# SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS

*for the year ended 31 December 2013*

- Revenue: R5.8 billion (+5%)
- EBITDA: R880 million (+10%)
- Headline earnings per share: 95.3 cents (+8%)


## Performance highlights

On the back of difficult trading conditions in South Africa, which affected all our major market segments, 2013 revenue increased by 5% to R5.825 billion and EBITDA increased 10% to R880 million. Profit for the year was R324 million, an increase of 18% on the profit achieved in 2012. Headline earnings per share increased by 8% to 95.3 cents (2012: 88.5 cents). Afrox continued with its programme of investing in plant modernisation, additional capacity creation and efficiency enhancements. For the year under review Afrox invested R507 million (2012: R558 million). The Group ended the year with net borrowings of R649 million (2012: R615 million) and gearing of 14.6% (2012: 15.5%).

## Business review

Prolonged uncertainty in the South African economy, coupled to low GDP growth, continued to impact upon demand for products in key sectors. Market activity remained depressed, and cost pressures continued, as rising labour, fuel and electricity prices, coupled to a falling Rand, had a negative impact on margins and production. An unsettled labour environment, which was characterised by strikes and violence, resulted in production in key industries, such as mining and manufacturing, also being impacted negatively.

In anticipation of such conditions, Afrox implemented a new integrated operating model in the first quarter of 2013. This model brought together a greater accountability for revenue, profit and loss, and cost and asset utilisation, for each business line. This allowed the company to deliver higher levels of customer service through clearer accountability, improved decision making and faster execution across the business. These measures also enabled the realisation of an EBITDA margin improvement from 14.3% to 15.1% in 2013.

Working capital at R654 million for 2013 increased from R479 million in 2012, due to the delay in the off-take by certain key customers of stock specially imported on their behalf. In addition, debtors days increased.

Basic earnings per share followed the improvement in EBITDA and were further favourably influenced by there being no impairments required in 2013, compared to the R31 million impairment processed in 2012. The sale of RECO was concluded in February 2013.

Due in part to a mild winter in South Africa and the reduced demand from key industrial users, Liquefied Petroleum Gas (LPG) volumes were down 3.2%. In line with Afrox's customer commitment, LPG was imported to act as a buffer for anticipated winter shortages and refinery shutdowns. Price recovery of the additional import costs, and the resulting increased distribution costs, was made difficult by the prevailing trading conditions.

In our Atmospheric gas segment, 2013 was challenging for tonnage plants, which continued to be impacted by the rising cost of electricity and the reduced demand for product, especially from the steel industry. Production availability of ASU installations remained world class at 98% (2012: 98%). Through our energy management programme, tonnage power costs were flat against last year, despite an average power increase of 8%.

Prevailing economic conditions resulted in an output fall-off at key large customers and, as a result, demand for atmospheric bulk gases reduced by 1.6%. Sales of compressed gases declined 0.6%.

Merchant $CO_2$ volumes were in line with those achieved in 2012. During 2013, Afrox became the first gases company in South Africa to receive the Global Food Safety Initiative rating for the production of $CO_2$, the most widely used gas in the beverage and food sectors.

It is pleasing to report that in the Hard Goods business volumes were up 6.5% despite sluggish demand. Our factories also won the contract to manufacture the new Linde medical valve with our first deliveries against this contract to commence in late 2014.

Operations in African countries outside South Africa contributed 20% (2012: 21%) of the Group's total gross profit after distribution expenses. These businesses have been the focus of intense information technology investment, focused financial processes and improved governance controls. In addition, they have benefited from an injection of experienced management resources, positioning these businesses to benefit from the opportunities presented by the rapid growth in their local economies. Exciting new plans to capitalise on growth opportunities in the rest of Africa were approved by the Board in the last quarter of 2013.

Our level 3 Broad-Based Black Economic Empowerment (B-BBEE) rating continues to have a positive effect on the gaining of sales while solid progress is being made in respect of our B-BBEE transformation programme and our drive for High Performance Organisation status. However, retaining a level 3 contributor level under the new codes, which come into effect in 2014, will be a challenge.

