AUDITED GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

2018

AFROX
A Member of The Linde Group

Contents

The financial statements of African Oxygen Limited have been audited in compliance with the application requirements of the Companies Act of South Africa. These annual financial statements for the year ended 31 December 2018 have been prepared under the supervision of the Group Financial Director, Matthias Vogt and were approved on 5 March 2019.

Published
6 March 2019

Audit committee's report

for the year ended 31 December 2018

We are pleased to present the Audit committee (the committee) report for the financial year ended 31 December 2018.

Committee governance

The committee conducted its work in accordance with the written terms of reference approved by the board (information on this is recorded in the corporate governance report).

The committee is satisfied that it has performed both the statutory requirements for an audit committee as set out in the King Code, the Companies Act, the Listing Requirements, as well as the functions set out in the terms of reference, and that it has therefore complied with its legal, regulatory or other responsibilities. 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
- Oversaw and reviewed IFRS 9 and IFRS 15 implementation
- Reviewing the Group's Risk Assessment and Business Continuity Management (BCM) processes and reporting thereon to the Board
- Analysis of information technology (IT) governance and internal controls considering the appropriateness of current governance structures, using outsourced service providers, an independent review of current controls, risk management, necessary key changes, key projects and a digital roadmap.
- Considering the financial results for the interim period ended 30 June 2018 and the year end 31 December 2018, including considering appropriate provisions for organisational health.
- Oversight of the integrated report process.
- Consideration of internal audit reports; interrogated the effectiveness of the combined assurance model; and internal audit's resource capacity.
- Consideration of the external audit plan, auditors' remuneration, and audit scope increases following the Linde/Praxair merger.
- Ensuring that the Integrity Line (the Company's internal "tip off" process) matters are appropriately dealt with.
- Reviewing the key risks identified through the enterprise risk management system and the risk mitigation process.
- Consideration of legal and compliance matters such as the Competition Commission ruling and healthcare tender processes.

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

Audit committee terms of reference

The committee has 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, the terms of reference are reviewed annually to ensure they remain current and to identify any additional matters that need to be reviewed.

Composition of the committee

The committee consists of three independent members who are non-executive directors of the Company, the current members are:

- Chris Wells (Chairman)
- Nomfundo Qangule
- Giullean Strauss

The Board is satisfied that the members fulfil the independence requirement as stipulated by the Companies Act. The Chairman of the Board, Managing Director, Financial Director, Head of Group Finance, Head of internal audit, the lead external audit partner and other assurance providers attend meetings by invitation only. Other members of executive management are invited to present when required. The committee has closed sessions with both the internal and external auditors at the end of each meeting, without management being present.

The committee members are available for re-appointment by shareholders at the AGM, scheduled for 30 May 2019.

Meeting attendance

The committee is required to meet at least three times a year as per its terms of reference. For the 2018 financial year, it met on three occasions at meetings held on 20 February 2018, 6 September 2018 and 21 November 2018. Attendance statistics of the members can be found in the governance section of the Integrated Report.

In addition to the formal meetings, as Chairman of the 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 Group Financial Director regarding matters concerning the Group and Company. The Chairman of the committee schedules regular meetings with the auditors, KPMG to discuss all audit related matters including internal financial controls.

Role and duties

The 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;
- Considered the key audit matters raised by KPMG and assessed management's response to the key audit matters.
- 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 and recommended these to the Board for approval.

Reviews included the following:

- 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;
- Evaluating the effectiveness of risk management, controls and the governance processes; and
- Dealt with concerns or suggestions relating to:
  - Implementation of new International Financial Reporting Standards 9 and 15
  - 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 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 2018 financial year-end audit. Details of the external auditor's fees are set out per note 19 on page 56.

As per the terms of reference, the committee governs the process regarding non-audit services. All non-audit services above R500,000 are pre-approved by the committee. For the year under review, the external auditors continued to provide non-audit services in the form of assistance with the Transfer Pricing Policy document, providing Covenant Compliance Certificates in respect of the Syndicated facilities and Agreed on Procedures on the Progress Reports to the DTI in respect of the Section 12I allowance received relating to the Coega ASU. These appointments were assessed and approved by the committee.

Pursuant to the provisions of paragraph 3.84 (g)(iii) of the JSE Listings Requirements, the committee has considered and recommended a change in the statutory auditor for the ensuing financial year. PricewaterhouseCoopers Inc. will be appointed as the independent auditors of the Company at the AGM, to be held on 30 May 2019, and Mr M Naidoo, a director of PricewaterhouseCoopers Inc., will be appointed as the individual designated auditor, who will undertake the audit of the Company, for the ensuing period.

Financial statements, accounting practice and internal financial controls

The 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 latest report of the JSE Proactive Monitoring Process was tabled at the Audit Committee meeting and its contents were appropriately considered for the preparation of these annual financial statements.

Audit committee's report continued
for the year ended 31 December 2018

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 committee believes that the significant internal controls are effective.

Going concern

The 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 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 co-operation 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. The internal audit function's annual audit plan was approved by the committee.

Governance of risk

The Board has assigned oversight of the Company's risk management function to the committee. The committee fulfils this role as an integral component of the Company's enterprise-wide risk management process as described in its 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 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 Group Financial Director and the Finance function

As required by the JSE Listings Requirements 3.84(i), we are satisfied that the Group 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

5 March 2019

Directors' report
for the year ended 31 December 2018

The directors have pleasure in submitting the Group annual financial statements and annual financial statements for the year ended 31 December 2018.

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. A list of the subsidiaries and associate appears on pages 42 and 84.

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 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 operations for the year are set out in the statement of profit or loss on page 27.

The Group results for the year show revenue of R6 047 million (2017: R5 693) with earnings before interest and tax at R1 077 million (2017: R1 183 million) and net profit attributable to the equity holders of the company at R447 million (2017: R628 million). Basic earnings per share were 144.8 cents (2017: 203.6 cents) and diluted earnings per share were 144 cents per share (2017: 201.8 cents).

The statement of financial position continues to reflect that the Group is in a strong financial position with cash and cash equivalents at R1 153 million (2017: R1 344 million).

Share capital

The Company's authorised share capital remained unchanged. As at 31 December 2018, the Company's issued share capital is reflected in the following table:

	2018 and 2017	
	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 to the financial statements and are available on our website, www.afrox.com. An interim dividend of 52 cents (2017: 46 cents) per ordinary share was paid on 8 October 2018.

A final dividend of 25 cents (2017: 54 cents) per ordinary share before the dividend taxation of 20% has been declared. The final dividend will be paid on 8 April 2019. 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 PLC. Afrox is incorporated in the Republic of South Africa. Linde PLC is incorporated in Ireland and is listed on the New York Stock Exchange.

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

** German*
*** British*

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
- SM Venter

Social, Ethics and Transformation Committee

- KDK Mokhele (Chairman)
- NVL Qangule
- SM 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.

Company Secretary

Ms C Singh is the Company Secretary and her business and postal addresses appear on page 88 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 African Oxygen Limited.

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

Subsidiaries and associate

Information regarding the Group's subsidiaries is set out in note 34 on page 84 and of the interest in its associate in note 4 on page 42.

Independent auditors

Provided that their appointment is confirmed at the AGM on 30 May 2019, new independent auditors, PricewaterhouseCoopers Inc will be appointed as auditors 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 2018 amounted to R1 153 million (2017: 1 344 million). Details of the long-term borrowings are set out in note 13 on page 52. There are no restrictions on the Company's borrowing capacity contained in the Memorandum of Incorporation.

Litigation statement

Afrox was a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG sector. Afrox fully cooperated with the Commission's investigation and received no administrative penalties. As 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 2018 and the date of this report on which comment is required.

Company Secretary's certificate

for the year ended 31 December 2018

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 2018 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
5 March 2019

Approval of the annual financial statements

for the year ended 31 December 2018

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 2018, the statement of profit or loss 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 assessed 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 5 March 2019 and are signed by:

SM Venter
Authorised director
Managing Director

M Vogt
Authorised director
Group Financial Director

Johannesburg
5 March 2019

Shareholders' profile
for the year ended 31 December 2018

Shareholder spread

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

	2018				2017			
	Number of shareholders	**% of holders**	**Number of shares**	**% of issued share capital**	Number of shareholders	% of holders	Number of shares	% of issued share capital
Distribution of shareholders								
Public companies	11	0.33	209 761 796	61.18	12	0.38	209 771 420	61.18
Insurance, investment and trust companies	200	5.98	85 942 012	25.07	143	4.58	67 961 007	19.82
Pension, provident funds and trusts	217	6.49	37 900 463	11.05	216	6.93	41 469 385	12.10
Banks and nominee companies	47	1.41	2 721 421	0.79	43	1.38	18 145 826	5.29
Individuals and deceased estates	2 747	82.20	4 151 188	1.21	2 583	82.82	4 216 646	1.23
Corporate bodies	68	2.03	1 447 019	0.42	70	2.24	963 662	0.28
Private companies	52	1.56	929 011	0.28	52	1.67	324 964	0.10
Total	3 342	100	342 852 910	100	3 119	100.00	342 852 910	100
Shareholder type								
Public shareholders	3 332	99.70	133 091 214	38.81	3 109	99.68	133 527 450	38.94
Non-public shareholders (within the Linde AG Group)	10	0.30	209 761 696	61.19	10	0.32	209 325 460	61.06
Strategic holdings (more than 10%)	1	0.03	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	4	0.12	400	0.00	4	0.13	400	0.00
Own holdings and share incentive scheme	5	0.15	36 714 883	10.72	5	0.16	36 278 647	10.59
Total	3 342	100	342 852 910	100	3 119	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 2018 were:

	2018		2017	
	Number of shares held	**% of total**	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
Coronation fund managers	47 792 441	13.94	23 856 227	6.96
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00	34 285 308	10.00
Government Employees Pension Fund	17 467 624	5.09	18 785 540	5.48
Henderson Global Investors	9 785 997	2.85	7 864 537	2.29
Old Mutual Group	6 621 228	1.93	4 023 643	1.17
Nedbank Group	3 413 816	1.00	–	–
State Street Bank (Custodian)	–	–	9 561 365	2.81
Aberdeen Global Fund	–	–	6 786 087	1.97
Investec Asset Management	–	–	5 605 413	1.63
Stewart Investors	–	–	5 399 089	1.57
CitiGroup (Custodian)	–	–	4 945 797	1.44
Terra Partners Asset Management Limited	–	–	3 758 000	1.11
	292 412 827	85.28	297 917 419	86.91
Other shareholders	50 440 083	14.72	44 935 491	13.09
Total	342 852 910	100	342 852 910	100

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	2018 Amount per share (cents)*	2017 Amount per share (cents)
181	8 September 2017	3 October 2017	4 October 2017	6 October 2017	9 October 2017		46.0
182	22 February 2018	3 April 2018	4 April 2018	6 April 2018	9 April 2018		54.0
183	7 September 2018	2 October 2018	3 October 2018	5 October 2018	8 October 2018	52.0	
184	5 March 2019	2 April 2019	3 April 2019	5 April 2019	8 April 2019	25.0	
						77.0	100.0

* *Before taxation on dividends at 20%*

Statistics

	December 2018	December 2017	December 2016	December 2015	December 2014
Share price (cents)					
– Closing	2 750	2 800	1 900	1 300	1 604
Ordinary shares in issue at financial year end ('000)	342 853	342 853	342 853	342 853	342 853
Number of shares traded ('000)	62 661	61 550	36 964	36 273	44 869
Value of shares traded (R'000)	1 821 046	1 359 223	664 641	500 448	878 493
Number of shares traded as a percentage of shares issued	18.3	18.0	10.8	10.6	13.1
Earnings yield (%)	5.3	7.3	10.2	10.3	1.7
Ordinary dividend yield (%)	2.8	3.6	4.9	5.3	1.5
Price: basic earnings ratio	19.0	13.8	9.8	9.7	59.9
Price: headline earnings ratio	17.8	13.9	10.0	9.3	44.4

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 auditors' 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 87, which comprise the statements of financial position as at 31 December 2018, and the income statements, the statements of comprehensive income, the statements of changes in equity and the statements of 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 2018, 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 page 37 to 40 of the consolidated and separate financial statements.	
At 31 December 2018, the carrying amount of plant and equipment subject to impairment testing in the group and company financial statements, amounted to R3 006 million and R2 768 million, respectively. The determination of whether an impairment is required is subjective as judgement is required in determining the recoverable amounts of the assets. 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 involved, 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. An impairment of R55 million was recognised in the current year.	Our audit procedures included:: • Evaluating whether the model used to calculate the value in use of the individual assets complied with the requirements of IAS 36 *Impairment of Assets*. • Comparing the forecasts used in the prior year to actual performance in the current year and determining management's historical accuracy in the forecasting process. • Evaluating the appropriateness of key assumptions made in determining the value in use by comparing these assumptions and inputs to historical information, approved budgets and with reference to the discount rate to external market data. • Performing sensitivity analyses to consider the impact of changes in the key assumptions and estimates on the recoverable amount. • Considering the adequacy of the plant and equipment impairment disclosures against the requirements of International Financial Reporting Standards.

Independent auditors' report continued

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, the Shareholders' profile and Corporate information 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 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.
- 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 twelve years.

KPMG Inc.

LP Fourie
Chartered Accountant (SA)
Registered Auditor
Director

6 March 2019

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

Accounting policies

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 PLC (registered in Ireland), which is the ultimate holding company of the Afrox Group. The consolidated financial statements of Afrox, as at 31 December 2018 and for the year ended 31 December 2018 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. The Group is primarily involved in the manufacture and distribution of industrial gases and welding products and the distribution of liquid petroleum gas.

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 for the year ended 31 December 2018 were approved and authorised for issue on 5 March 2019 by the Company's board of directors and were prepared under the supervision of Matthias Vogt, Group Financial Director.

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 (refer note 17)	Fair value
Share-based payment awards (refer to note 30)	Fair value of equity instruments granted. The fair value of equity instruments granted is estimated using industry accepted techniques

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, except for the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* as set out in note 8 of the accounting policies, 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.

Significant accounting policies continued

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 interest

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Such transactions are disclosed as financing activities in the statement of cash flows.

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.

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 an 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 if the Group retains significant influence.

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. The impairment is assessed on an annual basis based on the net asset value of the associate at the end of the financial period or if and when there is any quantitative or qualitative indication of an impairment.

