2017
AUDITED GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

AFROX
A Member of The Linde Group

Contents

The financial statements of African Oxygen Limited haven been audited in compliance with the applicable requirements of the Companies Act of South Africa.

These annual financial statements for the year ended 31 December 2017 have been prepared under the supervision of the Group Financial Director, Matthias Vogt and were approved on 21 February 2017.

Published 22 February 2018

Audit Committee's report
for the year ended 31 December 2017

We are pleased to present the Audit Committee (the Committee) report for the financial year ended 31 December 2017.

COMMITTEE GOVERNANCE

The Committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in both the Companies Act 2008 and the requirements contained in King IV. It also executes further duties delegated to the Committee by the Board of directors. In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, 2008, we assist the Board by:

- advising and making submissions on financial reporting,statutory and JSE Limited (JSE) Listings Requirements;
- oversight of the risk management process and internal financial controls;
- integrity line complaints;
- information system controls;
- external and internal audit functions;
- statutory and regulatory compliance of the Company;
- the going concern of the company;
- banking facilities; and
- the Company's delegation of authority policy.

The role of the committee, and how it achieved its responsibilities, is described in its charter.

AUDIT COMMITTEE TERMS OF REFERENCE

As members of the Committee, we have conducted the Committee's affairs in compliance with its applicable terms of reference and have discharged the responsibilities contained therein. As a standing agenda item, we review the terms of reference annually to ensure it remains current and to identify any additional matters that need to be reviewed.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of three independent members who are non-executive directors of the Company: The current members are Nomfundo Qangule, Giullean Strauss and Chris Wells, who chairs. The Board is satisfied that the members fulfil the independence test as stipulated by the Companies Act. The Chairman of the Board, Managing Director, Financial Director, Head of Group Finance, Head of Internal Audit, our lead external audit partner and other assurance providers attend meetings by invitation only. Other members of Executive Management were invited to present at some of the meetings. The Audit Committee has closed sessions with both the internal and external auditors at the end of each meeting, without management being present.

The Audit Committee members are available for re-appointment by shareholders at the annual general meeting (AGM) scheduled for 17 May 2018.

MEETING ATTENDANCE

The Audit Committee is required to meet at least three times a year as per its terms of reference. For the 2017 financial year, it met on three occasions at meetings held on 21 February 2017, 6 September 2017 and 14 November 2017. Attendance statistics of the members can be found in the Integrated Report.

Further to the formal meetings, as Chairman of the Audit Committee, I have met with the external auditor and the Head of Internal Audit on a regular basis, independently of each other and management. In addition, I have had meetings with the Financial Director regarding matters concerning the Group and Company. The Chairman of the Audit Committee schedules regular meetings with the auditors, KPMG, to discuss all audit-related matters including internal financial controls

ROLE AND DUTIES

The Audit Committee's role and duties include statutory duties per the Companies Act and further responsibilities assigned to it by the Board. In the execution of its duties the Committee performed the following functions during the year under review:

- reviewed the interim and year-end financial statements, culminating in a recommendation to the Board that they be adopted;
- reviewed the external auditor's reports, after the interim and year-end financial audits;
- reviewed the internal audit and risk management reports and made recommendations to the Board; and
- reviewed the updated Levels of Authority for the company and its subsidiaries.

Reviews included:
- taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
- considering and, when appropriate, making recommendations on the effectiveness of internal controls;
- authorising the external audit fees in respect of both the interim review and year-end audit; and
- evaluating the effectiveness of risk management, controls and the governance processes.

Dealt with concerns or suggestions relating to:
- interpretation of International Financial Reporting Standards;
- resultant accounting policies;
- internal and external audit;
- the audit and content of annual financial statements;
- internal controls; and
- related matters.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

We are satisfied that the external auditor appointed has remained independent of the Company. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Audit Committee further believes that the appointment of KPMG Inc. complied with the relevant provisions of the Companies Act, 2008. The Committee, in consultation with executive management, agreed to the terms of engagement, audit plan and budgeted audit fees relating to the 2017 financial year-end audit. Details of the external auditor's fees are set out per note 19 on page 49.

As per the terms of reference, the Audit Committee governs the process regarding non-audit services. For all non-audit services above R500 000 these need to be pre-approved by the Audit Committee. For the year under review, the external auditors continued to provide non-audit services in the form of an Import Dispensation audit, providing Covenant Compliance Certificates in respect of the Syndicated facilities and taxation services relating to the Group Reorganisation programme. These appointments were assessed and approved by the Committee.

The Committee has reviewed and assessed KPMG Inc. and the designated individual partner in terms of the JSE Listings Requirements and confirms the suitability of their reappointment as the external audit firm at the annual general meeting.

The Committee has nominated, for election at the AGM, KPMG Inc. as the external audit firm, for the 2018 year.

FINANCIAL STATEMENTS, ACCOUNTING PRACTICE AND INTERNAL FINANCIAL CONTROLS

The Audit Committee reviewed the accounting policies and the financial statements of the Company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. The Audit Committee is satisfied that appropriate financial reporting procedures have been established and are operating to comply with paragraph 3.84(g)(ii). With regards to any concerns or suggestions received from the JSE Proactive Monitoring of Financial Statements, the Committee is satisfied that the concerns raised, were appropriately addressed.

No significant matters were raised by Internal Audit and External Audit relating to the accounting reporting practices, the content or auditing of its financial statements and internal financial controls of the Company. Based on the processes and assurances obtained, the Audit Committee believes that the significant internal controls are effective.

GOING CONCERN

The Audit Committee reviewed a documented assessment, including key assumptions, prepared by management of the going-concern status of the Company and made recommendations to the Board in accordance therewith. The Committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate.

INTERNAL AUDIT

The members of the Audit Committee are satisfied that the Company's Internal Audit function is independent and has the necessary resources, standing and authority within the Company to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between the internal and external auditors and serves as a link between the Board of directors and these functions.

The Internal Audit Charter is well supported by a comprehensive Internal Audit manual that has been in place for the past seven years. The Internal Audit function's annual audit plan was approved by the Audit Committee.

Audit Committee's report continued

for the year ended 31 December 2017

GOVERNANCE OF RISK

The Board has assigned oversight of the Company's risk management function to the Audit Committee. The Committee fulfils this role as an integral component of the Company's enterprise-wide risk management process as described in our terms of reference. The Committee has reviewed the Company's top risks and evaluated the status of implementing the associated mitigation actions.

PREVENTING AND DETECTING FRAUD

The Audit Committee received an overview regarding forensic investigations conducted by the Group Compliance and Forensics Manager and by Internal Audit. The Committee endorses management's effort in adopting zero-tolerance in the fight against fraud.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND THE FINANCE FUNCTION

As required by the JSE Listings Requirements 3.84(g)(i), we are satisfied that the Financial Director has the appropriate expertise and experience to meet his responsibilities in the position. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the Finance function and was satisfied with the experience of the senior members of management responsible for the Group function.

I thank the members of the Committee, Internal Audit and External Audit for their dedicated and constructive contributions to the functioning of the Committee.

Chris Wells
Chairman of the Audit Committee

21 February 2018

Directors' report
for the year ended 31 December 2017

The directors have pleasure in submitting the Group annual financial statements and annual financial statements for the year ended 31 December 2017.

In the context of the financial statements, the term 'Group' refers to African Oxygen Limited (Afrox) as the company and its subsidiaries as well as an associate and a trading trust. A list of the subsidiaries and associate appears on pages 73 to 77.

NATURE OF BUSINESS

Afrox is an industrial gas, welding products and liquefied petroleum gas (LPG) business, operating in sub-Saharan Africa. We provide solutions and services to meet the needs of customers and deliver product service offerings to targeted market segments. The business comprises large gas supply schemes, bulk industrial gas, packaged cylinder gases, welding products and liquefied petroleum gas; this includes products such as medical gas products, scientific gases, refrigerants, packaged chemicals and helium, gases and services and safety products and services.

LISTINGS

Afrox has its primary listing on the JSE Limited (JSE) and its secondary listing on the Namibian Stock Exchange (NSX). The abbreviated name under which the company is listed on the JSE is 'AFX' and on the NSX is 'AOX'. The company's JSE clearing code is ISIN: ZAE000067120.

AUDIT COMMITTEE REPORT

In line with its terms of reference approved by the Board of directors and the requirements of section 94 of the Companies Act of South Africa, the Audit Committee confirms that it has discharged all of its mandated responsibilities (refer to page 2 for details of functions performed by the Audit Committee). Afrox aspires to apply all the principles of the King Code of Governance Principles for South Africa (King IV).

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE'S REPORT

The Social, Ethics and Transformation Committee also confirms that it has discharged all its mandated responsibilities in line with its terms of reference approved by the Board of directors.

FINANCIAL RESULTS

The results of the Group's and the Company's operations for the year are set out in the income statements on page 23.

The Group results for the year show revenue of R5 693 million (2016: R5 537 million) with earnings before interest and tax at R1 183 million (2016: R1 237 million) and net profit attributable to the equity holders of the Company at R628 million (2016: R597 million). Basic earnings per share were 203.6 cents (2016: 193.3 cents) and diluted earnings per share were 201.8 cents (2016: 192.9 cents) per share. The statement of financial position continues to reflect that the Group is in a strong financial position with cash and cash equivalents at R1 344 million (2016: R1 153 million).

SHARE CAPITAL

The Company's authorised share capital remained unchanged. As at 31 December 2017, the Company's issued share capital is reflected in the following table:

	2017 and 2016 Number	R
Authorised ordinary	350 000 000	17 500 000
Issued	342 852 910	17 142 646
Unissued	7 147 090	357 354
Treasury shares	34 285 308	1 714 265

DISTRIBUTION TO SHAREHOLDERS

Details of dividends paid and declared to shareholders are set out in note 24 on page 52 to the financial statements and are available on our website, www.afrox.com. An interim dividend of 46 cents (2016: 38 cents) per ordinary share was paid on 9 October 2017.

A final dividend of 54 cents (2016: 56 cents) per ordinary share before the dividend taxation of 20% has been declared. The final dividend will be paid on 9 April 2018. The Board is satisfied that the Group's capital remaining after the payment of the final dividend will be sufficient to support the current operations and to facilitate the anticipated future developments of its business during the year ahead.

PARENT COMPANY

The parent company of Afrox is BOC Holdings and the ultimate parent company is Linde AG. Afrox is incorporated in the Republic of South Africa. The Linde Group is incorporated in Germany and is listed on all the German Stock Exchanges (where it forms part of the DAX 30 share index).

BOARD OF DIRECTORS

Composition of the Board

The Afrox Board currently consists of five independent non-executive directors, with two non-executive directors employed in executive capacities within the Linde Group and two executive directors. The Board composition and changes thereto during the year are detailed below. The Board members are:

- B Eulitz* – Chairman
- M von Plotho*
- SM Venter – Managing Director
- M Vogt* – Group Financial Director
- KDK Mokhele
- CF Wells**
- NVL Qangule
- GJ Strauss
- VN Fakude

COMPOSITION OF THE BOARD AND BOARD COMMITTEES

All committee members and committee chairmen are independent non-executive directors.

The committees are as follows:

Audit Committee

- CF Wells (Chairman)
- GJ Strauss
- NVL Qangule

Nominations Governance and management of Resources Committee

- GJ Strauss (Chairman)
- KDK Mokhele
- NV Fakude

Safety, Health Environment and Quality Committee

- KDK Mokhele (Chairman)
- GJ Strauss

Social, Ethics and Transformation Committee

- KDK Mokhele (Chairman)
- NVL Qangule
- S Venter

INTERESTS OF DIRECTORS

The directors have certified that they had no material personal interests in any transactions of any significance with the Company or any of its subsidiaries. Accordingly, no conflict of interest regarding directors' interests in contracts exists. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders appear on page 9 of this report.

* *German*
** *British*

COMPANY SECRETARY

Ms C Singh is the Company Secretary and her business and postal addresses appear on page 78 of this report.

The Board is satisfied that an arm's length relationship exists between it and the Company Secretary, who is not a member of the Board or a prescribed officer of Afrox.

The Company Secretary provides the Board with guidance in respect of the discharge of their duties and responsibilities and regarding legislation, regulatory, and governance procedures and requirements. The Board has access to, and is aware of, the responsibilities and duties of the Company Secretary and has committed itself to ensure that the Company Secretary is afforded the support required to perform her duties.

ADMINISTRATION

Computershare Investor Services (Proprietary) Limited is the share transfer secretary of the Company. The JSE sponsor is One Capital and the NSX sponsoring broker is Namibia Equity Brokers (Proprietary) Limited.

SUBSIDIARIES AND ASSOCIATE

Information regarding the Group's subsidiaries is set out in note 34 on page 73 and of the interest in its associate in note 36 on page 77.

INDEPENDENT AUDITORS

Provided that their appointment is confirmed at the AGM on 17 May 2018, the independent auditors, KPMG Inc. will continue in office for the ensuing period in accordance with section 84(4)(b) of the Companies Act of South Africa.

BORROWING FACILITIES

The Group's cash on hand at 31 December 2017 amounted to R1 344 million (2016: 1 153 million). Details of the long-term borrowings are set out in note 13 on page 45. There are no restrictions on the Company's borrowing capacity contained in the Memorandum of Incorporation.

LITIGATION STATEMENT

Afrox is currently a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG sector. Afrox is cooperating fully with the investigation. At the date of this report, there is no other outstanding litigation of a material nature against the Group.

EVENTS AFTER REPORTING DATE

The directors are not aware of any material matter or circumstance arising between 31 December 2017 and the date of this report on which comment is required.

Company Secretary's certificate
for the year ended 31 December 2017

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 31 December 2017 the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

C Singh
Company Secretary

Johannesburg
21 February 2018

Approval of the annual financial statements
for the year ended 31 December 2017

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of African Oxygen Limited, comprising the statements of financial position at 31 December 2017, the income statements and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and SAICA Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that they will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The Group annual financial statements and annual financial statements of African Oxygen Limited, as identified in the first paragraph, were approved by the Board of directors on 21 February 2018 and are signed by:

SM Venter
Authorised director
Managing Director

M Vogt
Authorised director
Group Financial Director

Johannesburg
21 February 2018

Shareholders' profile
for the year ended 31 December 2017

SHAREHOLDER SPREAD

To the best knowledge of management and after reasonable enquiry, the spread of shareholders at 31 December (as defined in the JSE Listings Requirements), was as follows:

	2017				2016			
	Number of share-holders	% of holders	Number of shares	% of issued share capital	Number of share-holders	% of holders	Number of shares	% of issued share capital
Distribution of shareholders								
Public companies	12	0.35	209 771 420	61.18	4	0.13	209 821 185	61.20
Insurance, investment and trust companies	143	4.58	67 961 007	19.82	92	3.09	31 439 904	9.17
Pension, provident funds and trusts	216	6.93	41 469 385	12.10	197	6.62	37 371 907	10.90
Banks and nominee companies	43	1.38	18 145 826	5.29	47	1.58	58 937 588	17.18
Individuals and deceased estates	2 583	82.82	4 216 646	1.23	2 519	84.68	4 549 023	1.33
Corporate bodies	70	2.24	963 662	0.28	64	2.15	470 309	0.14
Private companies	52	1.70	324 964	0.10	52	1.75	262 994	0.08
Total	3 119	100	342 852 910	100	2 975	100.00	342 852 910	100
Shareholder type								
Public shareholders	3 108	99.65	133 527 350	38.94	2 964	99.63	132 966 488	38.78
Non-public shareholders (within the Linde AG Group)	11	0.35	209 325 560	61.06	11	0.37	209 886 422	61.22
Strategic holdings (more than 10%)	1	0.03	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	5	0.16	500	0.00	5	0.17	500	0.00
Own holdings and share incentive scheme	5	0.16	36 278 647	10.59	5	0.17	36 839 509	10.75
Total	3 119	100.00	342 852 910	100	2 975	100.00	342 852 910	100

MAJOR SHAREHOLDERS

The shareholders registered as holding 1% or more of the share capital of the company at 31 December 2017 were:

	2017 Number of shares held	% of total	2016 Number of shares held	% of total
Beneficial shareholdings of 1% or more				
BOC Holdings (wholly owned subsidiary of Linde AG)	173 046 413	50.47	173 046 413	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00	34 285 308	10.00
Government Employees Pension Fund (previously Public Investment Corporation)	18 785 540	5.48	18 723 775	5.45
Coronation fund managers	14 545 684	4.24	–	–
State Street Bank (Custodian)	9 561 365	2.81	18 605 259	5.43
Henderson Global Investors	7 864 537	2.29	–	–
Aberdeen Global Fund	6 786 087	1.97	–	–
Investec Asset Management	5 605 413	1.63	5 739 119	1.67
Stewart Investors	5 399 089	1.57	–	–
CitiGroup (Custodian)	4 945 797	1.44	4 784 921	1.40
Old Mutual Group	4 023 643	1.17	–	–
Terra Partners Asset Management Limited	3 758 000	1.11	–	–
JP Morgan (Custodian)	–	–	6 093 948	1.78
Eskom Pension and Provident Fund	–	–	4 934 356	1.44
BNP Paribas (Custodian)	–	–	20 974 571	6.12
Sanlam Group	–	–	7 135 974	2.08
Allan Gray	–	–	6 018 945	1.76
	288 606 876	84.18	300 342 589	87.60
Other shareholders	54 246 034	15.82	42 510 321	12.40
Total	342 852 910	100.00	342 852 910	100.00

