Notes to the financial statements

for the year ended 31 December 2016

1. PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. 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 their 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.

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 when substantially all the activities necessary to prepare the asset are complete.

1. PROPERTY, PLANT AND EQUIPMENT continued

	Group					
	Freehold properties R'm	Plant and equipment R'm	Cylinders R'm	Motor vehicles R'm	Furniture and fittings R'm	Total R'm
Carrying amount at 1 January 2015	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)
Additions, net of transfers from assets under construction	26	210	100	17	26	379
Transfer to assets held for sale	(7)	–	–	–	–	(7)
Impairment losses	–	(1)	(8)	(1)	–	(10)
Foreign exchange differences	(3)	(5)	(6)	(2)	–	(16)
Disposals	(1)	(2)	(1)	(10)	(1)	(15)
Depreciation	(12)	(215)	(104)	(22)	(14)	(367)
Carrying amount at 31 December 2016	243	1 507	1 002	144	56	2 952
Cost	333	4 035	2 132	302	166	6 968
Accumulated depreciation	(90)	(2 201)	(1 122)	(157)	(110)	(3 680)
Accumulated impairment	–	(327)	(8)	(1)	–	(336)

Notes to the financial statements continued
for the year ended 31 December 2016

1. PROPERTY, PLANT AND EQUIPMENT continued

	Company					
Owned	Freehold properties R'm	Plant and equipment R'm	Cylinders R'm	Motor vehicles R'm	Furniture and fittings R'm	Total R'm
Carrying amount at 1 January 2015	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)	(2 988)
Accumulated impairment	–	(285)	–	–	–	(285)
Additions, net of transfers from assets under construction	22	180	85	12	25	324
Transfer from division of subsidiary	–	4	–	–	–	4
Impairment losses	–	–	–	–	–	–
Disposals	–	–	(3)	(9)	–	(12)
Depreciation	(3)	(205)	(99)	(16)	(14)	(337)
Carrying amount at 31 December 2016	38	1 422	933	113	58	2 564
Cost	54	3 654	2 025	229	169	6 131
Accumulated depreciation	(16)	(1 947)	(1 092)	(116)	(111)	(3 282)
Accumulated impairment	–	(285)	–	–	–	(285)

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 (refer to note 13).

Impairment testing
Property, plant and equipment are assessed for impairment at each reporting date to determine whether there is any objective evidence that they are impaired. Property, plant and equipment are 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 an item of property, plant and equipment.

The Group performed impairment tests on individually significant items of property, plant and equipment at 31 December 2016 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 6.4% (2015: 5.9%) comprising both price inflation and volume growth, was assumed with the gross margin percentage, based on actual results to date, being applied to the calculation and discounted at a rate of 12.98% (2015: 10.03%). The value in use was compared to the fair value less cost to sell.

Impairment write-down
The Group's plant and equipment were impaired by R10 million (2015: R27 million). The impairment losses have been recognised in profit and loss as impairment of tangible assets. The Democratic Republic of Congo subsidiary assets were impaired in line with the abandonment of operations. The recoverable amount for the plant was determined based on the value in use of Rnil.

Fully depreciated assets
The cost of Group assets fully depreciated but still in use amounted to R317 million (2015: R1 697 million). As part of an efficiency review and streamlining of the fixed asset register, the amount of fully depreciated assets still in use has decreased significantly in the current year.

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.

1. PROPERTY, PLANT AND EQUIPMENT continued

Assets under construction

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

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Freehold properties	1	–	–	–
Plant and equipment	136	151	97	122
Cylinders	11	12	11	12
Vehicles	18	2	18	2
Furniture and fittings	18	5	18	5
Total	184	170	144	141
Borrowing costs				
Borrowing costs are capitalised at an effective rate of nil (2015: 13.40%).	–	14	–	14

Change in estimate

During the year, the Company conducted a review of expected useful lives of plant and machinery based on IAS 16. As a result, the expected useful lives of these assets increased. The effect of these changes on actual and expected depreciation expense, included in 'depreciation expenses', in current and future years respectively is as follows:

	Group 2016 R'm	2017 R'm	2018 R'm	2019 R'm	2020 R'm
Decrease in depreciation	36	28	15	9	5

2. 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.

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.

2. INTANGIBLE ASSETS continued

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.

	Group and Company Computer software R'm
Carrying amount at 1 January 2015	37
Cost	248
Accumulated amortisation	(211)
Accumulated impairment	–
Additions	15
Amortisation charge	(21)
Carrying amount at 31 December 2015	31
Cost	263
Accumulated amortisation	(232)
Accumulated impairment	–
Additions	10
Amortisation charge	(12)
Carrying amount at 31 December 2016	29
Cost	273
Accumulated amortisation	(244)
Accumulated impairment	–

Encumbrance

None of the Group's intangible assets are encumbered. The Group's borrowings are unsecured (refer to note 13)

Impairment testing

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.

3. INVESTMENTS IN SUBSIDIARIES

	Note	Company 2016 R'm	 2015 R'm
Ordinary shares		113	109
Impairment of investments in subsidiaries		(40)	(36)
Loans due by subsidiaries	36	600	740
		673	813

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 page 70.

4. INVESTMENT IN ASSOCIATE

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Unlisted ordinary shares				
Investment at cost	1	1	1	1
Share of accumulated profits since acquisition, net of dividends	22	21		
Share of opening accumulated profits	21	21		
Dividends received from associate	(1)	(1)		
Share of current profit for the year	2	1		
Carrying amount at the end of the year	23	22	1	1
The information below illustrates summarised financial information of Les Gaz Industriels Limited.				
Statement of comprehensive income				
Revenue	51	17		
Profit before taxation	6	2		
Income taxation expense	(2)	–		
Net profit for the year	4	2		
Total comprehensive income for the year	4	2		
Statement of financial position				
Non-current assets	99	115		
Current assets	29	26		
Total assets	128	141		
Equity	92	102		
Non-current liabilities	12	14		
Current liabilities	24	25		
Total equity and liabilities	128	141		
Cash flow				
Net cash flow from operating activities	14	5		
Net cash flow from investing activities	(2)	–		
Net cash flow from financing activities	(6)	(1)		
Net movement in cash and cash equivalents	6	4		

Details of the associate are presented in note 38.

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 Les Gaz Industriels Limited's audited financial statements for the year ended 30 June 2016 and unaudited management accounts for the period 1 July 2016 to 31 December 2016.

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

5. LEASE RECEIVABLES

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 of the following criteria:

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

The leases were therefore classified as finance leases.

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Lease receivables	**88**	107	**68**	70
Short-term portion of lease receivables	**(16)**	(19)	**(15)**	(7)
	72	88	**53**	63

Long-term lease receivables	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
2016						
Receivables due in less than one year	**27**	**(11)**	**16**	**22**	**(7)**	**15**
Long-term lease receivables	**99**	**(27)**	**72**	**71**	**(18)**	**53**
Between one and five years	**81**	**(26)**	**55**	**53**	**(17)**	**36**
More than five years	**18**	**(1)**	**17**	**18**	**(1)**	**17**
Total	**126**	**(38)**	**88**	**93**	**(25)**	**68**
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

The interest income on the lease receivables was determined based on a rate of 14.5% (2015: 14.5%) for the Group and 11.6% (2015: 11.0%) for the Company.

There were no unguaranteed residual values accruing to the Group at the end of the lease terms (2015: Rnil).

