HEALTHY

African Oxygen Limited

Group annual financial statements and annual financial statements

2015

Audited

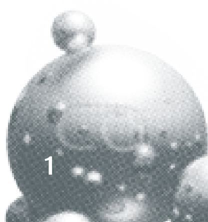
AFROX

A Member of The Linde Group

Contents

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

These annual financial statements for the year ended 31 December 2015 have been prepared under the supervision of the Financial Director, Dorian Devers, and were approved on 26 February 2016.



Audit Committee's report

for the year ended 31 December 2015

We are pleased to present our report for the financial year ended 31 December 2015.

The Audit Committee is an independent statutory committee appointed by the shareholders to fulfil the obligations contained in both the Companies Act of South Africa (Companies Act) and the requirements contained in King III. It also executes further duties delegated to the Audit Committee 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, oversight of the risk management process and internal financial controls, information system controls, external and internal audit functions and statutory and regulatory compliance of the company. The role of the Audit Committee, and how it achieved its responsibilities, is described in its charter.

AUDIT COMMITTEE TERMS OF REFERENCE

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

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of three independent members who are non-executive directors of the Company: The current members are Nomfundo Qangule, Giulleann Strauss and Chris Wells, who chairs the Audit Committee. During the year under review Dr Khotso Mokhele resigned from the Committee on 25 February 2015 and David Lawrence resigned from the Board and all Committees on 28 May 2015. The Board is satisfied that the members fulfil the independence test as stipulated by the Companies Act.

The Audit Committee appointments are available for re-appointment by shareholders at the AGM, scheduled for 26 May 2016.

MEETING ATTENDANCE

The Audit Committee is required to meet at least three times a year as per its terms of reference. For the 2015 financial year, it met on five occasions at meetings held on 28 January 2015, 25 February 2015,3 July 2015, 26 August 2015 and 17 November 2015.

The Chairman of the Board, Managing Director, Financial Director, Head of Internal Audit, our Lead External Audit partner and other assurance providers attend meetings by invitation only. Other members of the Executive Management Committee were invited to present at some of the meetings. The Audit Committee has closed sessions with both the Internal and External Auditors at the end of each meeting, without management being present.

Further to the formal meetings, as Chairman of the Audit Committee, I have met with the External Auditor and the Head of Internal Audit on a regular basis, independently of each other and management. In addition, I have had meetings with the Financial Director regarding matters concerning the Company.

ROLE AND DUTIES

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

- reviewed the interim results and year-end financial statements, culminating in a recommendation to the Board that they be adopted;
- reviewed the External Auditor's reports, after the interim review and year-end financial audit;
- reviewed the Internal Audit and Risk Management reports and made recommendations to the Board; and
- reviewed the updated Levels of Authority for the Company and its subsidiaries.

Reviews included the following:

- taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
- considering and, when appropriate, making recommendations on the effectiveness of internal controls;
- authorising the external audit fees in respect of both the interim review and year-end audit;
- evaluating the effectiveness of risk management, controls and the governance processes; and
- acting as the Audit Committee of the Company and some of its subsidiaries where such subsidiaries do not have local Audit Committees.

Dealt with concerns or suggestions relating to:

- accounting policies;
- internal and external audit;
- the audit and content of annual financial statements;
- internal controls; and
- related matters.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

We are satisfied that the External Auditor appointed has remained independent of the Company. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Audit Committee further believes that the appointment of KPMG Inc. complied with the relevant provisions of the Companies Act. The Committee, in consultation with executive management, agreed to the terms of engagement, audit plan and budgeted audit fees relating to the 2014 financial year-end audit. Details of the External Auditor's fees are set out per note 22 on page 52.

As per the terms of reference, the Audit Committee governs the process whereby the auditor performs non-audit services. For all non-audit services above R500 000 these need to be pre-approved by the Audit Committee. For the year under review, the External Auditors continued to provide non-audit services in the form of an Import Dispensation audit, providing Covenant Compliance Certificates in respect of our Syndicated facilities and in supporting executive management in the education around and developing the framework of the integrated report. These appointments were assessed and approved by the Committee.

The Committee has nominated, for election at the annual general meeting, KPMG Inc. as the external audit firm, for the 2016 year.

FINANCIAL STATEMENTS, ACCOUNTING PRACTICE AND INTERNAL FINANCIAL CONTROLS

The Audit Committee reviewed the accounting policies and the financial statements of the Group and Company and is satisfied that they are appropriate and comply with IFRS. With regards to any concerns or suggestions received from management, Internal Audit and External Audit relating to the accounting reporting practices and internal audit of the Company, the content or auditing of its financial statements and internal financial controls of the Company, no matters of significance have been raised in the past financial year to the Audit Committee. Based on the processes and assurances obtained, the Audit Committee believes that the significant internal controls are effective.

GOING CONCERN

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

INTERNAL AUDIT

The members of the Audit Committee are satisfied that the Company's Internal Audit function is independent and has the necessary resources, standing and authority within the Company to enable it to discharge its duties. Furthermore, the Committee oversees 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 that has been in place for the past five years. The Internal Audit function's annual audit plan was approved by the Audit Committee.

GOVERNANCE OF RISK

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

PREVENTING AND DETECTING FRAUD

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

FINANCE FUNCTION

During the 2015 financial year a decision was taken to appoint Dorian Devers as the Financial Director of African Oxygen Limited. Dorian is the current Financial Director of the Linde region Africa, United Kingdom and Ireland, consequently the Audit Committee is of the opinion that the required background experience and expertise as far as the strategic financial affairs of the Company is concerned is in place with this appointment. The JSE Issuer regulation Division was approached in terms of paragraph 3.84(g) of the JSE Listings Requirements to allow the Company to appoint Dorian in a non-resident capacity as Financial Director and the approval was received on 8 May 2015.

As required by the JSE listings Requirements 3.84(i), we are satisfied that the Financial Director has the appropriate expertise and experience to meet his responsibilities in the position. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the Finance function.

REGULATORY COMPLIANCE

The Audit Committee, with another Board committee focusing on governance, has begun implementing the requirements of King III where gaps have been identified. For example, IT governance has been delegated by the Board to the Audit Committee, which is now an annual standing agenda item. The IT governance report is reviewed and updated annually to ensure it contains relevant information for the Committee.

Chris Wells
Chairman of the Audit Committee
26 February 2016

Directors' report
for the year ended 31 December 2015

The directors have the pleasure in submitting the Group annual financial statements and annual financial statements for the year ended 31 December 2015.

In the context of the financial statements, the term 'Group' refers to African Oxygen Limited (Afrox) as the Company, its subsidiaries and the associate. A list of the subsidiaries and associate appears on pages 74 and 77.

NATURE OF BUSINESS

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

LISTINGS

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

AUDIT COMMITTEE REPORT

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

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE'S REPORT

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

FINANCIAL RESULTS

The results of the Group's operations for the year are set out in the income statements on page 21.

The results for the year show revenue of R5 473 million (2014: R5 834 million) with earnings before interest and tax at R508 million (2014: R200 million) and net profit attributable to the equity holders of the Company at R414 million (2014: R83 million). Basic and diluted earnings per share were 134.2 cents (2014: 26.8 cents). The statement of financial position continues to reflect that the Group is in a strong financial position with cash generated from operations for the year of R926 million (2014: R986 million). Gearing is at a very acceptable 3.6% (2014: 12.3%).

SHARE CAPITAL

The Company's authorised share capital remained unchanged. As at 31 December 2015, the Company's issued share capital is reflected in the following table:

	2015 and 2014 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 28 to the financial statements and are available on our website, www.afrox.co.za. An interim dividend of 18 cents per ordinary share was paid on 12 October 2015.

A final dividend of 51 cents (2014: nil cents) per ordinary share before the dividend taxation of 15% has been declared. The final dividend will be paid on Monday, 18 April 2016. The Board is satisfied that the Group's capital remaining after the payment of the final dividend will be sufficient to support the current operations and to facilitate the anticipated future developments of its business during the year ahead.

PARENT COMPANY

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

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Afrox Board consists of four independent non-executive directors and three non-executive directors, employed in executive capacities within The Linde Group, and two executive directors.

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 with regard to 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 7.

COMPANY SECRETARY

Ms C Singh is the Company Secretary and her business and postal addresses appear on page 79.

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

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

ADMINISTRATION

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

SUBSIDIARIES AND ASSOCIATE

Information regarding the Group's subsidiaries is set out in note 4 on page 34 and of the interest in its associate in note 5 on page 35.

INDEPENDENT AUDITORS

Provided that their appointment is confirmed at the AGM on 26 May 2016, the independent auditors, KPMG Inc will continue in office for the ensuing period in accordance with section 84(4)(b) of the Companies Act of South Africa.

BORROWING FACILITIES

The Group's net borrowings at December 2015 amounted to R148 million (2014: R503 million). Details of the long-term borrowings are set out in note 16 on page 49. There are no restrictions on the Company's borrowing capacity contained in the Memorandum of Incorporation.

LITIGATION STATEMENT

The Company continues to pursue its rights in terms of a disputed supply contract with a major steel producer. No revenue has been accounted for in terms of this contract since June 2012. The disputed revenue not recorded amounts to approximately R131.9 million (excluding VAT) with the total amount outstanding at approximately R233 million, including interest. The main hearing is scheduled for June/July 2016.

EVENTS AFTER REPORTING DATE

No material event occurred between the accounting date and the date of this report.

Company Secretary's certificate
for the year ended 31 December 2015

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act of South Africa, that for the year ended 31 December 2015 the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

C Singh
Company Secretary
Johannesburg
26 February 2015

Approval of the annual financial statements
for the year ended 31 December 2015

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of African Oxygen Limited, comprising the statements of financial position at 31 December 2015, the income statements and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and SAICA Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' report.

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

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

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

The Group annual financial statements and annual financial statements of African Oxygen Limited, as identified in the first paragraph, were approved by the Board of directors on 26 February 2016 and are signed by:

S Venter
Authorised director
Managing Director

DKT Devers
Authorised director
Financial Director

Johannesburg
26 February 2016

Shareholders' profile
for the year ended 31 December 2015

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:

	2015				2014			
	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	5	0.17	210 201 239	61.31	5	0.17	209 591 978	61.14
Insurance, investment and trust companies	62	2.17	23 038 592	6.72	75	2.48	42 050 669	12.26
Pension, provident funds and trusts	211	7.38	34 472 096	10.05	295	9.75	32 608 575	9.51
Banks and nominee companies	61	2.13	69 782 973	20.35	67	2.21	52 751 931	15.39
Individuals and deceased estates	2 402	84.02	4 499 808	1.32	2 448	80.93	4 842 176	1.41
Corporate bodies	68	2.38	529 148	0.15	82	2.71	612 560	0.18
Private companies	50	1.75	329 054	0.10	53	1.75	395 021	0.11
Total	2 859	100.00	342 852 910	100.00	3 025	100.00	342 852 910	100.00
Shareholder type								
Public shareholders	2 844	99.47	132 650 271	38.69	3 011	99.54	133 259 632	38.87
Non-public shareholders (within the Linde AG Group)	15	0.53	210 202 639	61.31	14	0.46	209 593 278	61.13
Strategic holdings (more than 10%)	1	0.04	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	10	0.35	1 400	–	9	0.30	1 300	0.00
Own holdings and share trusts	4	0.14	37 154 826	10.84	4	0.13	36 545 565	10.66
Total	2 859	100.00	342 852 910	100.00	3 025	100.00	342 852 910	100.00

MAJOR SHAREHOLDERS

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

	2015		2014	
	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
Afrox African Investments Proprietary Limited (held as treasury shares)	34 285 308	10.00	34 285 308	10.00
Aberdeen Global Fund	–	–	23 576 790	6.88
Government Employees Pension Fund (previously Public Investment Corporation)	18 447 898	5.38	18 711 568	5.46
State Street Bank (Custodian)	26 642 780	7.77	26 506 607	7.73
Allan Gray	5 994 867	1.75	8 973 868	2.62
Investec Asset Management	3 780 876	1.10	–	–
RBC Dexia (Custodian)	–	–	3 506 943	1.02
JP Morgan (Custodian)	7 128 481	2.08	7 318 405	2.13
CitiGroup (Custodian)	9 955 393	2.90	8 982 618	2.62
Old Mutual Group	–	–	4 071 037	1.19
BNP Paribas (Custodian)	19 514 389	5.69	–	–
Sanlam Group	3 766 291	1.10	–	–
	302 562 696	88.24	308 979 557	90.12
Other shareholders	40 290 214	11.76	33 873 353	9.88
Total	342 852 910	100.00	342 852 910	100.00

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	**2015** Amount per share (cents)*	2014 Amount per share (cents)
176	21 August 2014	3 October 2014	6 October 2014	10 October 2014	13 October 2014		24.0
177	27 August 2015	2 October 2015	5 October 2015	9 October 2015	12 October 2015	**18.0**	
178	26 February 2016	7 April 2016	8 April 2016	14 April 2016	19 April 2016	**51.0**	
						69.0	24.0

** Before taxation on dividends at 15%.*

Statistics	**December 2015**	December 2014	December 2013	December 2012	December 2011
Share price (cents)					
– Closing	**1 300**	1 604	2 200	2 350	1 620
Ordinary shares in issue at financial year-end ('000)	**342 853**	342 853	342 853	342 853	342 853
Number of shares traded ('000)	**36 273**	44 869	46 220	46 658	49 885
Value of shares traded (R'000)	**500 448**	878 493	1 013 911	899 409	934 810
Number of shares traded as a percentage of shares issued	**10.6**	13.1	13.5	13.6	14.5
Earnings yield (%)	**10.3**	1.7	4.6	3.6	3.4
Ordinary dividend yield (%)	**5.3**	1.5	2.1	1.9	2.8
Price: basic earnings ratio	**9.7**	59.9	22.0	27.7	29.3
Price: headline earnings ratio	**9.3**	44.4	23.1	26.6	18.5

Definitions of ratios and terms utilised for statistics

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

Independent auditor's report

TO THE SHAREHOLDERS OF AFRICAN OXYGEN LIMITED

We have audited the Group financial statements and financial statements of African Oxygen Limited, which comprise the statements of financial position as at 31 December 2015, the income statements and 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, as set out on pages 10 to 77.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of African Oxygen Limited at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2015, we have read the Directors' report, the Audit Committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of African Oxygen Limited for nine years. Garry Stanier, the individual registered auditor responsible and accountable for the audit of African Oxygen Limited, is in the second year of his five-year term as the audit partner for African Oxygen Limited. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other independence requirements applicable to performing audits of financial statements in South Africa.

KPMG Inc.
GG Stanier
Chartered Accountant (SA)
Registered Auditor
Director

26 February 2016

Accounting policies

BASIS OF PREPARATION

Reporting entity

African Oxygen Limited (Afrox or the Company) is a company domiciled in South Africa. The address of the Company's registered office is 23 Webber Street, Selby, Johannesburg, South Africa. Its parent company is BOC Holdings Limited (registered in the United Kingdom), a wholly-owned subsidiary of Linde AG (registered in Germany), which is the ultimate holding company of the Afrox Group. The Group financial statements of Afrox, as at 31 December 2015 and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the Group or individually as Group entities) and the Group's interest in an associate and a trading trust. The Group is primarily involved in the manufacture and distribution of gases and welding products.

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.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial reporting pronouncements issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa.

Except for changes explained in accounting policy 30, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all the Group entities.

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

Functional and presentation currency

The Group financial statements and the financial statements of the Company (the financial statements) are presented in South African Rands (Rands), which is the Company's functional and presentation currency. All financial information presented in Rands has been rounded to the nearest million (R'm) except 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 8)	Fair value of plan assets less the present value of the defined benefit obligation
Derivative financial instruments at fair value through profit or loss (refer note 20)	Fair value
Share-based payment awards (refer to note 35)	Fair value of equity instruments granted. The fair value of the entity instruments granted is estimated using an industry-accepted technique

The financial statements are prepared on the going concern basis.

2. Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of the cost of acquisition plus the recognised amount of non-controlling interest over the individual net assets acquired, is recognised as goodwill. Any goodwill that arises is tested annually for impairment. Any bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities, and are capitalised to the cost of the investment in subsidiary in 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 re-measured 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 either at the non-controlling shareholders' proportionate share of the fair of the net identifiable assets of the entity acquired or at its fair value.

Subsidiaries

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

Loss of control

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

Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprises an interest in an associate, which is accounted for using the equity method. Associates are entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. They are 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.

Associate accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of the associate are not aligned to the reporting dates of the Group. The Group recognises its share of the net profit or loss of the associate up to the Group's reporting date. If the Group's share of losses of the associated company exceeds the carrying amount the investment is carried at RNil. Additional losses would only be recognised to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

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.

3. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies 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. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Translation differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets are included in other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

Foreign operations

The financial statements of the Group entities (none of which has the currency of a hyperinflationary economy) whose functional currencies are different to the Group's presentation currency are translated in Rands on consolidation as follows:

- Assets and liabilities, including goodwill and fair value adjustments: At the closing exchange rates for each reporting date presented;
- Income and expense items: At the exchange rates at the dates of the transactions; and
- Equity items: At the exchange rates ruling when they arose.