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.

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.

Accounting policies continued

Significant accounting policies continued

2. Foreign currency continued

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 instruments

A financial instrument is defined as a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

The Group recognises financial assets and financial liabilities at the trade date when it becomes a party to the contractual provisions of the instrument.

3.1 Initial recognition

Trade receivables without a significant financing component is initially measured at the transaction price. Other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments are grouped into classes that are appropriate taking into account the characteristics and risks of those financial instruments. Classes of financial instruments have been determined by referring to the nature and extent of risks arising from the financial instruments and how these are managed.

The group generally does not reclassify financial instruments between different categories subsequent to initial recognition.

3.2 Classification

Financial assets

Financial assets are classified into the following categories:

- Amortised cost;
- At fair value through other comprehensive income; debt investments or equity investments;
- At fair value through profit or loss.

A financial asset is measured at amortised cost if:

- The financial asset is held in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost comprise of trade and other receivables, cash and cash equivalents, receivables from group companies (for company only) and receivables from fellow subsidiaries of the holding company.

A debt investment is measured at fair value through other comprehensive income if:

- The financial asset is held in order to collect contractual cash flows and to be sold; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment is measured at fair value through other comprehensive income if the Group irrevocably elect to present subsequent changes in the investments' fair value in other comprehensive income.

Financial assets at fair value through profit or loss:
A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. In certain instances the business model is not to collect contractual cash flows, nor to sell the asset and in these cases the financial asset is held at fair value through profit and loss.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets classified at fair value through profit or loss are included in profit or loss in the period in which they arise.

The Group may at initial recognition irrevocably designate a financial asset, that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as measured at fair value through profit or loss if doing so significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held at fair value through profit and loss comprise of derivative financial instruments.

Financial liabilities

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost.

Financial liabilities at fair value through profit or loss

Financial liabilities is classified as at fair value through profit or loss if it is held for trading, is a derivative financial instruments or is designated as such on initial recognition. Realised and unrealised gains and losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are included in the profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Other financial liabilities are classified as measured at amortised cost using the effective interest method and comprise of interest bearing liabilities, bank overdrafts, other long-term financial liabilities, payables to fellow subsidiaries of holding company (for company only) and trade payables.

3.3 Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at fair value through other comprehensive income

These are subsequently measured at fair value. Interest income, foreign exchange gains and losses and impairment is recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Significant accounting policies continued

3. Financial instruments continued

3.4 Financial assets: other information

Assessment whether contractual cash flows are solely payments of principal and interest

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of the cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features ; and
- Terms that limit the Groups claim to cash flows from specified assets.

3.5 Derecognition

Financial assets

Financial assets are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are recognised in profit or loss.

Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which a new financial liability based on the modified terms is recognised at fair value. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, is recognised in profit or loss.

3.6 Impairment of non-derivative financial assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets that are measured at amortised cost and debt investment measured at fair value through other comprehensive income.

The Group measures loss allowances at an amount equal to the lifetime ECLs, except for bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The loss allowance for trade and other receivables is measured at an amount equal to lifetime expected losses. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of an instrument is less than 12 months).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the asset.

Expected credit loss assessment

The Group allocates each exposure to credit risk grade based on a rate that is determined to be predictive of the risk of loss and applying experienced credit judgement.

Exposures within each credit risk grade are by industry segments and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience for the last 3 years.

Credit impaired financial assets

At the reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or being 90 days past due;
- A concession that the Group would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

Determining significant increases in credit risk

The Group assumes that the credit risk on a financial instrument has not increased significantly if the financial instrument is determined to have a low credit risk at the reporting date.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Group relies on this information as well as historic information when determining whether credit risk has increased significantly since initial recognition. However, when information that is more forward-looking than past due status is not available without undue cost or effort, the Group may use past due information to determine whether there have been significant increases in credit risk since initial recognition.

The Group considers a financial asset to be at default when:

- The financial asset is more than 365 days past due; or
- Identifying companies that are currently under business rescue, liquidation or unable to pay its obligations.

Presentation of ECL allowance in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Loss allowances for fair value hedges are recognised through profit and loss

Write-off

The gross carrying amount of the financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual and corporate customers, the Group has a policy of writing off the gross carrying amount when the financial asset is more than 365 days past due based on experience of recoveries of similar assets and the Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject enforcement activities in order to comply with the Group's procedures of amounts due.

Measurement of expected credit losses

The Group measures expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.7 Derivative instruments

A derivative is a financial instrument whose value changes in response to an underlying variable, that requires little or no initial investment and that is settled at a future date. The Group uses derivative financial instruments to manage its exposure to foreign exchange risk. Derivative financial instruments comprise of foreign exchange contracts.

Derivative financial instruments are initially measured at fair value and are subsequently re-measured at their fair value with all changes in fair value recognised in profit or loss. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Foreign exchange contracts are entered into mainly to cover import purchases and fair values are determined using foreign exchange market rates.

Accounting policies continued

Significant accounting policies continued

3. Financial instruments continued

3.8 Cash flow hedges

The Group designates certain derivatives in respect of foreign currency risk for capital expenditure projects as cash flow hedges. Hedge accounting is used for derivatives designated in this way, provided specific criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

3.9 Fair value measurement

Certain of the Group's financial instruments are carried at fair value through profit or loss such as derivative financial instruments. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of determining the fair value of financial instruments is analysed into the following categories:

Level 1: Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valuation techniques using market observable inputs, including:

- Using recent arm's length market transactions;
- Reference to the current fair value of similar instruments; and
- Discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

Level 3: Valuation techniques, as described for level 2 above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss", is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The valuation techniques in level 2 and level 3 use inputs such as interest rate yield curves, equity prices, commodity and calibrated against industry standards, economic models and against observed transaction prices, where available.

3.10 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when there is a legally enforceable right to set off the amounts and there is an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4. Revenue

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Accordingly, the information presented for 2017 has not been restated.

When compared to IAS 18, there is no quantitative impact on the adoption of IFRS 15 on the statements of profit and loss, financial position, cash flows, changes in equity and the segmental analysis. The disaggregation impact of revenue is included in Note 18.

In the comparative period, revenue was measured at fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership were transferred to the customer, recovery of the consideration was probable, the associated costs and estimated return of goods could be measured reliably, there was no continuing management involvement with the goods and the revenue could be measured reliably.

4.1 Performance obligations and revenue recognition

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

The following is a description of the business segments 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 segments and assess its performance.

4.1.1 Atmospheric gases

The Atmospheric gases are sold in tonnage, bulk and cylinder volumes and can include the rental of tanks and cylinders.

Description	Nature and timing of satisfaction of performance obligations
Tonnage – pipeline supplies	Revenue from sale of gas is recognised on usage, when metered at customer premises. Gas usage is invoiced monthly based on the volume of gas consumed by the customer. Volumes of gas are directly transferred via a pipeline from the plant that has been erected on the clients premises. Invoices are generated at the point in time when the gas is metered.
Bulk – road transport – tank rentals	Revenue from the bulk sale of gas is recognised on the delivery at customer premises. Invoices are generated based on the point in time when the gas is delivered. Revenue from tank rentals is invoiced at a fixed monthly fee at a point in time.
Cylinder – volumes – rentals	Revenue from the sale of gas is recognised when the cylinder is either delivered or collected. Revenue from the rental of cylinders is recognised on a monthly basis based on the calculated cylinder holding by the customer. Invoices are generated at a point in time.

4.1.2 Liquefied Petroleum Gas (LPG)

The LPG stream generates revenue from the sale of gas. LPG is sold in bulk and cylinder volumes and can include the rental of tanks.

Description	Nature and timing of satisfaction of performance obligations
Bulk – road transport – tank rentals	Revenue from the bulk sale of gas is recognised on delivery at customer premises. Invoices are generated based on the point in time when the LPG is delivered. Revenue from tank rentals is invoiced at a fixed monthly fee at a point in time.
Cylinder – volumes	Revenue from the sale of gas is recognised when the cylinder is either delivered to the customer or collected by the customer. Invoices are generated based on the point in time when the LPG is delivered. A refundable deposit is collected on the sale of LPG in a cylinder and is refundable when the cylinders are returned by the customer.

4.1.3 Hard goods

Revenue is generated from the sale of welding consumables, safety devices and gas equipment.

Description	Nature and timing of satisfaction of performance obligations
Products	Revenue from the sale of products is recognised on delivery at the customer or on collection by the customer. Invoices are generated at a point in time.

4.1.4 Other information

- Discounts and rebates are not significant in relation to revenue.
- Invoices are usually payable within 30 days.
- Due to the nature of the gas products, customer returns do not occur. Hard Goods products can be returned or exchanged.
- There is no significant finance component as the timing between transfer of control and payment is less than 12 months.
- Value added services, such as maintenance on tanks, training, facility fees and technical advice are provided to customers. These services are integral and highly inter-dependent on the sale of gases as the services will not be provided without the sale of the product.

Significant accounting policies continued

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. 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 estimates and judgements 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 prospectively.

Information about assumptions and estimation uncertainties that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are:

- Impairment, asset useful lives, depreciation and amortisation methods and residual values – Note 1 and 2
- Measurement of the post-retirement benefit obligations – Note 6
- Inventory obsolescence allowance – Note 9
- Impairment of trade receivables and measurement of expected credit loss allowance – Note 10
- Cylinder deposits liability – Note 16

8. Application of new standards, amendments to standards and interpretations

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with initial application on 1 January 2018.

Standards and interpretations	Details of amendment
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 establishes a comprehensive framework for determining, how much and when revenue is recognised. It replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying the standard at the date of initial application. Accordingly, the information presented for 2017 has not been restated. When compared to IAS 18, there is no quantitative impact on the Group or the Company's statements of profit or loss, financial position, cash flows, changes in equity and the segmental analysis. For additional information about the accounting policy relating to revenue recognition see accounting policies note 4.
Clarifying Share-Based Payment Accounting (Amendments to IFRS 2)	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 introduces 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 adoption of these amendments had no effect on the financial statements.
IFRIC 22 *Foreign Currency Transactions and Advance Consideration*	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 adoption of these amendments had no effect on the financial statements.
IFRS 9 *Financial Instruments*	IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The transition to IFRS 9 resulted in an increase in retained earnings for the Group and Company by R8 million and R4 million respectively. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous categories for financial assets of held to maturity, loans and receivables and available for sale assets. The adoption of IFRS 9 has not had a significant effect on the Group or Company's accounting policies related to financial liabilities and derivative financial instruments. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The ECL impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not investments in equity instruments. Financial assets at amortised cost consist of trade receivables, receivables from fellow subsidiaries of holding company and cash and cash equivalents. The application of IFRS 9 impairment requirements resulted in a decrease in the impairment allowance for the Group and Company of R11 million and R5 million respectively. See 27.4 in note 27 regarding the effects of the transition to IFRS 9 and note 3 in the accounting policies for additional information about the accounting policies.

Due to the transition method chosen by the Group and Company in applying IFRS 15 and 9, unless otherwise noted, comparative information throughout these financial statements has not been restated.

Accounting policies continued

Significant accounting policies continued

9. Forthcoming changes in accounting policies

A number of new standards and amendments to standards and interpretations have been issued that are not yet effective for the period ended 31 December 2018 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 16 *Leases*	The Group and Company has concluded its assessment of the potential impact of the adoption of IFRS 16 on the financial statements. Based on this assessment, the Group and Company will recognise significant right of use assets, for leases in which the Group and Company is a lessee, which represents its right to use the underlying assets and lease liabilities which represents its obligation to make lease payments relating to land, properties, vehicle and equipment operating leases. The nature of expenses relating to those leases will now change because the Group and Company will recognise a depreciation charge for the right-of-use assets and interest expense on lease liabilities. Previously the Group and Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The Group and Company will apply IFRS 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will therefore be recognised as an adjustment to the opening balance of retained earning at 1 January 2019, with no restatement of comparative information. Accounting for leases in which the Group and Company is a lessor is substantially unchanged. IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group and Company will apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.
IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about judgments made, assumptions and other estimates used; and the potential impact of uncertainties that are not reflected for annual periods beginning on or after 1 January 2019.
Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments clarify that: • On amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and • The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted.

Standards and interpretations	Details of amendment
Amendments to References to Conceptual Framework in IFRS Standards	The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes: • A new chapter on measurement; • Guidance on reporting financial performance; • Improved definitions of an asset and a liability, and guidance supporting these definitions; and • Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. Although this is expected to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
Definition of a Business (Amendments to IFRS 3)	Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments: • Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs. • Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and • Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.
Definition of Material (Amendments to IAS 1 and IAS 8)	The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in *Definition of Material* (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier.