Shareholders' profile continued
for the year ended 31 December 2017

DIVIDENDS AND STATISTICS
Dividends
Details of gross dividends declared, paid and payable are as follows:

Number	Declaration date	Last date to trade (LDT) shares cum dividend	Ordinary shares trade ex dividend	Record date (RD)	Payment date	2017 Amount per share (cents)*	2016 Amount per share (cents)
179	7 September 2016	11 October 2016	12 October 2016	14 October 2016	17 October 2016		38.0
180	23 February 2017	7 April 2017	5 April 2017	7 April 2017	10 April 2017		56.0
181	8 September 2017	3 October 2017	4 October 2017	6 October 2017	9 October 2017	46.0	
182	21 February 2018	3 April 2018	4 April 2018	6 April 2018	9 April 2018	54.0	
						100.0	94.0

* *Before taxation on dividends at 20%.*

Statistics	December 2017	December 2016	December 2015	December 2014	December 2013
Share price (cents)					
– Closing	2 800	1 900	1 300	1 604	2 200
Ordinary shares in issue at financial year end ('000)	342 853	342 853	342 853	342 853	342 853
Number of shares traded ('000)	61 550	36 964	36 273	44 869	46 220
Value of shares traded (R'000)	1 359 223	664 641	500 448	878 493	1 013 911
Number of shares traded as a percentage of shares issued	18.0	10.8	10.6	13.1	13.5
Earnings yield (%)	7.3	10.2	10.3	1.7	4.6
Ordinary dividend yield (%)	3.6	4.9	5.3	1.5	2.1
Price: basic earnings ratio	13.8	9.8	9.7	59.9	22.0
Price: headline earnings ratio	13.9	10.0	9.3	44.4	23.1

Definitions of ratios and terms utilised for statistics

Earnings yield:	Basic earnings divided by closing share price
Ordinary dividend yield:	Dividends declared per share divided by closing share price
Price: basic earnings ratio:	Closing share price divided by basic earnings
Price: headline earnings ratio:	Closing share price divided by headline earnings

Independent auditor's report

TO THE SHAREHOLDERS OF AFRICAN OXYGEN LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of African Oxygen Limited (the Group and Company) set out on pages 14 to 77, which comprise the statements of financial position as at 31 December 2017, and the income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and the segmental report, remuneration report, the accounting policies and the notes to the financial statements.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of African Oxygen Limited as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Impairment of plant and equipment (relates to the consolidated and separate financial statements) Refer to note 1 from pages 32 to 34 of the consolidated and separate financial statements.	
At 31 December 2017, the carrying amount of plant and equipment subject to impairment testing in the Group and Company, amounted to R882 million. The determination of whether an impairment is required is subjective as judgement is required in determining the recoverable amounts. In calculating the recoverable amount, key assumptions are made by management over the cash flow forecasts, future growth rates and discount rates. Accordingly, due to the significance of the carrying amount of plant and equipment and the significant judgement used, the impairment assessment of plant and equipment was considered to be a key audit matter in the audit of the consolidated and separate financial statements in the current year.	As part of our audit procedures we: • Evaluated whether the model used to calculate the value in use of the individual assets complied with the requirements of IAS 36 *Impairment of Assets*. • Evaluated the key assumptions made by management in determining the value in use. • Compared the assumptions applied and inputs used in the impairment models to historical information and approved budgets. • Compared the forecasts used in the prior year to actual performance in the current year to determine the reliability of the forecasting process. • Evaluated the disclosures in respect of the impairment of property and equipment against the requirements of International Financial Reporting Standards.

Other information

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 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 Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of African Oxygen Limited for eleven years.

KPMG Inc.
LP Fourie
Chartered Accountant (SA)
Registered Auditor
Director

21 February 2018

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

Significant accounting policies
for the year ended 31 December 2017

BASIS OF PREPARATION

Reporting entity

African Oxygen Limited (Afrox or the "Company") is a Company domiciled in South Africa. The address of the Company's registered office is 23 Webber Street, Selby, Johannesburg, South Africa. Its parent company is BOC Holdings Limited (registered in the United Kingdom), a wholly-owned subsidiary of Linde AG (registered in Germany), which is the ultimate holding company of the Afrox Group. The consolidated financial statements of Afrox, as at 31 December 2017 and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the Group or individually as Group entities) and the Group's interest in an associate and a trading trust. The Group is primarily involved in the manufacture and distribution of gases and welding products.

These annual financial statements for the year ended 31 December 2017 were approved on 21 February 2017 and were prepared under the supervision Matthias Vogt, Chief Financial Officer.

Statement of compliance

The consolidated ("Group") and separate ("Company") financial statements (together referred to as the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa.

The financial statements are prepared on the going concern basis.

Functional and presentation currency

The financial statements are presented in South African Rands (Rands), which is the Company's functional and presentation currency. All financial information presented in Rands has been rounded to the nearest million (R'm) except for when otherwise indicated.

Basis of measurement

The financial statements are prepared using the historical cost basis except for the following items, which are measured using an alternative basis at each reporting date:

Items	Measurement bases
Retirement benefit assets and liabilities (refer note 6)	Fair value of plan assets less the present value of the defined benefit obligation
Derivative financial instruments at fair value through profit or loss (refer note 17)	Fair value
Share-based payment awards (refer to note 30)	Fair value of equity instruments granted. The fair value of the entity instruments granted is estimated using an industry accepted technique

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies that relate to specific line items of the statements of financial position and income statements have been disclosed in the relevant notes to the financial statements. Accounting policies not relating to specific line items and accounting policies that relate to more than one line item remain in this section.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied by all the Group entities.

Comparative figures are reclassified or restated as necessary to afford a proper and meaningful presentation and comparison of results as set out in the affected notes to the financial statements.

Where reference is made to the Group accounting policies, it should be interpreted as referring to the Company where the context requires, unless otherwise noted.

1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of the cost of acquisition plus the recognised amount of non-controlling interest over the individual net assets acquired, is recognised as goodwill. Any goodwill that arises is tested annually for impairment. Any bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities, and are capitalised to the cost of the investment in subsidiary in the separate financial statements. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

The Group measures non-controlling interests at acquisition date on a transaction-by-transaction basis at the non-controlling shareholders' proportionate share of the net identifiable assets of the entity acquired.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the financial statements of the Company, the interests in subsidiaries are measured at cost less impairments. The accounting policies of subsidiaries are consistent with those of the Group.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Interests in equity-accounted investee

The Group's interest in equity-accounted investee comprises an interest in an associate, which is accounted for using the equity method. An associate is an entity in which the Group has significant influence, but not control or joint control over the financial and operating policies. The interest is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investee, until the date on which significant influence ceases. In the financial statements of the Company, the interest in the associate is measured at cost less impairments.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

SIGNIFICANT ACCOUNTING POLICIES continued

2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date. Gains and losses arising on these exchange differences are recognised in profit or loss.

Foreign operations

The financial statements of the Group entities (none of which has the currency of a hyperinflationary economy) are translated in Rands on consolidation as follows:

- assets and liabilities, including goodwill and fair value adjustments: at the closing exchange rates for each reporting date presented;
- income and expense items: at the average exchange rates for the year; and
- equity items: at the exchange rates ruling when they arose.

Foreign currency differences are recognised in other comprehensive income and accumulated in equity in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests. On disposal of a foreign operation, the related amount in equity is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3 Financial assets

The Group and Company classify financial assets as financial assets at fair value through profit or loss or loans and receivables.

Initial recognition

Financial assets are recognised when the Group has rights to cash or another financial asset. Such assets consist of cash and cash equivalents, a contractual right to receive cash or another financial asset or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Initial measurement

All financial assets are initially recognised at fair value, including transaction costs that are incremental and directly attributable to the acquisition of the financial asset, except for those classified as fair value through profit or loss where the transaction costs are recognised immediately in profit or loss.

Subsequent measurement

- Financial assets at fair value through profit or loss
  Financial assets at fair value through profit or loss consist of items classified as derivative instruments or where they have been designated as fair value through profit or loss. Financial assets at fair value are through profit or loss are subsequently measured at fair value.
- Loans and receivables
  Loans and receivables are carried at amortised cost using the effective interest rate method, less impairment.

Other financial assets comprise trade and other receivables, receivables from fellow subsidiaries of the holding company, receivables from Group companies (applicable to the Company only), lease receivables and cash and cash equivalents.

Impairment of non-derivative financial assets

Impairment losses on these financial assets are established when there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- time period of overdue contractual payments or breach of contract;
- significant financial difficulty of the counterparty; and/or
- high probability of bankruptcy.

An impairment matrix is used to calculate the impairment for trade receivables. The matrix considers the ageing of trade receivables as well as an appropriate default rate. The default rates applied consider historical default rates over the expected life of the receivables as well as managements expectations and judgements.

The amount of the impairment loss for loans and receivables is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in profit or loss. At each reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics (including those tested individually and not impaired). When an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Group and Company have a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition

The Group and Company derecognise a financial asset when the rights to receive cash flows from the asset have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership.

Derivatives

Cash flow hedges

Cash flow hedges are designated when hedging the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction, or the foreign currency risk in an unrecognised firm commitment. In relation to cash flow hedges which meet 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 (OCI) and the ineffective portion is recognised in profit or loss.

The gains or losses recognised in OCI are transferred to profit or loss in the same period in which the hedged transaction affects profit or loss. If the forecast transaction results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is transferred from OCI to the underlying asset or liability on the transaction date.

Discontinuance of hedge accounting

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised and when, for cash flow hedges, the designation is revoked and the forecast transaction is no longer expected to occur.

Where a forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in OCI is transferred to profit or loss.

The financial instruments that are used in hedging transactions are assessed both at inception and quarterly thereafter to ensure they are effective in offsetting changes in either the fair value or cash flows of the related underlying exposures. Hedge ineffectiveness is recognised immediately in profit or loss.

The resultant gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities. Derivatives are governed by the Group's policies approved by the Board of directors, and are not used for speculative purposes.

SIGNIFICANT ACCOUNTING POLICIES continued

4 Financial liabilities

The Group and Company classify financial liabilities as financial liabilities at fair value through profit or loss, which includes derivative instruments and other financial liabilities.

Initial recognition

Financial instruments are recognised on the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Initial measurement

All financial instruments are initially recognised at fair value, including transaction costs that are incremental and directly attributable to the acquisition of a financial liability, except for those classified as fair value through profit or loss where the transaction costs are recognised immediately in profit or loss.

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, which includes derivative instruments, are subsequently measured at fair value. Fair value adjustments are recognised in profit or loss.

Other financial liabilities

Other financial liabilities comprise borrowings, trade and other payables, other short-term financial liabilities, payables to fellow subsidiaries of the holding company, payables to Group companies (applicable to the Company only), derivative financial instruments and bank overdrafts. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the balance sheet when the Group and Company have a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition

A financial liability is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired. The difference in the respective carrying amounts is recognised in profit or loss for the period.

5 Impairment of non-financial assets

At each reporting date the carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are assessed to determine whether there is any indication of an impairment loss. If any such indication exists, the recoverable amount (greater of fair value less costs to sell and value in use) of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, assets are grouped into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows from other assets or cash-generating units (CGUs). Value in use is calculated by taking into account future cash flows discounted to their present value using a pre-tax discount rate and the risk specific to the assets.

Impairment losses are recognised in profit or loss. The loss is first allocated to reduce the carrying amount of other assets on a pro rata basis. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually even if there is no indication of impairment, and whenever there is an indication of impairment, and impaired if necessary.

6 Leases

Where the Group is the lessor

When assets are leased under a finance lease, the present value of the minimum lease payments is recognised as the receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the lease on the lessor's net investment in the lease, which reflects a constant periodic rate of return.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Where the Group is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessee) are recognised in profit or loss on a straight-line basis over the period of the lease.

7 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:
Impairment, asset useful lives, depreciation and amortisation methods and residual values – Note 1 and 2
Measurement of the post-employment benefit obligations – Note 6
Inventory obsolescence allowance – Note 9
Impairment of trade receivables – Note 10
Cylinder deposits – Note 16

8 Application of new standards, amendments to standards and interpretations

In the current year, the Group has applied a number of new standards, amendments to standards and interpretations which are effective for an accounting period that begins on or after 1 January 2017.

Standards and interpretations	Details of amendment
Disclosure Initiative (Amendments to IAS 7)	The amendments provide for disclosures that enabled users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This included providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The adoption of these amendments had no effect on the financial statements.
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	The amendments provided additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provided additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this. Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type. The adoption of these amendments had no effect on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES continued

9 Forthcoming changes in accounting policies

A number of new standards and amendments to standards have been issued that are not yet effective for the period ended 31 December 2017, and have not been adopted in preparing these financial statements. All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the Group and/or Company).

Standards and interpretations	Details of amendment
IFRS 15 *Revenue From Contracts with Customers*	The Group has undertaken an assessment of the potential impact of the adoption of IFRS 15 on the financial statements. Based on this assessment, there is unlikely to be any impact on the measurement and timing of revenue recognition from the sale of hard goods. With respect to the sale of LPG and atmospheric gases, the impact of IFRS 15 will differ depending on the arrangement with the customer. The Group has selected a sample of key contracts with customers and is in the process of reviewing these contracts to: 1) identify the relevant performance obligations – specifically whether ancillary services such as delivery, collection and quality and safety services are distinct from the sale of the gas; 2) determine how to allocate the transaction price where more than one performance obligation is identified and the customer is charged a single price; and 3) determine whether revenue should be recognised at a point in time or over time. The Group does not expect any contracts to include a significant financing component. The Group plans to adopt IFRS 15 in its financial statements for the year ended 31 December 2018, using the modified retrospective approach.
Clarifying share-based payment accounting (Amendments to IFRS 2)	Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payment*. The amendments cover three accounting areas: • Measurement of cash-settled share-based payments : The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement. • Classification of share-based payments settled net of tax withholdings: The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if certain criteria are met. • Accounting for a modification of a share-based payment from cash-settled to equity-settled: The amendments clarify the approach that companies are to apply. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are effective for annual periods commencing on or after 1 January 2018.
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies for annual reporting periods commencing on or after 1 January 2018.

Standards and interpretations	Details of amendment
IFRS 9 *Financial Instruments*	The Group has undertaken an assessment of the potential impact of the adoption of IFRS 9 on the financial statements. Given the nature of the financial instruments held by the Group, there is unlikely to be any significant impact on the measurement of these instruments as a result of the adoption of IFRS 9. The Group is still reviewing the new hedge accounting requirements and determining the impact on Group's risk management objectives and strategy. The Group is currently assessing the impact on the impairment of financial assets as a result of the new "expected-loss" model. However the impairment methodologies that will apply under IFRS 9 have not yet been finalised. The Group plans to take advantage of the exemption allowing it not to restate comparative information with respect to classification and measurement changes. Any differences will be recognised in retained income as at 1 January 2018. The new hedge accounting requirements will be applied prospectively.
IFRS 16 *Leases*	The Group is continuing with its assessment of the potential impact of the adoption of IFRS 16 on the financial statements. Based on this assessment, the Group is expecting to recognise significant right of use assets and lease liabilities relating to current properties and vehicle operating leases. The Group is in the process of evaluating whether certain items of property, plant and equipment, that are not leased items in terms of IAS 17 and IFRC 4, may qualify as leased items in terms of IFRS 16. The standard is effective for annual periods beginning on or after 1 January 2019. This standard will not be early adopted.

The other remaining standards, amendments and interpretations issued but not yet effective have been assessed and management has concluded that they are not applicable to the business of the Group and Company and will not have an impact on future financial statements.

