

Notes to the financial statements

for the year ended 31 December 2008

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
1. PROPERTY, PLANT AND EQUIPMENT							
Group							
2008							
Cost	507	3 137	85	183	187	1 063	5 162
At the beginning of the year	397	1 682	72	132	137	462	2 882
Additions	57	227	11	29	42	671	1 037
Additions through business combinations	-	-	1	1	2	-	4
Transfer from assets held for sale	47	1 178	2	19	*	6	1 252
Disposals and transfers	(10)	(116)	(2)	(1)	(5)	(7)	(141)
Changes in the Group	(2)	47	(2)	(2)	*	(76)	(35)
Translation differences	18	119	3	5	11	7	163
<i>Less: accumulated depreciation and impairment</i>	167	2 261	55	135	113	-	2 731
At the beginning of the year	131	957	48	93	86	-	1 315
Disposals and transfers	(4)	(80)	*	(1)	(4)	(6)	(95)
Additions through business combinations	-	*	*	1	1	-	2
Transfer from assets held for sale	20	1 117	*	19	-	6	1 162
Changes in the Group	(4)	(4)	(3)	*	*	*	(11)
Translation differences	6	81	2	4	8	*	101
Impairment during the year	-	43	-	-	-	-	43
Depreciation for the year	18	147	8	19	22	*	214
Carrying amount	340	876	30	48	74	1 063	2 431
2007							
Cost	397	1 682	72	132	137	462	2 882
At the beginning of the year	398	2 616	100	165	113	301	3 693
Additions	95	337	14	21	40	181	688
Additions through business combinations	-	104	*	-	*	*	104
Transfer to assets held for sale	(47)	(1 178)	(2)	(19)	*	(6)	(1 252)
Disposals and transfers	(5)	(100)	(1)	(14)	(8)	(8)	(136)
Changes in the Group	(44)	(94)	(39)	(21)	(8)	(9)	(215)
Translation differences	*	(3)	*	*	*	3	-
<i>Less: accumulated depreciation and impairment</i>	131	957	48	93	86	-	1 315
At the beginning of the year	151	1 700	57	124	81	-	2 113
Disposals and transfers	(4)	(96)	(1)	(13)	(6)	-	(120)
Additions through business combinations	-	71	-	-	-	-	71
Transfer to assets held for sale	(20)	(1 117)	-	(19)	*	(6)	(1 162)
Changes in the Group	(17)	(68)	(20)	(18)	(6)	-	(129)
Translation differences	*	(2)	*	*	(1)	-	(3)
Impairment during the year	3	304	-	1	-	6	314
Depreciation for the year	18	165	12	18	18	-	231
Carrying amount	266	725	24	39	51	462	1 567

* Nominal amount.

R millions	Property	Plant and equipment	Furniture and fittings	Computer equipment	Motor vehicles	Under construction	Total
1. PROPERTY, PLANT AND EQUIPMENT (continued)							
Company							
2008							
Cost	35	1 496	23	42	18	84	1 698
At the beginning of the year	21	493	24	21	17	15	591
Additions	13	81	3	5	2	63	167
Additions through business combinations	-	-	-	-	-	-	-
Transfer from assets held for sale	1	978	-	19	-	6	1 004
Disposals and transfers	-	(54)	-	(3)	(1)	(6)	(64)
Changes in the Group	-	(2)	(4)	-	-	6	-
<i>Less: accumulated depreciation and impairment</i>	8	1 299	15	34	13	-	1 369
At the beginning of the year	6	292	16	15	11	-	340
Disposals and transfers	-	(47)	*	(3)	-	(6)	(56)
Transfer from assets held for sale	1	972	-	19	-	6	998
Changes in the Group	-	3	(3)	*	-	-	-
Impairment during the year	-	39	-	-	-	-	39
Depreciation for the year	1	40	2	3	2	-	48
Carrying amount	27	197	8	8	5	84	329
2007							
Cost	21	493	24	21	17	15	591
At the beginning of the year	57	1 519	51	58	19	29	1 733
Additions	4	116	9	4	3	*	136
Additions through business combinations	-	1	*	*	*	-	1
Transfer to assets held for sale	(1)	(978)	-	(19)	*	(6)	(1 004)
Disposals and transfers	-	(77)	-	(2)	(2)	-	(81)
Changes in the Group	(39)	(88)	(36)	(20)	(3)	(8)	(194)
<i>Less: accumulated depreciation and impairment</i>	6	292	16	15	11	-	340
At the beginning of the year	20	1 060	27	46	12	-	1 165
Disposals and transfers	(1)	(72)	-	(1)	(1)	-	(75)
Transfer to assets held for sale	(1)	(972)	-	(19)	*	(6)	(998)
Changes in the Group	(13)	(72)	(18)	(17)	(3)	-	(123)
Impairment during the year	-	269	-	1	-	6	276
Depreciation for the year	1	79	7	5	3	-	95
Carrying amount	15	201	8	6	6	15	251

* Nominal amount.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

1. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment losses

The Group's decision to close the remaining South African businesses of SANS Fibres (SANS) (see note 22) led to indications that all items of property, plant and equipment relating to these businesses may be further impaired. The plants of the nylon light decitex industrial (LDI) and polyethylene terephthalate (PET) polymer businesses will be dismantled and disposed of. The cost of dismantling the plants is expected to be higher than the recoverable value and, therefore, the assets have been fully impaired with the related impairment losses being recognised in the income statement of the Group under the heading of discontinued operations. This resulted in the recognition of impairment losses of R39 million for the year.

Other impairments of plant and equipment of R4 million were recognised in the income statement.

In 2007, impairment losses on the property, plant and equipment of SANS's businesses of R279 million was recognised in the income statement and classified as discontinued operations (see note 22). The impairment losses related to the polyester LDI and heavy decitex industrial businesses of SANS, which were closed in December 2007, and the nylon LDI and PET businesses. Impairment losses of R35 million on the plant and equipment of SANS Technical Fibers LLC were recognised.

R1 million on other plant and equipment was also recognised in the income statement under continuing operations.

Additional information

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Insured value of property, plant and equipment	8 101	9 233	3 188	6 506
Registers containing details of the properties of the Company and its subsidiaries and joint ventures are available for inspection at the registered offices of the companies.				

2. INVESTMENT PROPERTY

Cost or deemed cost	477	464	123	116
At the beginning of the year	464	473	116	120
Additions	7	*	7	*
Disposals and transfers	29	(9)	–	(4)
Changes in the Group	(23)	–	–	–
Less: accumulated depreciation	55	53	56	54
At the beginning of the year	53	55	54	52
Disposals and transfers	*	(4)	–	–
Depreciation for the year	2	2	2	2
Carrying amount	422	411	67	62
Fair value	2 964	4 100	228	186

* Nominal amount.

In 2008, the Valuation Division of Old Mutual Investment Group Property Investments compiled an independent valuation of R2 456 million, as at July, for that portion of the surplus Group-owned property located in Modderfontein and Somerset West. The valuation was performed to determine an indicative market value. Market value is based on the concept of highest and best use, which can be defined as the optimum likely use to which a property can be exploited, given the physical feasibility, the economic viability and legal constraints. A number of valuation techniques were used depending on the optimum likely use of the property. These techniques included the comparable sales approach, the residual sales approach based on a discounted cash flow and the income approach for the income-producing properties.

2. INVESTMENT PROPERTY (continued)

The comparable sales approach is based on recent sales of comparable properties in the surrounding area, which are analysed to provide an estimate of value for the subject property, with adjustments for differing characteristics. The comparable transactions are analysed in terms of their use and the purchase price adjusted for variances in the quality of the space. This purchase price is then divided by the Gross Lettable Area (GLA) to determine a value rate per square metre which is applied to the subject property in order to derive a value. The residual sales approach determines the present value of the difference between the income that will be derived from the sale of the subdivided erven, less the costs to be incurred to produce the income generated from the sale of the subdivided erven to arrive at a residual land value. The income approach is based on a discounted cash flow, incorporating the lease obligations, including escalations, to termination. At lease expiry, a new lease is assumed and the commencing rent is assumed to be the current gross market rental escalated at an appropriate growth rate. The present value of the future cash flow is added to the present value of the hypothetical exit value, being the hypothetical net annual income capitalised into perpetuity at an appropriate market-related rate. The discount and exit capitalisation rates are determined by reference to comparable sales, appropriate surveys prepared by industry professionals, benchmarking against other comparable valuations, and after consultation with experienced and informed persons in the property industry including other valuers, brokers, managers and investors.

The fair value of the remaining investment property is management's value based on the current usage and situation of the property.

In 2007, the fair value of investment property was determined based on an indicative third party offer for the Group's entire property portfolio and, for the Company, is based on management's valuation of the property.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Related amounts recognised in the income statement				
Rental income from investment property	117	103	131	121
Direct operating expenses				
– related to generating rental income	(33)	(30)	(33)	(30)
– not directly related to generating income	(14)	(16)	(14)	(16)
3. GOODWILL				
Cost	1 091	1 022	977	977
At the beginning of the year	1 022	1 035	977	983
Additions	60	7	–	9
Foreign currency translation	12	(4)	–	–
Disposals	(3)	–	–	–
Derecognition on the sale of Dulux business	–	(16)	–	(15)
Less: accumulated impairment losses	78	36	54	27
At the beginning of the year	36	16	27	24
Impairment charge for the year	42	20	27	3
Carrying amount	1 013	986	923	950
Goodwill is allocated to groups of cash-generating units based on Group business segments as follows:				
Mining solutions	273	273	–	–
Specialty chemicals	740	713	923	950
Carrying amount	1 013	986	923	950

Notes to the financial statements

for the year ended 31 December 2008 (continued)

3. GOODWILL (continued)

Goodwill arose on the acquisition of subsidiaries and businesses by the Group. The goodwill in the specialty chemicals segment is allocated to individual business units. During the year, a number of these business units were reorganised within the Group, which resulted in the impairment of the related goodwill allocated to those business units.