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 2018

		Group		Company	
	Notes	**2018 R'm**	2017 R'm	**2018 R'm**	2017 R'm
Assets					
Non-current assets		**3 591**	3 566	**3 425**	3 351
Property, plant and equipment	1	**3 006**	2 964	**2 768**	2 726
Intangible assets	2	**10**	17	**10**	17
Investments in subsidiaries	3			**114**	73
Investment in associate	4	**22**	22	**1**	1
Trade and other receivables	10	**17**	–	**17**	–
Lease receivables	5	**54**	66	**43**	50
Retirement benefit assets	6	**472**	484	**472**	484
Deferred taxation assets	7	**10**	13	**–**	–
Current assets		**3 359**	3 390	**3 338**	3 449
Loans due by subsidiaries	8			**385**	436
Inventories	9	**687**	710	**600**	642
Trade and other receivables	10	**1 271**	1 094	**1 036**	867
Derivative financial instruments	17	**1**	–	**1**	–
Receivables from fellow subsidiaries of holding company	28	**172**	130	**172**	130
Receivables from Group companies	28			**80**	46
Short-term portion of lease receivables	5	**18**	12	**14**	11
Taxation receivable		**36**	57	**22**	50
Cash and cash equivalents	11	**1 174**	1 387	**1 028**	1 267
Total assets		**6 950**	6 956	**6 763**	6 800
EQUITY AND LIABILITIES					
Equity		**4 023**	4 034	**3 817**	3 852
Share capital and share premium	12	**552**	552	**554**	554
Reserves		**(88)**	(87)	**(2)**	(4)
Retained earnings		**3 548**	3 536	**3 265**	3 302
Shareholders' equity		**4 012**	4 001	**3 817**	3 852
Non-controlling interests	34	**11**	33		
Non-current liabilities		**1 624**	1 611	**1 604**	1 589
Long-term borrowings	13	**1 000**	1 000	**1 000**	1 000
Other long-term liabilities	14	**41**	20	**41**	20
Provisions	15	**4**	–	**4**	–
Deferred taxation liabilities	7	**579**	591	**559**	569
Current liabilities		**1 303**	1 311	**1 342**	1 359
Provisions	15	**62**	13	**62**	13
Trade and other payables	16	**1 114**	1 113	**915**	907
Derivative financial liabilities	17	**–**	20	**–**	20
Payables to fellow subsidiaries of holding company	28	**83**	96	**83**	96
Payables to Group companies	28			**261**	280
Taxation payable		**23**	26	**–**	–
Bank overdrafts	11	**21**	43	**21**	43
Total equity and liabilities		**6 950**	6 956	**6 763**	6 800

Statement of profit or loss

for the year ended 31 December 2018

	Notes	Group 2018 R'm	Group 2017 R'm	Company 2018 R'm	Company 2017 R'm
Revenue	18	6 047	5 693	5 350	4 991
Operating expenses		(4 963)	(4 510)	(4 379)	(3 933)
Earnings before interest, taxation, depreciation, amortisation, impairments and restructuring costs		1 084	1 183	971	1 058
Impairment loss on trade and other receivables	10	(7)	–	(0)*	–
Earnings before interest, taxation, depreciation, amortisation, impairments and restructuring costs (EBITDA)		1 077	1 183	971	1 058
Depreciation and amortisation	1 and 2	(374)	(328)	(352)	(304)
Impairment of property, plant and equipment	19	(55)	–	(55)	–
Earnings before interest and taxation (EBIT) before restructuring costs	19	648	855	564	754
Restructuring costs	19	(52)	–	(52)	–
Earnings before interest and taxation (EBIT)		596	855	512	754
Finance expense	21	(111)	(108)	(111)	(108)
Finance income	21	152	133	143	127
Profit before taxation		637	880	544	773
Income taxation expense	22	(180)	(242)	(117)	(171)
Profit for the year		457	638	427	602
Attributable to:					
Owners of the company		447	628	427	602
Non-controlling interests	34	10	10		
Profit for the year		457	638	427	602
Earnings per share					
Basic earnings per share (cents)	23	144.8	203.6		
Diluted earnings per share (cents)	23	144.0	201.8		

* *Amount below R1 million*

Statements of comprehensive income

for the year ended 31 December 2018

		Group		Company	
	Notes	**2018 R'm**	2017 R'm	**2018 R'm**	2017 R'm
Profit for the year		457	638	427	602
Other comprehensive (loss)/income after taxation:		(39)	45	(38)	37
Items that are or may be reclassified to profit or loss		1	9	2	1
Translation differences of foreign operations		5	9		
Translation differences of foreign operations relating to non-controlling interests		(6)	(1)		
Changes in fair value of cash flow hedges		2	1	2	1
Deferred taxation relating to cash flow hedges		0*	0*	0*	0*
Items that will not be reclassified to profit or loss		(40)	36	(40)	36
Remeasurement of retirement benefits	6	(56)	50	(56)	50
Deferred taxation relating to remeasurement of retirement benefits		16	(14)	16	(14)
Total comprehensive income for the year		418	683	389	639
Total comprehensive income attributable to:					
Owners of the company		414	674	389	639
Non-controlling interests		4	9		
Total comprehensive income for the year		418	683	389	639

* *Amount below R1 million*

Statements of changes in equity

for the year ended 31 December 2018

	Group							
	Share capital and share premium R'm	Hedging reserve R'm	Foreign currency translation reserve R'm	Total reserves R'm	Retained earnings R'm	Total R'm	Non-controlling interests R'm	Total equity R'm
Balance at 1 January 2017	552	2	(99)	(97)	3 202	3 657	27	3 684
Total comprehensive income	–	1	9	10	664	674	9	683
Other comprehensive income	–	1	9	10	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 – forfeitable share plan	–	–	–	–	(7)	(7)	–	(7)
Dividends	–	–	–	–	(315)	(315)	(3)	(318)
Balance at 31 December 2017 as previously reported	552	3	(90)	(87)	3 536	4 001	33	4 034
Adjustment on initial adoption of IFRS 9 (net of taxation)*	–	–	–	–	8	8	1	9
Adjusted balance at 1 January 2018	552	3	(90)	(87)	3 544	4 009	34	4 043
Total comprehensive income	–	2	5	7	407	414	4	418
Other comprehensive income	–	2	5	7	(40)	(33)	(6)	(39)
Profit for the year	–	–	–	–	447	447	10	457
Transactions with owners of the Company								
Share-based payments, net of taxation	–	–	–	–	(8)	(8)	–	(8)
Transfer of NCI on acquisition of minority interest	–	–	(8)	(8)	(11)	(19)	(22)	(41)
Shares purchased – forfeitable share plan	–	–	–	–	(57)	(57)	–	(57)
Dividends	–	–	–	–	(327)	(327)	(5)	(332)
Balance at 31 December 2018	552	5	(93)	(88)	3 548	4 012	11	4 023

* *The Group adopted IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer to note 27*

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.

Statements of changes in equity

for the year ended 31 December 2018

	Company			
	Share capital and share premium R'm	Hedging reserve R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2017	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 – forfeitable share plan	–	–	(7)	(7)
Dividends	–	–	(350)	(350)
Balance at 31 December 2017 as previously reported	554	(4)	3 302	3 852
Adjustment on initial adoption of IFRS 9 (net of taxation)*	–	–	4	4
Adjusted balance at 1 January 2018	554	(4)	3 306	3 856
Total comprehensive income	–	2	387	389
Other comprehensive income	–	2	(40)	(38)
Profit for the year	–	–	427	427
Transactions with owners of the Company				
Share based payments net of taxation	–	–	(8)	(8)
Shares purchased – forfeitable share plan	–	–	(57)	(57)
Dividends	–	–	(363)	(363)
Balance at 31 December 2018	554	(2)	3 265	3 817

* *The Company adopted IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer to note 27.*

Statements of cash flows
for the year ended 31 December 2018

	Notes	Group 2018 R'm	Group 2017 R'm	Company 2018 R'm	Company 2017 R'm
Cash flows from operating activities					
Cash generated from operations	25	897	997	629	770
Interest received		71	74	68	72
Interest paid		(108)	(105)	(108)	(105)
Normal taxation paid	26	(173)	(235)	(84)	(160)
Dividends received	28	–	1	132	144
Cash available from operating activities		687	732	637	721
Dividends paid to owners of the company	24	(327)	(315)	(363)	(350)
Dividends paid to non-controlling interests		(5)	(3)	–	–
Net cash from operating activities		355	414	274	371
Cash flows from investing activities					
Additions to property, plant and equipment	1	(491)	(350)	(456)	(314)
Proceeds from disposal of property, plant and equipment		19	106	12	91
Loans due by subsidiaries		–	–	33	–
Receipts from lease receivables		24	28	18	22
Net cash used in investing activities		(448)	(216)	(393)	(201)
Cash flows from financing activities					
Borrowings raised		–	600	–	600
Borrowings repaid		–	(600)	–	(600)
Acquisition of non-controlling interest	3	(41)	–	(41)	–
Shares purchased – forfeitable share plan		(57)	(7)	(57)	(7)
Net cash outflow from financing activities		(98)	(7)	(98)	(7)
Net (decrease)/increase in cash and cash equivalents		(191)	191	(217)	163
Cash and cash equivalents at the beginning of the year		1 344	1 153	1 224	1 061
Cash and cash equivalents at the end of the year	11	1 153	1 344	1 007	1 224
Comprising:					
Cash and cash equivalents		1 174	1 387	1 028	1 267
Bank overdrafts		(21)	(43)	(21)	(43)
		1 153	1 344	1 007	1 224

Segmental report
for the year ended 31 December 2018

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 segments and assess its performance. The performance of the segments is managed and evaluated using revenue, operating expenses and earnings before interest, corporate expenses, restructuring costs and tax. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Business segments have been determined based on: Atmospheric Gases, LPG and Hard Goods.

Atmospheric gases	Air gases separated into its main components
LPG	Liquefied petroleum gas
Hard goods	Welding consumables, safety devices and gas equipment

	Group	
R'million	2018	2017 Restated
Revenue*	6 047	5 693
Atmospheric gases	2 674	2 584
LPG	2 552	2 310
Hard goods	821	799
Operating expenses	(5 130)	(4 591)
Atmospheric gases	(2 216)	(2 014)
LPG	(2 222)	(1 912)
Hard goods	(692)	(665)
Earnings before interest and tax (EBIT), before corporate expenses and restructuring costs	917	1 102
Atmospheric gases	458	571
LPG	330	398
Hard goods	129	133
Corporate expenses	(269)	(247)
Restructuring costs	(52)	–
EBIT	596	855
Geographical representation		
Revenue	6 047	5 693
South Africa	5 276	4 937
Southern African Development Community (SADC) countries excluding South Africa**	771	756
Non-current assets	3 591	3 566
South Africa	3 321	3 311
SADC countries excluding South Africa**	270	255

* *Revenue from external customers and includes cylinder rentals.*

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

Restatement of segmental report

The revenue and operating expenses of the Emerging Africa segment reported on in the prior year has now been allocated to segments based on product revenue categories, and not on the geographical profile, and is no longer a separate segment. The group has restated its segment report in line with the above.

	2017		
Revenue R'million	As previously reported R'm	Restated R'm	Allocation R'm
Atmospheric gases	2 283	2 584	301
LPG	1 994	2 310	316
Hard goods	660	799	139
Emerging Africa	756	–	(756)
	5 693	5 693	–

Directors' remuneration

for the year ended 31 December 2018

Independent non-executive directors' remuneration

Category	Role	Current practice Retainer fee R	Current practice Fee per meeting R	**Proposed payment Retainer fee R**	**Proposed payment Fee per meeting R**	Fee increase %
Independent lead director		428 204	12 741	**449 614**	**13 378**	5
Board	Director	245 350	12 741	**257 618**	**13 378**	5
Audit committee	Chairperson	165 495	12 741	**173 770**	**13 378**	5
	Member	82 169	12 741	**86 277**	**13 378**	5
– Nominations, Governance and Management of Resources Committee						
– Safety, Health, Environment and Quality Committee	Chairperson	109 944	12 741	**115 441**	**13 378**	5
– Social, Ethics and Transformation Committee	Member	55 550	12 741	**58 328**	**13 378**	5

Directors' emoluments (R'000)

2018	Months paid	Fees	Salary	Provident Fund contributions	Cash incentive (Short-term incentive)	Cash based (Long-term incentive)	Share-based (Long-term incentive)	Other benefits^	Total remuneration	Less: Amounts accrued but not yet settled	Total cash equivalent of remuneration
Executive directors			8 415	523	5 711	7 360	3 668	2 171	27 848	(3 668)	24 180
SM Venter	12	–	3 590	523	2 859	7 360	1 243	1 402	16 977	(1 243)	15 734
M Vogt	12	–	4 825	–	2 852	–	2 425	769	10 871	(2 425)	8 446
Non-executive directors		3 443	–	–	–	–	–	–	3 443	–	3 443
Dr KDK Mokhele~+>	12	1 036	–	–	–	–	–	–	1 036	–	1 036
GJ Strauss*~>	12	710	–	–	–	–	–	–	710	–	710
C Wells*	12	746	–	–	–	–	–	–	746	–	746
N Fakude	12	368	–	–	–	–	–	–	368	–	368
NVL Qangule*~+	12	583	–	–	–	–	–	–	583	–	583
Total		3 443	8 415	523	5 711	7 360	3 668	2 171	31 291	(3 668)	27 623

* *Audit Committee member.*

+ *Social, Ethics and Transformation Committee member.*

~ *Nominations, Governance and Management of Resources Committee member.*

> *Safety, Health, Environment and Quality Committee member.*

^ *Other benefits include car allowances and use of a motor vehicle.*

Directors’ remuneration continued

for the year ended 31 December 2018

Directors’ emoluments (R’000) continued

2017	Months paid	Fees	Salary	Provident Fund contributions	Cash incentive (Short-term incentive)	Cash based (Long-term incentive)	Share-based (Long-term incentive)	Other benefits^	Total remuneration	Less: Amounts accrued but not yet settled	Total cash equivalent of remuneration
Executive directors			6 144	489	2 103	–	2 680	2 141	13 557	(2 680)	10 877
SM Venter	12	–	3 359	489	2 103	–	2 680	1 867	10 498	(2 680)	7 818
M Vogt[#]	5	–	2 202	–	–	–	–	274	2 476	–	2 476
Former director DKT Devers[!@]	7	–	583	–	–	–	–	–	583	–	583
Non-executive directors		3 014	–	–	–	–	–	–	3 014	–	3 014
Dr KDK Mokhele[~+>]	12	864	–	–	–	–	–	–	864	–	864
GJ Strauss[*~>]	12	706	–	–	–	–	–	–	706	–	706
C Wells[*]	12	580	–	–	–	–	–	–	580	–	580
N Fakude[**]	7	342	–	–	–	–	–	–	342	–	342
NVL Qangule[*~+]	12	522	–	–	–	–	–	–	522	–	522
Total		3 014	6 144	489	2 103	–	2 680	2 141	16 571	(2 680)	13 891

The non-executive directors from the Linde Group that serve on the board are not reflected in the above information as they do not receive emoluments from the Company.

