loans from subsidiaries	9 978	9 978	9 978	–	–
Trade and other payables	2 690	2 690	2 690	–	–
Bank overdraft	23	23	23	–	–
DERIVATIVE FINANCIAL LIABILITIES					
Forward exchange contracts					
– inflows	–	(1 026)	(1 026)	–	–
– outflows	22	153	153	–	–
TOTAL FINANCIAL LIABILITIES[2]	15 495	15 278	12 766	196	2 316
PERCENTAGE PROFILE (%)		100	84	1	15
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	–	–
Non-current loans from subsidiaries	–	–	–	–	–
Lease liabilities					
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	–	–
Forward rate agreements		–			
TOTAL FINANCIAL LIABILITIES[2]	15 676	14 542	14 542	–	–
PERCENTAGE PROFILE (%)		100	100	–	–

[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.

28. Financial instruments and financial risk management CONTINUED

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.

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

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, accounts receivable, 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 and 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.

28. Financial instruments and financial risk management CONTINUED

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 tax. When these assets are derecognised, the gain or loss accumulated in other comprehensive income is reclassified to retained income. Dividends on these investments are recognised in the statements of profit or loss as investment income when they are declared and the Group has a right to receive them.

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 34, 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	**2023**	2022
TRANSACTIONS THAT TOOK PLACE WITH RELATED PARTIES OF THE COMPANY WERE:		
Leasing income and sales by the Company to		
– Subsidiaries	**298**	286
Sales to the Company by		
– Subsidiaries	**148**	131
Dividends received by the Company from		
– Subsidiaries	**84**	258
– Associates	**2**	–
Interest received by the Company from		
– Subsidiaries	**217**	153
Interest paid by the Company to		
– Subsidiaries	**311**	157
– Joint ventures and joint operations	**23**	13
Rental of premises to the Company by		
– Subsidiaries	**35**	32
Secretarial and administration fees paid to the Company by		
– Subsidiaries	**337**	255
OUTSTANDING BALANCES WITH RELATED PARTIES OF THE COMPANY AT 31 DECEMBER WERE: (see notes 6 and 7)		
Loan amounts owing to the Company by		
– Subsidiaries	**3 611**	4 272
Loan amounts owing by the Company to		
– Subsidiaries	**9 978**	8 237
– Joint ventures	**167**	289

29. Related party information CONTINUED

	GROUP	
Rand million	**2023**	2022
KEY MANAGEMENT PERSONNEL COMPENSATION[1]:		
– short-term employee benefits	**52**	49
– post-retirement benefits	**3**	2
– other long-term benefits	**1**	9
	56	60

Trade and other receivable 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. Pension fund employer surplus accounts

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 to.

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 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.

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 2023 both funds made the final distributions to former members with 'agterskot' payments and transfers taking place in May and June 2023. On completion of the distribution and remaining administrative matters, the trustees of both funds resolved to appoint liquidators. The appointment of the liquidator for the AEPF was approved by the FSCA on 13 September 2023 and for the DEPF on 11 December 2023.

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. The assets of the remaining two legacy funds have been distributed and no obligations remain for them.

The defined-benefit funds' financial positions at 31 December were:

	GROUP AND COMPANY	
Rand million	**Total 2023**	Total 2022
Fair value of plan assets	**12**	110
Present actuarial value of defined-benefit obligations	**(12)**	(12)
Asset ceiling	**–**	(98)
PENSION FUNDS' NET ASSETS	**–**	–
Net assets comprise:		
APF net liability recognised in other payables	**(3)**	(3)
ASPF net asset ("ESA")	**3**	3
	–	–

The fair value of the funds' plan assets at 31 December 2023 comprised mainly bonds and cash and there were no investments in equity instruments nor any AECI securities.

30. Pension fund employer surplus accounts CONTINUED

The Group has the following ESAs:

	GROUP AND COMPANY	
Rand million	**2023**	2022
NON-CURRENT	**373**	467
AECI Supplementary Pension Fund ("ASPF")	**3**	3
AECI Employees Provident Fund ("AEPrF")	**193**	–
AECI Defined Contribution Pension Fund ("ADCPF")	**177**	464
CURRENT - CLASSIFIED AS A FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS (see note 9)	**144**	80
AECI Employees Provident Fund ("AEPrF")	**85**	21
AECI Defined Contribution Pension Fund ("ADCPF")	**59**	59
	517	547

R302 million was transferred from the ADCPF to the AEPrF in accordance with s15E of the Pension Fund Act.