Statements of financial position

as at 31 December 2017

	Notes	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
ASSETS					
Non-current assets		3 566	3 497	3 351	3 726
Property, plant and equipment	1	2 964	2 952	2 726	2 564
Intangible assets	2	17	29	17	29
Investments in subsidiaries	3	–	–	73	673
Investment in associate	4	22	23	1	1
Lease receivables	5	66	72	50	53
Retirement benefit assets	6	484	406	484	406
Deferred taxation assets	7	13	15	–	–
Current assets		3 390	2 950	3 449	2 661
Loans due by subsidiaries	8	–	–	436	–
Inventories	9	710	611	642	547
Trade and other receivables	10	1 094	1 044	867	887
Receivables from fellow subsidiaries of holding company	28	130	66	130	66
Receivables from Group companies	28			46	32
Short-term portion of lease receivables	5	12	16	11	15
Taxation receivable		57	38	50	31
Cash and cash equivalents	11	1 387	1 175	1 267	1 083
Total assets		6 956	6 447	6 800	6 387
EQUITY AND LIABILITIES					
Equity		4 034	3 684	3 852	3 578
Share capital and share premium	12	552	552	554	554
Reserves		(87)	(97)	(4)	(5)
Retained earnings		3 536	3 202	3 302	3 029
Shareholders' equity		4 001	3 657	3 852	3 578
Non-controlling interests	34	33	27		
Non-current liabilities		1 611	1 579	1 589	1 550
Long-term borrowings	13	1 000	1 000	1 000	1 000
Other long-term financial liability	14	20	26	20	26
Deferred taxation liabilities	7	591	553	569	524
Current liabilities		1 311	1 184	1 359	1 259
Provisions	15	13	16	13	16
Trade and other payables	16	1 113	1 049	907	925
Derivative financial liabilities	17	20	11	20	11
Payables to fellow subsidiaries of holding company	28	96	60	96	60
Payables to Group companies	28			280	225
Taxation payable		26	26	–	–
Bank overdrafts	11	43	22	43	22
Total equity and liabilities		6 956	6 447	6 800	6 387

Income statements
for the year ended 31 December 2017

	Notes	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Revenue	18	5 693	5 537	4 991	4 684
Operating expenses		(4 510)	(4 300)	(3 933)	(3 746)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)		1 183	1 237	1 058	938
Depreciation and amortisation	1, 2	(328)	(379)	(304)	(349)
Impairment of tangible assets	19	–	(10)	–	–
Impairment of investment in subsidiaries	19	–	–	–	(4)
Earnings before interest and taxation (EBIT)	19	855	848	754	585
Finance expense	21	(108)	(112)	(108)	(112)
Finance income	21	133	126	127	116
Income from associate	28	–	2		
Profit before taxation		880	864	773	589
Income taxation expense	22	(242)	(264)	(171)	(189)
Profit for the year		638	600	602	400
Attributable to:					
Owners of the Company		628	597	602	400
Non-controlling interests	34	10	3		
Profit for the year		638	600	602	400
Earnings per share					
Basic earnings per share (cents)	23	203.6	193.3		
Diluted earnings per share (cents)	23	201.8	192.9		

Statements of comprehensive income
for the year ended 31 December 2017

		GROUP		COMPANY	
	Notes	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Profit for the year		638	600	602	400
Other comprehensive income/(loss) after taxation		45	(106)	37	(59)
Items that are or may be reclassified to profit or loss		9	(51)	1	(4)
Translation differences of foreign operations		9	(43)		
Translation differences of foreign operations relating to non-controlling interests		(1)	(4)		
Changes in fair value of cash flow hedges		1	(6)	1	(6)
Deferred taxation relating to cash flow hedges		0*	2	0*	2
Items that will not be reclassified to profit or loss		36	(55)	36	(55)
Remeasurement of retirement benefits	6	50	(77)	50	(77)
Deferred taxation relating to remeasurement of retirement benefits		(14)	22	(14)	22
Total comprehensive income for the year		683	494	639	341
Total comprehensive income attributable to					
Owners of the Company		674	495	639	341
Non-controlling interests		9	(1)		
Total comprehensive income for the year		683	494	639	341

* *Amount below R1 million.*

Statements of changes in equity
for the year ended 31 December 2017

GROUP

	Share capital and share premium R'm	Incentive scheme shares reserve R'm	Share-based payment reserve R'm	Hedging reserve R'm	Re-measure-ment of retire-ment benefits R'm	Foreign currency trans-lation reserve R'm	Re-tained earn-ings R'm	Total R'm	Non-control-ling inte-rests R'm	Total equity R'm
Balance at 1 January 2016	552	(58)	58	6	317	(56)	2 612	3 431	37	3 468
Total comprehensive income	–	–	–	(4)	(55)	(43)	597	495	(1)	494
Other comprehensive income	–	–	–	(4)	(55)	(43)	–	(102)	(4)	(106)
Profit for the year	–	–	–	–	–	–	597	597	3	600
Transactions with owners of the Company										
Share-based payments, net of taxation	–	–	6	–	–	–	–	6	–	6
Forfeited shares	–	–	(11)	–	–	–	11	–	–	–
Dividends	–	–	–	–	–	–	(275)	(275)	(9)	(284)
Transfer to retained earnings	–	58	(53)	–	(262)	–	257	–		
Balance at 31 December 2016	552	–	–	2	–	(99)	3 202	3 657	27	3 684
Total comprehensive income	–	–	–	1	–	9	664	674	9	683
Other comprehensive income	–	–	–	1	–	9	36	46	(1)	45
Profit for the year	–	–	–	–	–	–	628	628	10	638
Transactions with owners of the Company										
Share-based payments, net of taxation	–	–	–	–	–	–	(8)	(8)	–	(8)
Shares purchased on behalf of employees	–	–	–	–	–	–	(7)	(7)	–	(7)
Dividends	–	–	–	–	–	–	(315)	(315)	(3)	(318)
Balance at 31 December 2017	552	–	–	3	–	(90)	3 536	4 001	33	4 034

Incentive scheme share reserve

The incentive scheme share reserve comprises the cost of shares purchased by the Group on behalf of employees in terms of the Group's forfeitable share plan and share appreciation rights incentive scheme. Shares purchased are transferred to the share-based payment reserve in the period in which they vest.

Share-based payment reserve

The share-based payment reserve relates to equity-settled share-based payments. Refer to note 30 for more details.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The foreign currency translation reserve relates to the cumulative net movement in the net value of the foreign assets and liabilities held by foreign subsidiaries since acquisition due to fluctuations in exchange rates; together with the translation to Rands at the average exchange rate of income and expenses of foreign subsidiaries.

Remeasurement of retirement benefits

These relate to re-measurement gains or losses on retirement benefit funds recognised in other comprehensive income in terms of IAS 19.

Statements of changes in equity continued

for the year ended 31 December 2017

	COMPANY						
	Share capital and share premium R'm	Incentive scheme shares reserve R'm	Share-based payment reserve R'm	Hedging reserve R'm	Re-measure-ment of retire-ment benefits R'm	Re-tained earn-ings R'm	Total equity R'm
Balance at 1 January 2016	554	(58)	58	(1)	317	2 666	3 536
Total comprehensive income	–	–	–	(4)	(55)	400	341
Other comprehensive income	–	–	–	(4)	(55)	–	(59)
Profit for the year	–	–	–	–	–	400	400
Transactions with owners of the Company							
Share-based payments net of taxation	–	–	6	–	–	–	6
Shares purchased on behalf of employees	–	–	(11)	–	–	11	–
Dividends	–	–	-	–	–	(305)	(305)
Transfer to retained earnings	–	58	(53)	–	(262)	257	–
Balance at 31 December 2016	554	–	–	(5)	–	3 029	3 578
Total comprehensive income	–	–	–	1	–	638	639
Other comprehensive income	–	–		1	–	36	37
Profit for the year	–	–	–	–	–	602	602
Transactions with owners of the Company							
Share-based payments net of taxation	–	–	–	–	–	(8)	(8)
Shares purchased on behalf of employees	–	–	–	–	–	(7)	(7)
Dividends	–	–	–	–	–	(350)	(350)
Balance at 31 December 2017	554	–	–	(4)	–	3 302	3 852

Statements of cash flows

for the year ended 31 December 2017

	Notes	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Cash flows from operating activities					
Cash generated from operations before restructuring costs	25	997	1 159	770	952
Restructuring costs paid		–	(60)	–	(60)
Cash generated from operations		997	1 099	770	892
Interest received		74	38	72	33
Interest paid		(105)	(104)	(105)	(104)
Normal taxation paid	26	(235)	(177)	(160)	(116)
Dividends received	28	1	1	144	138
Cash available from operating activities		732	857	721	843
Dividends paid to owners of the Company	24	(315)	(275)	(350)	(305)
Dividends paid to non-controlling interests		(3)	(9)	–	–
Net cash from operating activities		414	573	371	538
Cash flows from investing activities					
Additions to property, plant and equipment	1	(350)	(379)	(314)	(324)
Intangible assets acquired	2	–	(10)	–	(10)
Proceeds from disposal of property, plant and equipment		106	84	91	62
Loans due by subsidiaries				–	103
Receipts from non-current lease receivables		28	33	22	26
Net cash used in investing activities		(216)	(272)	(201)	(143)
Cash flows from financing activities					
Borrowings raised		600	–	600	–
Borrowings repaid		(600)	–	(600)	–
Incentive scheme shares purchased on behalf of employees		(7)	–	(7)	–
Net cash outflow from financing activities		(7)	–	(7)	–
Net increase in cash and cash equivalents		191	301	163	395
Cash and cash equivalents at the beginning of the year		1 153	852	1 061	666
Cash and cash equivalents at the end of the year	11	1 344	1 153	1 224	1 061
Comprising					
Cash and cash equivalents		1 387	1 175	1 267	1 083
Bank overdrafts		(43)	(22)	(43)	(22)
		1 344	1 153	1 224	1 061

Segmental report

Business segments are identified on the basis of internal reports that are regularly reviewed by the Group's and Company's chief operating decision making body, the executive directors, in order to allocate resources to the segment and assess its performance. The performance of the segments is managed and evaluated using revenue and gross profit after distribution expenses. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Segments have been determined based on business segments: Atmospheric Gases, LPG, Hard Goods and Emerging Africa.

Atmospheric Gases	Air gases separated into its main components
LPG	Liquefied petroleum gas
Hard Goods	Electrodes and welding equipment
Emerging Africa	All operations outside South Africa

R'million	2017	2016
Revenue*	5 693	5 537
Atmospheric Gases	2 283	2 319
LPG	1 994	1 797
Hard Goods	660	666
Emerging Africa	756	755
Gross profit after distribution expenses (GPADE)	1 770	1 775
Atmospheric Gases	777	868
LPG	425	369
Hard Goods	242	232
Emerging Africa	326	306
Reconciliation of GPADE to EBIT		
GPADE for business segments	1 770	1 775
Other operating expenses	(915)	(917)
Impairments	–	(10)
Atmospheric Gases	–	–
Emerging Africa	–	(10)
Earnings before interest and taxation (EBIT)	855	848
Geographical representation		
Revenue	5 693	5 537
South Africa	4 937	4 782
Emerging Africa**	756	755
Non-current assets	3 566	3 497
South Africa	3 311	3 242
Emerging Africa**	255	255

* *Revenue from external customers*

** *The revenue and non-current assets foreign country geographical split has been aggregated as Emerging Africa. The individual amounts are considered to be immaterial.*

Remuneration report

INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees payable to the independent non-executive directors are:

		Current		Proposed payment		
Category	Role	Retainer fee R	Fee per meeting R	Retainer fee R	Fee per meeting R	Fee increase %
Independent lead director		403 966	12 020	428 204	12 741	6
Board	Director	231 462	12 020	245 350	12 741	6
Audit Committee	Chairperson	156 127	12 020	165 495	12 741	6
	Member	77 518	12 020	82 169	12 741	6
– NGMR Committee – SHEQ Committee – SET Committee	Chairperson Member	103 721 52 406	12 020 12 020	109 944 55 550	12 741 12 741	6 6

DIRECTOR AND EXECUTIVE MANAGEMENT EMOLUMENTS (R'000)

Name	Months paid	Fees	Remune-ration	Pension payment/ contri-butions	Perfor-mance^ bonus	Benefits, allowances and gains on share incentives	Total
2017							
Non-executive directors*		3 014	–	–	–	–	3 014
Current directors							
KDK Mokhele	12	864	–	–	–	–	864
NVL Qangule	12	522					522
GJ Strauss	12	706					706
CF Wells	12	580	–	–	–	–	580
NV Fakude	7	342	–	–	–	–	342
Executive directors		583	5 561	489	2 103	2 141	10 877
Current directors							
SM Venter – Managing Director	12	–	3 359	489	2 103	1 867	7 818
M Vogt – Financial Director#	5	–	2 202	–	–	274	2 476
Former directors							
DKT Devers ~ @	7	583	–	–	–	–	583
Total emoluments		3 597	5 561	489	2 103	2 141	13 891

* *Linde non-executive directors are not reflected as they do not receive emoluments from the Company.*
^ *In respect of 2016 financial performance.*
~ *Fees paid to BOC Holdings for services rendered to African Oxygen Limited.*
\# *Appointed 1 August 2017.*
@ *Resigned 9 May 2017.*

Remuneration report continued

DIRECTOR AND EXECUTIVE MANAGEMENT EMOLUMENTS (R'000)

Name	Months paid	Fees	Remuneration	Pension payment/ contributions	Performance^ bonus	Benefits, allowances and gains on share incentives	Total
2016							
Non-executive directors*		2 424	–	–	–	–	2 424
Current directors							
NVL Qangule	12	834					834
KDK Mokhele	12	474	–	–	–	–	474
GJ Strauss	12	652					652
CF Wells	12	464	–	–	–	–	464
Executive directors		1 000	3 135	456	1 575	1 033	7 199
Current directors							
SM Venter – Managing Director	12	-	3 135	456	1 575	1 033	6 199
DKT Devers~	12	1 000					1 000
Total emoluments		3 424	3 135	456	1 575	1 033	9 623

SHARE APPRECIATION RIGHTS (SARS) AND FOREFEITABLE SHARE (FSP'S) GRANTED DURING THE YEAR

Name	Fair value of instruments issue date R'000	Number of SARs	Number of forfeitable shares with performance conditions	Number of forfeitable shares without performance conditions
2017				
Executive directors	437	24 000	27 000	9 000
SM Venter	437	24 000	27 000	9 000
M Vogt	–	–	–	–
DKT Devers	–	–	–	–
Total SARs and forfeitable shares granted during the year	437	24 000	27 000	9 000
2016				
Executive directors	606	24 000	27 000	9 000
SM Venter	606	24 000	27 000	9 000
DKT Devers	–	–	–	–
Total SARs and forfeitable shares granted during the year	606	24 000	27 000	9 000

* *Linde non-executive directors are not reflected as they do not receive emoluments from the company.*
^ *In respect of 2015 financial performance.*
~ *Fees paid to BOC Holdings for services rendered to African Oxygen Limited.*

VESTED AND NON-VESTED NUMBER OF SHARE APPRECIATION RIGHTS

Name	2017 Vested number of rights (exercisable)	2017 Non-vested number of rights (not yet (exercisable)	2016 Vested number of rights (exercisable)	2016 Non-vested number of rights (not yet (exercisable)
Executive directors				
SM Venter	55 000	275 000	–	270 000
M Vogt	–	–	–	–
DKT Devers	–	–	–	–
Total vested and non-vested number of rights	55 000	275 000	–	270 000

SHAREHOLDING OF DIRECTORS AND EXECUTIVE MANAGEMENT

Name	2017 Beneficial	2017 Non-beneficial	2016 Beneficial	2016 Non-beneficial
Executive directors				
SM Venter – Managing Director	–	–	–	–
M Vogt	–	–	–	–
DKT Devers	–	–	–	–
Non-executive independent directors				
NVL Qangule*~+	–	–	–	100
GJ Strauss*~>	–	–	–	–
KDK Mokhele~+>		–	-	100
N Fakude~	–	100	–	–
C Wells*	–	100	100	–
Non-executive directors				
B Eulitz – Chairman~	–	–	–	–
S Graham Johnston – Former Chairperson~	–	–	–	–
R Gearing>#	–	100	–	100
M von Plotho*	–	100	–	100

Audit Committee member.
+ *Social, Ethics and Transformation Committee member.*
~ *Nominations, Governance and Management of Resources Committee member.*
> *Safety, Health, Environment and Quality Committee members.*
Resigned 18 February 2018.

Interest of directors in contracts

The directors have certified that they had no material personal interests in any transactions of any significance with the Company or any of its subsidiaries. Accordingly, no conflict of interest with regard to directors' interests in contracts exist. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

Notes to the financial statements
for the year ended 31 December 2017

1. PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Properties comprises land and buildings. Land is measured at cost less any accumulated impairment losses. Assets under construction are stated at cost which includes cost of materials and direct labour and any directly attributable costs incurred in bringing the assets to their present location and condition necessary for them to be capable of operating in the manner intended by management. Plant includes any costs related to dismantlement and restoration of the property.

Significant parts of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components) of property, plant and equipment.

Government grants are recognised at fair value when there is reasonable assurance that the grants will be received. Government grants are included in the carrying amount and recognised in profit or loss over the useful life of the related item of property, plant and equipment.

Gains and losses on disposals are included in profit or loss.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives. Land is not depreciated. Where significant parts of an item have different useful lives or patterns in which future economic benefits are expected to be consumed to the item itself, these parts are depreciated over their estimated useful lives. Management's judgement and assumptions are necessary in estimating useful lives and residual values. The residual values for majority of items of plant and equipment has been deemed to be zero due to the underlying nature of the plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted, prospectively, if appropriate.

The estimated useful lives were as follows for current and prior year:

Properties	40 years
Cylinders	10 – 20 years
Plant and equipment	5 – 25 years
Vehicles	7 – 25 years
Furniture and fittings	5 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. When part of an asset is being replaced, the carrying amount of the replaced part is derecognised.

Plant spares

Spare parts that are expected to be used for more than one period are classified as critical spares and are recognised within property, plant and equipment.