6. RETIREMENT BENEFIT ASSETS

Defined contribution plans

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

Defined benefit plans

The 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.

	Group and Company	
	2016 R'm	2015 R'm
Summary		
Pension fund	408	538
Post-retirement medical benefit fund	(2)	–
	406	538
Current remeasurement (losses)/gains recognised in other comprehensive income	(77)	39
Pension fund	(73)	43
Post-retirement medical benefit fund	(4)	(4)

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.

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

The latest remeasurement calculation of the African Oxygen Limited Pension Fund was made on 31 December 2016.

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	
	2016 %	2015 %
Discount rate	10.20	10.80
Consumer price inflation rate	7.70	8.20

Assumptions regarding future mortality are based on published statistics and mortality tables. The average rest of life expectancy of an individual retiring at age 63 is 18 years (2015: 18 years) for males and 22 years (2015: 22 years) for females.

6. RETIREMENT BENEFIT ASSETS continued

Pension fund sensitivity analysis

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

	Group and Company	
	2016 R'm	2015 R'm
CPI inflation rate		
1% increase in the rate		
Effect on the aggregate current service cost and interest cost	10	13
Effect on defined benefit obligation	66	83
1% decrease in the rate		
Effect on the aggregate current service cost and interest cost	(7)	(9)
Effect on defined benefit obligation	(42)	(58)
Discount rate		
1% increase in the rate		
Effect on defined benefit obligation	(41)	(58)
1% decrease in the rate		
Effect on defined benefit obligation	68	86
Expected retirement age		
1 year older		
Effect on defined benefit obligation	(9)	(11)
1 year younger		
Effect on defined benefit obligation	8	11
Fund status		
Fair value of plan assets	725	933
Present value of defined benefit obligations	(317)	(395)
Pension fund asset recognised at the end of the year	408	538
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	933	1 018
Member contributions	3	4
Benefits paid by the plan	(152)	(154)
Assets transferred	(100)	–
Interest income on plan assets	93	84
Risk premiums and expenses	(2)	(2)
Return on plan assets excluding interest income	(50)	(17)
Fair value of plan assets at the end of the year	725	933
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	395	547
Members' contributions	3	4
Benefits paid by the plan	(152)	(154)
Current service costs	14	17
Interest costs	36	43
Risk premiums and expenses	(2)	(2)
Remeasurement loss/(gain) arising from economic assumptions	23	(60)
Present value of the defined benefits obligations at the end of the year	317	395

6. RETIREMENT BENEFIT ASSETS continued

	Group and Company 2016 R'm	Group and Company 2015 R'm
The expenses are recognised in the following line items in the income statement:		
Operating expenses	14	17
Finance income	(57)	(41)

Analysis of plan assets	2016 %	2015 %
Equity instruments	22	19
Debt instruments	42	42
Property	6	6
Cash and cash equivalents	30	33
	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 2017 financial year.

7. DEFERRED TAXATION

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Deferred taxation assets	(15)	(19)	–	–
Deferred taxation liabilities	553	518	524	484
	538	499	524	484
The net deferred taxation comprises:				
Capital allowances	544	550	522	525
Intangible assets	4	(3)	2	(3)
Provisions and other	(146)	(154)	(136)	(144)
Assessed tax loss	–	(51)	–	(51)
Embedded finance lease	6	6	6	6
Retirement benefit assets (includes provident fund contribution holiday)	130	151	130	151
	538	499	524	484
Reconciliation of deferred taxation				
Opening balance	499	497	484	471
Translation differences	9	(7)	–	–
Recognised in profit or loss				
– current year temporary differences	48	1	58	3
– prior year under/(over) provision	6	(5)	6	(3)
Recognised in other comprehensive income				
– current year temporary differences	(22)	11	(22)	11
Recognised directly in equity	(2)	2	(2)	2
Closing balance	538	499	524	484
Deferred taxation is calculated at the following rates:				
South African operations – 28% (2015: 28%)	524	484	524	484
Foreign operations at average rate – 29.56% (2015: 29.69%)	14	15		–
	538	499	524	484

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.

8. 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;
- finished goods – standard cost and weighted average cost; and
- consumables – weighted average cost.

Spare parts

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Raw materials	63	76	62	67
Work in progress	12	3	10	1
Finished goods	383	396	322	475
Consumables	153	129	153	129
	611	604	547	672
Inventory obsolescence allowance (taken into account in the carrying value of inventories above)				
Finished goods	111	126	99	104
Balance at the end of the year	111	126	99	104

In 2016, inventories of the Group amounting to R15 million and R2 million for the Company (2015: R38 million for Group and Company) were written down and recognised as an expense in the current period.

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

9. TRADE AND OTHER RECEIVABLES

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Financial instruments	934	854	787	651
Trade receivables	947	971	781	739
Impairment allowance	(121)	(148)	(95)	(101)
Net trade receivables	826	823	686	638
Receivable from disposal of assets held for sale	84	–	77	–
Other receivables	–	23	–	6
Accrued income and interest	23	6	23	6
Staff loans	1	2	1	1
Non-financial instruments	110	10	100	–
Prepayments	102	2	100	–
Deposits	1	1	–	–
Value added taxation	7	7	–	–
	1 044	864	887	651

Prepayments includes an amount relating to a contribution holiday in the provident fund, resulting from a transfer of R100 million (2015: Rnil) from pension fund surplus assets. Refer to note 6 for further detail.

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 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
South African Rand	788	822	741	726
Namibian Dollar	43	43	–	–
Botswana Pula	34	32	12	13
Euro	4	–	4	–
US Dollar	13	–	13	–
Zambian Kwacha	29	43	–	–
Angolan Kwanza	7	–	5	–
Malawian Kwacha	17	–	–	–
Mozambican Metical	8	–	2	–
Other	4	31	4	–
	947	971	781	739

9. TRADE AND OTHER RECEIVABLES continued

Credit quality of trade receivables

As at 31 December 2016 Group trade receivables of R384 million (2015: R348 million) and Company trade receivables of R351 million (2015: R294 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The ageing of these trade receivables are shown below:

	Group		Company	
	2016 R'm	2015 R'm	2016 R'm	2015 R'm
Carrying value				
Not past due date	442	475	335	344
Past due within 30 days from statement	178	163	158	138
Past due within 30 – 60 days from statement	73	66	64	65
Past due within 60 – 90 days from statement	48	32	43	27
Past due within 90 – 120 days from statement	20	26	17	22
Past due within 120 – 150 days from statement	24	18	21	16
Past due in excess of 150 days from statement	162	191	143	127
	947	971	781	739
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	18	36	14	30
Past due in excess of 150 days from statement	103	112	81	71
	121	148	95	101

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

The amount of the impairment allowance at 31 December was R121 million for Group (2015: R148 million) and R95 million (2015: R101 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	
Movement in the impairment allowance	2016 R'm	2015 R'm	2016 R'm	2015 R'm
Balance at the beginning of the year	(148)	(128)	(101)	(109)
Utilised during the year	30	8	9	8
Raised during the year	(3)	(28)	(3)	–
Balance at the end of the year	(121)	(148)	(95)	(101)

10. CASH AND CASH EQUIVALENTS

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

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Cash and cash equivalents	1 175	880	1 083	695
Bank overdrafts	(22)	(28)	(22)	(28)
	1 153	852	1 061	667
Cash and cash equivalents consist of the following:				
South African Rand	1 061	667	1 061	667
Foreign currencies	92	185		
	1 153	852	1 061	667

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

Restrictions on cash

Cash and cash equivalents in the Group's subsidiary in Angola amounting to R32 million (2015: R41 million) are restricted due to in-country currency shortages.