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

4. 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. Land is measured at cost less any accumulated impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount. Assets under construction are stated at cost which includes cost of materials and direct labour and any directly attributable costs incurred in bringing the assets to their present location and condition necessary for them to be capable of operating in the manner intended by management. Plant includes any costs related to dismantlement and restoration of the property.

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

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

Gains and losses on disposals are determined by comparing net proceeds with carrying amount. These 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 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, and is generally recognised in profit or loss. Land is not depreciated. Where significant parts of an item have different useful lives or patterns in which future economic benefits are expected to be consumed to the item itself, these parts are depreciated over their estimated useful lives.

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 years:

Freehold 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.

Spare parts

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

5. Intangible assets

Intangible assets are initially recognised at cost if acquired separately or internally generated; or at fair value if acquired as part of a business combination. 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.

Trademarks and licences

Trademarks and licences are recognised initially at cost. They have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to amortise the cost of trademarks and licences over their estimated useful lives, from the date that they are available for use.

Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if the cost can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable and the Group intends to and has sufficient resources to complete development and use or sell the asset. Other development expenditure is recognised in profit or loss as incurred.

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 current and prior years:

- Computer software – over eight years, using the straight-line method; and
- Trademarks, patents and licences – not exceeding eight years, using the straight-line method.

6. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses (refer accounting policy note 2 where the accounting policy regarding business combinations has been noted).

7. 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. The first-in-first-out method is used to arrive at the cost of items that are interchangeable. 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; and
- Finished goods – standard cost and weighted average cost.

8. Financial assets

Financial assets are recognised as assets when the entity becomes a party to the contract and has a right to receive cash. Financial assets comprise trade and other receivables, receivables from fellow subsidiaries of the holding company, receivables from Group companies (applicable to the Company only), cash and cash equivalents and derivative financial instruments. They are recognised initially at fair value plus transaction costs. However, transaction costs in respect of financial assets classified as at fair value through profit or loss are expensed. Financial assets other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method, less impairment losses.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group classifies its financial assets into the following categories:
- Fair value through profit or loss (measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss); and
- Loans and other receivables (initial recognition at fair value plus any directly attributable transaction costs. Subsequently measured at amortised cost using the effective interest method, less any impairment losses).

Impairment of financial assets

Impairment losses on these financial assets are established when there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably. The amount of the impairment loss for loans and receivables is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

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

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has legal enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition

Financial assets or parts thereof are derecognised, by removing them from the statement of financial position, when the contractual rights to receive the cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

9. Financial liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred on the date that they are originated. Borrowings are subsequently measured at amortised cost using the effective-interest method; any difference between the proceeds (net of transaction costs) and redemption value is recognised over the period of the borrowings using the effective-interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs on the date that the Group becomes a party to the contract. Transaction costs in respect of financial liabilities classified as at fair value through profit or loss are expensed. Financial liabilities that are not classified as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective-interest method. Other financial liabilities comprise trade and other payables, other short-term financial liabilities, payables to fellow subsidiaries of the holding Company, payables to Group companies (applicable to the Company only), derivative financial instruments and bank overdrafts.

Derecognition

Financial liabilities are derecognised when the relevant obligation has been discharged, cancelled or has expired.

10. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statements of cash flows include cash on hand, deposits held on call with banks, other short-term highly liquid investments with maturities of three months or less and bank overdrafts. Bank overdrafts are included in current liabilities on the statement of financial position. Cash and cash equivalents are measured at amortised cost.

11. Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is measured at the tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related temporary differences reverse.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax loses and tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that they will realise.

The Group recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, except to the extent that both of the following conditions are satisfied:

- The Group is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

12. Post-employment benefit obligations

Defined contribution plans

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

Defined benefit plans

The cost of providing defined benefits is determined using the projected unit credit method. Valuations are usually conducted every three years and interim adjustments to those valuations are made annually.

Gains or losses on the curtailment are recognised immediately in profit or loss. The Group recognises gains or losses on the settlement of a defined benefit plan when the settlement occurs.

Past service costs are increases or decreases in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits and are recognised immediately in profit or loss.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation, reduced by the fair value of plan assets. Any asset is limited to the present value of available refunds and reductions in future contributions to the plan.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

13. Shareholders for dividends

Dividends to equity holders are only recognised as a liability when declared. The Group and Company withholds dividend tax on behalf of its shareholders at a rate of 15% 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.

14. Equity

Ordinary shares are classified as equity.

Transactions relating to the acquisition and sale of treasury shares in the Company, together with the associated costs, are accounted for in equity.

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 attributable to the Company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

15. Provisions

Provisions are recognised for environmental restoration, dismantlement of plant, restructuring costs and legal claims when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at reporting date. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted. Changes in environmental restoration and dismantlement of plant provisions resulting from changes in the discount rate and estimated timing and amount of cash outflows are accounted for as part of the cost of the related asset.

16. Revenue

Revenue is measured at the fair value of the consideration received or receivable net of VAT, cash discounts, rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, when the amount of the revenue and the related costs can be reliably measured, when there is no continuing management involvement with the goods and when it is probable that the debtor will pay for the goods. The timing and the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, usually transfer occurs when the product is delivered to the customers.

17. Cost of sales

When inventories are sold, the carrying amount is recognised in profit or loss as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

18. Employee benefit costs

The cost of short-term employee benefits is recognised in profit or loss in the period in which the service is rendered and is not discounted. The expected cost of profitsharing and bonus payments 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.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognised costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

19. Finance income and finance expense

Finance income comprises interest income on funds invested, fair value gains on financial assets at fair value through profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, finance leases, unwinding of discount on provisions and deferred consideration, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables) and reclassifications of net losses previously recognised in other comprehensive income.

20. Borrowing costs

Borrowing costs are capitalised only for qualifying assets where the construction period will be in excess of one year. The capitalisation of the borrowing cost will cease as soon as the plant has been commissioned and it produces 25% of its capacity.

21. Taxation

The tax expense comprises current and deferred tax.

The charge for current tax is based on the results for the period 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.

22. Derivative financial instruments and hedging activities

Derivatives, not designated in a hedge relationship that qualifies for hedge accounting, are classified as held-for-trading financial assets. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value changes are recognised in profit or loss.

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

If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and presented in a hedging reserve in equity. The ineffective portion is recognised in profit or loss. Hedges of foreign exchange risk on firm commitments are recognised as cash flow hedges.

If an effective hedge of a highly probable forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses recognised in other comprehensive income and accumulated equity are recognised in profit or loss in the same period in which the asset or liability affects profit or loss.

If a hedge of a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses recognised in other comprehensive income and accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria, when the hedge designation is revoked or when the hedge instrument is sold, terminated or exercised. When the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

23. Impairment of non-financial assets

At each reporting date the carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are assessed to determine whether there is any indication that those assets may have suffered 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, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. For impairment testing, 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 CGUs. Goodwill arising from a business combination is allocated to a CGU or groups of CGUs that are expected to benefit from the synergies of the combination. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected useful lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. The loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash-generating unit 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 (or cash-generating unit) 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.

Goodwill and intangible assets with indefinite useful lives and the cash-generating units to which these assets have been allocated 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. Impairment losses on goodwill are not reversed.

24. Leases

Where the Group is the lessee

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

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

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

25. Equity-settled share-based payments

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 and adjusted for the effect of non-market-based vesting conditions. These share options are not subsequently revalued.

26. Segment reporting

The operating segments of the Group have been identified as business segments. This basis is representative of the internal structure used for management reporting.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Business segments are identified on the basis of internal reports that are regularly reviewed by the Group's and Company's chief operating decision making body, the Executive Committee (Exco), in order to allocate resources to the segment and assess its performance. Inter-segment transfers: segment revenue, segment expenses and segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. These transfers are eliminated on consolidation.

27. Earnings per share

Basic earnings per share represent the profit on ordinary activities after taxation attributable to the ordinary equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year, adjusted for own shares held.

The calculation of headline earnings per share is based on the net profit attributable to ordinary shareholders; after excluding separately identifiable re-measurements net of related tax and related non-controlling interests, divided by the weighted average number of shares in issue during the financial period. An itemised reconciliation of the adjustment to earnings attributable to ordinary shareholders is provided in the notes to the financial statements. Diluted earnings per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

28. Use of estimates and judgements

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

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Asset useful lives, depreciation and amortisation methods and residual values – Note 1 and 2
Impairments of non-financial assets, intangibles and goodwill – Note 1, 2 and 3
Accounting for arrangements containing a lease – Note 7
Measurement of the post-employment benefit obligations – Note 8
Deferred tax assets – Note 9
Impairment of trade receivables – Note 11
Provisions – Note 17
Valuation of financial instruments – Note 32
Measurement of share-based payment transactions – Note 35

29. Assets held-for-sale

Assets and liabilities which meet the definition of held-for-sale under IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*, except for assets excluded from the scope of IFRS 5 for measurement purposes, are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

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

In the current year, the Group has applied a number of new standards, amendments to standards and interpretations which are effective for an accounting period that begins on or after 1 January 2015.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Under the amendments, a company is permitted (but not required) to recognise contributions that are eligible for a practical expedient, as a reduction of the service cost in the period in which the related service is rendered. The adoption of this amendment had no effect on the financial statements.

Annual improvements to IFRSs 2010 – 2012 cycle and annual improvements to IFRSs 2011 to 2013 cycle

The amendments to IFRS 2 *Share-based Payment Transaction* clarify the meaning of 'vesting condition' and the amendments to IFRS 3 *Business Combinations* clarify the classification of and measurement of contingent consideration. IFRS 3 was also amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11 *Joint Arrangements*. The adoption of these amendments had no effect on the financial statements.

The amendments to IFRS 13 *Fair Value Measurement* clarify that the portfolio exception – whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met – potentially applies to contracts in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* regardless of whether they meet the definition of a financial asset or financial liability under IAS 32 *Financial Instruments: Presentation*. The IASB clarified that, in issuing IFRS 13 and making consequential amendments to IAS 39 and IFRS 9, it did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The adoption of these amendments had no effect on the financial statements.

31. Forthcoming changes in accounting policies

A number of new standards and amendments to standards have been issued that are not yet effective for the period ended 31 December 2015 and have not been applied 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
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	The amendments to IAS 16 *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The Group currently uses the straight-line method over the estimated useful lives of property, plant and equipment and intangible assets. As a result, this amendment will not have an impact on the Group. The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
Equity Method in Separate Financial Statements (Amendments to IAS 27)	The amendments allow an entity to apply the equity method in its separate financial statements to account for its investments in subsidiaries, associates and joint ventures. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.
Disclosure Initiative (Amendments to IAS 1)	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries. The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities. The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.
IFRS 15 *Revenue from Contracts with Customers*	This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services.* The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. This new standard may have an impact on the Group. The Group is currently in the process of performing a more detailed assessment of the impact of this standard on the Group. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

Standards and interpretations	Details of amendment
IFRS 9 *Financial Instruments*	On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial *Instruments: Recognition and Measurement*. This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.
IFRS 16 *Leases*	IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Group and Company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

Other than where specifically mentioned above, the Group is still determining the impact of the amendments on the financial statements.

Statements of financial position

as at 31 December 2015

	Notes	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
ASSETS					
Non-current assets		3 686	3 819	4 031	4 197
Property, plant and equipment	1	2 988	3 166	2 585	2 766
Intangible assets	2	31	37	31	37
Investments in subsidiaries	4			813	852
Investment in associate	5	22	22	1	1
Lease receivables	7	88	104	63	66
Retirement benefit assets	8	538	475	538	475
Deferred taxation assets	9	19	15	–	–
Current assets		2 609	2 090	2 164	1 675
Inventories	10	604	634	543	557
Trade and other receivables	11	864	849	651	641
Derivative financial instruments	20	15	–	15	–
Receivables from fellow subsidiaries of holding company	33	54	30	54	30
Receivables from Group companies	33			43	33
Short-term portion of lease receivables	7	19	19	7	10
Taxation receivable		53	32	40	24
Cash and cash equivalents	12	880	526	695	380
Assets held-for-sale	13	120	–	116	–
Total assets		6 295	5 909	6 195	5 872
EQUITY AND LIABILITIES					
Equity		3 468	3 047	3 536	3 183
Share capital and share premium	14	552	552	554	554
Reserves	15	267	213	316	275
Retained earnings		2 612	2 254	2 666	2 354
Total equity attributable to holders of the parent company		3 431	3 019	3 536	3 183
Non-controlling interests		37	28		
Non-current liabilities		1 518	1 512	1 484	1 471
Long-term borrowings	16	1 000	1 000	1 000	1 000
Deferred taxation liabilities	9	518	512	484	471
Current liabilities		1 309	1 350	1 175	1 218
Provisions	17	61	197	61	197
Trade and other payables	18	898	822	750	707
Other short-term financial liabilities	19	224	209	186	170
Derivative financial instruments	20	–	1	–	1
Payables to fellow subsidiaries of holding company	33	76	49	76	49
Payables to Group companies	33			74	65
Taxation payable		22	43	–	–
Bank overdrafts	12	28	29	28	29
Total equity and liabilities		6 295	5 909	6 195	5 872

Income statements
for the year ended 31 December 2015

	Notes	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
Revenue	21	5 473	5 834	4 670	4 924
Operating expenses (excluding restructuring costs)		(4 469)	(5 016)	(3 805)	(4 255)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)		1 004	818	865	669
Depreciation and amortisation	22	(390)	(381)	(360)	(354)
Impairment of tangible assets	22	(27)	(35)	(27)	(22)
Impairment of intangible assets	22	–	(17)	–	(13)
Earnings before interest and taxation (EBIT) before restructuring costs	22	587	385	478	280
Restructuring costs	24	(79)	(185)	(79)	(185)
Earnings before interest and taxation (EBIT)		508	200	399	95
Finance expense	25	(96)	(87)	(96)	(87)
Finance income	25	87	75	75	65
Income from associate		1	1		
Profit before taxation		500	189	378	73
Income taxation expense	26	(75)	(93)	(4)	(18)
Profit for the year		425	96	374	55
Attributable to:					
Owners of the Company		414	83	374	55
Non-controlling interests		11	13		
Profit for the year		425	96	374	55
Earnings per share					
Basic and diluted earnings per ordinary share (cents)	27	134.2	26.8		

Statements of comprehensive income

for the year ended 31 December 2015

	Notes	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
Profit for the year		425	96	374	55
Other comprehensive income after taxation:		49	(119)	33	(82)
Items that are or may be reclassified to profit or loss		21	(41)	5	(4)
Translation differences of foreign operations		13	(27)		
Translation differences of foreign operations relating to non-controlling interests		3	(10)		
Changes in fair value of cash flow hedges		7	(5)	7	(5)
Deferred taxation relating to cash flow hedges		(2)	1	(2)	1
Items that will never be reclassified to profit or loss		28	(78)	28	(78)
Actuarial gains/(losses) on defined benefit funds	8	39	(109)	39	(109)
Deferred taxation relating to actuarial (gains)/losses		(11)	31	(11)	31
Total comprehensive income for the year		474	(23)	407	(27)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		460	(26)	407	(27)
Non-controlling interests		14	3		
Total comprehensive income for the year		474	(23)	407	(27)

Statements of changes in equity

for the year ended 31 December 2015

Group

	Attributable to owners of the Company									
	Share capital and share premium R'm	Incentive scheme shares reserves R'm	Share-based payment reserve R'm	Hedging reserve R'm	Actuarial gains/(losses) on defined benefit funds R'm	Foreign currency translation reserve R'm	Retained earnings R'm	Total R'm	Non-controlling interests R'm	Total equity R'm
Balance at 1 January 2014	552	(30)	43	5	367	(42)	2 307	3 202	37	3 239
Total comprehensive income	–	–	–	(4)	(78)	(27)	83	(26)	3	(23)
Other comprehensive income	–	–	–	(4)	(78)	(27)	–	(109)	(10)	(119)
Profit for the year	–	–	–	–	–	–	83	83	13	96
Transactions with owners of the Company										
Shares purchased on behalf of employees	–	(17)	–	–	–	–	–	(17)	–	(17)
Share-based payments, net of taxation	–	–	(4)	–	–	–	–	(4)	–	(4)
Dividends	–	–	–	–	–	–	(136)	(136)	(12)	(148)
Balance at 31 December 2014	552	(47)	39	1	289	(69)	2 254	3 019	28	3 047
Total comprehensive income	–	–	–	5	28	13	414	460	14	474
Other comprehensive income	–	–	–	5	28	13	–	46	3	49
Profit for the year	–	–	–	–	–	–	414	414	11	425
Shares purchased on behalf of employees	–	(11)		–	–	–	–	(11)	–	(11)
Share-based payments, net of taxation	–	–	19	–	–	–	–	19	–	19
Dividends	–	–	–	–	–	–	(56)	(56)	(5)	(61)
Balance at 31 December 2015	552	(58)	58	6	317	(56)	2 612	3 431	37	3 468