PENSION FUNDS' EMPLOYER SURPLUS ACCOUNT Rand million	ASPF 2023	ADCPF 2023	AEPrF 2023	**Total 2023**
At the beginning of the year	3	523	21	**547**
s15E transfer from the APF	–	(302)	302	**–**
Contribution holiday	–	(49)	(49)	**(98)**
Unvested retirement benefit equalisation target	–	25	–	**25**
Investment return	–	39	4	**43**
AT THE END OF THE YEAR	3	236	278	**517**

30. Pension fund employer surplus accounts CONTINUED

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

	GROUP	
Rand million	**2023**	2022
At the beginning of the year	**(186)**	(254)
Benefits paid	**4**	4
Exchange difference	**(34)**	(1)
RECOGNISED IN THE STATEMENTS OF PROFIT OR LOSS	**(9)**	(4)
Current service cost	**(2)**	(1)
Interest expense	**(7)**	(3)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**–**	69
Actuarial gain from changes in financial assumptions	**4**	76
Actuarial (loss)/gain on experience	**(4)**	(7)
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	**(225)**	(186)

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

%	**2023**	2022
Discount rate	**3.10**	1.15
Expected salary increases	**2.25**	2.00
Future pension increases	**2.00**	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 14,23 years (2022: 14,80 years)

Defined benefit obligation by participant category

Active participants	**(63)**	(90)
Deferred participants	**(48)**	(14)
Pensioners	**(114)**	(82)
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	**(225)**	(186)
Maturity profile of future payments:		
Expected within 12 months	**(8)**	(6)
Expected between 12 and 24 months	**(9)**	(7)
Expected between 24 and 36 months	**(10)**	(8)
Expected between 36 and 48 months	**(10)**	(9)
Expected between 48 and 60 months	**(11)**	(9)
Expected between 60 and 108 months	**(58)**	(50)
Expected thereafter	**(119)**	(97)
PRESENT ACTUARIAL VALUE OF DEFINED-BENEFIT OBLIGATIONS	**(225)**	(186)

30. Pension fund employer surplus accounts CONTINUED

SENSITIVITY ANALYSIS	31 December 2023	Discount rate	Discountrate
		+ 1%	- 1%
For a change in significant actuarial assumptions:			
Present actuarial value of obligations (South African Rand million)	225	196	256
Change in liability (%)		(12.7)	14.7

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 were:

	GROUP		COMPANY	
Rand million	2023	2022	2023	2022
Present actuarial value of defined-benefit obligations	(155)	(162)	(155)	(162)
At the beginning of the year	(162)	(180)	(162)	(180)
Current service cost	(1)	(1)	(1)	(1)
Interest cost	(18)	(19)	(18)	(19)
Benefits paid	15	16	15	16
Net actuarial gains	11	22	11	22
NET PRMA LIABILITY	(155)	(162)	(155)	(162)

30. Pension fund employer surplus accounts CONTINUED

Principal actuarial assumptions for the PRMA obligations were:

	GROUP	
%	**2023**	2022
Annual increase in healthcare costs	**8.40**	9.00
Discount rate	**11.30**	11.70

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	**2023**	2022	**2023**	2022
Current service cost	**(1)**	(1)	**(1)**	(1)
Interest cost	**(18)**	(19)	**(18)**	(19)
RECOGNISED IN THE STATEMENTS OF PROFIT OR LOSS	**(19)**	(20)	**(19)**	(20)
Remeasurements recognised in other comprehensive income in respect of PRMA obligations:				
Actuarial gain	**11**	22	**11**	22
RECOGNISED IN OTHER COMPREHENSIVE INCOME	**11**	22	**11**	22

30. Pension fund employer surplus accounts CONTINUED

Sensitivity analysis

	31 December 2023	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)	(155)	(143)	(169)	(169)	(143)
Change in liability (%)		(8)	9	9	(8)
Current service cost for 2024 (Rand million)	1	1	1	1	1
Change in current service cost (%)		–	–	18	(15)
Interest cost for 2024 (Rand million)	18	17	17	18	15
Change in interest cost (%)		–	–	9.7	(7.8)

EXPECTED DURATION OF LIABILITY

	GROUP		COMPANY	
Years	**2023**	2022	**2023**	2022
Undiscounted	**23.9**	25.3	**23.9**	25.3
Average duration - discounted	**9.8**	10.0	**9.8**	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 liability.