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 zaBBB+ (2015: AA (zaf) by Fitch) or a minimum national short-term credit rating of zaA-2 (2015: F1 (zaf) by Fitch) by Standard and Poor's.

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.

11. ASSETS HELD FOR SALE

The sale of the Group's land, situated in Cornubia, Durban has been completed. The sale of unutilised properties and assets at Gas Equipment Factory have also been completed as at 31 December 2016. The assets held for sale related to the Atmospheric Gases segment.

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Opening net assets held for sale	120	–	116	–
Transfer to net assets held for sale	7	120	–	116
Disposals	(127)	–	(116)	–
Total assets held for sale	–	120	–	116

12. EQUITY

Share capital and share premium

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.

	Group		Company	
	2016	2015	2016	2015
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 (2015: 34 285 308) ordinary shares of African Oxygen Limited. These shares are being held as treasury shares.

BOC Holdings owns 50.47% (2015: 50.47%) of the Company, but from a Group perspective, BOC Holdings owns 56.08% (2015: 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.

13. LONG-TERM BORROWINGS

	Currency	Date of final re-payment	Interest rate %	Rate	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Unsecured borrowings					1 000	1 000	1 000	1 000
Less: Short-term portion of long-term borrowings					–	–	–	–
					1 000	1 000	1 000	1 000
Terms of repayment								
Unsecured loans								
RMB syndicated loan – Absa	ZAR	06/2018	9.84	fixed	165	165	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	102	102	102
					102	102	102	102
Between two and five years – capital					1 000	1 000	1 000	1 000
Between two and five years – interest					136	237	136	237
Beyond five years – capital					–	–	–	–
Beyond five years – interest					–	–	–	–
					1 136	1 237	1 136	1 237
					1 238	1 339	1 238	1 339

The fair value of total borrowings was R951 million (2015: R919 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 10.47% (2015: 11.64%) for loans due in 2018 and 11.01% (2015: 12.20%) 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% (2015: 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.

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14. OTHER LONG-TERM FINANCIAL LIABILITY

	Group and Company 2016 R'm	2015 R'm
Contract settlement liability		
Transfer from provisions	29	
Amounts utilised during the year	(7)	
Unwinding of discount	7	
	29	
Less: Short-term portion transferred to trade and other payables	(3)	
Total	26	

The long-term liability relates to the settlement of supply contract with a customer. The value of the liability is linked to the movement in certain indices.

15. PROVISIONS

Group

	Contract settlement provision R'm	Dismantling costs provision R'm	Restructuring provision R'm	Warranty provision R'm	Total R'm
Balance at 31 December 2015	29	3	29	12	73
Transfer to other long-term financial liability	(29)	–	–	–	(29)
Additional provisions created in the year	–	–	–	2	2
Amounts utilised during the year	–	–	(29)	(2)	(31)
Unwinding of discount	–	1	–	–	1
At 31 December 2016	–	4	–	12	16

Company

	Contract settlement provision R'm	Dismantling costs provision R'm	Restructuring provision R'm	Warranty provision R'm	Total R'm
Balance at 31 December 2015	29	3	29	2	63
Transfer to other long-term financial liability	(29)	–	–	–	(29)
Additional provisions created in the year	–	–	–	2	2
Divisionalisation of subsidiary (note 37)	–	–	–	10	10
Amounts utilised during the year	–	–	(29)	(2)	(31)
Unwinding of discount	–	1	–	–	1
At 31 December 2016	–	4	–	12	16

Contract settlement liability

Refer to note 14 for further details.

Dismantling cost provision

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

Warranty provision

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

16. TRADE AND OTHER PAYABLES

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Financial instruments	685	764	611	643
Trade payables	554	585	504	513
Other payables	131	148	107	99
Restructuring costs	–	31	–	31
Non-financial instruments	131	122	111	105
Employee benefits including leave pay, bonuses and other costs	86	90	77	80
Deferred rentals	17	17	15	15
Value added taxation	28	15	19	10
	816	886	722	748

Other payables include the short-term portion of other long-term financial liabilities, 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.

17. OTHER SHORT-TERM FINANCIAL LIABILITIES

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Cylinder deposits	233	224	203	186

The liability relates to the deposits received on sale of LPG cylinders.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge its foreign currency risk exposures on purchases of plant and machinery on which hedge accounting is applied. The Group also holds foreign currency economic hedges on purchases of LPG.

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 remeasured 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 is 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.

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 2016 m	**ZAR 2016 R'm**	Foreign currency 2015 m	ZAR 2015 R'm
British Pound	1	11	–*	10
Euro	7	102	7	109
US Dollar	8	119	3	45
Australian Dollar	–*	1	–*	2
		233		166
Mark-to-market value				
Foreign exchange contracts (liability)/asset		(11)		15

* *Amount below R1 million.*

19. REVENUE

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

Revenue is recognised as follows:

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Sale of goods	**4 901**	4 899	**4 114**	4 096
Rentals	**636**	574	**570**	574
Total revenue for the year	**5 537**	5 473	**4 684**	4 670

Refer to the segmental report on page 24 for a more detailed split of revenue.

Notes to the financial statements continued

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

Cost of sales includes:

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

		Group		Company	
	Note	2016 R'm	2015 R'm	2016 R'm	2015 R'm
EBIT before restructuring costs is shown after taking the following into account:					
Cost of sales		2 418	2 857	2 196	2 506
Income					
Dividends received from subsidiaries	30			137	132
Dividends received from associate	30	1	1	1	1
Management fees from subsidiaries	30			29	29
Management fees from fellow subsidiaries	30	8	9	8	9
Expenses					
Auditors' remuneration		10	9	7	6
Audit services		9	8	6	5
Non-audit services		1	1	1	1
Depreciation of property, plant and equipment	1	367	369	337	339
Amortisation of intangible assets	2	12	21	12	21
Profit on disposal of property, plant and equipment		(11)	(6)	(9)	(1)
Profit on disposal of assets held for sale		(15)		(2)	
Operating lease charges		97	101	101	105
Property		45	48	49	54
Vehicles and equipment		52	53	52	51
Vehicle and equipment rentals		228	236	227	235
Loss/(profit) on foreign currency transactions		7	(24)	2	(20)
Loss/(profit) on fair value hedges		21	(9)	21	(9)
Inventory write-down/(reversal)	8	15	(38)	2	(38)
Trade receivables written down	9	3	28	3	–
Impairment of tangible assets	1	10	27	–	27
Impairment of investment in subsidiaries	3			4	–

21. EMPLOYEE AND KEY MANAGEMENT COMPENSATION COSTS

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

		Group		Company	
	Notes	2016 R'm	2015 R'm	2016 R'm	2015 R'm
Directors' emoluments		10	17	10	17
Executives – for services as directors		7	14	7	14
Non-executives – fees		3	3	3	3
Employee costs		896	1 042	792	925
Salaries and wages		764	884	666	775
Current service costs – Pension fund	6	14	17	14	17
Current service costs – Post-retirement medical benefit		1	1	1	1
Provident fund contributions		58	63	57	61
Other salary costs		7	7	6	6
Equity-settled share-based costs		6	19	6	19
Medical aid current contribution for employees		46	51	42	46

For a detailed breakdown of the directors' emoluments, see the remuneration report on pages 25 to 27.