Impairment of goodwill

Goodwill is tested for impairment by calculating the value-in-use of the cash-generating unit or units to which the goodwill is allocated.

Value in use was determined by discounting the future cash flows generated from the continuing use of the cash-generating unit and was based on the following key assumptions:

- cash flows were projected based on actual operating results and the business plan; and
- a discount rate of 13,7 per cent was applied in determining the recoverable amount of the units. The discount rate was estimated based on the Group's weighted average cost of capital.

A reasonably possible change in the assumptions used to calculate the value in use is not likely to cause the carrying value of the remaining cash-generating units to exceed their recoverable amount.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
4. PENSION FUND EMPLOYER SURPLUS				
At the beginning of the year	226	196	226	196
<i>Pro rata</i> share of investment (loss)/income earned by the AECI Pension Fund	(13)	30	(13)	30
At the end of the year	213	226	213	226
An employer surplus account was created by the AECI Pension Fund on 1 October 2006 (see note 30), which the Company has recognised as an asset. The employer surplus account is allocated a <i>pro rata</i> share of the investment returns on the AECI Pension Fund invested assets and recognises the profit or loss in the income statement.				
5. INVESTMENT IN SUBSIDIARIES				
(see note 34)				
Unlisted shares			920	921
- At cost			976	976
- Less: accumulated impairment losses			(56)	(55)
Loans to subsidiaries			3 050	2 431
- Amounts owing			3 190	2 539
- Less: accumulated impairment losses			(140)	(108)
Investment in subsidiaries			3 970	3 352
Loans from subsidiaries			(544)	(1 062)
Net investment in subsidiaries			3 426	2 290

All subsidiaries' financial information included in the financial statements is prepared as at the reporting date of the parent.

Impairment losses on investments in unlisted shares of dormant companies were made with reference to the net asset value of those companies. Where this resulted in the value of the investment having a fair value lower than the carrying value, the investments were impaired (see note 17).

Impairment losses on the loans to subsidiary companies were made with reference to the net asset value of those companies and their ability to repay the loans. Where this resulted in the loan having a fair value lower than its carrying value, the loans were impaired. Impairment losses on loans were reversed in the prior year as a result of the related loan being recovered during the year (see note 17).

6. OTHER INVESTMENTS

Associate companies

Summarised financial information	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Total assets	74	100	-	-
Total liabilities	(46)	(76)	-	-
Revenue	144	103	-	-
Profit for the year	2	1	-	-

During the year the Group acquired a further effective holding of 9 per cent (2007 - 16 per cent) in Agvantage (Pty) Limited at a cost of R2 million (2007 - R3 million). The Group has significant influence as the actual holding is 50 per cent (2007 - 32 per cent) but the investment is held by a joint venture company in which the Group has a 50 per cent interest.

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
Dussek Campbell (Pty) Limited	49	49	-	-
Agvantage (Pty) Limited	25	16	-	-

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Unlisted shares at fair value	5	3	-	-
Indebtedness	(5)	(5)	-	-
Post-acquisition retained income	5	4	-	-
Balance at the beginning of the year	4	4	-	-
Dividend received	-	(1)	-	-
Current year's share of profit of associate companies	1	1	-	-
Total investment in associate companies	5	2		
Joint ventures (see note 33)			35	51
Unlisted shares at cost			28	28
Loans to joint ventures			7	23
Investments at fair value through profit and loss				
Listed investments at market value	82	98	-	-
Available-for-sale investments				
Unlisted investments at fair value	11	24	6	21
Shares				
- Botswana Ash (Pty) Limited	-	14	-	14
- Other	5	2	-	-
Indebtedness of unlisted investments	6	8	6	7
Total other investments	93	122	41	72
Total investments	98	124	41	72

The investment in Botswana Ash (Pty) Limited was transferred to assets and liabilities classified as held for sale at its carrying amount (see note 10). The investment was impaired during 2007 by R1 million.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
7. DEFERRED TAX				
At the beginning of the year	(165)	(111)	(173)	(72)
Transfer from net profit				
– normal activities	(140)	20	(47)	(18)
– disposals and impairments	(9)	(75)	(10)	(83)
– change in tax rate	7	–	7	–
Transferred directly (to)/from equity				
– foreign currency loan translation	33	1	24	–
– fair value adjustments	2	(1)	(2)	–
Changes in the Group	*	1	–	–
At the end of the year	(272)	(165)	(201)	(173)
Analysis by major temporary differences:				
Property, plant and equipment	85	86	13	(2)
Provisions	(336)	(243)	(284)	(219)
Share options hedge premium	(5)	(8)	(4)	(7)
Pension Fund surplus	60	66	60	66
Deferred foreign exchange differences	21	(12)	10	(14)
Computed tax losses	(115)	(86)	–	–
Fair value adjustments	18	16	(2)	–
Other	–	16	6	3
	(272)	(165)	(201)	(173)
Comprising:				
Deferred tax assets	(333)	(243)	(201)	(173)
Deferred tax liabilities	61	78	–	–
	(272)	(165)	(201)	(173)
8. INVENTORIES				
Raw and packing materials	1 189	544	450	159
Products and intermediates	1 457	969	742	515
Merchandise	21	12	–	–
Spares and stores	15	10	1	1
Property developments	113	45	–	–
	2 795	1 580	1 193	675
Inventories included above stated at fair value less costs to sell	285	108	117	64

* Nominal amount.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
9. ACCOUNTS RECEIVABLE				
Trade	2 855	1 738	1 461	792
Pre-payments	55	52	15	19
Other	278	234	77	108
	3 188	2 024	1 553	919
Trade receivables are exposed to credit risk as described in note 27.				
The maximum exposure to credit risk for trade receivables at 31 December by geographic region was:				
South Africa	2 013	1 570	880	871
Rest of Africa	309	240	123	44
North America	37	45	2	-
South America	39	48	26	28
Asia	23	36	21	29
Australia	13	8	7	3
Europe	47	45	33	35
United Kingdom	374	59	369	55
Classified as held for sale	-	(313)	-	(273)
	2 855	1 738	1 461	792
The ageing of gross trade receivables at 31 December was:				
Not past due	2 203	1 591	1 257	836
Past due 0-30 days	500	284	185	155
Past due 30-90 days	141	145	16	81
Past due more than 90 days	78	73	37	23
Classified as held for sale	-	(313)	-	(273)
	2 922	1 780	1 495	822
The ageing of impairments of trade receivables at 31 December was:				
Not past due	(16)	(1)	(15)	(1)
Past due 0-30 days	(3)	(3)	(2)	(3)
Past due 30-90 days	(21)	(8)	(2)	(7)
Past due more than 90 days	(27)	(30)	(15)	(19)
	(67)	(42)	(34)	(30)
Net trade receivables	2 855	1 738	1 461	792
Impairment of trade receivables				
At the beginning of the year	(42)	(35)	(30)	(25)
Additional impairments recognised during the year	(50)	(18)	(27)	(13)
Impairments reversed during the year	18	4	17	2
Impairments applied to trade receivables deemed irrecoverable	7	7	6	6
At the end of the year	(67)	(42)	(34)	(30)
Carrying amount of balances where terms have been renegotiated	7	13	7	12

Notes to the financial statements

for the year ended 31 December 2008 (continued)

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The Group has decided to dispose of its investment in Botswana Ash (Pty) Limited, an unlisted investment previously measured as a financial asset available-for-sale. The Group has entered into an agreement to sell its shares in that company but there are a number of conditions precedent which have to be met before the disposal can meet the criteria to derecognise the asset. As a result, the investment has been classified as held for sale at its carrying amount. The final sale price is still to be determined but management believes that the carrying amount represents the fair value of the asset.

The assets and liabilities classified as held for sale in 2007 related to the LDI and the PET polymer businesses of SANS. The Group actively engaged with several parties interested in purchasing the businesses. These negotiations were unsuccessful and were terminated during the year (see note 22). As a result, it is not expected that the disposal groups will be realised through a sales transaction and are, therefore, no longer classified as held for sale.

The major classes of assets and liabilities of businesses and subsidiaries that have been classified as held for sale are as follows:

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Assets classified as held for sale				
Property, plant and equipment †	–	90	–	6
Available-for-sale investments	14	–	14	–
Inventory	–	251	–	224
Accounts receivable	–	313	–	273
Cash and cash equivalents	–	13	–	–
	14	667	14	503
Liabilities classified as held for sale				
Accounts payable	–	250	–	234
	–	250	–	234

† Net of impairments of R252 million (Company – R214 million) in 2007.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
11. SHARE CAPITAL AND SHARE PREMIUM				
Ordinary shares				
Authorised				
180 000 000 shares of R1 each	180	180	180	180
Issued				
At the beginning of the year				
Group: 110 431 458 shares (2007 - 110 431 458)	110	110		
Company: 120 742 578 shares (2007 - 120 742 578)			120	120
Repurchased during the year				
Group: 3 469 171 shares (2007 - nil)	(3)	-		
Company: 1 895 592 shares (2007 - nil)			(2)	-
At the end of the year				
Group: 106 962 287 shares (2007 - 110 431 458)	107	110		
Company: 118 846 986 shares (2007 - 120 742 578)			118	120
Share premium less share issue expenses	108	343	215	343
At the beginning of the year	343	343	343	343
Shares repurchased during the year	(235)	-	(128)	-
	215	453	333	463
Treasury shares held by a subsidiary company 11 884 699 shares (2007 - 10 311 120)	12	10		
Unissued shares under the control of the directors:				
- Shares reserved to meet the requirements of the Company's share option scheme (see note 30)	1	1	1	1
The Company has purchased call options over AECl ordinary shares which will obviate the need for the Company to issue new shares in terms of the AECl share option scheme.				
Preference shares				
Authorised and issued				
3 000 000 5,5 per cent cumulative shares of R2 each	6	6	6	6
In terms of the Company's articles of association all payments of dividends on the preference shares and all payments to be made in respect of the preference shares in the event of liquidation shall be made in pound sterling and calculated as though the shares were one pound sterling. The capital repayment to preference shareholders, in the event of liquidation, is limited to 3 150 000 pound sterling (1,05 pound sterling per share).				