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

30. Pension fund employer surplus accounts CONTINUED

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.

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.

30. Pension fund employer surplus accounts CONTINUED

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 offices 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	
	2023 Direct	2022 Direct
EXECUTIVE DIRECTORS		
H Riemensperger[1]	**10 000**	–
MA Dytor[2]	–	222 669
KM Kathan[3]	–	183 791
A Takoordeen[4]	–	–
	10 000	406 460
PRESCRIBED OFFICERS[7]		
DJ Mulqueeny[5]	–	51 544
DK Murray	**47 524**	47 524
R Fernandes[6]	–	–
C Singh (Group Company Secretary)	–	–
	47 524	99 068
	57 524	505 528

[1] H Riemensperger has been appointed as Chief Executive Officer and Executive Director effective 1 May 2023.
[2] MA Dytor retired as Chief Executive Officer and Executive Director with effect from 31 January 2023.
[3] KM Kathan resigned, by mutual consent, as Executive Director with effect from 31 October 2023.
[4] A Takoordeen resigned as Chief Financial Officer and Executive Director with effect from 26 April 2023.
[5] DJ Mulqueeny retired with effect from 13 October 2023.
[6] R Fernandes was appointed Acting Chief Financial Officer with effect from 27 April 2023 until 31 December 2023.
[7] Prescribed Officers are classified in terms of Section 1 of the Companies Act, No. 71 of 2008.

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.

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

R thousands	Directors' fees	Chairman/ Committee fees	Attendance fees	2023 Total	2022 Total
KDK Mokhele	1 544	534	841	2 919	2 407
SA Dawson	786	817	1 072	2 675	1 995
FFT De Buck	324	394	678	1 396	1 035
WH Dissinger	786	866	1 135	2 787	2 067
G Gomwe (Retired on 31 May 2023)	124	190	200	514	1 318
P Mishic O'Brien	786	612	1 085	2 483	1 773
ST Coetzer[1]	2 840	428	1 061	4 329	988
R Ramashia (Retired on 31 May 2022)	–	–	–	–	421
AM Roets	324	339	791	1 454	964
PG Sibiya	324	418	564	1 306	1 155
	7 838	4 598	7 427	19 863	14 123

[1] ST Coetzer was appointed as Interim Chief Executive Officer from 1 February 2023 until 30 April 2023. During his tenure his additional remuneration amounted to R2,236,847 which is included in Directors' fees above.

[2] R Gabriels accepted the appointment of Group Chief Financial Officer and Executive Director contractually on 29 September 2023 with official start date on 2 January 2024.

EXECUTIVE DIRECTORS' REMUNERATION

R thousands	H Riemensperger	MA Dytor	KM Kathan	A Takoordeen	Total
2023					
Basic salary	6 267	586	4 478	2 239	13 570
Bonus and performance-related payments[1]	10 625				10 625
Expense allowances, medical aid and insurance contributions	2 051	4 138	622	769	7 580
Payment - mutually agreed terms	–	–	22 037	–	22 037
Retirement fund contributions	220	400	437	218	1 275
Total cash-settled share-based payments and other long-term benefits	–	351	822	–	1 173
AGGREGATE REMUNERATION PAID BY THE COMPANY	19 163	5 475	28 396	3 226	56 260

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

R thousands	H Riemensperger	MA Dytor	KM Kathan	A Takoordeen	Total
2022					
Basic salary	–	6 636	5 069	3 111	14 816
Bonus and performance-related payments	–	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	–	–	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

[1] 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

Prescribed officer's remuneration[1]