1. PROPERTY, PLANT AND EQUIPMENT **continued**

GROUP

	Properties R'm	Plant and equipment R'm	Cylinders R'm	Motor vehicles R'm	Furniture and fittings R'm	Total R'm
Carrying amount at 1 January 2016	240	1 520	1 021	162	45	2 988
Cost	319	3 926	2 043	343	154	6 785
Accumulated depreciation	(79)	(2 080)	(1 022)	(181)	(109)	(3 471)
Accumulated impairment	–	(326)	–	–	–	(326)
Additions	26	210	100	17	26	379
Transfer to assets held-for-sale	(7)	–	–	–	–	(7)
Impairment losses	0*	(1)	(8)	(1)	–	(10)
Translation of foreign operations	(3)	(5)	(6)	(2)	–	(16)
Disposals	–	(2)	(1)	(10)	(1)	(15)
Depreciation	(12)	(215)	(104)	(22)	(14)	(367)
Carrying amount at 31 December 2016	243	1 507	1 002	144	56	2 952
Cost	333	4 035	2 132	302	166	6 968
Accumulated depreciation	(90)	(2 201)	(1 122)	(157)	(110)	(3 680)
Accumulated impairment	0*	(327)	(8)	(1)	0*	(336)
Additions	14	168	137	23	8	350
Translation of foreign operations	(1)	(4)	(9)	0*	0*	(14)
Disposals	–	(2)	(6)	0*	0*	(8)
Depreciation	(12)	(151)	(118)	(19)	(16)	(316)
Carrying amount at 31 December 2017	245	1 518	1 006	148	47	2 964
Cost	341	4 200	2 262	319	153	7 275
Accumulated depreciation	(96)	(2 355)	(1 248)	(170)	(106)	(3 975)
Accumulated impairment	0*	(327)	(8)	(1)	0*	(336)

COMPANY

Owned	Properties R'm	Plant and equipment R'm	Cylinders R'm	Motor vehicles R'm	Furniture and fittings R'm	Total R'm
Carrying amount at 1 January 2016	19	1 443	950	126	47	2 585
Cost	32	3 470	1 944	268	144	5 858
Accumulated depreciation	(13)	(1 742)	(994)	(142)	(97)	(2 988)
Accumulated impairment	–	(285)	–	–	–	(285)
Additions	22	180	85	12	25	324
Transfer from divisionalisation of subsidiary	–	4	–	–	–	4
Impairment losses	–	–	–	–	–	–
Disposals	–	–	(3)	(9)	–	(12)
Depreciation	(3)	(205)	(99)	(16)	(14)	(337)
Carrying amount at 31 December 2016	38	1 422	933	113	58	2 564
Cost	54	3 654	2 025	229	169	6 131
Accumulated depreciation	(16)	(1 947)	(1 092)	(116)	(111)	(3 282)
Accumulated impairment	–	(285)	–	–	–	(285)
Additions	1	172	112	13	16	314
Transfer from divisionalisation of subsidiary	148	–	–	–	–	148
Impairment losses	–	–	–	–	–	–
Disposals	–	(2)	(6)	0*	0*	(8)
Depreciation	(8)	(143)	(112)	(13)	(16)	(292)
Carrying amount at 31 December 2017	179	1 449	927	113	58	2 726
Cost	203	3 824	2 131	239	153	6 550
Accumulated depreciation	(24)	(2 090)	(1 204)	(126)	(95)	(3 539)
Accumulated impairment	–	(285)	–	–	–	(285)

* *Amount below R1 million.*

1. PROPERTY, PLANT AND EQUIPMENT continued

Impairment testing

Property, plant and equipment is assessed for impairment at each reporting date to determine whether there is any objective evidence that it is impaired. Subdued economic growth; fluctuations in commodity prices, commodity cycles and the volatile macroeconomic environment are impairment indicators which impact the Group's and Company's cash flows and the assessment of recoverable amounts of plant and equipment. Property, plant and equipment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset and the carrying value may not be recoverable.

Value in use calculations

For impairment testing, assets are grouped into the smallest groups of assets that generate cash inflows from continuing use that are largely independent from cash inflows of other assets. The recoverable amount of assets reviewed for impairment are based on value-in-use calculation by discounting the estimated future cash flows to their present value using a discount rate that reflected the current market assessment of the time value of money and the risks specific to the asset. An average revenue growth of 4.8% (2016: 6.4%) comprising both price inflation and volume growth, was assumed with the gross margin percentage, based on actual results to date, being applied to the calculation and discounted at a rate of 13.84% (2016: 12.98%).

Impairment write-down

The Group's plant and equipment was impaired by Rnil (2016: R10 million).

Fully depreciated assets

The cost of assets fully depreciated but still in use amounted to R191 million (2016: R317 million). The useful life assessment is based on historic performance and expectations about future use.

Assets under construction

Property, plant and equipment includes assets under construction detailed below:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Properties	2	1	2	–
Plant and equipment	101	136	75	97
Cylinders	18	11	18	11
Vehicles	1	18	1	18
Furniture and fittings	11	18	11	18
Total	133	184	107	144

2. INTANGIBLE ASSETS

Intangible assets are initially recognised at cost if acquired; or at fair value if acquired as part of a business combination. Intangible assets comprise computer software. If assessed as having an indefinite useful life, they are not amortised but are tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, they are amortised over the estimated useful lives using a straight-line basis and assessed for indicators of impairment at each reporting date.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Computer software

Capitalised computer software is measured at cost less accumulated amortisation and accumulated impairment losses. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives or the licence period, whichever is shorter.

Amortisation

The methods of amortisation, useful lives and residual values are reviewed annually and adjusted if appropriate.

The expected useful lives of intangible assets are as follows for the current and prior years:

- Computer software – eight years, using the straight-line method.

	GROUP AND COMPANY
	Computer software R'm
Carrying amount at 1 January 2016	31
Cost	263
Accumulated amortisation	(232)
Additions	10
Amortisation charge	(12)
Carrying amount at 31 December 2016	29
Cost	273
Accumulated amortisation	(244)
Amortisation charge	(12)
Carrying amount at 31 December 2017	17
Cost	262
Accumulated amortisation	(245)

Impairment testing

Computer software does not generate cash inflows independently of other assets or groups of assets. At the reporting date there was no indication of the possible impairment of computer software.

3. INVESTMENTS IN SUBSIDIARIES

	Note	COMPANY 2017 R'm	COMPANY 2016 R'm
Ordinary shares		113	113
Impairment of investments in subsidiaries		(40)	(40)
Loans due by subsidiaries	34	–	600
		73	673

There were no fixed terms for repayment. No interest was charged on loans. Recoverability was assessed at end of the reporting date.

Details of subsidiaries are presented in note 34.

4. INVESTMENT IN ASSOCIATE

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Unlisted ordinary shares				
Investment at cost	1	1	1	1
Share of accumulated profits since acquisition, net of dividends	21	22		
Share of opening accumulated profits	22	21		
Dividends received from associate	(1)	(1)		
Share of current profit for the year	–	2		
Carrying amount at the end of the year	22	23	1	1
The information below illustrates summarised financial information of Les Gaz Industriels Limited.				
Statement of comprehensive income				
Revenue	39	51		
Profit before taxation	0*	6		
Income taxation expense	0*	(2)		
Net profit for the year	0*	4		
Total comprehensive income for the year	0*	4		
Statement of financial position				
Non-current assets	94	99		
Current assets	20	29		
Total assets	114	128		
Equity	85	92		
Non-current liabilities	13	12		
Current liabilities	16	24		
Total equity and liabilities	114	128		
Cash flow				
Net cash flow from operating activities	1	14		
Net cash flow from investing activities	(3)	(2)		
Net cash flow from financing activities	(7)	(6)		
Net movement in cash and cash equivalents	(9)	6		

* *Amount below R1 million.*

Details of the associate are presented in note 36. The Group has a 38% interest in Les Gaz Industriels Limited, which is domiciled in Mauritius.

The principal activities of the Company is the manufacture of medical and industrial oxygen gas, nitrogen, nitrous oxide and welding electrodes. The Group's 38% share of profits is determined by reference to the audited financial statements for the year ended 30 June 2017 and unaudited management accounts for the period 1 July 2017 to 31 December 2017.

There are no significant restrictions on the ability of the associate to transfer funds to Afrox in the form of cash dividends or repayment of loans or advances.

5. LEASE RECEIVABLES

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Lease receivables	78	88	61	68
Short-term portion of lease receivables	(12)	(16)	(11)	(15)
	66	72	50	53

Lease receivables	GROUP Gross lease R'm	GROUP Unearned finance income R'm	GROUP Present value of minimum lease payments R'm	COMPANY Gross lease R'm	COMPANY Unearned finance income R'm	COMPANY Present value of minimum lease payments R'm
2017						
Receivables due in less than one year	22	(10)	12	18	(7)	11
Long-term lease receivables	84	(18)	66	62	(12)	50
Between one and five years	80	(18)	62	58	(12)	46
More than five years	4	0*	4	4	0*	4
Total	106	(28)	78	80	(19)	61
2016						
Receivables due in less than one year	27	(11)	16	22	(7)	15
Long-term lease receivables	99	(27)	72	71	(18)	53
Between one and five years	81	(26)	55	53	(17)	36
More than five years	18	(1)	17	18	(1)	17
Total	126	(38)	88	93	(25)	68

Lease receivables are deemed finance leases as per IAS 17 *Leases*. Contracts were assessed in terms of IFRIC 4 *Determining whether an arrangement contains a lease*.

These assets are utilised to provide gas to customers, which the customers use in their manufacturing processes. The Group and Company have entered into arrangements with these customers, that have maturities of up to 15 years, whereby the customers pay fixed monthly fees over the term of the arrangements, plus variable charges based on the quantity of the gas used above the fixed minimum amounts.

Although the arrangements are not in the legal form of leases, the Group and Company concluded that the arrangements contained a lease of assets because of the following criteria:

- fulfilment is economically dependent on the use of the plant and technical equipment;
- customers use the assets for the majority of their useful lives; and
- it is unlikely that any parties other than the customers will receive a significant part of the output.

The leases were therefore classified as finance leases.

The gas supply arrangements are structured in a number of different ways, as a result, management applies judgement in determining the criteria above are met.

The interest income on the lease receivables was determined based on a rate of 14.2% (2016: 14.5%) for the Group and 11.2% (2016: 11.6%) for the Company.

* *Amounts below R1 million.*

6. RETIREMENT BENEFIT ASSETS

Defined contribution plans

Contributions to defined contribution plans are recognised in profit or loss as an employee benefit expense as they accrue when the services are rendered by the employee.

Defined benefit plans

The Group and Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of the defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a potential asset for the Group and Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability/(asset), which comprise actuarial gains or losses, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any) excluding interest, are recognised immediately in other comprehensive income. The Group and Company determine the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) and other expenses related to the defined benefit plan are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

	GROUP AND COMPANY	
	2017 R'm	2016 R'm
Summary		
Pension fund	486	408
Post-retirement medical benefit fund	(2)	(2)
	484	406
Current remeasurement gains/(losses) recognised in other comprehensive income	50	(77)
Pension fund	49	(73)
Post-retirement medical benefit fund	1	(4)

Pension and provident funds

The Group and Company have a pension fund which is a defined benefit fund, and a provident fund which is a defined contribution fund. The pension fund provides benefits on retirement or on prior death, disability or termination of service.

All employees are required to belong to either the defined benefit fund or the defined contribution fund. The funds are administered on behalf of the Group and Company by external financial service companies, and trustees and are governed by the Pension Funds Act of 1956. The assets of the schemes are held in administered funds separate from the Group and Company's assets.

Remeasurement valuations are made for the defined benefit fund in accordance with the respective pension fund rules, using the projected unit credit method. The defined benefit fund is closed to new members.

The latest remeasurement calculation of the African Oxygen Limited Pension Fund was made on 31 December 2017.

At the time of the valuations, the fund was certified by the reporting actuaries as being in a sound financial position, subject to the continuation of their current contribution rates. In arriving at their conclusions, the actuaries took into account the following assumptions at the date of the valuation:

	GROUP AND COMPANY	
	2017 %	2016 %
Discount rate	10.70	10.20
Consumer price inflation rate	7.20	7.70
Compensation increase rate	8.70	9.20
Pension increase rate	7.70	8.20

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 18 years (2016: 18 years) for males and 22.4 years (2016: 22 years) for females.

6. RETIREMENT BENEFIT ASSETS continued

Post-retirement healthcare benefits

Post-retirement healthcare benefits represent the net of the accrued liability of R9.5 million (2016: R10.1 million) and the fair value of plan assets of R7 million (2016: R7.6 million) The duration of the liability at 31 December 2017 is 18.2 years.

Remeasurement losses amounting to R2 million (2016: R0.5 million) are recognised in other comprehensive income. Expenses including interest cost and expected return on plan assets amounting to R0.5 million (2016: R0.5 million) are included in profit or loss.

The post-employment healthcare benefit is closed to new entrants.

Pension fund sensitivity analysis

In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

	GROUP AND COMPANY	
	2017 R'm	2016 R'm
CPI inflation rate		
1% increase in the rate		
Effect on the aggregate current service cost and interest cost	7	10
Effect on defined benefit obligation	47	66
1% decrease in the rate		
Effect on the aggregate current service cost and interest cost	(5)	(7)
Effect on defined benefit obligation	(29)	(42)
Discount rate		
1% increase in the rate		
Effect on defined benefit obligation	(28)	(41)
1% decrease in the rate		
Effect on defined benefit obligation	48	68
Expected retirement age		
1 year older		
Effect on defined benefit obligation	(7)	(9)
1 year younger		
Effect on defined benefit obligation	7	8
Fund status		
Fair value of plan assets	759	725
Present value of defined benefit obligations	(273)	(317)
Pension fund asset recognised at the end of the year	486	408
Movements in the plan assets recognised in the statements of financial position are as follows		
Fair value of plan assets at the beginning of the year	725	933
Member contributions	4	3
Benefits paid by the plan	(38)	(152)
Assets transferred	–	(100)
Interest income on plan assets	72	93
Risk premiums and expenses	(2)	(2)
Return on plan assets excluding interest income	(2)	(50)
Fair value of plan assets at the end of the year	759	725
Movements in the defined benefit obligation recognised in the statement of financial position are as follows		
Present value of the defined benefit obligations at the beginning of the year	317	395
Members' contributions	3	3
Benefits paid by the plan	(38)	(152)
Current service costs	11	14
Interest costs	32	36
Risk premiums and expenses	(2)	(2)
Remeasurement (gain)/loss arising from economic assumptions	(50)	23
Present value of the defined benefits obligations at the end of the year	273	317

6. RETIREMENT BENEFIT ASSETS continued

	GROUP AND COMPANY 2017 R'm	GROUP AND COMPANY 2016 R'm
The expenses are recognised in the following line items in the income statement		
Operating expenses	11	14
Finance income	(40)	(57)
	%	%
Analysis of plan assets		
Equity instruments	21	22
Debt instruments	51	42
Property	6	6
Cash and cash equivalents	22	30
	100	100

7. DEFERRED TAXATION

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related temporary differences reverse. A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax loses and tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that they will realise.

No deferred tax liability is recognised for temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Deferred taxation assets	(13)	(15)	–	–
Deferred taxation liabilities	591	553	569	524
	578	538	569	524
The net deferred taxation comprises				
Capital allowances (Property, plant and equipment)	543	544	541	522
Intangible assets	2	4	2	2
Provisions and other	(116)	(148)	(123)	(138)
Cash flow hedge	(1)	2	(1)	2
Embedded finance lease	6	6	6	6
Retirement benefit assets	144	130	144	130
	578	538	569	524
Reconciliation of deferred taxation				
Opening balance	538	499	524	484
Translation differences	(2)	9	–	–
Recognised in profit or loss				
– current year temporary differences	23	48	37	58
– prior year under/(over) provision	4	6	(7)	6
Recognised in other comprehensive income				
– current year temporary differences	14	(22)	14	(22)
Cash flow hedge recognised directly in equity	1	(2)	1	(2)
Closing balance	578	538	569	524
Deferred taxation is calculated at the following rates				
South African operations – 28% (2016: 28%)	569	524	569	524
Foreign operations at average rate – 29.44% (2016: 29.56%)	9	14		–
	578	538	569	524

The deferred taxation assets arise due to deductible temporary differences. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

8. LOANS DUE BY SUBSIDIARIES

	Note	COMPANY 2017 R'm	COMPANY 2016 R'm
Loans due by subsidiaries	34	436	–
		436	–

There are no fixed terms for repayment and no interest is charged on loans. The loans are repaid as and when subsidiaries have available financing. Recoverability is assessed at end of the reporting date.

Details of subsidiaries are presented in note 34.

9. INVENTORIES

Inventories are measured at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost is determined as follows:

- Raw materials – weighted average cost
- Work in progress – standard cost
- Finished goods – standard cost and weighted average cost
- Consumables – weighted average cost

Spare parts

Spare parts that are expected to be used as consumables are recognised in inventories. These spare parts are categorised as consumables.