Company

	Share capital and share premium R'm	Incentive scheme share reserves R'm	Share-based payment reserve R'm	Hedging reserve R'm	Actuarial gains/(losses) on defined funds R'm	Retained earnings R'm	Total equity R'm
Balance at 1 January 2014	554	(30)	43	(2)	367	2 450	3 382
Total comprehensive income	–	–	–	(4)	(78)	55	(27)
Other comprehensive income	–	–	–	(4)	(78)	–	(82)
Profit for the year	–	–	–	–	–	55	55
Transactions with owners of the Company							
Share-based payments net of taxation	–	–	(4)	–	–	–	(4)
Shares purchased on behalf of employees	–	(17)	–	–	–	–	(17)
Dividends	–	–	–	–	–	(151)	(151)
Balance at 31 December 2014	554	(47)	39	(6)	289	2 354	3 183
Total comprehensive income	–	–	–	5	28	374	407
Other comprehensive income	–	–		5	28	–	33
Profit for the year	–	–	–	–	–	374	374
Transactions with owners of the Company							
Share-based payments net of taxation	–	–	19	–	–	–	19
Shares purchased on behalf of employees	–	(11)	–	–	–	–	(11)
Dividends	–	–	–	–	–	(62)	(62)
Balance at 31 December 2015	554	(58)	58	(1)	317	2 668	3 536

Statements of cash flows
for the year ended 31 December 2015

	Notes	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
Cash flows from operating activities					
Cash generated from operations before restructuring costs	29	1 095	986	768	824
Restructuring costs paid		(169)		(169)	
Cash generated from operations		926	986	599	824
Vested shares purchased on behalf of employees		–	(2)	–	(2)
Interest received		33	4	30	2
Interest paid		(107)	(105)	(107)	(105)
Normal taxation paid	30	(116)	(113)	(19)	(56)
Dividends received	33	1	1	133	142
Cash available from operating activities		737	771	636	805
Dividends paid to owners of the parent	31	(56)	(136)	(62)	(151)
Dividends paid to non-controlling interests		(5)	(12)	–	
Net cash from operating activities		676	623	574	654
Cash flows from investing activities					
Additions to property, plant and equipment	1	(362)	(514)	(301)	(469)
Intangible assets acquired	2	(15)	(13)	(15)	(13)
Proceeds from disposal of property, plant and equipment		34	31	18	18
Loans due by subsidiaries				36	(24)
Disposal of other investments		–	6	–	6
Decrease in non-current lease receivables		33	29	15	13
Net cash used in investing activities		(310)	(461)	(247)	(469)
Cash flows from financing activities					
Borrowings repaid		–	(3)	–	–
Forfeited shares sold		–	1	–	1
Incentive scheme shares purchased on behalf of employees		(11)	(17)	(11)	(17)
Net cash outflow from financing activities		(11)	(19)	(11)	(16)
Net increase in cash and cash equivalents		355	143	316	169
Cash and cash equivalents at the beginning of the year		497	354	351	182
Cash and cash equivalents at the end of the year	12	852	497	667	351
Comprising:					
Cash and cash equivalents		880	526	695	380
Bank overdrafts		(28)	(29)	(28)	(29)
		852	497	667	351

Segmental report
for the year ended 31 December 2015

The business segments are based on internal reports which are regularly utilised by the Board to assess the Group's performance and allocate resources to the segments. Segments have been determined based on business segments: Atmospheric Gases, LPG, Hard Goods and Emerging Africa.

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

R'million	2015 Audited	2014 Audited
Revenue*	5 473	5 834
Atmospheric Gases	2 110	2 050
LPG	1 820	2 118
Hard Goods	788	867
Emerging Africa	755	799
Gross profit after distribution expenses (GPADE)	1 585	1 578
Atmospheric Gases	681	746
LPG	321	288
Hard Goods	272	244
Emerging Africa	311	300
Reconciliation of GPADE to EBIT		
GPADE for business segments	1 585	1 578
Other operating expenses	(971)	(1 141)
Impairments	(27)	(52)
Restructuring costs	(79)	(185)
Earnings before interest and taxation (EBIT)	508	200

** Revenue from external customers.*

The 2015 segmental report has been aligned with the changes from the restructuring and the update in Group eliminations recognised in the various segments. The comparative period has been restated to reflect this change. The Chief Operating Decision Maker is the Board of directors of Afrox, reflecting the change due to the restructuring activities during the year under review.

Remuneration report

REMUNERATION PHILOSOPHY

This report sets out our remuneration philosophy for executive management, non-executive directors and other employees.

The remuneration process is designed to support the successful execution of the organisational strategy by:

- attracting, motivating and retaining high-performing employees, by being competitive in the market;
- encouraging and rewarding employees to achieve or exceed the objectives and targets of the business as contained in the business strategy; and
- aligning the economic interests of employees with those of other stakeholders.

Our philosophy is to balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation, with a consistent framework that ensures equitable pay levels and defensible remuneration decisions. At all levels there is a rigorous objective-setting process to ensure shareholder expectations are met and/or exceeded.

For base pay, we take the 50th percentile of a selection of peer companies into account, primarily drawn from the manufacturing sector. However, on occasion, we pay above this benchmark to attract the best talent. We also strive to differentiate ourselves by providing a comprehensive basket of relevant employee benefits.

RESPONSIBILITY FOR GOVERNING REMUNERATION AND DEVELOPING RELEVANT POLICY

The Board is responsible for the remuneration policy. To assist the Board in fulfilling its responsibilities, it has appointed and mandated an NGMR Committee. The primary objective of the NGMR Committee in respect of remuneration is to provide input on and approve the reward strategy.

The NGMR Committee uses the services of a number of advisors to assist in tracking market trends related to all levels of employees. The Linde Group also provides significant input into the establishment of Afrox's remuneration practices.

SERVICE CONTRACTS

Except as negotiated under mutual separation arrangements, no director has a service contract with the Company containing a notice period exceeding six months or providing for compensation and benefits (excluding share-linked benefits vesting in terms of the applicable rules of the scheme) in excess of six months' salary. The Managing Director is retained on an employment contract containing a notice period of one month. The Finance Director has an employment contract with The BOC Group PLC (a member of The Linde Group) and the Company recovers a portion of his remuneration from Afrox in lieu of his management services rendered to Afrox.

REMUNERATION FOR SENIOR MANAGEMENT AND EMPLOYEES

Remuneration packages for senior management and employees contain some or all of the following components, depending on the individual's level in the Company.

Guaranteed component

All permanent employees who are not in a sales function, irrespective of level, receive a guaranteed element of remuneration. This is based on cost to Company and comprises a fixed basic salary and compulsory benefits (as per executive directors). The guaranteed portion of the remuneration package is set taking into account base pay at the 50th percentile of the market, and the skills of the specific employee. Increases in the guaranteed component are determined in line with market movements and reflect individual performance.

Employees in a customer-facing sales function receive a variable bi-annual reward linked directly to the achievement of specific targets on top of their guaranteed components.

Short-term incentives

At a management level, we use short-term incentives to encourage achievement of stipulated annual objectives, thereby ensuring that a significant portion of pay is variable and linked to performance.

Senior management's short-term incentives are based on both Company financial and non-financial KPIs and individual performance. Typically the split between Company and individual performance is 90% and 10% respectively and short-term incentives are typically up to 30% of base salary.

The NGMR Committee approves the Company's primary bonus pools and oversees the principles applied in allocating these pools to business units and individuals. The short-term incentives are paid annually.

Long-term incentives

Senior management, and executive directors, take part in the Company's share-based incentive scheme.

The overall Company and individual performance is taken into account when the NGMR Committee decides on the allocation. It is the view of the Committee that the incentive scheme is a direct link to the Company performance through the share price. In addition, the scheme is intended primarily to attract and retain competent employees.

Both the share appreciation rights scheme (SARs) and forfeitable share plan (FSPs) are equity-settled long-term incentive schemes.

Share appreciation rights scheme (SARs)

In terms of the rules of the various share schemes, the aggregate number of share appreciation rights shall not exceed the equivalent of 10% of the Company's issued ordinary share capital and no one individual may hold in excess of the equivalent of 1% of the Company's issued share capital. The share appreciation rights are converted into ordinary shares (providing performance conditions are met by the vesting date) by applying the following formula at the date of exercise of the option:

$$\frac{\text{Share price at exercise date} - \text{Share price at grant date}}{\text{Share price at exercise date}} \times \text{Number of rights exercised}$$

The executive directors who held office on 31 December 2015 had a direct interest in 32 000 SARs in the Company, granted at an average price of R13.74 per share.

Forfeitable share plan (FSPs)

The FSPs were introduced on 1 January 2012. Executive directors who held office on 31 December 2015 had an indirect interest in 178 000 forfeitable shares. The vesting of certain of the shares is conditional only upon the employee being employed by the Company at the vesting date and for other shares granted both on continued employment and on reaching predetermined performance conditions. Note: during the vesting period, all dividends paid accrue to the employee concerned.

Review of long-term incentives

The NGMR Committee regularly reviews the long-term incentive scheme to ensure alignment with our long-term objectives and any relevant changes in tax legislation.

REMUNERATION FOR EXECUTIVE DIRECTORS

Remuneration packages for executive directors comprise a guaranteed component, short-term and long-term incentives.

Guaranteed component

Executive directors receive a guaranteed element of remuneration. This is based on cost to Company and comprises a fixed base salary and benefits (medical aid, life cover, travel and related allowances and retirement fund membership). The executive directors receive guaranteed remuneration in line with market levels, taking their responsibilities into account.

Short-term incentives

Short-term incentives are designed to reward executive directors for achieving stipulated strategic annual objectives, thereby ensuring that a significant portion of executive directors' cost is variable.

Executive directors' short-term incentives are based on both Company financial and non-financial KPIs and individual performance. Typically the split between Company and individual performance is 90% and 10% respectively and short-term incentives are typically between 30% and 50% of base salary.

Long-term incentives

Long-term incentives aim to encourage executive directors to execute our long-term strategy successfully. Executive directors take part in the share-based incentive scheme. These schemes are described in more detail in the section that follows. Detail on the remuneration of executive directors can be found on page 29.

REMUNERATION FOR NON-EXECUTIVE DIRECTORS

The remuneration of non-executive directors for the financial year is detailed on page 29.

The NGMR Committee reviews the fees annually and makes recommendations to the Board for consideration. Following recommendations from the Committee, the Board proposes the non-executive director fees for shareholder approval at the AGM.

The Chairman of the Board is entitled to receive a fixed retainer and would not receive any other fees or retainer for attendance at Board or Committee meetings. However, as the current Chairman holds this position by virtue of his executive position in The Linde Group, no retainer is currently payable.

The fee structure for 2015 and that proposed for the 2016 financial year are reflected below.

Independent non-executive directors' remuneration

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

		2015 Current practice		**2016 Proposed payment**		
Category	Role	Retainer fee R	Fee per meeting R	**Retainer fee R**	**Fee per meeting R**	Total fee increase %
Independent lead director		370 000	10 500	**392 200**	**11 130**	6
Board	Director	212 000	10 500	**224 720**	**11 130**	6
Audit Committee	Chairperson	143 000	10 500	**151 580**	**11 130**	6
	Member	71 000	10 500	**75 260**	**11 130**	6
Nominations, Governance and Management of Resources Committee	Chairperson	95 000	10 500	**100 700**	**11 130**	6
Safety, Health, Environment and Quality Committee	Member	48 000	10 500	**50 880**	**11 130**	6
Social, Ethics and Transformation Committee						

Director emoluments (R'000) – 2015

Name	Months paid	Fees	Re-muneration	Pension/payment contributions	Performance bonus^	Benefits, allowances and gains on share incentives	Total
2015 Non-executive directors*		2 719	–	–	–	–	2 719
Former directors							
DM Lawrence	5	609	–	–	–	–	609
SN Maseko	5	–	–	–	–	–	–
Current directors							
NVL Qangule	12	402					402
Dr KDK Mokhele	12	787	–	–	–	–	787
GJ Strauss	10	436					436
CF Wells	12	485	–	–	–	–	485
Executive directors		1 000	2 947	429	1 157	8 645	14 178
Current directors							
SM Venter	7		1 869	272	325	601	3 067
DK Devers[1]	7	1 000					1 000
Former directors							
BD Kimber[2]	1	–	–	–	–	7 385	7 385
NA Thomson	5	–	1 078	157	832	659	2 726
Total emoluments		3 719	2 947	429	1 157	8 645	16 897

* *Linde non-executive directors are not reflected as they do not receive emoluments from the Company.*

^ *In respect of 2014 financial performance.*

[1] *Fees paid to BOC Holdings PLC.*

[2] *BD Kimber resigned with effect from 12 January 2015. The severance package of R16 million resulting from his resignation was fully provided for in the 2014 annual financial statements. The severance package took into account his 24 years of service with The Linde Group and the agreed national cost of re-locating him and his family back to the USA in accordance with his employment contract. The total of the severance package relating to his Afrox employment contract is disclosed above.*

Director emoluments (R'000) – 2014

Name	Months paid	Fees	Re-muneration	Pension/payment contributions	Performance bonus[1]	Benefits, allowances and gains on share incentives	Total
Non-executive directors[2]		2 366	–	–	–	2 366	2 366
Current directors							
DM Lawrence	12	473	–	–	–	473	473
SN Maseko	12	292	–	–	–	292	292
Dr KDK Mokhele	12	847	–	–	–	847	847
NVL Qangule	5	325	–	–	–	325	325
CF Wells	12	429	–	–	–	429	429
Executive directors	–	–	6 881	652	3 392	1 089	12 014
Current directors							
BD Kimber[3]	12	–	4 323	280	2 458	286	7 347
NA Thompson[4]	12	–	2 558	372	934	803	4 667
Total emoluments		2 366	6 881	652	3 392	1 089	14 380

[1] *In respect of 2013 financial performance.*

[2] *Linde non-executive directors are not reflected as they do not receive emoluments from the Company.*

[3] *BD Kimber resigned with effect from 12 January 2015. The severance package of R16 million resulting from his resignation was fully provided for in the 2014 annual financial statements. The severance package took into account his 24 years of service with The Linde Group and the agreed national cost of re-locating him and his family back to the USA in accordance with his employment contract.*

[4] *NA Thompson resigned 26 February 2015 effective 31 May 2015.*

Share Appreciation Rights scheme (SARs) and Forfeitable Share Plan (FSPs) granted during the year

Name	Fair value of options at issue date R'000	Number of SARs	Number of FSPs with performance conditions	Number of FSPs without performance conditions
2015				
Executive directors	2 442	32 000	61 000	117 000
SM Venter	2 442	32 000	61 000	117 000
DK Devers	–	–	–	–
BD Kimber	–	–	–	–
NA Thomson	–	–	–	–
Total SARs and FSPs granted during the year	2 442	32 000	61 000	117 000
2014				
Executive directors	1 533	56 000	63 000	21 000
BD Kimber	876	32 000	36 000	12 000
NA Thompson	657	24 000	27 000	9 000
Total SARs and FSPs granted during the year	1 533	56 000	63 000	21 000

Vested and non-vested number of rights

Name	2015 Vested number of rights (exercisable)	2015 Non-vested number of rights (not yet exercisable)	2014 Vested number of rights (exercisable)	2014 Non-vested number of rights (not yet exercisable)
Executive directors				
SM Venter	–	210 000	–	–
DK Devers	–	–	–	–
BD Kimber	–	–	2 000	180 000
NA Thomson	–	–	–	130 000
Total vested and non-vested number of rights	–	210 000	2 000	310 000

Shareholding of directors

Name	2015 Beneficial	2015 Non-beneficial	2014 Beneficial	2014 Non-beneficial
Executive directors				
S Venter – Managing Director	–	–	–	–
D Devers	–	–	–	–
BD Kimber	–	100	–	100
NA Thomson	–	100	–	100
Non-executive independent directors				
NVL Qangule	–	100	–	–
GJ Strauss	–	–	–	–
DM Lawrence *(Resigned 28 May 2015)*	500	–	500	–
SN Maseko *(Resigned 28 May 2015)*	–	100	–	100
Dr KDK Mokhele	–	100	–	100
CF Wells	–	100	100	–
Non-executive directors				
B Eulitz – Chairman	–	–	–	–
R Gearing	–	100	–	100
MS Huggon	–	100	–	100
M van Plotho	–	100	–	100

Interests of directors in contracts

The directors have certified that they had no material personal interests in any transactions of any significance with the Company or any of its subsidiaries. Accordingly, no conflicts 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.

David Lawrence is a director of Investec Bank Limited and during the year, up to the date of the resignation of David, various banking and employee share scheme transactions were undertaken on the Group's behalf by Investec Bank Limited. All transactions were in the ordinary course of business.