Capital management

The Board of directors' policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The Board of directors monitors the spread of shareholders, the level of dividends to ordinary shareholders and return on capital, which the Group defines as profit from operations plus investment income related to average property, plant and equipment, goodwill, investments, inventories and accounts receivable less accounts payable. The Group's target is to achieve a return on net assets of 23 per cent. In 2008 the return was 20,3 per cent (2007 - 16,5 per cent).

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	Weighted closing interest rate %	GROUP		COMPANY	
		2008 R millions	2007 R millions	2008 R millions	2007 R millions
12. NON-CURRENT BORROWINGS					
Unsecured					
Local					
<i>Loans</i>					
2008/2013	14,60	1 500	3	1 500	3
2006/2008	-	-	4	-	-
Foreign					
Loans – US dollar	4,06	52	209	52	195
Loans – other currencies	7,00	12	-	-	-
Secured					
Local					
Loans – other ¹	14,14	16	29	2	3
		1 580	245	1 554	201
Minority shareholder loan to subsidiary					
2004/2012 ²	14,48	277	299		
		1 857	544	1 554	201
Current portion (see note 15)		112	42	77	1
		1 745	502	1 477	200

1 Secured in terms of capitalised finance lease agreements over plant and equipment having a net book value of R1 million (2007 – R18 million) and mortgages over property having a net book value of R17 million (2007 – R24 million).

2 Equity loan from empowerment consortium to AEL Holdco Limited. Interest and capital repayments of the loan have been guaranteed by the Company.

Summary of repayments

R millions	Year	Local	Foreign	Total
Group				
	2009	98	14	112
	2010	97	3	100
	2011	576	47	623
	2012	646	-	646
	2013	376	*	376
		1 793	64	1 857
Company				
	2009	72	5	77
	2010	70	-	70
	2011	549	47	596
	2012	435	-	435
	2013	376	-	376
		1 502	52	1 554

* Nominal amount.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
13. NON-CURRENT PROVISIONS				
At the beginning of the year	374	389	296	313
Expenditure incurred during the year	(71)	(67)	(71)	(67)
Charged to the income statement during the year				
– Net operating costs	199	123	169	111
– Net loss/(income) from plan assets for post-retirement medical aid liabilities	57	(36)	46	(26)
Transferred from/(to) accounts payable	20	(35)	20	(35)
At the end of the year	579	374	460	296
Made up as follows:				
Environmental remediation	146	140	141	138
Post-retirement medical aid benefits	513	334	399	258
Actuarial valuation of obligations	919	797	712	617
Plan assets to meet post-retirement medical aid contribution liability	(406)	(463)	(313)	(359)
Current portion included in accounts payable (see note 14)	(80)	(100)	(80)	(100)
	579	374	460	296
Plan assets to meet post-retirement medical aid contribution liability	(406)	(463)	(313)	(359)
At the beginning of the year	(463)	(427)	(359)	(333)
<i>Pro rata</i> share of investment return earned by the AECl Pension Fund	25	(65)	19	(51)
Benefits paid	32	29	27	25

Environmental remediation

The environmental remediation provision is based on the Group's environmental policy and obligations in terms of legislation to remediate land. The expenditure is expected to be incurred substantially in 2009 and 2010 and to be completed in the foreseeable future. When detailed characterisation of the land is performed, the provision may need to be adjusted.

Post-retirement medical aid benefits

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

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
14. ACCOUNTS PAYABLE				
Trade	1 994	1 228	1 004	641
Non-trade	981	585	404	267
	2 975	1 813	1 408	908
Closure costs	170	108	170	108
Current portion of non-current provisions (see note 13)	80	100	80	100
	3 225	2 021	1 658	1 116
15. CURRENT BORROWINGS				
Current portion of non-current borrowings (see note 12)	112	42	77	1
Unsecured interest-bearing short-term borrowings	946	885	1 065	951
	1 058	927	1 142	952
16. REVENUE				
Sale of goods and related services	14 054	11 005	6 613	5 590
Leasing of investment property	117	103	131	121
Sale of surplus land	169	220	–	29
Sales to subsidiary companies			321	232
	14 340	11 328	7 065	5 972
Continuing operations	12 876	8 710	5 601	3 425
Local	9 470	6 988	4 142	2 914
Foreign	3 406	1 722	1 138	318
Sales to subsidiary companies			321	193
Discontinued operations	1 464	2 618	1 464	2 547
Local	877	1 714	877	1 711
Foreign	587	904	587	797
Sales to subsidiary companies			–	39
	14 340	11 328	7 065	5 972

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
17. NET OPERATING COSTS				
Cost of sales	10 813	8 414	5 608	4 629
Selling and distribution expenses	1 157	1 091	576	646
Closure costs and related impairments	204	117	204	117
Administrative expenses	1 180	1 016	516	535
Net operating costs	13 354	10 638	6 904	5 927
Continuing operations	11 841	7 963	5 350	3 333
Discontinued operations – closure costs and related impairments	204	117	204	117
Discontinued operations	1 309	2 558	1 350	2 477
Net operating costs have been arrived at after taking into account:				
Auditors' remuneration	17	16	6	5
– Audit fees	16	15	6	5
– Other services	1	1	*	*
Auditors' remuneration	17	16	6	5
– Continuing operations	16	14	5	4
– Discontinued operations	1	2	1	1
– Other services included in costs of disposal of discontinued operations	–	1	–	1
Change in fair value of listed investments classified as at fair value through profit and loss – continuing operations	33	(9)	–	–
Depreciation and amortisation	216	233	50	97
– Property, plant and equipment	214	231	48	95
– Investment property	2	2	2	2
Depreciation and amortisation	216	233	50	97
– Continuing operations	211	172	45	40
– Discontinued operations	5	61	5	57
Foreign exchange gains	(333)	(98)	(140)	(40)
– Realised	(179)	(75)	(32)	(33)
– Unrealised	(154)	(23)	(108)	(7)
Foreign exchange gains	(333)	(98)	(140)	(40)
– Continuing operations	(265)	(80)	(72)	(22)
– Discontinued operations	(68)	(18)	(68)	(18)

* Nominal amount.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
17. NET OPERATING COSTS (continued)				
Foreign exchange losses	301	93	162	41
– Realised	225	74	117	33
– Unrealised	76	19	45	8
Foreign exchange losses	301	93	162	41
– Continuing operations	247	77	108	25
– Discontinued operations	54	16	54	16
Technical fees paid	13	11	–	(1)
– Continuing operations	13	11	–	–
– Discontinued operations	–	–	–	(1)
Inventory	147	38	136	37
– Losses and write-downs	166	57	139	40
– Reversal of losses and write-downs	(19)	(19)	(3)	(3)
Inventory losses, write-downs and reversals	147	38	136	37
– Continuing operations	145	28	132	27
– Discontinued operations	2	10	4	10
Investments and loans to subsidiary companies			33	48
– Impairments			33	62
– Reversal of impairments			–	(14)
Impairments and reversals of impairment on investments and loans to subsidiary companies			33	48
– Continuing operations			33	48
– Discontinued operations			–	–
Increase in non-current provisions – continuing operations	199	123	169	111
– Environmental remediation	76	93	74	92
– Post-retirement medical aid benefits	123	30	95	19
Operating lease costs	70	90	20	50
– Continuing operations	61	78	11	36
– Discontinued operations	9	12	9	14
Research and development expenditure	13	7	10	4
– Continuing operations	13	6	10	3
– Discontinued operations	–	1	–	1

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
17. NET OPERATING COSTS (continued)				
Surplus on disposal of listed investments – continuing operations	(10)	(4)	–	–
Surplus on disposal of property, plant and equipment	(38)	(2)	(4)	(2)
– Property	(28)	–	–	*
– Plant and equipment	(10)	(2)	(4)	(2)
(Surplus)/loss on disposal of property, plant and equipment	(38)	(2)	(4)	(2)
– Continuing operations	(2)	(2)	4	(2)
– Discontinued operations	(36)	–	(8)	–
Total salaries and other staff costs	1 804	1 640	577	695
Salaries and other staff costs	1 681	1 542	514	628
Company contributions to pension funds	123	98	63	67
Total salaries and other staff costs	1 804	1 640	577	695
– Continuing operations	1 651	1 296	424	367
– Discontinued operations	153	344	153	328
18. INTEREST EXPENSE				
Interest paid	(276)	(173)	(251)	(180)
Non-current borrowings	(93)	(61)	(49)	(19)
Current borrowings	(183)	(112)	(178)	(109)
Subsidiary companies			(24)	(52)
Interest capitalised	40	8	3	–
	(236)	(165)	(248)	(180)
Continuing operations	(233)	(159)	(246)	(176)
Discontinued operations	(3)	(6)	(2)	(4)
19. INTEREST RECEIVED				
Subsidiary companies and joint ventures			327	178
Loans and receivables	30	30	17	15
	30	30	344	193
Continuing operations	28	28	328	181
Discontinued operations	2	2	16	12