The Group's strong focus on workplace and distribution safety delivered a marked improvement in 2013, with a 64% drop in major incidents, leading to a decrease in vehicle damage/replacement costs and contributing to an improved delivery in full on time level of 93% for the year. Independently monitored customer satisfaction levels for our National Customer Service Centre (orders and accounts management), stand at 95.2% for 2013.

During the year a syndicated R1.8 billion loan structure was negotiated. The facility is in various tranches of seven, five and three year term loans, which will be used to fund our capital expenditure programme of R1.5 billion, as well as a R300 million revolving credit facility to meet peak working capital requirements. The drawn facilities of R1 billion are at fixed interest rates.

In 2013, Afrox invested R507 million (2012: R558 million) in capital expenditure. The transport fleet replacement plan bolstered the fleet by 22 tankers, bringing the total number of available tankers to 106. Capital expenditure also included further investment in cylinders. This expenditure formed part of the capital plan, announced in 2012, totalling R1.5 billion. In addition to the current year's expenditure, R300 million is being spent on delivery of a new 150-tons-per-day atmospheric gas separation unit (ASU) in the Eastern Cape, the epicentre of South Africa's motoring industry. This project is progressing, with all governance permissions and environment impact assessments in place. Production is expected to commence by early 2015. The state-of-the-art R400 million KwaZulu-Natal (KZN) filling plant, also announced last year, is well into its planning phase.

## Dividend

The Board declared a final cash dividend of 20.0 cents per share (2012: 18.0 cents), which together with the interim cash dividend of 27.0 cents (2012: 27.0 cents) per share, makes a total of 47.0 cents (2012: 45.0 cents) per share before dividend tax declared out of the after tax profits of the 2013 year and which is covered just over 2.0 times by headline earnings per share.

## Board of directors

Jonathan Narayadoo, an executive director, and Louis van Niekerk, lead independent non-executive, retired as directors, effective 23 May 2013. Morongwe Malebye, an independent non-executive director, and Dynes Woodrow, a non-executive director, resigned effective 22 August 2013. The Board wishes them all well for the future.

At the Annual General Meeting on 23 May 2013, Dr Khotso Mokhele was appointed as the new lead independent non-executive director and Chris Wells was appointed as chairman of the Audit Committee. In line with the requirements of King III during the year, we established a Social, Economic and Transformation (SET) Committee under the able chairmanship of Dr Mokhele.

## Outlook

The challenging market conditions in South Africa are considered likely to prevail for the foreseeable future given the low growth environment reflected in the GDP forecast. However, due to our ongoing capital programme, the focus on developing our business in the rest of Africa and our recent realignment of our South African business into integrated business lines, we believe that the building blocks for future growth are firmly in place.

## NOTICE OF FINAL DIVIDEND DECLARATION NUMBER 175 AND SALIENT FEATURES

Notice is hereby given that a gross final cash dividend of 20.0 cents per ordinary share, being the final dividend for the year ended 31 December 2013, has been declared payable to all shareholders of African Oxygen Limited recorded in the register on Thursday, 17 April 2014.

The salient dates for the declaration and payment of the final dividend are as follows:

| | |
|---|---|
| Last day to trade ordinary shares "cum" dividend | Thursday, 10 April 2014 |
| Ordinary shares trade "ex" the dividend | Friday, 11 April 2014 |
| Record date | Thursday, 17 April 2014 |
| Payment date | Tuesday, 22 April 2014 |

Share certificates may not be dematerialised or rematerialised between Friday, 11 April 2014 and Thursday, 17 April 2014, both days inclusive.

The local net dividend amount is 17.0 cents (2012:15.3 cents) per share for shareholders liable to pay the Dividend Tax and 20.0 cents (2012: 18.0 cents) per share for shareholders exempt from Dividend Tax.

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

By order of the Board

**Cheryl Singh**
*Company Secretary*

27 February 2014
Johannesburg

Forward looking statements disclaimer: This annual results review contains statements related to our future business and financial performance and future events or developments involving Afrox that may constitute forward-looking statements. Such statements are based on current expectations and certain assumptions of Afrox's management are therefore subject to certain risks and uncertainties. A variety of factors, many of which are beyond Afrox's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Afrox to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends.