22. RESTRUCTURING COSTS

	Note	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Provision raised for redundancy payments		–	58	–	58
Provision raised for restructuring consulting costs		–	53	–	53
Total provision raised	15	–	111	–	111
Inventory write-down		–	15	–	15
Amount released to profit and loss for redundancy payments		–	(47)	–	(47)
Total restructuring costs		–	79	–	79
Taxation		–	(22)	–	(22)
Net restructuring costs after taxation		–	57	–	57

23. FINANCE INCOME/(EXPENSE)

Finance income comprises interest income on funds invested, embedded finance leases, 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.

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Finance expense				
Loans and payables	(112)	(110)	(112)	(110)
Less: Interest capitalised on property, plant and equipment	–	14	–	14
Total finance expense	(112)	(96)	(112)	(96)
Finance income				
Loans and receivables	55	29	50	26
Net interest income on retirement benefit assets	57	41	57	41
Lease receivables from finance leases	14	17	9	8
Total finance income	126	87	116	75
Net finance income/(expense)	14	(9)	4	(21)
Analysed per category:				
Net loans and payables	–	(26)	(5)	(29)
Lease receivables from finance leases	14	17	9	8
Net finance income/(expense)	14	(9)	4	(21)

24. INCOME TAXATION EXPENSE

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Normal taxation	194	66	109	(10)
Current year	186	76	109	–
Prior year under/(over) provision	8	(10)	–	(10)
Deferred taxation	54	(4)	64	1
Current year temporary differences	48	1	58	4
Prior year under/(over) provision	6	(5)	6	(3)
Foreign taxation	16	13	16	13
	264	75	189	4
Reconciliation of taxation charge				
Profit before taxation	864	500	589	378
Taxation calculated at a statutory tax rate of 28% (2015: 28%)	242	140	165	106
Income not subject to taxation	–	(4)	(39)	(47)
Dividends received	–	–	(39)	(37)
Other	–	(4)	–	(10)
Section 12I additional investment allowance	–	(65)	–	(65)
Prior year adjustments	14	(16)	6	(13)
Expenses not deductible for taxation purposes	3	8	2	2
Income from vested trust*	–	–	51	8
Provident fund – section 15E transfer	(12)	–	(12)	–
Foreign taxation rate differential	1	(1)	–	–
Foreign taxes	16	13	16	13
Income taxation expense	264	75	189	4
Effective taxation rate (%)	30.6	15.0	32.1	1.1

* *The income from vested trust relates to taxable income on receipt of a settlement from ArcelorMittal South Africa Limited (AMSA).*

25. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share and Group diluted earnings per share are calculated on earnings of R597 million (2015: R414 million) and a weighted average number of ordinary shares of 308 567 602 (2015: 308 567 602) in issue during the period. Group headline earnings per share are calculated on headline earnings of R585 million (2015: 429 million) and a weighted average number of ordinary shares of 308 567 602 (2015: 308 567 602) in issue during the period.

	Group 2016 Gross R'm	2016 Taxation and non-controlling interest R'm	2016 Net R'm	2015 Gross R'm	2015 Taxation and non-controlling interest R'm	2015 Net R'm
Reconciliation between earnings and headline earnings						
Profit for the year	597	–	597	414	–	414
Adjustments for:						
– Profit on disposal of property, plant and equipment and assets held for sale	(26)	7	(19)	(6)	2	(4)
– Impairment of property, plant and equipment	10	(3)	7	27	(8)	19
Headline earnings	581	4	585	435	(6)	429
Basic and diluted earnings per ordinary share (cents)			193.3			134.2
Headline and diluted headline earnings per ordinary share (cents)			189.4			139.2

26. DIVIDENDS

Shareholders for dividends

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Interim dividend number 177 paid on 12 October 2015: 18 cents per share		56		62
Final dividend number 178 paid on 19 April 2016: 51 cents per share	157		175	
Interim dividend number 179 paid on 17 October 2016: 38 cents per share	118		130	
	275	56	305	62
	cents	cents	**cents**	cents
Dividends declared per share	94.0	69.0	94.0	69.0
Interim	38.0	18.0	38.0	18.0
Final	56.0	51.0	56.0	51.0

The local net dividend is 44.8 cents per share for shareholders liable to pay the dividend tax (2015: 43.35 cents) and 56.0 cents per share for shareholders exempt from dividend tax (2015: 51.0).

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 20% (2015: 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.

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Profit before taxation	864	500	589	378
Adjustments for:				
Depreciation	367	369	337	339
Dividends received			(138)	(133)
Foreign exchange adjustments	(39)	11	–	(4)
Revaluation loss/(gain) on derivative financial instruments	21	(9)	21	(9)
Impairment of tangible assets	10	27	–	27
Reversal of income from associate	(2)	(1)		
Profit on disposal of property, plant and equipment and assets held for sale	(26)	(6)	(11)	(1)
Impairment of investment	–	–	4	3
Restructuring provision	–	79	–	79
Other non-cash movements*	(23)	13	9	(18)
Amortisation of intangible assets	12	21	12	21
Finance income	(126)	(87)	(116)	(75)
Finance expenses	112	96	112	96
EBIT before working capital adjustments	1 170	1 013	819	703
Working capital adjustments	(11)	82	133	65
Decrease in inventories	8	58	12	42
Decrease/(increase) in trade and other receivables	48	(41)	(26)	(8)
Increase in net Group company payables	–	–	162	–
(Decrease)/increase in net fellow subsidiary payables	(28)	3	(28)	3
(Decrease)/increase in trade, other payables, provisions and other short-term liabilities	(39)	62	13	28
Cash generated from operations	1 159	1 095	952	768

* *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.*

28. NORMAL TAXATION PAID

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Net taxation receivable/(liability) at the beginning of the year	31	(11)	40	24
Income statement charge (excluding deferred taxation)	(210)	(79)	(125)	(3)
Translation difference	14	5	–	–
Net taxation (receivable)/liability at the end of the year	(12)	(31)	(31)	(40)
Normal taxation paid	(177)	(116)	(116)	(19)
Normal South African taxation paid	(157)	(103)	(96)	(6)
Foreign taxation paid	(20)	(13)	(20)	(13)
Normal taxation paid	(177)	(116)	(116)	(19)

29. FINANCIAL RISK MANAGEMENT

29.1 Overview

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

- Credit risk
- Liquidity risk
- 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.

29.2 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 represent 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 zaBBB+ or a minimum national short-term credit rating of zaA-2 by Standard & Poor's. The Group has international swap and derivatives master agreements with most of its counterparties for financial derivatives, which permit 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 ongoing 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 R2 263 million (2015: R1 910 million) which is the total of the Group's financial assets. At 31 December 2016 the Group did not consider there to be a significant concentration of credit risk for which an impairment allowance had not adequately been made.

29. FINANCIAL RISK MANAGEMENT continued

29.3 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 forecast 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 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	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Committed facilities	**1 000**	1 590	**1 000**	1 590
Uncommitted facilities	**740**	680	**730**	670
Term loans maturing over the next five years	**1 000**	1 000	**1 000**	1 000
Term loans maturing beyond five years	**–**	–	**–**	–

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 R740 million (2015: R680 million) for the Group and R730 million (2015: R670 million) for the 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
2016						
Borrowings	102	1 136	–	102	1 136	–
Other long-term financial liability	–	26	–	–	26	–
Trade and other payables	685	–	–	611	–	–
Other short-term financial liabilities	233	–	–	203	–	–
Payables to fellow subsidiaries of the holding company	60	–	–	60	–	–
Payables to Group companies				225		
Bank overdrafts	22	–	–	22	–	–
2015						
Borrowings	102	1 237	–	102	1 237	–
Trade and other payables	764	–	–	643	–	–
Other short-term financial liabilities	224	–	–	186	–	–
Payables to fellow subsidiaries of the holding company	76	–	–	76	–	–
Payables to Group companies		–		74		
Bank overdrafts	28	–	–	28	–	–

29. FINANCIAL RISK MANAGEMENT continued

29.3 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
2016	
Foreign currency contracts	
Outflow	233
2015	
Foreign currency contracts	
Outflow	166

29.4 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 South African 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.