Notes to the financial statements

for the year ended 31 December 2015

	Freehold properties R'm	Plant and equipment R'm	Cylinders R'm	Motor vehicles R'm	Furniture and fittings R'm	Total R'm
	Group					
1. PROPERTY, PLANT AND EQUIPMENT						
Owned						
Carrying amount at 1 January 2014	373	1 422	999	192	48	3 034
Cost	435	3 442	1 829	390	178	6 274
Accumulated depreciation	(62)	(1 756)	(830)	(198)	(130)	(2 976)
Accumulated impairment	–	(264)	–	–	–	(264)
Additions, net of transfers from assets under construction	5	327	151	33	17	533
Impairment losses	–	(35)	–	–	–	(35)
Foreign exchange differences	(1)	(1)	(1)	(1)	(1)	(5)
Disposals	(2)	(4)	(4)	(2)	–	(12)
Depreciation	(6)	(196)	(104)	(27)	(16)	(349)
Carrying amount at 31 December 2014	369	1 513	1 041	195	48	3 166
Cost	436	3 691	1 969	376	144	6 616
Accumulated depreciation	(67)	(1 879)	(928)	(181)	(96)	(3 151)
Accumulated impairment	–	(299)	–	–	–	(299)
Additions, net of transfers from assets under construction	3	269	88	7	12	379
Transfer to assets held-for-sale	(117)	(3)	–	–	–	(120)
Impairment losses	–	(27)	–	–	–	(27)
Foreign exchange differences	–	(9)	(2)	(2)	–	(13)
Disposals	(2)	(9)	(5)	(12)	–	(28)
Depreciation	(13)	(214)	(101)	(26)	(15)	(369)
Carrying amount at 31 December 2015	240	1 520	1 021	162	45	2 988
Cost	319	3 926	2 043	343	154	6 785
Accumulated depreciation	(79)	(2 080)	(1 022)	(181)	(109)	(3 471)
Accumulated impairment	–	(326)	–	–	–	(326)

	Company					
	Freehold properties R'm	Plant and equipment R'm	Cylinders R'm	Motor vehicles R'm	Furniture and fittings R'm	Total R'm
1. PROPERTY, PLANT AND EQUIPMENT continued						
Owned						
Carrying amount at 1 January 2014	130	1 361	943	151	45	2 630
Cost	139	3 002	1 751	318	166	5 376
Accumulated depreciation	(9)	(1 405)	(808)	(167)	(121)	(2 510)
Accumulated impairment	–	(236)	–	–	–	(236)
Additions, net of transfers from assets under construction	3	307	134	27	17	488
Impairment losses	–	(22)	–	–	–	(22)
Disposals	–	(2)	(4)	(2)	–	(8)
Depreciation	(1)	(187)	(100)	(20)	(14)	(322)
Carrying amount at 31 December 2014	132	1 457	973	156	48	2 766
Cost	142	3 250	1 876	300	133	5 701
Accumulated depreciation	(10)	(1 535)	(903)	(144)	(85)	(2 677)
Accumulated impairment	–	(258)	–	–	–	(258)
Additions, net of transfers from assets under construction	3	224	78	1	12	318
Transfer to assets held-for-sale	(113)	(3)	–	–	–	(116)
Impairment losses	–	(27)	–	–	–	(27)
Disposals	–	(1)	(4)	(12)	–	(17)
Depreciation	(3)	(207)	(97)	(19)	(13)	(339)
Carrying amount at 31 December 2015	19	1 443	950	126	47	2 585
Cost	32	3 470	1 944	268	144	5 858
Accumulated depreciation	(13)	(1 742)	(994)	(142)	(97)	(2 986)
Accumulated impairment	–	(285)	–	–	–	(285)

Capitalised leased assets

The Group has no capitalised leased assets under finance leases.

Encumbrance

None of the Group's property, plant and equipment are encumbered. The Group's borrowings are unsecured (see note 16).

Impairment testing

Property, plant and equipment is assessed for impairment at each reporting date to determine whether there is any objective evidence that it is impaired. 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.

The Group performed impairment tests on individually significant items of property, plant and equipment at 31 December 2015 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 5.9% (2014: 10.1%) 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 10.03% (2014: 10.8%). The value in use was compared to the fair value less cost to sell.

Impairment write-down

The Group's plant and equipment was impaired by R27 million (2014: R35 million). The impairment losses have been recognised in profit and loss as impairment of tangible assets. A plant in Pietermaritzburg was impaired by an amount of R20 million due to a large volume decline in 2015. The recoverable amount for the plant was determined based on the value in use. The plant represents a cash-generating unit. In addition, the Cornubia property was impaired by R10 million. This impairment relates to the initial engineering design and environmental impact study that will no longer be relevant, due to the proposed sale of the property. The recoverable amount for the property was determined based on the fair value less costs of disposal. An amount of R3 million applied to the Gas Equipment Factory 2014 asset impairment was reversed, as the condition of impairment ceased to exist in 2015.

1. PROPERTY, PLANT AND EQUIPMENT continued

Fully depreciated assets

Cost of Group assets fully depreciated but still in use amounted to R1 697 million (2014: R1 598 million).

Residual values

The Group estimates residual values on property, plant and equipment to be RNil, excluding LPG cylinders, as the assets are of a specialised nature and there is no history of recoveries on these assets when their economic life is completed and they are scrapped.

Assets under construction

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

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
Plant and equipment	**151**	386	**122**	370
Cylinders	**12**	17	**12**	17
Vehicles	**2**	14	**2**	14
Furniture and fittings	**5**	8	**5**	8
Total	**170**	425	**141**	409
Borrowing costs				
Borrowing costs capitalised at an effective rate of 13.40% (2014: 10.97%)	**14**	19	**14**	19
Government grant				
The cost of additions was reduced by the following grants received with respect to: Integrated Demand Management Intervention: Applied Economic Power Solution (Industrial Load Management Project) – Air Separation Unit in Kuils River and Pietermaritzburg	**–**	14	**–**	14
	–	14	**–**	14

2. INTANGIBLE ASSETS

	Group			Company		
	Trademarks R'm	Computer software R'm	Total R'm	Trademarks R'm	Computer software R'm	Total R'm
Carrying amount at 1 January 2014	–	56	56	–	56	56
Cost	12	235	247	5	235	240
Accumulated amortisation	(8)	(179)	(187)	(1)	(179)	(180)
Accumulated impairment	(4)	–	(4)	(4)	–	(4)
Additions	–	13	13	–	13	13
Amortisation charge	–	(32)	(32)	–	(32)	(32)
Carrying amount at 31 December 2014	–	37	37	–	37	37
Cost	12	248	260	5	248	253
Accumulated amortisation	(8)	(211)	(219)	(1)	(211)	(212)
Accumulated impairment	(4)	–	(4)	(4)	–	(4)
Additions	**–**	**15**	**15**	**–**	**15**	**15**
Amortisation charge	**–**	**(21)**	**(21)**	**–**	**(21)**	**(21)**
Carrying amount at 31 December 2015	**–**	**31**	**31**	**–**	**31**	**31**
Cost	**12**	**263**	**275**	**5**	**263**	**268**
Accumulated amortisation	**(8)**	**(232)**	**(240)**	**(1)**	**(232)**	**(233)**
Accumulated impairment	**(4)**	**–**	**(4)**	**(4)**	**–**	**(4)**

2. INTANGIBLE ASSETS continued

Encumbrance

None of the Group's intangible assets are encumbered. The Group's borrowings are unsecured (see note 16).

Impairment testing

Management forecasts typically cover the expected economic life of the underlying investment and thereafter a reasonable rate of growth is applied based on market conditions. These impairment tests are performed using a discounted cash flow model. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital.

There were no impairments processed in the current year (2014: RNil) as there were no indicators of an impairment.

The key assumptions applied in determining the recoverable amount of the intangibles were:

	Group and Company	
	2015	2014
Assumptions applied		
Average annual revenue growth (%)	5.90	6.00
Discount rate applied to projected cash flows (%)	10.03	10.77
Risk-free rate (%)	8.50	7.80
Market risk premium (%)	6.00	6.00
Beta rate (:1)	0.36	0.63

Computer software

Computer software comprises SAP and other minor systems which do 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.

Capital commitments

There are no future commitments for the acquisition of intangible assets.

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
3. GOODWILL				
Carrying amount at the beginning of the year	–	15	–	11
Additions	–	2	–	2
Impairment	–	(17)	–	(13)
Foreign exchange differences	–	–		
Carrying amount at the end of the year	–	–	–	–
Gross cost (net of foreign exchange differences)	55	55	17	17
Accumulated impairment	(55)	(55)	(17)	(17)
Carrying amount at the end of the year	–	–	–	–

		Company	
	Note	**2015 R'm**	2014 R'm
4. INVESTMENTS IN SUBSIDIARIES			
Ordinary shares		109	109
Impairment of investments in subsidiaries		(36)	(33)
Loans due by subsidiaries	39	740	776
		813	852

There are no fixed terms for repayment, however, there is no intention to recall the loans in the foreseeable future. No interest is charged on loans. Recoverability is assessed at each reporting date.

Details of subsidiaries are presented on pages 74 to 75.

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
5. INVESTMENT IN ASSOCIATE				
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		
Dividends received from associate	**(1)**	(1)		
Share of current profit for the year	**1**	1		
Carrying amount at the end of the year	**22**	22	**1**	1
The information below illustrates summarised financial information of Les Gaz Industriels Limited.				
Statement of comprehensive income				
Revenue	**17**	19		
Profit before taxation	**2**	4		
Income taxation expense	**–**	(1)		
Net profit for the year	**2**	3		
Total comprehensive income for the year	**2**	3		

Details of the associate are presented in note 40.

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. The Group's 38% share of profits is determined by reference to the audited financial statements for the year ended 30 June 2015 and unaudited management accounts for the period 1 July 2015 to 31 December 2015.

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.

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
6. OTHER INVESTMENTS				
Carrying amount at the beginning of the year	**–**	6	**–**	6
Disposals	**–**	(6)	**–**	(6)
Carrying amount at the end of the year	**–**	–	**–**	–
Other investments comprises:				
Investment in unlisted company at cost	**–**	–	**–**	–

The investment comprised preference shares held in Phumelelani Nathi Holdings Proprietary Limited. The Group had no control, joint control or significant influence associated with this investment.

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
7. LEASE RECEIVABLES				
Lease receivables	107	123	70	76
Short-term portion of lease receivables	(19)	(19)	(7)	(10)
	88	104	63	66

	Group: Gross investment in lease R'm	Group: Unearned finance income R'm	Group: Present value of minimum lease payments R'm	Company: Gross investment in lease R'm	Company: Unearned finance income R'm	Company: Present value of minimum lease payments R'm
Long-term lease receivables						
2015						
Receivables due in less than one year	33	(14)	19	14	(7)	7
Long-term lease receivables	126	(38)	88	88	(25)	63
Between one and five years	88	(33)	55	56	(21)	35
More than five years	38	(5)	33	32	(4)	28
Total	159	(52)	107	102	(32)	70
2014						
Receivables due in less than one year	33	(14)	19	15	(5)	10
Long-term lease receivables	159	(55)	104	100	(34)	66
Between one and five years	101	(45)	56	55	(26)	29
More than five years	58	(10)	48	45	(8)	37
Total	192	(69)	123	115	(39)	76

Long-term lease receivables

Long-term 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*.

During the previous financial periods the Group incurred expenditure on assets, being plant and technical equipment, installed on customer sites. The Group utilises these assets to provide gas to customers, which the customers use in their manufacturing processes. The Group has entered into arrangements with these customers, that have maturities of up to 15 years, whereby the customers pay fixed monthly fees over the term of the arrangements, plus variable charges based on the quantity of the gas used above the fixed minimum amounts.

Although the arrangements are not in the legal form of leases, the Group concluded that the arrangements contained a lease of assets because fulfilment is economically dependent on the use of the plant and technical equipment 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. At inception of the leases, the Group recognised receivables at amounts equal to the net investment in the lease.

The interest income on the lease receivables was determined based on a rate of 14.5% (2014: 14.5%) for the Group and 11% (2014: 11%) for the Company.

There were no unguaranteed residual values accruing to the Group at the end of the lease terms (2014: RNil)

	Group and Company	
	2015 R'm	**2014 R'm**
8. RETIREMENT BENEFIT ASSETS		
Summary		
Pension fund	538	471
Post-retirement medical benefit fund	–	4
	538	475
Current re-measurement gains/(losses) recognised in other comprehensive income	39	(109)
Pension fund	43	(104)
Post-retirement medical benefit fund	(4)	(5)

Pension and provident funds

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

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

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

The latest re-measurement calculation of the African Oxygen Limited Pension Fund was made on 31 December 2015.

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

	Group and Company	
	2015 %	**2014 %**
Discount rate	10.80	8.90
Consumer price inflation	8.20	6.60
Compensation increase rate	9.20	7.60
Pension increase rate	8.20	6.60

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 18 years (2014: 18 years) for males and 22 years (2014: 22 years) for females.

	Group and Company	
	2015 R'm	**2014 R'm**
8. RETIREMENT BENEFIT ASSETS continued		
Sensitivity analysis		
In presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.		
Pension cost and CPI inflation rate		
1% increase in the rate		
Effect on the aggregate current service cost and interest cost	13	17
Effect on defined benefit obligation	83	133
1% decrease in the rate		
Effect on the aggregate current service cost and interest cost	(9)	(13)
Effect on defined benefit obligation	(58)	(104)
Discount rate		
1% increase in the rate		
Effect on defined benefit obligation	(58)	(95)
1% decrease in the rate		
Effect on defined benefit obligation	86	122
Expected retirement age		
1 year older		
Effect on defined benefit obligation	(11)	(10)
1 year younger		
Effect on defined benefit obligation	11	10
Fund status		
Fair value of plan assets	933	1 018
Present value of defined benefit obligations	(395)	(547)
Pension fund asset recognised at the end of the year	538	471
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	1 018	1 056
Member contributions	4	5
Benefits paid by the plan	(154)	(115)
Interest income on plan assets	84	100
Risk premiums and expenses	(2)	(3)
Return on plan assets excluding interest income	(17)	(25)
Fair value of plan assets at the end of the year	933	1 018
Movements in the defined benefit obligation recognised in the statement of financial position are as follows:		
Present value of the defined benefit obligations at the beginning of the year	547	513
Members' contributions	4	5
Benefits paid by the plan	(154)	(115)
Current service costs	17	20
Interest costs	43	48
Risk premiums and expenses	(2)	(3)
Re-measurement (gain)/loss arising from economic assumptions	(60)	79
Present value of the defined benefits obligations at the end of the year	395	547

	Group and Company 2015 R'm	2014 R'm
8. RETIREMENT BENEFIT ASSETS continued		
The re-measurement (gain)/loss arose as a result of the following:		
Change in economic assumptions	(9)	104
Experience adjustments	(34)	–
Total re-measurement (gain)/loss	(43)	104
Amounts recognised in profit or loss are as follows:		
Current service cost	17	20
Interest costs	43	48
Interest income on plan assets	(84)	(100)
Net expense included in profit or loss	(24)	(32)
The expenses are recognised in the following line items in the income statement:		
Operating expenses	17	20
Finance income	(41)	(52)
Fund status		
Re-measurement gains recognised directly in other comprehensive income		
Net cumulative amount at the beginning of the year	280	355
Gain/(loss) recognised during the year	43	(104)
Deferred tax thereon	(12)	29
Net cumulative amount at the end of the year	311	280
Analysis of plan assets		
Equity instruments		
Quoted market price in an active market	180	199
Debt instruments		
Government bonds		
Quoted market price in an active market	231	272
International assets managed by investment funds		
Quoted market price in an active market	162	264
Property		
Quoted market price in an active market	56	59
Cash and cash equivalents	304	224
Quoted market price in an active market	304	224
Plan assets at the end of the year	933	1 018

	Group and Company	
	2015 **%**	2014 %
8. RETIREMENT BENEFIT ASSETS continued		
Percentage of fair value of assets:		
Equity instruments	19	20
Debt instruments	42	52
Property	6	6
Cash and cash equivalents	33	22
	100	100
Percentage of the Company's shares held by the defined benefit fund	–	–

The Group expects to pay no contributions to the defined benefit plan in the 2016 financial year.

The Group has obtained a cash flow benefit of R18.0 million (2014: R13.0 million) representing the contribution saving for the year ended 31 December 2015.

Post-retirement medical benefit

Group and Company

The Group and Company have an obligation arising as a result of a post-employment subsidy of healthcare benefits. Members of the medical aid plan, who joined the Group or Company before 1 November 1996 and remain in the employment of the Group or Company until retirement, are eligible for a post-retirement subsidy of their medical aid contributions. The funds are governed by the Medical Schemes Act of 1998; and are administered on behalf of the Group by external financial service companies and trustees.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with IAS 19. The fund entitles members to receive a subsidy for medical scheme contributions made after retirement. The subsidy ranges from 50% to 100% of the medical aid contributions made by members, depending on the number of years in which services were rendered prior to retirement.

The defined benefit fund is actuarially valued using the projected unit credit method. The benefit fund is closed to new members.

The latest re-measurement calculations of the African Oxygen Limited post-retirement medical fund were made on 31 December 2015.