* Nominal amount.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
20. INVESTMENT INCOME				
Dividends from investments	12	11	5	7
- Listed	7	4		
- Unlisted	5	7	5	7
Dividends from unlisted South African subsidiaries			233	225
	12	11	238	232
Continuing operations	12	11	238	227
Discontinued operations	-	-	-	5
Aggregate income from subsidiaries and joint ventures				
Dividends			233	225
Net interest received			303	126
Secretarial and administrative fees			15	10
			551	361

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
21. INCOME TAX EXPENSE				
Current tax	(423)	(276)	(163)	(113)
South African and foreign normal tax	(398)	(247)	(153)	(109)
Foreign withholding taxes	(1)	*	-	*
Secondary tax on companies	(24)	(29)	(10)	(4)
Deferred tax	192	61	99	105
Temporary differences	183	61	89	105
Disposals and impairments	9	-	10	-
	(231)	(215)	(64)	(8)
Adjustment for prior years	5	(2)	-	(4)
South African normal tax	52	5	48	1
Deferred tax	(47)	(7)	(48)	(5)
	(226)	(217)	(64)	(12)
Continuing operations	(238)	(246)	(80)	(78)
Discontinued operations	12	29	16	66
Analysis of deferred tax charge by major temporary differences:				
Property, plant and equipment	14	49	(4)	71
Provisions	137	24	95	58
Share options hedge premium	(3)	(10)	(3)	(9)
Pension Fund employer surplus	6	(9)	6	(9)
Deferred foreign exchange differences	-	1	-	*
Computed tax losses	29	(12)	-	(23)
Fair value adjustments	(2)	(1)	2	-
Change in rate	7	-	7	-
Other	4	19	(4)	17
	192	61	99	105
Prior year adjustment	(47)	(7)	(48)	(5)
	145	54	57	100
Computed tax losses				
Utilised to reduce deferred tax or create deferred tax assets	415	223	-	-
Losses on which no deferred tax assets were raised because of uncertainty regarding their utilisation	148	152	-	-
	563	375	-	-
	%	%	%	%
Reconciliation of tax rate computed in relation to profit before tax				
Effective rate	37,4	31,7	19,0	2,9
Capital and non-taxable receipts	3,2	17,1	20,3	38,7
Non-deductible expenses	(9,0)	(4,8)	(6,3)	(1,0)
Secondary tax on companies	(4,0)	(4,3)	(2,9)	(1,1)
Adjustment for prior years	0,8	(0,3)	(0,1)	(1,0)
Capital gains	(0,7)	(7,0)	(0,2)	(9,5)
Tax rate change	(1,1)	-	(1,8)	-
Other	1,4	(3,4)	-	-
South African standard rate	28,0	29,0	28,0	29,0

* Nominal amount.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

22. DISCONTINUED OPERATIONS

The Group decision's to exit the businesses in the specialty fibres segment, taken in 2007, included the anticipated sales of the nylon LDI and PET polymer businesses, including SANS Technical Fibers, USA. Following unsuccessful attempts to dispose of the SANS businesses, the decision was taken that SANS Technical Fibers, USA will not be disposed of and will run as a stand-alone and self-sustaining entity for the foreseeable future and has, therefore, been reclassified as a continuing operation with the comparative figures adjusted accordingly. The remaining South African businesses of SANS will be closed and will discontinue manufacturing activities at the end of March 2009. As a result, closure costs and impairments in respect of these businesses amounting to R204 million have been charged to the income statement in the year to 31 December 2008.

The loss on disposal of discontinued operations is in respect of the disposal of the Dulux business. The loss was incurred as a result of a reduction of the purchase price based on a revised estimate of the cost of remediation of certain property occupied by Dulux.

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Results of discontinued operations				
Revenue	1 464	2 618	1 464	2 547
Net operating costs	(1 309)	(2 558)	(1 350)	(2 477)
Profit from operations	155	60	114	70
Closure costs and inventory impairments	(204)	(117)	(204)	(117)
Loss after closure costs	(49)	(57)	(90)	(47)
Interest paid	(3)	(6)	(2)	(4)
Interest received	2	2	16	12
Investment income	-	-	-	5
Impairment of discontinued plant and equipment	(39)	(62)	(39)	(62)
Impairment of property, plant and equipment classified as held for sale	-	(217)	-	(214)
Net (loss)/surplus on disposals of investments and businesses	(17)	378	(17)	333
(Loss)/profit before tax	(106)	38	(132)	23
Tax	12	29	16	66
(Loss)/profit for the year	(94)	67	(116)	89
Cash flows from/(utilised by) discontinued operations				
Net cash from operating activities	(63)	6	(64)	35
Net cash from investing activities	65	(106)	66	(125)
Net cash from financing activities	4	49	4	31
	6	(51)	6	(59)
Effect of the disposals				
Property, plant and equipment	-	86	-	70
Goodwill	-	16	-	15
Investments	-	1	-	24
Deferred tax	-	1	-	-
Inventory	-	191	-	172
Accounts receivable	-	246	-	226
Cash and cash equivalents	-	8	-	-
Borrowings	-	(1)	-	-
Accounts payable	17	(146)	17	(126)
Post-acquisition distributable reserves	-	(20)	-	-
Foreign currency translation reserve	-	4	-	-
Minority interest	-	(3)	-	-
Costs of disposal	-	6	-	6
Net assets and liabilities	17	389	17	387
(Loss)/surplus on disposal	(17)	378	(17)	333
Consideration received in cash	-	767	-	720

	GROUP	
	2008 R millions	2007 R millions
23. EARNINGS PER SHARE		
Headline earnings are derived from:		
Profit attributable to ordinary shareholders	385	455
Continuing operations		
Impairment of goodwill	42	20
Impairments of property plant and equipment and other investments before tax	4	37
Surplus on disposal of property, plant and equipment and businesses	(2)	(4)
Tax effects of the above items	(1)	(10)
Discontinued operations		
Impairment of property, plant and equipment	39	279
Net loss/(surplus) on disposal of investments and businesses	17	(378)
Surplus on disposal of property, plant and equipment	(36)	*
Tax effects of the above items	(5)	(7)
Headline earnings	443	392

	GROUP	
	2008	2007
Earnings per ordinary share (cents)		
Attributable	358	412
– Continuing operations	445	351
– Discontinued operations	(87)	61
Headline	412	355
– Continuing operations	485	390
– Discontinued operations	(73)	(35)
Weighted average number of ordinary shares in issue	119 453 853	120 742 578
Deduct treasury shares held	11 884 699	10 311 120
	107 569 154	110 431 458

Attributable and headline earnings per share have been calculated on the profit for the financial year as shown above and on the weighted average number of ordinary shares in issue of 107 569 154, net of treasury shares (2007 - 110 431 458).

Diluted earnings per ordinary share (cents)

Attributable	356	408
– Continuing operations	443	348
– Discontinued operations	(87)	60
Headline	410	352
– Continuing operations	483	387
– Discontinued operations	(73)	(35)

At 31 December 2008 there were 793 100 (2007 - 1 179 880) options outstanding under the employees' share option scheme. Taking these share options into account, diluted earnings per ordinary share and diluted headline earnings per ordinary share have been calculated on the profit for the financial year as shown above and on a weighted average number of shares of 108 118 964 (2007 - 111 384 469).

The average share price of AECL Limited since the beginning of the financial year, used in the determination of potentially dilutive ordinary shares, is R62,37 (2007 - R79,07) compared to an average exercise price on the outstanding options of R19,13 (2007 - R15,20).

* Nominal amount.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	GROUP	
	2008	2007
23. EARNINGS PER SHARE (continued)		
Reconciliation of the weighted average number of ordinary shares for diluted earnings per share:		
Weighted average number of ordinary shares	107 569 154	110 431 458
Number of options available for future exercise	793 100	1 179 880
Number of shares that would be issued at fair value	(243 290)	(226 869)
Weighted average number of ordinary shares for diluted earnings per share calculation	108 118 964	111 384 469

The diluted earnings per ordinary share have been shown in accordance with the provisions of IAS 33 (earnings per share). The Company has purchased call options over AECL ordinary shares which will obviate the need for the Company to issue new shares in terms of the AECL share option scheme. In practice, therefore, there will be no future dilution of earnings from this source.

	GROUP		COMPANY	
	2008	2007	2008	2007
	R millions	R millions	R millions	R millions
24. DIVIDENDS				
Ordinary				
Final for the previous year: No. 148 of 141 cents (2007 - 141 cents) paid 21 April 2008	152	155	167	170
Interim for the current year: No. 149 of 90 cents (2007 - 72 cents) paid 15 September 2008	96	80	108	87
Total ordinary dividends paid: 231 cents (2007 - 213 cents)	248	235	275	257
Preference				
Nos. 140 and 141 paid 13 June 2008 and 15 December 2008 respectively	2	2	2	2
	250	237	277	259
Proposed final dividend No. 150 for the year ended 31 December 2008 of 141 cents (2007 - 141 cents) per share payable on 20 April 2009	151	156	168	170
Secondary tax on companies thereon	15	16	17	17

	GROUP		COMPANY	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
25. BORROWINGS AND CONTINGENT LIABILITIES				
Borrowings	2 803	1 429	2 619	1 152
Non-current (see note 12)	1 745	502	1 477	200
Current (see note 15)	1 058	927	1 142	952
Contingent liabilities	82	94	-	-
Disputes with the SA Revenue Service in respect of various tax matters				
- property realisation companies	78	72	-	-
- other	4	22	-	-
Guarantees*	34	46	225	319
	2 919	1 569	2 844	1 471
26. COMMITMENTS				
Capital commitments authorised	978	1 251	65	108
Contracted for	550	340	22	62
Not contracted for	428	911	43	46
The expenditure will be financed from funds on hand and generated internally, supplemented by borrowings against facilities available to the Group				
The above includes the Group's share of capital commitments of joint ventures				
Future rentals on property, plant and equipment leased	317	253	101	129
Payable within one year	144	77	64	29
Payable between one and five years	171	139	37	79
Payable thereafter	2	37	-	21
	1 295	1 504	166	237

* Company – inclusive of guarantee as described in note 12.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group finances its operations by a combination of retained profits, current borrowings, non-current borrowings and financial instruments such as trade bills denominated in both rand and foreign currencies. The Group also enters into derivative transactions in order to manage the currency and interest rate risk arising from its operations.