## Summarised consolidated statement of financial position

| R'million | Note | 2013 Audited | 2012 Restated* |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 6 | **3 034** | 2 854 |
| Retirement benefit assets | | **552** | 348 |
| Deferred taxation assets | | **9** | 15 |
| Lease receivables | | **100** | 108 |
| Other non-current assets | | **99** | 133 |
| **Non-current assets** | | **3 794** | 3 458 |
| Inventories | | **850** | 685 |
| Trade and other receivables | | **906** | 841 |
| Lease receivables | | **7** | 6 |
| Derivative financial instruments | | **6** | – |
| Other current assets | | **31** | 26 |
| Taxation receivable | | **33** | 30 |
| Cash and cash equivalents | | **380** | 297 |
| **Current assets** | | **2 213** | 1 885 |
| **Assets held-for-sale** | 9 | **–** | 44 |
| **Total assets** | | **6 007** | 5 387 |
| **EQUITY AND LIABILITIES** | | | |
| Equity holders of the parent company | | **3 202** | 2 804 |
| Non-controlling interests | | **37** | 27 |
| **Total equity** | | **3 239** | 2 831 |
| Long-term borrowings | | **1 000** | 132 |
| Deferred taxation liabilities | | **570** | 528 |
| **Non-current liabilities** | | **1 570** | 660 |
| Trade, other payables and other financial liabilities | | **1 141** | 1 073 |
| Taxation payable | | **28** | 38 |
| Derivative financial instruments | | **–** | 5 |
| Short-term portion of long-term borrowings | | **3** | 738 |
| Bank overdrafts | | **26** | 42 |
| **Current liabilities** | | **1 198** | 1 896 |
| **Total equity and liabilities** | | **6 007** | 5 387 |

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5)*

## Summarised consolidated income statement

| R'million | 2013 Audited | 2012 Restated* |
|---|---|---|
| **Revenue** | **5 825** | 5 558 |
| Operating expenses | **(4 945)** | (4 760) |
| **Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)** | **880** | 798 |
| Depreciation and amortisation | **(366)** | (328) |
| Impairments | **–** | (31) |
| **Earnings before interest and taxation (EBIT)** | **514** | 439 |
| Net finance expense | **(47)** | (35) |
| Income from associate | **1** | 4 |
| **Profit before taxation** | **468** | 408 |
| Taxation | **(144)** | (133) |
| **Profit for the year** | **324** | 275 |
| **Attributable to:** | | |
| Equity holders of the parent company | **309** | 262 |
| Non-controlling interests | **15** | 13 |
| **Profit for the year** | **324** | 275 |
| **Earnings per share** | | |
| Basic and diluted earnings per ordinary share – cents | **100.1** | 84.9 |
| Headline earnings per ordinary share – cents | **95.3** | 88.5 |

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5)*

## Summarised consolidated statement of comprehensive income

| R'million | 2013 Audited | 2012 Restated* |
|---|---|---|
| **Profit for the year** | **324** | 275 |
| **Other comprehensive income/(loss) after taxation** | **228** | (146) |
| *Items that can subsequently be reclassified to the income statement* | | |
| Translation differences on foreign operations | **29** | (18) |
| Translation differences relating to non-controlling interests | **5** | (7) |
| Changes in fair value of cash flow hedges (net of taxation) | **1** | 4 |
| *Items that cannot subsequently be reclassified to the income statement* | | |
| Actuarial gains/(losses) on defined-benefit funds | **276** | (173) |
| Deferred taxation relating to actuarial (gains)/losses | **(83)** | 48 |
| **Total comprehensive income for the year** | **552** | 129 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the parent company | **532** | 123 |
| Non-controlling interests | **20** | 6 |
| | **552** | 129 |