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

	Group and Company	
	2015 **%**	2014 %
Discount rate	10.40	8.20
Consumer price inflation	8.10	6.00
Compensation increase rate	9.60	7.50
Healthcare cost inflation	10.10	8.00

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 19 years (2014: 19 years) for males and 24 years (2014: 24 years) for females.

	Group and Company	
	2015 R'm	**2014 R'm**

8. RETIREMENT BENEFIT ASSETS continued

Sensitivity analysis

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

	2015 R'm	2014 R'm
Healthcare cost inflation and CPI inflation rate		
1% increase in the rate		
Effect on the aggregate current service cost and interest cost	1	2
Effect on defined benefit obligation	12	17
1% decrease in the rate		
Effect on the aggregate current service cost and interest cost	(1)	(1)
Effect on defined benefit obligation	(11)	(14)
Discount rate		
1% increase in the rate		
Effect on defined benefit obligation	(11)	(14)
1% decrease in the rate		
Effect on defined benefit obligation	13	17
Expected retirement age		
1 year older		
Effect on defined benefit obligation	(1)	(2)
1 year younger		
Effect on defined benefit obligation	1	2
Fund status		
Fair value of plan assets	114	145
Present value of defined benefit obligations	(114)	(141)
Post-retirement medical benefit fund asset recognised at the end of the year	–	4
Movements in the fair value of plan assets recognised in the statements of financial position are as follows:		
Fair value of plan assets at the beginning of the year	145	145
Interest income on plan assets	12	12
Benefits paid*	(40)	(8)
Return on plan assets excluding interest income	(3)	(4)
Fair value of plan assets at the end of the year	114	145
Movements in the defined benefit obligation recognised in the statement of financial position are as follows:		
Defined benefit obligations at the beginning of the year	141	136
Current service cost	1	1
Interest cost	11	11
Benefits paid*	(40)	(8)
Re-measurement loss arising from economic assumptions	1	1
Defined benefit obligations at the end of the year	114	141

** Benefits paid include an amount of R31 million relating to settlement payments.*

	2015 R'm	2014 R'm
The re-measurement loss arose as a result of the following:		
Change in economic assumptions	4	5
Change in demographics	–	–
Total re-measurement loss	4	5

	Group and Company	
	2015 R'm	**2014 R'm**
8. RETIREMENT BENEFIT ASSETS continued		
Amounts recognised in profit or loss are as follows:		
Current service cost	1	1
Interest costs	11	11
Interest income on plan assets	(12)	(12)
Net expense included in profit or loss	–	–
The expenses are recognised in the following line item in the income statement:		
Operating expenses	1	1
Finance expense on retirement benefit assets	(1)	(1)
Re-measurement loss recognised directly in other comprehensive income		
Net cumulative amount at the beginning of the year	9	12
Loss recognised during the year	(4)	(5)
Deferred taxation thereon	1	2
Net cumulative amount at the end of the year	6	9
Analysis of plan assets		
Fixed income		
Cash and cash equivalents		
Quoted market price in an active market	114	145
Percentage of fair value of assets:	%	%
Cash	100	100
Percentage of the Company's shares held by the defined benefit fund	–	–

Risks arising from the defined benefit plans

The pension fund and the post-retirement medical aid fund expose the Group to re-measurement risks such as investment risk, interest rate risk, longevity risk and salary risk.

Investment risk

Investment risk is the risk that the return on plan assets is below the interest cost on the defined benefit obligation, which will create a fund deficit. The pension fund plan assets have a balanced investment portfolio in equity securities, debt instruments, property and cash and cash equivalents. The post-retirement medical benefit plan assets have an investment portfolio in cash and cash equivalents. This will assist with the leveraging of the return generated by the plan assets.

Interest rate risk

Interest rate risk is the risk that a decrease in the government bond rate will increase the fund obligations. However, this will be offset in part by an increase in the fair value of the plan assets investments in debt instruments and cash and cash equivalents.

Longevity risk

Longevity risk is the risk that an increase in the participants' life expectancy will increase the defined benefit obligations. The present values of the defined benefit obligations take into account the estimated mortality of the participants of the schemes, both during and after employment.

Salary risk

Salary risk is the risk that an increase in the salaries of the fund participants will increase the defined benefit obligations. The present values of the defined benefit obligations are calculated after taking into account estimated future salaries of the fund participants.

Maturity profile of the defined benefit obligations

The average duration of the pension fund obligation was 18 years (2014: 18 years) and 12 years (2014: 13 years) for the post-retirement medical benefit fund obligation for the Group and Company. The increase in the average duration of the pension fund obligation resulted from the change in the valuation requirement regarding the duration used for determining the value of the defined benefit obligation. In the past, an average duration was determined based on the industry average, as opposed to an entity-specific expected average duration.

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
9. DEFERRED TAXATION				
Deferred taxation assets	(19)	(15)	–	–
Deferred taxation liabilities	518	512	484	471
	499	497	484	471
The net deferred taxation comprises:				
Capital allowances	550	532	525	506
Intangible assets	(3)	6	(3)	6
Provisions and other	(154)	(175)	(144)	(175)
Assessed tax loss	(51)		(51)	
Embedded finance lease	6		6	
Retirement benefit assets	151	134	151	134
	499	497	484	471
Reconciliation of deferred taxation				
Opening balance	497	561	471	534
Translation differences	(7)	6		
Recognised in profit or loss				
– current year temporary differences	1	(34)	3	(34)
– prior year (over)/under provision	(5)	(4)	(3)	3
Recognised in other comprehensive income				
– current year temporary differences	11	(31)	11	(31)
Recognised directly in equity	2	(1)	2	(1)
Closing balance	499	497	484	471
Deferred taxation is calculated at the following rates:				
South African operations – 28% (2014: 28%)	484	471	484	471
Foreign operations at average rate – 29.69% (2014: 30.18%)	15	26		
	499	497	484	471

The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances, is as follows:

Group

	Capital allowances R'm	Intangible assets R'm	Provisions and other R'm	Assessed tax loss R'm	Embedded finance lease R'm	Retirement benefit assets R'm	Total R'm
At 1 January 2014	543	14	(154)	–	–	158	561
Translation differences	7	–	(1)	–	–	–	6
Recognised in profit or loss							
– current year temporary differences	(18)	(8)	(15)	–	–	7	(34)
– prior year underprovision	–	–	(4)	–	–	–	(4)
Recognised to other comprehensive income							
– current year temporary differences	–	–	–	–	–	(31)	(31)
Recognised directly in equity	–	–	(1)	–	–	–	(1)
At 31 December 2014	532	6	(175)	–	–	134	497
Translation differences	–	–	(7)	–	–	–	(7)
Recognised in profit or loss							
– current year temporary differences	18	(9)	31	(51)	6	6	1
– prior year overprovision	–	–	(5)	–	–	–	(5)
Recognised to other comprehensive income							
– current year temporary differences	–	–	–	–	–	11	11
Recognised in equity	–	–	2	–	–	–	2
At 31 December 2015	550	(3)	(154)	(51)	6	151	499

	Company						
	Capital allowances R'm	Intangible assets R'm	Provisions and other R'm	Assessed tax loss R'm	Embedded finance lease R'm	Retirement benefit assets R'm	Total R'm
9. DEFERRED TAXATION continued							
At 1 January 2014	512	14	(150)	–	–	158	534
Recognised in profit or loss							
– current year temporary differences	(6)	(8)	(27)	–	–	7	(34)
– prior year underprovision	–	–	3	–	–	–	3
Recognised to other comprehensive income							
– current year temporary differences	–	–	–	–	–	(31)	(31)
Recognised directly in equity	–	–	(1)	–	–	–	(1)
At 31 December 2014	506	6	(175)	–	–	134	471
Recognised in profit or loss							
– current year temporary differences	19	(9)	32	(51)	6	6	3
– prior year overprovision	–	–	(3)	–	–	–	(3)
Recognised to other comprehensive income							
– current year temporary differences	–	–	–	–	–	11	11
Recognised in equity	–	–	2	–	–	–	2
At 31 December 2015	525	(3)	(144)	(51)	6	151	484

	Group		Company	
	2015 R'm	2014 R'm	2015 R'm	2014 R'm
The deferred taxation charged to other comprehensive income during the year is as follows:				
Taxation effect on re-measurement gains on defined benefit funds	11	83	11	83
Taxation effect on hedging reserve	2	1	2	1

The deferred taxation assets arise due to deductible temporary differences and unused taxation losses. 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.

	Group		Company	
	2015 R'm	2014 R'm	2015 R'm	2014 R'm
10. INVENTORIES				
Raw materials	76	89	67	79
Work in progress	3	15	1	11
Finished goods	525	530	475	467
	604	634	543	557
Inventory obsolescence allowance (taken into account in the carrying value of inventories above)				
Finished goods	126	154	104	132
Balance at the end of the year	126	154	104	132

In 2015, a write-down amounting to R38 million for Group and Company (2014: R99 million write-down for Group and R83 million write-down for Company) was reversed and recognised as income in the current period.

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
11. TRADE AND OTHER RECEIVABLES				
Financial instruments	**854**	848	**651**	641
Trade receivables	**971**	940	**739**	728
Impairment allowance	**(148)**	(128)	**(101)**	(109)
Net trade receivables	**823**	812	**638**	619
Other receivables	**23**	24	**6**	10
Accrued income	**6**	10	**6**	10
Staff loans	**2**	2	**1**	2
Non-financial instruments	**10**	1	**–**	–
Prepayments	**2**	–	**–**	–
Deposits	**1**	1	**–**	–
Value added taxation	**7**	–	**–**	–
	864	849	**651**	641

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines limits by customer. Limits and scoring are reviewed annually and upon request from a customer. Due to the nature of the business, there is no customer that represents more than 5% of the total balance of trade receivables.

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

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
South African Rand	**822**	794	**726**	719
Namibian Dollar	**43**	45	**–**	–
Botswana Pula	**32**	32	**13**	9
British Pounds	**–**	–	**–**	–
US Dollars	**–**	–	**–**	–
Zambia Kwacha	**43**	34	**–**	–
Other	**31**	35	**–**	–
	971	940	**739**	728

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
11. TRADE AND OTHER RECEIVABLES continued				
Credit quality of trade receivables				
As at 31 December 2015 Group trade receivables of R348 million (2014: R334 million) and Company trade receivables of R294 million (2014: R255 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The ageing of these trade receivables is shown below:				
Carrying value				
Not past due date	**475**	478	**344**	364
Past due within 30 days from statement	**163**	162	**138**	137
Past due within 30 – 60 days from statement	**66**	69	**65**	60
Past due within 60 – 90 days from statement	**32**	35	**27**	28
Past due within 90 – 120 days from statement	**26**	16	**22**	14
Past due within 120 – 150 days from statement	**18**	18	**16**	16
Past due in excess of 150 days from statement	**191**	162	**127**	109
	971	940	**739**	728
Impairment allowance				
Not past due date	**–**	–	**–**	–
Past due within 30 days from statement	**–**	–	**–**	–
Past due within 30 – 60 days from statement	**–**	–	**–**	–
Past due within 60 – 90 days from statement	**–**	–	**–**	–
Past due within 90 – 120 days from statement	**–**	–	**–**	–
Past due within 120 – 150 days from statement	**36**	17	**30**	15
Past due in excess of 150 days from statement	**112**	111	**71**	94
	148	128	**101**	109

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 2015 was R148 million for Group (2014: R128 million) and R101 million (2014: R109 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	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
Movement in the impairment allowance				
Balance at the beginning of the year	**(128)**	(125)	**(109)**	(105)
Utilised during the year	**8**	19	**8**	18
Raised during the year	**(28)**	(22)	**–**	(22)
Balance at the end of the year	**(148)**	(128)	**(101)**	(109)

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm

12. CASH AND CASH EQUIVALENTS

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

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

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
Cash and cash equivalents	880	526	695	380
Bank overdrafts	(28)	(29)	(28)	(29)
	852	497	667	351
Cash and cash equivalents consist of the following:				
South African Rand	667	351	667	351
Foreign currencies	185	146		
	852	497	667	351

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

Credit risk

The Group limits its credit risk exposure by investing only with financial institutions that have a minimum national long-term credit rating of AA (zaf) (2014: AA (zaf)) or a minimum national short-term credit rating of F1 (zaf) (2014: F1 (zaf)) by Fitch.

The Group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group's credit exposure to individual counterparties.

Management does not expect any counterparty to fail to meet its obligations.

13. ASSETS HELD-FOR-SALE

A decision was taken to dispose of the Group's land, situated in Cornubia, Durban. A suitable alternative rented premises was procured that will enable the Group to accommodate the Durban operations on one site. The process to dispose the land will be piecemeal and is expected to be completed within 12 months. Furthermore, as part of the Group's restructuring initiatives, the Group is undergoing a process of evaluating its property portfolio and a decision was taken to sell unutilised properties. These properties are expected to be sold within 12 months. As part of the rationalisation of the Group's manufacturing facilities, a decision was taken to close the Gas Equipment Factory (GEF) and sell the assets. GEF is not a discontinued operation as it does not represent a separate major line of business. The sale is expected to be completed within 12 months.

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
Property, plant and equipment	120	–	116	–
Total assets held-for-sale	120	–	116	–

	Group 2015	Group 2014	Company 2015	Company 2014
14. EQUITY				
Share capital and share premium				
Total shares in issue	342 852 910	342 852 910	342 852 910	342 852 910
Treasury shares held by subsidiary	(34 285 308)	(34 285 308)		
	308 567 602	308 567 602	342 852 910	342 852 910
	R'm	R'm	R'm	R'm
Ordinary shares	17	17	17	17
Treasury shares held by subsidiary	(2)	(2)		
Share capital	15	15	17	17
Share premium	537	537	537	537
Total share capital and share premium	552	552	554	554

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

The Company's wholly-owned subsidiary, Afrox African Investments Proprietary Limited holds 34 285 308 (2014: 34 285 308) ordinary shares of African Oxygen Limited. These shares are being held as treasury shares.

BOC Holdings owns 50.47% (2014: 50.47%) of the Company, but from a Group perspective, BOC Holdings owns 56.08% (2014: 56.08%) of the Group's shares. The ultimate beneficial shareholder is Linde AG.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
15. RESERVES				
Incentive scheme share reserve	(58)	(47)	(58)	(47)
Share-based payment reserve	58	39	58	39
Hedging reserve	6	1	(1)	(6)
Re-measurement gains on defined benefit funds	317	289	317	289
Foreign currency translation reserve	(56)	(69)		
Total reserves	267	213	316	275

Incentive scheme share reserve

The incentive scheme share reserve comprises the cost of shares purchased by the Group on behalf of employees in terms of the Group's new share appreciation rights incentive scheme. The scheme was previously cash-settled and was converted to an equity-settled scheme with effect 1 January 2012. Shares purchased are transferred to the share-based payment reserve in the period in which they vest.

Share-based payment reserve

The share-based payment reserve relates to equity-settled share-based payments. Refer to note 35 for more detail.

Hedging reserve

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

Foreign currency translation reserve

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

Re-measurement gains/losses on defined benefit funds

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

	Currency	Date of final re-payment	Interest rate	Rate	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
16. LONG-TERM BORROWINGS								
Unsecured borrowings					**1 000**	1 000	**1 000**	1 000
Less: Short-term portion of long-term borrowings					**–**	–	**–**	–
					1 000	1 000	**1 000**	1 000
Terms of repayment								
Unsecured loans								
RMB syndicated loan – Absa	ZAR	06/2018	9.84%	fixed	**165**	165	**165**	165
RMB syndicated loan – Nedbank	ZAR	06/2018	9.86%	fixed	**115**	115	**115**	115
RMB syndicated loan – Old Mutual (OMSFIN)	ZAR	06/2018	9.82%	fixed	**115**	115	**115**	115
RMB syndicated loan – RMB	ZAR	06/2018	9.87%	fixed	**140**	140	**140**	140
RMB syndicated loan – Sanlam	ZAR	06/2018	9.85%	fixed	**50**	50	**50**	50
RMB syndicated loan – Standard Bank	ZAR	06/2018	9.78%	fixed	**15**	15	**15**	15
RMB syndicated loan – Absa	ZAR	06/2020	10.63%	fixed	**65**	65	**65**	65
RMB syndicated loan – Nedbank	ZAR	06/2020	10.66%	fixed	**135**	135	**135**	135
RMB syndicated loan – Old Mutual (OMSFIN)	ZAR	06/2020	10.60%	fixed	**135**	135	**135**	135
RMB syndicated loan – Sanlam	ZAR	06/2020	10.63%	fixed	**65**	65	**65**	65
					1 000	1 000	**1 000**	1 000
Less: Short-term portion of long-term borrowings					**–**	–	**–**	–
					1 000	1 000	**1 000**	1 000
Minimum repayments of unsecured borrowings:								
Less than one year – capital					**–**	–	**–**	–
Less than one year – interest					**102**	101	**102**	101
					102	101	**102**	101
Between two and five years – capital					**1 000**	600	**1 000**	600
Between two and five years – interest					**237**	318	**237**	318
Beyond five years – capital					**–**	400	**–**	400
Beyond five years – interest					**–**	21	**–**	21
					1 237	1 339	**1 237**	1 339
					1 339	1 440	**1 339**	1 440

The fair value of total borrowings was R919 million (2014: R959 million). The income approach was used to determine the fair value of total borrowings whereby the present value technique was used to take into account the future cash flows that a market participant holding the asset would expect. The future cash flows were discounted at a discount rate of 11.64% (2014: 10.20%) for loans due in 2018 and 12.20% (2014: 10.82%) for loans due in 2020. The discount rate is based on the Rand Merchant Bank five-year and seven-year swap rates with a margin of 2.65% (2014: 2.65%), for loans due in 2018 and 2020 respectively.