The Group raises non-current and current borrowings centrally and on-lends to its operating units at market-related interest rates. The Group borrows in both the local and international debt markets in rand and foreign currencies, mainly at floating rates of interest. It uses derivatives where appropriate to generate the desired effective currency and interest rate profile. The derivatives used for this purpose are principally forward foreign currency contracts, cross-currency swaps, forward rate agreements, interest rate swaps and interest rate caps and floors.

The Group does not write interest rate or currency options and only purchases currency options where these are considered to offer a cost-effective alternative to forward foreign exchange contracts. It is Group policy that no financial instruments are purchased or sold unless they relate to underlying commercial transactions.

The main risks arising in the normal course of business from the Group's financial instruments are currency, interest rate, equity, liquidity and credit risk. This note presents information about the Group's exposure to these risks and the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included with other relevant notes as indicated.

The Board of directors is responsible for the risk management activities in the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Internal audit undertakes both regular and *ad-hoc* reviews of risk management controls and procedures, the results of which are reported to the Group audit and risk committee. This committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

	GROUP			
	Carrying amount		Fair value	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Categories of financial instruments and fair values				
<i>Financial assets</i>				
Available-for-sale financial assets ¹	473	464	473	464
– Unlisted investments	5	16	5	16
– Unlisted investments classified as held for sale	14	–	14	–
– Associate companies	10	7	10	7
– Cash and cash equivalents	444	428	444	428
– Cash and cash equivalents classified as held for sale	–	13	–	13
Financial assets at fair value through profit and loss	82	98	82	98
– Listed investment classified as held for trading	82	98	82	98
Loans and receivables	3 194	2 345	3 194	2 345
– Accounts receivable	3 188	2 024	3 188	2 024
– Accounts receivable classified as held for sale	–	313	–	313
– Loans relating to unlisted investments	6	8	6	8
	3 749	2 907	3 749	2 907

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

	GROUP			
	Carrying amount		Fair value	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions
27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)				
<i>Financial liabilities</i>				
– Loans by associate companies	(5)	(5)	(5)	(5)
– Accounts payable	(3 145)	(1 921)	(3 145)	(1 921)
– Accounts payable classified as held for sale	–	(250)	–	(250)
– Borrowings	(2 803)	(1 429)	(2 803)	(1 429)
	(5 953)	(3 605)	(5 953)	(3 605)

Fair value of financial instruments

The carrying amounts of financial instruments are either at fair value based on the methods and assumptions for determining the fair value as stated in the accounting policies or at values which approximate fair value based on the nature or maturity period of the financial instrument.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits.

(a) Currency risk

The Group's non-South African operations are relatively small in relation to its total operations. Where possible, foreign entities match their assets and liabilities in the same currency to avoid unnecessary currency exposures. However, forward currency markets do not exist in some of the territories in which the Group operates.

Currency risk arises as a result of sale and purchase transactions and borrowings in currencies other than rand. The currencies giving rise to currency risk are mainly US dollar, Japanese yen, euro and pound sterling. Currency exposures are managed using appropriate exposure management techniques.

The board of directors of each operating unit is tasked with managing the foreign currency exposures arising within its own unit in consultation with the central treasury function. All material purchases and sales in foreign currencies are transacted through the central treasury.

Fair value hedges

Fair value hedges have been recognised for the net exposure to trading in foreign currency. Forward exchange contracts have been designated as hedging instruments in respect of amounts denominated in US dollars, pound sterling, euro and Japanese yen.

The fair value of the hedging instruments at 31 December 2008 was R194 million (2007 – R46 million). The profits on the hedging instruments for the year were R15 million (2007 – losses of R2 million) and the gain on the hedged item attributable to the hedged risk was nil (2007 – nominal).

Notes to the financial statements

for the year ended 31 December 2008 (continued)

	Foreign currency	Foreign amount		GROUP	
		2008	2007	2008 R millions	2007 R millions
27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)					
Transactions in foreign currencies					
Forward exchange contracts at 31 December 2008, relating to specific balance sheet items					
Accounts receivable				122	310
	Euro	1	3	12	33
	Pound sterling	*	1	3	12
	US dollar	11	38	107	265
Accounts payable				368	360
	Euro	7	6	92	61
	Japanese yen	6	62	1	4
	Pound sterling	2	2	32	33
	Swiss franc	*	3	2	18
	US dollar	25	36	241	244
Non-current borrowings				1	172
	US dollar	*	25	1	172
Forward exchange contracts at 31 December 2008, not relating to specific balance sheet items but which were entered into to cover firm import and export commitments not yet due					
Imports				273	173
	Euro	9	5	115	48
	Pound sterling	3	1	36	17
	Swiss franc	3	3	27	22
	US dollar	10	13	95	86
Exports				42	51
	US dollar	4	7	42	51

Cash flow hedges

The Group has hedged its foreign currency exposure on the import of plant and equipment by a subsidiary company by entering into forward exchange contracts for the purchase commitments. The fair value of the forward exchange contracts at 31 December was R169 million (2007 – R76 million).

The Group has hedged its foreign currency exposure on the import of raw materials by entering into forward exchange contracts for the purchase commitments. The fair value of the forward exchange contracts at 31 December 2008 was R88 million (2007 – nil).

The cash flows relating to the hedging instrument will occur in 2009 and will not affect the income statement if the hedge is effective as the amount recognised in equity will be removed from equity and recognised in the initial cost of the items of plant and equipment, and inventory.

The amount recognised directly in equity for the year in respect of this cash flow hedge is a credit of R14 million (2007 – debit of R4 million).

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Exposure to currency risk

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

R millions	2008					2007				
	Euro	Pound sterling	Swiss franc	US dollar	Other	Euro	Pound sterling	Swiss franc	US Dollar	Other
Cash and cash equivalents	2	3	-	(1)	-	7	1	-	67	6
Trade receivables	30	7	-	631	21	39	9	-	210	12
Other receivables	-	-	-	5	4	1	1	-	7	-
Interest-bearing liabilities	-	-	-	(47)	-	-	-	-	(194)	-
Trade payables	(131)	(38)	(2)	(422)	(17)	(78)	(37)	(18)	(303)	(6)
Other payables	-	-	-	(13)	(1)	-	-	-	(4)	(1)
Gross balance sheet exposure	(99)	(28)	(2)	153	7	(31)	(26)	(18)	(217)	11
Forward exchange contracts	195	65	29	188	1	76	38	40	186	4
Net exposure	96	37	27	341	8	45	12	22	(31)	15

The following significant exchange rates applied during the year:

	Closing rate		Average rate	
	2008 Rand	2007 Rand	2008 Rand	2007 Rand
Euro	13,20	10,01	12,01	9,66
Japanese yen	0,10	0,06	0,08	0,06
Pound sterling	13,58	13,63	15,06	14,10
Swiss franc	8,87	6,05	7,52	5,89
US dollar	9,37	6,81	8,21	7,04

Sensitivity analysis

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

	GROUP	
	2008 R millions	2007 R millions
Revaluation reserve	(26)	(8)
Profit for the year before tax	(16)	(4)

Notes to the financial statements

for the year ended 31 December 2008 (continued)

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Interest rate risk

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

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

The interest rate risk profile of financial liabilities of the Group, at 31 December 2008, was:

Currency	Total		Floating rate financial liabilities		Fixed rate financial liabilities	
	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Rand						
– Current	1 045	923	1 041	915	4	8
– Non-current	1 695	297	1 686	281	9	16
Other						
– Current	13	4	5	–	8	4
– Non-current	50	205	47	194	3	11
Total	2 803	1 429	2 779	1 390	24	39
	Fixed rate financial liabilities		Weighted average interest rate		Weighted average period for which rate is fixed	
	2008 R millions	2007 R millions	2008 %	2007 %	2008 Months	2007 Months
Rand						
– Current	4	8	14,1	17,4	12,0	13,0
– Non-current	9	16	14,1	13,1	20,0	36,9
Other						
– Current	8	4	7,3	6,9	11,0	12,0
– Non-current	3	11	6,97	6,9	16,0	7,0
	24	39	10,8	11,2	26,7	24,0

The fair value adjustments on interest rate swap contracts were a gain of R6 million in 2008 and R5 million in 2007.

Cash flow hedges

The Group has hedged its interest rate exposure on certain non-current borrowings of the Company by entering into forward rate agreements for the interest repayment commitments. The fair value of the forward rate agreements at 31 December 2008 was R6 million (2007 – nil).

The cash flows relating to the hedging instruments will occur in 2009 and will not affect the income statement if the hedge is effective as the amount recognised in equity will be removed from equity and reclassified to retained income.

The amount recognised directly in equity for the year in respect of the cash flow hedges was a debit of R6 million (2007 – nil).

(c) Equity risk

The Group has listed investments as part of a portfolio in a subsidiary company and these investments are listed on the JSE Limited (JSE). Equity price risk arises from these equity securities. The securities are classified as at fair value through profit and loss as their performance is actively monitored and they are managed on a fair value basis (see note 6). A 1 per cent increase in the FTSE-JSE all share index would have resulted in an increase in the value of the securities and profit before tax of R1 million (2007 – R1 million), assuming that all other variables remained unchanged.

Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk through the management of working capital and cash flows. A balance between continuity of funding and flexibility is maintained through the use of borrowings from a range of institutions with varying debt maturities.

