GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

2019

AFROX

A Member of The Linde Group

Contents

The annual financial statements for the year ended 31 December 2019 have been prepared under the supervision of the Group Financial Director, Matthias Vogt and were approved on 3 March 2020.

Published
4 March 2020

Audit Committee's report

For the year ended 31 December 2019

We are pleased to present the Audit Committee (the committee) report for the financial year ended 31 December 2019.

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 IV Report on Corporate Governance™ for South Africa (King IV*), the Companies Act of South Africa, 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements (Listings 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 and the requirements contained in King IV. It also executes further duties delegated to it by the Board of directors. In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, we assist the Board by:

- advising and making submissions on financial reporting;
- overseeing and reviewing the International Financial Reporting Standard (IFRS)16 implementation;
- reviewing the Group's Risk Assessment, Risk Appetite and Business Continuity Management (BCM) processes and reporting thereon to the Board;
- analysing 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 2019 and the year ended 31 December 2019;
- providing oversight of the integrated report process;
- consideration of internal audit reports; interrogating 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 in respect of the Sarbanes Oxley implementation at Afrox;
- 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; and
- consideration of legal and compliance matters.

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 its affairs in compliance with its applicable terms of reference and has 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 Audit Committee

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

- Chris Wells (Chairperson);
- Nomfundo Qangule; and
- Giullean Strauss.

The Board is satisfied that the members fulfil the independence requirement as stipulated by the Companies Act. The Chairperson of the Board, Managing Director, Group 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 annual general meeting (AGM), scheduled for May 2020.

Meeting attendance

The committee is required to meet at least three times a year as per its terms of reference. For the 2019 financial year, it met on three occasions at meetings held on 25 February 2019, 4 September 2019 and 4 December 2019. Attendance statistics of the members can be found in the integrated report.

Audit Committee's report continued

For the year ended 31 December 2019

In addition to the formal meetings, as Chairperson 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 Chairperson of the committee schedules regular meetings with the auditors, PwC 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 PwC 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
- 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 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
- Dealt with concerns or suggestions relating to:
  – implementation of new accounting standards – IFRS 16 *Leases*;
  – interpretation of IFRS;
  – 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 PwC complied with the relevant provisions of the Companies Act. The committee, in consultation with executive management, agreed to the terms of engagement, audit plan and budgeted audit fees relating to the 2019 financial year-end audit. Details of the external auditor's fees are set out per note 20 to the financial statements.

As per the terms of reference, the committee governs the process regarding non-audit services. All non-audit services above R500 000 are preapproved by the committee. For the year under review there were no non-audit services above the limit.

Pursuant to the provisions of paragraph 3.84(g)(111) of the Listings Requirements, the committee has reviewed PwC and the individual audit partner Hendrik Odendaal and confirms the suitability of their reappointment as the external audit firm at the next AGM, to be held on 27 May 2020.

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 IFRS. The latest report of the JSE Proactive Monitoring Process was tabled at the committee's meeting, and its contents were appropriately considered for the preparation of these annual financial statements.

No significant matters were raised by internal audit or external auditors 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 paragraph 3.84(i) of the Listings Requirements, 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 expertise and 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
Chairperson of the Audit Committee

3 March 2020

Directors' report

For the year ended 31 December 2019

The directors have pleasure in submitting the Group annual financial statements and annual financial statements for the year ended 31 December 2019.

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.

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 LPG. 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, 71 of 2008, 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 King IV.

Social, Ethics and Transformation Committee's report

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

Financial results

The results of the Group's and the Company's operations for the year are set out in the statements of profit or loss on page 30.

The Group results for the year show revenue of R6 086 million (2018: R6 047) with profit before tax at R867 million (2018: R596 million) and net profit attributable to the equity holders of the Company at R631 million (2018: R447 million). Basic earnings per share were 204.4 cents (2018: 144.8 cents) and diluted earnings per share were 202.8 cents per share (2018: 144 cents).

The statements of financial position continues to reflect that the Group is in a strong financial position with cash and cash equivalents at R1 184 million (2018: R1 153 million).

Share capital

The Company's authorised share capital remained unchanged. As at 31 December 2019, the Company's issued share capital is reflected in the following table:

	2019 and 2018 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 25 to the financial statements and are available on our website, www.afrox.com. An interim dividend of 55 cents (2018: 52 cents) per ordinary share was paid on 7 October 2019.

A final dividend of 46 cents (2018: 25 cents) per ordinary share before the dividend taxation of 20% has been declared. The final dividend will be paid on 6 April 2020. 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.

Going concern

The annual financial statements of the Group were prepared on a going concern basis based on an assessment performed by the Board as set out in note 34 to the financial statements.

The directors confirm that they are satisfied that the Group has adequate resources to continue trading as a going concern in the foreseeable future.

Adoption of new accounting standard

The Group adopted IFRS 16 *Leases* for the first time on 1 January 2019. Refer to note 9 of the accounting policies as well as note 3 to the financial statements for details of the impact on the Group resulting from the adoption of this standard.

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 and the Frankfurt Stock Exchanges (where it forms part of the DAX 30 share index).

Board of directors

Composition of the Board

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

Non-executive directors

J Panikar*** – Chairperson (Appointed 1 April 2019)
B Eulitz* (Resigned 1 April 2019)
M von Plotho*

Executive directors

SM Venter – Managing Director
M Vogt* – Group Financial Director (Resigned with an effective date of 31 March 2020)

Independent non-executive directors

KDK Mokhele (Retired 30 May 2019)
CF Wells**
NVL Qangule
GJ Strauss
VN Fakude (Resigned 31 December 2019)

* German
** British
*** American

Composition of the Board and Board committees

The committee members and committee chairpersons are independent non-executive directors with the exception of the Safety, Health, Environment and Quality (SHEQ) and SET Committees where the Managing Director attends.

The committees are as follows:

Audit Committee

CF Wells (Chairperson)
GJ Strauss
NVL Qangule

Nominations Governance and management of Resources Committee

VN Fakude (Resigned as Chairperson 31 December 2019)
GJ Strauss
J Panikar

SHEQ Committee

GJ Strauss (Chairperson)
SM Venter

SET Committee

NVL Qangule (Chairperson)
VN Fakude (Resigned 31 December 2019)
SM Venter

Directors' report continued

For the year ended 31 December 2019

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 8 of this report.

Company Secretary

Ms. Singh is the Company Secretary, and her business and postal addresses appear on page 91 of this report.

The Board is responsible for appointing and removing Afrox's Company Secretary. The Company Secretary guides the Board in discharging its duties and responsibilities regarding legislation, regulation, and governance procedures and requirements. She acts as secretary to all Board-appointed committees and is not a member of the Board or a prescribed officer.

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.

The Board is satisfied that an arm's-length relationship exists between it and the Company Secretary.

Administration

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

Subsidiaries and associate

Information regarding the Group's subsidiaries is set out in note 35 to the financial statements and of the interest in its associate in note 5 to the financial statements.

Independent auditors

Provided that their appointment is confirmed at the annual general meeting on 27 May 2020, the independent auditors, PwC will continue in office as auditors for the ensuing period in accordance with Section 84(4)(b) of the Companies Act.

Borrowing facilities

The Group's cash on hand at 31 December 2019 amounted to R1 184 million (2018: 1 153 million). Details of the long-term borrowings are set out in note 14 to the financial statements. There are no restrictions on the Company's borrowing capacity contained in the Memorandum of Incorporation.

Litigation statement

As at the date of this report, there is no outstanding litigation of a material nature against the Group.

Events after reporting date

The directors are not aware of any significant events arising between 31 December 2019 and the date of these financial statements, which materially affect the financial position or results.

Company Secretary's certificate

For the year ended 31 December 2019

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 31 December 2019 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.

Cheryl Singh
Company Secretary
Johannesburg

3 March 2020

Approval of the annual financial statements

For the year ended 31 December 2019

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 as at 31 December 2019, the statements of profit and 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 IFRS and SAICA Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council and the requirements of the Companies Act. 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 external 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 3 March 2020 and are signed by:

Schalk Venter
Authorised director
Managing Director

Matthias Vogt
Authorised director
Group Financial Director

Johannesburg
3 March 2020

Shareholders' profile
For the year ended 31 December 2019

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:

	2019				2018			
	Number of share-holders	% of holders	Number of shares	% of issued share capital	Number of share-holders	% of holders	Number of shares	% of issued share capital
Distribution of shareholders								
Public companies	7	0.20	210 037 788	61.26	11	0.33	209 761 796	61.18
Insurance, investment and trust companies	194	5.59	78 648 013	22.94	200	5.98	85 942 012	25.07
Pension, provident funds and trusts	233	6.71	41 671 085	12.15	217	6.49	37 900 463	11.05
Banks and nominee companies	45	1.30	5 639 821	1.64	47	1.41	2 721 421	0.79
Individuals and deceased estates	2 878	82.94	4 042 664	1.18	2 747	82.20	4 151 188	1.21
Corporate bodies	59	1.70	1 491 929	0.44	68	2.03	1 447 019	0.42
Private companies	54	1.56	1 321 610	0.39	52	1.56	929 011	0.28
Total	3 470	100	342 852 910	100	3 342	100	342 852 910	100
Shareholder type								
Public shareholders	3 463	99.80	132 815 122	38.73	3 332	99.70	133 091 214	38.81
Non-public shareholders (within the Linde AG Group)	7	0.20	210 037 788	61.27	10	0.30	209 761 696	61.19
Strategic holdings (more than 10%)	1	0.03	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	3	0.09	300	0.00	4	0.12	400	0.00
Own holdings and share incentive scheme	3	0.09	36 991 075	10.80	5	0.15	36 714 883	10.72
Total	3 470	100	342 852 910	100	3 342	100	342 852 910	100

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

	2019		2018	
	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*	57 064 959	16.64	47 792 441	13.94
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00	34 285 308	10.00
Government Employees Pension Fund	19 885 117	5.80	17 467 624	5.09
Foord	4 225 283	1.23	–	–
MMI	4 155 026	1.21	–	–
Old Mutual Group	4 002 234	1.17	6 621 228	1.93
Nedbank Group	3 808 512	1.11	3 413 816	1.00
Henderson Global Investors	–	–	9 785 997	2.85
	300 472 852	87.63	292 412 827	85.28
Other shareholders	42 380 058	12.37	50 440 083	14.72
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	2019 Amount per share (cents)*	2018 Amount per share (cents)*
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
185	15 September 2019	1 October 2019	2 October 2019	4 October 2019	7 October 2019	**55.0**	
186	3 March 2020	31 March 2020	1 April 2020	3 April 2020	6 April 2020	**46.0**	
						101.0	77.0

* *Before taxation on dividends at 20%.*

Statistics

	December 2019	December 2018	December 2017	December 2016	December 2015
Share price (cents)					
– Closing	**2 151**	2 750	2 800	1 900	1 300
Ordinary shares in issue at financial year-end ('000)	**342 853**	342 853	342 853	342 853	342 853
Number of shares traded ('000)	**49 908**	62 661	61 550	36 964	36 273
Value of shares traded (R'000)	**1 107 055**	1 821 046	1 359 223	664 641	500 448
Number of shares traded as a percentage of shares issued	**14.6**	18.3	18.0	10.8	10.6
Earnings yield (%)	**9.5**	5.3	7.3	10.2	10.3
Ordinary dividend yield (%)	**4.7**	2.8	3.6	4.9	5.3
Price: basic earnings ratio	**10.5**	19.0	13.8	9.8	9.7
Price: headline earnings ratio	**10.6**	17.8	13.9	10.0	9.3

Definitions of ratios and terms utilised for statistics

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

Independent auditor's report

To the Shareholders of African Oxygen Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

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 (the Company) and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

African Oxygen Limited's consolidated and separate financial statements set out on pages 14 to 90 comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of profit or loss for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

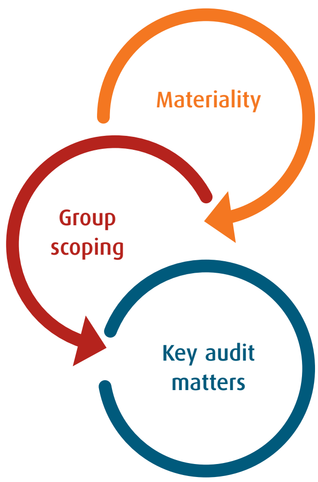
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018),* parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

Overall group materiality: R61 million, which represents 1% of consolidated revenue.

Group audit scope

We conducted full scope audit procedures at one business unit, and audit procedures on specific financial statement line items at three other business units.

Key audit matters

Adoption of new accounting standard – IFRS 16 *Leases*.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R61 million.
How we determined it	1% of consolidated revenue.
Rationale for the materiality benchmark applied	We chose consolidated revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We conducted a full scope audit at 1 business unit and further audit procedures on specific financial statement line items at a further 3 business units. These business units were identified based on scoping benchmarks such as the business unit's contribution to key financial statement line items (consolidated profit before tax, consolidated revenue and consolidated total assets) and risks associated with the business unit.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the consolidated financial statements as a whole.