Loans are repayable in full on maturity date while interest is paid quarterly in arrears.

Cash flow sensitivity for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by RNil (2014: RNil) for a period of one year compounded monthly. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2014.

	Group and Company			
	Contract settlement provision R'm	Dismantling costs provision R'm	Re-structuring provision R'm	Total R'm
17. PROVISIONS				
At 1 January 2014	34	–	–	34
Additional provisions created in the year	–	–	165	165
Amounts utilised during the year	(5)	–	–	(5)
Unutilised amounts reversed during the year	3	–	–	3
At 31 December 2014	32	–	165	197
Additional provisions created in the year	–	3	111	114
Amounts utilised during the year	(6)	–	(169)	(175)
Amounts released during the year	–	–	(47)	(47)
Amounts transferred to trade and other payables	–	–	(31)	(31)
Unwinding of discount	3	–	–	3
At 31 December 2015	29	3	29	61

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
18. TRADE AND OTHER PAYABLES				
Financial instruments	776	667	643	567
Trade payables	585	545	513	488
Other payables	160	122	99	79
Restructuring costs	31	–	31	–
Non-financial instruments	123	155	107	140
Employee benefits including leave pay, bonuses and other costs	91	108	82	101
Deferred rentals	17	18	15	16
Value added taxation	15	29	10	23
	898	822	750	707

Other payables includes sundry accruals, electricity accruals, audit fee accruals, freight and customs accruals and lease straight-lining accruals.

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

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

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

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
19. OTHER SHORT-TERM FINANCIAL LIABILITIES				
Cylinder deposits				
HP cylinder deposits	33	29	–	–
LPG cylinder deposits	191	180	186	170
Total	224	209	186	170

20. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange contracts

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

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

	Group and Company			
	Foreign currency 2015 m	**ZAR 2015 R'm**	Foreign currency 2014 m	ZAR 2014 R'm
British Pounds	–	10	1	14
Euro	7	109	5	77
Japanese Yen	–	–	1	–
US Dollars	3	45	6	64
Australian Dollars	–	2	–	2
		166		157
Mark-to-market value				
Foreign exchange contracts asset/(liability)		15		(1)

Actual foreign carrying amounts were used and not rounded rates as disclosed above.

	Group		Company	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
21. REVENUE				
Sale of goods	4 899	5 261	4 096	4 351
Rentals	574	573	574	573
Total revenue for the year	5 473	5 834	4 670	4 924

22. EARNINGS BEFORE INTEREST AND TAXATION (EBIT) BEFORE RESTRUCTURING COSTS

	Notes	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
EBIT before restructuring costs is shown after taking the following into account:					
Cost of sales		2 857	3 210	2 506	2 796
Income					
Dividends received from subsidiaries – unlisted				133	142
Management fees from subsidiaries				29	49
Management fees from fellow subsidiaries		9	10	9	10
Expenses					
Auditors' remuneration		9	9	6	7
Audit services		8	8	5	6
Non-audit services		1	1	1	1
Depreciation of property, plant and equipment	1	369	349	339	322
Freehold properties		13	6	3	1
Plant and equipment		214	196	207	187
Cylinders		101	104	97	100
Vehicles		26	27	19	20
Furniture and fittings		15	16	13	14
Amortisation of intangibles	2	21	32	21	32
Profit on disposal of property, plant and equipment		(6)	(19)	(1)	(10)
Operating lease charges		101	115	105	117
Property		48	60	54	65
Vehicles and equipment		53	55	51	52
Rentals					
Vehicles and equipment		236	233	235	233
(Profit)/loss on foreign currency transactions		(24)	10	(20)	5
(Profit)/loss on fair value hedges		(9)	2	(9)	2
Inventory (reversal)/write-down		(38)	99	(38)	83
Impairment losses		27	52	27	35
Plant and equipment		27	35	27	22
Goodwill		–	17	–	13

	Notes	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
23. EMPLOYEE AND KEY MANAGEMENT COMPENSATION COSTS					
Directors' emoluments		17	14	17	14
Executives – for services as directors		14	12	14	12
Non-executives – fees		3	2	3	2
Employee costs		1 042	1 204	925	1 080
Salaries and wages		884	1 061	775	945
Current service costs – Pension fund	8	17	20	17	20
Current service costs – Post-retirement medical benefit	8	1	1	1	1
Provident fund contributions		63	71	61	68
Other salary costs		7	7	6	6
Equity-settled share-based costs		19	(5)	19	(5)
Medical aid current contribution for employees		51	49	46	45
For a detailed breakdown of the directors' emoluments, see the Remuneration report page 29.					
24. RESTRUCTURING COSTS					
Provision raised for redundancy payments		58	125	58	125
Provision raised for restructuring consulting costs		53	40	53	40
Total provision raised	16	111	165	111	165
Inventory write-down		15	20	15	20
Amount released to profit and loss for redundancy payments		(47)	–	(47)	–
Total restructuring costs		79	185	79	185
Taxation		(22)	(52)	(22)	(52)
Net restructuring costs after taxation		57	133	57	133
25. FINANCE (EXPENSE)/INCOME					
Finance expense					
Loans and payables		(110)	(106)	(110)	(106)
Less: Interest capitalised on property, plant and equipment		14	19	14	19
Total finance expense		(96)	(87)	(96)	(87)
Finance income					
Loans and receivables		29	5	26	3
Net interest income on retirement benefit assets		41	53	41	53
Lease receivables from finance leases		17	17	8	9
Total finance income		87	75	75	65
Net finance expense		(9)	(12)	(21)	(22)
Analysed per category:					
Net loans and payables		(26)	(29)	(29)	(31)
Lease receivables from finance leases		17	17	8	9
		(9)	(12)	(21)	(22)

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
26. INCOME TAXATION EXPENSE				
Normal taxation	66	125	(10)	43
Current year	76	115	–	43
Prior year (over)/underprovision	(10)	10	(10)	–
Deferred taxation	(4)	(38)	1	(31)
Current year temporary differences	1	(34)	4	(34)
Prior year (over)/underprovision	(5)	(4)	(3)	3
Foreign taxation	13	6	13	6
	75	93	4	18
Reconciliation of taxation charge				
Profit before taxation	500	189	378	73
Taxation calculated at a statutory tax rate of 28% (2014: 28%)	140	53	106	20
Income not subject to taxation	(4)	(1)	(47)	(41)
S12I additional investment allowance	(65)	–	(65)	–
Prior year adjustments	(15)	6	(13)	3
Expenses not deductible for taxation purposes	8	23	10	30
Foreign taxation rate differential	(2)	6	–	–
Foreign taxes	13	6	13	6
Income taxation expense	75	93	4	18
Effective taxation rate (%)	15.0	49.2	1.1	24.7

The effective tax rate of 1.1% for the company is mainly due to the section 12I additional investment tax allowance granted by the South African Revenue Service of R232 million. This section 12I allowance was granted for the recently commissioned Port Elizabeth Air-Separation-Unit. The section 12I allowance resulted in a reduction in tax paid by 17%, amounting to R65 million.

27. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share and Group diluted earnings per share are calculated on earnings of R414 million (2014: R83 million) and a weighted average number of ordinary shares of 308 567 602 (2014: 308 567 602) in issue during the period. Group headline earnings per share is calculated on headline earnings of R429 million (2014: R111 million) and a weighted average number of ordinary shares of 308 567 602 (2014: 308 567 602) in issue during the period.

Group	2015			2014		
	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	414	–	414	83	–	83
Adjustments for:						
– Impairment of goodwill in subsidiaries	–	–	–	17	–	17
– Profit on disposal of property, plant and equipment	(6)	2	(4)	(19)	5	(14)
– Impairment of property, plant and equipment	27	(8)	19	35	(10)	25
Headline earnings	435	(6)	429	116	(5)	111
Basic and diluted earnings per ordinary share (cents)			134.2			26.8
Headline and diluted headline earnings per ordinary share (cents)			139.2			36.2

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
28. DIVIDENDS				
Final dividend number 175 paid on 22 April 2014: 20 cents per share		62		69
Interim dividend number 176 paid on 13 October 2014: 24 cents per share		74		82
Interim dividend number 177 paid on 12 October 2015: 18 cents per share	56		62	
	56	136	62	151
	cents	cents	cents	cents
Dividends declared per share (cents)	69.0	24.0	69.0	24.0
Interim	18.0	24.0	18.0	24.0
Final	51.0	0.0	51.0	0.0

The local net dividend is 43.35 cents per share for shareholders liable to pay the Dividend Tax (2014: nil cents) and 51 cents per share for shareholders exempt from dividend tax (2014: nil cents).

In terms of the Dividend Tax, the following additional information is disclosed:
– the dividend has been declared out of income reserves;
– the local Dividend Tax rate is 15%, subject to double tax agreement;
– Afrox currently has 308 567 602 ordinary shares in issue; and
– Afrox's income tax reference number is 9350042710.

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
29. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS				
Profit before taxation	500	189	378	73
Adjustments for:				
Depreciation	369	349	339	322
Dividends received			(133)	(142)
Foreign exchange adjustments	11	(30)	(4)	–
Revaluation (gain)/loss on derivative financial instruments	(9)	2	(9)	2
Impairment of tangible and intangible assets	27	52	27	35
Reversal of income from associate	(1)	(1)		
Profit on disposal of property, plant and equipment	(6)	(19)	(1)	(10)
Impairment of investments			3	33
Provident fund holiday utilised	–	11	–	11
Restructuring provision	79	165	79	165
Other non-cash movements*	13	88	(18)	107
Amortisation of intangibles	21	32	21	32
Finance income	(87)	(75)	(75)	(65)
Finance expenses	96	87	96	87
EBIT before working capital adjustments	1 013	850	703	650
Working capital adjustments	82	136	65	174
Decrease in inventories	58	122	42	88
(Increase)/decrease in trade and other receivables	(41)	43	(8)	41
Increase in net Group company payables			–	58
Increase in net fellow subsidiary payables	3	12	3	12
Increase/(decrease) in trade, other payables, provisions and other short term liabilities	62	(41)	28	(25)
Cash generated from operations	1 095	986	768	824

** Other non-cash movements relate to current service costs, share appreciation rights charge, movement in inventory obsolescence allowance and movement in trade receivables impairment allowance.*

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
30. NORMAL TAXATION PAID				
Net taxation (liability)/receivable at the beginning of the year	(11)	5	24	17
Income statement charge (excluding deferred taxation)	(79)	(131)	(3)	(50)
Interest paid	–	2	–	1
Translation difference	5	–	–	–
Net taxation (receivable)/liability at the end of the year	(31)	11	(40)	(24)
Normal taxation paid	(116)	(113)	(19)	(56)
Normal taxation paid	(103)	(65)	(6)	(51)
Interest paid	–	2	–	1
Foreign taxation paid	(13)	(50)	(13)	(6)
Normal taxation paid	(116)	(113)	(19)	(56)
31. DIVIDENDS PAID				
Ordinary dividends	56	136	62	151

32. FINANCIAL RISK MANAGEMENT

32.1 Overview

The Group was exposed to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

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

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

32.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group'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'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's treasury policy and to limit the Group's exposure to credit risk arising from the use of derivative financial instruments. The Group does not consider there to be any significant concentration of credit risk related to derivative financial instruments.

Cash and cash equivalents

The Group limits its exposure to financial institutions by dealing with institutions with a minimum national long-term credit rating of AA (zaf) or a minimum national short-term credit rating of F1 (zaf). The Group has International Swap and Derivatives Master Agreements with most of its counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group's credit exposure to individual counterparties.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the Group has a large customer base spread across various geographical areas and industries. The Group has credit policies that require appropriate credit checks on potential customers before sales commence, with on-going reviews at regular intervals. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The Group considers its maximum credit risk to be R1 910 million (2014: R1 527 million) which is the total of the Group's financial assets. At 31 December 2015 the Group did not consider there to be a significant concentration of credit risk for which an impairment allowance had not adequately been made.

32. FINANCIAL RISK MANAGEMENT continued

32.3 Liquidity risk

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

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

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

The Group has 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	
	2015 R'm	2014 R'm	**2015 R'm**	2014 R'm
Committed facilities	**1 590**	1 090	**1 590**	1 090
Uncommitted facilities	**680**	815	**670**	805
Term loans maturing over the next five years	**1 000**	600	**1 000**	600
Term loans maturing beyond five years	**–**	400	**–**	400

Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised banking facilities and reserve borrowing capacity, as indicated by the level of uncommitted facilities.

Unutilised borrowing capacity under uncommitted bank facilities amounted to R680 million (2014: R815 million) for Group and R670 million (2014: R805 million) for Company.

Non-derivative financial liabilities

The table below analyses the Group'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
2015						
Borrowings	**102**	**1 237**	**–**	**102**	**1 237**	**–**
Trade and other payables	**776**	**–**	**–**	**643**	**–**	**–**
Other short-term financial liabilities	**224**	**–**	**–**	**186**	**–**	**–**
Payables to fellow subsidiaries of holding company	**76**	**–**	**–**	**76**	**–**	**–**
Payables to Group companies				**74**	**–**	**–**
Bank overdrafts	**28**	**–**	**–**	**28**	**–**	**–**
2014						
Borrowings	101	918	421	101	918	421
Trade and other payables	667	–	–	567	–	–
Other short-term financial liabilities	209	–	–	170	–	–
Payables to fellow subsidiaries of holding company	49	–	–	49	–	–
Payables to Group companies				65	–	–
Bank overdrafts	29	–	–	29	–	–

32. FINANCIAL RISK MANAGEMENT continued

32.3 Liquidity risk continued

Derivative financial liabilities

The table below analyses the Group'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. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group and Company Less than 1 year R'm
2015	
Foreign currency contracts	
Outflow	166
2014	
Foreign currency contracts	
Outflow	157

32.4 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'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 buys foreign currency derivatives in order to manage foreign exchange risks. Such transactions are carried out within the guidelines set by the Group treasury. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

Foreign currency risk

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

The Group faces a number of risks from currency rate movements as discussed below:

Transaction exposure

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

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

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

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

Group treasury's currency funding objective is to hedge all foreign investments by borrowing in the currency of investment revenues where practicable and cost-effective.

Economic exposure

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

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

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

Foreign currency exposure

Trade exposure

The Group has 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 during 2016.

Details of significant contracts are as follows:

	Group and Company		
	Foreign currency m	Average forward rate	Rand amount R'm
Liabilities			
2015			
US Dollars	3	14.86	45
British Pounds	–	22.06	10
Euro	5	15.79	84
Australian Dollars	–	10.44	2
			141
2014			
US Dollars	5	11.45	54
British Pounds	1	17.65	13
Euro	2	14.19	28
Australian Dollars	–	9.62	2
Japanese Yen	1	0.10	–
			97

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

Actual foreign currency amounts were used and not rounded amounts as disclosed above.

Sensitivity analysis

The tables on page 60 set out the Group's currency exposures from financial assets and financial liabilities held by Group companies in currencies other than their functional currencies and resulting in currency movements in the statement of comprehensive income and statement of financial position. The potential impact on profit or loss is based on a 1% change in foreign currency rate, a change in 1% in foreign currency rate relating to financial assets will result in a profit and any 1% change in foreign currency rate relating to financial liabilities will result in a loss.

Foreign currency sensitivity analysis

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

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
32. FINANCIAL RISK MANAGEMENT continued				
32.4 Market risk continued				
Financial assets – trade and other receivables				
Amount				
US Dollars	–	–	–	–
British Pounds	–	–	–	–
Botswana Pula	32	32	13	9
Zambia Kwacha	43	34	–	–
Namibian Dollars	43	45	–	–
Other	31	35	–	–
Total	149	146	13	9
Potential impact on profit or loss				
US Dollars	–	–	–	–
British Pounds	–	–	–	–
Botswana Pula	–	–	–	–
Zambia Kwacha	1	1	–	–
Namibian Dollars	–	1	–	–
Other	–	1	–	–
Total	1	3	–	–
Financial liabilities – trade and other payables				
Amount				
Australian Dollar	1	–	1	–
British Pounds	5	1	5	1
US Dollars	24	23	24	23
Euro	72	35	72	35
Zambia Kwacha	34	23	–	–
Other	67	60	–	–
Total	203	142	102	59
Potential impact on profit or loss				
Australian Dollar	–	–	–	–
British Pound	–	–	–	–
US Dollars	1	–	1	–
Euro	1	–	1	–
Zambia Kwacha	1	–	–	–
Other	–	1	–	–
Total	3	1	2	–

There were no foreign currency denominated borrowings on the current year. In the prior year there was a loan denominated in Namibian Dollar which was pegged against the South African Rand. This loan was settled in the prior year.