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Raw materials	61	63	60	62
Work in progress	12	12	11	10
Finished goods	479	383	413	322
Consumables	158	153	158	153
	710	611	642	547
Inventory obsolescence allowance (taken into account in the carrying value of inventories above)				
Finished goods	61	83	48	71
Consumables	31	28	31	28
Balance at the end of the year	92	111	79	99

In 2017, inventories of the Group amounting to R25 million and R22 million for the Company (2016: R15 million for Group and R2 million for Company) were written down and recognised as an expense in the current period. The inventory written down relates to discontinued, obsolete and damaged items.

10. TRADE AND OTHER RECEIVABLES

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Financial assets	1 070	934	855	787
Trade receivables	1 091	947	854	781
Impairment allowance	(87)	(121)	(61)	(95)
Net trade receivables	1 004	826	793	686
Receivable from disposal of assets held for sale	–	84	–	77
Other receivables	30	–	26	–
Accrued interest	35	23	35	23
Staff loans	1	1	1	1
Non-financial assets	24	110	12	100
Prepayments	16	102	12	100
Deposits	1	1	–	–
Value added taxation	7	7	–	–
	1 094	1 044	867	887

Prepayments includes an amount relating to a contribution holiday in the provident fund, resulting from a transfer of R10 million (2016: R 100 million) from pension fund surplus assets.

The net carrying values of trade and other receivables are considered a close approximation of their fair values due their short-term to maturity.

(Before accepting any new customer, the Group and Company use an internal credit scoring system to assess the potential customer's credit quality and defines limits by customer. Limits and scoring are reviewed annually. Due to the nature of the business, there is no customer that represents more than 10% of the total balance of trade receivables.)

The carrying amounts of gross trade receivables are denominated in the following currencies:

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
South African Rand	932	788	854	741
Namibian Dollar	46	43	–	–
Botswana Pula	29	34	–	12
Euro	–	4	–	4
US Dollar	–	13	–	13
Zambian Kwacha	38	29	–	–
Angolan kwanza	7	7	–	5
Malawian kwacha	29	17	–	–
Mozambican Metical	10	8		2
Other	–	4	–	4
	1 091	947	854	781

10. TRADE AND OTHER RECEIVABLES continued

Credit quality of trade receivables

As at 31 December 2017, Group trade receivables of R411 million (2016: R384 million) and Company trade receivables of R344 million (2016: 351 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The ageing of these trade receivables are shown below:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Carrying value				
Not past due date	593	442	449	335
Past due within 30 days from statement	218	178	187	158
Past due within 30 – 60 days from statement	65	73	51	64
Past due within 60 – 90 days from statement	32	48	25	43
Past due within 90 – 120 days from statement	31	20	25	17
Past due within 120 – 150 days from statement	19	24	15	21
Past due in excess of 150 days from statement	133	162	102	143
	1 091	947	854	781
Impairment allowance				
Not past due date	–	–	–	–
Past due within 30 days from statement	–	–	–	–
Past due within 30 – 60 days from statement	–	–	–	–
Past due within 60 – 90 days from statement	–	–	–	–
Past due within 90 – 120 days from statement	–	–	–	–
Past due within 120 – 150 days from statement	13	18	10	14
Past due in excess of 150 days from statement	74	103	51	81
	87	121	61	95

Listings of overdue customer balances are reviewed monthly and compared against their credit terms/limits. Any customer exceeding their credit terms/limits must settle their overdue balances before any further credit is extended. Appropriate action is taken to recover long overdue debts. Overdue accounts are put on hold until payments are received to return them within limits. Trade receivables are not committed as security for debt.

The amount of the impairment allowance at 31 December was R87 million for Group (2016: R121 million) and R61 million (2016: R95 million) for Company and reflects trade receivable from customers who are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered.

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Movement in the impairment allowance				
Balance at the beginning of the year	(121)	(148)	(95)	(101)
Utilised during the year	44	30	38	9
Raised during the year	(10)	(3)	(4)	(3)
Balance at the end of the year	(87)	(121)	(61)	(95)

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments.

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Cash and cash equivalents	1 387	1 175	1 267	1 083
Bank overdrafts	(43)	(22)	(43)	(22)
	1 344	1 153	1 224	1 061
Cash and cash equivalents consist of the following				
South African Rand	1 224	1 061	1 224	1 061
Foreign currencies	120	92		
	1 344	1 153	1 224	1 061

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial instruments.

Restrictions on cash

Cash and cash equivalents in the Group's subsidiary in Angola amounting to R30 million (2016: R32 million) is restricted due to in country currency shortages.

12. SHARE CAPITAL AND SHARE PREMIUM

Equity shares in the Company held by any Group company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs is included in equity, and the resulting surplus or deficit on the transaction is included in the share premium. Dividends received on treasury shares are eliminated on consolidation.

	GROUP		COMPANY	
	2017	2016	2017	2016
Total shares in issue	342 852 910	342 852 910	342 852 910	342 852 910
Treasury shares held by subsidiary	(34 285 308)	(34 285 308)		
	308 567 602	308 567 602	342 852 910	342 852 910
	R'm	R'm	R'm	R'm
Ordinary shares	17	17	17	17
Treasury shares held by subsidiary	(2)	(2)		
Share capital	15	15	17	17
Share premium	537	537	537	537
Total share capital and share premium	552	552	554	554

Authorised share capital comprises 350 000 000 ordinary shares at 5 cents each.

The Company's wholly owned subsidiary, Afrox African Investments Proprietary Limited, holds 34 285 308 (2016: 34 285 308) ordinary shares of African Oxygen Limited.

BOC Holdings owns 50.47% (2016: 50.47%) shares of the Company, but from a Group perspective, BOC Holdings owns 56.08% (2016: 56.08%) shares of the Group's shares. The ultimate beneficial shareholder is Linde AG.

13. LONG-TERM BORROWINGS

	Currency	Date of final repay-ment	Interest rate %	Rate	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Unsecured borrowings					1 000	1 000	1 000	1 000
Less: short-term portion of long-term borrowings					–	–	–	–
					1 000	1 000	1 000	1 000
Terms of repayment								
Unsecured loans								
RMB syndicated loan – Absa	ZAR	06/2018	9.84	fixed	–	165	–	165
RMB syndicated loan – Nedbank	ZAR	06/2018	9.86	fixed	–	115	–	115
RMB syndicated loan – Old Mutual (OMSFIN)	ZAR	06/2018	9.82	fixed	–	115	–	115
RMB syndicated loan – RMB	ZAR	06/2018	9.87	fixed	–	140	–	140
RMB syndicated loan – Sanlam	ZAR	06/2018	9.85	fixed	–	50	–	50
RMB syndicated loan – Standard Bank	ZAR	06/2018	9.78	fixed	–	15	–	15
RMB syndicated loan – Absa	ZAR	06/2020	10.63	fixed	65	65	65	65
RMB syndicated loan – Nedbank	ZAR	06/2020	10.66	fixed	135	135	135	135
RMB syndicated loan – Old Mutual (OMSFIN)	ZAR	06/2020	10.60	fixed	135	135	135	135
RMB syndicated loan – Sanlam	ZAR	06/2020	10.63	fixed	65	65	65	65
RMB syndicated loan – Ivuzi	ZAR	12/2022	10.38	fixed	600	–	600	–
					1 000	1 000	1 000	1 000
Minimum repayments of unsecured borrowings:								
Less than one year – capital					–	–	–	–
Less than one year – interest					105	102	105	102
					105	102	105	102
Between two and five years – capital					1 000	1 000	1 000	1 000
Between two and five years – interest					313	136	313	136
Beyond five years – capital					–	–	–	–
Beyond five years – interest					–	–	–	–
					1 313	1 136	1 313	1 136
					1 418	1 238	1 418	1 238

Loans are repayable in full on maturity date while interest is paid quarterly in arrears. The interest rate charged on the loan is considered to be market related.

Loan covenants

The long-term borrowings are subject to loan covenant compliance in accordance with the common terms agreement between the Group, Company and FirstRand Bank Limited. Earnings before interest, tax, depreciation and amortisation and interest cover ratios are used to assess compliance.

A tranche of the 2018 syndicated loan amounting to R600 million was repaid on 28 December 2017, and a new tranche of R600 million was raised on the same day. Interest on the new tranche is payable quarterly and the capital is payable in 2022.

14. OTHER LONG-TERM FINANCIAL LIABILITY

	GROUP AND COMPANY	
	2017 R'm	2016 R'm
Contract settlement liability		
Opening balance	29	29
Amounts utilised during the year	(7)	(7)
Unwinding of discount	3	7
	25	29
Less: short-term portion transferred to trade and other payables	(5)	(3)
Total	20	26

The long-term liability relates to a monthly credit note settlement with a customer over a remaining period of three years (2016: four years). The gross value of the settlement liability amounts to R28 million (2016: R35 million), and the discounting impact amounts to R3 million (2016: R6 million).

15. PROVISIONS

A provision is recognised when the Group and Company have a legal or constructive obligation arising from a past event which can be reliably measured, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of discounting (time value) is material, provisions are discounted and the discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

	Dismantling costs provision R'm	Warranty provision R'm	Total R'm
Balance at 31 December 2015	3	12	15
Additional provisions created in the year	–	2	2
Amounts utilised during the year	–	(2)	(2)
Unwinding of discount	1	–	1
Balance at 31 December 2016	4	12	16
Additional provisions created in the year	–	2	2
Amounts utilised during the year	0*	(5)	(5)
At 31 December 2017	4	9	13

* *Amount below R1 million.*

Dismantling cost provision

This relates to the Group and Company's obligation to restore the land, at the end of the lease term, on which a major plant was constructed. Management has applied judgement in estimating the costs that will be incurred to dismantle the plant and restore the land and in determining the rate applied in discounting the future expected costs.

Warranty provision

The Group and Company have an obligation to honour repairs of defects on safety packs sold to customers. The amount of the provision represents management's estimate, based on historical date, of the costs that are expected to be incurred to repair safety packs that may have been sold with defects.

16. TRADE AND OTHER PAYABLES

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Financial liabilities	976	918	788	814
Trade payables	647	554	551	504
Billing in advance	10	–	10	–
Other payables	69	115	30	91
Straight-line accrual	26	16	26	16
Cylinder deposits	224	233	171	203
Non-financial liabilities	137	131	119	111
Employee benefits including leave pay, bonuses and other costs	84	86	74	77
Deferred rentals	32	17	30	15
Value added taxation	21	28	15	19
	1 113	1 049	907	925

Other payables includes short-term portion of other long-term financial liabilities, sundry accruals, electricity accruals, audit fee accruals, and freight and customs accruals.

The fair value of trade and other payables approximates the carrying amount.

The Group has no material exposure to interest risk as there are no suppliers that charge interest.

No individual vendor represents more than 10% of the total balance of trade payables.

Cylinder deposits

During prior years, cylinder deposits were disclosed as "other short-term liabilities". They are now disclosed as part of trade and other payables as cylinder deposits are part of the Group's normal operating activities and working capital.

The liability relates to the deposits received on sale of LPG cylinders. Judgement is applied in determining the number of expected cylinder returns.

17. DERIVATIVE FINANCIAL LIABILITIES

Hedging

Fair value hedges are designated when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment. Changes in the fair value of derivatives that are designated as hedging instruments are recognised in profit or loss immediately together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument is recognised in profit or loss.

Foreign exchange contracts

The Group has entered into foreign exchange contracts which do not relate to specific items on the statement of financial position, but were entered into to cover foreign commitments not yet due.

Foreign exchange contracts are entered into mainly to cover import purchases, and fair values are determined using foreign exchange market rates. The following foreign exchange contracts were entered into as at 31 December:

	GROUP AND COMPANY Foreign currency 2017 m	ZAR 2017 R'm	Foreign currency 2016 m	ZAR 2016 R'm
British Pound	0*	7	1	11
Euro	7	112	7	102
Japanese Yen	0*	1	–	–
US Dollar	6	80	8	119
Australian Dollar	0*	1	0*	1
		201		233
Fair value adjustment				
Foreign exchange contract liability		(20)		(11)

* *Amount below R1 million.*

18. REVENUE

Revenue is measured at the fair value of the consideration received or receivable net of VAT and rebates when significant risks and rewards of ownership have been transferred to the customer. Delivery, freight and handling costs are included in cost of sales. These costs are included in the sales price charged for the Group and Company's products and are recognised in revenue.

Revenue is recognised as follows:

Atmospheric Gases	
Tonnage	Revenue from sale of gas is recognised on usage, when metered at customer premises.
Bulk	Revenue from sale of gas is recognised on delivery at customer premises.
Cylinder	Revenue from sale of gas is recognised when the cylinder is either collected by the customer or delivered to the customer. The revenue from rental of the cylinder is recognised on a monthly basis based on the calculated cylinder holdings by the customer.
Facility charges	Revenue is recognised based on a fixed amount on a straight line basis over the duration of the contract.
Rentals	The revenue from rental of a cylinder is recognised on a monthly basis based on the calculated cylinder holdings by the customer.
Hard Goods	
Products	Revenue from sale of goods is recognised either on delivery at the customer or on collection by the customer.
Liquefied Petroleum Gas (LPG)	
Bulk	Revenue is recognised on delivery at customer premises.
Cylinder	The revenue from sale of gas is recognised when the cylinder is either collected by the customer or delivered to the customer.
Emerging Africa	
Various revenue streams	Revenue generated in Emerging Africa is recognised in line with Atmospheric Gases, Hard Goods and LPG as discussed above.

		GROUP		COMPANY	
	Notes	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Sale of goods		5 041	4 901	4 411	4 114
Rentals		652	636	580	570
Total revenue for the year		5 693	5 537	4 991	4 684

Refer to the Segmental Report on page 28 for a more detailed split of revenue.

19. EARNINGS BEFORE INTEREST AND TAXATION (EBIT)

Cost of sales includes:

- the carrying amount of inventories sold;
- over and under recoveries of production costs based on the standard cost model;
- costs incurred in relation to the rendering of services included in revenue and distribution costs;
- depreciation on plant, equipment and manufacturing facilities;
- overheads incurred as part of the production activities, including rentals of production facilities;
- raw materials utilised in production; and
- write down of inventories to net realisable value and any loss of inventory or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down loss or reversal occurs.

		GROUP		COMPANY	
	Notes	2017 R'm	2016 R'm	2017 R'm	2016 R'm
EBIT is shown after taking the following into account:					
Cost of sales		3 923	3 762	3 603	3 444
Other income					
Dividends received from subsidiaries	28			143	137
Dividends received from associate	28	1	1	1	1
Management fees from subsidiaries	28			41	29
Management fees from fellow subsidiaries	28	0*	8	0*	8
Expenses before allocation to cost of sales					
Auditors' remuneration		10	10	7	7
Audit services		9	9	6	6
Non-audit services		1	1	1	1
Profit on disposal of property, plant and equipment		(11)	(11)	(6)	(9)
Profit on disposal of assets held for sale		–	(15)	–	(2)
Operating lease charges		99	97	98	101
Property		54	45	53	49
Vehicles and equipment		45	52	45	52
Outsourced distribution costs for deliveries					
Vehicles and equipment		246	228	245	227
Loss/(profit) on foreign currency transactions		5	7	3	2
Loss/(profit) on fair value hedges		11	21	10	21
Inventory write-down/(reversal)	9	25	15	22	2
Trade receivables written-down	10	44	30	38	9
Impairment of property, plant and equipment	1	–	10	–	0
Employees and key management compensation costs	20	929	906	823	802
Impairment of investment in subsidiaries	3	–	–	–	4

* *Amount below R1 million.*

Operating leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the lease term.

20. EMPLOYEE AND KEY MANAGEMENT COMPENSATION COSTS

The cost of short-term employee benefits is recognised in profit or loss in the period in which the service is rendered and is not discounted. The expected bonus payment is recognised as an expense when there is a legal or constructive obligation as a result of a past practice to make such payments as a result of past performance and the amounts can be reliably measured.

	Notes	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Directors' emoluments		14	10	14	10
Executives – for services as directors		11	7	11	7
Non-executives – fees		3	3	3	3
Employee costs		915	896	809	792
Salaries, wages and bonuses		779	764	679	666
Current service costs – Pension fund	6	11	14	11	14
Current service costs – Post-retirement medical benefit		1	1	1	1
Provident fund contributions		60	58	58	57
Other salary costs		7	7	6	6
Equity-settled share-based costs		11	6	11	6
Medical aid current contribution for employees		46	46	43	42

For a detailed breakdown of the directors' emoluments, see the remuneration report on pages 29 to 31 .

21. FINANCE INCOME/(EXPENSE)

Finance income comprises interest income on funds invested, finance leases and interest on retirement benefit assets is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings and unwinding of discount on provisions.