* *Audit Committee member.*

\+ *Social, Ethics and Transformation Committee member.*

** *Appointed 1 March 2017*

! *Fees paid by BOC Holdings for services rendered to African Oxygen Limited*

~ *Nominations, Governance and Management of Resources Committee member.*

> *Safety, Health, Environment and Quality Committee member.*

\# *Appointed 1 August 2017*

@ *Resigned 9 May 2017*

^ *Other benefits include car allowances and use of a motor vehicle.*

Share Appreciation Rights (SARs) and Forfeitable Share (FSPs) granted: SM Venter

		2017					2018				
Grant date	Average strike price/fair value	Opening number	Granted	Vested	Closing number	Proceeds received from sale of shares	Granted	Forfeited/ lapsed	Vested	Closing number	Proceeds received from sale of shares
SARs											
18 May 2015	13.97	32 000	–	–	32 000	–	–	790	31 210	–	500 293
18 April 2016	13.00	24 000	–	–	24 000	–	–	–	–	24 000	–
1 March 2017	18.90	–	24 000	–	24 000	–	–	–	–	24 000	–
Units					80 000			790	31 210	48 000	
Proceeds received from sale of shares (R)						–					500 293
FSP with conditions											
18 May 2015	13.20	61 000	–	–	61 000	–	–	1 507	59 493	–	1 784 790
18 April 2016	11.55	27 000	–	–	27 000	–	–	–	–	27 000	–
1 March 2017	12.91	–	27 000		27 000		–	–	–	27 000	–
1 March 2018	8.08	–	–	–	–	–	51 707	–	–	51 707	–
FSP without conditions											
18 May 2015	13.80	117 000	–	–	117 000	–	–	–	–	–	3 510 000
18 April 2016	17.98	9 000	–	–	9 000	–	–	–	–	9 000	–
1 March 2017	18.90	–	9 000		9 000		–	–	–	9 000	–
1 March 2018	28.53	–	–	–	–	–	27 622	–	–	27 622	–
Units		214 000	36 000	–	250 000		79 329	1 507	59 493	151 329	
Proceeds received from sale of shares (R)						–					5 294 790

Vested and non-vested number of share appreciation rights and forfeitable shares (rights)

	2018		2017	
Name	Vested number of rights (exercisable)	Non-vested number of rights (not yet (exercisable)	Vested number of rights (exercisable)	Non-vested number of rights (not yet (exercisable)
Executive director				
SM Venter	–	199 329	55 000	275 000
Total vested and non-vested number of rights	–	199 329	55 000	275 000

Directors' remuneration continued

for the year ended 31 December 2018

Shareholding of directors and executive management

Name	2018 Beneficial	2018 Non-beneficial	2017 Beneficial	2017 Non-beneficial
Non-executive independent directors				
Dr KDK Mokhele~+>	–	100	–	100
C Wells*	100	–	100	–
NVL Qangule	–	100	–	–
Non-executive directors				
R Gearing>#	–	–	–	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 have no 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 2018

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 of land and buildings. Land is measured at cost less any accumulated impairment losses. Assets acquired to be installed 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 the dismantling and restoration of the property, plant and equipment.

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 and assets acquired to be installed are 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.

1. Property, plant and equipment continued

Plant spares

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

	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 2017	243	1 507	1 002	144	56	2 952
Cost	333	4 035	2 132	302	166	6 968
Accumulated depreciation and impairment	(90)	(2 528)	(1 130)	(158)	(110)	(4 016)
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 and impairment	(96)	(2 682)	(1 256)	(171)	(106)	(4 311)
Additions	4	330	133	10	14	491
Impairment losses	–	(55)	–	–	–	(55)
Translation of foreign operations and reclassifications#	(9)	(48)	51	(17)	3	(20)
Disposals	–	(1)	(4)	(1)	(1)	(7)
Depreciation	(18)	(194)	(118)	(20)	(17)	(367)
Carrying amount at 31 December 2018	222	1 550	1 068	120	46	3 006
Cost	347	4 457	2 389	306	164	7 663
Accumulated depreciation and impairment	(125)	(2 907)	(1 321)	(186)	(118)	(4 657)

* *Amount below R1 million*

	Company					
	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 2017	38	1 422	933	113	58	2 564
Cost	54	3 654	2 025	229	169	6 131
Accumulated depreciation and impairment	(16)	(2 232)	(1 092)	(116)	(111)	(3 567)
Additions	1	172	112	13	16	314
Transfer from divisionalisation of subsidiary	148	–	–	–	–	148
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	278	3 824	2 131	239	153	6 625
Accumulated depreciation and impairment	(99)	(2 375)	(1 204)	(126)	(95)	(3 899)
Additions	2	309	125	7	13	456
Transfer from divisionalisation of subsidiary	17	–	–	–	–	17
Impairment losses	–	(55)	–	–	–	(55)
Disposals	–	–	(4)	(1)	(0)	(5)
Depreciation	(17)	(186)	(112)	(13)	(17)	(345)
Reclassifications#	1	(59)	51	(10)	(9)	(26)
Carrying amount at 31 December 2018	182	1 458	987	96	45	2 768
Cost	299	4 024	2 255	229	154	6 961
Accumulated depreciation and impairment	(117)	(2 566)	(1 268)	(133)	(109)	(4 193)

Reclassifications relate to classifications between categories including strategic spares.

* *Amount below R1 million*

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 macro-economic 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. Such cash flows are discounted using discount rates that reflect current market assessments of the time value of money and the risks associated with the specific asset.

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 4.9% (2017: 4.8%) 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% (2017: 13.48%).

Impairment

Plant and equipment used in the Atmospheric Gases segment was impaired by R55m (2017: Nil). The impairment is based on a value in use assessment of an underperforming plant and the impairment of plants that will no longer be used. For the value-in use assessment no terminal growth rate was applied as the remaining contractual supply period of two years for one of plants' significant customers was used in the assessment. Subsequent to the contractual period, the plant will no longer be used.

1. Property, plant and equipment continued

Assets acquired to be installed

Property, plant and equipment includes assets acquired to be installed/placed into commercial operation:

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Properties	**2**	2	**2**	2
Plant and equipment	**258**	101	**230**	75
Cylinders	**73**	18	**73**	18
Vehicles	**6**	1	**6**	1
Furniture and fittings	**15**	11	**15**	11
Total	**354**	133	**326**	107

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 licenses 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 license 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: 3 – 5 years, using the straight-line method.

	Group and Company
	Computer software R'm
Carrying amount at 1 January 2017	29
Cost	273
Accumulated amortisation	(244)
Amortisation	(12)
Carrying amount at 31 December 2017	17
Cost	262
Accumulated amortisation	(245)
Additions	–
Amortisation	(7)
Carrying amount at 31 December 2018	**10**
Cost	**262**
Accumulated amortisation	**(252)**

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

		Company	
	Note	**2018 R'm**	2017 R'm
Ordinary shares		**154**	113
Accumulated Impairment of investments in subsidiaries		**(40)**	(40)
		114	73

During 2018 Afrox acquired an additional 30% shareholding in Afrox Zambia Limited for R41 million.

Details of subsidiaries are presented in note 34.

4. Investment in associate

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.

	Group and Company							
	Issued share capital		Effective holding		Shares at cost		Indebtedness	
Name of company	2018 Rs'm	2017 Rs'm	2018 %	2017 %	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Unlisted associated company								
Les Gaz Industriels Limited	26.1	26.1	38	38	1	1	–	–

The Group's 38% share of profits is determined by reference to the audited financial statements for the year ended 30 June 2018 and unaudited management accounts for the period 1 July 2018 to 31 December 2018.

	Group		Company	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Unlisted ordinary shares				
Investment at cost	1	1	1	1
Share of accumulated profits since acquisition, net of dividends	21	21		
Share of opening accumulated profits	21	22		
Dividends received from associate	–	(1)		
Share of profit/(loss) for the year	0*	0*		
Carrying amount at the end of the year	22	22	1	1
Summarised financial information of Les Gaz Industriels Limited.				
Statement of comprehensive income				
Revenue	39	39		
Profit/(loss) before taxation	0*	0*		
Income taxation expense	0*	0*		
Net profit/(loss) for the year	0*	0*		
Total comprehensive income for the year	0*	0*		
Statement of financial position				
Non-current assets	106	94		
Current assets	25	20		
Total assets	131	114		
Equity	98	85		
Non-current liabilities	13	13		
Current liabilities	20	16		
Total equity and liabilities	131	114		
Cash flow				
Net cash flow from operating activities	3	1		
Net cash flow from investing activities	(3)	(3)		
Net cash flow from financing activities	(2)	(7)		
Net movement in cash and cash equivalents	(2)	(9)		

* *Amount below R1 million*

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.

Currency

Rs – Mauritian Rupee

5. Lease receivables

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Lease receivables	**72**	78	**57**	61
Short-term portion of lease receivables	**(18)**	(12)	**(14)**	(11)
	54	66	**43**	50

	Group			Company		
Lease receivable	**Gross lease R'm**	**Unearned finance income R'm**	**Present value of minimum lease payments R'm**	**Gross lease R'm**	**Unearned finance income R'm**	**Present value of minimum lease payments R'm**
2018						
Receivables due in less than one year	**24**	**(6)**	**18**	**17**	**(3)**	**14**
Long-term lease receivables	**69**	**(15)**	**54**	**56**	**(13)**	**43**
Between one and five years	**69**	**(15)**	**54**	**56**	**(13)**	**43**
Total	**93**	**(21)**	**72**	**73**	**(16)**	**57**
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

* *Amounts below R1 million*

Lease receivables

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 has entered into arrangements with these customers, that have maturities of up to 15 years at inception, 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 if the criteria above are met. The interest income on the lease receivables was determined based on a rate of 15.6% (2017: 14.2%) for the Group and 13% (2017: 11.2%) for the Company.

6. Retirement benefit assets

Defined contribution plan

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 plan

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 determines 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	
	2018 R'm	2017 R'm
Summary		
Pension fund	474	486
Post-retirement medical benefit fund	(2)	(2)
	472	484
Remeasurement (losses)/gains recognised in other comprehensive income	(56)	50
Pension fund	(57)	49
Post-retirement medical benefit fund	1	1

Pension and provident plan

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

All employees are required to belong to either the defined benefit plan or the defined contribution plan. The plans 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 plans are held in administered funds separate from the Group and Company's assets.

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

The latest remeasurement calculation of the African Oxygen Limited Pension Fund was made on 31 December 2018.

At the time of the valuation, 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	
	2018 %	2017 %
Discount rate	10.20	10.70
Consumer price inflation rate	6.40	7.20
Compensation increase rate	7.40	8.70
Pension increase rate	6.40	7.70

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 18.5 years (2017: 18 years) for males and 23.6 years (2017: 22.4 years) for females.

Post-retirement health care benefits

Post-retirement health care benefits represent the net of the accrued liability of R8.9 million (2017: R9.5 million) and the fair value of plan assets of R6.6 million (2017: R7 million). The duration of the liability at 31 December 2018 is 17 years (2017: 18 years).

Remeasurement gains amounting to R1.4 million (2017: R2 million) are recognised in OCI. Expenses including interest cost and expected return on plan assets amounting to R1.1 million (2017: R0.5 million) are included in profit or loss.

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

6. Retirement benefit assets continued

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	
	2018 R'm	2017 R'm
CPI inflation rate		
1% increase in the rate		
Increased aggregate current service cost and interest cost	5	7
Increased defined benefit obligation	37	47
1% decrease in the rate		
Decreased aggregate current service cost and interest cost	(4)	(5)
Decreased defined benefit obligation	(25)	(29)
Discount rate		
1% increase in the rate		
Decreased defined benefit obligation	(25)	(28)
1% decrease in the rate		
Increased defined benefit obligation	36	48
Expected retirement age		
1 year older		
Decreased defined benefit obligation	(6)	(7)
1 year younger		
Increased defined benefit obligation	6	7
Fund status		
Fair value of plan assets	720	759
Present value of defined benefit obligations	(245)	(273)
Pension fund asset recognised at the end of the year	475	486
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	759	725
Member contributions	3	4
Benefits paid by the plan	(35)	(38)
Interest income on plan assets	81	72
Risk premiums and expenses	(2)	(2)
Return on plan assets excluding interest income	(86)	(2)
Fair value of plan assets at the end of the year	720	759
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	273	317
Members' contributions	1	3
Benefits paid by the plan	(35)	(38)
Current service costs	9	11
Interest costs	27	32
Risk premiums and expenses	(2)	(2)
Remeasurement (gain) arising from economic assumptions	(28)	(50)
Present value of the defined benefit obligations at the end of the year	245	273
Classifications:		
Operating expenses	9	11
Finance income	(54)	(40)
Analysis of plan assets	%	%
Equity instruments	32	21
Debt instruments	55	51
Property	6	6
Cash and cash equivalents	7	22
	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	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Deferred taxation assets	(10)	(13)	–	–
Deferred taxation liabilities	579	591	559	569
	569	578	559	569
The net deferred taxation comprises:				
Capital allowances (Property, plant and equipment)	555	543	531	541
Intangible assets	3	2	2	2
Bonus and leave pay provisions	(35)	(34)	(33)	(32)
Cylinder deposits	(35)	(51)	(30)	(48)
Restructuring provision	(15)	–	(15)	–
Other provisions	(27)	(14)	(22)	(32)
Trade receivables impairment allowance	(16)	(19)	(13)	(13)
Cash flow hedge	2	1	2	1
Embedded finance lease	5	6	5	6
Retirement benefit assets	132	144	132	144
	569	578	559	569
Reconciliation of deferred taxation				
Opening balance	578	538	569	524
Translation differences	16	(2)	–	–
Recognised in profit or loss				
– current year temporary differences	5	23	19	37
– prior year (over)/under provision	(15)	4	(14)	(7)
Recognised in other comprehensive income				
– remeasurement of retirement benefits	(16)	14	(16)	14
– cash flow hedges	1	1	1	1
Closing balance	569	578	559	569
Deferred taxation is calculated at the following rates:				
South African operations – 28% (2017: 28%)	559	569	559	569
Foreign operations at average rate – 29.56% (2017: 29.44%)	10	9		
	569	578	559	569

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

	Company	
	2018 R'm	2017 R'm
Loans due by subsidiaries	**385**	436
	385	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 funds. 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 that are expected to be used as consumables are recognised in inventories. These spare parts are categorised as consumables.

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Raw materials	**64**	61	**63**	60
Work in progress	**18**	12	**17**	11
Finished goods	**450**	479	**365**	413
Consumables	**155**	158	**155**	158
	687	710	**600**	642
Inventory write down allowance				
(taken into account in the carrying value of inventories above)				
Finished goods	**59**	61	**47**	48
Consumables	**33**	31	**33**	31
Balance at the end of the year	**92**	92	**80**	79

In 2018, inventories of the Group amounting to R19 million and R13 million for the Company (2017: R25 million for Group and R22 million for Company) were written down and recognised as an expense in cost of sales.

The inventory written down relates to discontinued, obsolete and damaged items.