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5)*

## Summarised consolidated statement of changes in equity

| R'million | Share capital and share premium | Incentive scheme shares and share based payment reserves | FCTR and hedging reserves | Actuarial gains/ (losses) | Retained earnings | Non-con-trolling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012, as previously reported** | 552 | – | (53) | 287 | 2 041 | 38 | 2 865 |
| Impact of revised IAS 19 *(refer note 5)* | – | – | – | 12 | (12) | – | – |
| **Restated balance at 1 January 2012** | 552 | – | (53) | 299 | 2 029 | 38 | 2 865 |
| Profit for the year* | – | – | – | – | 262 | 13 | 275 |
| Other comprehensive loss, net of taxation* | – | – | (14) | (125) | – | (7) | (146) |
| Shares purchased on behalf of employees | – | (14) | – | – | – | – | (14) |
| Share based payments, net of taxation | – | 22 | – | – | – | – | 22 |
| Dividends paid | – | – | – | – | (154) | (17) | (171) |
| **Restated balance at 31 December 2012** | 552 | 8 | (67) | 174 | 2 137 | 27 | 2 831 |
| Profit for the year | – | – | – | – | 309 | 15 | 324 |
| Other comprehensive income, net of taxation | – | – | 30 | 193 | – | 5 | 228 |
| Shares purchased on behalf of employees | – | (16) | – | – | – | – | (16) |
| Share based payments, net of taxation | – | 21 | – | – | – | – | 21 |
| Dividends paid | – | – | – | – | (139) | (10) | (149) |
| **Balance at 31 December 2013** | 552 | 13 | (37) | 367 | 2 307 | 37 | 3 239 |

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5)*

## Summarised consolidated statement of cash flows

| R'million | Note | 2013 Audited | 2012 Restated* |
|---|---|---|---|
| Earnings before interest and taxation (EBIT) | | **514** | 439 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairments | | **366** | 359 |
| Other | | **153** | 103 |
| **Operating cash flows before working capital adjustments** | | **1 033** | 901 |
| Working capital adjustments | | **(200)** | 35 |
| **Cash generated from operations** | | **833** | 936 |
| Vested shares purchased on behalf of employees | | **(3)** | – |
| Net finance expense and taxation paid | | **(278)** | (150) |
| **Cash available from operating activities** | | **552** | 786 |
| Dividends paid to owners of the parent | | **(139)** | (154) |
| Dividends paid to non-controlling interests | | **(10)** | (17) |
| **Net cash inflow from operating activities** | | **403** | 615 |
| Additions to property, plant and equipment and intangibles | | **(505)** | (558) |
| Proceeds from disposal of the RECO business | 9 | **36** | – |
| Proceeds from disposal of business operation | | **–** | 22 |
| Other investing activities | | **48** | 36 |
| **Net cash outflow from investing activities** | | **(421)** | (500) |
| Borrowings raised | | **1 216** | 427 |
| Borrowings repaid | | **(1 083)** | (505) |
| Incentive scheme shares purchased on behalf of employees | | **(16)** | (14) |
| **Net cash inflow/(outflow) from financing activities** | | **117** | (92) |
| **Net increase in cash and cash equivalents** | | **99** | 23 |
| **Cash and cash equivalents at the beginning of the year** | | **255** | 232 |
| **Cash and cash equivalents at the end of the year** | | **354** | 255 |

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5)*

## Segmental report

| | |
|---|---|
| Atmospheric Gases | Air gases separated into its main components |
| LPG | Liquefied Petroleum Gas |
| Hard Goods | Electrodes and welding equipment |
| Rest of Africa | |

| R'million | 2013 Audited | 2012 Audited |
|---|---|---|
| **Revenue** | **5 825** | 5 558 |
| Atmospheric Gases | **1 745** | 1 817 |
| LPG | **2 132** | 2 018 |
| Hard Goods | **993** | 874 |
| Rest of Africa | **955** | 849 |
| **Gross profit after distribution expenses (GPADE)** | **1 580** | 1 510 |
| Atmospheric Gases | **610** | 568 |
| LPG | **311** | 362 |
| Hard Goods | **337** | 266 |
| Rest of Africa | **322** | 314 |
| **Reconciliation of GPADE to EBIT** | | |
| GPADE for business segments | **1 580** | 1 510 |
| Other operating expenses | **(1 066)** | (1 040) |
| Impairments | **–** | (31) |
| **Earnings before interest and taxation (EBIT)** | **514** | 439 |

Business segment performance is measured based on gross profit after distribution expenses (GPADE). Inter-segment pricing is determined on an arm's length basis. Finance expenses and taxes are not allocated to these segments as they are managed on a Group basis. Other operating expenses include the following: marketing and selling expenses, corporate and support functions and other non-trading income and expenses. These costs are not included in GPADE and managed by support function.