Key audit matters
Key audit matters are those matters that, in our professional judgment, 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 listed below is applicable to the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Adoption of new accounting standard – IFRS 16 '*Leases*' Refer to accounting policy note 9 (*changes in accounting policies)* and note 3 to the financial statements (*Leases*). The Group adopted IFRS 16 'Leases' during the current financial year. The Group applied this new accounting standard from 1 January 2019. On transition, management chose the 'modified retrospective approach', with the right-of-use assets for the identified leases being measured at the carrying amount as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. Under this transition method, comparative information has not been restated and the cumulative effect of applying the standard has been recognised as an adjustment to the opening balance of retained earnings.	Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology applied and calculations used by management in determining the accounting for leases under IFRS 16 '*Leases*'. Our procedures to obtain audit evidence included the following for a sample of leases: • We tested the mathematical accuracy of the IFRS 16 calculations obtained from the client for the selected leases by reperforming these calculations. This included the recalculation of the expected IFRS 16 adjustment. No material differences were noted; • We independently recalculated the lease liability and right-of-use asset for each lease sample selected, and compared this to management's calculation. No material differences were noted;

Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
In applying the new standard, the Group applied various practical expedients as permitted by the standard and as disclosed in accounting policy note 9. The impact of the IFRS 16 transition is reliant on a number of estimates and judgements made by management, primarily determining the appropriate discount rate (incremental borrowing rates) and the lease term for each lease. This was considered to be a matter of most significance to the current year audit for the following reasons: • A misstatement of the right-of-use assets and lease liabilities could have a significant impact on the consolidated and separate financial statements; and • The significant judgement and estimates applied by management.	• We evaluated the accuracy and completeness of lease terms, including the renewal periods, where appropriate, by inspecting the underlying contracts and assessing management's judgements for the lease periods applied in the lease calculation. No material differences were noted; and • We assessed the discount rate used by management to calculate the lease liability for each respective lease type (land & buildings, motor vehicles, forklifts, telephone systems) by comparing the rate used to the documentation related to the most recent third-party financing received by the Group and Company, taking into account the lease term. Based on our work performed, we accepted management's assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Group annual financial statements and annual financial statements 2019*", which includes the Directors' report, the Audit Committee's report and the Company Secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "*Integrated Report 2019*", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above 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 that we 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 IFRS 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 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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or 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 PricewaterhouseCoopers Inc. has been the auditor of African Oxygen Limited for one year.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: HP Odendaal
Registered Auditor
Waterfall City

4 March 2020

Accounting policies
For the year ended 31 December 2019

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 2019 and for the year ended 31 December 2019 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 Liquefied 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) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the JSE Listings Requirements and the requirements of the Companies Act of South Africa, 71 of 2008, as amended (Companies Act).

The financial statements for the year ended 31 December 2019 were approved and authorised for issue on 3 March 2020 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 Rand (Rand), 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 7)	Fair value of plan assets less the present value of the defined benefit obligation
Derivative financial instruments (refer note 18)	Fair value
Share-based payment awards (refer to note 31)	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 16 *Leases* as set out in note 9 of the accounting policies and note 3 to the financial statements, to all periods presented in these financial statements and have been applied by all the Group entities.

Comparative figures and note disclosures are reclassified or restated as necessary to afford a proper and meaningful presentation and comparison of results as set out in 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 gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities, and are capitalised to the cost of the investment in subsidiary in the separate financial statements. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognised in profit or loss.

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

Non-controlling interests

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

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 statements 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.

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 Rand 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
- 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 are 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; 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.

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 Group's claim to cash flows from specified assets.

Financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents, receivables from Group companies (for Company only), loans due by subsidiaries (for Company only), receivables from fellow subsidiaries of holding company and lease receivables.

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 elects at initial recognition 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 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 are classified as at fair value through profit or loss if they are held for trading, are derivative financial instruments or are 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 and measured at amortised cost using the effective interest method and comprise interest-bearing liabilities, bank overdrafts, long-term borrowings, other long-term liabilities, payables to fellow subsidiaries of holding company, payable to Group companies (for Company only) and trade payables.

Significant accounting policies continued

3. Financial instruments continued

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 represents 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.

Financial liabilities at fair value through profit or loss

These are subsequently measured at fair value with changes in the fair value recognised as profit or loss in the statements of profit or loss.

Financial liabilities at amortised cost

After initial recognition, these are subsequently measured at amortised cost using the effective interest rate. The effective interest rate amortisation is included as finance cost in the statements of profit or loss.

3.4 Financial assets

Derecognition

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 case 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.

3.5 Impairment of amortised cost financial assets

Trade and other receivables

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.

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 geographical segments and categorised between corporate and government customers, and an ECL rate is calculated for each segment based on actual credit loss experience for the last three 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
- Being more than 365 days past due (due to the nature of the business and its customers it is not uncommon for debtors to be long outstanding, and payments are generally made within one year which is in line with the customer payment periods)
- A concession that the Group would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation and/or
- The disappearance of an active market for that financial asset because of financial difficulties

Determining significant increases in credit risk

The Company trade and other receivable from subsidiaries are considered to have low credit risk. These are considered to be of low credit risk as they have a low risk of default and they have a strong capacity to meet their contractual cash flow obligations.

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. Forward-looking data would include changes in general economic and/or market conditions.

A significant increase in credit risk would include:

- information regarding the counterparty being placed under business rescue;
- internal and external credit ratings;
- Information indicating that the counterparty is in financial distress;
- information indicating that the counterparty is undergoing a process of liquidation; or
- The financial asset is more than 30 days past due.

Presentation of ECL allowance in the statements of financial position

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

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 considered not recoverable in the following circumstances:

- The financial assets have prescribed
- Liquidation process has been finalised
- Where it is deemed not financially feasible to recover the financial asset (i.e. the cost of legal action to recover exceeds the gross carrying amount of the financial asset)
- The debtor is deceased

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.

Cash and cash equivalents and other assets

While the above balances are also subject to the impairment requirements of IFRS 9 *Financial instruments*, the entity used the general model in measuring the expected credit loss. The general model used incorporates the probability of default (PD), exposure at default (EAD), timing of when the default is likely to occur and the loss given default (LGD). The identified impairment loss was negligible.

Significant accounting policies continued

3. Financial instruments continued

3.6 Derivative instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. Derivatives are initially and subsequently measured for at fair value through profit or loss.

3.7 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.

3.8 Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Revenue

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 customer's 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 *Liquid 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.

Accounting policies continued
For the year ended 31 December 2019

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 (up to 1 January 2019)

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 statements 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 (up to 1 January 2019)

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.

From 1 January 2019

Refer to note 9 below and note 3 to the financial statements for leases accounted for in terms of IFRS 16 *Leases*.

7. Use of judgements, assumptions and estimates

The preparation of the financial statements in conformity with IFRS requires management to make use of judgements, assumptions and estimates 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 judgements, 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:

Judgements

Cylinder deposits liability – Note 17
Lease term extension option – Note 3

Assumptions and estimates

Impairment, asset useful lives, depreciation and amortisation methods and residual values – Note 1 and 2
Measurement of the post-retirement benefit obligations – Note 7
Inventory obsolescence allowance – Note 10
Impairment of trade receivables and measurement of expected credit loss allowance – Note 11
Incremental borrowing rate – Note 3

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 2019.

Standards and interpretations	Details of amendment
IFRS 16 *Leases*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statements of financial position) and an operating lease (off statements of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes 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*. Refer to 9 below for accounting policy relating to IFRS 16 and the effects of the transition to IFRS 16, and note 3 in the notes to the financial statements.
IFRIC 23 *Uncertainty over Income Tax Treatments*	The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses: · how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty; · that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored; · that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment; · that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and · that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements. The adoption of these amendments did not have a material impact on the financial statements.
Amendments to IAS 28, *Investments in associates and joint ventures* – long-term interests in associates and joint ventures.	The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The adoption of these amendments did not have a material impact on the financial statements.

Significant accounting policies continued

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

Standards and interpretations	Details of amendment
Annual improvements cycle 2015-2017	These amendments include minor changes to: • IFRS 3 *Business Combinations* – a company remeasures its previously held interest in a joint operation when it obtains control of the business. • IFRS 11 *Joint Arrangements* – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. • IAS 12 *Income Taxes* – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23 *Borrowing Costs* – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The adoption of these amendments did not have a material impact on the financial statements.
Amendments to IFRS 9 – *Financial instruments* on prepayment features with negative compensation and modification of financial liabilities	The narrow-scope amendment covers two issues: • The amendments allow companies to measure particular prepay able financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. • How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings. The adoption of these amendments did not have a material impact on the financial statements.
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 adoption of these amendments did not have a material impact on the financial statements.

9. Changes in accounting policies

The Group adopted IFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statements of financial position on 1 January 2019. The new accounting policies are disclosed in note 3.

The Group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' in terms of IAS 17 *Leases*.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental rate of borrowing as of 1 January 2019. The weighted average incremental borrowing rate used on transition was 9.9% for the Group and 10.1% for the Company.

9.1 Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease terms whether the contract contains options to extend or terminate the lease
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 January 2019
- Low value assets comprising of office equipment with a cost price of R0.1 million and below

The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the, Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

9.2 Measurement of lease liabilities

The table below shows the reconciliation between operating lease commitments (disclosed under IAS 17) at 31 December 2018 and lease liabilities recognised on 1 January 2019.

	Group R'm	Company R'm
Operating lease commitments disclosed as at 31 December 2018	560	560
Discounted using the incremental borrowing rate as at the date of initial application	449	449
Less: short-term leases not recognised as a liability	(14)	(14)
Less: low-value leases not recognised as a liability	(9)	(9)
Less: non-lease component previously disclosed under operating lease commitments (such as maintenance and service costs)	(72)	(72)
Lease liability recognised at 1 January 2019	**354**	**354**
Of which are:		
Non-current lease liabilities	319	319
Current lease liabilities	35	35
	354	354

Accounting policies continued
For the year ended 31 December 2019

Significant accounting policies continued
9. Changes in accounting policies continued
9.3 Measurement of right-of-use assets
The associated right-of-use assets for the identified leases were measured on a retrospective basis as if the new rules had always been applied.

The carrying amount of the right-of-use assets were determined using the present value of all remaining lease payments at the commencement date of the lease, but discounted at the incremental borrowing rate of 1 January 2019. Restoration costs and any initial direct costs are excluded from the carrying amount of the right-of-use assets on transition. The accumulated depreciation was measured from the commencement date of the lease until 1 January 2019.

The opening balance on 1 January 2019 was determined as the carrying amount, less accumulated depreciation.

	Group	
	31 December 2019 R'm	1 January 2019 R'm
Land and buildings	154	171
Motor vehicles	99	97
Forklifts	8	12
Call centre system	8	–
Total right-of-use assets	**269**	**280**

	Company	
	31 December 2019 R'm	1 January 2019 R'm
Land and buildings	151	171
Motor vehicles	96	97
Forklifts	8	12
Call centre system	8	–
Total right-of-use assets	**263**	**280**

9.4 Adjustments recognised in the statements of financial position on 1 January 2019
The change in the accounting policy affected the following items in the statements of financial position on 1 January 2019:

	Group and Company R'm
– Increase in right-of-use assets	280
– Increase in lease liabilities	(354)
– Decrease in straight-lining accrual	30
– Increase in deferred tax assets	12
Net impact on retained earnings at 1 January 2019	**(32)**

10. 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 2019 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
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. The adoption of these amendments are not expected to have a material impact on future financial statements.
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. The adoption of these amendments are not expected to have a material impact on future financial statements.

Significant accounting policies continued

10. Forthcoming changes in accounting policies continued

Standards and interpretations	Details of amendment
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 adoption of these amendments are not expected to have a material impact on future financial statements.

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 2019

	Notes	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Assets					
Non-current assets		**3 821**	3 591	**3 621**	3 425
Property, plant and equipment	1	**3 047**	3 006	**2 773**	2 768
Intangible assets	2	**5**	10	**5**	10
Right-of-use assets	3	**269**	–	**263**	–
Investments in subsidiaries	4			**114**	114
Investment in associate	5	**22**	22	**1**	1
Trade and other receivables	11	**8**	17	**8**	17
Lease receivables	6	**36**	54	**31**	43
Retirement benefit assets	7	**426**	472	**426**	472
Deferred taxation assets	8	**8**	10	**–**	–
Current assets		**3 409**	3 359	**3 344**	3 338
Loans due by subsidiaries	9			**365**	385
Inventories	10	**649**	687	**573**	600
Trade and other receivables	11	**1 476**	1 271	**1 227**	1 036
Derivative financial instruments	18	**–**	1	**–**	1
Receivables from fellow subsidiaries of holding company	29	**31**	172	**31**	172
Receivables from Group companies	29			**71**	80
Short-term portion of lease receivables	6	**20**	18	**14**	14
Taxation receivable		**49**	36	**38**	22
Cash and cash equivalents	12	**1 184**	1 174	**1 025**	1 028
Total assets		**7 230**	6 950	**6 965**	6 763
Equity and liabilities					
Equity		**4 313**	4 023	**4 067**	3 817
Share capital and share premium	13	**552**	552	**554**	554
Reserves		**(122)**	(88)	**(4)**	(2)
Retained earnings		**3 874**	3 548	**3 517**	3 265
Shareholders' equity		**4 304**	4 012	**4 067**	3 817
Non-controlling interests	35	**9**	11		
Non-current liabilities		**1 524**	1 624	**1 490**	1 604
Long-term borrowings	14	**600**	1 000	**600**	1 000
Lease liability	3	**311**	–	**305**	–
Other long-term liabilities	15	**–**	41	**–**	41
Provisions	16	**21**	4	**21**	4
Deferred taxation liabilities	8	**592**	579	**564**	559
Current liabilities		**1 393**	1 303	**1 408**	1 342
Provisions	16	**8**	62	**8**	62
Trade and other payables	17	**1 131**	1 114	**917**	915
Derivative financial liabilities	18	**12**	–	**12**	–
Payables to fellow subsidiaries of holding company	29	**173**	83	**173**	83
Payables to Group companies	29			**253**	261
Short-term portion of lease liability	3	**46**	–	**45**	–
Taxation payable		**23**	23	**–**	–
Bank overdrafts	12	**–**	21	**–**	21
Total equity and liabilities		**7 230**	6 950	**6 965**	6 763