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

The following significant exchange rates applied during the year:

	Group and Company	
	2015 R	2014 R
Exchange rates to South African Rand		
Year-end rates		
Botswana Pula	1.39	1.22
British Pound	22.81	18.02
Euro	16.81	14.00
US Dollar	15.48	11.57
Zambian Kwacha (000's)	1.41	1.81
Average rates for the year		
Botswana Pula	1.26	1.21
British Pound	19.51	17.82
Euro	14.17	14.29
US Dollar	12.76	10.84
Zambian Kwacha (000's)	1.48	1.75

Interest rate risk

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

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

As at 31 December 2015 the Group had positive net exposure of R851 million (2014: positive net exposure of R496 million) to variable interest rates.

Fair value sensitivity analysis for fixed rate instruments

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed rates of interest that are accounted for at amortised cost are not subject to fair value interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have impacted profit or loss by the amounts shown on page 49. This analysis assumes all other variables, in particular foreign currency rates, remain constant.

The analysis is performed on the same basis as 2014.

Interest rate profiles of financial assets and financial liabilities

The Group is exposed to interest rate risk as it borrows funds at fixed and variable rates from financial institutions. It also places funds at institutions at variable and fixed rates. The risk is managed by maintaining an appropriate mix between fixed and variable rates at different financial institutions.

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

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

Group

	Weighted average effective interest rate %	Floating interest rate R'm	Fixed interest rate maturing: 1 year or less R'm	Fixed interest rate maturing: 1 to 5 years R'm	Fixed interest rate maturing: Over 5 years R'm	Non-interest bearing R'm	Total carrying amount: 2015 R'm	Total carrying amount: 2014 R'm
Loans and receivables		879	19	55	33	909	1 895	1 527
Trade and other receivables		–	–	–	–	854	854	848
Receivables from fellow subsidiaries of holding company		–	–	–	–	54	54	30
Lease receivables		–	19	55	33	–	107	123
Cash and cash equivalents	6.2	879	–	–	–	1	880	526
Financial assets at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	15	15	–
Total financial assets		879	19	55	33	924	1 910	1 527
Liabilities								
Financial liabilities at amortised cost		28	–	1 000	–	1 076	2 104	1 954
Long-term borrowings		–	–	1 000	–	–	1 000	1 000
Trade and other payables		–	–	–	–	776	776	667
Other short-term financial liabilities		–	–	–	–	224	224	209
Payables to fellow subsidiaries of holding company		–	–	–	–	76	76	49
Short-term portion of long-term borrowings		–	–	–	–	–	–	–
Bank overdrafts	8.6	28	–	–	–	–	28	29
Financial liabilities at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	–	–	1
Total financial liabilities		28	–	1 000	–	1 076	2 104	1 955
Net financial assets/(liabilities)		851	19	(945)	33	(152)	(194)	(428)

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

Company

	Weighted average effective interest rate %	Floating interest rate R'm	Fixed interest rate maturing: 1 year or less R'm	Fixed interest rate maturing: 1 to 5 years R'm	Fixed interest rate maturing: Over 5 years R'm	Non-interest bearing R'm	Total carrying amount: **2015 R'm**	Total carrying amount: 2014 R'm
Loans and receivables		694	7	35	28	1 489	2 253	1 936
Trade and other receivables		–	–	–	–	651	651	641
Receivables from fellow subsidiaries of holding company		–	–	–	–	54	54	30
Receivables from Group companies		–	–	–	–	43	43	33
Lease receivables		–	7	35	28	–	70	76
Loans due by subsidiaries		–	–	–	–	740	740	776
Cash and cash equivalents	6.2	694	–	–	–	1	695	380
Financial assets at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	15	15	–
Total financial assets		694	7	35	28	1 504	2 268	1 936
Liabilities								
Other financial liabilities at amortised cost		28	–	1 000	–	979	2 007	1 880
Long-term borrowings		–	–	1 000	–	–	1 000	1 000
Trade and other payables		–	–	–	–	643	643	567
Other short-term financial liabilities		–	–	–	–	186	186	170
Payables to fellow subsidiaries of holding company		–	–	–	–	76	76	49
Payables to Group companies		–	–	–	–	74	74	65
Bank overdrafts	8.6	28	–	–	–	–	28	29
Financial liabilities at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	–	–	1
Total financial liabilities		28	–	1 000	–	979	2 007	1 881
Net financial assets/(liabilities)		666	7	(965)	28	525	261	55

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

Accounting classifications and fair values

The table below sets out the Group and Company classification of each class of financial assets and liabilities and a comparison of the fair values with their carrying amounts. The different fair value levels have been defined as follows:
Level 1 – Quoted prices in active markets for identical financial assets or liabilities.
Level 2 – Input other than quoted prices included within Level 1 that are observable for the asset or liability.
Level 3 – Input for the assets or liabilities that are not based on observable market data.

The carrying values of cash resources, trade receivables, trade payables, accrued expenses and short-term borrowings approximates fair value because of the short-term maturity of these instruments. The fair values of other long-term financial assets, which comprises lease receivables are not significantly different to their carrying values, as they are carried at amortised cost. The carrying value of the loans due by subsidiaries approximates fair value as there are no fixed terms of repayment and no interest is charged.

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

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

Group

		As at 31 December 2015				As at 31 December 2014			
			Carrying amount				Carrying amount		
	Level	Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Other assets R'm	Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Other assets R'm
Assets									
Non-current assets		88	–	–	88	104	–	–	104
Lease receivables		88	–	–	88	104	–	–	104
Current assets		1 822	1 788	15	19	1 423	1 404	–	19
Trade and other receivables		854	854	–	–	848	848	–	–
Derivative financial instruments	2	15	–	15	–	–	–	–	–
Receivables from fellow subsidiaries of holding company		54	54	–	–	30	30	–	–
Short term portion of lease receivables		19	–	–	19	19	–	–	19
Cash and cash equivalents		880	880	–	–	526	526	–	–

Group

		As at 31 December 2015			As at 31 December 2014		
			Carrying amount			Carrying amount	
	Level	Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm	Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm
Liabilities							
Non-current liabilities							
Long-term borrowings	2	919	1 000	–	959	1 000	–
Current liabilities		1 104	1 104	–	955	954	1
Trade and other payables		776	776	–	667	667	–
Other short-term financial liabilities		224	224	–	209	209	–
Derivative financial instruments	2	–	–	–	1	–	1
Payables to fellow subsidiaries of holding company		76	76	–	49	49	–
Bank overdrafts		28	28	–	29	29	–

32.4 Market risk continued

Company

	Level	As at 31 December 2015 Carrying amount Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Other assets R'm	As at 31 December 2014 Carrying amount Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Other assets R'm
Assets									
Non-current assets		803	740	–	63	842	776	–	66
Lease receivables		63	–	–	63	66	–	–	66
Loans due by subsidiaries		740	740	–	–	776	776	–	–
Current assets		1 465	1 443	15	7	1 094	1 084	–	10
Trade and other receivables		651	651	–	–	641	641	–	–
Derivative financial instruments	2	15	–	15	–	–	–	–	–
Receivables from fellow subsidiaries of holding company		54	54	–	–	30	30	–	–
Receivables from Group companies		43	43	–	–	33	33	–	–
Short-term portion of lease receivables		7	–	–	7	10	–	–	10
Cash and cash equivalents		695	695	–	–	380	380	–	–

Company

	Level	As at 31 December 2015 Carrying amount Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm	As at 31 December 2014 Carrying amount Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm
Liabilities							
Non-current liabilities							
Long-term borrowings	2	919	1 000	–	959	1 000	–
Current liabilities		1 007	1 007	–	881	880	1
Trade and other payables		643	643	–	567	567	–
Other short-term financial liabilities		186	186	–	170	170	–
Derivative financial instruments	2	–	–	–	1	–	1
Payables to fellow subsidiaries of holding company		76	76		49	49	–
Payables to Group companies		74	74	–	65	65	–
Bank overdrafts		28	28	–	29	29	–

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

Hedging

Cash flow hedges

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

The effective portion of the gain or loss on the transaction being hedged is recognised directly in other comprehensive income and released to the income statement when the hedged cash flows are also recognised in the income statement or if a hedged transaction is no longer expected to occur. No amounts were recognised in profit or loss in 2015 (2014: RNil) as a result of ineffectiveness in cash flow hedges.

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

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

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

Group and Company

	As at 31 December 2015 Contractual cash flows			As at 31 December 2014 Contractual cash flows		
	Amount R'm	6 months or less R'm	6 – 12 months R'm	Amount R'm	6 months or less R'm	6 – 12 months R'm
Cash outflows expected from hedged transactions	28	28	–	60	51	9
Gain/(loss) expected in other comprehensive income	3	3	–	(2)	(2)	–

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

	Group		Company	
	2015 R'm	2014 R'm	2015 R'm	2014 R'm
Gains/(losses)				
At 1 January	1	5	(6)	(2)
Gains recognised in other comprehensive income (net of tax)	5	(4)	5	(4)
At 31 December	6	1	(1)	(6)

32. FINANCIAL RISK MANAGEMENT continued

32.4 Market risk continued

Fair value hedges

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

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

	Group and Company					
	As at 31 December 2015			As at 31 December 2014		
		Contractual cash flows			Contractual cash flows	
	Amount R'm	**6 months or less R'm**	**6 – 12 months R'm**	Amount R'm	6 months or less R'm	6 – 12 months R'm
Cash outflows expected from hedged transactions	153	153	–	99	99	–
Gain/(loss) expected in profit or loss	12	12	–	(2)	(2)	–

32.5 Treasury cash management

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

The main objectives of the treasury function are:

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

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

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

32.6 Capital management

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

The Group'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's long term credit outlook is currently rated Global Credit Ratings A-(ZA) (2014: A-(ZA)). Key credit metrics that underpin the Group's rating are reviewed on a quarterly basis. Financial covenants included in the Group's core bank facilities were complied with.

33. RELATED PARTY TRANSACTIONS

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

Related party transactions

Shareholders

Details on the shareholders of the company are disclosed in the Shareholders' profile on page 7 (shareholders' profile).

Holding company

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

Directors' and key management emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity. Details on the remuneration of the directors and prescribed officers are disclosed on page 28 (Remuneration report). The total remuneration of key management (including prescribed officers) was R28 million (2014: R25 million). No loans were made to or received from any director or key manager.

	Group and Company	
	2015 R'm	**2014 R'm**
Holding company		
Cash dividends to holding company	30	72
Technical aid fee	19	19
Fellow subsidiaries of holding company		
Revenue from sale of goods:	82	85
BOC UK	15	17
BOC Kenya	5	8
BOC Nigeria	3	3
BOC Zimbabwe	38	34
BOC Australia	17	19
BOC Group Limited	1	1
Linde Headquarters	2	2
Linde Asia	1	1
Income from management fees:	9	10
BOC Kenya	3	4
BOC Zimbabwe	6	6
Purchase of goods and services:	87	72
BOC UK	4	11
Linde Headquarters	66	47
BOC Ireland	2	2
Linde North America	5	4
BOC Group Limited	6	5
BOC Nigeria	1	–
BOC Zimbabwe	1	–
BOC China	2	3
Turnkey projects:	3	252
Linde Engineering	–	200
BOC Cryostar	3	–
Linde Process Plants	–	52
Receivables from fellow subsidiaries of holding company:	54	30
BOC UK	7	9
BOC Group Limited	1	–
BOC Zimbabwe	21	6
BOC Kenya	7	2
BOC Nigeria	9	6
BOC Tanzania	1	–
BOC Australia	7	6
Linde Headquarters	1	1
Payables to fellow subsidiaries of holding company:	76	49
Linde Headquarters	30	13
BOC Group Limited	19	11
BOC UK	9	12
BOC Cryostar	–	3
Linde Global Helium	11	4
Linde Gas division	1	–
Linde AG	5	6
BOC China	1	–

	Company 2015 R'm	Company 2014 R'm
33. RELATED PARTY TRANSACTIONS continued		
Subsidiaries		
Revenue from sale of goods and services:	207	229
Afrox Zambia	40	44
Afrox Malawi	14	21
IGL	37	43
Swazi Oxygen	15	9
Botswana Oxygen Company	16	19
Afrox Mozambique	14	12
Afrox Lesotho	71	80
Industrial Research and Development	–	1
Income from management fees:	29	49
Afrox Lesotho	4	11
ISAS Trust	2	8
Swazi Oxygen	9	7
Afrox Zambia	4	10
Afrox Malawi	2	2
IGL	8	11
Purchases of goods and services	12	19
Afrox Properties	12	12
Industrial Research and Development	–	7
Receivables from Group Companies	43	33
Botswana Oxygen Company	3	2
Swazi Oxygen	4	2
Afrox Zambia	8	5
IGL	4	3
Afrox Malawi	4	6
Afrox Lesotho	8	7
Afrox Mozambique	12	8
Amounts outstanding on current accounts included in payables to Group companies		
Industrial Research and Development	–	–
Amounts outstanding on loans included in payables to Group companies	74	65
Amalgamated Welding and Cutting	–	2
Kiddo Investments	6	1
Afrox Lesotho	–	6
Afrox Safety	50	41
BOC Mozambique	2	2
Afrox Mozambique	1	1
Swazi Oxygen	15	12
Dividends received	133	142
Associate		
Revenue from sale of goods:		
Les Gaz Industriels Limited	1	1
Payables to Group companies comprise:	74	65
Amounts outstanding on current accounts included in payables to Group companies	–	–
Amounts outstanding on loans included in payables to Group companies	74	65

Investments in subsidiaries and associated companies are detailed on page 74 and 77.

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

	Group 2015 R'm	Group 2014 R'm	Company 2015 R'm	Company 2014 R'm
34. COMMITMENTS AND GUARANTEES				
Capital commitments				
Capital expenditure				
Authorised and contracted	80	87	74	87
Authorised by the directors, but not yet contracted for	264	570	228	525
Total future capital expenditure	344	657	302	612
Allocated to:				
Property, plant and equipment	344	657	302	612
Afrox intends to finance capital expenditure from surpluses generated and borrowing facilities available.				
Leases				
Operating leases				
The Group and Company leases certain of its property, plant and equipment in terms of operating leases.				
Total future minimum lease payments under non-cancellable operating leases				
Not later than one year	78	81	78	81
Between one and five years	218	210	218	210
Longer than five years	329	224	329	224
	625	515	625	515
Leases of vehicles are for periods between 12 months to 120 months and are not subject to annual increases or other contingent rental changes. Interest rates are variable and linked to the prime lending rate.				
Leases of buildings are of varying lengths. Contingent rentals take the form of variable increases in monthly fees linked to various indices depending on the contract signed with the building landlord.				
Deemed finance leases (IFRIC 4)				
These assets are recognised as lease receivables, refer to note 7. Lease payments received and finance income recognised are detailed below:				
Lease payments receivable	(33)	(33)	(14)	(15)
Finance income to be recognised	14	14	7	5
	(19)	(19)	(7)	(10)

35. SHARE-BASED PAYMENTS

The Group has the following equity-settled share-based payments arrangements:
34.1 Share appreciation rights (SARs) scheme – with conditions (excluding the original SARs scheme)
34.2 Forfeitable Share Plan (FSPs) – with conditions
34.3 FSPs – without conditions

The fair value of both the FSPs and the SARs at grant date was independently valued by PricewaterhouseCoopers Advisory Services Proprietary Limited measured based on the Monte Carlo simulation model. The weighting of the performance conditions for FSPs and SARs issued in 2012 and 2014 is 75% Headline Earnings Per Share (HEPS) and 25% absolute Total Share Holder Return (TSR). The weighting of performance conditions for FSPs and SARs issued in 2013 is 60% HEPS and 40% absolute TSR.

34.1 SARs – with conditions

In 2012, the Group changed its SARs from cash-settled to equity-settled. The employment benefit liability recognised prior to 2012 for both the Group and Company in respect of the SARs of R15 million was transferred to equity.

There are three SARs schemes:

- Original SARs scheme: rights issued on or before 31 December 2006. There are no performance conditions attached to these rights.
- Modified SARs scheme: rights issued between 1 January 2007 to 31 December 2011. No SARs 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 SARs is intended to be exercised has grown by no less than GDP adjusted for inflation over the same period.
- New SARs scheme: rights issued after 1 January 2012. Rights will vest subject to a HEPS and TSR performance criteria being satisfied over the performance period.

35. SHARE-BASED PAYMENTS continued

Valuation methodologies:

- Original SARs: The benefit payable per grant to an employee on exercise date under a SARs scheme is calculated as the higher value of the difference between the spot share price at the time and the strike (or grant) price and zero. Original SARs scheme is valued using the binomial tree model.
- Modified SARs: The valuation of the modified SARs 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.
- New SARs: The valuation of the new SARs scheme was performed using a risk neutral binomial tree methodology, taking into account the expected vesting percentage.

The schemes cover a three-year performance period and entitles 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 (FSPs) and ten years (SARs) of grant date. The issuing 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 issued 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 issued. If performance criteria have not been met, no shares will be allocated.