10. Trade and other receivables

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Financial assets	**1 195**	1 070	**980**	855
Trade receivables	1 141	1 091	946	854
Impairment allowance	(75)	(87)	(57)	(61)
Net trade receivables	1 066	1 004	889	793
Other receivables	77	30	40	26
Accrued interest	50	35	50	35
Staff loans	2	1	1	1
Non-financial assets	**76**	24	**56**	12
Prepayments	56	16	51	12
Deposits	5	1	–	–
Value added taxation	15	7	5	–
	1 271	1 094	**1 036**	867
Non-current trade and other receivables	10	–	10	–
Loan receivable	7	–	7	–
Non-current trade and other receivables	**17**	–	**17**	–

A trade receivable of R10 million (2017: Rnil) relating to non-current trade and other receivables was reclassified to non-current assets.

A debt settlement agreement was concluded between the Company and debtor in terms of which the debtor will settle the outstanding balance of the trade receivable on 31 May 2020.

The loan is unsecured and interest free.

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		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
South African Rand	980	932	946	854
Namibian Dollar	51	46	–	–
Botswana Pula	29	29	–	–
Zambian Kwacha	54	38	–	–
Angolan Kwanza	–	7	–	–
Malawian Kwacha	20	29	–	–
Mozambican Metical	7	10		
Other	–	–	–	–
	1 141	1 091	**946**	854

10. Trade and other receivables continued

Credit quality of trade receivables

As at 31 December 2018 Group trade receivables of R553 million (2017: R411 million) and Company trade receivables of R461 million (2017: R344 million) were past due but not impaired. The aging of these trade receivables are shown below:

	Group		Company	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Carrying amount				
Not past due date	516	593	432	449
Past due within 30 days from statement	256	218	218	187
Past due within 30 – 60 days from statement	72	65	57	51
Past due within 60 – 90 days from statement	43	32	35	25
Past due within 90 – 120 days from statement	30	31	23	25
Past due within 120 – 150 days from statement	25	19	19	15
Past due within 150 – 365 days from statement	95	66	80	52
Past due in excess of 365 days from statement	104	67	82	50
	1 141	1 091	946	854
Impairment allowance				
Not past due date	3	–	2	–
Past due within 30 days from statement	2	–	1	–
Past due within 30 – 60 days from statement	0*	–	0*	–
Past due within 60 – 90 days from statement	0*	–	0*	–
Past due within 90 – 120 days from statement	0*	–	0*	–
Past due within 120 – 150 days from statement	0*	17	0*	12
Past due within 150 – 365 days from statement	1	26	0*	18
Past due in excess of 365 days from statement	69	44	54	31
	75	87	57	61

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 R75 million for Group (2017: R87 million) and R57 million (2017: R61 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		Company	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Movement in the impairment allowance				
Balance at the beginning of the year under IAS 39	(87)	(121)	(61)	(95)
Adjustment on adoption of IFRS 9	11	–	5	–
	(76)	(121)	(56)	(95)
Utilised during the year	8	44	(1)	38
Raised during the year	(7)	(10)	0*	(4)
Balance at the end of the year	(75)	(87)	(57)	(61)

* *Amounts less than R1 million*

11. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and short-term call deposits.

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

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Cash and cash equivalents	**1 174**	1 387	**1 028**	1 267
Bank overdrafts	**(21)**	(43)	**(21)**	(43)
	1 153	1 344	**1 007**	1 224
Cash and cash equivalents consist of the following:				
South African Rand	**1 007**	1 224	**1 007**	1 224
Foreign currencies	**146**	120		
	1 153	1 344	**1 007**	1 224

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 R29m (2017: R30m) is restricted due to in-country liquidity constraints.

12. Share capital and share premium

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. 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	
Number	**2018**	2017	**2018**	2017
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 shares are fully paid up.

The company's wholly-owned subsidiary, Afrox African Investments Proprietary Limited holds 34 285 308 (2017: 34 285 308) ordinary shares of African Oxygen Limited.

BOC Holdings owns 50.47% (2017: 50.47%) shares of the Company, but from a Group perspective, BOC Holdings owns 56.08% (2017: 56.08%) shares of the Group's shares.

13. Long-term borrowings

					Group		Company	
					2018 R'm	2017 R'm	**2018 R'm**	2017 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	Currency	Date of final repayment	Interest rate %	Rate				
Unsecured loans								
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	**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**	105	**105**	105
					105	105	**105**	105
Between two and five years – capital					**1 000**	1 000	**1 000**	1 000
Between two and five years – interest					**207**	313	**207**	313
					1 207	1 313	**1 207**	1 313
					1 312	1 418	**1 312**	1 418

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 First Rand Bank Limited. Earnings before interest, tax, depreciation and amortisation and interest cover ratios are used to assess compliance.

14. Other long-term liabilities

	Group and Company		
	Non-financial liability Lease straight-lining accrual R'm	**Financial liability Contract settlement R'm**	**Total R'm**
Balance at 31 December 2016	–	29	29
Amounts utilised during the year	–	(7)	(7)
Unwinding of discount	–	3	3
	–	25	25
	–	–	–
Less: short-term portion transferred to trade and other payables	–	(5)	(5)
Balance at 31 December 2017	–	20	20
Liability created in the year	30	–	30
Amounts utilised during the year	–	(8)	(8)
Unwinding of discount	–	5	5
	30	17	47
Less: short-term portion transferred to trade and other payables	–	(6)	(6)
Balance at 31 December 2018	30	11	41

The contract settlement relates to a monthly credit note settlement with a customer over a remaining period of 2 years (2017: 3 years). The gross value of the settlement liability amounts to R20 million (2017: R28 million) and the discounting impact amounts to R3 million (2017: R3 million). The lease straight-lining accrual relates to leases of land and properties of varying duration.

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.

	Group and Company			
	Restructuring provision R'm	Dismantling cost provisions R'm	Warranty provision R'm	Total R'm
Balance at 31 December 2016		4	12	16
Additional provisions created in the year	–	–	2	2
Amounts utilised during the year	–	–	(5)	(5)
Unwinding of discount	–	0*	–	–
Balance at 31 December 2017	–	4	9	13
Additional provisions created in the year	52	–	3	55
Amounts utilised during the year	–	–	(2)	(2)
Unwinding of discount	–	0*	–	–
Total provisions at 31 December 2018	52	4	10	66
Short-term portion at 31 December 2018	52	–	10	62
Long-term provision at 31 December 2018	–	4	–	4

** Amount below R1 million*

Dismantling cost provisions

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 data, of the costs that are expected to be incurred to repair safety packs that may have been sold with defects.

Restructuring provision

The restructuring provision relates to the reduction in employee head count to adjust the Group and Company's fixed costs structure. The provision relates to severance packages to be paid to affected employees over the next 12 months.

16. Trade and other payables

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Financial liabilities	**950**	940	**771**	752
Trade payables	660	647	607	551
Supply chain financing arrangement	45	–	45	–
Accruals	85	64	6	25
Short-term portion of long-term liability	6	5	6	5
Cylinder deposits	154	224	107	171
Non-financial liabilities	**164**	173	**144**	155
Employee benefits including leave pay, bonuses and other costs	96	84	86	74
Deferred rentals	33	32	30	30
Lease straight lining accrual	–	26	–	26
Billing in advance	17	10	17	10
Value added taxation	18	21	11	15
	1 114	1 113	**915**	907

Supply chain finance arrangement

During the year, the Company entered into an agreement with Rand Merchant Bank ("the bank") whereby the bank will settle amounts due to certain trade payables ("suppliers") and offer the Company extended credit terms. Interest is calculated at the 1 month Johannesburg Inter-bank agreed rate ("JIBAR") plus 150 basis points for the period between the payment date and the deferred payment date. During the year, the bank settled R45 million in amounts due to its suppliers. At year end, R45 million remained outstanding and payable to the bank. The Company has elected to disclose these amounts as part of trade payables as the agreement is not intended to change the nature of the transaction between the Company and its suppliers.

Accruals

Accruals includes sundry accruals, electricity accruals, audit fee accruals, freight and customs accruals.

The fair value of trade and other payables approximates the carrying amount given their short-term to maturity. 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

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

17. Derivative financial liabilities/assets

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 2018 m	**ZAR 2018 R'm**	Foreign currency 2017 m	ZAR 2017 R'm
British Pounds	0*	8	0*	7
Euro	12	200	7	112
Japanese Yen	–	–	0*	1
US Dollars	9	129	6	80
Australian Dollars	0*	0*	0*	1
		337		201
Fair value adjustment				
Derivative financial asset/(liability)		1		(20)

* *Amount below R1 million*

18. Revenue

Revenue is recognised when control of products is transferred to a customer.

The Group generates revenue primarily from the sales of Atmospheric gases, LPG, Hard goods and the rental of cylinders.

Revenue streams:

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Revenue from contracts with customers	6 047	5 693	5 350	4 991
Atmospheric gases	2 674	2 584	2 405	2 309
LPG	2 552	2 310	2 203	1 956
Hard goods	821	799	742	726
Total revenue for the year	6 047	5 693	5 350	4 991
Primary geographic markets				
South Africa	5 276	4 937	5 350	4 991
Southern African Development Community (SADC) countries excluding South Africa	771	756	–	–
	6 047	5 693	5 350	4 991

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 supply of products 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
- 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	2018 R'm	2017 R'm	2018 R'm	2017 R'm
EBIT is shown after taking the following into account:					
Cost of sales		4 362	3 923	4 020	3 603
Other income					
Dividends received from subsidiaries	28			132	143
Dividends received from associate	28	–	1	–	1
Management fees from subsidiaries	28			29	28
Management fees from fellow subsidiaries	28	12	10	12	10
Expenses before allocation to cost of sales					
Auditors' remuneration		12	10	8	7
Audit services		11	9	7	6
Non-audit services		1	1	1	1
Depreciation of property, plant and equipment	1	367	316	345	292
Properties		18	12	17	8
Plant and equipment		194	151	186	143
Cylinders		118	118	112	112
Vehicles		20	19	13	13
Furniture and fittings		17	16	17	16
Amortisation of intangible assets	2	7	12	7	12
Profit on disposal of property, plant and equipment		(12)	(11)	(6)	(6)
Operating lease charges		105	99	100	98
Property		59	54	54	53
Vehicles and equipment		46	45	46	45
Outsourced distribution costs for deliveries					
Vehicles and equipment		275	246	274	245
Loss on foreign currency transactions		–	5	3	3
(Profit)/loss on fair value hedges		(19)	11	(19)	10
Inventory write-down	9	19	25	13	22
Trade receivables impairment allowance utilised	10	8	44	(1)	38
Impairment of property, plant and equipment	1	55	–	55	–
Restructuring provision costs	15	52	–	52	–
Employee and director costs	20	1 004	929	896	823

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 director costs

The cost of short-term employee benefits is recognised in profit or loss in the period in which the service is rendered. The expected incentive 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.

		Group		Company	
	Notes	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Directors' emoluments		31	14	31	14
Executives – for services as directors		28	11	28	11
Non-executives – fees		3	3	3	3
Employee costs		973	915	865	809
Salaries, wages and incentives		837	779	734	679
Current service costs – Pension fund	6	9	11	9	11
Current service costs – Post-retirement medical benefit		1	1	1	1
Provident fund contributions		61	60	60	58
Other salary costs		6	7	6	6
Equity-settled share-based expense		11	11	11	11
Medical aid current contribution for employees		48	46	44	43
		1 004	929	896	823

21. Finance (expense)/income

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		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Finance expense				
Borrowings	(106)	(105)	(106)	(105)
Discounting effect for non-current assets trade and other receivables	(2)	–	(2)	–
Discounting effect for other long-term liabilities	(3)	(3)	(3)	(3)
Total finance expense	(111)	(108)	(111)	(108)
Finance income				
Interest on bank balances	88	82	82	78
Net interest income on retirement benefit assets	53	40	53	40
Interest from lease receivables	11	11	8	9
Total finance income	152	133	143	127
Net finance income	41	25	32	19

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	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Normal taxation	177	205	99	131
Current year	178	217	99	145
Over provision	(1)	(12)	(0)	(14)
Deferred taxation	(10)	27	5	30
Current year	5	23	19	37
(Over)/under provision	(15)	4	(14)	(7)
Foreign taxation	13	10	13	10
	180	242	117	171
Reconciliation of taxation charge				
Profit before taxation	637	880	544	773
Taxation calculated at a statutory tax rate of 28% (2017: 28%)	178	246	152	217
Income not subject to taxation:				
Dividends received	–	–	(37)	(40)
Prior year adjustments	(15)	(8)	(14)	(21)
Expenses not deductible for taxation purposes (dividends expenditure and non-deductible donations)	5	5	3	5
Foreign taxation rate differential	(1)	(11)	–	–
Foreign taxes	13	10	13	10
Income taxation expense	180	242	117	171
Effective taxation rate (%)	28.2	27.5	21.5	22.1

23. Earnings and headline earnings per share

Group earnings per share and Group diluted earnings per share are calculated on earnings of R447 million (2017: R628 million) and a weighted average number of ordinary shares of 308 567 602 (2017: 308 567 602) in issue during the year.

Headline earnings per share is calculated on headline earnings of R478 million (2017: R620 million). A weighted average number of ordinary shares of 308 567 602 (2017: 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 310 140 952 (2017: 311 275 880) shares as 1 573 350 (2017: 2 708 278) shares had a dilutive impact.