## Selected notes to the summarised consolidated financial statements

### 1 General information

African Oxygen Limited ("Afrox" or the "company") is a South African registered company. The summarised consolidated financial statements of the company comprise the company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

### 2 Statement of compliance

The summarised consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), the presentation and disclosure requirements of International Accounting Standard 34: *Interim Financial Reporting* applied to year-end reporting, the Listings Requirements of the JSE Limited, the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the South African Companies Act, 2008.

This report was compiled under the supervision of Mr Nick Thomson CA (SA), Financial Director.

### 3 Basis of preparation

The summarised consolidated financial statements do not include all the information and disclosures required for the full set of audited consolidated financial statements. The summarised consolidated financial statements should be read in conjunction with the full set of the audited consolidated financial statements. The full set of the audited consolidated financial statements for the Group as at and for the year ended 31 December 2013 have been prepared on the going-concern basis and are available for inspection at the company's registered office and on the Afrox website at www.afrox.com.

The accounting policies applied in the presentation of the summarised consolidated financial statements are consistent with those applied for the year ended 31 December 2012, except for new standards that became effective 1 January 2013, refer note 5.

The summarised consolidated financial statements are prepared on the historical cost basis except for the following items which are measured using an alternative basis at each reporting date:
– Derivative financial instruments measured at fair value through profit or loss
– Retirement benefit assets measured at the fair value of the planned assets less the present value of the defined benefit obligation

Except for the changes explained in Note 5, the accounting policies have been applied consistently to all periods presented in these summarised consolidated financial statements.

### 4 Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

– IFRS 10 *Consolidated Financial Statements;*
– IFRS 11 *Joint Arrangements;*
– IFRS 12 *Disclosure of Interests in Other Entities;*
– IFRS 13 *Fair Value Measurement;*
– IAS 1 *Presentation of Financial Statements: Presentation of items of other comprehensive income* (amendment);
– IAS 1 *Presentation of Financial Statements: Presentation of a third statement of financial position and related notes* (amendment);
– IAS 19 *Employee Benefits* (revised);
– IAS 27 *Separate Financial Statements* (revised); and
– IAS 28 *Investments in Associates and Joint Ventures* (revised).

Except for the adoption of the revised IAS 19 (refer note 5), the adoption of the new standards listed above did not have a significant impact on the Group's audited consolidated financial statements.

### 5 Restatement of comparative figures

The revised IAS 19 Employee Benefits disallows the use of the corridor method and the recognition of actuarial gains or losses in profit or loss. The revised standard did not have an impact on the Group's summarised consolidated financial statements as the Group's accounting policy was already in line with the revised IAS 19 in this respect. The revised IAS 19 further requires that the return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of this revision had the following impact on the Group's summarised consolidated financial statements:

| R'million | Previously reported | Adjustment | Restated |
|---|---|---|---|
| **Summarised consolidated income statement** | | | |
| *for the year ended 31 December 2012* | | | |
| Net finance expense | (24) | (11) | (35) |
| Taxation | (136) | 3 | (133) |
| Net profit for the year | 283 | (8) | 275 |
| **Summarised consolidated statement of comprehensive income** | | | |
| *for the year ended 31 December 2012* | | | |
| Net profit for the year | 283 | (8) | 275 |
| Actuarial losses on defined-benefit funds | (184) | 11 | (173) |
| Deferred taxation relating to actuarial losses | 51 | (3) | 48 |
| Total comprehensive income for the year | 129 | – | 129 |
| **Summarised consolidated income statement** | | | |
| *for the year ended 31 December 2011* | | | |
| Net finance expense | (46) | (17) | (63) |
| Taxation | (100) | 5 | (95) |
| Net profit for the year | 195 | (12) | 183 |
| **Summarised consolidated statement of comprehensive income** | | | |
| *for the year ended 31 December 2011* | | | |
| Net profit for the year | 195 | (12) | 183 |
| Actuarial gain on defined-benefit funds | 13 | 17 | 30 |
| Deferred taxation relating to actuarial losses | (3) | (5) | (8) |
| Total comprehensive income for the year | 243 | – | 243 |