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

Currency 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 2017.

Details of significant contracts are as follows:

	Group and Company		
	Foreign currency m	Average mark to market rate	Rand amount R'm
2016			
US Dollar	8	13.78	116
British Pound	1	16.94	10
Euro	7	14.57	95
Australian Dollar	–*	9.88	1
			222
2015			
US Dollar	3	15.77	47
British Pound	–*	28.37	11
Euro	7	17.33	121
Australian Dollar	–*	14.49	2
			181

* *Amount below R1 million*

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

Sensitivity analysis

The tables on page 56 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 5% change in foreign currency rate, a change in 5% (2015: 1%) in foreign currency rate relating to financial assets will result in a profit and any 5% (2015: 1%) change in foreign currency rate relating to financial liabilities will result in a loss. The percentage was changed from 1% to 5% to more accurately reflect the volatility in the foreign exchange rates.

Foreign currency sensitivity analysis

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

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

Currency risk continued

	Group 2016 R'm	Group 2015 R'm	Company 2016 R'm	Company 2015 R'm
Financial assets – trade and other receivables				
Amount				
US Dollar	13	–	13	–
Euro	4	–	4	–
Angolan Kwanza	7	–	5	
Botswana Pula	34	32	12	13
Zambian Kwacha	29	43	–	–
Malawian Kwacha	17	–	–	–
Mozambican Metical	8	–	2	
Namibian Dollar	43	43	–	–
Other	4	31	4	–
Total	159	149	40	13
Potential impact on profit or loss				
US Dollar	1	–	1	–
Euro	–	–	–	–
Angolan Kwanza	–		–	–
Botswana Pula	2	–	1	–
Zambian Kwacha	1	1	–	–
Malawian Kwacha	1	–	–	–
Mozambican Metical	–	–	–	–
Namibian Dollar	–	–	–	–
Other	–	–	–	–
Total	5	1	2	–
Foreign cash balances				
Angolan Kwanza	32	30	–	–
Botswana Pula	12	18	–	–
Malawian Kwacha	3	17	–	–
Mozambican Metical	18	24	–	–
Zambian Kwacha	21	22	–	–
Namibian Dollar	3	4	–	–
US Dollar	3	23	–	–
Total	92	134	–	–
Potential impact on profit or loss				
Angolan Kwanza	2	13	–	–
Botswana Pula	1	2	–	–
Malawian Kwacha	–	5	–	–
Mozambican Metical	1	19	–	–
Zambian Kwacha	1	1	–	–
Namibian Dollar	–	–	–	–
US Dollar	–	4	–	–
Total	5	44	–	–
Financial liabilities – trade and other payables				
Amount				
Australian Dollar	–	1	–	1
British Pound	2	5	2	5
US Dollar	48	24	48	24
Euro	55	72	55	72
Angolan Kwanza	5	–	–	–
Botswana Pula	9	–	–	–
Zambian Kwacha	26	34	–	–
Malawian Kwacha	7	–	–	–
Mozambican Metical	13	–	–	–
Kenyan Shilling	3	–	3	–
Namibian Dollar	33	26	–	–
Other	–	41	–	–
Total	201	203	108	102

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

Currency risk continued

	Group		Company	
	2016 R'm	2015 R'm	2016 R'm	2015 R'm
Potential impact on profit or loss				
Australian Dollar	–	–	–	–
British Pound	–	–	–	–
US Dollar	2	1	2	1
Euro	3	1	3	–
Angolan Kwanza	–	–	–	–
Botswana Pula	–	–	–	–
Zambian Kwacha	1	1	–	–
Malawian Kwacha	–	–	–	–
Mozambican Metical	1	–	–	–
Kenyan Shilling	–	–	–	–
Namibian Dollar	–	–	–	–
Other	–	–	–	–
Total	7	3	5	1

The following significant exchange rates applied during the year:

	Group and Company	
	2016 R	2015 R
Exchange rates to South African Rand		
Year-end rates		
Botswana Pula	1.29	1.39
British Pound	16.95	22.81
Angolan Kwanza	0.08	0.11
Euro	14.45	16.81
US Dollar	13.74	15.48
Zambian Kwacha ('000)	1.38	1.41
Malawian Kwacha	0.02	0.02
Mozambican Metical	0.19	0.33
Namibian Dollar	1.00	1.00
Kenyan Shilling	0.13	0.15
Average rates for the year		
Botswana Pula	1.35	1.26
British Pound	19.85	19.51
Angolan Kwanza	0.09	0.11
Euro	16.27	14.17
US Dollar	14.69	12.76
Zambian Kwacha ('000)	1.43	1.48
Malawian Kwacha	0.02	0.03
Mozambican Metical	0.23	0.32
Namibian Dollar	1.00	1.00
Kenyan Shilling	0.14	0.13

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

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 interest 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 2016 the Group had positive exposure of R1 153 million (2015: positive net exposure of R852 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.

The analysis is performed on the same basis as 2015.

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.

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

	Group							
	Fixed interest rate maturing						Total carrying amount	
	Weighted average effective interest rate %	Floating interest rate R'm	1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest-bearing R'm	2016 R'm	2015 R'm
Loans and receivables		1 175	16	55	17	1 000	2 263	1 895
Trade and other receivables		–	–	–	–	934	934	854
Receivables from fellow subsidiaries of the holding company		–	–	–	–	66	66	54
Lease receivables		–	16	55	17	–	88	107
Cash and cash equivalents	6.9	1 175	–	–	–	–	1 175	880
Financial assets at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	–	–	15
Total financial assets		1 175	16	55	17	1 000	2 263	1 910
Liabilities								
Financial liabilities at amortised cost		22	3	1 026	–	975	2 026	2 092
Long-term borrowings		–	–	1 000	–	–	1 000	1 000
Other long-term financial liability		–	–	26	–	–	26	–
Trade and other payables		–	3	–	–	682	685	764
Other short-term financial liabilities		–	–	–	–	233	233	224
Payables to fellow subsidiaries of the holding company		–	–	–	–	60	60	76
Bank overdrafts	9.0	22	–	–	–	–	22	28
Financial liabilities at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	11	11	–
Total financial liabilities		22	3	1 026	–	986	2 037	2 092
Net financial assets/(liabilities)		1 153	13	(971)	17	14	226	(182)