	GROUP 2017 R'm	GROUP 2016 R'm	COMPANY 2017 R'm	COMPANY 2016 R'm
Finance expense				
Borrowings	(105)	(105)	(105)	(105)
Discounting effect for other long-term liability	(3)	(7)	(3)	(7)
Total finance expense	(108)	(112)	(108)	(112)
Finance income				
Cash balances	82	55	78	50
Net interest income on retirement benefit assets	40	57	40	57
Lease receivables from finance leases	11	14	9	9
Total finance income	133	126	127	116
Net finance income/(expense)	25	14	19	4
Analysed per category:				
Net loans and payables	14	0*	10	(5)
Lease receivables from finance leases	11	14	9	9
Net finance income/(expense)	25	14	19	4

* *Amount below R1 million*

22. INCOME TAXATION EXPENSE

The tax expense comprises current and deferred tax. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates enacted or substantively enacted that are applicable to the taxable income as well as any adjustment to tax payable in respect of previous years. Deferred tax is recognised in profit or loss, unless it relates to a transaction recognised directly in other comprehensive income or equity, in which case the deferred tax is recognised in other comprehensive income or directly in equity, respectively.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Normal taxation	205	194	131	109
Current year	217	186	145	109
Prior year (over)/under provision	(12)	8	(14)	–
Deferred taxation	27	54	30	64
Current year	23	48	37	58
Prior year underprovision	4	6	(7)	6
Foreign taxation	10	16	10	16
	242	264	171	189
Reconciliation of taxation charge				
Profit before taxation	880	864	773	589
Taxation calculated at a statutory tax rate of 28% (2016: 28%)	246	242	217	165
Income not subject to taxation:				
Dividends received	–	–	(40)	(39)
Prior year adjustments	(8)	14	(21)	6
Expenses not deductible for taxation purposes:	5	3	5	2
Income from vested trust	–	–	–	51
Provident fund- Section 15E transfer	–	(12)	–	(12)
Foreign taxation rate differential	(11)	1	–	–
Foreign taxes	10	16	10	16
Income taxation expense	242	264	171	189
Effective taxation rate (%)	27.5	30.5	22.1	32.1

23. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share and Group diluted earnings per share are calculated on earnings of R628 million (2016: R597 million) and a weighted average number of ordinary shares of 308 567 602 (2016: 308 567 602) in issue during the year.

Headline earnings per share is calculated on headline earnings of R620 million (2016: R585 million). A weighted average number of ordinary shares of 308 567 602 (2016: 308 567 602) in issue during the year was used to calculate headline earnings per share. Diluted earnings per share and diluted headline earnings per share are based on 311 275 880 (2016: 311 120 193) shares. 2 708 278 (2016: 2 552 591) shares had a dilutive impact.

	GROUP					
	2017			2016		
	Gross R'm	Taxation and non-controlling interest R'm	Net R'm	Gross R'm	Taxation and non-controlling interest R'm	Net R'm
Reconciliation between earnings and headline earnings						
Profit for the year	628	–	628	597	–	597
Adjustments for:						
– Profit on disposal of property, plant and equipment	(11)	3	(8)	(26)	7	(19)
– Impairment of property, plant and equipment	–	–	–	10	(3)	7
Headline earnings	617	3	620	581	4	585
Basic earnings per share – cents			203.6			193.3
Diluted earnings per share – cents			201.8			192.9
Headline earnings per share – cents			201.0			189.4
Diluted headline earnings per share – cents			199.2			189.0

24. DIVIDENDS

Shareholders for dividends

Dividends to equity holders are only recognised as a liability when declared. Dividends tax is withheld on behalf of its shareholders at a rate of 20% on the dividends declared. Amounts withheld are not recognised as part of the Group's and Company's taxation charge, but rather as part of the dividend paid recognised directly in equity. Where withholding taxation is withheld on dividends received, the dividend is recognised at the gross amount with the related withholdings taxation recognised as part of the taxation expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Final dividend number 178 paid on 19 April 2016: 56 cents per share		157		175
Interim dividend number 179 paid on 17 October 2016: 38 cents per share		118		130
Final dividend number 180 paid on 10 April 2017: 56 cents per share	173		192	
Interim dividend number 181 paid on 9 October 2017: 46 cents per share	142		158	
	315	275	350	305
	cents	cents	cents	cents
Dividends declared per share	100.0	94.0	100.0	94.0
Interim	46.0	38.0	46.0	38.0
Final – declared on 21 February 2018	54.0	56.0	54.0	56.0

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Profit before taxation	880	864	773	589
Adjustments for:				
Depreciation	316	367	292	337
Dividends received from subsidiaries	–	–	(143)	(137)
Dividends received from associate	–	–	(1)	(1)
Foreign exchange adjustments	15	(39)	–	–
Revaluation loss on derivative financial instruments	11	21	11	21
Impairment of tangible assets	–	10	–	–
Reversal of income from associate	–	(2)	–	–
Profit on disposal of property, plant and equipment and assets held for sale	(11)	(26)	(6)	(11)
Impairment of investment	–	–	–	4
Other non-cash movements*	(45)	19	(45)	20
Movement in trade receivables allowance	(34)	(27)	(34)	(6)
Movement in inventory obsolescence allowance	(20)	(15)	(19)	(5)
Movement in warranty provision	(4)	–	(3)	–
Amortisation of intangibles	12	12	12	12
Finance income	(133)	(126)	(127)	(116)
Finance expenses	108	112	108	112
	1 095	1 170	818	819
Working capital adjustments	(98)	(11)	(48)	133
(Increase)/decrease in inventories	(79)	8	(76)	12
(Increase)/decrease in trade and other receivables	(87)	48	(6)	(26)
Increase in net Group company payables	–	–	39	162
(Decrease) in net fellow subsidiary payables	(28)	(28)	(28)	(28)
Increase/(decrease) in trade, other payables, provisions and other short-term liabilities	96	(39)	23	13
Cash generated from operations	997	1 159	770	952

* *Other non-cash movements relate to current service costs, share appreciation rights charge and cylinder deposits liability release.*

26. NORMAL TAXATION PAID

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Net taxation receivable at the beginning of the year	12	31	31	40
Income statement charge (excluding deferred taxation)	(215)	(210)	(141)	(125)
Translation difference	(1)	14	–	–
Net taxation (receivable) at the end of the year	(31)	(12)	(50)	(31)
Normal taxation paid	(235)	(177)	(160)	(116)
Normal South African taxation paid	(225)	(157)	(150)	(96)
Foreign taxation paid	(10)	(20)	(10)	(20)
Normal taxation paid	(235)	(177)	(160)	(116)

27. FINANCIAL RISK MANAGEMENT

27.1 Overview

The Group and Company are exposed to the following financial instruments risks:

- Credit risk
- Liquidity risk; and
- Market risk

This note presents information about the Group and Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing these risks, and the management of capital. The Board of directors has overall responsibility for the establishment and oversight of the Group and Company's risk management framework.

The Group and Company's risk management policies are established to identify and analyse the risks faced, 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 and Company's activities. The Group and Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles.

The Group Audit Committee oversees how management monitors compliance with the Group and Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group and Company. The Group Audit Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

27.2 Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and Company's receivables from customers, cash and cash equivalents, derivative financial instruments, lease receivables and receivables from Group companies and fellow subsidiaries. The carrying amounts of these financial assets represents the Group and Company's maximum exposure to credit risk.

Derivative financial instruments

Foreign exchange contracts are only acquired from approved financial institutions in order to comply with the Group and Company's treasury policy and to limit the Group and Company's exposure to credit risk arising from the use of derivative financial instruments. The Group and Company do not consider there to be any significant concentration of credit risk related to derivative financial instruments.

Cash and cash equivalents

The Group and Company limit their credit risk exposure by investing only with financial institutions that have a minimum national long-term credit rating of zaBBB+ (2016: AA (zaf)) by Standard and Poor's or a minimum national short-term credit rating of zaA-2 (2016: F1 (zaf)) by Standard and Poor's. The Group and Company have International Swap and Derivatives Master Agreements with most of their counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group and Company’s credit exposure to individual counterparties.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the Group and Company have a large customer base spread across various geographical areas and industries. The Group and Company have credit policies that require appropriate credit checks on potential customers before sales commence, with ongoing reviews at regular intervals. The Group and Company establish an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. At 31 December 2017 the Group and Company did not consider there to be a significant concentration of credit risk for which an impairment allowance had not adequately been made.

Before accepting any new customer, the Group and Company use an internal credit scoring system to assess the potential customer’s credit quality and defines limits by customer. Limits and scoring are reviewed annually. Due to the nature of the business, there is no customer that represents more than 5% of the total balance of trade receivables. Refer to Note 10 for further details.

27. FINANCIAL RISK MANAGEMENT continued

27.3 Liquidity risk

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due that are settled by delivering cash or any other financial asset. The Group and Company manage liquidity risk by utilising a central treasury function and monitoring forecasted cash flows. The Group and Company's borrowing powers are determined by the Memorandum of Incorporation of the Company.

The Group and Company finance operations through cash generated by the business and a mixture of short-term, medium-term and long-term bank credit facilities and bank loans with a range of maturity dates. In this way, the Group and Company ensure that they are not overly reliant on any particular liquidity source and that maturities of borrowings sourced in this way are not overly concentrated.

Subsidiaries have access to local bank credit facilities, but are principally funded by the Group and Company.

The Group and Company have the following core lines of credit that are available for general corporate purposes and which are maintained by the Company's treasury function:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Committed facilities	1 060	1 000	1 060	1 000
Uncommitted facilities	280	740	270	730
Term loans maturing over the next five years	1 000	1 000	1 000	1 000

Non-derivative financial liabilities

The table below analyses the Group and Company's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	GROUP			COMPANY		
	Less than 1 year R'm	Between 1 and 5 years R'm	Beyond 5 years R'm	Less than 1 year R'm	Between 1 and 5 years R'm	Beyond 5 years R'm
2017						
Borrowings	105	1 313	–	105	1 313	–
Trade and other payables	976	–	–	788	–	–
Payables to fellow subsidiaries of holding company	96	–	–	96	–	–
Payables to Group companies				280	–	–
Bank overdrafts	43	–	–	43	–	–
2016						
Borrowings	102	1 136	–	102	1 136	–
Trade and other payables	918	–	–	814	–	–
Payables to fellow subsidiaries of holding company	60	–	–	60	–	–
Payables to Group companies				225	–	–
Bank overdrafts	22	–	–	22	–	–

Derivative financial liabilities

The table below analyses the Group and Company's derivative financial liabilities which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date and value. The amounts disclosed in the table are the contractual undiscounted cash flows.

	GROUP AND COMPANY
	Less than 1 year R'm
2017	
Foreign exchange contracts	
Outflow	201
2016	
Foreign exchange contracts	
Outflow	233

27. FINANCIAL RISK MANAGEMENT continued

27.4 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 and Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group and Company buy foreign currency derivatives in order to manage foreign exchange risks. Such transactions are carried out within the guidelines set by the Company's treasury. Generally the Group and Company seek to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

Foreign currency risk

The Group and Company will engage in foreign currency dealing only to the extent necessary to conduct the business and to protect the Group and Company's interests with respect to foreseen needs in accordance with prudent practice. Accordingly, only actual foreign commitments arising from contractual obligations that have currency risk on imports or exports may be hedged with foreign currency contracts. The Group and Company will not engage in currency transactions for the purpose of speculative profit.

The Group and Company face a number of risks from currency rate movements as discussed below:

Transaction exposure

The functional currency value of contracted or known foreign currency payments or receipts (such as debtor or creditor payments) varies due to currency rate movements.

This risk is managed through the use of foreign currency contracts. Currency transaction risk can only be hedged up to a maximum period of one year in advance unless permission is obtained from the SA Reserve Bank. Subject to this limitation, at least 95% of all foreign currency risk on transaction exposure should be hedged at all times. Treasury will first seek to net off matching foreign cash inflows against foreign cash outflows on a currency for currency basis, where practical, before entering into foreign currency contracts to hedge the residual exposure with banks.

The Group and Company's policy with respect to translation exposure is that the Group and Company do not specifically hedge 'earnings' beyond the point covered by economic risk hedging. As far as is practical, investment into foreign countries should be funded by borrowings in the currency of the investment country after considering local banking, investment, taxation and currency control legislation.

Some hedging of reported earnings will result from hedging economic exposure through borrowing in the currency of investment, (and so incurring an interest charge in that currency). The extent of hedging depends on the interest cover in that currency and availability of banking facilities in that particular country.

Economic exposure

The Rand present value of all future cash flows (and market capitalisation) is affected by currency rate movements.

Economic exposure relates to longer-term cash flows from a business, and can include exposure to movements in the currency of competitors in internationally traded goods (e.g. welding products). Primary management of this exposure is through the choice of procurement, investment or manufacturing location, which forms part of the capital expenditure authorisation process and pricing and other commercial policies.

27. FINANCIAL RISK MANAGEMENT **continued**

27.4 **Market risk** continued

Foreign currency exposure

The Group and Company have entered into certain foreign currency contracts, which were entered into to cover foreign commitments not yet due and proceeds which are not yet receivable. The contracts will be utilised for purposes of trade commitments.

Details of significant contracts are as follows:

	GROUP AND COMPANY		
Liabilities	Foreign currency m	Average mark to market rate	Foreign exchange contract equivalent value R'm
2017			
US Dollar	6	12.44	72
British Pound	0*	16.73	6
Euro	7	14.94	101
Australian Dollar	0*	9.67	1
Japanese Yen	0*	9.04	1
			181
2016			
US Dollar	8	13.78	116
British Pound	1	16.94	10
Euro	7	14.57	95
Australian Dollar	0*	9.88	1
			222

* *Amount below R1 million.*

The fair values of foreign currency contracts are determined using the relevant market forward currency rates.

27. FINANCIAL RISK MANAGEMENT continued

Sensitivity analysis

The tables below set out the Group and Company's currency exposures from financial assets and financial liabilities held by Group companies in currencies other than their functional currencies. The potential impact on profit or loss is based on a 5% change in foreign currency rate. A change of 5% (2016: 5%) in foreign currency rate relating to financial assets will result in a profit, and a change of 5% (2016: 5%) in foreign currency rate relating to financial liabilities will result in a loss.

Foreign currency sensitivity analysis

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature.

27.4 Market risk continued

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Financial assets – trade and other receivables				
Amount				
US Dollar	–	13	–	13
Euro	–	4	–	4
Angolan Kwanza	7	7	–	5
Botswana Pula	29	34	–	12
Zambian Kwacha	38	29	–	–
Malawian Kwacha	29	17	–	–
Mozambican Metical	10	8	–	2
Namibian Dollar	46	43	–	–
Other	–	4	–	4
Total	159	159	–	40
Potential impact on profit or loss				
US Dollar	–	1	–	1
Angolan Kwanza	0*	–	–	–
Botswana Pula	1	2	–	1
Zambia Kwacha	2	1	–	–
Malawian Kwacha	1	1	–	–
Mozambican Metical	1	–	–	–
Namibian Dollar	2	–	–	–
Total	7	5	–	2
Foreign cash balances				
Angolan Kwanza	12	32	–	–
Botswana Pula	14	12	–	–
Malawian Kwacha	21	3	–	–
Mozambican Metical	25	18	–	–
Zambia Kwacha	28	21	–	–
Namibian Dollar	2	3	–	–
US Dollars	18	3	–	–
Total	120	92	–	–
Potential impact on profit or loss				
Angolan Kwanza	1	2	–	–
Botswana Pula	1	1	–	–
Malawian Kwacha	1	–	–	–
Mozambican Metical	1	1	–	–
Zambia Kwacha	1	1	–	–
US Dollar	0*	–	–	–
Euro	1			
Total	6	5	–	–

27. FINANCIAL RISK MANAGEMENT **continued**

27.4 Market risk continued

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Financial liabilities – trade and other payables				
Amount				
Australian Dollar	1	–	1	–
British Pound	3	2	3	2
US Dollar	36	48	36	48
Euro	104	55	104	55
Angolan Kwanza	6	5	–	–
Botswana Pula	11	9	–	–
Zambia Kwacha	26	26	1	–
Malawian Kwacha	24	7	–	–
Mozambican Metical	17	13	–	–
Kenyan Shilling	4	3	4	3
Namibian Dollar	30	33	–	–
Total	262	201	149	108
Potential impact on profit or loss				
British Pound	0*	–	0*	–
US Dollar	2	2	2	2
Euro	5	3	5	3
Angolan Kwanza	0*	–	–	–
Botswana Pula	1	–	–	–
Zambia Kwacha	1	1	0	–
Malawian Kwacha	1	–	–	–
Mozambican Metical	1	1	–	–
Kenyan Shilling	0*	–	0*	–
Namibian Dollar	1	–	–	–
Total	12	7	7	5
Financial liabilities – derivative financial liabilities				
Amount				
Australian Dollar	7	1	7	1
British Pound	1	11	1	11
US Dollar	80	119	80	119
Euro	112	102	112	102
Japanese Yen	1	–	1	–
	201	233	201	233
Potential impact on profit or loss				
Australian Dollar	0*	0*	0*	0*
British Pound	0*	–	0*	–
US Dollar	4	6	4	6
Euro	6	5	6	5
Japanese Yen	0*	–	0*	–
	10	11	10	11
Net exchange rate effect for all financial assets and liabilities	(19)	(8)	(17)	(14)

* *Amount below R1 million.*

27. FINANCIAL RISK MANAGEMENT continued

27.4 Market risk continued

The following significant exchange rates applied during the year:

	GROUP AND COMPANY	
Exchange rates to South African Rand	2017 R	2016 R
Year-end rates		
Botswana Pula	1.26	1.29
British Pound	16.72	16.95
Angolan Kwanza	0.07	0.08
Euro	14.84	14.45
US Dollar	12.37	13.74
Zambian Kwacha (000's)	1.24	1.38
Malawian Kwacha	0.02	0.02
Mozambican Metical	0.21	0.19
Namibian Dollar	1.00	1.00
Kenyan Shilling	0.12	0.13
Japanese Yen	0.11	0.12
Average rates for the year		
Botswana Pula	1.29	1.35
British Pound	17.16	19.85
Angolan Kwanza	0.08	0.09
Euro	15.04	16.27
US Dollar	13.31	14.69
Zambian Kwacha (000's)	1.40	1.43
Malawian Kwacha	0.02	0.02
Mozambican Metical	0.21	0.23
Namibian Dollar	1.00	1.00
Kenyan Shilling	0.13	0.14
Japanese Yen	0.12	0.14

Interest rate risk

The Group and Company's interest rate exposure is the risk that all future cash flows (operational as well as financial) will vary adversely due to interest rate movements. The Group and Company's income may vary when interest rates move, due to the effect of interest rate changes on customer demand, supplier costs and the wider economy.