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(i) Maturity profile of financial liabilities at 31 December

Group

R millions	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
2008						
Financial liabilities						
Secured non-current borrowings	16	16	6	5	5	–
Unsecured non-current borrowings	1 841	1 841	105	95	1 641	*
Unsecured short-term borrowings	946	946	946	–	–	–
Interest on non-current borrowings ¹	40	1 127	258	255	614	–
Loans by associate companies	5	5	5	–	–	–
Accounts payable	2 164	2 164	2 164	–	–	–
Other payables	941	941	941	–	–	–
Total financial liabilities	5 953	7 040	4 425	355	2 260	–
Percentage profile (%)		100	63	5	32	–
2007						
Financial liabilities						
Secured non-current borrowings	29	29	12	6	11	–
Unsecured non-current borrowings	515	515	30	203	89	193
Unsecured short-term borrowings	885	885	885	–	–	–
Interest on non-current borrowings ¹	–	190	54	50	86	*
Loans by associate companies	5	5	5	–	–	–
Accounts payable	1 336	1 336	1 336	–	–	–
Accounts payable classified as held for sale	250	250	250	–	–	–
Other payables	585	585	585	–	–	–
Total financial liabilities	3 605	3 795	3 157	259	186	193
Percentage profile (%)		100	83	7	5	5

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

* Nominal amount.

(ii) Borrowing facilities

The Group ensures that adequate borrowing facilities are in place. The Group maintains a policy of ensuring that expected peak cash flows over the next 12 months are comfortably exceeded by existing facilities in order to preserve operational flexibility.

Some of the Group's loan agreements contain financial covenants. The Group complied with all such covenants.

Credit risks

Credit risks arise on cash and cash equivalents, investments and accounts receivable. The risk on cash and cash equivalents is managed by only investing with financially sound institutions and by setting prudent exposure limits for each institution. The risk arising on trade receivables is managed through normal credit policies using credit limits, continual review and exception reporting. The exposure to credit risk relating to trade receivables is decentralised with each operating unit managing its own credit control procedures because of the Group's diversified customer base. Adequate provision is made for impairment losses. Details of the carrying amounts and exposure to credit risk of trade receivables, as well as impairments recognised, are contained in note 9.

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

Notes to the financial statements

for the year ended 31 December 2008 (continued)

28. RELATED PARTY INFORMATION

The subsidiaries of the Group are identified in note 34, joint ventures and partnerships in note 33 and associate companies in note 6.

All transactions and balances with these related parties have been eliminated in accordance with, and to the extent required by, IAS 27 – consolidated and separate financial statements, IAS 28 – investments in associates and IAS 31 – interests in joint ventures.

Dividends received from associate companies amounted to nil (2007 – R1 million) and loans from associate companies amounted to R5 million (2007 – R5 million) (see note 6).

Transactions with directors are disclosed in notes 29 and 30.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

The transactions that took place with related parties of the Company were as follows:

	COMPANY	
	2008	2007
	R millions	R millions
Sales by the Company to		
– Subsidiaries	321	232
– Other	–	5
Sales to the Company by		
– Subsidiaries	36	43
Dividends received by the Company from		
– Subsidiaries	233	225
– Associates	–	1
Interest received by the Company from		
– Subsidiaries	326	177
– Joint ventures	1	1
Interest paid by the Company to		
– Subsidiaries	24	52
Rental of premises to the Company by		
– AECL Pension Fund	4	4
– Subsidiaries	17	21
Commission and administration fees paid by the Company to		
– Subsidiaries	61	47
Fees received by the Company from		
– Subsidiaries	15	11
– Joint ventures	1	1
Company contributions to pension and provident funds		
– AECL Pension Fund	55	45
– AECL Supplementary Pension Fund	2	5
– AECL Employees Provident Fund	35	35
– Chemical Services Group Provident Fund	2	5
Outstanding balances with related parties of the Company at 31 December were as follows:		
Amounts owing to the Company by		
– Subsidiaries	3 190	2 539
– Joint ventures	7	23
Amounts owing by the Company to		
– Subsidiaries	544	1 062

29. DIRECTORS' EMOLUMENTS AND INTERESTS**Executive directors**

R thousands	NC Axelson ¹	FPP Baker	GN Edwards ²	S Engelbrecht ³	KM Kathan ⁴	RA Williams ⁵	Total
2008							
Basic salary		1 860	2 124	663	672	1 344	6 663
Bonus and performance-related payments ⁶		4 186	1 475	282	462	858	7 263
Expense allowances, medical aid and insurance contributions		347	374	97	125	235	1 178
Retirement fund contributions		415	248	726	65	131	1 585
Share options exercised		-	-	-	-	-	-
Benefit unit payments		-	-	-	-	-	-
Aggregate emoluments		6 808	4 221	1 768	1 324	2 568	16 689
Aggregate emoluments paid by subsidiaries		(6 808)	-	-	-	-	(6 808)
Aggregate emoluments paid by the Company		-	4 221	1 768	1 324	2 568	9 881
2007							
Basic salary	1 308	1 548	1 470	2 652		800	7 778
Bonus and performance-related payments ⁶	631	505	31	1 093		392	2 652
Expense allowances, medical aid and insurance contributions	418	302	274	349		116	1 459
Retirement fund contributions	3 032	426	185	966		92	4 701
Share options exercised	-	-	-	-		-	-
Benefit unit payments	-	-	-	-		-	-
Aggregate emoluments	5 389	2 781	1 960	5 060		1 400	16 590
Aggregate emoluments paid by subsidiaries	-	(2 781)	-	-		-	(2 781)
Aggregate emoluments paid by the Company	5 389	-	1 960	5 060		1 400	13 809

1 NC Axelson retired on 31 July 2007.

2 GN Edwards was appointed chief executive on 1 March 2008.

3 S Engelbrecht retired as chief executive and an executive director on 1 March 2008. He was appointed non-executive director on 1 April 2008.

4 KM Kathan was appointed chief financial officer and financial director on 1 September 2008.

5 RA Williams resigned on 31 August 2008.

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

7 Share options issued to directors are set out in note 30. In 2008, after retirement as an executive director, S Engelbrecht exercised 90 000 options which generated a benefit of R4 251 188 before tax. None of the other directors exercised any of their options in either the current or the previous year.

8 There were no pensions paid by the Company to directors or past directors of the Company.

9 No compensation was paid to any director or past director for loss of office.

10 There are no service contracts with any director which have a notice period of longer than one month.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

29. DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

Non-executive directors

R thousands	Directors' fees	Chairman/committee fees	Additional payments	2008 Total	2007 Total
CB Brayshaw (retired on 21 May 2007)	–	–	–	–	107
RMW Dunne (appointed 1 January 2007)	150	145	–	295	206
S Engelbrecht (appointed 1 April 2008)	113	–	–	113	–
Z Fuphe (appointed 1 November 2007)	150	26	–	176	20
MJ Leeming	150	210	–	360	252
LM Nyhonyha	150	185	–	335	208
AC Parker (appointed 21 May 2007)	150	55	–	205	80
AE Pedder CBE (retired on 21 May 2007)	–	–	–	–	257
F Titi	150	450	–	600	390
LC van Vught (retired on 31 December 2008)	150	94	–	244	243
	1 163	1 165	–	2 328	1 763

Aggregate emoluments

R thousands	2008 Total	2007 Total
Executive directors	16 689	16 590
Non-executive directors	2 328	1 763
	19 017	18 353

Interest of directors in the share capital of the Company

The aggregate beneficial holdings of the directors of the Company in the issued ordinary shares of the Company at 31 December 2008 were as follows:

	Number of shares			
	2008 Direct	2008 Indirect	2007 Direct	2007 Indirect
Executive directors				
FPP Baker	2 500	–	1 500	–
GN Edwards	2 000	–	600	–
RA Williams ¹	–	–	6 000	–
	4 500	–	8 100	–
Non-executive directors				
S Engelbrecht	46 623	600	4 000	600
MJ Leeming	2 500	7 000	2 500	7 000
LC van Vught	6 000	5 500	6 000	5 500
	55 123	13 100	12 500	13 100
	59 623	13 100	20 600	13 100

¹ RA Williams resigned on 31 August 2008.

² Certain directors have outstanding share options as detailed in note 30.

30. EMPLOYEE BENEFITS**Retirement benefits**

The Group provides retirement benefits for all its permanent employees by means of a number of independent defined-benefit pension schemes and defined-contribution provident funds.

At 31 December 2008 the following funds were in existence:

	Date of last statutory valuation
Defined-benefit funds	
– AECl Pension Fund	1 March 2006
– AECl Employees Pension Fund	1 March 2007
– AECl Supplementary Pension Fund	1 March 2008
– Dulux Employees Pension Fund	1 March 2007
Defined-contribution funds	
– AECl Employees Provident Fund	n/a
– Chemical Services Group Provident Fund	n/a

Members pay a maximum contribution of 7,5 per cent of earnings, with the employer's contribution being 9 per cent.

The assets of the funds are under the control of the trustees of the respective funds.

All funds are governed by the Pension Fund Act, No. 24 of 1956, as amended. Defined-benefit funds are actuarially valued every three years using the accrued benefit method of valuation by independent firms of consulting actuaries, while for defined-contribution funds, no statutory valuations are required.