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

Interest rate profiles of financial assets and financial liabilities continued

	Company							
	Fixed interest rate maturing						Total carrying amount	
	Weighted average effective interest rate %	Floating interest rate R'm	1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest-bearing R'm	2016 R'm	2015 R'm
Loans and receivables		1 083	15	36	17	1 485	2 636	2 253
Trade and other receivables		–	–	–	–	787	787	651
Receivables from fellow subsidiaries of the holding company		–	–	–	–	66	66	54
Receivables from Group companies		–	–	–	–	32	32	43
Lease receivables			15	36	17		68	70
Loans due by subsidiaries		–	–	–	–	600	600	740
Cash and cash equivalents	6.9	1 083				–	1 083	695
Financial assets at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	–	–	15
Total financial assets		1 083	15	36	17	1 485	2 636	2 268
Liabilities								
Other financial liabilities at amortised cost		22	3	1 026	–	1 096	2 147	2 007
Long-term borrowings		–	–	1 000	–	–	1 000	1 000
Other long-term financial liability		–	–	26	–	–	26	
Trade and other payables		–	3	–	–	608	611	643
Other short-term financial liabilities		–	–	–	–	203	203	186
Payables to fellow subsidiaries of the holding company		–	–	–	–	60	60	76
Payables to Group companies		–	–	–	–	225	225	74
Bank overdrafts	9.0	22	–	–	–	–	22	28
Financial liabilities at fair value through profit or loss								
Derivative financial instruments		–	–	–	–	11	11	–
Total financial liabilities		22	3	1 026	–	1 107	2 158	2 007
Net financial assets/(liabilities)		1 061	12	(990)	17	378	478	261

29. FINANCIAL RISK MANAGEMENT continued

29.4 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 approximate 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 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 to 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 2016	Carrying amount		As at 31 December 2015	Carrying amount	
	Level	Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm
Assets							
Non-current assets							
Lease receivables		72	72	–	88	88	–
Current assets		2 191	2 191	–	1 822	1 807	15
Trade and other receivables		934	934	–	854	854	–
Derivative financial instruments	2	–	–	–	15	–	15
Receivables from fellow subsidiaries of the holding company		66	66	–	54	54	–
Short-term portion of lease receivables		16	16	–	19	19	–
Cash and cash equivalents		1 175	1 175	–	880	880	–

Group

		As at 31 December 2016	Carrying amount		As at 31 December 2015	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		977	1 026	–	919	1 000	–
Long-term borrowings		951	1 000	–	919	1 000	–
Other long-term financial liability		26	26	–			
Current liabilities		1 011	1 000	11	1 092	1 092	-
Trade and other payables		685	685	–	764	764	–
Other short-term financial liabilities		233	233	–	224	224	–
Derivative financial instruments	2	11	–	11	–	–	–
Payables to fellow subsidiaries of holding company		60	60	–	76	76	–
Bank overdrafts		22	22	–	28	28	–

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

Accounting classifications and fair values continued

Company

	Level	As at 31 December 2016 Carrying amount Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm	As at 31 December 2015 Carrying amount Fair value R'm	Loans and receivables R'm	Fair value through profit or loss R'm
Assets							
Non-current assets		653	653	–	803	803	–
Lease receivables		53	53	–	63	63	–
Loans due by subsidiaries		600	600	–	740	740	–
Current assets		1 983	1 983	–	1 465	1 450	15
Trade and other receivables		787	787	–	651	651	–
Derivative financial instruments	2	–	–	–	15	–	15
Receivables from fellow subsidiaries of the holding company		66	66	–	54	54	–
Receivables from Group companies		32	32	–	43	43	–
Short-term portion of lease receivables		15	15	–	7	7	–
Cash and cash equivalents		1 083	1 083	–	695	695	–

Company

	Level	As at 31 December 2016 Carrying amount Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm	As at 31 December 2015 Carrying amount Fair value R'm	Amortised cost R'm	Fair value through profit or loss R'm
Liabilities							
Non-current liabilities		977	1 026	–	919	1 000	–
Long-term borrowings		951	1 000	–	919	1 000	–
Other long-term financial liability		26	26	–			
Current liabilities		1 132	1 121	11	1 007	1 007	–
Trade and other payables		611	611	–	643	643	–
Other short-term financial liabilities		203	203	–	186	186	–
Derivative financial instruments	2	11	–	11	–	–	–
Payables to fellow subsidiaries of the holding company		60	60	–	76	76	–
Payables to Group companies		225	225	–	74	74	–
Bank overdrafts		22	22	–	28	28	–

29. FINANCIAL RISK MANAGEMENT **continued**

29.4 **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 2016 (2015: 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 2016 Contractual cash flows			As at 31 December 2015 Contractual cash flows		
	Amount R'm	**6 months or less R'm**	**6 to 12 months R'm**	Amount R'm	6 months or less R'm	6 to 12 months R'm
Cash outflows expected from hedged transactions	26	26	–	28	28	–
(Loss)/gain expected in other comprehensive income	(2)	(2)	–	3	3	–

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

	Group		Company	
	2016 R'm	2015 R'm	**2016 R'm**	2015 R'm
Gains/(losses)				
At 1 January	6	1	(1)	(6)
Gains recognised in other comprehensive income (net of tax)	(4)	5	(4)	5
At 31 December	2	6	(5)	(1)

29. FINANCIAL RISK MANAGEMENT continued

29.4 Market risk continued

Hedging 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 are recognised in profit or loss.

	Group and Company					
	As at 31 December 2016	Contractual cash flows		As at 31 December 2015	Contractual cash flows	
	Amount R'm	6 months or less R'm	6 to 12 months R'm	Amount R'm	6 months or less R'm	6 to 12 months R'm
Cash outflows expected from hedged transactions	196	196	–	153	153	–
(Loss)/gain expected in profit or loss	(9)	(9)	–	12	12	–

29.5 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.

29.6 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) (2015: 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.

30. 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 of the shareholders of the Company are disclosed in the shareholders' profile on pages 7 and 8.

Holding company

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

Directors' and key management emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director, whether executive or otherwise, of that entity. Details on the remuneration of the directors are disclosed in the remuneration report on pages 25 to 27. The total remuneration of key management was R10 million (2015: R17 million). No loans were made to or received from any director.

	Group and Company	
	2016 R'm	2015 R'm
Holding company		
Cash dividends to holding company	146	30
Technical aid fee	24	19
Fellow subsidiaries of holding company		
Revenue from sale of goods:	56	82
BOC UK	1	15
BOC Kenya	5	5
BOC Tanzania	1	–
BOC Nigeria	2	3
BOC Zimbabwe	41	38
BOC Australia	2	17
BOC Group Limited	–	1
Linde headquarters	4	2
Linde Asia	–	1
Income from management fees:	8	9
BOC Kenya	3	3
BOC Zimbabwe	5	6
Purchase of goods and services:	90	87
BOC UK	5	4
Linde headquarters	79	66
BOC Ireland	2	2
Linde North America	1	5
BOC Group Limited	1	6
BOC Nigeria	–	1
BOC Zimbabwe	2	1
BOC China	–	2
Turnkey project:		
BOC Cryostar	1	3
Receivables from fellow subsidiaries of the holding company:	66	54
BOC UK	–	7
BOC Group Limited	1	1
BOC Zimbabwe	39	21
BOC Kenya	5	7
BOC Nigeria	13	9
BOC Tanzania	2	1
BOC Australia	1	7
Linde headquarters	5	1
Payables to fellow subsidiaries of the holding company:	60	76
Linde headquarters	35	30
BOC Group Limited	10	19
BOC UK	7	9
BOC Cryostar	3	–
Linde Global Helium	3	11
Linde Gas division	1	1
Linde AG	–	5
BOC China	–	1
BOC Ireland	1	–