There are two opposing considerations in establishing the Group and Company's interest rate hedging policy, i.e. the proportion of the Group and Company's net debt financed at fixed and variable interest rates. Fixed interest rate debt tends to reduce earnings volatility, and variable rate debt tends to reduce interest cost depending on the uncertainty in the market. The Group and Company's policy is geared towards striking a balance between the two with at least 35% of the Group and Company's net debt at fixed interest rates.

27. FINANCIAL RISK MANAGEMENT **continued**

27.4 Market risk continued

The Group's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at the reporting date are:

	GROUP							
	Fixed interest rate maturing						Total carrying amount	
	Weighted average effective interest rate %	Floating interest rate R'm	1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest-bearing R'm	2017 R'm	2016 R'm
Loans and receivables		1 387	12	62	4	1 200	2 665	2 263
Trade and other receivables		–	–	–	–	1 070	1 070	934
Receivables from fellow subsidiaries of holding company		–	–	–	–	130	130	66
Lease receivables			12	62	4	–	78	88
Cash and cash equivalents	6.7	1 387	–	–	–	–	1 387	1 175
Total financial assets		1 387	12	62	4	1 200	2 665	2 263
Liabilities								
Financial liabilities at amortised cost		43	5	1 020	–	1 067	2 135	2 026
Long-term borrowings		–	–	1 000	–	–	1 000	1 000
Other long-term financial liability		–	–	20	–	–	20	26
Trade and other payables		–	5	–	–	971	976	918
Payables to fellow subsidiaries of holding company		–	–	–	–	96	96	60
Bank overdrafts	8.8	43	–	–	–	–	43	22
Financial liabilities at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	20	20	11
Total financial liabilities		43	5	1 020	–	1 087	2 155	2 037
Net financial assets/(liabilities)		1 344	7	(958)	4	113	510	266

27. FINANCIAL RISK MANAGEMENT continued

27.4 Market risk continued

The Company's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at the reporting date are:

COMPANY

	Fixed interest rate maturing						Total carrying amount	
	Weighted average effective interest rate %	Floating interest rate R'm	1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest-bearing R'm	2017 R'm	2016 R'm
Loans and receivables		1 267	11	46	4	1 467	2 795	2 636
Trade and other receivables		–	–	–	–	855	855	787
Receivables from fellow subsidiaries of holding company		–	–	–	–	130	130	66
Receivables from Group companies		–	–	–	–	46	46	32
Lease receivables			11	46	4		61	68
Loans due by subsidiaries		–	–	–	–	436	436	600
Cash and cash equivalents	6.7	1 267				–	1 267	1 083
Total financial assets		1 267	11	46	4	1 467	2 795	2 636
Liabilities								
Other financial liabilities at amortised cost		43	5	1 020	–	1 159	2 227	2 147
Long-term borrowings		–	–	1 000	–	–	1 000	1 000
Other long-term financial liability		–	–	20	–	–	20	26
Trade and other payables		–	5	–	–	783	788	814
Payables to fellow subsidiaries of holding company		–	–	–	–	96	96	60
Payables to Group companies		–	–	–	–	280	280	225
Bank overdrafts	8.8	43	–	–	–	–	43	22
Financial liabilities at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	20	20	11
Total financial liabilities		43	5	1 020	–	1 179	2 247	2 158
Net financial assets/(liabilities)		1 224	6	(974)	4	288	548	478

27. FINANCIAL RISK MANAGEMENT continued

27.4 Market risk continued

Accounting classifications and fair values

The table below sets out the Group and Company's classification of each class of financial assets and liabilities, and a comparison of the fair values with their carrying amounts. The different fair value levels have been defined as follows:

Level 1 – Quoted prices in active markets for identical financial assets or liabilities.

Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability.

Level 3 – Input for the assets or liabilities that are not based on observable market data.

The carrying values of cash resources, trade and other receivables, trade and other payables, receivables from and payables to Group companies and receivables from and payables to fellow subsidiaries of holding (only for the Company) approximates fair value because of the short-term maturity of these instruments. The fair values of lease receivables are not significantly different to their carrying values, as they are carried at amortised cost.

The fair value of long-term borrowings was determined using the income approach whereby the present value technique was used to take into account the future cash flows that a market participant holding the asset would expect. The swap curve rates applicable for the different maturity terms of the long-term borrowings were used as discount rates.

The Group's derivative financial instruments comprise foreign exchange contracts, whose fair values were determined using the foreign exchange market rates.

GROUP

	As at 31 December 2017 Carrying amount				As at 31 December 2016 Carrying amount		
	Level	Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm
Assets							
Non-current assets							
Lease receivables		66	66	–	72	72	–
Current assets		2 599	2 599	–	2 191	2 191	–
Trade and other receivables		1 070	1 070	–	934	934	–
Receivables from fellow subsidiaries of holding company		130	130	–	66	66	–
Short-term portion of lease receivables		12	12	–	16	16	–
Cash and cash equivalents		1 387	1 387	–	1 175	1 175	–

GROUP

	As at 31 December 2017 Carrying amount				As at 31 December 2016 Carrying amount		
	Level	Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm	Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm
Liabilities							
Non-current liabilities		1 007	1 020	–	977	1 026	–
Long-term borrowings		987	1 000	–	951	1 000	–
Other long-term financial liability		20	20	–	26	26	–
Current liabilities		1 135	1 115	20	1 011	1 000	11
Trade and other payables		976	976	–	918	918	–
Derivative financial instruments	2	20	–	20	11	–	11
Payables to fellow subsidiaries of holding company		96	96	–	60	60	–
Bank overdrafts		43	43	–	22	22	–

27. FINANCIAL RISK MANAGEMENT continued

27.4 Market risk continued

COMPANY

	As at 31 December 2017 Carrying amount				As at 31 December 2016 Carrying amount		
	Level	Fair value R'm	Loans and receiva-bles R'm	Fair value through profit or loss R'm	Fair value R'm	Loans and receiva-bles R'm	Fair value through profit or loss R'm
Assets							
Non-current assets		50	50	–	653	653	–
Lease receivables		50	50	–	53	53	–
Loans due by subsidiaries		–	–	–	600	600	–
Current assets		2 745	2 745	–	1 983	1 983	–
Loans due by subsidiaries		436	436	–	–	–	–
Trade and other receivables		855	855	–	787	787	–
Receivables from fellow subsidiaries of holding company		130	130	–	66	66	–
Receivables from Group companies		46	46	–	32	32	–
Short-term portion of lease receivables		11	11	–	15	15	–
Cash and cash equivalents		1 267	1 267	–	1 083	1 083	–

COMPANY

	As at 31 December 2017 Carrying amount				As at 31 December 2016 Carrying amount		
	Level	Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm	Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm
Liabilities							
Non-current liabilities		1 007	1 020	–	977	1 026	–
Long-term borrowings		987	1 000	–	951	1 000	–
Other long-term financial liability		20	20	–	26	26	–
Current liabilities		1 227	1 207	20	1 132	1 121	11
Trade and other payables		788	788	–	814	814	–
Derivative financial instruments	2	20	–	20	11	–	11
Payables to fellow subsidiaries of holding company		96	96		60	60	
Payables to Group companies		280	280	–	225	225	–
Bank overdrafts		43	43	–	22	22	–

27. FINANCIAL RISK MANAGEMENT continued

27.4 Market risk continued

Hedging

Cash flow hedges

Cash flow hedges have been entered into in order to minimise the risk of currency rate fluctuations on the purchase of large components for the capital expenditure projects. The financial instruments are forward currency contracts. These hedges are accounted for as cash flow hedges in accordance with *IAS 39 Financial Instruments: Recognition and Measurement*.

The effective portion of the gain or loss on the transaction being hedged is recognised directly in other comprehensive income, and released to the income statement when the hedged cash flows are also recognised in the income statement, or if a hedged transaction is no longer expected to occur. No amounts were recognised in profit or loss in 2017 (2016: Rnil) as a result of ineffectiveness in cash flow hedges.

Cash flows from hedged transactions are expected to be as follows:

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

They are expected to impact profit or loss in the same period.

GROUP AND COMPANY

	As at 31 December 2017	Contractual cash flows		As at 31 December 2016	Contractual cash flows	
	Amount R'm	6 months or less R'm	6 – 12 months R'm	Amount R'm	6 month s or less R'm	6 – 12 months R'm
Cash outflows expected from hedged transactions	12	12	–	26	26	–
(Loss)/gain expected in other comprehensive income	(1)	(1)	–	4	4	–

The following table presents a reconciliation of the reserve for cash flow hedges:

	GROUP		COMPANY	
(Losses)/gains	2017 R'm	2016 R'm	2017 R'm	2016 R'm
At 1 January	2	6	(5)	(1)
Gains/(losses) recognised in other comprehensive income (net of tax)	1	(4)	1	(4)
At 31 December	3	2	(4)	(5)

Fair value hedges

The Group and Company hedge their exposure to commodity price risks which arise in the normal course of business from its procurement transactions (e.g. raw material and finished goods purchased) and results in open risk positions. The hedging relationship of this type of transaction is designated as fair value hedging. As these are fair value hedges all gains or losses are recognised in profit or loss.

Changes in underlying transactions in fair value hedging relationships are recognised in profit or loss.

GROUP AND COMPANY

	Contractual cash flows			Contractual cash flows		
	Amount R'm	6 months or less R'm	6 – 12 months R'm	Amount R'm	6 months or less R'm	6 – 12 months R'm
Cash outflows expected from hedged transactions	169	169	–	196	196	–
(Loss)/gain expected in profit or loss	(20)	(20)	–	(11)	(11)	–

27. FINANCIAL RISK MANAGEMENT continued

27.5 Treasury cash management

The Board also receives a report on treasury activities, including confirmation of compliance with treasury risk management policies.

The main objectives of the treasury function are:

- to fund the Group and Company at the lowest net cost (after taking account of tax costs, fees and currency and interest rate movements);
- to manage the Group and Company's currency and interest rate risk in order to maximise net Group and Company cash inflows at acceptable levels of risk, and with the flexibility needed to achieve the Group's commercial objectives;
- to invest the Group and Company's surplus funds in order to maximise returns consistent with adequate security and liquidity; and
- to manage and maintain the Group and Company's relationships with banks, financial institutions and credit rating agencies to safeguard the Group and Company's access to debt capital and associated expertise.

Treasury risk management strategies include the use of derivatives, principally in the form of foreign currency contracts and interest rate swaps in order to manage the currency and interest rate exposures arising from the Group and Company's operations.

The Group and Company's treasury policies are established to identify and analyse the financial risks faced by the Group and Company, to set appropriate risk limits and controls and to monitor exposures and adherence to limits.

27.6 Capital management

The capital structure of the Group and Company consists of net borrowings and shareholders' equity. Besides the statutory minimum capitalisation rules that may apply to subsidiaries in different countries, the Group and Company are not subject to any externally imposed capital requirements.

The Group and Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Group and Company's long-term credit outlook is currently rated Global Credit Ratings A-(ZA) (2016: A-(ZA)). Key credit metrics that underpin the Group and Company's rating are reviewed on a quarterly basis. Financial covenants included in the Group and Company's core bank facilities were complied with.

28. RELATED-PARTY TRANSACTIONS

Various transactions are entered into by the Company and its subsidiaries during the period between related parties. Unless specifically disclosed, these transactions occurred under terms that are no less favourable than those entered into with third parties.

Related-party transactions

Shareholders

Details on the shareholders of the Company are disclosed in the shareholders' profile on pages 9 and 10 (shareholders' profile).

Holding company

The parent company of African Oxygen Limited is BOC Holdings Limited, incorporated in the United Kingdom. The ultimate holding company is Linde AG, incorporated in Germany.

Directors' and key management emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity. Details on the remuneration of the directors are disclosed on pages 29 to 31 and in note 20 (Employee and key management compensation costs). The total remuneration of key management was R14 million (2016: R10 million). No loans were made to or received from any director.

	GROUP AND COMPANY	
	2017 R'm	2016 R'm
Holding company		
Cash dividends to holding company	168	146
Technical aid fee	23	24
Fellow subsidiaries of holding company		
Revenue from sale of goods:	71	56
BOC UK	0*	1
BOC Kenya	3	5
BOC Tanzania	1	1
BOC Nigeria	1	2
BOC Zimbabwe	60	41
BOC Australia	2	2
Linde Headquarters	4	4
Linde Asia	0*	–
Income from management fees:	10	8
BOC Kenya	4	3
BOC Nigeria	0*	–
BOC Zimbabwe	6	5
Purchase of goods and services:	75	90
BOC UK	2	5
Linde Headquarters	70	79
BOC Ireland	1	2
Linde North America	–	1
BOC Group Limited	–	1
BOC Zimbabwe	1	2
BOC Kenya	1	–
Turnkey projects:		
BOC Cryostar	0*	1
Receivables from fellow subsidiaries of holding company:	130	66
BOC Uganda	0*	–
BOC Group Limited	17	1
BOC Zimbabwe	80	39
BOC Kenya	8	5
BOC Nigeria	14	13
BOC Tanzania	2	2
BOC Australia	1	1
Linde Headquarters	8	5
Payables to fellow subsidiaries of holding company:	96	60
Linde Headquarters	67	35
BOC Group Limited	8	10
BOC UK	8	7
BOC Cryostar	2	3
Linde Global Helium	3	3
Linde Gas division	4	1
Linde AG	4	–
BOC Ireland	–	1

* *Amount below R1 million.*

28. RELATED-PARTY TRANSACTIONS continued

	COMPANY 2017 R'm	2016 R'm
Subsidiaries		
Revenue from sale of goods and services:	238	248
Afrox Zambia	50	52
Afrox Malawi	25	27
IGL Namibia	38	46
Swazi Oxygen	37	28
Botswana Oxygen Company	9	19
Afrox Mozambique	14	15
Afrox Lesotho	65	61
Income from management fees:	28	29
Afrox Lesotho	5	4
Swazi Oxygen	10	9
Afrox Zambia	4	5
Afrox Mozambique	1	1
Afrox Malawi	2	2
IGL Namibia	6	8
Purchases of goods and services		
Afrox Properties	4	12
Receivables from Group companies	46	32
Botswana Oxygen Company	2	1
Swazi Oxygen	3	4
Afrox Zambia	15	3
IGL Namibia	7	6
Afrox Malawi	8	3
Afrox Lesotho	7	11
Afrox Mozambique	4	4
Amounts outstanding on loans included in payables to Group companies	280	225
Kiddo Investments	6	6
IGL Namibia	16	12
Afrox Lesotho	–	2
Afrox Africa Oxigenio Limitada	0*	0*
Isas Trust	247	204
Afrox Mozambique	–	0*
Swazi Oxygen	11	1
Dividends received	143	137
Botswana Oxygen Company	41	52
IGL Namibia	35	34
IGL Properties	1	2
Afrox Properties	38	6
Swazi Oxygen	17	20
Afrox Lesotho	5	5
Afrox Zambia	5	11
Afrox Malawi	1	7
Associate – Les Gaz Industriels Limited		
Revenue from sale of goods	2	2
Dividends	1	1

* *Amount below R1 million.*

Investments in subsidiaries and associated companies are detailed in notes 34 and 36.

Loans due by subsidiaries are detailed in notes 8 and 34.

Amounts outstanding on trade receivables and payables are to be settled in cash within the 30-day credit terms offered to third parties. The amounts due by related parties will be settled in cash with the normal 30-day credit period. No debts of related parties have been impaired. All outstanding amounts from related parties are unsecured.