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of profit or loss

For the year ended 31 December 2019

	Notes	Group 2019 R'm	Group 2018* R'm	Company 2019 R'm	Company 2018* R'm
Revenue	19	**6 086**	6 047	**5 411**	5 350
Other income		**8**	24	**118**	178
Production expenses and material purchases	20	**(3 021)**	(3 147)	**(2 813)**	(2 982)
Employee benefit expenses	21	**(893)**	(1 004)	**(786)**	(896)
Electricity and water expenses		**(493)**	(425)	**(486)**	(416)
Other expenses	20	**(370)**	(411)	**(264)**	(263)
Impairment loss on trade and other receivables	11	**(41)**	(7)	**(39)**	–
Depreciation and amortisation	1 and 2	**(409)**	(374)	**(384)**	(352)
Impairment of property, plant and equipment	20	**–**	(55)	**–**	(55)
Restructuring costs	20	**–**	(52)	**–**	(52)
Earnings before interest and taxation (EBIT)	20	**867**	596	**757**	512
Finance expense	22	**(143)**	(111)	**(143)**	(111)
Finance income	22	**134**	152	**128**	143
Profit before taxation		**858**	637	**742**	544
Income taxation expense	23	**(224)**	(180)	**(158)**	(117)
Profit for the year		**634**	457	**584**	427
Attributable to:					
Owners of the Company		**631**	447	**584**	427
Non-controlling interests	35	**3**	10		
Profit for the year		**634**	457	**584**	427
Earnings per share					
Basic earnings per share (cents)	24	**204.4**	144.8		
Diluted earnings per share (cents)	24	**202.8**	144.0		

* *Restated due to reclassification. Refer to note 36.*

Statements of comprehensive income

For the year ended 31 December 2019

		Group		Company	
	Notes	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Profit for the year		634	457	584	427
Other comprehensive (loss)/income after taxation:		(20)	(39)	13	(38)
Items that are or may be reclassified to profit or loss		(35)	1	(2)	2
Translation differences of foreign operations		(32)	5		
Translation differences of foreign operations relating to non-controlling interests		(1)	(6)		
Changes in fair value of cash flow hedges		(3)	2	(3)	2
Deferred taxation relating to cash flow hedges		1	0*	1	0*
Items that will not be reclassified to profit or loss		15	(40)	15	(40)
Remeasurement of retirement benefits	7	21	(56)	21	(56)
Deferred taxation relating to remeasurement of retirement benefits		(6)	16	(6)	16
Total comprehensive income for the year		614	418	597	389
Total comprehensive income attributable to:					
Owners of the Company		612	414	597	389
Non-controlling interests		2	4		
Total comprehensive income for the year		614	418	597	389

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

* *Amount below R1 million.*

Statements of changes in equity

For the year ended 31 December 2019

	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 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 as previously reported	552	5	(93)	(88)	3 548	4 012	11	4 023
Adjustment on initial adoption of IFRS 16 (net of taxation)*	–	–	–	–	(32)	(32)	–	(32)
Adjusted balance at 1 January 2018	552	5	(93)	(88)	3 516	3 980	11	3 991
Total comprehensive income	**–**	**(2)**	**(32)**	**(34)**	**646**	**612**	**2**	**614**
Other comprehensive income	**–**	**(2)**	**(32)**	**(34)**	**15**	**(19)**	**(1)**	**(20)**
Profit for the year	**–**	**–**	**–**	**–**	**631**	**631**	**3**	**634**
Transactions with owners of the Company								**–**
Share-based payments, net of taxation	**–**	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**
Shares purchased– forfeitable share plan	**–**	**–**	**–**	**–**	**(22)**	**(22)**	**–**	**(22)**
Dividends	**–**	**–**	**–**	**–**	**(247)**	**(247)**	**(4)**	**(251)**
Balance at 31 December 2019	**552**	**3**	**(125)**	**(122)**	**3 874**	**4 304**	**9**	**4 313**

* *The Group adopted IFRS 16 on 1 January 2019. Under the transition method chosen, comparative information has not been restated. Refer to note 9 in the Accounting policies and note 3 of the financial statements.*

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 Rand at the average exchange rate of income and expenses of foreign subsidiaries.

	Company			
	Share capital and share premium R'm	Hedging reserve R'm	Retained earnings R'm	Total equity R'm
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 as reported on 31 December 2018	554	(2)	3 265	3 817
Adjustment on initial adoption of IFRS 16 (net of taxation)*	–	–	(32)	(32)
Adjusted balance at 1 January 2018	554	(2)	3 233	3 785
Total comprehensive income	**–**	**(2)**	**599**	**597**
Other comprehensive income	**–**	**(2)**	**15**	**13**
Profit for the year	**–**	**–**	**584**	**584**
Transactions with owners of the Company				
Share-based payments net of taxation	**–**	**–**	**(19)**	**(19)**
Shares purchased – forfeitable share plan	**–**	**–**	**(22)**	**(22)**
Dividends	**–**	**–**	**(274)**	**(274)**
Balance at 31 December 2019	**554**	**(4)**	**3 517**	**4 067**

* *The Group adopted IFRS 16 at 1 January 2019. Under the transition method chosen, comparative information has not been restated. Refer to note 9 in the Accounting policies and note 3 of the financial statements.*

Statements of cash flows

For the year ended 31 December 2019

		Group		Company	
	Notes	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Cash flows from operating activities					
Cash generated from operations	26	**1 403**	897	**1 165**	629
Interest received		**62**	71	**59**	68
Interest paid		**(117)**	(108)	**(117)**	(108)
Normal taxation paid	27	**(231)**	(173)	**(168)**	(84)
Dividends received	29	**0***	–	**111**	132
Cash available from operating activities		**1 117**	687	**1 050**	637
Dividends paid to owners of the Company	25	**(247)**	(327)	**(274)**	(363)
Dividends paid to non-controlling interests		**(4)**	(5)	**–**	–
Net cash from operating activities		**866**	355	**776**	274
Cash flows from investing activities					
Additions to property, plant and equipment	1	**(403)**	(491)	**(363)**	(456)
Proceeds from disposal of property, plant and equipment		**8**	19	**32**	12
Loans repayments by subsidiaries#		**–**	–	**28**	40
Loans advanced to subsidiaries#				**(8)**	(7)
Receipts from lease receivables		**21**	24	**14**	18
Net cash used in investing activities		**(374)**	(448)	**(297)**	(393)
Cash flows from financing activities					
Borrowings paid	14	**(400)**	–	**(400)**	–
Lease payments	3	**(39)**	–	**(39)**	–
Acquisition of non-controlling interest	4	**–**	(41)	**–**	(41)
Shares purchased – forfeitable share plan		**(22)**	(57)	**(22)**	(57)
Net cash outflow from financing activities		**(461)**	(98)	**(461)**	(98)
Net (decrease)/increase in cash and cash equivalents		**31**	(191)	**18**	(217)
Cash and cash equivalents at the beginning of the year		**1 153**	1 344	**1 007**	1 224
Cash and cash equivalents at the end of the year	12	**1 184**	1 153	**1 025**	1 007
Comprising:					
Cash and cash equivalents		**1 184**	1 174	**1 025**	1 028
Bank overdrafts		**–**	(21)	**–**	(21)
		1 184	1 153	**1 025**	1 007

The above statements of cash flows should be read in conjunction with the accompanying notes.

2018 presented on a net basis while 2019 has been presented on a gross basis to provide more relevant and reliable information.

* *Amounts less than R1 million.*

Segmental report

For the year ended 31 December 2019

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 (CODM) 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, depreciation, 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. Due to the nature of the business, there is no customer that represents more than 10% of the revenue. 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	
	2019 R'm	2018 R'm
Revenue*	6 086	6 047
Atmospheric Gases	2 886	2 674
LPG	2 412	2 552
Hard Goods	788	821
Operating expenses	(4 586)	(4 756)
Atmospheric Gases	(2 105)	(2 051)
LPG	(1 855)	(2 064)
Hard Goods	(626)	(641)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before corporate expenses and restructuring costs	1 500	1 291
Depreciation and amortisation	(409)	(374)
Atmospheric Gases	(194)	(165)
LPG	(162)	(158)
Hard Goods	(53)	(51)
Earnings before interest and tax (EBIT), before corporate expenses and restructuring costs	1 091	917
Atmospheric Gases	587	458
LPG	395	330
Hard Goods	109	129
Corporate expenses	(224)	(269)
Restructuring costs	–	(52)
EBIT	867	596

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

	Group	
	2019 R'm	2018 R'm
Geographical representation		
Revenue	6 086	6 047
South Africa	5 322	5 276
Southern African Development Community (SADC) countries excluding South Africa**	764	771
Non-current assets	3 821	3 591
South Africa	3 554	3 321
SADC countries excluding South Africa **	267	270

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

Segmental report continued

For the year ended 31 December 2019

	Group	
	2019 R'm	2018 R'm
Reconciliation of EBITDA to profit before tax (PBT)#		
EBITDA before corporate expenses and restructuring costs	1 500	1 291
Corporate costs	(224)	(269)
Restructuring costs	–	(52)
EBITDA	1 276	970
Depreciation and amortisation	(409)	(374)
EBIT	867	596
Net finance (expenses)/income	(9)	41
PBT	858	637

The presentation of EBITDA is not an IFRS requirement but it is a measurement used by the CODM.

	2019 R'm	2018 R'm
Reconciliation of operating expenses:		
Production expenses and material purchases	(3 021)	(3 147)
Employee benefit expenses	(893)	(1 004)
Restructuring costs		(52)
Electricity and water expenses	(493)	(425)
Other expenses	(370)	(411)
Impairment loss on trade and other receivables	(41)	(7)
Other income	8	24
Total before corporate expenses	(4 810)	(5 022)
Corporate expenses	224	269
Operating expenses	(4 586)	(4 756)

Operating expenses that was previously presented as an aggregate amount on the face of the statements of profit or loss was reclassified as it provides more relevant and reliable information.

Directors' remuneration

For the year ended 31 December 2019

Independent non-executive directors' remuneration

The fees payable to the independent non-executive directors are reflected below.

The table below details the fees to non-executive directors' for the current as well as the proposed fees for the 2020 financial year.

		Current practice		Proposed payment		
Category	Role	Retainer fee R	Fee per meeting R	Retainer fee R	Fee per meeting R	Fee increase %
Committee						
Independent lead director		**449 614**	**13 378**	474 343	14 114	5.5
Board	Director	**257 618**	**13 378**	271 787	14 114	5.5
Audit committee	Chairperson	**173 770**	**13 378**	183 327	14 114	5.5
	Member	**86 277**	**13 378**	91 022	14 114	5.5
– Nominations, Governance and Management of Resources Committee – Safety, Health, Environment and Quality Committee	Chairperson	**115 441**	**13 378**	121 790	14 114	5.5
– Social, Ethics and Transformation Committee	Member	**58 328**	**13 378**	61 536	14 114	5.5

Directors emoluments (R'm)

2019	Months paid	Fees	Salary	Provident Fund contri-butions	Cash incentive (Short-term incentive)	Cash based (Long-term incentive)	Share-based (Long-term incentive)	Other benefits^	Total remun-eration	Less: Amounts accrued but not yet settled	Total cash equivalent of remun-eration
Executive directors			8 522	551	4 316	2 834	1 588	2 222	20 033	(1 588)	18 445
SM Venter	12	–	3 784	551	2 149	409	1 588	1 379	9 860	(1 588)	8 272
M Vogt	12	–	4 738	–	2 167	2 425	–	843	10 173	–	10 173
Non-executive directors		3 177	–	–	–	–	–	–	3 177	–	3 177
Dr KDK Mokhele~+>!	5	449	–	–	–	–	–	–	449	–	449
GJ Strauss*~>	12	804	–	–	–	–	–	–	804	–	804
CF Wells*	12	721	–	–	–	–	–	–	721	–	721
VN Fakude	12	564	–	–	–	–	–	–	564	–	564
NVL Qangule*~+	12	639	–	–	–	–	–	–	639	–	639
Total		3 177	8 522	551	4 316	2 834	1 588	2 222	23 210	(1 588)	21 622

Directors' remuneration continued

For the year ended 31 December 2019

Directors emoluments (R'm) continued

2018	Months paid	Fees	Salary	Provident Fund contri-butions	Cash incentive (Short-term incentive)	Cash based (Long-term incentive)	Share-based (Long-term incentive)	Other benefits^	Total remun-eration	Less: Amounts accrued but not yet settled	Total cash equivalent of remun-eration
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
CF Wells*	12	746	–	–	–	–	–	–	746	–	746
VN 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

The non-executive directors from Linde plc 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.*
~ *Nominations, Governance and Management of Resources Committee member.*
\> *Safety, Health, Environment and Quality Committee members.*
! *Resigned 30 May 2019.*
^ *Other benefits include car allowances and use of a motor vehicle.*

Share appreciation rights (SARs) and forfeitable shares (FSPs) granted: SM Venter

		2018					2019					
Grant date	Average strike price	Opening number	Granted	Vested	Closing number	Proceeds received from sale of shares	Granted	Forfeited/ lapsed	Vested	Closing number	Proceeds received from sale of shares	Value on con-version of SAR
SARs												
18 May 2015	13.97	32 000	–	31 210	–	500 293	–	–	–	–	–	–
18 April 2016	13.00	24 000	–	–	24 000	–	–	18 000	6 000	6 000	–	53 096
1 March 2017	18.90	24 000	–	–	24 000	–	–	–	–	24 000	–	–
Units					48 000			18 000	6 000	30 000		
Value						500 293					–	53 096
FSP with conditions												
18 May 2015	13.20	61 000	–	59 493	–	1 784 790	–	–	–	–	–	–
18 April 2016	11.55	27 000	–	–	27 000	–	–	20 250	6 750	–	154 490	–
1 March 2017	12.91	27 000	–		27 000		–	–	–	27 000	–	–
1 March 2018	8.08	–	51 707	–	51 707	–	–	–	–	51 707	–	–
10 April 2019	6.17						64 002			64 002		
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	201 036	–
1 March 2017	18.90	9 000	–		9 000		–	–	9 000	–	–	–
1 March 2018	28.53	–	27 622	–	27 622	–	–	–	–	27 622	–	–
10 April 2019	21.90						29 288			29 288		
Units		250 000	79 329	176 493	151 329		93 290	20 250	15 750	208 619		
Proceeds received from sale of shares						5 294 790					355 526	–

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

Name	2019 Vested number of rights (exercisable)	2019 Non-vested number of rights (not yet (exercisable)	2018 Vested number of rights (exercisable)	2018 Non-vested number of rights (not yet (exercisable)
Executive director				
SM Venter	6 000	232 619	–	199 329
Total vested and non-vested number of rights	6 000	232 619	–	199 329

Shareholding of directors and executive management

Name	2019 Beneficial	2019 Non-beneficial	2018 Beneficial	2018 Non-beneficial
Non-executive independent directors				
Dr KDK Mokhele~+>!	–	–	–	100
CF Wells*	100	–	100	–
NVL Qangule	–	100	–	100
GJ Strauss*~	25 000			
Non-executive directors				
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 30 May 2019.*

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 2019

1. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Properties comprises land and buildings. Land is measured at cost less any accumulated impairment losses. Assets 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.