30. RELATED-PARTY TRANSACTIONS **continued**

	Company 2016 R'm	2015 R'm
Subsidiaries		
Revenue from sale of goods and services:	248	207
Afrox Zambia	52	40
Afrox Malawi	27	14
IGL Namibia	46	37
Swazi Oxygen	28	15
Botswana Oxygen Company	19	16
Afrox Mozambique	15	14
Afrox Lesotho	61	71
Income from management fees:	29	29
Afrox Lesotho	4	4
ISAS Trust	–	2
Swazi Oxygen	9	9
Afrox Zambia	5	4
Afrox Mozambique	1	–
Afrox Malawi	2	2
IGL Namibia	8	8
Rental expense:		
Afrox Properties	12	12
Receivables from Group Companies:	32	43
Botswana Oxygen Company	1	3
Swazi Oxygen	4	4
Afrox Zambia	3	8
IGL Namibia	6	4
Afrox Malawi	3	4
Afrox Lesotho	11	8
Afrox Mozambique	4	12
Payables to Group companies:	225	74
Kiddo Investments	6	6
IGL Namibia	12	–
Afrox Lesotho	2	–
Afrox Safety	–	50
ISAS Trust	204	-
BOC Mozambique	–	2
Afrox Mozambique	–	1
Swazi Oxygen	1	15
Dividends received	137	132
Associate – Les Gaz Industriels Limited		
Revenue from sale of goods	2	1
Dividends	1	1

Investments in subsidiaries, loans due by subsidiaries and investment in associate are detailed on pages 32 and 33.

Amounts outstanding on trade receivables and payables are to be settled in cash within normal 30-day credit terms as 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.

31. COMMITMENTS AND GUARANTEES

	Group		Company	
	2016 R'm	2015 R'm	2016 R'm	2015 R'm
Capital commitments				
Capital expenditure				
Authorised and contracted	22	80	18	74
Authorised by the directors, but not yet contracted for	224	264	177	228
Total future capital expenditure	246	344	195	302
Allocated to:				
Property, plant and equipment	246	344	195	302
Afrox intends to finance capital expenditure from surpluses generated and borrowing facilities available.				
Leases				
Operating leases				
The Group and Company lease certain of their property, plant and equipment in terms of operating leases.				
Total future minimum lease payments under non-cancellable operating leases				
Not later than one year	81	78	81	78
Between one and five years	263	218	263	218
Longer than five years	239	329	239	329
	583	625	583	625
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 5). Lease payments and finance income recognised are detailed below:				
Lease payments	(27)	(33)	(22)	(14)
Finance income	11	14	7	7
	(16)	(19)	(15)	(7)

32. 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.

The Group has the following equity-settled share-based payments arrangements:

32.1 Share appreciation rights scheme (SAR scheme) – with conditions
32.2 Forfeitable share plan (FSPs) – with conditions
32.3 FSPs – without conditions

The fair value of both the FSPs and the SAR scheme 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 from 2014 is 75% headline earnings per share (HEPS) and 25% relative total shareholder return (TSR).

32.1 SARs – with conditions

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

There are two SAR schemes:

- Modified SAR scheme: rights issued from 1 January 2007 to 31 December 2011. No SAR will be exercisable unless the Company is satisfied that the EBITDA for the period from the financial year-end immediately preceding the grant date until the financial year-end preceding the date on which the SAR is intended to be exercised has grown by no less than GDP adjusted for inflation over the same period;
- New SAR scheme: rights issued after 1 January 2012. Rights will vest subject to HEPS and TSR performance criteria being satisfied over the performance period.

Valuation methodologies

- Modified SAR scheme: The valuation of the modified SAR scheme was done using a Monte Carlo simulation for the performance period and a modified binomial tree model for the vesting period. EBITDA for Afrox was simulated for the performance period and evaluated against expected nominal GDP to determine whether the SARs will vest. For the remaining period up until maturity, a risk-neutral binomial tree model incorporating the early exercise feature and the exercise multiple condition was applied. The price inferred from the binomial tree model was then discounted to valuation date to determine the fair value of the scheme for each scenario; and
- New SAR scheme: The valuation of the new SAR 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 entitle eligible employees to be granted rights to receive Afrox shares at the start of the period (grant date), at a specified price (grant price) at the vesting date or any date thereafter within seven (FSPs) and 10 years (SARs) of grant date. The allocation of the shares is subject to performance conditions that need to be met over the three-year vesting period. The number of shares that will be allocated determined by the growth in the Afrox share price over the grant price, adjusted by the level of performance achieved. If performance criteria have been met, the calculated number of shares will be allocated. If performance criteria have not been met, no shares will be allocated.

32. SHARE-BASED PAYMENTS continued

32.1 SARs – with conditions continued

	Company 2016	Company 2015
Fair value inputs and assumptions (new SAR scheme):		
The following inputs and assumptions were used in the measurement of fair value at grant date:		
Fair value at grant date (R)	5.50	3.80
Share price at grant date (R)	17.98	14.80
Strike price at grant date (R)	22.00	22.00
Expected TSR volatility (weighted average) (%)	39.00	27.79
Expected dividend yield (%)	3.00	3.71
Risk-free interest rate (%)	9.02	8.50
Vesting date	Jan 19	Jan 18
Maturity date	Dec 22	Dec 21
Number of new SARs in issue:		
Balance at the beginning of the year	5 493 251	6 306 951
Granted during the year	1 659 500	1 896 000
Forfeited during the year	(1 583 751)	(2 709 700)
Balance at the end of the year	5 569 000	5 493 251
Number of unvested SARs at the end of the year	5 569 000	5 493 251
Total new SARs issued as at the end of the year	5 569 000	5 493 251
Range of exercise prices (Rand per share)	17.98 – 22.00	14.80 – 22.00
Weighted average contractual life (years)	6.05	6.02
Fair value inputs and assumptions (original SAR scheme):		
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
Number of original SARs in issue:		
Balance at the beginning of the year	1 774 477	2 459 327
Exercised during the year	–	–
Forfeited during the year	(1 774 477)	(684 850)
Balance at the end of the year	–	1 774 477
Number of vested SARs at the end of the year	–	1 774 477
Total original SARs issued as at the end of the year	–	1 774 477
Fair value inputs and assumptions (modified SAR scheme):		
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)	3.00	4.00
Number of modified SARs in issue:		
Balance at the beginning of the year	8 635 133	8 940 892
Forfeited during the year	(2 717 092)	(305 759)
Balance at the end of the year	5 918 041	8 635 133
Number of vested SARs at the end of the year	5 918 041	8 635 133
Total modified SARs issued as at the end of the year	5 918 041	8 635 133

32. SHARE-BASED PAYMENTS continued

32.2 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 2016	Company 2015
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)	11.55	13.20
Share price at grant date (R)	17.98	14.80
Expected dividend yield (%)	3.00	3.71
Vesting and maturity date	Jan 19	Jan 18
Weighted average contractual life (years)	6.06	6.25
Number of FSPs with conditions in issue:		
Balance at the beginning of the year	1 387 820	1 203 650
Granted	390 750	631 000
Forfeited	(599 229)	(446 830)
Exercised	(70 591)	–
Balance at the end of the year	1 108 750	1 387 820
Number of unvested FSPs with conditions at the end of the year	1 108 750	1 387 820
Total number of FSPs with conditions in issue as at the end of the year	1 108 750	1 387 820