29. COMMITMENTS

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Capital commitments				
Capital expenditure				
Authorised and contracted	11	22	7	18
Authorised by the directors, but not yet contracted for	303	224	264	177
Total future capital expenditure	314	246	271	195
Allocated to				
Property, plant and equipment	314	246	271	195
Afrox intends to finance capital expenditure from cash generated and borrowing facilities available.				
Leases				
Operating leases				
The Group and Company lease certain of their property, plant and equipment in terms of operating leases.				
Total future minimum lease payments under non-cancellable operating leases				
Not later than one year	80	81	80	81
Between one and five years	259	263	259	263
Longer than five years	239	239	239	239
	578	583	578	583
Leases of vehicles are for periods between 12 months to 120 months and are not subject to annual increases or other contingent rental changes. Interest rates are variable and linked to the prime lending rate.				
Leases of property are of varying lengths. Contingent rentals take the form of variable increases in monthly fees linked to various indices depending on the contract signed with the building landlord.				
Deemed finance leases (IFRIC 4)				
These assets are recognised as lease receivables, refer to note 5. Lease payments and finance income recognised are detailed below:				
Lease payments	(22)	(27)	(18)	(22)
Finance income	10	11	7	7
	(12)	(16)	(11)	(15)

30. SHARE-BASED PAYMENTS

The Group and Company have the following equity-settled share-based payments arrangements:

- Share Appreciation Rights scheme (new and modified SARs) – with conditions
- Forfeitable Share Plan (FSPs) – with conditions
- FSPs – without conditions

Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is charged as employee costs, with a corresponding increase in equity, on a straight-line basis over the period that the employees become unconditionally entitled to the options, based on management's estimate of the shares that will vest. Share-based payment expenses are adjusted for the effect of non-market based vested conditions.

The fair value of both the FSPs and the SARs at grant date are independently valued. The weighting of the performance conditions for FSPs and SARs issued from 2014 is 75% Headline Earnings Per Share (HEPS) and 25% relative Total Share Holder Return (TSR).

New SARs

Fair value inputs and assumptions (new SARs – 2015 – 2017):

Rights were issued after 1 January 2012. Rights will vest subject to a HEPS and TSR performance criteria being satisfied over the performance period. The valuation of the new SARs was performed using a risk neutral binomial tree methodology, taking into account the expected vesting percentage.

	GROUP AND COMPANY	
	2017	2016
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	4.47	5.50
Share price at grant date (R)	17.49	17.98
Strike price at grant date (R)	15.99	22.00
Expected TSR volatility (weighted average)(%)	32.00	39.00
Expected dividend yield (%)	4.00	3.00
Risk free interest rate	8.82	9.02
Vesting date	Mar 20	Jan 19
Maturity date	Mar 24	Dec 22
Number of new SARs in issue		
Balance at the beginning of the year	5 569 000	5 493 251
Granted during the year	1 627 458	1 659 500
Exercised during the year	(486 500)	
Forfeited during the year	(1 289 711)	(1 583 751)
Balance at the end of the year	5 420 247	5 569 000
Number of vested new SARs at the end of the year	–	–
Number of unvested new SARs at the end of the year	5 420 247	5 569 000
Total new SARs issued as at the end of the year	5 420 247	5 569 000
Range of exercise prices (Rand per share)	13.00 – 18.90	17.98 – 22.00
Weighted average contractual life (years)	5.94	6.05
Fair value inputs and assumptions Original SARs		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Dividend yield (%)	–	2.30
Share price volatility (%)	–	27.00
Risk free interest rate	–	7.60
Range of exercise prices (Rand per share)	–	21.00 – 32.25
Weighted average contractual life (years)	–	0.00
Number of original SARs in issue		
Balance at the beginning of the year	–	1 774 477
Exercised during the year	–	–
Forfeited during the year	–	(1 774 477)
Balance at the end of the year	–	–
Number of vested original SARs at the end of the year	–	–
Number of unvested original modified SARs at the end of the year	–	–
Total original SARs issued as at the end of the year	–	–

30. SHARE-BASED PAYMENTS **continued**

New SARs continued

	GROUP AND COMPANY	
	2017	2016
Modified SARs		
Fair value inputs and assumptions modified SARs (2009 – 2011 and long service awards 2008 – 2017)		
Rights were issued between 1 January 2007 to 31 December 2011. No SAR will be exercisable unless the Company is satisfied that the EBITDA for the period from the financial year-end immediately preceding the grant data until the financial year end preceding the date on which the SAR is intended to be exercised has grown by no less than GDP adjusted for inflation over the same period. The valuation of the modified SAR scheme was done using a Monte Carlo simulation for the performance period and a modified binomial tree model for the vesting period. EBITDA for Afrox was simulated for the performance period and evaluated against expected nominal GDP to determine whether the SARs will vest. For the remaining period up until maturity, a risk-neutral binomial tree model incorporating the early exercise feature and the exercise multiple condition was applied. The price inferred from the binomial tree model was then discounted to valuation date to determine the fair value of the scheme for each scenario.		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Spot price (R)	19.39	19.39
Dividend yield (%)	3.32	3.32
Share price volatility (%)	20.84	20.84
Range of exercise prices (Rand per share)	19.28 – 27.54	16.06 – 36.29
Weighted average contractual life (years)	2.81	3.00
Number of modified SARs in issue		
Balance at the beginning of the year	5 918 041	8 635 133
Exercised during the year	(2 473 735)	–
Forfeited during the year	(137 750)	(2 717 092)
Balance at the end of the year	3 306 556	5 918 041
Number of vested modified SARs at the end of the year	3 306 556	5 918 041
Number of unvested modified SARs at the end of the year	–	–
Total modified SARs issued as at the end of the year	3 306 556	5 918 041

The modified and new SARs each cover a three-year performance period and entitle eligible employees to be granted rights to receive Afrox shares at the start of the period (grant date), at a specified price (grant price) at the vesting date or any date thereafter within seven years of grant date. The allocation of the shares is subject to performance conditions that need to be met over the three-year vesting period. The number of shares that will be allocated is determined by the growth in the Afrox share price over the grant price, adjusted by the level of performance achieved. If performance criteria have been met, the calculated number of shares will be allocated. If performance criteria have not been met, no shares will be allocated.

30. SHARE-BASED PAYMENTS continued

FSPs – with conditions (2015 – 2017):

The plan covers a three-year performance period, which is subject to both performance and retention conditions. It entitles eligible employees to be granted a specified number of forfeitable shares at the start of the period (grant date), which are actual Afrox shares awarded at no cost as a long-term incentive. The shares are restricted and are subject to risk of forfeiture when performance criteria are not met.

	GROUP AND COMPANY 2017	GROUP AND COMPANY 2016
Fair value inputs and assumptions FSPs – with conditions		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	12.91	11.55
Share price at grant date (R)	17.38	17.98
Expected dividend yield (%)	4.00	3.00
Vesting and maturity date	Mar 20	Jan 19
Weighted average contractual life (years)	5.94	6.06
Number of FSPs with conditions in issue		
Balance at the beginning of the year	1 108 750	1 387 820
Granted	398 250	390 750
Forfeited	(94 075)	(599 229)
Exercised	(196 425)	(70 591)
Balance at the end of the year	1 216 500	1 108 750
Number of vested FSPs with conditions at the end of the year	–	–
Number of unvested FSPs with conditions at the end of the year	1 216 500	1 108 750
Total number of FSPs with conditions issued as at the end of the year	1 216 500	1 108 750

FSPs – without conditions (2015 – 2017):

The plan covers a three-year performance period, which is subject with retention conditions only. It entitles eligible employees to be granted a specified number of forfeitable shares at start of the period (grant date), which are actual Afrox shares awarded at no cost as a long-term incentive.

	GROUP AND COMPANY 2017	GROUP AND COMPANY 2016
Fair value inputs and assumptions		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	18.90	17.98
Share price at grant date (R)	17.17	17.98
Expected dividend yield (%)	4.00	3.00
Vesting and maturity date	Mar 20	Jan 19
Weighted average contractual life (years)	5.94	6.06
Number of FSPs without conditions in issue		
Balance at the beginning of the year	1 020 750	1 231 905
Granted	295 326	312 000
Forfeited	(52 749)	(292 960)
Exercised	(415 037)	(230 195)
Balance at the end of the year	848 290	1 020 750
Number of vested FSPs without conditions at the end of the year	–	–
Number of unvested FSPs without conditions at the end of the year	848 290	1 020 750
Total number of FSPs without conditions issued as at the end of the year	848 290	1 020 750

Expense recognised in profit or loss

	GROUP AND COMPANY 2017 R'm	GROUP AND COMPANY 2016 R'm
New share appreciation rights – with conditions	(3)	–
Modified share appreciation rights – with conditions	(1)	–
Forfeitable shares – with conditions	(3)	(4)
Forfeitable shares – without conditions	(4)	(2)
Total expense recognised for equity-settled share-based payment	(11)	(6)

31. CONTINGENT LIABILITY

Afrox is presently a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG Sector. Afrox is cooperating fully with the Commission's investigation. As at the date of this report, there are no other outstanding litigation of a material nature against the Group and Company.

32. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any material matter or circumstance arising since the end of the year and up to the date of this report.

33. GOING CONCERN

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that they will not be going concerns in the year ahead.

34. SUBSIDIARIES

						CARRYING VALUE OF COMPANY'S INTEREST			
		Issued share capital		Effective holding		Shares at cost		Loans due by subsidiaries	
Name of company	Nature of business^	2017	2016	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Subsidiaries incorporated in South Africa									
Unlisted									
Afrox (Pty) Ltd	D	R100	R100	100	100	–	–	–	–
Afrox African Investments (Pty) Ltd	F	R100	R100	100	100	0*	–	395	430
Afrox Properties (Pty) Ltd	P	R4 000	R4 000	100	100	0*	–	19	134
ISAS Trust	G	R56 117 720	R56 117 720	100	100	45	45	–	6
Subsidiary incorporated in Angola									
Afrox Africa Oxigenio Limitada*	G	KA1.8m	KA1.8m	100	100	–	–	–	1
Subsidiaries incorporated in Botswana									
Afrox Gas & Engineering Supplies (Botswana) (Pty) Ltd	D	P4 000	P4 000	100	100	–	–	–	–
Botswana Oxygen Company (Pty) Ltd	G	P200	P200	100	100	0*	–	–	13
Botswana Steel Engineering (Pty) Ltd	D	P120 000	P120 000	100	100	–	–	–	–
Handigas (Botswana) (Pty) Ltd	D	P200	P200	100	100	–	–	–	–
Heat Gas (Pty) Ltd	D	P100	P100	74	74	–	–	–	–
Kiddo Investments (Pty) Ltd	D	P2	P2	100	100	–	–	–	–
Subsidiaries incorporated in Lesotho									
Afrox Lesotho (Pty) Ltd	G	M2	M2	100	100	0*	–	9	–
Lesotho Oxygen (Pty) Ltd	D	M2	M2	100	100	–	–	–	–
Subsidiary incorporated in Malawi									
Afrox Malawi Limited	G	K4.4m	K4.4m	79	79	1	1	–	3

34. SUBSIDIARIES continued

Name of company	Nature of business*	Issued share capital		Effective holding		CARRYING VALUE OF COMPANY'S INTEREST: Shares at cost		CARRYING VALUE OF COMPANY'S INTEREST: Loans due by subsidiaries	
		2017	2016	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Subsidiary incorporated in Mauritius									
Afrox International Limited	D	US$7 508	US$7 508	100	100	–	–	–	–
Subsidiaries incorporated in Mozambique									
Afrox Mozambique Limitada	G	MZM2.350m	MZM2.350m	100	100	21	21	4	5
BOC Gases Mozambique Limitada	G	MZM1 100	MZM1 100	100	100	1	1	–	–
Subsidiaries incorporated in Namibia									
IGL (Pty) Ltd	G	N$2	N$2	100	100	–	–	–	–
IGL Properties (Pty) Ltd	P	N$280 000	N$280 000	100	100	–	–	9	8
Namox (Pty) Ltd	G	N$200	N$200	100	100	–	–	–	–
Reptile Investment Nine (Pty) Ltd	G	N$100	N$100	100	100	–	–	–	–
Reptile Investment Ten (Pty) Ltd	G	N$100	N$100	100	100	–	–	–	–
Subsidiaries incorporated in Swaziland									
Handigas Swaziland (Pty) Ltd	D	E 8	E 8	100	100	–	–	–	–
Swazi Oxygen (Pty) Ltd	G	E 8	E 8	100	100	–	–	–	–
Subsidiary incorporated in Zambia									
Afrox Zambia Limited	G	ZK86.5m	ZK86.5m	70	70	5	5	–	–
Investment in subsidiaries (refer note 3)						73	73	436	600

** The parent company does not have access to cash in Angola, due to in country currency shortages . It is unclear when this restriction will lift.*

^ Nature of business:
D – Dormant company
E – Engineering merchants, contractors and manufacturers
F – Finance
G – Gas and welding equipment
P – Property holdings

Currency
R – South African Rand
E – Swazi Elangeli
K – Malawi Kwacha
KA – Angolan Kwanza
M – Lesotho Loti
MZM – Mozambican Metical
N$ - Namibian Dollar
P – Botswana Pula
RS – Mauritian Rupee
US$ - US Dollar
ZK – Zambian Kwacha

34. SUBSIDIARIES **continued**

Subsidiaries with material non-controlling interests (NCI)

Subsidiary	NCI %	Place of business	Profit allocated to non-controlling interests 2017 R'm	2016 R'm	Dividend to non-controlling interests 2017 R'm	2016 R'm	Accumulated non-controlling interests 2017 R'm	2016 R'm
Afrox Malawi Limited	21	Malawi	3	2	1	3	7	6
Afrox Zambia Limited	30	Zambia	7	1	2	6	26	21
			10	3	3	9	33	27

The summarised financial information for subsidiaries that have material non-controlling interests is set out below, before intra-Group eliminations. The summarised financial information is prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

Afrox Malawi Limited

	Carrying value 2017 R'm	2016 R'm
Summarised statement of financial position		
Non-current assets	18	21
Current assets	58	31
Total assets	76	52
Equity	39	30
Non-current liabilities	2	3
Current liabilities	35	19
Total equity and liabilities	76	52
Summarised income statement		
Revenue	80	69
Expenses	(65)	(57)
Profit for the year	15	12
Summarised other comprehensive income after tax	–	–
Total comprehensive income for the year	15	12
Summarised cash flow statement		
Net cash flow from operating activities	19	(1)
Net cash flow from investing activities	0*	(5)
Net cash flow from financing activities	(1)	(13)
Net (decrease)/increase in cash and cash equivalents	18	(19)
Cash and cash equivalents at the beginning of the year	3	22
Cash and cash equivalents at the end of the year	21	3

* *Amount below R1 million.*

34. SUBSIDIARIES continued

Afrox Zambia Limited

	Carrying value 2017 R'm	Carrying value 2016 R'm
Summarised statement of financial position		
Non current assets	70	80
Current assets	84	70
Total assets	154	150
Equity	100	95
Non-current liabilities	6	14
Current liabilities	48	41
Total equity and liabilities	154	150
Summarised Income statement		
Revenue	182	186
Expenses	(159)	(184)
Profit for the year	23	2
Summarised other comprehensive loss after tax	–	–
Total comprehensive income for the year	23	2
Summarised cash flow statement		
Net cash flow from operating activities	17	10
Net cash flow from investing activities	(7)	(20)
Net cash flow from financing activities	(7)	(15)
Net increase/(decrease) in cash and cash equivalents	3	(25)
Cash and cash equivalents at the beginning of the year	25	50
Cash and cash equivalents at the end of the year	28	25

Unconsolidated structured entities

Afrox established the Employee Development Trust (the Trust) in 2008 with the purpose of promoting Broad Based Black Economic Empowerment (BBBEE) as contemplated in the BBBEE Act. Afrox donated a nominal amount of R1 000 to the trust on its establishment. The Trust has an investment in Phumelelani Nathi Holdings (PNH), in which Afrox holds redeemable preference shares with a nominal value of Rnil (2016: Rnil); which represents Afrox's maximum exposure resulting from of its interest in the Trust.

35. DIVISIONALISATION OF SUBSIDIARY

During 2017, management approved the divisionalisation of Afrox Properties Proprietary Limited into African Oxygen Limited at 1 August 2017 as a liquidation distribution. At 31 December 2017, the divisionalisation was partially complete. The divisionalisation will continue into the 2018 year-end.

The following table summarises the recognised amounts of assets transferred at the date of liquidation.

	GROUP AND COMPANY R'm
Property, plant and equipment	148
Deferred taxation	3
Taxation receivable	1
Assets transferred	152

36. ASSOCIATED COMPANY

		GROUP AND COMPANY							
		Issued share capital		Effective holding		Shares at cost		Indebtedness	
Name of company	Nature of business*	2017 R'm	2016 R'm	2017 %	2016 %	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Unlisted associated company									
Les Gaz Industriels Limited†	G	26.1	26.1	38	38	1	1	–	–

† *Associate with June financial year-end*

* *Nature of business:*
G – Gas and welding equipment

Currency
R – South African Rand

Notes

Corporate information

African Oxygen Limited

(Incorporated in the Republic of South Africa)
Registration number: 1927/000089/86
ISIN: ZAE00067120
JSE code: AFX
NSX code: AOX

Registration office and business address

Afrox House, 23 Webber Street, Selby, Johannesburg 2001/P O Box 5404, Johannesburg 2000
Telephone +27 (0) 11 490 0400
Fax +27 (0) 11 493 1580

Auditors

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Company Secretary

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Transfer Secretary

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Sponsor in Namibia

Namibia Equity Brokers Proprietary Limited

Website

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Stakeholder enquiries

Stakeholder enquiries may be addressed per email to: corporate.communication@afrox.linde.com