R thousands	C Singh	DJ Mulqueeny[1]	DK Murray	R Fernandes[2]	CBH Watson	Total
2023						
Basic salary	3 092	3 700	3 624	2 739	–	14 405
Bonus and performance-related payments	989	–	1 162	3 507	–	6 073
Expense allowances, medical aid and insurance contributions	607	736	854	987	–	3 415
Payment - mutually agreed terms	–	9 650	–		–	9 650
Retirement fund contributions	302	361	353	267	–	1405
Total cash-settled share-based payments and other long-term benefits	–	670	–			670
Aggregate remuneration	4 990	15 117	5 993	7 500	–	35 618
Aggregate remuneration paid by subsidiaries	–	(3 598)	–	–	–	(3 598)
AGGREGATE REMUNERATION PAID BY THE COMPANY	**4 990**	**11 519**	**5 993**	**7 500**	**–**	**32 020**

[1] DJ Mulqueeny retired effective 13 October 2023.

[2] R Fernandes served as acting Chief Financial Officer from 1 May 2023 until 31 December 2023.

2022	C Singh	DJ Mulqueeny	DK Murray	R Fernandes	CBH Watson	Total
Basic salary	2 917	3 490	3 419	–	753	10 579
Bonus and performance-related payments	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-tax 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-tax 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

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

AGGREGATE REMUNERATION

R thousands	2023
Non-executive Directors	19 863
Executive Directors	56 260
Prescribed Officers	35 618
	111 741

[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

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	Lapsed or forfeited	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	258 598	–	–
KM Kathan	June 2014	7,91	195 120	195 120	–	–
	June 2015	6,63	350 549	350 549	–	–
	June 2016	7,53	230 761	230 761	–	–
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	2 233 523	–	–

[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.

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

	NUMBER OF UNITS	
	2023	2022
Outstanding at the beginning of the year	**365 603**	482 453
Exercised during the year	**(365 603)**	(116 850)
OUTSTANDING AT THE END OF THE YEAR	**–**	365 603

KM Kathan exercised 153 848 EG units which generated a benefit of R821 554 before tax.
MA Dytor exercised 86 216 EG units which generated a benefit of R529 321 before tax.
DJ Mulqueeny exercised 125 539 EG units which generated a benefit of R670 378 before tax.

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

AECI PERFORMANCE SHARES ("PS")

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

		NUMBER OF PS			
	Grant date	Granted	Vested	Lapsed or forfeited	Outstanding
MA Dytor[1]	April 2020	120 924	–	120 924	–
	April 2021	78 636	–	–	78 636
	April 2022	69 294	–	–	69 294
	April 2023	93 080			93 080
KM Kathan[2]	April 2020	80 152	–	80 152	–
	April 2021	52 388	–	–	52 388
	April 2022	46 161	–	–	46 161
	April 2023	61 409			61 409
DJ Mulqueeny[3]	April 2020	39 323	–	39 323	–
	April 2021	30 782	–	–	30 782
	April 2022	27 112	–	–	27 112
	April 2023	36 391			36 391
DK Murray	April 2020	38 865	–	38 865	–
	April 2021	30 745	–	–	30 745
	April 2022	27 112	–	–	27 112
	April 2023	35 677	–	–	35 677
R Fernandes	April 2020	30 120	–	30 120	–
	April 2021	19 521	–	–	19 521
	April 2022	17 414	–	–	17 414
	April 2023	23 401	–	–	23 401
C Singh	April 2022	22 682	–	–	22 682
	April 2023	30 525	–	–	30 525
A Takoordeen[4]	April 2022	46 294	–	46 294	–
H Riemensperger[5]	April 2023	93 080	–	–	93 080
		1 151 088	–	355 678	795 410

1 MA Dytor retired as Chief Executive and Executive Director effective 31 January 2023.
2 KM Kathan resigned, by mutual consent, as Executive Director effective 31 October 2023.
3 DJ Mulqueeny retired effective 13 October 2023.
4 A Takoordeen resigned effective 26 April 2023 and PS were forfeited.
5 The award date was retained as April 2023 even though appointed on 1 May 2023