Principal actuarial assumptions at 31 December 2008 were as follows:

	GROUP	
	2008 %	2007 %
Discount rate	7,90	9,00
Expected return on plan assets	7,90	9,00
Future price inflation	3,50	5,10
Future salary increases	5,00	6,60
Future pension increases	3,15	4,61

The total cost recognised in the income statement of R37 million (2007 - R40 million) in respect of the defined-contribution funds represents contributions payable by the Group at the rates specified in the rules of the schemes. Amounts recognised in the income statement in respect of the defined-benefit funds were as follows:

	GROUP	
	2008 R millions	2007 R millions
Current service cost	70	69
Interest cost	549	496
Expected return on plan assets	(946)	(812)
Employer surplus account	13	(30)
Net actuarial loss recognised in the year	404	297
Recognised in profit from operations in respect of defined-benefit funds	90	20
Actual return on plan assets	(436)	1 534

Notes to the financial statements

for the year ended 31 December 2008 (continued)

30. EMPLOYEE BENEFITS (continued)

Retirement benefits

Based on interim valuations by the funds' actuaries, the funded status of the defined-benefit funds at 31 December 2008 was as follows:

	GROUP	
	2008 R millions	2007 R millions
Fair value of plan assets	9 880	10 758
At the beginning of the year	10 758	9 651
Expected return on plan assets	946	812
Net actuarial (loss)/gain	(1 382)	723
Employer contributions	57	50
Employee contributions	33	36
Benefits paid	(532)	(410)
Assets distributed on settlements	–	(104)
Present actuarial value of defined-benefit obligations	6 390	6 274
At the beginning of the year	6 274	5 901
Current service cost	70	69
Interest cost	549	496
Liabilities extinguished on settlements	–	(81)
Benefits paid	(532)	(410)
Employee contributions	33	36
Net actuarial (loss)/gain	(4)	263
	3 490	4 484
<i>Less: Pension Fund employer surplus</i>	213	226
Surplus of plan assets over defined-benefit obligations	3 277	4 258
Included in the fair value of plan assets are:		
Financial instruments of the Group	8	11
Property occupied by the Group	14	13

The surplus of assets over liabilities has not been recognised in the Group financial statements because:

- a substantial portion thereof is required to meet the solvency reserves determined to be necessary by the funds' actuaries; and
- the Company has no legal entitlement to the surplus, either during the life of the funds or on their dissolution, beyond the amount credited to the employer surplus account.

Historical information on retirement benefits

	GROUP				
	2008 R millions	2007 R millions	2006 R millions	2005 R millions	2004 R millions
Fair value of plan assets	9 880	10 758	9 651	7 558	5 553
Present actuarial value of defined-benefit obligations	(6 390)	(6 274)	(5 901)	(4 965)	(4 191)
	3 490	4 484	3 750	2 593	1 362
<i>Less: Pension Fund employer surplus</i>	213	226	196	–	–
Net assets	3 277	4 258	3 554	2 593	1 362

30. EMPLOYEE BENEFITS (continued)**Post-retirement medical aid benefits**

The Group provides medical aid benefits for all its permanent employees, principally via the AECl 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.

Principal actuarial assumptions for the post-retirement medical aid benefits were as follows:

	GROUP	
	2008 %	2007 %
Annual increase in healthcare costs	5,8	6,3
Discount rate	7,9	9,0

Based on interim valuations by the funds' actuaries, the funded status of the defined-benefit funds at 31 December 2008 was as follows:

	GROUP	
	2008 R millions	2007 R millions
Present actuarial value of defined-benefit obligations	919	797
At the beginning of the year	797	767
Current service cost	5	6
Interest cost	69	67
Liabilities extinguished on settlements	(66)	(69)
Net actuarial loss	114	26

Sensitivity analysis

An increase of 1 per cent and a decrease of 1 per cent in the assumed medical cost trend rates would have effected the obligation as follows:

	GROUP	
	1% increase R millions	1% decrease R millions
Current service cost	-	-
Interest cost	-	-
Increase/(decrease) in carrying amount of post-retirement medical aid obligation	91	(75)

Share option scheme

AECl Limited offers share options, without payment, to those employees of the Company or its subsidiary companies who the Board of directors, in its absolute discretion, considers play a role in the management of the Company or subsidiary companies and contribute to their growth and profitability.

Participants are entitled to exercise their options as follows:

- After 2 years – up to 20 per cent of the shares
- After 3 years – up to 40 per cent of the shares
- After 4 years – up to 60 per cent of the shares
- After 5 years – up to 100 per cent of the shares

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

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

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

30. EMPLOYEE BENEFITS (continued)

Included in outstanding share options are the following options granted to directors:

Expiry date	Exercise price (Rand)	Number of shares			
		Granted	Exercised	Lapsed	Outstanding
FPP Baker	17,50	20 000	–	–	20 000
FPP Baker	23,60	14 000	–	–	14 000
GN Edwards	23,60	14 000	–	–	14 000
S Engelbrecht	4,50	50 000	50 000	–	–
S Engelbrecht	17,50	40 000	40 000	–	–
S Engelbrecht	23,60	67 600	–	–	67 600
		205 600	90 000	–	115 600

Movements in the number of share options held by directors were as follows:

	Number of options	
	2008	2007
Outstanding at the beginning of the year	205 600	328 600
Changes in directors during the year	–	(123 000)
Exercised during the year		
– Exercised against share options hedge ¹	(90 000)	–
Outstanding at the end of the year	115 600	205 600

¹ The Company has purchased call options which will be exercised instead of issuing new ordinary shares which would otherwise have been issued when employees exercise their share options.

Cash-settled share-based scheme (benefit units)

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

The terms and conditions of the benefit units scheme are identical to the share option scheme except that they are settled in cash instead of by the issue of new ordinary shares.

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

Details of outstanding benefit units at 31 December 2008 were:

Expiry date	Date granted	Exercise price (Rand)	Number of shares			
			Granted	Exercised	Lapsed	Outstanding
February 2015	1 March 2005	41,00	332 200	21 660	–	310 540
July 2016	1 August 2006	56,00	221 085	850	–	220 235
February 2017	1 March 2007	70,90	199 725	–	–	199 725
July 2017	1 August 2007	80,45	29 200	–	29 200	–
February 2018	1 March 2008	67,25	184 550	–	–	184 550
			966 760	22 510	29 200	915 050

GROUP

	2008 R millions	2007 R million
Cash-settled share-based payment transactions recognised in the income statement	(8)	9
Total carrying amount of cash-settled share-based transaction liabilities	8	16

Notes to the financial statements

for the year ended 31 December 2008 (continued)

30. EMPLOYEE BENEFITS (continued)

Included in outstanding benefit units are the following units granted to directors:

	Date granted	Exercise price (Rand)	Number of units			
			Granted	Exercised	Lapsed	Outstanding
FPP Baker	1 March 2005	41,00	10 300	-	-	10 300
FPP Baker	1 August 2006	56,00	6 700	-	-	6 700
FPP Baker	1 March 2007	70,90	5 750	-	-	5 750
FPP Baker	1 March 2008	67,25	6 550	-	-	6 550
GN Edwards	1 March 2005	41,00	10 300	-	-	10 300
GN Edwards	1 August 2006	56,00	6 700	-	-	6 700
GN Edwards	1 March 2007	70,90	5 750	-	-	5 750
GN Edwards	1 March 2008	67,25	26 000	-	-	26 000
S Engelbrecht	1 March 2005	41,00	57 000	-	-	57 000
S Engelbrecht	1 August 2006	56,00	28 125	-	-	28 125
S Engelbrecht	1 March 2007	70,90	26 200	-	-	26 200
			189 375	-	-	189 375

31. INDUSTRY SEGMENT ANALYSIS

	2008		2007		2008		2007	
	R millions	R millions	R millions	R millions	R millions	R millions	R millions	
Business segment analysis	Revenue		Intersegment revenue		Total segment revenue			
<i>Continuing operations</i>	12 876	8 710	-	-	12 876	8 710		
Mining solutions	4 009	2 658	70	40	4 079	2 698		
Specialty chemicals	8 199	5 462	235	156	8 434	5 618		
Property	386	401	46	49	432	450		
Specialty fibres	282	189	-	-	282	189		
Group services, development and intergroup	-	-	(351)	(245)	(351)	(245)		
<i>Discontinued operations</i>	1 464	2 618	-	-	1 464	2 618		
Decorative coatings	-	654	-	-	-	654		
Specialty chemicals	-	15	-	-	-	15		
Specialty fibres	1 464	1 949	-	-	1 464	1 949		
	14 340	11 328	-	-	14 340	11 328		

31. INDUSTRY SEGMENT ANALYSIS (continued)

	2008 R millions	2007 R millions	2008 R millions	2007 R millions	2008 R millions	2007 R millions
Business segment analysis	Profit from operations		Depreciation		Impairments	
<i>Continuing operations</i>	1 035	747	211	172	4	55
Mining solutions	248	163	115	86	–	1
Specialty chemicals	851	570	93	74	4	20
Property	45	75	3	3	–	–
Specialty fibres	49	(10)	–	8	–	33
Group services, development and intergroup	(158)	(51)	*	1	–	1
<i>Discontinued operations</i>	155	60	5	61	39	281
Decorative coatings	–	44	–	12	–	–
Specialty chemicals	–	(3)	–	*	–	–
Specialty fibres	155	19	5	49	39	281
	1 190	807	216	233	43	336
Business segment analysis	Assets		Liabilities		Capital expenditure	
<i>Continuing operations</i>	9 335	6 584	2 827	1 828	1 007	627
Mining solutions	2 844	1 785	881	399	389	359
Specialty chemicals	5 575	3 847	1 583	1 023	595	236
Property	686	685	162	188	16	11
Specialty fibres	203	158	19	15	6	21
Group services, development and intergroup	27	109	182	203	1	–
<i>Discontinued operations</i>	514	651	398	443	37	61
Decorative coatings	–	(4)	–	1	–	20
Specialty chemicals	–	–	–	–	–	–
Specialty fibres	514	655	398	442	37	41
	9 849	7 235	3 225	2 271	1 044	688

* Nominal amount.

Assets in the property segment include land revaluation of R374 million (2007 – R375 million).