	Group					
	2018			2017		
	Gross R'm	Taxation R'm	Net R'm	Gross R'm	Taxation R'm	Net R'm
Reconciliation between earnings and headline earnings						
Profit for the year	447	–	447	628	–	628
Adjustments for:						
– Profit on disposal of property, plant and equipment	(12)	3	(9)	(11)	3	(8)
– Impairment of property, plant and equipment	55	(15)	40	–	–	–
Headline earnings	490	(12)	478	617	3	620
Basic earnings per share – cents			144.8			203.6
Diluted earnings per share – cents			144.0			201.8
Headline earnings per share – cents			154.9			201.0
Diluted headline earnings per share – cents			154.1			199.2

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	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
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
Final dividend number 182 paid on 09 April 2018: 54 cents per share	167		185	
Interim dividend number 183 paid on 08 October 2018: 52 cents per share	160		178	
	327	315	363	350
	cents	cents	cents	cents
Dividends declared per share (cents)	77.0	100.0	77.0	100.0
Interim	52.0	46.0	52.0	46.0
Final – declared on 05 March 2019	25.0	54.0	25.0	54.0

25. Reconciliation of profit before taxation to cash generated from operations

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Profit before taxation	637	880	544	773
Adjustments for:				
Depreciation	367	316	345	292
Dividends received from subsidiaries	–	–	(132)	(143)
Dividends received from associate	–	–	–	(1)
Foreign exchange adjustments	10	15	–	–
Foreign exchange effect on foreign cash balances	–	–	–	–
Revaluation loss/(gain) on derivative financial instruments	(19)	11	(19)	11
Impairment of property, plant and equipment	55	–	55	–
Profit on disposal of property, plant and equipment and assets held for sale	(12)	(11)	(6)	(6)
Restructuring costs provision	52	–	52	–
Other non-cash movements*	(55)	(45)	(57)	(45)
Movement in trade receivables allowance	1	(34)	(3)	(34)
Movement in inventory obsolescence allowance	–	(20)	1	(19)
Movement in warranty provision	3	(4)	3	(3)
Amortisation of intangibles	7	12	7	12
Finance income	(152)	(133)	(143)	(127)
Finance expenses	111	108	111	108
	1 005	1 095	758	818
Working capital movements	(108)	(98)	(129)	(48)
Decrease/(increase) in inventories	48	(79)	66	(76)
(Increase) in trade and other receivables	(176)	(87)	(170)	(6)
(Decrease)/increase in payables to Group companies			(19)	55
(Increase)/decrease in receivables from Group companies			(34)	(16)
(Decrease) in payables to fellow subsidiaries of holding company	(13)	36	(13)	36
Increase in receivables from fellow subsidiaries of holding company	(42)	(64)	(42)	(64)
Increase in trade payables from factoring arrangement	45	–	45	–
Increase/(decrease) in trade, other payables, provisions and other liabilities	30	96	38	23
Cash generated from operations	897	997	629	770

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

26. Normal taxation paid

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Net taxation receivable at the beginning of the year	31	12	50	31
Income statement charge (excluding deferred taxation)	(190)	(215)	(112)	(141)
Translation difference	(1)	(1)	–	–
Net taxation (receivable) at the end of the year	(13)	(31)	(22)	(50)
Normal taxation paid	(173)	(235)	(84)	(160)
Normal South African taxation paid	(160)	(225)	(71)	(150)
Foreign taxation paid	(13)	(10)	(13)	(10)
Normal taxation paid	(173)	(235)	(84)	(160)

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 its 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 does not consider there to be any significant concentration of credit risk related to derivative financial instruments. Exposure to derivative realisation has been limited as contracts have only been entered into with large financial institutions. Please see Cash and Cash equivalents for the assessment of these institutions.

Cash and cash equivalents

The Company limits its credit risk exposure by investing only with financial institutions that have a minimum national long-term credit rating of zaBBB- (2017: zaBBB+) by Standard and Poor's or a minimum national short-term credit rating of zaF1 (2017: zaA-2) by Fitch . The Company has International Swap and Derivatives Master Agreements with most of its counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group and Company's credit exposure.

Cash and cash equivalents has been measured at a 12-month expected loss basis and reflects the short maturities and exposures. Cash and cash equivalents in the Group's subsidiary in Angola amounting to R29 million (2017: R30 million) is restricted due to in-country liquidity constraints. Of the R29 million, R22 million (2017: R18 million) is denominated in US Dollar and R7 million (2017: R12 million) in Angolan Kwanza. The remainder its cash and cash equivalents have low credit risk based on external credit ratings and counter parties.

Lease receivables

Lease receivables have low credit risk exposure as the leases are with reputable customers who have met all their obligations regarding the leases.

Receivables from Group companies

Receivables from subsidiaries are expected to be recovered in full. Subsidiaries have the sufficient solvency and liquidity to cover its' debts as at 31 December 2018. No impairment allowance has been recognised on these receivables.

Receivables from fellow subsidiaries of holding company

The ultimate holding company has issued a letter of comfort for BOC Zimbabwe (Pvt) Ltd. The remaining portion of the debt is with the holding company and subsidiaries whom this is expected to be recovered from the individual subsidiaries of the holding company.

27. Financial risk management continued

27.2 Credit risk continued

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 on-going reviews at regular intervals. The Group and Company establishes 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.

Before accepting any new customer, the Group and Company uses 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 expected credit loss ratio is separately calculated for each subsidiary given the risks associated with each of the countries in which the subsidiaries operate.

Please refer below for the credit risk exposure to credit risk of trade receivables per geographic region.

At 31 December 2018 the exposure to credit risk of trade receivables between state and corporate customers was as follows

	Group		Company	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Corporate customers	987	983	805	758
Government	154	108	141	96
Trade receivables	1 141	1 091	946	854

Expected credit loss (ECL) assessment for corporate customers as at 1 January and 31 December 2018

The Group uses an allowance matrix to measure the lifetime ECLs of trade receivables for corporate trade receivables.

Loss rates are calculated using the 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different operating regions on the following common credit risk characteristics – geographic region and age of customer.

The Group allocates the exposure to the credit risk of the trade receivables to the Southern African geographic regions in which the different companies operate to calculate a historical loss rate per country. The historical loss rate is calculated by industry segments and the ECL ratio is calculated based on delinquency status and actual credit losses incurred for the last 3 years. This takes into account all past circumstances which resulted in trade receivables that will not be recovered.

These rates are multiplied by the total trade receivables outstanding per region to calculate the impairment per region excluding intercompany receivables:

	Group			
	Weighted average loss rate %	Gross carrying amount less than 365 days, excluding VAT 2018 R'm	Impairment loss allowance 2018 R'm	Credit impaired
South Africa	0.52	653	3	Yes
Swaziland	1.04	8	0*	Yes
Namibia	0.93	36	0*	Yes
Botswana	0.37	24	0*	Yes
Mozambique	0.45	6	0*	Yes
Zambia	1.58	41	1	Yes
Lesotho	0.13	10	0*	Yes
Malawi	1.54	17	0*	Yes
Corporate customers: 365 days and less		795	4	

	Company			
	Weighted average loss rate %	Gross carrying amount less than 365 days. excluding VAT 2018 R'm	Impairment loss allowance 2018 R'm	Credit impaired
South Africa	0.52	653	3	Yes
Corporate customers: 365 days and less		653	3	

* *Amount below R1 million*

Loss rates are based on actual credit loss experience over the past three years.

All corporate customers with outstanding debt over 365 days are fully impaired.

Corporate receivables are further assessed by identifying the companies that are currently in business rescue or liquidation. These customers are impaired in full irrespective of the age of the receivable. The total impairment provision for these corporate customers as at 31 December 2018 is R11 million for Company and R14 million for the Group.

The Company has letters of promise for distressed trade receivables which have not been included in the impairment provision. These trade receivables are expected to be recovered in full. The value of these trade receivables as at 31 December 2018 is R10 million (2017: R5 million).

ECL assessment for government trade receivables as at 31 December 2018

Government trade receivables has increased over the past periods due to institutions not settling their debt within the payment periods. As per further assessment the Group has introduced an impairment allowance for all government trade receivables upon origination. Government trade receivables are impaired at a fixed ECL rate irrespective of the age of the trade receivable.

27. Financial risk management continued

27.2 Credit risk continued

ECL assessment for government trade receivables as at 31 December 2018 continued

ECL rates are calculated separately for exposures in different operating regions on the geographic region of the government trade receivable.

	Group			
2018	Weighted average loss rate %	**Gross carrying amount, excluding VAT R'm**	**Impairment loss allowance R'm**	Credit impaired
South Africa	0.52	122	1	Yes
Swaziland	1.04	7	–*	Yes
Botswana	0.37	1	–*	Yes
Namibia	0.93	2	–	Yes
Lesotho	0.13	1	–*	Yes
		133	1	

	Company			
2018	Weighted average loss rate %	**Gross carrying amount, excluding VAT R'm**	**Impairment loss allowance R'm**	Credit impaired
South Africa	0.52	122	1	Yes
		122	1	

Financial assets subject to credit risk

The financial assets subject to risk at 31 December 2018 are as follows:

	Group					
2018	**Lease receivables R'm**	**Trade and other receivables R'm**	**Receivables from fellow subsidiaries of holding company R'm**	**Cash and cash equivalents R'm**	**Derivative financial instruments R'm**	**Total R'm**
Not past due	72	516	15	1 174	1	1 778
Past due	–	771	157	–	–	928
Gross value non-current and current receivables	72	1 287	172	1 174	1	2 706
Impairment allowance	–	(75)	–	–	–	(75)
Carrying amount of financial assets	72	1 212	172	1 174	1	2 631

	Company						
2018	**Lease receivables R'm**	**Receivables from group companies R'm**	**Trade and other receivables R'm**	**Receivables from fellow subsidiaries of holding company R'm**	**Cash and cash equivalents R'm**	**Derivative financial instruments R'm**	**Total R'm**
Not past due	57	32	430	15	1 028	1	1 563
Past due	–	48	624	157	–	–	829
Gross value non-current and current receivables	57	80	1 054	172	1 028	1	2 392
Impairment allowance	–	–	(57)	–	–	–	(57)
Carrying amount of financial assets	57	80	997	172	1 028	1	2 335

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 manages 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 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	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Committed facilities*	**1 060**	1 060	**1 060**	1 060
Uncommitted facilities	**275**	280	**270**	270
Term loans maturing over the next four years	**1 000**	1 000	**1 000**	1 000

* *Committed facilities comprises of current borrowings and overdraft facilities*

Reverse factoring

The company entered into an agreement during the current year in respect of a supplier funding arrangement. The arrangements are uncommitted and unsecured, payable 60 days after drawdown date at an interest rate of one month JIBAR plus 1.5%.

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**
2018						
Borrowings	**105**	**1 207**	**–**	**105**	**1 207**	**–**
Trade and other payables	**950**	**–**	**–**	**771**	**–**	**–**
Other financial liabilities	**–**	**11**	**–**	**–**	**11**	**–**
Payables to fellow subsidiaries of holding company	**83**	**–**	**–**	**83**	**–**	**–**
Payables to group companies				**261**	**–**	**–**
Bank overdrafts	**21**	**–**	**–**	**21**	**–**	**–**
2017						
Borrowings	105	1 313	–	105	1 313	–
Trade and other payables	940	–	–	752	–	–
Other financial liabilities	–	20	–	–	20	–
Payables to fellow subsidiaries of holding company	96	–	–	96	–	–
Payables to group companies				280	–	–
Bank overdrafts	43	–	–	43	–	–

27. Financial risk management continued

27.3 Liquidity risk continued

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
2018	
Foreign exchange contracts	
Outflow	337
2017	
Foreign exchange contracts	
Outflow	201

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.

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 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 faces 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 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.

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:

Liabilities	Group and Company Foreign currency m	Average mark to market rate	FEC equivalent value R'm
2018			
US Dollars	9	14.36	130
British Pounds	0*	18.15	8
Euro	12	16.76	200
Australian Dollars	0*	10.35	0*
			338
2017			
US Dollars	6	12.44	72
British Pounds	0*	16.73	6
Euro	7	14.94	101
Australian Dollars	0*	9.67	1
Japanese Yen	0*	9.04	1
			181

* *Amount below R1 million*

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

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.

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Financial assets – trade and other receivables				
Amount				
Angolan Kwanza	7	7	–	–
Botswana Pula	27	29	–	–
Zambian Kwacha	54	38	–	–
Malawian Kwacha	25	29	–	–
Mozambican Metical	13	10	–	–
Namibian dollar	44	46	–	–
Total	170	159	–	–
Potential impact on profit or loss				
Angolan kwanza	0*	0*	–	–
Botswana Pula	1	1	–	–
Zambia Kwacha	3	2	–	–
Malawian Kwacha	1	1	–	–
Mozambican Metical	1	1	–	–
Namibian dollar	2	2	–	–
Other	–	–	–	–
Total	8	7	–	–
Foreign cash balances				
Angolan kwanza	7	12	–	–
Botswana Pula	10	14	–	–
Malawian Kwacha	37	21	–	–
Mozambican Metical	30	25	–	–
Zambia Kwacha	29	28	–	–
Namibian dollar	9	2	–	–
US Dollars	22	18	–	–
Total	144	120	–	–

27. Financial risk management continued

27.4 Market risk continued

Sensitivity analysis continued

	Group		Company	
	2018 R'm	2017 R'm	2018 R'm	2017 R'm
Potential impact on profit or loss				
Angolan kwanza	–	1	–	–
Botswana Pula	1	1	–	–
Malawian Kwacha	2	1	–	–
Mozambican Metical	2	1	–	–
Zambia Kwacha	1	1	–	–
Namibian dollar	–	0*	–	–
US Dollars	1	1		
Total	7	6	–	–
Financial liabilities – trade and other payables				
Amount				
Australian Dollar	0*	1	0*	1
British Pounds	11	3	11	3
US Dollars	79	36	79	36
Euro	116	104	116	104
Angolan Kwanza	6	6	–	–
Botswana Pula	11	11	–	–
Zambia Kwacha	78	26	1	1
Malawian Kwacha	33	24	1	–
Mozambican Metical	24	17	–	–
Kenyan Shillings	4	4	4	4
Namibian dollar	28	30	–	–
Other	0*	–	0*	–
Total	390	262	212	149
Potential impact on profit or loss				
Australian Dollar	–	–	0*	–
British Pound	0*	0*	1	0*
US Dollars	4	2	4	2
Euro	6	5	6	5
Angolan Kwanza	0*	0*	–	–
Botswana Pula	1	1	–	–
Zambia Kwacha	4	1	–	–
Malawian Kwacha	2	1	–	–
Mozambican Metical	1	1	–	–
Kenyan Shillings	0*	0*	–	–*
Namibian dollar	1	1	–	–
Total	19	12	11	7
Financial liabilities – derivative financial liabilities				
Amount				
Australian Dollar	0*	7	0*	7
British Pound	8	1	8	1
US Dollars	129	80	129	80
Euro	200	112	200	112
Japanese Yen	0*	1	0*	1
Total	337	201	337	201
Potential impact on profit or loss				
Australian Dollar	–	0*	–	0*
British Pound	–	0*	–	0*
US Dollars	6	4	6	4
Euro	10	6	10	6
Japanese Yen	0*	0*	0*	0*
Total	16	10	16	10
Net exchange effect for all financial assets and liabilities	20	9	27	17

* *Amount below R1 million*

The following significant exchange rates applied during the year:

	Group and Company	
Exchange rates to South African Rand	**2018 R**	2017 R
Year-end rates		
Botswana Pula	1.34	1.26
British Pound	18.33	16.72
Angolan kwanza	0.05	0.07
Euro	16.47	14.84
US Dollar	14.36	12.37
Zambian Kwacha (000's)	1.20	1.24
Malawian Kwacha	0.02	0.02
Mozambican Metical	0.23	0.21
Namibian dollar	1.00	1.00
Kenyan Shillings	0.14	0.12
Japanese Yen	0.13	0.11
Average rates for the year		
Botswana Pula	1.30	1.29
British Pound	17.65	17.16
Angolan kwanza	0.05	0.08
Euro	15.62	15.04
US Dollar	13.23	13.31
Zambian Kwacha (000's)	1.26	1.40
Malawian Kwacha	0.02	0.02
Mozambican Metical	0.22	0.21
Namibian dollar	1.00	1.00
Kenyan Shillings	0.13	0.13
Japanese Yen	0.12	0.12

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. A cash flow hedge is regarded as effective if the relationship between hedged item and the hedging instrument is between 80% to 120%. No amounts were recognised in profit or loss in 2018 (2017: Rnil) as a result of ineffectiveness in cash flow hedges.