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

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

	NUMBER OF PS	
	2023	2022
Outstanding at the beginning of the year	**710 470**	828 519
Lapsed during the year	**(325 558)**	(97 365)
Retirements during the year[1,3]	**(335 295)**	(121 507)
Resignation during the year[2]	**(159 958)**	–
Issued during the year	**373 563**	238 655
Appointment of acting CFO	**36 935**	–
Vested during the year	**–**	(137 832)
OUTSTANDING AT THE END OF THE YEAR	**300 157**	710 470

MA Dytor, KM Kathan and DJ Mulqueeny left during the year but retained there entitlement to the PS as 'good leavers'. The movement table above indicates that the performance shares held by directors and prescribed officers have reduced by that number of shares held by them and the balance outstanding at the end of the year comprises the PS held by DK Murray, R Fernandes, C Singh and H Riemensperger only.

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; 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.

The operating segments for the Group have been redefined from 1 January 2024 in line with the new strategy for the Group. Operating segments will be presented in line with this strategy in future periods.

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 2023	EXTERNAL REVENUE 2022	INTER-SEGMENT REVENUE 2023	INTER-SEGMENT REVENUE 2022	TOTAL SEGMENT REVENUE 2023	TOTAL SEGMENT REVENUE 2022
AECI Mining	19 492	17 886	129	210	19 621	18 096
AECI Water	1 978	1 983	31	35	2 009	2 018
AECI Agri Health	7 525	6 900	94	167	7 619	7 067
AECI Chemicals	8 053	8 399	106	130	8 159	8 529
AECI Property Services and Corporate	452	415	159	153	611	568
Inter-segment	–	–	(519)	(695)	(519)	(695)
	37 500	35 583	–	–	37 500	35 583

Rand million	DEPRECIATION 2023	DEPRECIATION 2022	AMORTISATION 2023	AMORTISATION 2022	IMPAIRMENTS[1] 2023	IMPAIRMENTS[1] 2022
AECI Mining	534	565	9	7	–	26
AECI Water	33	33	13	12	–	–
AECI Agri Health	198	180	34	29	20	445
AECI Chemicals	176	158	21	21	–	–
AECI Property Services and Corporate	48	34	1	1	–	–
Inter-segment	(13)	(14)	–	–	–	–
	976	956	78	70	20	471

Rand million	PROFIT/(LOSS) FROM OPERATIONS 2023	PROFIT/(LOSS) FROM OPERATIONS 2022	EBITDA[2, 4] 2023	EBITDA[2, 4] 2022	CAPITAL EXPENDITURE 2023	CAPITAL EXPENDITURE 2022
AECI Mining	2 060	1 743	2 616	2 342	607	582
AECI Water	139	212	185	257	30	24
AECI Agri Health	(192)	(297)	59	358	389	704
AECI Chemicals	515	562	738	765	191	161
AECI Property Services and Corporate	106	(170)	155	(135)	88	81
Inter-segment	(57)	(3)	(70)	(17)	–	–
	2 571	2 047	3 683	3 570	1 305	1 552

32. Operating segments CONTINUED

Rand million	OPERATING ASSETS[3, 4]		OPERATING LIABILITIES[3, 4]	
AECI Mining	**10 093**	10 144	**3 613**	3 386
AECI Water	**1 658**	1 815	**394**	376
AECI Agri Health	**6 623**	6 333	**2 551**	2 530
AECI Chemicals	**5 500**	5 760	**1 422**	1 842
AECI Property Services and Corporate	**1 303**	1 595	**437**	414
Inter-segment	**(748)**	(887)	**(659)**	(781)
	24 429	24 760	**7 758**	7 767

[1] Includes impairment of goodwill in 2023 and property, plant and equipment and right-of-use assets in 2022.

[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.

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

33. Business Combinations

GROUP

ACQUISITION OF DINASER

AECI Mining Brasil Ltda, a wholly-owned subsidiary of AEL Mining Services Ltd, acquired 100% of the share capital of Dinaser Indústria Comércio e Serviços Ltda (Dinaser), owned by Sérgio Helenir Lopes at the time. The effective date of the transaction was 3 July 2023 when all conditions precedent to the transaction had been fulfilled and the transaction became unconditional.