Capital expenditure includes interest capitalised of R40 million (2007 – R8 million).

Transactions between segments are at prices considered to be at arm's length.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

31. INDUSTRY SEGMENT ANALYSIS (continued)

	2008		2007			
Assets consist of:						
Property, plant and equipment	2 431		1 567			
Investment property	422		411			
Goodwill	1 013		986			
Inventory	2 795		1 580			
Accounts receivable	3 188		2 024			
Assets classified as held for sale	–		667			
	9 849		7 235			
Liabilities consist of:						
Accounts payable	3 225		2 021			
Assets classified as held for sale	–		250			
	3 225		2 271			
Geographical segment analysis	Revenue		Assets		Capital expenditure	
<i>Continuing operations</i>	12 876	8 710	9 335	6 584	1 007	627
Republic of South Africa	9 830	6 988	8 528	6 191	957	565
Rest of Africa	2 446	1 312	549	136	44	40
Europe	30	43	*	5	–	–
North America	300	203	205	158	6	21
South America	151	116	43	94	–	1
Rest of the world	119	48	10	*	–	*
<i>Discontinued operations</i>	1 464	2 618	514	651	37	61
Republic of South Africa	872	1 714	514	650	37	61
Rest of Africa	81	238	–	1	–	–
Europe	220	266	–	–	–	–
North America	2	–	–	–	–	–
South America	32	78	–	–	–	–
Rest of the world	257	322	–	–	–	–
	14 340	11 328	9 849	7 235	1 044	688

* Nominal amount.

32. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

The following acquisitions, paid for in cash, were made by the Group during the year:

Acquiree	Date of acquisition	% shares acquired	Consideration R millions	Net profit after tax since acquisition R millions
Subsidiary acquired				
Chemfit Industrial Holdings (Pty) Limited	1 July	100	74	6
Businesses acquired				
Bergen Trading cc ¹	1 December		4	
Chemical Specialities Limited ¹	1 April		1	
Dustaway (Pty) Limited ¹	1 July		6	
Tenside Trading cc ¹	1 July		3	
			88	

¹ The acquirees' profit or loss since the acquisition date cannot be determined due to the fact that the businesses acquired were merged with existing cash-generating units in the Group.

Acquisitions during the year had the following effect on the Group's assets and liabilities:

	R millions
Acquirees' net assets at the acquisition date	
Property, plant and equipment	1
Inventory	27
Accounts receivable	47
Accounts payable	(47)
Net identifiable assets and liabilities	28
Goodwill on acquisition	60
Consideration	88
Less: contingency payment outstanding	(10)
Net cash flow	78

Notes to the financial statements

for the year ended 31 December 2008 (continued)

33. INTERESTS IN JOINT VENTURES

	Effective percentage held by AECl Limited	
	2008	2007
Crest Chemicals (Pty) Limited	50	50
DetNet International Limited ¹	50	50
DetNet South Africa (Pty) Limited	50	50
DetNet Detonadores Electronicos Limitada ²	50	50
Resinkem (Pty) Limited	50	50
Resitec Industria Quimica Limited ³ †	50	
Specialty Minerals South Africa (Pty) Limited	50	50
	2008	2007
	R millions	R millions
The proportionate amounts relating to joint ventures were as follows:		
Balance sheets		
Property, plant, equipment and investments	56	23
Current assets	302	222
Total assets	358	245
Equity	146	81
Non-current borrowings	87	39
Current liabilities	125	125
Total equity and liabilities	358	245
Income statements		
Revenue	766	577
Cost of sales	(587)	(441)
Other income	6	2
Other expenses	(112)	(98)
Profit before tax	73	40
Tax	(24)	(13)
Profit for the year	49	27
Cash flow statements		
Cash flow from operating activities	(30)	(26)
Cash flow from investing activities	(5)	(11)
Cash flow from financing activities	(35)	(19)
Commitments		
Capital expenditure authorised	1	3
Future rentals on property, plant and equipment leased	3	21
	4	24

1 Ireland

2 Chile

3 Brazil

† The company became a joint venture during 2008 and was previously held as a subsidiary (see note 34).

34. PRINCIPAL SUBSIDIARIES ¹

	Issued share capital		Effective shareholding		Interest of AECI Limited #			
	2008	Number of shares	2008		Shares		Net indebtedness	
			2008	2007	2008	2007	2008	2007
			%	%	R millions	R millions	R millions	R millions
Holding companies								
<i>Directly held</i>								
AECI International (Ireland) Limited ¹	1	100	100		*	*	–	*
AECI Treasury Holdings (Pty) Limited	100	100	100		*	*	258	150
Athena Paint Investments S.A. ³	230 000	100	100		1	1	(39)	(39)
Capex (Pty) Limited	1 000 000	100	100		*	*	*	*
<i>Indirectly held</i>								
African Explosives Holdings (Pty) Limited	43 311 779	75	75		–	–	–	–
African Explosives International Limited ²	1 307	75	75		–	–	–	–
Athena Investments Limited S.A. ³	24 243 800	75	75		–	–	–	–
Insurance								
<i>Directly held</i>								
AECI Captive Insurance Company Limited	810 000	100	100		11	11	*	*
Chemrisk Services (Pty) Limited	20 000	–	100		–	*	–	*
Mining solutions								
<i>Directly held</i>								
AEL Holdco Limited	99 800 000	75	75		75	75	2 162	1 708
<i>Indirectly held</i>								
AEL Chemico-Mali SARL ¹⁴	8 659	75	75		–	–	–	–
AEL (Mauritius) Limited ¹³	866	75	75		–	–	–	–
African Explosives (Nigeria) Limited ⁶	352 000	–	75		–	–	–	–
African Explosives Limited ++	100	75	75		–	–	–	–
African Explosives (Botswana) Limited ⁴	3	75	75		–	–	–	–
African Explosives (Burkina Faso) Limited ¹⁶	100 000	75	75		–	–	–	–
African Explosives (DRC) Limited ¹⁷	10 000	75	75		–	–	–	–
African Explosives (Ghana) Limited ⁵	1 000 000	75	75		–	–	–	–
African Explosives (Tanzania) Limited ⁷	26	75	75		–	–	–	–
African Explosives (Zambia) Limited ⁸	25 508 250	60	60		–	–	–	–
Paints and allied products								
<i>Directly held</i>								
Dulux (Mozambique) Limitada ¹⁰	100	100	100		–	1	–	3
Property								
Heartland Properties (Pty) Limited	100	100	100		*	*	210	(12)
Other property subsidiaries					3	3	(47)	228

¹ See notes on page 162.

Notes to the financial statements

for the year ended 31 December 2008 (continued)

34. PRINCIPAL SUBSIDIARIES (continued)

	Issued share capital 2008	Effective shareholding		Interest of AECl Limited #				
		Number of shares	2008 %	2007 %	Shares		Net indebtedness	
					2008 R millions	2007 R millions	2008 R millions	2007 R millions
Specialty chemicals								
<i>Directly held</i>								
Chemical Services Limited	83 127 950	100	100	818	818	(548)	(734)	
<i>Indirectly held</i>								
Akulu Marchon (Pty) Limited +	410 000	100	100	-	-	-	-	
Atlas Consolidated Industries (Pty) Limited +	200	100	100	-	-	-	-	
Chemfit Industrial Holdings (Pty) Limited	4 000	100	-	-	-	-	-	
Chemical Initiatives (Pty) Limited +	1	100	100	-	-	-	-	
Chemiphos SA (Pty) Limited	170	100	100	-	-	-	-	
Chemserve Perlite (Pty) Limited +	800 000	100	100	-	-	-	-	
Chemserve Systems (Pty) Limited +	625 000	100	100	-	-	-	-	
Duco Speciality Coatings (Pty) Limited	100 000	100	100	-	-	-	92	
ImproChem (Pty) Limited	4 000	75	75	-	-	-	-	
Industrial Oleochemical Products (Pty) Limited +	4 001	100	100	-	-	-	-	
Industrial Urethanes (Pty) Limited +	100	100	100	-	-	-	-	
Lake International Technologies (Pty) Limited +	13 395	100	100	-	-	-	-	
Metswako Chemicals (Pty) Limited 4	1 000	75	75	-	-	-	-	
Plaaskem (Pty) Limited +	400	100	100	-	-	-	-	
Plastamid (Pty) Limited	128 500	100	100	-	-	-	-	
Resitec Industria Quimica Limited 15 +	2 905 200	-	60	-	-	-	-	
SA Paper Chemicals (Pty) Limited +	220 443	100	100	-	-	-	-	
Senmin SA (Pty) Limited	50 000	100	100	-	-	-	-	
Specialty fibres								
<i>Directly held</i>								
SANS Fibres (Pty) Limited +	17 979 433	100	100	8	8	(46)	(13)	
<i>Indirectly held</i>								
SANS Fibres Incorporated 12	100	100	100	-	-	198	138	
SANS Fibres (Europe) Limited 2	1 000	100	100	-	-	(3)	(3)	
SANS Technical Fibres LLC 12		100	100	-	-	-	-	
Other				4	4	361	(149)	
				920	921	2 506	1 369	

Cost less impairments.

+ Trading as an agent on behalf of AECl Limited.

++ Trading as an agent on behalf of AEL Holdco Limited.

† The company became a joint venture during 2008 (see note 33).

* Nominal amount.

All companies are incorporated in the Republic of South Africa except for the following:

1 Ireland; 2 United Kingdom; 3 Grand Duchy of Luxembourg; 4 Botswana; 5 Ghana; 6 Nigeria; 7 Tanzania; 8 Zambia; 9 Malawi; 10 Mozambique; 11 Swaziland; 12 United States of America; 13 Mauritius; 14 Mali; 15 Brazil; 16 Burkina Faso; 17 Democratic Republic of Congo.