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.

27. Financial risk management continued

27.4 Market risk continued

Cash Flow hedges continued

As at 31 December 2018, the Group and Company held the following instruments to hedge exposures to foreign currency:

	Group and Company					
	2018 Maturity			2017 Maturity		
	Total R'm	**6 months or less R'm**	**6 – 12 months R'm**	Total R'm	6 months or less R'm	6 – 12 months R'm
Cash outflows expected from hedged transactions	81	72	9	12	12	–
Average ZAR:USD forward contract rate	14.61	14.59	14.9	12.57	12.57	–
Average ZAR:EUR forward contract rate	16.81	16.74	17.24	14.93	14.93	–

The following table shows the expected cash flows from the cash flow hedges:

	Group and Company					
	2018 Contractual cash flows			2017 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
Expected cash outflows	81	72	9	12	12	–
Gain/(loss) expected in other comprehensive income	1	1	0*	(1)	(1)	–

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

	Group		Company	
Gains/(losses)	**2018 R'm**	2017 R'm	**2018 R'm**	2017 R'm
At 1 January	3	2	(4)	(5)
Gain recognised in other comprehensive income (net of tax)	2	1	2	1
At 31 December	5	3	(2)	(4)

Fair value hedges

The Group and Company hedge their exposure to currency 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 recognised in profit or loss.

	Group and Company					
	2018 Contractual cash flows			2017 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
Expected cash outflows	256	234	22	169	169	–
Gain/(loss) expected in profit or loss	0*	0*	0*	(19)	(19)	–

* *Amount below R1 million*

Interest rate risk

The Group and Company's interest rate exposure is the risk that all future cash flows will vary adversely due to interest rate movements.

Interest rate profile of financial assets and liabilities

The table below summarises the exposure to interest rate risk through grouping assets and liabilities into repricing categories.

	Group	
	2018 R'm	2017 R'm
Variable rate assets	1 174	1 387
Variable rate liabilities	(21)	(43)
Net variable rate assets	1 153	1 344

	Company	
	2018 R'm	2017 R'm
Variable rate assets	1 028	1 267
Variable rate liabilities	(21)	(43)
Net variable rate assets	1 007	1 224

Cash flow sensitivity analysis for variable-rate instruments

The sensitivity analysis is prepared based on financial instruments that are recognised at the end of the reporting period. This is the case even where those exposures did not exist for the entire period or where the exposure changed materially during the period. The Group and Company is mainly exposed to fluctuations in the prime rates.

The sensitivity that is applied is the amount that could reasonably be expected to occur, and has been determined as 1% (100 basis points) up or down.

	Group		Company	
	100 bp increase 2018 R'm	100 bp decrease 2018 R'm	100 bp increase 2018 R'm	100 bp decrease 2018 R'm
Variable rate instruments impact on profit	12	(12)	10	(10)
	2017 R'm	2017 R'm	2017 R'm	2017 R'm
Variable rate instruments impact on profit	14	(14)	12	(12)

The effect of a 1% change in interest rates is shown above. As the Group has no control over rate movements, it cannot predict the effect of future rate movements, if any. The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

27. Financial risk management continued

27.5 Fair values

Accounting classifications and fair values

The table below sets out the Group and Company's classification of each class of financial asset and liability and a comparison of the fair values with their carrying amounts. The method of determining the fair values is analysed into the following categories:

Level 1 – Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Valuation techniques using market observable inputs, including:

- Using recent arm's length market transactions;
- Reference to the current fair value of similar instruments; and
- Discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

Level 3 – Valuation techniques, as described for level 2 above, for which not all inputs are market observable prices or rates. Such a financial instrument is initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss", is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The carrying values of cash and cash equivalents, 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 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 carrying amount of long-term borrowings and lease receivables are considered reasonable approximations of fair value given their approximation to market comparable interest rates.

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

		Group							
		2018				2017			
			Carrying amount				Carrying amount		
	Level	Fair value R'm	Financial assets at amortised cost R'm	Fair value through profit or loss R'm	Fair value through other comprehensive income R'm	Fair value R'm	Financial assets at amortised cost R'm	Fair value through profit or loss R'm	Fair value through other comprehensive income R'm
Assets									
Non-current assets		71	71	–	–	66	66	–	–
Lease receivables		54	54	–	–	66	66	–	–
Trade and other receivables		17	17	–	–	–	–	–	–
Current assets		2 576	2 576	0*	1	2 599	2 599	–	–
Trade and other receivables		1 212	1 212	–	–	1 070	1 070	–	–
Derivative financial instruments	2	–	–	0*	1	–	–	–	–
Receivables from fellow subsidiaries of holding company		172	172	–	–	130	130	–	–
Short- term portion of lease receivables		18	18	–	–	12	12	–	–
Cash and cash equivalents		1 174	1 174	–	–	1 387	1 387	–	–

* *Amount below R1 million*

		Group					
		2018			2017		
			Carrying amount			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		998	1 011	–	1 007	1 020	–
Long-term borrowings		987	1 000	–	987	1 000	–
Other long-term liabilities		11	11	–	20	20	–
Current liabilities		1 054	1 054	–	1 099	1 079	20
Trade and other payables		950	950	–	940	940	–
Derivative financial instruments	2	–	–	–	20	–	20
Payables to fellow subsidiaries of holding company		83	83	–	96	96	–
Bank overdrafts		21	21	–	43	43	–

		Company							
		2018				2017			
			Carrying amount				Carrying amount		
	Level	**Fair value R'm**	**Financial assets at amortised cost R'm**	**Fair value through profit or loss R'm**	**Fair value through other comprehensive income R'm**	Fair value R'm	Financial assets at amortised cost R'm	Fair value through profit or loss R'm	Fair value through other comprehensive income R'm
Assets									
Non-current assets		60	60	–	–	50	50	–	
Lease receivables		43	43	–	–	50	50	–	–
Trade and other receivables		17	17	–	–	–	–	–	–
Current assets		2 676	2 676	0*	1	2 745	2 745	–	–
Loans due by subsidiaries		385	385	–	–	436	436	–	–
Trade and other receivables		997	997		–	855	855	–	–
Derivative financial instruments	2	–	–	0*	1	–	–	–	–
Receivables from fellow subsidiaries of holding company		172	172	–	–	130	130	–	–
Receivables from Group companies		80	80	–	–	46	46	–	–
Short-term portion of lease receivables		14	14	–	–	11	11	–	
Cash and cash equivalents		1 028	1 028	–	–	1 267	1 267	–	

* *Amount below R1 million*

27. Financial risk management continued

27.5 Fair values continued

Accounting classifications and fair values continued

		Company					
		2018			2017		
			Carrying amount			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		998	1 011	–	1 007	1 020	–
Long-term borrowings		987	1 000	–	987	1 000	–
Other long-term financial liability		11	11	–	20	20	–
Current liabilities		1 136	1 136	–	1 191	1 171	20
Trade and other payables		771	771	–	752	752	–
Derivative financial instruments	2	–	–	–	20	–	20
Payables to fellow subsidiaries of holding company		83	83	–	96	96	–
Payables to Group companies		261	261	–	280	280	–
Bank overdrafts		21	21	–	43	43	–

27.6 Adoption of IFRS 9

The effect of initially applying IFRS 9 on the Group and Company's financial instruments is described below. Due to the transition method chosen, comparative information has not been restated to reflect the new requirements.

The effects of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the impairment requirements. The table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Group				
Financial assets	Original classification under IAS 39	New classification	Original carrying amount under IAS 39 R'm	New carrying amount under IFRS 9 R'm	Difference R'm
Trade receivables	Loans and receivables	Amortised cost	1 094	1 105	11
Receivables from fellow subsidiaries of holding company	Loans and receivables	Amortised cost	130	130	–
Lease receivables	Loans and receivables	Amortised cost	88	88	–
Cash and cash equivalents	Loans and receivables	Amortised cost	1 387	1 387	–

	Company				
Financial assets	Original classification under IAS 39	New classification	Original carrying amount under IAS 39 R'm	New carrying amount under IFRS 9 R'm	Difference R'm
Trade receivables	Loans and receivables	Amortised cost	867	871	4
Receivables from Group companies	Loans and receivables	Amortised cost	46	46	–
Receivables from fellow subsidiaries of holding company	Loans and receivables	Amortised cost	130	130	–
Lease receivables	Loans and receivables	Amortised cost	61	61	–
Cash and cash equivalents	Loans and receivables	Amortised cost	1 267	1 267	–

Effect of impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Financial assets at amortised costs consist of trade receivables, receivables from fellow subsidiaries of holding company and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- Twelve-month ECLs: there are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to the lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The loss allowance for trade receivables is measured at an amount equal to the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

Financial effect of the new impairment model

The Group and Company determined that the adoption of IFRS 9 impairment allowance requirement at 1 January 2018 resulted in a decrease in the impairment allowance as follows:

	Group 2018 R'm	Company 2018 R'm
Loss allowance at 31 December 2017 under IAS 39	87	61
Decreased impairment allowance recognised at 1 January 2018 on trade and other receivables as at 31 December 2017	(11)	(5)
Loss allowance at 1 January 2018 under IFRS 9	76	56

The transition to IFRS 9 resulted in an increase to retained earning and non-controlling interest (NCI) for the Group and Company as follows:

	Group	
	R'm Retained earnings	R'm Non-controlling interest
Recognition of expected credit losses under IFRS 9	11	2
Related tax	(3)	(1)
Impact at 1 January 2018	8	1

	Company R'm Retained earnings
Recognition of expected credit losses under IFRS 9	5
Related tax	(1)
Impact at 1 January 2018	4

27. Financial risk management continued

27.7 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.
- 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.

27.8 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) with a stable outlook (2017: A-(ZA) with a positive outlook). 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.

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 page 33 to 34 and in note 20 (Employee and directors costs). The total remuneration for directors was R31 million (2017: R14 million). No loans were made to or received from any director.

	Group and Company	
	2018 R'm	2017 R'm
Holding company		
Cash dividends to holding company	184	168
Technical aid fee	24	23
Fellow subsidiaries of holding company		
Revenue from sale of goods	89	71
BOC UK	–	0*
BOC Kenya PLC	3	3
BOC Tanzania Limited	2	1
BOC Gases Nigeria PLC	1	1
BOC Zimbabwe (Pvt) Ltd	77	60
BOC Australia	2	2
Linde Headquarters	3	4
BOC New Zealand Holdings Limited	1	–
Income from management fees	12	10
BOC Kenya PLC	3	4
BOC Tanzania Limited	0*	–
BOC Uganda Limited	0*	–
BOC Gases Nigeria PLC	–	0*
BOC Zimbabwe (Pvt) Ltd	9	6
Purchase of goods and services	81	75
BOC UK	4	2
Linde Headquarters	75	70
BOC Ireland	–	1
BOC Zimbabwe (Pvt) Ltd	1	1
BOC Kenya PLC	1	1
Turnkey projects	7	0*
BOC Cryostar	–	0*
Linde AG	4	–
Linde Engineering South Africa (Pty) Ltd.	3	–
Receivables from fellow subsidiaries of holding company:	172	130
BOC Uganda Limited	0*	0*
BOC Group Limited	7	17
BOC Zimbabwe (Pvt) Ltd	134	80
BOC Kenya PLC	9	8
BOC Gases Nigeria PLC	6	14
BOC Tanzania Limited	2	2
BOC New Zealand Holdings Limited	1	–
BOC Australia	1	1
Linde Headquarters	12	8
Credit quality of receivables from fellow subsidiaries of holding company	172	130
Not past due date	15	31
Past due within 30 days from statement	15	8
Past due within 30 – 60 days from statement	13	7
Past due within 60 – 90 days from statement	9	7
Past due within 90 – 120 days from statement	7	7
Past due within 120 – 150 days from statement	4	9
Past due within 150 – 365 days from statement	45	31
Past due in excess of 365 days from statement	64	30

* *Amount below R1 million*

Consistent with the prior years none of the receivables from subsidiaries of fellow holdings are considered impaired.

During the year Linde AG issued a letter of Comfort to the company amounting to EURO 8 million to support the recoverability of the BOC Zimbabwe trade receivable. BOC Zimbabwe is a wholly owned subsidiary of Linde AG. To date, the Company has not called on the letter of comfort and continues to monitor the recoverability of the outstanding balance. No impairment allowance has been recognised in respect of the outstanding balance, which is consistent with prior years. The Company will call on the letter of comfort should the balance be at risk of impairment.