The purchase consideration for the transaction was BRL12.41 million (R49 million), which was paid in cash in two instalments, BRL5 million on the effective date of the agreement, 3 July 2023 and the second instalment, BRL7.41 million on the conclusion of the acquiree's balance sheet audit, 15 August 2023.

In addition to domestic growth, AECI's focus is also on expansion outside South Africa in its chosen strategic areas of Mining Solutions, Water & Process, Plant & Animal Health, Food & Beverage, and Chemicals. AECI already has well-established businesses in Africa, South East Asia, the USA, Central Europe and Australia. The Transaction is in line with the Group's further expansion in South America, specifically in Mining solutions. Dinaser presents a strong investment case for AECI.

CARRYING VALUE OF ACQUIREE'S NET ASSETS AT ACQUISITION DATE

Rand millions	
Property, plant and equipment	29
Intangible assets	12
Inventory	4
Accounts receivable	20
Accounts payable	(7)
Cash and cash equivalents	7
Taxes and contributions payable	(6)
Payroll charges payable	(2)
Non-current borrowings	(15)
NET IDENTIFIABLE ASSETS AND LIABILITIES ACQUIRED	**42**
Goodwill on acquisition	7
GROSS CONSIDERATION PAID	**49**

34. Principal subsidiaries

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INVESTMENT IN SUBSIDIARIES[#]		INTEREST OF AECI LIMITED[#] LOANS TO/(FROM)	
	2023	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
	Number of shares	**%**	%	**Rand million**	Rand million	**Rand million**	Rand million
INSURANCE							
Directly held							
AECI Captive Insurance Company Limited	**810 000**	**100**	100	**51**	51	**(239)**	(243)
AECI MINING							
Directly held							
AECI Mining Limited	**400 000 000**	**100**	100	**4 438**	4 438	**(1 609)**	22
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	**–**	–	**–**	–
AEL Burkina Société à Responsabilité Limitée[1]	**100 000**	**100**	100	**–**	–	**–**	–
AEL DRC Société Privée à Responsabilité Limitée[2]	**10 000**	**100**	100	**–**	–	**–**	–
AEL 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	**–**	–	**(463)**	(413)
African Explosives (Botswana) Limited	**3**	**100**	100	**–**	–	**–**	–
African Explosives Holdings Proprietary Limited	**4 331 278**	**100**	100	**–**	–	**(1 383)**	(1 381)
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							
ImproChem Proprietary Limited	**4 000**	**100**	100	**–**	–	**(667)**	(305)

[#] Original cost less impairments.

All companies are incorporated in the Republic of South Africa except for those whose country of incorporation is indicated by their registered company name, and those annotated as follows: 1. Burkina Faso 2. Democratic Republic of Congo 3. Zambia 4. Brazil

34. Principal subsidiaries CONTINUED

	ISSUED SHARE CAPITAL	EFFECTIVE SHAREHOLDING		INVESTMENT IN SUBSIDIARIES#		INTEREST OF AECI LIMITED# LOANS TO/(FROM)	
	2023	2023	2022	2023	2022	2023	2022
	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	13	22
Indirectly held							
Farmers Organisation Limited [5]	240	100	100	–	–	–	–
Schirm Gesellschaft mit beschränkter Haftung [6]	100	100	100	–	–	–	–
Other				–	–	(101)	(87)
AECI CHEMICALS							
Directly held							
Chemical Services Limited	83 127 950	100	100	818	818	(476)	(461)
SANS Fibers Incorporated [7]	100	100	100	–	–	383	346
SANS Fibres Proprietary Limited	17 979 433	100	100	8	8	(126)	(126)
Much Asphalt Proprietary Limited	100	100	98	1 756	1 677	356	350
Indirectly held							
Chemfit Proprietary Limited	4 000	100	100	–	–	(192)	(181)
Chemfit Fine Chemicals Proprietary Limited	1 000	100	100	–	–	(89)	(16)
Other				–	–	(529)	(497)
AECI PROPERTY SERVICES							
Acacia Real Estate Proprietary Limited	1 000	100	100	–	–	(316)	(315)
Paardevlei Properties Proprietary Limited	1	100	100	–	–	(377)	(378)
Other	–	–	–	3	3	(290)	(290)
OTHER				154	138	(12)	(12)
				7 251	7 156	(6 117)	(3 965)

Original cost less impairments

All companies are incorporated in the Republic of South Africa except for those whose country of incorporation is indicated by their registered company name, and those annotated as follows: 5. Malawi 6. Germany 7. United States of America.