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.

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 2018	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	0*	(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)
Additions	**26**	**165**	**168**	**41**	**3**	**403**
Translation of foreign operations	**(2)**	**(1)**	**(1)**	**(1)**	**0***	**(5)**
Disposals	**–**	**(2)**	**(2)**	**(1)**	**–**	**(5)**
Depreciation	**(19)**	**(176)**	**(123)**	**(18)**	**(16)**	**(352)**
Carrying amount at 31 December 2019	**227**	**1 536**	**1 110**	**141**	**33**	**3 047**
Cost	**371**	**4 619**	**2 554**	**345**	**167**	**8 056**
Accumulated depreciation and impairment	**(144)**	**(3 083)**	**(1 444)**	**(204)**	**(134)**	**(5 009)**

	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 2018	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	–	0*	(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)
Additions	**18**	**154**	**159**	**30**	**2**	**363**
Disposals	**0***	**(2)**	**(25)**	**0***	**(2)**	**(29)**
Depreciation	**(18)**	**(168)**	**(117)**	**(12)**	**(14)**	**(329)**
Carrying amount at 31 December 2019	**182**	**1 442**	**1 004**	**114**	**31**	**2 773**
Cost	**317**	**4 176**	**2 389**	**259**	**154**	**7 295**
Accumulated depreciation and impairment	**(135)**	**(2 734)**	**(1 385)**	**(145)**	**(123)**	**(4 522)**

* *Amount below R1 million.*

Notes to the financial statements continued

For the year ended 31 December 2019

1. Property, plant and equipment continued

Impairment testing

Property, plant and equipment is assessed at each reporting date to determine whether there is any indication that an asset may be 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 3.6% (2018: 4.9%) 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 12.5% (2018: 13.84%).

Assets acquired to be installed

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

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 2019	2	258	73	6	15	354
Plus: additions	3	5	97	40	6	151
Less: transfers	–	(30)	(147)	(1)	(14)	(192)
Carrying amount at 31 December 2019	5	233	23	45	7	313

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 2019	2	230	73	6	15	326
Plus: additions	3	12	97	29	6	147
Less: transfers	–	(30)	(147)	(1)	(14)	(192)
Carrying amount at 31 December 2019	5	212	23	34	7	281

Included in the cost and current year additions are assets acquired to be installed.

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 2018	17
Cost	262
Accumulated amortisation	(245)
Amortisation	(7)
Carrying amount at 31 December 2018	10
Cost	262
Accumulated amortisation	(252)
Amortisation	**(5)**
Carrying amount at 31 December 2019	**5**
Cost	**262**
Accumulated amortisation	**(257)**

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. Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 6 on page 47.

3.1 Amounts recognised in the statements of financial position

The statements of financial position shows the following amounts relating to leases:

	Group		Company	
	2019 31 December R'm	1 January R'm	2019 31 December R'm	1 January R'm
Right-of-use assets				
Land and buildings	154	171	151	171
Motor vehicles	99	97	96	97
Forklifts	8	12	8	12
Telephone system	8	–	8	–
	269	280	263	280
Lease liabilities				
Current	46	35	45	35
Non-current	311	319	305	319
	357	354	350	354

Additions to the right-of-use assets during the 2019 financial year were R8 million for the Group and the Company.

3.2 Amounts recognised in the statements of profit or loss

The statements of profit or loss show the following amounts relating to leases:

	Group		Company	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Depreciation charge of right-of-use assets				
Land and buildings	25		22	
Motor vehicles	23		23	
Forklifts	3		3	
Call centre system	1		1	
	52		49	
Interest expense (included in finance cost)	35		35	
Capital lease payments	39		39	
Total payments	74		74	

3.3 The Group's leasing activities and how these are accounted for

The Group leases various buildings, land, vehicles and forklifts. The rental contracts are typically made for fixed periods of one year to 25 years, with some having extension options. Contracts may contain both lease as well as non-lease components. Non-lease components are treated as an expense in the statements of profit or loss. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets are not used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases to operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured at the present value of the minimum lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the incremental rate of borrowings which varies depending on the duration of the lease. In determining the incremental rate, the Group:

- uses the third-party financing agreements as a starting point which is then adjusted to reflect changes in financing conditions; and
- makes adjustments specific to the lease, such as lease term and country.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at the amount of the initial measurement of the lease liability, and any initial direct costs and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group does not revalue land and buildings classified as right-of-use assets.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value are recognised on a straight-line as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value items comprise office equipment with a cost of R0.1 million and below.

3.4 Extension options

Extension options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Extension options in vehicles and forklifts have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption.

4. Investments in subsidiaries

	Company	
	2019 R'm	2018 R'm
Ordinary shares	**154**	154
Accumulated Impairment of investments in subsidiaries	**(40)**	(40)
	114	114

Details of subsidiaries are presented in note 35.

5. 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 are 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	2019 Rs'm	2018 Rs'm	2019 %	2018 %	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Unlisted associated company								
Les Gaz Industriels Ltd	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 2019 and management accounts for the period 1 July 2019 to 31 December 2019.

	Group		Company	
	2019 R'm	2018 R'm	2019 R'm	2018 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	21		
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 Ltd.				
Statement of comprehensive income				
Revenue	47	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	94	106		
Current assets	22	25		
Total assets	116	131		
Equity	84	98		
Non-current liabilities	13	13		
Current liabilities	19	20		
Total equity and liabilities	116	131		
Cash flow				
Net cash flow from operating activities	1	3		
Net cash flow from investing activities	1	(3)		
Net cash flow from financing activities	(1)	(2)		
Net movement in cash and cash equivalents	1	(2)		

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.
** Amount below R1million.*

6. Lease receivables

6.1 Up to 1 January 2019

Lease receivables are deemed finance leases as per IAS 17 *Leases*. Contracts were assessed in terms of IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

These assets are utilised to provide gas to customers, which the customers use in their manufacturing processes. The Group and Company have entered into arrangements with these customers, that have maturities of up to 15 years 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 14.8% (2018: 15.6%) for the Group and 19% (2018: 13%) for the Company.

6.2 From 1 January 2019

The accounting policies applicable to the Group and Company as lessors in the comparative period were not different from IFRS 16. The Group and Company have leased assets to some of its gas customers which the Group and Company have classified as a finance lease because the lease for the majority part of the useful life of the assets.

Lease receivables under these agreements are considered to have a low credit risk exposure as the leases are with reputable customers who continuously meet their obligations regarding the leases.

The interest income on the lease receivables was determined based on a rate of 14.8% (2018: 15.6%) for the Group and 19% (2018: 13%) for the Company.

The table below details the maturity analysis of the lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Group		Company	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Lease receivables	**56**	72	**45**	57
Short-term portion of lease receivables	**(20)**	(18)	**(14)**	(14)
	36	54	**31**	43

6. Lease receivables continued

6.2 From 1 January 2019 continued

	Group			Company		
	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
Lease receivables						
2019						
Receivables due in less than one year	**26**	**(6)**	**20**	**19**	**(5)**	**14**
Long-term lease receivables	**41**	**(5)**	**36**	**35**	**(4)**	**31**
Between one and five years	**41**	**(5)**	**36**	**35**	**(4)**	**31**
Total	**67**	**(11)**	**56**	**54**	**(9)**	**45**
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

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

	Group and Company	
	2019 R'm	2018 R'm
Summary		
Pension fund	**428**	474
Post-retirement medical benefit fund	**(2)**	(2)
	426	472
Remeasurement (losses)/gains recognised in other comprehensive income	**21**	(56)
Pension fund	**20**	(57)
Post-retirement medical benefit fund	**1**	1

Pension and provident plan

The Group and Company have 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 2019.

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	
	2019 **%**	2018 %
Discount rate	**10.90**	10.20
Consumer price inflation rate	**6.50**	6.40
Compensation increase rate	**7.50**	7.40
Pension increase rate	**6.50**	6.40

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 18.3 years (2018: 18.5 years) for males and 23.5 years (2018: 23.6 years) for females.

Post-retirement health care benefits

Post-retirement health care benefits represent the net of the accrued liability of R8.4 million (2018: R8.9 million) and the fair value of plan assets of R6.1 million (2018: R6.6 million). The duration of the liability at 31 December 2019 is 16 years (2018: 17 years).

Remeasurement gains amounting to R0.5 million (2018: R1.4 million) are recognised in other comprehensive income. Expenses including interest cost and expected return on plan assets amounting to R0.5 million (2018: R1.1 million) are included in profit or loss.

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

7. 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 statements of financial position.

	Group and Company	
	2019 R'm	2018 R'm
CPI inflation rate		
1% increase in the rate		
Increased aggregate current service cost and interest cost	4	5
Increased defined benefit obligation	27	37
1% decrease in the rate		
Decreased aggregate current service cost and interest cost	(3)	(4)
Decreased defined benefit obligation	(21)	(25)
Discount rate		
1% increase in the rate		
Decreased defined benefit obligation	(21)	(25)
1% decrease in the rate		
Increased defined benefit obligation	28	36
Expected retirement age		
1 year older		
Decreased defined benefit obligation	(5)	(6)
1 year younger		
Increased defined benefit obligation	5	6
Fund status		
Fair value of plan assets	669	720
Present value of defined benefit obligations	(241)	(245)
Pension fund asset recognised at the end of the year	428	475
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	720	759
Member contributions	2	3
Benefits paid by the plan	(18)	(35)
Interest income on plan assets	68	81
Risk premiums and expenses	(1)	(2)
Return on plan assets excluding interest income	(2)	(86)
Section 15E transfer of Employer surplus	(100)	–
Fair value of plan assets at the end of the year	669	720
Movements in the defined benefit obligation recognised in the statements of financial position are as follows:		
Present value of the defined benefit obligations at the beginning of the year	245	273
Members' contributions	2	1
Benefits paid by the plan	(18)	(35)
Current service costs	8	9
Interest costs	26	27
Risk premiums and expenses	(1)	(2)
Remeasurement (gain) arising from economic assumptions and experience	(21)	(28)
Present value of the defined benefit obligations at the end of the year	241	245
Classifications:		
Operating expenses	8	9
Finance income	(42)	(54)
Analysis of plan assets	%	%
Equity instruments	45	32
Debt instruments	42	55
Property	5	6
Cash and cash equivalents	8	7
	100	100

Risk exposure

Through their defined benefit pension plans and post-employment medical plans, the Group and Company are exposed to a number of risks, the most significant of which are detailed below:

Investment risk

The risk that the return earned by plan assets is lower than expected.

Inflation risk

The risk that salaries or pension increases are significantly higher than assumed.

Longevity risk

The risk that actual mortality is lower than assumed.

Administrative risk

The risk that data provided is respect of the employees or benefits is incomplete or incorrect.

Exclusion risk

The risk of discontent of employees who are ineligible for these benefits.

Default risk

The risk of default on the instruments underpinning the plan assets.

Defined benefit liability and employer contributions

The expected contributions to post-employment benefit plans for the year ending 31 December 2020 is Rnil as the Group and Company have a contribution holiday.

Maturity profile of the defined benefit obligations

The average duration of the pension fund obligation and the post-retirement medical benefit fund obligation was 15 years (2018: 17 years) for the Group and Company. The decrease in the average duration for the obligations resulted from the increase in bond yields over the period, combined with membership movements and the expected approach to maturity.

8. 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 losses 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	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Deferred taxation assets	**(8)**	(10)	**–**	–
Deferred taxation liabilities	**592**	579	**564**	559
	584	569	**564**	559
The net deferred taxation comprises:				
Capital allowances (Property, plant and equipment)	**571**	555	**543**	531
Intangible assets	**1**	3	**1**	2
Bonus and leave pay provisions	**(26)**	(35)	**(25)**	(33)
Cylinder deposits	**(30)**	(35)	**(27)**	(30)
Restructuring provision	**–**	(15)	**–**	(15)
Other provisions	**(19)**	(27)	**(20)**	(22)
Trade receivables impairment allowance	**(19)**	(16)	**(14)**	(13)
Right-of-use assets and lease liability	**(16)**	–	**(16)**	–
Cash flow hedge	**0***	2	**0***	2
Embedded finance lease	**3**	5	**3**	5
Retirement benefit assets	**119**	132	**119**	132
	584	569	**564**	559
Reconciliation of deferred taxation				
Opening balance	**569**	578	**559**	569
First time adoption of IFRS 16 *Leases*	**(12)**		**(12)**	–
Translation differences	**8**	16	**–**	–
Recognised in profit or loss				
– current year temporary differences	**14**	5	**12**	19
– prior year (over)/under provision	**–**	(15)	**–**	(14)
Recognised in other comprehensive income				
– remeasurement of retirement benefits	**6**	(16)	**6**	(16)
– cash flow hedges	**(1)**	1	**(1)**	1
Closing balance	**584**	569	**564**	559
Deferred taxation is calculated at the following rates:				
South African operations – 28% (2018: 28%)	**564**	559	**564**	559
Foreign operations at average rate – 29.56% (2018: 29.56%)	**20**	10		
	584	569	**564**	559

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.