	Company	
	2015	2014
Fair value inputs and assumptions (new SARs):		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	3.80	4.25
Share price at grant date (R)	14.80	22.00
Strike price at grant date (R)	22.00	22.00
Expected Afrox volatility (weighted average)(%)	28.00	27.00
Expected TSR volatility (weighted average)(%)	27.79	25.98
Expected dividend yield (%)	3.71	2.70
Risk free interest rate	8.50	7.80
Vesting date	Jan-18	Jan-17
Maturity date	Dec-21	Dec-20
Number of new SARs in issue:		
Balance at the beginning of the year	6 306 951	4 213 950
Granted during the year	1 896 000	2 093 001
Forfeited during the year	(2 709 700)	–
Balance at the end of the year	5 493 251	6 306 951
Number of unvested SARs at the end of the year	5 493 251	6 306 951
Total new SARs issued as at the end of the year	5 493 251	6 306 951
Range of exercise prices (Rand per share)	14.80 – 22.00	19.75 – 22.00
Weighted average contractual life (years)	6.02	5.10

	Company 2015 R'm	Company 2014 R'm
35. SHARE-BASED PAYMENTS continued		
Fair value inputs and assumptions (original SARs):		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Dividend yield (%)	2.30	2.30
Share price volatility (%)	27.00	27.00
Risk free interest rate	7.60	7.60
Range of exercise prices (Rand per share)	21.00 – 32.25	21.00 – 32.25
Weighted average contractual life (years)	0.10	1.10
Number of original SARs in issue:		
Balance at the beginning of the year	2 459 327	3 275 030
Exercised during the year	–	(84 001)
Forfeited during the year	(684 850)	(731 702)
Balance at the end of the year	1 774 477	2 459 327
Number of vested SARs at the end of the year	1 774 477	2 459 327
Total original SARs issued as at the end of the year	1 774 477	2 459 327
Fair value inputs and assumptions (modified SARs):		
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)	16.06 – 36.29	16.06 – 36.29
Weighted average contractual life (years)	4.00	5.00
Number of modified SARs in issue:		
Balance at the beginning of the year	8 940 892	8 969 684
Forfeited during the year	(305 759)	(28 792)
Balance at the end of the year	8 635 133	8 940 892
Number of vested SARs at the end of the year	8 635 133	8 940 892
Total modified SARs issued as at the end of the year	8 635 133	8 940 892

35. SHARE-BASED PAYMENTS continued

34.2 FSPs – with conditions

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.

	Company 2015	Company 2014
Fair value inputs and assumptions (FSP – with conditions)		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	13.20	13.23
Share price at grant date (R)	14.80	22.00
Expected volatility (%)	28.00	27.00
Expected dividend yield (%)	3.71	2.70
Vesting and maturity date	Jan-18	Jan-17
Weighted average contractual life (years)	6.25	5.30
Number of FSPs with conditions in issue:		
Balance at the beginning of the year	1 203 650	764 675
Granted	631 000	519 750
Terminations	(446 830)	(80 775)
Balance at the end of the year	1 387 820	1 203 650
Number of unvested FSPs with conditions at the end of the year	1 387 820	1 203 650
Total number of FSPs with conditions in issued as at the end of the year	1 387 820	1 203 650

34.3 FSPs – without conditions

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 the start of the period (grant date), which are actual Afrox shares awarded at no cost as a long-term incentive.

	Company 2015	Company 2014
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)	14.80	22.00
Share price at grant date (R)	14.80	22.00
Expected dividend yield (%)	3.71	2.70
Vesting and maturity date	Jan-18	Jan-17
Weighted average contractual life (years)	6.26	1.26
Number of FSPs without conditions in issue:		
Balance at the beginning of the year	951 000	598 475
Granted	555 000	396 750
Terminations	(274 095)	(44 225)
Balance at the end of the year	1 231 905	951 000
Number of unvested FSPs without conditions at the end of the year	1 231 905	951 000
Total number of FSPs without conditions in issued as at the end of the year	1 231 905	951 000

Expense recognised in profit or loss for 2015:

	Company 2015 R'm	Company 2014 R'm
Share appreciation rights – with conditions	(12)	(14)
Forfeitable shares – with conditions	(6)	3
Forfeitable shares – without conditions	(1)	6
Total expense recognised for equity-settled share-based payment	(19)	(5)

36. CONTINGENT LIABILITY

The company continues to pursue its rights in terms of a disputed supply contract with a major steel producer. No revenue has been accounted for in terms of this contract since June 2012. The disputed revenue not recorded amounts to approximately R131.9 million (excluding VAT) with the total amount outstanding at approximately R233 million, including interest. The main hearing is scheduled for June/July 2016.

37. EVENTS AFTER THE REPORTING DATE

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

38. GOING CONCERN

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

39. SUBSIDIARIES

Name of company	Nature of business*	Issued share capital 2015	Issued share capital 2014	Effective holding 2015 %	Effective holding 2014 %	Carrying value of Company's interest: Shares at cost 2015 R'm	Shares at cost 2014 R'm	Loans due by subsidiaries 2015 R'm	Loans due by subsidiaries 2014 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	–	–	459	464
Afrox Educational Services (Pty) Ltd	D	–	R200	–	100	–	–	–	–
Afrox Finance (Pty) Ltd	D	R60 000	R60 000	100	100	–	–	–	–
Afrox Properties (Pty) Ltd	P	R4 000	R4 000	100	100	–	–	163	170
Afrox Safety (Pty) Ltd	E	R1 000 000	R1 000 000	100	100	4	4	75	75
Amalgamated Gas and Welding (Pty) Ltd	D	–	R100	–	100	–	–	–	–
Amalgamated Welding and Cutting (Pty) Ltd	D	–	R2 500 000	–	100	–	3	–	–
Amalgamated Welding and Cutting Holdings (Pty) Ltd	D	R20 016	R20 016	100	100	–	–	–	–
AWCE (Pty) Ltd	D	–	R20 000	–	100	–	–	–	–
Energy Medical Supplies (Pty) Ltd	D	–	R3 000	–	100	–	–	–	2
Harris Gas Equipment (Pty) Ltd	D	–	R2	–	100	–	–	–	–
Human Performance Systems (Pty) Ltd	D	–	R200	–	100	–	–	–	–
Industrial Research and Development (Pty) Ltd	E	R6 000	R6 000	100	100	–	–	–	4
ISAS Trust	G	R56 117 720	R56 117 720	100	100	45	45	11	1
Nasionale Sweisware (Pty) Ltd	D	–	R2	–	100	–	–	–	–
Nicoweld (Pty) Ltd	D	–	R1 200	–	100	–	–	–	–
PPE-Isizo (Pty) Ltd	D	–	R200	–	100	–	–	–	–
Safety Gas (Pty) Ltd	D	–	R100	–	100	–	–	–	–
Subsidiary incorporated in Angola									
Afrox Africa Oxigenio Limitada	G	KA1,8m	KA1,8m	100	100	–	–	1	1
Subsidiaries incorporated in Botswana									
Afrox Gas & Engineering Supplies (Botswana) (Pty) Ltd	D	P4 000	P4 000	100	100	–	–	–	–
Botswana Oxygen Company (Pty) Ltd	G	P200	P200	100	100	–	–	5	9
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	–	–	–	–

Name of company	Nature of business*	Issued share capital 2015	Issued share capital 2014	Effective holding 2015 %	Effective holding 2014 %	Carrying value of Company's interest: Shares at cost 2015 R'm	Shares at cost 2014 R'm	Loans due by subsidiaries 2015 R'm	Loans due by subsidiaries 2014 R'm
39. SUBSIDIARIES continued									
Subsidiaries incorporated in Lesotho									
Afrox Lesotho (Pty) Ltd	G	M2	M2	100	100	–	–	4	–
Lesotho Oxygen (Pty) Ltd	D	M2	M2	100	100	–	–	–	–
Subsidiary incorporated in Malawi									
Afrox Malawi Limited	G	K4,4m	K4,4m	79	79	1	1	3	3
Subsidiary incorporated in Mauritius									
Afrox International Limited	D	US$7 508	US$7 508	100	100	–	–	–	–
Subsidiaries incorporated in Mozambique						–			
Afrox Mozambique Limitada	G	MZM2.350m	MZM2.350m	100	100	17	17	9	9
BOC Gases Mozambique Limitada	G	MZM1 100	MZM1 100	100	100	1	1	2	3
Subsidiaries incorporated in Namibia									
IGL (Pty) Ltd	G	N$2	N$2	100	100	–	–	2	30
IGL Properties (Pty) Ltd	P	N$280 000	N$280 000	100	100	–	–	6	5
Namox (Pty) Ltd	G	N$200	N$200	100	100	–	–	–	–
Reptile Investment Nine (Pty) Ltd	G	N$100	N$100	100	100	–	–	–	–
Reptile Investment Ten (Pty) Ltd	G	N$100	N$100	100	100	–	–	–	–
Subsidiaries incorporated in Swaziland									
Handigas Swaziland (Pty) Ltd	D	E 8	E 8	100	100	–	–	–	–
Swazi Oxygen (Pty) Ltd	G	E 8	E 8	100	100	–	–	–	–
Subsidiary incorporated in Zambia									
Afrox Zambia Limited	G	ZK86.5m	ZK86.5m	70	70	5	5	–	–
Investment in subsidiaries (refer note 4)						73	76	740	776

39. SUBSIDIARIES continued

Subsidiaries with material Non-controlling interests (NCI)

	NCI %	Place of business	Profit allocated to non-controlling interests 2015 R'm	Profit allocated to non-controlling interests 2014 R'm	Dividend to non-controlling interests 2015 R'm	Dividend to non-controlling interests 2014 R'm	Accumulated non-controlling interests 2015 R'm	Accumulated non-controlling interests 2014 R'm
Subsidiary								
Afrox Malawi Limited	21%	Malawi	3	2	2	2	7	5
Afrox Zambia Limited	30%	Zambia	7	11	5	10	28	23
			10	13	7	12	35	28

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

	Carrying value 2015 R'm	Carrying value 2014 R'm
Afrox Malawi Limited		
Summarised statement of financial position		
Non current assets	21	18
Current assets	43	36
Total assets	64	54
Equity	37	28
Non-current liabilities	3	4
Current liabilities	24	22
Total equity and liabilities	64	54
Summarised Income statement		
Revenue	72	71
Expenses	(56)	(61)
Profit for the year	16	10
Summarised other comprehensive income after tax	–	–
Total comprehensive income for the year	16	10
Summarised cash flow statement		
Net cash flow from operating activities	27	10
Net cash flow from investing activities	(4)	(5)
Net cash flow from financing activities	(8)	(8)
Net decrease in cash and cash equivalents	15	(3)
Cash and cash equivalents at the beginning of the year	7	10
Cash and cash equivalents at the end of the year	22	7

	Carrying value 2015 R'm	2014 R'm
39. SUBSIDIARIES continued		
Afrox Zambia Limited		
Summarised statement of financial position		
Non current assets	85	93
Current assets	101	89
Total assets	186	182
Equity	104	83
Non-current liabilities	20	24
Current liabilities	62	75
Total equity and liabilities	186	182
Summarised Income statement		
Revenue	204	224
Expenses	(179)	(187)
Profit for the year	25	37
Summarised other comprehensive loss after tax	–	–
Total comprehensive income for the year	25	37
Summarised cash flow statement		
Net cash flow from operating activities	38	28
Net cash flow from investing activities	(14)	(8)
Net cash flow from financing activities	(14)	(40)
Net increase/(decrease) in cash and cash equivalents	10	(20)
Cash and cash equivalents at the beginning of the year	40	60
Cash and cash equivalents at the end of the year	50	40

Unconsolidated structured entities

Afrox established the Employee Development Trust (the Trust) in 2008 with the purpose of promoting Broad-Based Black Economic Empowerment (BBBEE) as contemplated in the BBBEE Act. Afrox donated a nominal amount of R1 000 to the trust on its establishment. The Trust has an investment in Phumelelani Nathi Holdings (PNH), in which Afrox holds redeemable preference shares with a nominal value of RNil (2014: RNil); which represents Afrox's maximum exposure resulting from its interest in the Trust.

Afrox donated RNil (2014: R6 million) to PNH as a means of providing funding to the company to enable it to further its BBBEE objectives as mandated to it by the Trust. Afrox intends to continue assisting PNH in this regard when necessary.

**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

Name of company	Nature of business*	Issued share capital 2015	Issued share capital 2014	Effective holding 2015 %	Effective holding 2014 %	Shares at cost 2015 R'm	Shares at cost 2014 R'm	Indebtedness 2015 R'm	Indebtedness 2014 R'm
40. ASSOCIATED COMPANY									
Group and Company									
Unlisted associated company									
Les Gaz Industriels Limited†	G	RS26.1m	RS26.1m	38	38	1	1	–	–

† Associate with June financial year end

**Nature of business:*

G – Gas and welding equipment

Currency

R – South African Rand

Glossary

Term	Definition
AGM	Annual general meeting
ASU	Air separation unit
BBBEE	Broad-Based Black Economic Empowerment
BCP	Best commercial practice
BO	Black-owned
BWO	Black women-owned
Capex	Capital expenditure
Companies Act	Companies Act of South Africa, 71 of 2008, as amended
CNG	Compressed natural gas
CO_2	Carbon dioxide
CSI	Corporate social investment
CSP	Concentrated solar plant
CSR	Corporate social responsibility
DIFOT	Delivered in full and on time
DPS	Dividends declared per share
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation, amortisation and impairment losses
EDI	Electronic data interface
EMEA	Europe, Middle East and Africa
FSP	Forfeitable Share Plan
GPADE	Gross profit after distribution expenses
GRI	Global Reporting Initiative
HEPS	Headline earnings per share
ICAS	Independent Counselling and Advisory Service
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IT	Information technology
King III	King Report on Governance for South Africa 2009
KPI	Key performance indicator
LiMSS	Linde integrated management system and standards
LPG	Liquefied Petroleum Gas
LNG	Liquefied natural gas
LTI	Lost-time injury
LTIR	Lost-time injury rate
MIG	Metal inert gas
MIR	Major incidents reported
MMA	Manual metal arc
MPG	Merchant and packaged gases
NCSC	National Consumer Service Centre
NERSA	National Energy Regulator of South Africa
NGMR	Nominations, Governance and Management of Resources
PPE	Personal Protective Equipment
pSIF	Potential severe injury and fatalities
ROCE	Return on capital employed
SARs	Share Appreciation Rights scheme
SENS	Stock Exchange News Service
SET	Social, Ethics and Transformation
SHEQ	Safety, health, environment and quality
TIG	Tungsten electrode inert gas

Corporate information

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Namibia Equity Brokers Proprietary Limited

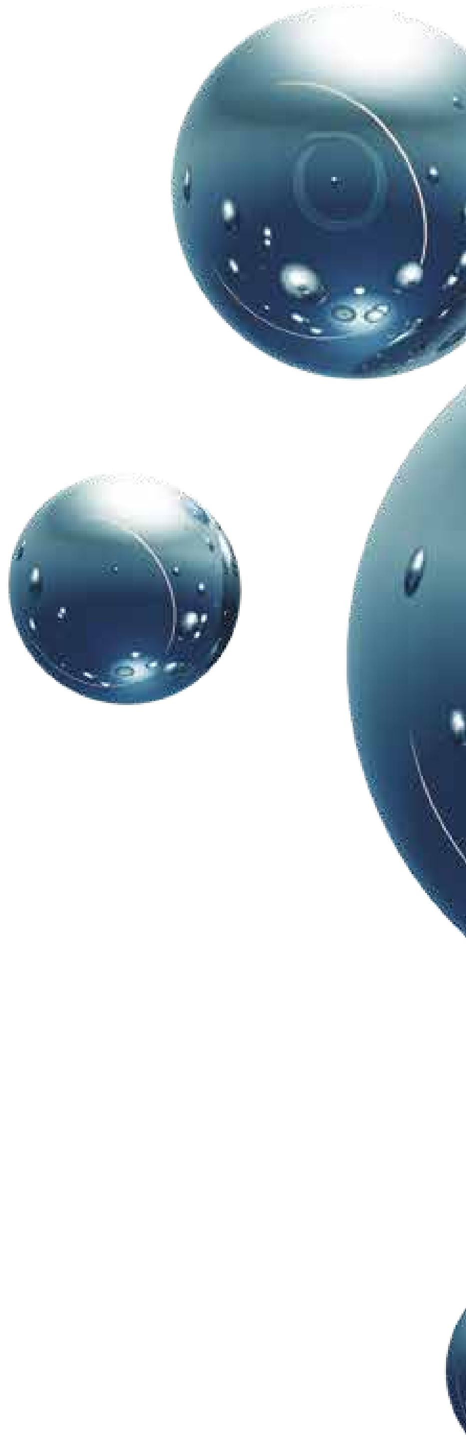
WEBSITE

www.afrox.co.za

STAKEHOLDER ENQUIRIES

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

GREYMATTER & FINCH # 9815



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