Basic and diluted earnings per share for 31 December 2012 were restated from 87.5 to 84.9 and from 59.2 cents to 55.3 cents for 31 December 2011. Had the return on plan assets not been calculated under the revised IAS 19, there would not have been a significant effect on the reported amounts in the current year. The summarised consolidated statement of financial position was not impacted by the revision as the revision had no impact on the Group's assets or liabilities; and had a net impact of nil on total equity (refer summarised consolidated statement of changes in equity). The cumulative restatement for the year ended 31 December 2012 amounted to R20 million after taxation.

### 6 Property, plant and equipment

| R'million | 2013 Audited | 2012 Audited |
|---|---|---|
| Opening carrying value | **2 854** | 2 657 |
| Additions, net of transfers from assets under construction | **507** | 546 |
| Transfer to assets held-for-sale | **–** | (15) |
| Impairments | **–** | (16) |
| Disposals | **(7)** | (14) |
| Depreciation | **(332)** | (296) |
| Translation differences | **12** | (8) |
| **Closing carrying value** | **3 034** | 2 854 |

Total future capital commitments at 31 December 2013 amounted to R451 million (2012: R877 million).

### 7 Fair value classification and measurement

**Accounting classification and fair values**

The classification of each class of financial assets and liabilities, and their fair values are:

| R'million | Held-for-trading | Loans and receivables | Liabilities at amortised cost | Total carrying amount | Fair value |
|---|---|---|---|---|---|
| **31 December 2013** | | | | | |
| **Financial assets measured at fair value** | | | | | |
| Derivative financial instruments | **6** | **–** | **–** | **6** | **6** |
| **Financial assets not measured at fair value** | | | | | |
| Trade and other receivables | **–** | **885** | **–** | **885** | **885** |
| Cash and cash equivalents | **–** | **380** | **–** | **380** | **380** |
| Lease receivables | **–** | **107** | **–** | **107** | **107** |
| **Total financial assets** | **6** | **1 372** | **–** | **1 378** | **1 378** |
| **Financial liabilities not measured at fair value** | | | | | |
| Borrowings | **–** | **–** | **1 003** | **1 003** | **968** |
| Trade and other payables | **–** | **–** | **947** | **947** | **947** |
| Bank overdrafts | **–** | **–** | **26** | **26** | **26** |
| **Total financial liabilities** | **–** | **–** | **1 976** | **1 976** | **1 941** |
| **31 December 2012** | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Trade and other receivables | – | 824 | – | 824 | 824 |
| Cash and cash equivalents | – | 297 | – | 297 | 297 |
| Lease receivables | – | 114 | – | 114 | 114 |
| **Total financial assets** | – | 1 235 | – | 1 235 | 1 235 |
| **Financial liabilities measured at fair value** | | | | | |
| Derivative financial instruments | 5 | – | – | 5 | 5 |
| **Financial liabilities not measured at fair value** | | | | | |
| Borrowings | – | – | 870 | 870 | 870 |
| Trade and other payables | – | – | 900 | 900 | 900 |
| Bank overdrafts | – | – | 42 | 42 | 42 |
| **Total financial liabilities** | 5 | – | 1 812 | 1 817 | 1 817 |

**Reconciliation to the summarised consolidated statement of financial position:**

| R'million | 2013 | 2012 |
|---|---|---|
| Trade and other receivables | **906** | 841 |
| Prepayments | **(20)** | (15) |
| Deposits | **(1)** | (2) |
| | **885** | 824 |
| Trade, other payables and other financial liabilities | **1 141** | 1 073 |
| Employee benefits including leave pay, bonuses and other costs | **(107)** | (104) |
| Deferred rentals | **(52)** | (42) |
| Value added taxation | **(35)** | (27) |
| | **947** | 900 |

**Fair value hierarchy**

The table below categorises fair value measurements for financial instruments into the fair value hierarchy based on the inputs used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

| 31 December 2013 | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Derivative financial instruments | **–** | **6** | **–** | **6** |
| **31 December 2012** | | | | |
| **Financial liabilities measured at fair value** | | | | |
| Derivative financial instruments | – | (5) | – | (5) |

**Transfers**

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year ended 31 December 2013 and 31 December 2012.