* *Amount less that R1 million.*

9. Loans due by subsidiaries

	Company	
	2019 R'm	2018 R'm
Opening balance	**385**	436
Repayments	**(28)**	(40)
Reduction due to liquidation of Afrox Properties (Pty) Ltd	**–**	(18)
Advances	**8**	7
Balance at the end of the year	**365**	385

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. It is the Company's intention to recover the loans due over the next 12 months.

While the above balances are also subject to the impairment requirements of IFRS 9, the entity used the general model in measuring the expected credit loss. The general model used incorporated the PD, EAD, timing of when the default is likely to occur and the LGD. The identified impairment loss was negligible.

Details of subsidiaries are presented in note 35.

10. Inventories

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

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

Spare parts

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

	Group		Company	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Raw materials	**87**	64	**85**	63
Work in progress	**7**	18	**6**	17
Finished goods	**378**	450	**305**	365
Consumables	**177**	155	**177**	155
	649	687	**573**	600
Inventory write down allowance (taken into account in the carrying value of inventories above)				
Finished goods	**73**	59	**62**	47
Consumables	**34**	33	**34**	33
Balance at the end of the year	**107**	92	**96**	80

In 2019, inventories of the Group amounting to R40 million and R25 million for the Company (2018: R19 million for Group and R13 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.

11. Trade and other receivables

	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Financial assets	**1 440**	1 195	**1 209**	980
Trade receivables	**1 309**	1 141	**1 116**	946
Impairment allowance	**(108)**	(75)	**(80)**	(57)
Net trade receivables	**1 201**	1 066	**1 036**	889
Employer surplus in provident fund	**106**	–	**106**	–
Other receivables	**130**	77	**64**	40
Accrued interest	**0***	50	**1**	50
Employee loans	**3**	2	**2**	1
Non-financial assets	**36**	76	**18**	56
Prepayments	**22**	56	**12**	51
Deposits	**7**	5	**6**	–
Value added taxation	**7**	15	**–**	5
	1 476	1 271	**1 227**	1 036
Non-current trade and other receivables	**–**	10	**–**	10
Loan receivable	**8**	7	**8**	7
Non-current trade and other receivables	**8**	17	**8**	17

The trade receivable of R10 million that was previously classified to non-current trade and other receivables was early settled by customer the during the year.

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.)

	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
The carrying amounts of gross trade receivables are denominated in the following currencies:				
South African Rand	**1 116**	946	**1 116**	946
Namibian Dollar	**50**	51	**–**	–
Botswana Pula	**36**	29	**–**	–
Lesotho Loti	**16**	13	**–**	–
Zambian Kwacha	**36**	54	**–**	–
Eswatini Lilangeni	**19**	21	**–**	–
Malawian Kwacha	**23**	20	**–**	–
Mozambican Metical	**13**	7		
	1 309	1 141	**1 116**	946

Credit quality of trade receivables

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 2019 was R108 million for Group (2018: R75 million) and R80 million (2018: R57 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	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Movement in the impairment allowance				
Opening balance	**(75)**	(76)	**(57)**	(56)
Utilised during the year	**8**	8	**16**	(1)
Raised during the year	**(41)**	(7)	**(39)**	0*
Balance at the end of the year	**(108)**	(75)	**(80)**	(57)

* *Amounts less than R1 million.*

12. 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	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Cash and cash equivalents	**1 184**	1 174	**1 025**	1 028
Bank overdrafts	**–**	(21)	**–**	(21)
	1 184	1 153	**1 025**	1 007
Cash and cash equivalents consist of the following:				
South African Rand	**1 025**	1 007	**1 025**	1 007
Foreign currencies	**159**	146		
	1 184	1 153	**1 025**	1 007

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 R26m (2018: R29m) is restricted due to in-country liquidity constraints.

13. 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	**2019**	2018	**2019**	2018
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 (2018: 34 285 308) ordinary shares of African Oxygen Limited. BOC Holdings owns 50.47% (2018: 50.47%) shares of the Company, but from a Group perspective, BOC Holdings owns 56.08% (2018: 56.08%) shares of the Group's shares.

14. Long-term borrowings

					Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Unsecured borrowings					**1 000**	1 000	**1 000**	1 000
Less: capital repaid during the period					**(400)**		**(400)**	
Less: short-term portion of long-term borrowings					**–**	–	**–**	–
					600	1 000	**600**	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
RMB syndicated loan – Nedbank	ZAR	06/2020	10.66%	fixed	**–**	135	**–**	135
RMB syndicated loan – Old Mutual (OMSFIN)	ZAR	06/2020	10.60%	fixed	**–**	135	**–**	135
RMB syndicated loan – Sanlam	ZAR	06/2020	10.63%	fixed	**–**	65	**–**	65
RMB syndicated loan – Ivuzi	ZAR	12/2022	10.38%	fixed	**600**	600	**600**	600
					600	1 000	**600**	1 000
Net debt reconciliation:								
Opening balance					**1 000**	1 000	**1 000**	1 000
Add: Interest accrued during the year					**104**	106	**104**	106
Less: Interest paid					**(104)**	(106)	**(104)**	(106)
Less: Capital repaid					**(400)**	–	**(400)**	–
Net carrying amount					**600**	1 000	**600**	1 000
Minimum repayments of unsecured borrowings:								
Less than one year – capital					**–**	–	**–**	–
Less than one year – interest					**62**	105	**62**	105
					62	105	**62**	105
Between two and five year – capital					**600**	1 000	**600**	1 000
Between two and five year – interest					**124**	207	**124**	207
					724	1 207	**724**	1 207

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.

Long-term borrowings repaid

A portion of the RMB syndicated loan was early settled during the period.

Loan covenants

The long-term borrowings are subject to loan covenant compliance in accordance with the common terms agreement between the Company and a syndicate of commercial banks. Earnings before interest, tax, depreciation and amortisation and interest cover ratios are used to assess compliance.

15. 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 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
Liability reversed in the year	**(30)**	**–**	**(30)**
Amounts utilised during the year	**–**	**(7)**	**(7)**
Unwinding of discount	**–**	**2**	**2**
	–	**6**	**6**
Less: short-term portion transferred to trade and other payables	**–**	**(6)**	**(6)**
Balance at 31 December 2019	**–**	**–**	**–**

The contract settlement relates to a monthly credit note settlement with a customer over a remaining period of 1 year (2018: 2 years). The gross value of the settlement liability amounts to R6 million (2018: R20 million) and the discounting impact amounts to R5 million (2018: R3 million). The lease straight-lining accrual relates to leases of land and properties of varying duration. The lease straight-lining accrual was reversed on 1 January 2019 with the adoption of IFRS 16 *Leases*.

16. 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 2017	–	4	9	13
Additional provisions created in the year	52	–	3	55
Amounts utilised during the year	–	–	(2)	(2)
Unwinding of discount	–	0*	–	–
Balance at 31 December 2018	52	4	10	66
Utilised during the year	**(52)**	**–**	**–**	**(52)**
Additional provisions created in the year		**15**	**1**	**16**
Amounts utilised during the year	**–**	**–**	**(3)**	**(3)**
Unwinding of discount	**–**	**2**	**–**	**2**
Total provisions at 31 December 2019	**–**	**21**	**8**	**29**
Short-term portion at 31 December 2019	**–**	**–**	**8**	**8**
Long-term provision at 31 December 2019	**–**	**21**	**–**	**21**

Dismantling cost provisions

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

Warranty provision

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

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 paid to affected employees in 2018.

17. Trade and other payables

	Group		Company	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Financial liabilities	**974**	950	**780**	771
Trade payables	**647**	660	**583**	607
Supply chain financing arrangement	**31**	45	**31**	45
Accruals	**152**	85	**65**	6
Short-term portion of other long-term liability	**6**	6	**6**	6
Cylinder deposits	**138**	154	**95**	107
Non-financial liabilities	**157**	164	**137**	144
Employee benefits including leave pay, bonuses and other costs	**85**	96	**78**	86
Deferred rentals	**42**	33	**40**	30
Lease straight lining accrual	**–**	–	**–**	–
Billing in advance	**–**	17	**–**	17
Value added taxation	**30**	18	**19**	11
	1 131	1 114	**917**	915

* *Amount below R1 million.*

Supply chain finance arrangement

In 2018, the Company entered into an agreement with Rand Merchant Bank (the bank) whereby the bank will settle amounts due to certain trade payables (suppliers). Interest is calculated at the 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 R356 million (2018: R45 million) in amounts due to its suppliers. At year-end, R31 million (2018: 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 include 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.

18. Derivative financial liabilities/assets

The Group and Company enter into hedging transactions from time to time. The transactions are of a short-term nature and are mostly in respect of the currency risk relating to the importation of inventory and capital items. Foreign exchange contracts (FECs) are utilised throughout the Group and Company to hedge the risk of currency depreciation on committed and highly probable forecast transactions. Should major capital projects be approved the currency risk relating to the projects will be subject to hedge accounting. Hedges relating to inventory imports are not subject to hedge accounting.

A number of FECs were entered into during the year and classified as held for trading. FECs taken out to hedge exposure to fluctuations in exchange rates were held over a total notional amount of R287 million at 31 December 2019 (2018: R337 million).

The FEC liability as at 31 December 2019 was R12 million (2018: FEC asset of R1 million). A loss of R8 million (2018: R0.2 million) was recognised in profit or loss in relation to derivatives.

19. Revenue

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

The Group generates revenue primarily from the sales of atmospheric gases, Liquid Petroleum Gas, hard goods and the rental of cylinders.

Revenue streams

	Group		Company	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Revenue from contracts with customers	**6 086**	6 047	**5 411**	5 350
Atmospheric Gases	**2 886**	2 674	**2 609**	2 405
LPG	**2 412**	2 552	**2 081**	2 203
Hard Goods	**788**	821	**721**	742
Total revenue for the year	**6 086**	6 047	**5 411**	5 350
Primary geographic markets				
South Africa	**5 322**	5 276	**5 411**	5 350
Southern African Development Community (SADC) countries excluding South Africa	**764**	771	**–**	–
	6 086	6 047	**5 411**	5 350

20. Earnings before interest and taxation (EBIT)

	Notes	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
EBIT is shown after taking the following into account:					
Total production expenses and material purchases		**3 021**	3 147	**2 813**	2 982
Cost of materials consumed in the manufacturing process		**1 599**	1 542	**1 391**	1 377
Cost of locally sourced materials		**633**	731	**633**	731
Cost of imported materials		**789**	874	**789**	874
Dividends received from subsidiaries	29			**111**	132
Dividends received from associate	29	**0***	–	**0***	–
Management fees from subsidiaries	29			**0***	29
Management fees from fellow subsidiaries	29	**4**	12	**4**	12
Auditors' remuneration		**18**	12	**15**	8
Audit services		**13**	11	**11**	7
Non-audit services		**5**	1	**4**	1
Depreciation of property, plant and equipment	1	**352**	367	**329**	345
Properties		**19**	18	**18**	17
Plant and equipment		**176**	194	**168**	186
Cylinders		**123**	118	**117**	112
Vehicles		**18**	20	**12**	13
Furniture and fittings		**16**	17	**14**	17
Amortisation of intangible assets	2 and 3	**57**	7	**55**	7
Profit on disposal of property, plant and equipment		**4**	12	**3**	6
Lease charges# (2018: Operating lease charges)		**29**	105	**29**	100
Property		**25**	59	**25**	54
Vehicles and equipment		**4**	46	**4**	46
Outsourced distribution costs for deliveries					
Vehicles and equipment		**247**	275	**244**	274
Loss on foreign currency transactions		**–**	–	**3**	3
Loss/(profit) on fair value hedges		**9**	(19)	**9**	(19)
Inventory write-down	10	**40**	19	**25**	13
Other expenses		**370**	411	**264**	263
Repairs and maintenance		**303**	298	**264**	263
Other operating expenses		**67**	113	**–**	–
Impairment of property, plant and equipment	1	**–**	55	**–**	55
Restructuring provision costs	16	**–**	52	**–**	52
Employee and director costs	21	**893**	1 004	**787**	896

* *Amount below R1 million.*

\# *Included in lease charges for period ended 31 December 2019 are lease expenses relating to low value assets of R3 million for Group and Company, as well as lease expenses relating to short-term leases of R26 million for Group and Company.*

Leases charges

Payments made are recognised in profit and loss on a straight-line basis over the lease term. These relate to leases that are not accounted for under IFRS 16 Leases due to either being considered as low value or the lease term is for a period of less than 12 months.