28. Related party transactions continued

	Group and Company 2018 R'm	Group and Company 2017 R'm
Payables to fellow subsidiaries of holding company:	83	96
Linde Headquarters	41	67
BOC Group Limited	19	8
BOC UK	9	8
BOC Cryostar	3	2
Linde Global Helium	7	3
Linde Gas division	3	4
Linde AG	1	4
BOC Ireland	0*	–

** Amount below R1 million*

	Company 2018 R'm	Company 2017 R'm
Subsidiaries		
Revenue from sale of goods and services	271	238
Afrox Zambia Limited	50	50
Afrox Malawi Limited	30	25
IGL Namibia (Pty) Ltd	38	38
Swazi Oxygen (Pty) Ltd	43	37
Botswana Oxygen Company (Pty) Ltd	20	9
Afrox Mozambique Limitada	17	14
Afrox Lesotho (Pty) Ltd	73	65
Income from management fees:	29	28
Afrox Lesotho (Pty) Ltd	7	5
Swazi Oxygen (Pty) Ltd	10	10
Afrox Zambia Limited	4	4
Afrox Mozambique Limitada	1	1
Afrox Malawi Limited	2	2
IGL Namibia (Pty) Ltd	5	6
Rental income		
Afrox Properties (Pty) Ltd	–	4
Purchases on behalf of Group companies	24	19
Botswana Oxygen Company (Pty) Ltd	5	1
Afrox Lesotho (Pty) Ltd	11	10
Afrox Malawi Limited	0*	1
Afrox Mozambique Limitada	1	0*
IGL Namibia (Pty) Ltd	0*	0*
Swazi Oxygen (Pty) Ltd	7	7
Receivables from Group companies	80	46
Botswana Oxygen Company (Pty) Ltd	1	2
Swazi Oxygen (Pty) Ltd	4	3
Afrox Zambia Limited	30	15
IGL Namibia (Pty) Ltd	5	7
Afrox Malawi Limited	15	8
Afrox Lesotho (Pty) Ltd	5	7
Afrox Angola Oxigenio Limitada	5	–
Afrox Mozambique Limitada	15	4

** Amount below R1 million*

	Company	
	2018 R'm	2017 R'm
Credit quality of receivables from Group companies	80	46
Not past due date	32	22
Past due within 30 days from statement	10	11
Past due within 30 – 60 days from statement	5	1
Past due within 60 – 90 days from statement	1	1
Past due within 90 – 120 days from statement	7	0
Past due within 120 – 150 days from statement	7	2
Past due within 150 – 365 days from statement	8	2
Past due in excess of 365 days from statement	10	7
Consistent with the prior years none of the receivables from Group companies are considered impaired.		
Payables to Group companies	261	280
Kiddo Investments (Pty) Ltd	6	6
IGL Namibia (Pty) Ltd	7	16
Afrox Africa Oxigenio Limitada	1	0*
Isas Trust	247	247
Swazi Oxygen (Pty) Ltd	–	11
Dividends received	132	143
Botswana Oxygen Company (Pty) Ltd	44	41
IGL Namibia (Pty) Ltd	35	35
IGL Properties (Pty) Ltd	1	1
Afrox Mozambique Limitada	5	–
Afrox Properties (Pty) Ltd	–	38
Swazi Oxygen (Pty) Ltd	19	17
Afrox Lesotho (Pty) Ltd	1	5
Afrox Zambia Limited	18	5
Afrox Malawi Limited	9	1
Associate – Les Gaz Industriels Limited		
Revenue from sale of goods	2	2
Dividends	–	1

* *Amount below R1 million*

Investments in subsidiaries and associate are detailed in notes 3 and 4.

Loans due by subsidiaries are detailed in note 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, except for BOC Zimbabwe as noted above.

29. Commitments

	Group		Company	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Capital commitments				
Capital expenditure				
Authorised and contracted	26	11	18	7
Authorised by the directors, but not yet contracted for	418	303	370	264
Total future capital expenditure	444	314	388	271
Allocated to:				
Property, plant and equipment	444	314	388	271
Afrox intends to fund capital expenditure from cash generated and borrowing facilities available.				
Leases				
Operating leases				
The Group and Company leases certain of its land and property, vehicles and equipment in terms of operating leases.				
Not later than one year	95	80	95	80
Between one and five years	291	259	291	259
Longer than five years	174	239	174	239
Total future minimum lease payments under non-cancellable operating leases	560	578	560	578
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. Land and property leases are for 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	(24)	(22)	(17)	(18)
Finance income	6	10	3	7
Short-term portion of lease receivables	(18)	(12)	(14)	(11)

30. Share-based payments

The Group and Company has 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 vesting conditions at the reporting date.

The fair value of both the SARSs and the FSPs at grant date are independently valued. The weighting of the performance conditions for SARs and FSPs 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- 2016- 2018):

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 SAR scheme was performed using a risk neutral binomial tree methodology, taking into account the expected vesting percentage.

	Group and Company		
	2018	2017	2016
The following inputs and assumptions were used in the measurement of fair value at grant date:			
Fair value at grant date (R)	**2.71**	4.47	5.50
Share price at grant date (R)	**29.27**	17.49	17.98
Strike price at grant date (R)	**29.27**	15.99	22.00
Expected TSR volatility (weighted average) (%)	**35.87**	32.00	39.00
Expected dividend yield (%)	**4.20**	4.00	3.00
Risk free interest rate	**7.72**	8.82	9.02
Vesting date	**Mar-21**	Mar-20	Apr-19
Maturity date	**Mar-25**	Mar-24	Apr-22

	Group and Company	
	2018	2017
Number of new SARs in issue:		
Balance at the beginning of the year	**5 420 247**	5 569 000
Granted during the year	**679 981**	1 627 458
Exercised and vested during the year	**(987 795)**	(486 500)
Forfeited during the year	**(934 517)**	(1 289 711)
Balance at the end of the year	**4 177 916**	5 420 247
Number of unvested new SARs at the end of the year	**4 177 916**	5 420 247
Total new SARs issued as at the end of the year	**4 177 916**	5 420 247
Range of exercise prices (Rand per share)	**13.00 – 31.99**	13.00 – 18.90
Weighted average contractual life (years)	**5.50**	5.94

Modified SARs

Fair value inputs and assumptions modified SARs (2008 – 2011):

Rights were issued between 1 January 2008 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.

30. Share-based payments continued

	Group and Company		
	2018	2017	2016
The following inputs and assumptions were used in the measurement of fair value at grant date:			
Spot price (R)	**19.39**	19.39	19.39
Dividend yield (%)	**3.32**	3.32	3.32
Share price volatility (%)	**20.84**	20.84	20.84
Range of exercise prices (Rand per share)	**19.28 – 27.54**	19.28 – 27.54	16.06 – 36.29
Weighted average contractual life (years)	**1.81**	2.81	3.00

	Group and Company	
	2018	2017
Number of modified SARs in issue:		
Balance at the beginning of the year	**3 306 556**	5 918 041
Exercised and vested during the year	**(233 859)**	(2 473 735)
Forfeited during the year	**(2 727 197)**	(137 750)
Balance at the end of the year	**345 500**	3 306 556
Number of vested modified SARs at the end of the year	**345 500**	3 306 556
Total modified SARs issued as at the end of the year	**345 500**	3 306 556

The modified and new SAR schemes 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.

FSPs – with conditions (2016 – 2018):

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		
	2018	2017	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)	**8.08**	12.91	11.55
Share price at grant date (R)	**28.53**	17.38	17.98
Expected dividend yield (%)	**4.20**	4.00	3.00
Vesting and maturity date	**Mar-21**	Mar-20	Apr-19
Weighted average contractual life (years)	**5.17**	5.94	6.06

	Group and Company	
	2018	2017
Number of FSPs with conditions in issue:		
Balance at the beginning of the year	**1 216 500**	1 108 750
Granted	**583 283**	398 250
Forfeited	**(203 327)**	(94 075)
Exercised and vested	**(402 445)**	(196 425)
Balance at the end of the year	**1 194 011**	1 216 500
Number of unvested FSPs with conditions at the end of the year	**1 194 011**	1 216 500
Total number of FSPs with conditions issued as at the end of the year	**1 194 011**	1 216 500

FSPs – without conditions (2016 – 2018):

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		
	2018	2017	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)	**28.53**	18.90	17.98
Share price at grant date (R)	**28.53**	17.17	17.98
Expected dividend yield (%)	**4.20**	4.00	3.00
Vesting and maturity date	**Mar-21**	Mar-20	Apr-19
Weighted average contractual life (years)	**5.17**	5.94	6.06

	Group and Company	
	2018	2017
Number of FSPs without conditions in issue:		
Balance at the beginning of the year	**848 290**	1 020 750
Granted	**394 519**	295 326
Forfeited	**(10 042)**	(52 749)
Exercised and vested	**(314 621)**	(415 037)
Balance at the end of the year	**918 146**	848 290
Number of unvested FSPs without conditions at the end of the year	**918 146**	848 290
Total number of FSPs without conditions issued as at the end of the year	**918 146**	848 290

Expense recognised in profit or loss:

	2018 R'm	2017 R'm
New share appreciation rights – with conditions	**(1)**	(3)
Modified share appreciation rights – with conditions	**(1)**	(1)
Forfeitable shares – with conditions	**(2)**	(3)
Forfeitable shares – without conditions	**(7)**	(4)
Total expense recognised for equity-settled share-based payment	**(11)**	(11)

31. Contingent liability

Afrox was a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG sector. Afrox fully cooperated with the Commission's investigation and received no administrative penalties. As at the date of this report, there is no other outstanding litigation of a material nature against the Group and Company.

32. Events after the reporting date

Except for the dividend declared of 25 cents per share declared on 5 March 2019, 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. Based on liquidity and solvency analyses as well as the 2019 budget and cash flow forecast, the directors have no reason to believe that they will not be going concerns.

The group's profit for the year was R457 million (2017: R638 million) while the Company's profit was R427 million (2017: R602 million). The group's total assets exceeded total liabilities by R4 023 million (2017: R4 034 million) while the Company's total assets exceeded total liabilities by R3 817 million (2017: R3 852 million). Current assets for the group exceeded current liabilities by R2 056 million (2017: R2 079 million) and current assets for the Company exceeded current liabilities by R1 995 million (2017: R2 090 million).

34. Subsidiaries

Name of company	Nature of business*	Issued share capital 2018	Issued share capital 2017	Effective holding 2018	Effective holding 2017	Carrying value of Company's interest: Shares at cost 2018 R'm	Shares at cost 2017 R'm	Loans due by subsidiaries 2018 R'm	Loans due by subsidiaries 2017 R'm
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*	0*	357	395
Afrox Properties (Pty) Ltd	P	R4 000	R4 000	100	100	0*	0*	–	19
ISAS Trust	G	R56 117 720	R56 117 720	100	100	45	45	–	–
Subsidiary incorporated in Angola									
Afrox Africa Oxigenio Limitada*	G	KA1,8m	KA1,8m	100	100	–	–	–	–
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*	0*	–	–
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*	0*	14	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	–	–
Subsidiaries incorporated in Mozambique									
Afrox Mozambique Limitada	G	MZM2.350m	MZM2.350m	100	100	21	21	4	4
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	–	–	8	9
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	–	–	2	–
Subsidiary incorporated in Zambia									
Afrox Zambia Limited	G	ZK86.5m	ZK86.5m	100	70	46	5	–	–
Investment in subsidiaries (refer note 3)						114	73	385	436

The ISAS Trust was established to acquire plant and equipment as part of the risk mitigation strategy of the Company. The Trust is dormant and the intention is to dissolve it in 2019.

Amount below R1 million

Subsidiaries with material non-controlling interests (NCI)

Subsidiary	NCI %	Place of business	Profit allocated to 2018 R'm	Profit allocated to 2017 R'm	Dividend to 2018 R'm	Dividend to 2017 R'm	Accumulated 2018 R'm	Accumulated 2017 R'm
Afrox Malawi Limited	21	Malawi	6	3	2	1	11	7
Afrox Zambia Limited	0	Zambia	4	7	3	2	–	26
			10	10	5	3	11	33

The summarised financial information for subsidiaries that have material non-controlling interests is set out below, before intragroup 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 amount 2018 R'm	Carrying amount 2017 R'm
Summarised statement of financial position		
Non current assets	24	18
Current assets	82	58
Total assets	106	76
Equity	54	39
Non-current liabilities	4	2
Current liabilities	48	35
Total equity and liabilities	106	76
Summarised Income statement		
Revenue	92	80
Expenses	(71)	(65)
Profit for the year	21	15
Summarised other comprehensive income after tax	–	–
Total comprehensive income for the year	21	15
Summarised cash flow statement		
Net cash flow from operating activities	32	19
Net cash flow from investing activities	(3)	0*
Net cash flow from financing activities	(13)	(1)
Net (decrease)/increase in cash and cash equivalents	16	18
Cash and cash equivalents at the beginning of the year	21	3
Cash and cash equivalents at the end of the year	37	21

* *Amount below R1 million*

34. Subsidiaries continued

Afrox Zambia Limited

	Carrying amount	
	2018 R'm	2017 R'm
Summarised statement of financial position		
Non current assets	–	70
Current assets	–	84
Total assets	–	154
Equity	–	100
Non-current liabilities	–	6
Current liabilities	–	48
Total equity and liabilities	–	154
Summarised Income statement		
Revenue	130	182
Expenses	(111)	(159)
Profit for the year	19	23
Summarised other comprehensive profit after tax	–	–
Total comprehensive income for the year	19	23
Summarised cash flow statement		
Net cash flow from operating activities	–	17
Net cash flow from investing activities	–	(7)
Net cash flow from financing activities	–	(7)
Net increase/(decrease) in cash and cash equivalents	–	3
Cash and cash equivalents at the beginning of the year	–	25
Cash and cash equivalents at the end of the year	–	28

^ *The income statement above is for the period 1 January 2018 to 30 September 2018 when the Company did not have 100% shareholding in Afrox Zambia Limited.*

The Company acquired the non-controlling interest in Afrox Zambia Limited of 30% on 30 September 2018.

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 R1000 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 (2017: Rnil); which represents Afrox's maximum exposure resulting from of its interest in the Trust.

*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

R$ – Mauritian Rupee

US$ – US Dollar

ZK – Zambian Kwacha

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. During 2018, the divisionalisation was completed.

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

	Company	
	2018 **R'm**	2017 R'm
Property, plant and equipment	**17**	148
Deferred taxation	**–**	3
Taxation receivable	**–**	1
Assets transferred	**17**	152

Property, plant and equipment of R17 million (2017: R148 million) that belonged to Afrox Properties (Pty) Ltd were transferred to Afrox Oxygen Limited. The property transferred in 2018 was not previously transferred as the risk and rewards associated with ownership had not transferred to African Oxygen Limited as at 31 December 2017. The transfer was finalised during 2018.

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

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Company Secretary

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Transfer Secretary

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Namibia Equity Brokers Proprietary Limited

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Stakeholder enquiries

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