### 8 Earnings and headline earnings per share

Group earnings per share are calculated on earnings of R309 million (2012: R262 million) and a weighted average number of ordinary shares of 308 567 602 (2012: 308 567 602) in issue during the period. Headline earnings per share are calculated on headline earnings of R294 million (2012: 273 million) and a weighted average number of ordinary shares of 308 567 602 (2012: 308 567 602) in issue during the period.

**Reconciliation between earnings and headline earnings**

| R'million | 2013 Audited | 2012 Restated* |
|---|---|---|
| Profit for the year | **309** | 262 |
| Adjusted for the after-taxation effects of: | | |
| Profit on disposal of subsidiary | **–** | (11) |
| Profit on disposal of property, plant and equipment | **(15)** | – |
| Impairment of property, plant and equipment | **–** | 22 |
| Headline earnings | **294** | 273 |
| Basic and diluted earnings per share – cents | **100.1** | 84.9 |
| Headline earnings per share – cents | **95.3** | 88.5 |

* *Audited, adjusted for the revised IAS 19 Employee Benefits (refer note 5)*

### 9 Assets held-for-sale

A decision to dispose of one of the Group's businesses (RECO) was taken in May 2012, as the nature of the business operations was not aligned to the Group's principal lines of business. The disposal was completed in February 2013. No profit or loss was made on the transaction as the value of the assets of the business at February 2013 increased by R5 million to R49 million as a result of the trading that occurred between 31 December 2012 and 28 February 2013. Proceeds of R36 million were received during the 2013 financial year. The remaining tranche of R13 million is expected to be received in the first half of the 2014 financial year.

| R'million | 2013 Audited | 2012 Audited |
|---|---|---|
| Property, plant and equipment | **–** | 15 |
| Inventories | **–** | 52 |
| Impairment of property, plant and equipment | **–** | (15) |
| Inventory held-for-sale written off | **–** | (8) |
| Total net assets held-for-sale | **–** | 44 |

### 10 Related party transactions

The Group entered into various sale and purchase transactions with related parties, in the ordinary course of business, on an arm's length basis. The nature of related-party transactions is consistent with those reported previously.

### 11 Litigation and claims

There is no outstanding litigation of a material nature against the Group. During the year, an appropriate commercial solution was negotiated regarding the major material claim of R207 million highlighted in the 2012 annual report, which resulted in an extended supply contract being entered into. There was no impact on the current year results as a consequence of this new agreement.

As previously disclosed the company continues to pursue its rights in terms of a disputed supply contract with a major steel producer.

### 12 Subsequent events

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. The Group declared a gross final cash dividend of 20 cents per share on 27 February 2014.

The directors are also pleased to announce that the company has signed a supply contract with Columbus Stainless Steel (Pty) Ltd on the 25th February 2014 extending the existing contract by a further five years. The tenure of this contract is now for seven years.

### 13 Audit opinion

The independent auditors, KPMG Inc, have issued their opinion on the Group's annual financial statements for the year ended 31 December 2013. A copy of their unqualified audit report is available for inspection at the company's registered office. These summarised financial statements have been derived from the Group audited financial statements.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

## Corporate information

**African Oxygen Limited**
(Incorporated in the Republic of South Africa)
Registration number: 1927/000089/06
ISIN: ZAE000067120 JSE code: AFX
NSX code: AOX

**Registered office**
Afrox House, 23 Webber Street, Selby
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PO Box 5404, Johannesburg 2000
Telephone +27 (11) 490 0400

**Transfer secretaries:** Computershare Investor Services (Pty) Limited

**Sponsor in South Africa:** One Capital

**Sponsor in Namibia:** Namibia Equity Brokers (Pty) Limited

**Directors:** RJN Gearing*, MS Huggon* (Chairman), BD Kimber (Managing Director), DM Lawrence, SN Maseko, KDK Mokhele, M von Plotho**, NA Thomson*, CF Wells* *British **German

**Company Secretary:** C Singh

**Auditors:** KPMG Inc

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