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21. 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	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Directors' emoluments		**23**	31	**23**	31
Executives – for services as directors		**20**	28	**20**	28
Non-executives – fees		**3**	3	**3**	3
Employee costs		**870**	973	**763**	865
Salaries, wages and incentives		**737**	837	**636**	734
Current service costs – Pension fund	7	**9**	9	**9**	9
Current service costs – Post-retirement medical benefit		**1**	1	**1**	1
Provident fund contributions		**59**	61	**58**	60
Other salary costs		**6**	6	**5**	6
Equity-settled share-based expense		**11**	11	**11**	11
Medical aid current contribution for employees		**47**	48	**43**	44
		893	1 004	**786**	896

22. 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	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Finance expense				
Borrowings	**(104)**	(106)	**(104)**	(106)
Lease liability	**(35)**		**(35)**	
Discounting effect for non-current assets trade and other receivables	**–**	(2)	**–**	(2)
Discounting effect for dismantling cost provisions	**(2)**	0*	**(2)**	0*
Discounting effect for other long-term liabilities	**(2)**	(3)	**(2)**	(3)
Total finance expense	**(143)**	(111)	**(143)**	(111)
Finance income				
Interest on bank balances	**86**	88	**83**	82
Discounting effect for non-current assets trade and other receivables	**1**	–	**1**	–
Net interest income on retirement benefit assets	**39**	53	**39**	53
Interest from lease receivables	**8**	11	**5**	8
Total finance income	**134**	152	**128**	143
Net finance income	**(9)**	41	**(15)**	32

* *Amount below R1 million.*

23. 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	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Normal taxation	**203**	177	**139**	99
Current year	**204**	178	**139**	99
Over provision	**(1)**	(1)	**0***	0*
Deferred taxation	**8**	(10)	**6**	5
Current year	**14**	5	**12**	19
(Over)/under provision	**(6)**	(15)	**(6)**	(14)
Foreign taxation	**13**	13	**13**	13
	224	180	**158**	117
Reconciliation of taxation charge				
Profit before taxation	**858**	637	**742**	544
Taxation calculated at a statutory tax rate of 28% (2018: 28%)	**240**	178	**208**	152
Income not subject to taxation:				
Dividends received	**–**	–	**(31)**	(37)
Prior year adjustments	**(7)**	(15)	**(6)**	(14)
Expenses not deductible for taxation purposes (dividends expenditure and non-deductible donations)	**4**	5	**2**	3
Provident fund – Section 15E transfer	**(28)**	–	**(28)**	–
Foreign taxation rate differential	**2**	(1)	**–**	–
Foreign taxes	**13**	13	**13**	13
Income taxation expense	**224**	180	**158**	117
Effective taxation rate (%)	**26.1**	28.2	**21.3**	21.5

* *Amount below R1 million.*

Notes to the financial statements continued

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24. Earnings and headline earnings per share

Group earnings per share and Group diluted earnings per share are calculated on earnings of R631 million (2018: R447 million) and a weighted average number of ordinary shares of 308 567 602 (2018: 308 567 602) in issue during the year.

Headline earnings per share is calculated on headline earnings of R628 million (2018: R478 million). A weighted average number of ordinary shares of 308 567 602 (2018: 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 (2018: 310 857 780) shares as 2 290 178 (2018: 1 573 350) shares had a dilutive impact.

	Group					
	2019			2018		
	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	631	–	631	447	–	447
Adjustments for:						
– Profit on disposal of property, plant and equipment	(4)	1	(3)	(12)	3	(9)
– Impairment of property, plant and equipment	–	–	–	55	(15)	40
Headline earnings	627	1	628	490	(12)	478
Basic earnings per share – cents			204.4			144.8
Diluted earnings per share – cents			202.8			144.0
Headline earnings per share – cents			203.5			154.9
Diluted headline earnings per share – cents			202.0			154.1

25. 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	
	2019 R'm	2018 R'm	2019 R'm	2018 R'm
Final dividend number 182 paid on 9 April 2018: 54 cents per share		167		185
Interim dividend number 183 paid on 8 October 2018: 52 cents per share		160		178
Final dividend number 184 paid on 5 April 2019: 25 cents per share	77		86	
Interim dividend number 185 paid on 7 October 2019: 55 cents per share	170		188	
	247	327	274	363
	cents	cents	cents	cents
Dividends declared per share (cents)	101.0	77.0	101.0	77.0
Interim	55.0	52.0	55.0	52.0
Final	46.0	25.0	46.0	25.0

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

	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Profit before taxation	**858**	637	**742**	544
Adjustments for:				
Depreciation	**352**	367	**329**	345
Dividends received from subsidiaries	**–**	–	**(111)**	(132)
Dividends received from associate	**–**	–	**0***	–
Foreign exchange adjustments	**(8)**	10	**–**	–
Revaluation loss/(gain) on derivative financial instruments	**10**	(19)	**17**	(19)
Impairment of property, plant and equipment	**–**	55	**–**	55
Profit on disposal of property, plant and equipment and assets held for sale	**(4)**	(12)	**(3)**	(6)
Restructuring costs provision	**–**	52	**–**	52
Other non-cash movements#	**23**	(55)	**26**	(57)
Movement in trade receivables allowance	**33**	1	**23**	(3)
Movement in inventory obsolescence allowance	**10**	–	**2**	1
Movement in warranty provision	**(2)**	3	**(2)**	3
Amortisation of intangibles	**57**	7	**55**	7
Finance income	**(134)**	(152)	**(128)**	(143)
Finance expenses	**143**	111	**143**	111
	1 338	1 005	**1 093**	758
Working capital movements	**65**	(108)	**72**	(129)
Decrease/(increase) in inventories	**28**	48	**25**	66
(Increase)/decrease in trade and other receivables	**(229)**	(176)	**(203)**	(170)
(Decrease)/increase in payables to Group companies			**(8)**	(19)
Increase/(decrease) in receivables from Group companies			**9**	(34)
Increase/(decrease) in payables to fellow subsidiaries of holding company	**90**	(13)	**90**	(13)
Decrease/(increase) in receivables from fellow subsidiaries of holding company	**142**	(42)	**142**	(42)
(Increase)/decrease in trade payables from factoring arrangement	**(14)**	45	**(14)**	45
increase/(decrease) in trade, other payables, provisions and other liabilities	**48**	30	**31**	38
Cash generated from operations	**1 403**	897	**1 165**	629

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

* *Amounts less than R1 million*

27. Normal taxation paid

	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Net taxation receivable at the beginning of the year	**13**	31	**22**	50
Income statement charge (excluding deferred taxation)	**(216)**	(190)	**(152)**	(112)
Translation difference	**(2)**	(1)	**–**	–
Net taxation (receivable) at the end of the year	**(26)**	(13)	**(38)**	(22)
Normal taxation paid	**(231)**	(173)	**(168)**	(84)
Normal South African taxation paid	**(218)**	(160)	**(155)**	(71)
Foreign taxation paid	**(13)**	(13)	**(13)**	(13)
Normal taxation paid	**(231)**	(173)	**(168)**	(84)

Notes to the financial statements continued

For the year ended 31 December 2019

28. Financial risk management

28.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

The Group and Company's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group and Company's activities. The Group and Company, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles.

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

28.2 Credit risk

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

Derivative financial instruments

Foreign exchange contracts are only acquired from approved financial institutions in order to comply with the Group and Company's treasury policy and to limit the Group and Company's exposure to credit risk arising from the use of derivative financial instruments. The Group and Company do not consider there to be any significant concentration of credit risk related to derivative financial instruments. 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 zaBB+ (2018: zaBBB-) by Standard and Poor's or a minimum national short-term credit rating of zaB (2018: zaF1) by Fitch . The Company has International Swap and Derivatives Master Agreements with most of its counterparties for financial derivatives but are not offset, as at 31 December 2019 and 31 December 2018.

The amount of the FEC relating to the Derivative Master Agreement of R12 million as at 31 December 2019 (2018: R1 million) was not offset.

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 R26 million (2018: R29 million) is restricted due to in-country liquidity constraints. Of the R26 million, R22 million (2018: R22 million) is denominated in US Dollar and R4 million (2018: R7 million) in Angolan Kwanza. The other cash and cash equivalents have low credit risk based on external credit ratings and counterparties.

Lease receivables

Lease receivables have a low credit risk exposure as the leases are with reputable customers who are expected to meet all their obligations regarding the leases. While the lease receivable is subject to the impairment requirements of IFRS 9, the impairment loss is expected to be negligible.

Receivables from Group companies

Receivables from subsidiaries are expected to be recovered in full. Subsidiaries have sufficient solvency and liquidity to cover its debts as at 31 December 2019. The impairment allowance on receivables from Group companies was negligible.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the Group and Company have a large customer base spread across various geographical areas and industries. The Group and Company have credit policies that require appropriate credit checks on potential customers before sales commence, with ongoing reviews at regular intervals. The Group and Company establish an allowance for impairment that represents their estimate of expected 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 use credit scores from the credit bureaus to assess the potential customer's credit quality and defines limits by customer. Limits and scoring are reviewed at least biannually. 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 2019 the exposure to credit risk of trade receivables between state and corporate customers was as follows:

	Group		Company	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Corporate customers	**1 130**	987	**954**	805
Government	**179**	154	**162**	141
Trade receivables	**1 309**	1 141	**1 116**	946

Expected credit loss (ECL) assessment for corporate and government customers as at 31 December 2019

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

Government trade receivables has increased over the past period due to the state healthcare tender in terms of which the Company is the sole supplier of gas to all public hospitals in the country. The identified impairment allowance on government receivables was negligible.

Loss rates are calculated using the 'roll rate' method based on the probability of a receivable progressing through successive stages of default 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 geographical segments and the ECL ratio is calculated based on 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.

28. Financial risk management continued

28.2 Credit risk continued

The quality of trade receivables is as follows:

	Group			
	Performing R'm	Under performing R'm	Non-performing R'm	Total R'm
2019				
Gross corporate receivables				
South Africa	379	359	216	954
Eswatini	4	3	4	11
Namibia	25	12	10	47
Botswana	19	9	7	35
Mozambique	4	6	3	13
Zambia	9	19	7	35
Lesotho	12	1	1	14
Malawi	4	13	4	21
	456	422	252	1 130
Gross government receivables				
South Africa	53	65	44	162
Eswatini	1	5	2	8
Namibia	2	0*	1	3
Botswana	0*	1	0*	1
Mozambique	0*	0*	–	0*
Zambia	1	0*	0*	1
Lesotho	2	0*	0*	2
Malawi	0*	0*	2	2
	59	71	49	179
***Less:* impairment allowance**				
South Africa	(3)	(3)	(74)	(80)
Eswatini	0*	(1)	(3)	(4)
Namibia	0*	(1)	(9)	(10)
Botswana	0*	0*	(6)	(6)
Mozambique	0*	0*	0*	0*
Zambia	0*	0*	(5)	(5)
Lesotho	0*	0*	0*	0*
Malawi	0*	0*	(3)	(3)
	(3)	(5)	(100)	(108)
Carrying amount	512	488	201	1 201
Corporate ECL percentage (%)	0.53	0.49	39.68	
Government ECL percentage (%)	0.42	0.71	0.56	

	Company			
	Performing R'm	Under performing R'm	Non-performing R'm	Total R'm
2019				
South Africa				
Gross corporate receivables	379	359	216	954
Gross government receivables	53	65	44	162
Less: impairment allowance	(3)	(3)	(74)	(80)
Carrying amount	429	421	186	1 036
Corporate ECL percentage (%)	0.64	0.57	35.55	
Government ECL percentage (%)	0.46	0.77	0.62	

* *Amount less than R1 million.*

	Group			
	Performing R'm	Under performing R'm	Non-performing R'm	Total R'm
2018				
Gross corporate receivables				
South Africa	405	341	59	805
Eswatini	4	5	2	11
Namibia	30	10	9	49
Botswana	15	12	1	28
Mozambique	2	5	0*	7
Zambia	15	33	6	54
Lesotho	10	1	0*	11
Malawi	7	13	2	22
	488	420	79	987
Gross government receivables				
South Africa	25	92	24	141
Eswatini	2	7	0*	9
Namibia	2	1	–	3
Botswana	0*	0*	0*	0*
Lesotho	0*	1	0*	1
	29	101	24	154
***Less:* impairment allowance**				
South Africa	(2)	(2)	(53)	(57)
Eswatini	0*	0*	(2)	(2)
Namibia	0*	0*	(7)	(7)
Botswana	0*	0*	(2)	(2)
Mozambique	0*	0*	0*	0*
Zambia	0*	(1)	(5)	(6)
Lesotho	0*	0*	0*	0*
Malawi	0*	0*	(1)	(1)
	(2)	(3)	(70)	(75)
Carrying amount	515	518	33	1 066
Corporate ECL percentage (%)	0.34	0.33	67.05	
Government ECL percentage (%)	0.39	0.41	0.43	

	Company			
	Performing R'm	Under performing R'm	Non-performing R'm	Total R'm
2018				
South Africa				
Gross corporate receivables	405	341	59	805
Gross government receivables	25	92	24	141
Less: impairment allowance	(2)	(2)	(53)	(57)
Carrying amount	428	431	30	889
Corporate ECL percentage (%)	0.41	0.40	89.36	
Government ECL percentage (%)	0.45	0.45	0.43	

* *Amount less than R1 million.*

28. Financial risk management continued

28.2 Credit risk continued

Category	Definition of category
Performing	Trade receivables whose credit risk is in line with original expectations (current receivables due within 30 days).
Under performing	Trade receivables for a significant increase in credit risk has occurred compared to the original expectations; a significant increase in credit is presumed if trade receivables are 30 days past due.
Non-performing	Trade receivables are more than 365 days past due.

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

The ECL rate per geographical area is not significantly different from the ECL rate for corporate and government receivables. Country credit risk has been considered in determining the ECL rates as noted above.

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 is R23 million (2018: R11 million) for Company and R31 million (2018: 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 2019 is R16 million (2018: R10 million).

Profit or loss is sensitive to higher/lower expected credit loss from trade receivables as a result of a change in the ECL rate. The impact of a 5% increase in the ECL would result in an increased ECL allowance to R109 million for Group and R81 million for Company. A decrease of 5% in the ECL would result in a decreased ECL allowance to R107 million for Group and R79 million for Company.