35. 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	AEL Zambia[1]	Much Asphalt[2]	Other	Total
2023				
Non-controlling interest (%)	25	–		
STATEMENTS OF FINANCIAL POSITION				
Non-current assets	74	–		
Current assets	504	–		
Non-current liabilities	(13)	–		
Current liabilities	(143)	–		
NET ASSETS	422	–		
Carrying amount of non-controlling interest	106	–	55	161
STATEMENTS OF PROFIT OR LOSS				
Revenue	(830)	–		
Profit	46	–		
PROFIT FOR THE YEAR ALLOCATED TO NON-CONTROLLING INTEREST	11	–	(13)	(2)
STATEMENTS OF COMPREHENSIVE INCOME				
Other comprehensive income	(24)	–	(8)	(32)
OTHER COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	(6)	–	(4)	(10)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO NON-CONTROLLING INTEREST	5	–	(17)	(12)
STATEMENTS OF CASH FLOW				
Dividends paid	–	–		
Other cash flows from operating activities	(42)	–		
Cash flows from operating activities	(42)	–		
Cash flows from investing activities	(1)	–		
Cash flows from financing activities	(4)	–		
Decrease in cash	(47)	–		
Cash at the beginning of the year	74	–		
CASH AT THE END OF THE YEAR	27	–		

[1] AECI Mining Limited holds 75% of AECI Mining Explosive Public Listed Corporation, domiciled in Zambia.

[2] During 2023, AECI Limited increased its shareholding in Much Asphalt Proprietary Limited to 100%. Much Asphalt Proprietary Limited holds 55% of East Coast Asphalt Proprietary Limited.

35. Non-controlling interest CONTINUED

Rand million	AEL 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] During 2023, AECI Limited increased its shareholding in Much Asphalt Proprietary Limited to 100%. Much Asphalt Proprietary Limited holds 55% of East Coast Asphalt Proprietary Limited.

35. Non-controlling interest CONTINUED

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 non-controlling equity holders exercised their put option before the expiry date and AECI Limited purchased the shares for R14 million.

The price paid was calculated based on the weighted average EBITDA for the three years preceding the exercise date, less net debt at the exercise date, multiplied by an EBITDA multiple of 7.7

Rand million	**2023**	2022
Balance at the beginning of the year	**14**	18
Settlement	**(14)**	–
Fair value adjustment on put option liability	**–**	(5)
Unwinding of discount	**–**	1
Non-controlling interest put option liability	**–**	14

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 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.

36. Events after the reporting date

No reportable events occurred after the reporting date.

37. Going concern

The Board continues to expect that the Group and the Company 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 exceed its liabilities for 2023.

The Group net asset value was R12 411 million at 31 December 2023 and for the year ended 31 December 2023 the Group earned EBITDA of R3 683 million. The Company net asset value was R2 019 million at 31 December 2023 and for the year ended 31 December 2023 the Company earned EBITDA of R741 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 2023, the Group and Company had undrawn bank facilities of approximately R3 700 million available (2022: R2 400 million), in addition to the cash on hand. This will position AECI to remain well capitalised.

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

38. Reportable irregularity

During 2023, a matter concerning a breach of controls and an unauthorised payment of an immaterial amount was identified through the Group's internal processes. The payment was initiated by a former executive, who is no longer employed by AECI. The Board considered the matter and put preventative measures in place. The external auditors raised a reportable irregularity with IRBA in terms of section 45 of the Auditing Profession Act, No. 26 of 2005 ("the Act"). The external auditors have subsequently completed their reporting responsibilities in terms of the Act and communicated in writing that the reportable irregularity is no longer taking place, and that management has taken the necessary steps for recovery of the loss. The external auditors have issued an unmodified opinion on the Group's financial statements. The Board mandated management to take necessary remedial actions.

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
Private Bag X21, Gallo Manor, 2052
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