32.3 FSPs – without conditions

The plan covers a three-year performance period, which is subject to 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 2016	Company 2015
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)	17.98	14.80
Share price at grant date (R)	17.98	14.80
Expected dividend yield (%)	3.00	3.71
Vesting and maturity date	Jan 19	Jan 18
Weighted average contractual life (years)	6.06	6.26
Number of FSPs without conditions in issue:		
Balance at the beginning of the year	1 231 905	951 000
Granted	312 000	555 000
Forfeited	(292 960)	(274 095)
Exercised	(230 195)	–
Balance at the end of the year	1 020 750	1 231 905
Number of unvested FSPs without conditions at the end of the year	1 020 750	1 231 905
Total number of FSPs without conditions in issue as at the end of the year	1 020 750	1 231 905

Expense recognised in profit or loss:

	Company 2016 R'm	Company 2015 R'm
Share appreciation rights – with conditions	–	(12)
Forfeitable shares – with conditions	(4)	(6)
Forfeitable shares – without conditions	(2)	(1)
Total expense recognised for equity-settled share-based payment	(6)	(19)

33. CONTINGENT LIABILITY

The Group and AMSA reached a settlement in 2016. The full proceeds of the settlement amounting to R165 million were received during the year. As at the date of this report, there is no outstanding litigation of a material nature against the Group. Afrox is presently a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG sector. Afrox is cooperating fully with the Commission's investigation.

34. 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. The proceeds of the disposal of certain properties amounting to R84 million were received subsequent to the year-end, but before the date of this report.

35. 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.

36. SUBSIDIARIES

						Carrying value of Company's interest			
		Issued share capital		Effective holding		Shares at cost		Loans due by subsidiaries	
Name of company	Nature of business*	2016	2015	2016 %	2015 %	2016 R'm	2015 R'm	2016 R'm	2015 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	–	–	430	459
Afrox Finance (Pty) Ltd	D	0	R60 000	100	100	–	–	–	–
Afrox Properties (Pty) Ltd	P	R4 000	R4 000	100	100	–	–	134	163
Afrox Safety (Pty) Ltd	E	–	R1 000 000	100	100	–	4	–	75
Amalgamated Welding and Cutting Holdings (Pty) Ltd	D	–	R20 016	100	100	–	–	–	–
Human Performance Systems (Pty) Ltd	D	–	R200	100	100	–	–	–	–
Industrial Research and Development (Pty) Ltd	E	–	R6 000	100	100	–	–	–	–
ISAS Trust	G	R56 117 720	R56 117 720	100	100	45	45	6	11
Subsidiary incorporated in Angola									
Afrox Africa Oxigenio Limitada*	G	KA1,8m	KA1,8m	100	100	–	–	1	1
Subsidiary 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	–	–	13	5
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	–	–	–	–

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

36. SUBSIDIARIES **continued**

Name of company	Nature of business*	Issued share capital 2016	Issued share capital 2015	Effective holding 2016 %	Effective holding 2015 %	Carrying value of Company's interest: Shares at cost 2016 R'm	Shares at cost 2015 R'm	Loans due by subsidiaries 2016 R'm	Loans due by subsidiaries 2015 R'm
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	21	17	5	9
BOC Gases Mozambique Limitada	G	MZM1 100	MZM1 100	100	100	1	1	–	2
Subsidiaries incorporated in Namibia									
IGL (Pty) Ltd	G	N$2	N$2	100	100	–	–	–	2
IGL Properties (Pty) Ltd	P	N$280 000	N$280 000	100	100	–	–	8	6
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	E8	E8	100	100	–	–	–	–
Swazi Oxygen (Pty) Ltd	G	E8	E8	100	100	–	–	–	–
Subsidiary incorporated in Zambia									
Afrox Zambia Limited	G	ZK86.5m	ZK86.5m	70	70	5	5	–	–
Investment in subsidiaries (refer to note 3)						73	73	600	740

36. SUBSIDIARIES continued

Subsidiaries with material non-controlling interests (NCI)

Subsidiary	Non-controlling interest %	Place of business	Profit allocated to non-controlling interests 2016 R'm	Profit allocated to non-controlling interests 2015 R'm	Dividend to non-controlling interests 2016 R'm	Dividend to non-controlling interests 2015 R'm	Accumulated non-controlling interests 2016 R'm	Accumulated non-controlling interests 2015 R'm
Afrox Malawi Limited	21%	Malawi	2	3	3	2	6	7
Afrox Zambia Limited	30%	Zambia	1	8	6	3	21	30
			3	11	9	5	27	37

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

Afrox Malawi Limited

	Carrying value 2016 R'm	Carrying value 2015 R'm
Summarised statement of financial position		
Non current assets	21	21
Current assets	31	43
Total assets	52	64
Equity	30	37
Non-current liabilities	3	3
Current liabilities	19	24
Total equity and liabilities	52	64
Summarised Income statement		
Revenue	69	72
Expenses	(57)	(56)
Profit for the year	12	16
Summarised other comprehensive income after tax	–	–
Total comprehensive income for the year	12	16
Summarised cash flow statement		
Net cash flow from operating activities	(1)	27
Net cash flow from investing activities	(5)	(4)
Net cash flow from financing activities	(13)	(8)
Net (decrease)/increase in cash and cash equivalents	(19)	15
Cash and cash equivalents at the beginning of the year	22	7
Cash and cash equivalents at the end of the year	3	22

36. SUBSIDIARIES **continued**

Afrox Zambia Limited

	Carrying value 2016 R'm	Carrying value 2015 R'm
Summarised statement of financial position		
Non current assets	80	85
Current assets	70	101
Total assets	150	186
Equity	95	104
Non-current liabilities	14	20
Current liabilities	41	62
Total equity and liabilities	150	186
Summarised Income statement		
Revenue	186	204
Expenses	(184)	(179)
Profit for the year	2	25
Summarised other comprehensive loss after tax	–	–
Total comprehensive income for the year	2	25
Summarised cash flow statement		
Net cash flow from operating activities	10	38
Net cash flow from investing activities	(20)	(14)
Net cash flow from financing activities	(15)	(14)
Net (decrease)/increase in cash and cash equivalents	(25)	10
Cash and cash equivalents at the beginning of the year	50	40
Cash and cash equivalents at the end of the year	25	50

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 (2015: Rnil), which represents Afrox's maximum exposure resulting from of its interest in the trust.

Afrox donated Rnil (2015: 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.

**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

37. DIVISIONALISATION OF SUBSIDIARY

As part of the restructuring , a decision was taken to divisionalise Afrox Safety Pty (Ltd) and distribute all its assets to African Oxygen Limited as at 29 February 2016 as a liquidation distribution. African Oxygen Limited has assumed all the liabilities of Afrox Safety as at 29 February 2016. Afrox Safety was deregistered on 26 July 2016. The investment in subsidiary of R4 million was impaired in the current year.

The following table summarises the recognised amounts of assets and liabilities assumed at the date of liquidation.

	R'm
Property, plant and equipment	4
Finance leases	15
Deferred taxation	3
Inventories	10
Trade and other receivables	11
Provisions	(10)
Trade and other payables	(1)
Taxation receivable	1
Net assets transferred	33

38. ASSOCIATE COMPANY

		Issued share capital		Effective holding		Shares at cost		Indebtedness	
Name of company	Nature of business*	**2016 R'm**	2015 R'm	**2016 %**	2015 %	**2016 R'm**	2015 R'm	**2016 R'm**	2015 R'm
Group and Company Unlisted associate company									
Les Gaz Industriels Limited†	G	26.1	26.1	38	38	1	1	–	–

† *Associate with June financial year-end*

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

Currency
R – South African Rand