Financial assets subject to credit risk

The financial assets subject to risk at 31 December 2019 are as follows:

	Group				
	Lease receivables R'm	Receivables from fellow subsidiaries of holding company R'm	Cash and cash equivalents R'm	Other receivables R'm	Total R'm
2019					
Not past due	56	5	1 184	130	1 375
Past due	–	26	–	–	26
Gross value non-current and current receivables	56	31	1 184	130	1 401
Impairment allowance	–	–	–	–	–
Carrying amount of financial assets	56	31	1 184	130	1 401

	Company					
	Lease receivables R'm	Receivables from Group companies R'm	Receivables from fellow subsidiaries of holding company R'm	Cash and cash equivalents R'm	Other receivables R'm	Total R'm
2019						
Not past due	45	39	5	1 025	64	1 178
Past due	–	32	26	–	–	58
Gross value non-current and current receivables	45	71	31	1 025	64	1 236
Impairment allowance	–	–	–	–	–	–
Carrying amount of financial assets	45	71	31	1 025	64	1 236

	Group				
	Lease receivables R'm	Receivables from fellow subsidiaries of holding company R'm	Cash and cash equivalents R'm	Other receivables R'm	Total R'm
2018					
Not past due	72	15	1 174	77	1 338
Past due	–	157	–	–	157
Gross value non-current and current receivables	72	172	1 174	77	1 495
Impairment allowance	–	–	–	–	–
Carrying amount of financial assets	72	172	1 174	77	1 495

	Company					
	Lease receivables R'm	Receivables from Group companies R'm	Receivables from fellow subsidiaries of holding company R'm	Cash and cash equivalents R'm	Other receivables R'm	Total R'm
2018						
Not past due	57	32	15	1 028	40	1 172
Past due	–	48	157	–	–	205
Gross value non-current and current receivables	57	80	172	1 028	40	1 377
Impairment allowance	–	–	–	–	–	–
Carrying amount of financial assets	57	80	172	1 028	40	1 377

Past due relates to receivables that have not been received by its cut off time of 30 days.

28. Financial risk management continued

28.3 Liquidity risk

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

The Group and Company finance operations through cash generated by the business and a mixture of short-term and long-term bank credit facilities and bank loans. 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, where appropriate, 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	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Committed facilities*	**660**	1 060	**660**	1 060
Uncommitted facilities	**275**	275	**270**	270
Total	**935**	1 335	**930**	1 330

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

Reverse factoring

The Company continued with the supplier funding arrangement. The arrangements are uncommitted and unsecured, payable 60 days after drawdown date at an interest rate of 1 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
2019						
Borrowings	**62**	**724**	**–**	**62**	**724**	**–**
Trade and other payables	**974**	**–**	**–**	**780**	**–**	**–**
Payables to fellow subsidiaries of holding company	**173**	**–**	**–**	**173**	**–**	**–**
Payables to Group companies				**253**	**–**	**–**
Total	**1 209**	**724**	**–**	**1 268**	**724**	**–**
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	–	–
Total	1 159	1 218	–	1 241	1 218	–

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
2019	
Foreign exchange contracts	
Outflow	**287**
2018	
Foreign exchange contracts	
Outflow	337

28.4 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 face a number of risks from currency rate movements as discussed below.

Transaction exposure

The functional currency value of contracted or known foreign currency payments or receipts 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 90% 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.

28. Financial risk management continued

28.4 Market risk continued

Foreign currency exposure

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

Details of significant contracts are as follows:

	Group and Company		
	Foreign currency m	Average mark to market rate	FEC equivalent value R'm
Liabilities			
2019			
US Dollars	**7**	**14.92**	**104**
British Pounds	**0***	**19.41**	**7**
Euro	**11**	**16.67**	**183**
Australian Dollars	**0**	**10.29**	**0***
Japanese Yen	**1**	**0.14**	**0***
			294
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

* *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 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Financial assets – trade and other receivables				
Amount				
Angolan Kwanza	7	7	–	–
Botswana Pula	40	27	–	–
Zambian Kwacha	75	54	–	–
Malawian Kwacha	43	25	–	–
Mozambican Metical	30	13	–	–
Namibian Dollar	62	44	–	–
Total	257	170	–	–
Potential impact on profit or loss				
Angolan Kwanza	0*	0*	–	–
Botswana Pula	2	1	–	–
Zambia Kwacha	4	3	–	–
Malawian Kwacha	2	1	–	–
Mozambican Metical	1	1	–	–
Namibian Dollar	2	2	–	–
Total	11	8	–	–
Foreign cash balances				
Angolan Kwanza	4	7	–	–
Botswana Pula	20	10	–	–
Malawian Kwacha	48	37	–	–
Mozambican Metical	9	30	–	–
Zambia Kwacha	16	29	–	–
Namibian Dollar	21	9	–	–
US Dollars	22	22	–	–
Total	140	144	–	–
Potential impact on profit or loss				
Angolan Kwanza	–	–	–	–
Botswana Pula	1	1	–	–
Malawian Kwacha	2	2	–	–
Mozambican Metical	0*	2	–	–
Zambia Kwacha	1	1	–	–
Namibian Dollar	1	–	–	–
US Dollars	1	1		
Total	6	7	–	–
Financial liabilities – trade and other payables				
Amount				
Australian Dollar	1	0*	1	0*
British Pounds	9	11	9	11
US Dollars	67	79	67	79
Euro	182	116	182	116
Angolan Kwanza	8	6	–	–
Botswana Pula	48	11	–	–
Zambia Kwacha	54	78	2	1
Malawian Kwacha	48	33	1	1
Mozambican Metical	22	24	–	–
Kenyan Shillings	5	4	5	4
Namibian Dollar	30	28	–	–
Total	474	390	267	212

28. Financial risk management continued

28.4 Market risk continued

	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Potential impact on profit or loss				
Australian Dollar	–	–	0*	0*
British Pound	0*	0*	–	1
US Dollars	3	4	3	4
Euro	9	6	9	6
Angolan Kwanza	0*	0*	–	–
Botswana Pula	2	1	–	–
Zambia Kwacha	3	4	–	–
Malawian Kwacha	2	2	–	–
Mozambican Metical	1	1	–	–
Kenyan Shillings	0*	0*	–	–
Namibian Dollar	1	1	–	–
Total	21	19	12	11
Financial liabilities – derivative financial liabilities				
Amount				
Australian Dollar	0*	0*	0*	0*
British Pound	7	8	7	8
US Dollars	104	129	104	129
Euro	183	200	183	200
Japanese Yen	0*	0*	0*	0*
	294	337	294	337
Potential impact on profit or loss				
Australian Dollar	0*	–	0*	–
British Pound	0*	–	0*	–
US Dollars	–	6	–	6
Euro	–	10	–	10
Japanese Yen	0*	0*	0*	0*
	0*	16	0*	16
Net exchange effect for all financial assets and liabilities	3	20	12	27

* *Amount below R1 million.*

The following significant exchange rates applied during the year:

	Group and Company	
	2019 R	2018 R
Exchange rates to South African Rand		
Year-end rates		
Botswana Pula	**1.32**	1.34
British Pound	**18.56**	18.33
Angolan Kwanza	**0.03**	0.05
Euro	**15.70**	16.47
US Dollar	**14.00**	14.36
Zambian Kwacha (000's)	**1.00**	1.20
Malawian Kwacha	**0.02**	0.02
Mozambican Metical	**0.23**	0.23
Namibian Dollar	**1.00**	1.00
Kenyan Shillings	**0.14**	0.14
Japanese Yen	**0.13**	0.13
Average rates for the year		
Botswana Pula	**1.34**	1.30
British Pound	**18.85**	17.65
Angolan Kwanza	**0.03**	0.05
Euro	**15.99**	15.62
US Dollar	**14.39**	13.23
Zambian Kwacha (000's)	**1.01**	1.26
Malawian Kwacha	**0.02**	0.02
Mozambican Metical	**0.23**	0.22
Namibian Dollar	**1.00**	1.00
Kenyan Shillings	**0.14**	0.13
Japanese Yen	**0.13**	0.12

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	
	2019 R'm	2018 R'm
Variable rate assets	**1 184**	1 174
Variable rate liabilities		(21)
Net variable rate assets	**1 184**	1 153

	Company	
	2019 R'm	2018 R'm
Variable rate assets	**1 025**	1 028
Variable rate liabilities		(21)
Net variable rate assets	**1 025**	1 007

Notes to the financial statements continued

For the year ended 31 December 2019

28. Financial risk management continued

28.4 Market risk continued

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 are 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 R'm	100 bp decrease R'm	100 bp increase R'm	100 bp decrease R'm
2019				
Variable rate instruments impact on profit	**12**	**(12)**	**10**	**(10)**
2018				
Variable rate instruments impact on profit	12	(12)	10	(10)

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.

28.5 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 value of long-term borrowings is based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

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

Group

	Level	2019 Fair value R'm	2019 Carrying amount: Financial assets at amortised cost R'm	2019 Carrying amount: Fair value through profit or loss R'm	2019 Carrying amount: Fair value through other comprehensive income R'm	2018 Fair value R'm	2018 Carrying amount: Financial assets at amortised cost R'm	2018 Carrying amount: Fair value through profit or loss R'm	2018 Carrying amount: Fair value through other comprehensive income R'm
Assets									
Non-current assets		44	44	–	–	71	71	–	–
Lease receivables		36	36	–	–	54	54	–	–
Trade and other receivables		8	8	–	–	17	17	–	–
Current assets		2 683	2 683	–		2 576	2 576	0*	1
Trade and other receivables		1 448	1 448	–	–	1 212	1 212	–	–
Derivative financial instruments	2	–	–	–	–	–	–	0*	1
Receivables from fellow subsidiaries of holding company		31	31	–	–	172	172	–	–
Short-term portion of lease receivables		20	20	–	–	18	18	–	–
Cash and cash equivalents		1 184	1 184	–	–	1 174	1 174	–	–

Group

	Level	2019 Fair value R'm	2019 Carrying amount: Amortised cost R'm	2019 Carrying amount: Fair value through profit or loss R'm	2018 Fair value R'm	2018 Carrying amount: Amortised cost R'm	2018 Carrying amount: Fair value through profit or loss R'm
Liabilities							
Non-current liabilities		927	911	–	998	1 011	–
Long-term borrowings	3	616	600	–	987	1 000	–
Lease liability							
Payable between two and five years	3	156	156				
Payable over five years	3	155	155				
Other long-term liabilities		–	–	–	11	11	–
Current liabilities		1 205	1 193	12	1 054	1 054	–
Trade and other payables		974	974	–	950	950	–
Lease liability		46	46	–	–	–	–
Derivative financial instruments	2	12	–	12	–	–	–
Payables to fellow subsidiaries of holding company		173	173	–	83	83	–
Bank overdrafts		–	–	–	21	21	–

* *Amount below R1 million.*

Notes to the financial statements continued

For the year ended 31 December 2019

28. Financial risk management continued

28.4 Fair values continued

Company

	Level	2019 Fair value R'm	2019 Carrying amount: Financial assets at amortised cost R'm	2019 Carrying amount: Fair value through profit or loss R'm	2019 Carrying amount: Fair value through other comprehensive income R'm	2018 Fair value R'm	2018 Carrying amount: Financial assets at amortised cost R'm	2018 Carrying amount: Fair value through profit or loss R'm	2018 Carrying amount: Fair value through other comprehensive income R'm
Assets									
Non-current assets		39	39	–	–	60	60	–	–
Lease receivables		31	31	–	–	43	43	–	–
Trade and other receivables		8	8	–	–	17	17	–	–
Current assets		2 743	2 743	–	–	2 676	2 676	0*	1
Loans due by subsidiaries		385	385	–	–	385	385	–	–
Trade and other receivables		1 217	1 217		–	997	997		–
Derivative financial instruments	2	–	–	–	–	–	–	0*	1
Receivables from fellow subsidiaries of holding company		31	31	–	–	172	172	–	–
Receivables from Group companies		71	71	–	–	80	80	–	–
Short-term portion of lease receivables		14	14	–	–	14	14	–	–
Cash and cash equivalents		1 025	1 025	–	–	1 028	1 028	–	–

Company

	Level	2019 Fair value R'm	2019 Carrying amount: Amortised cost R'm	2019 Carrying amount: Fair value through profit or loss R'm	2018 Fair value R'm	2018 Carrying amount: Amortised cost R'm	2018 Carrying amount: Fair value through profit or loss R'm
Liabilities							
Non-current liabilities		921	905	–	998	1 011	–
Long-term borrowings	3	616	600	–	987	1 000	–
Lease liability				–			
Payable between two and five years	3	150	150	–			
Payable over five years	3	155	155	–			
Other long-term liabilities		–	–	–	11	11	–
Current liabilities		1 263	1 251	12	1 136	1 136	–
Trade and other payables		780	780	–	771	771	–
Lease liability		45	45				
Derivative financial instruments	2	12	–	12	–	–	–
Payables to fellow subsidiaries of holding company		173	173		83	83	
Payables to Group companies		253	253	–	261	261	–
Bank overdrafts		–	–	–	21	21	–

* *Amount below R1 million.*

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

Treasury risk management strategies include the use of derivatives, principally in the form of foreign currency contracts 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.

28.7 Capital management

The capital structure of the Group and Company consists of net cash/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 had net cash of R227 million (2018: R153 million) and the Company had net cash of R75 million (2018: R7 million). In addition, the shareholder equity for the Group was R4 304 million (2018: R4 012 million) and R4 067 million (2018: R3 817 million) for the Company.

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+ (2018: A(ZA)) with a stable 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.

29. 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 page 8 (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 plc, incorporated in Ireland.

Directors' and key management emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity. Details on the remuneration of the directors are disclosed on pages 37 to 39 and in note 21 (Employee and directors costs). The total remuneration for directors was R31 million (2018: R31 million). No loans were made to or received from any director.

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For the year ended 31 December 2019

29. Related party transactions continued

	Group and Company 2019 R'm	2018 R'm
Holding company		
Cash dividends to holding company	138	184
Technical aid fee	27	24
Fellow subsidiaries of holding company		
Revenue from sale of goods:	42	89
BOC UK	0*	–
BOC Kenya plc	2	3
BOC Tanzania Ltd	2	2
BOC Gases Nigeria plc	0*	1
BOC Zimbabwe (Pvt) Ltd	34	77
BOC Australia	1	2
Linde Headquarters	3	3
BOC New Zealand Holdings Ltd	0*	1
Income from management fees:	4	12
BOC Kenya plc	3	3
BOC Tanzania Ltd	0*	0*
BOC Uganda Ltd	0*	0*
BOC Gases Nigeria plc	1	–
BOC Zimbabwe (Pvt) Ltd	0*	9
Purchase of goods and services:	77	81
BOC UK	4	4
Linde Headquarters	73	75
BOC Ireland	–	–
BOC Zimbabwe (Pvt) Ltd	–	1
BOC Kenya plc	0*	1
Turnkey projects:	18	7
BOC Cryostar	4	–
Linde AG	8	4
Linde Engineering South Africa (Pty) Ltd	6	3
Receivables from fellow subsidiaries of holding company:	31	172
BOC Uganda Ltd	0*	0*
BOC Group Ltd	3	7
BOC Zimbabwe (Pvt) Ltd	–	134
BOC Kenya plc	7	9
BOC Gases Nigeria plc	7	6
BOC Tanzania Ltd	0*	2
BOC New Zealand Holdings Ltd	0*	1
BOC Australia	0*	1
Linde Headquarters	14	12
Payables to fellow subsidiaries of holding company:	173	83
Linde Headquarters	113	41
BOC Group Ltd	26	19
BOC UK	15	9
BOC Cryostar	4	3
Linde Global Helium	3	7
Linde Gas division	4	3
Linde AG	8	1
BOC Ireland	–	0*
Linde (Thailand) Public Company Ltd	0*	–
AGA AB Corporate Staffs	0*	–
BOC Gases Australia Ltd	0*	–

* *Amount below R1 million.*

	Company 2019 R'm	2018 R'm
Subsidiaries		
Revenue from sale of goods and services:	276	271
Afrox Zambia Ltd	55	50
Afrox Malawi Ltd	26	30
IGL Namibia (Pty) Ltd	43	38
Swazi Oxygen (Pty) Ltd	42	43
Botswana Oxygen Company (Pty) Ltd	20	20
Afrox Mozambique Limitada	20	17
Afrox Lesotho (Pty) Ltd	70	73
Income from management fees:	0*	29
Afrox Lesotho (Pty) Ltd	–	7
Swazi Oxygen (Pty) Ltd	–	10
Afrox Zambia Ltd	0*	4
Afrox Mozambique Limitada	0*	1
Afrox Malawi Ltd	0*	2
IGL Namibia (Pty) Ltd	–	5
Purchases on behalf of Group Companies	22	24
Botswana Oxygen Company (Pty) Ltd	1	5
Afrox Lesotho (Pty) Ltd	14	11
Afrox Malawi Ltd	0*	0*
Afrox Mozambique Limitada	1	1
IGL Namibia (Pty) Ltd	0*	0*
Swazi Oxygen (Pty) Ltd	6	7
Receivables from Group Companies	71	80
Botswana Oxygen Company (Pty) Ltd	3	1
Swazi Oxygen (Pty) Ltd	3	4
Afrox Zambia Ltd	25	30
IGL Namibia (Pty) Ltd	5	5
Afrox Malawi Ltd	11	15
Afrox Lesotho (Pty) Ltd	8	5
Afrox Angola Oxigenio Limitada	5	5
Afrox Mozambique Limitada	11	15
Payables to Group companies	253	261
Kiddo Investments (Pty) Ltd	5	6
IGL Namibia (Pty) Ltd	–	7
Afrox Africa Oxigenio Limitada	1	1
Isas Trust	247	247
Dividends received	111	132
Botswana Oxygen Company (Pty) Ltd	34	44
IGL Namibia (Pty) Ltd	34	35
IGL Properties (Pty) Ltd	1	1
Afrox Mozambique Limitada	–	5
Swazi Oxygen (Pty) Ltd	10	19
Afrox Lesotho (Pty) Ltd	2	1
Afrox Zambia Ltd	14	18
Afrox Malawi Ltd	16	9
Associate – Les Gaz Industriels Ltd		
Revenue from sale of goods	1	2
Dividends	0*	–

* *Amount below R1 million.*

Investments in subsidiaries and associate are detailed in notes 4 and 5.

Loans due by subsidiaries are detailed in note 35.

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.

30. Commitments

	Group 2019 R'm	Group 2018 R'm	Company 2019 R'm	Company 2018 R'm
Capital commitments				
Capital expenditure				
Authorised and contracted	**42**	26	**43**	18
Authorised by the directors, but not yet contracted for	**266**	418	**220**	370
Total future capital expenditure	**308**	444	**263**	388
Allocated to:				
Property, plant and equipment	**308**	444	**263**	388
Afrox intends to fund capital expenditure from cash generated and borrowing facilities available.				
Leases				
The Group and Company adopted IFRS 16 *Leases* on 1 January 2019. Leases that were previously classified as operating leases are now accounted for in terms of IFRS 16. The expense for leases with a duration of 12 months or less and leased assets with a cost price of R0.1 million are disclosed below.				
Not later than one year	**2**	95*	**2**	95*
Between one and five years	**1**	291*	**1**	291*
Longer than five years	**–**	174*	**–**	174*
Total future minimum lease payments under non-cancellable operating leases	**3**	560*	**3**	560*

* *Operating lease commitments under IAS 17 Leases.*

31. Share-based payments

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

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

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

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 – 2019)

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	
	2019	2018
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	**1.65**	2.71
Share price at grant date (R)	**26.12**	29.27
Strike price at grant date (R)	**26.12**	29.27
Expected TSR volatility (weighted average)(%)	**32.05**	35.87
Expected dividend yield (%)	**4.00**	4.20
Risk free interest rate	**7.50**	7.72
Vesting date	**Mar 22**	Mar 21
Maturity date	**Mar 26**	Mar 25

	Group and Company	
	2019	2018
Number of new SARs in issue:		
Balance at the beginning of the year	**4 177 916**	5 420 247
Granted during the year	**196 000**	679 981
Exercised and vested during the year	**(473 290)**	(987 795)
Forfeited during the year	**(1 772 085)**	(934 517)
Balance at the end of the year	**2 128 541**	4 177 916
Number of unvested new SARs at the end of the year	**2 128 541**	4 177 916
Total new SARs issued as at the end of the year	**2 128 541**	4 177 916
Range of exercise prices (Rand per share)	**22.00 – 25.80**	13.00 – 31.99
Weighted average contractual life (years)	**4.96**	5.50

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.

31. Share-based payments continued

	Group and Company 2019	Group and Company 2018
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Spot price (R)	**19.39**	19.39
Dividend yield (%)	**3.32**	3.32
Share price volatility (%)	**20.84**	20.84
Range of exercise prices (Rand per share)	**19.28 – 27.54**	19.28 – 27.54
Weighted average contractual life (years)	**2.01**	1.81

	Group and Company 2019	Group and Company 2018
Number of modified SARs in issue:		
Balance at the beginning of the year	**345 500**	3 306 556
Exercised and vested during the year	**(4 500)**	(233 859)
Forfeited during the year	**(266 500)**	(2 727 197)
Balance at the end of the year	**74 500**	345 500
Number of vested modified SARs at the end of the year	**74 500**	345 500
Total modified SARs issued as at the end of the year	**74 500**	345 500

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 2019	Group and Company 2018
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)	**6.17**	8.08
Share price at grant date (R)	**24.27**	28.53
Expected dividend yield (%)	**4.00**	4.20
Vesting and maturity date	**Mar 22**	Mar 21
Weighted average contractual life (years)	**5.21**	5.17

	Group and Company 2019	Group and Company 2018
Number of FSPs with conditions in issue:		
Balance at the beginning of the year	**1 194 011**	1 216 500
Granted	**636 488**	583 283
Forfeited	**(256 404)**	(203 327)
Exercised and vested	**(75 431)**	(402 445)
Balance at the end of the year	**1 498 664**	1 194 011
Number of unvested FSPs with conditions at the end of the year	**1 498 664**	1 194 011
Total number of FSPs with conditions issued as at the end of the year	**1 498 664**	1 194 011

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	
	2019	2018
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)	**24.27**	28.53
Share price at grant date (R)	**24.27**	28.53
Expected dividend yield (%)	**4.00**	4.20
Vesting and maturity date	**Mar 22**	Mar 21
Weighted average contractual life (years)	**5.21**	5.17

	Group and Company	
	2019	2018
Number of FSPs without conditions in issue:		
Balance at the beginning of the year	**918 146**	848 290
Granted	**421 132**	394 519
Forfeited	**(41 921)**	(10 042)
Exercised and vested	**(278 622)**	(314 621)
Balance at the end of the year	**1 018 735**	918 146
Number of unvested FSPs without conditions at the end of the year	**1 018 735**	918 146
Total number of FSPs without conditions issued as at the end of the year	**1 018 735**	918 146

Expense recognised in profit or loss:

	2019	2018
New share appreciation rights – with conditions	–	(1)
Modified share appreciation rights – with conditions	–	(1)
Forfeitable shares – with conditions	**(2)**	(2)
Forfeitable shares – without conditions	**(5)**	(7)
Total expense recognised for equity-settled share-based payment	**(7)**	(11)

32. Key litigation matters

As at the date of this report, there is no outstanding litigation of a material nature against the Group and Company.

33. Events after the reporting date

Except for the dividend declared of 46 cents per share declared on 3 March 2020, 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.

34. 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 2020 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 R634 million (2018: R457 million) while the Company's profit was R584 million (2018: R427 million). The Group's total assets exceeded total liabilities by R4 313 million (2018: R4 023 million) while the Company's total assets exceeded total liabilities by R4 067 million (2018: R3 817 million). Current assets for the Group exceeded current liabilities by R2 016 million (2018: R2 056 million) and current assets for the Company exceeded current liabilities by R1 936 million (2018: R1 996 million).

Notes to the financial statements continued

For the year ended 31 December 2019

35. Subsidiaries

Name of company	Nature of business*	Issued share capital 2019	Issued share capital 2018	Effective holding 2019 %	Effective holding 2018 %	Carrying value of Company's interest: Shares at cost 2019 R'm	Shares at cost 2018 R'm	Loans due by subsidiaries 2019 R'm	Loans due by subsidiaries 2018 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*	**330**	357
Afrox Properties (Pty) Ltd	P	**R4 000**	R4 000	**100**	100	**0***	0*	**–**	–
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*	**20**	14
Lesotho Oxygen (Pty) Ltd	D	**M2**	M2	**100**	100	**–**	–	**–**	–
Subsidiary incorporated in Malawi									
Afrox Malawi Ltd	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	**–**	–	**10**	8
Namox (Pty) Ltd	G	**N$200**	N$200	**100**	100	**–**	–	**–**	–
Reptile Investment Nine (Pty) Ltd	G	**N$100**	N$100	**100**	100	**–**	–	**–**	–
Reptile Investment Ten (Pty) Ltd	G	**N$100**	N$100	**100**	100	**–**	–	**–**	–
Subsidiaries incorporated in Eswatini									
Handigas Swaziland (Pty) Ltd	D	**E 8**	E 8	**100**	100	**–**	–	**–**	–
Swazi Oxygen (Pty) Ltd	G	**E 8**	E 8	**100**	100	**–**	–	**1**	2
Subsidiary incorporated in Zambia									
Afrox Zambia Ltd	G	**ZK86.5m**	ZK86.5m	**100**	100	**46**	46	**–**	–
Investment in subsidiaries (refer note 4)						**114**	114	**365**	385

* *Amount less than R1 million.*

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 the 2020 financial year.

Subsidiaries with material non-controlling interests (NCI)

Subsidiary	NCI %	Place of business	Profit allocated to Non-controlling interests 2019 R'm	2018 R'm	Dividend to Non-controlling interests 2019 R'm	2018 R'm	Accumulated Non-controlling interests 2019 R'm	2018 R'm
Afrox Malawi Ltd	21%	Malawi	3	6	4	2	9	11
Afrox Zambia Ltd	0%	Zambia	–	4	3	3	–	–
			3	10	7	5	9	11

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

Afrox Malawi Limited

	Carrying amount 2019 R'm	2018 R'm
Summarised statements of financial position		
Non-current assets	30	24
Current assets	91	82
Total assets	121	106
Equity	45	54
Non-current liabilities	3	4
Current liabilities	73	48
Total equity and liabilities	121	106
Summarised Income statement		
Revenue	92	92
Expenses	(76)	(71)
Profit for the year	16	21
Summarised other comprehensive income after tax	–	–
Total comprehensive income for the year	16	21
Summarised cash flow statement		
Net cash flow from operating activities	23	32
Net cash flow from investing activities	(8)	(3)
Net cash flow from financing activities	(4)	(13)
Net (decrease)/increase in cash and cash equivalents	11	16
Cash and cash equivalents at the beginning of the year	37	21
Cash and cash equivalents at the end of the year	48	37

35. Subsidiaries continued

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).

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

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

36. Reclassification of prior year period

Operating expenses that was previously presented as an aggregate amount on the face of the statement of profit or loss was reclassified as it provides more relevant and reliable information. The amount has been reclassified into the following statement of profit or loss items:

	Group 2018 R'm	Company 2018 R'm
Other income	24	178
Production expenses and material purchases	(3 147)	(2 982)
Employee benefit expenses	(1 004)	(896)
Electricity and water expenses	(425)	(416)
Other expenses	(411)	(263)
Operating expenses presented in the statements of profit or loss	(4 963)	(4 379)

The reclassification did not have any impact on the Group's or Company's statements of profit or loss.

Corporate information

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NSX code: AOX

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