



# Sacafs

## Summarised audited consolidated annual financial statements

These summarised audited consolidated annual financial statements are a summary of the audited consolidated annual financial statements as at and for the year ended 31 December 2016, that were approved by the Board on 23 February 2017. The preparation of these condensed consolidated annual financial statements was supervised by the Financial Director, Dorian Devers.

The audited consolidated annual financial statements are available for inspection at the Company's registered office and on the Afrox website at [www.afrox.co.za](http://www.afrox.co.za).

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# Five-year financial review

Group	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
<b>SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2 952	2 988	3 166	3 034	2 854
Retirement benefit assets	406	538	475	552	348
Deferred taxation assets	15	19	15	9	15
Other non-current assets	124	141	163	199	241
<b>Current assets (excluding cash and cash equivalents)</b>					
Borrowings (including cash and cash equivalents)	1 775	1 609	1 564	1 833	1 588
<b>Assets held for sale</b>	153	-	-	-	-
	-	120	-	-	44
<b>Total assets</b>	<b>5 425</b>	<b>5 415</b>	<b>5 383</b>	<b>5 627</b>	<b>5 090</b>
<b>Equity and liabilities</b>					
Total equity attributable to the equity holders of the parent Company	3 657	3 431	3 019	3 202	2 804
Non-controlling interests	27	37	28	37	27
Borrowings (including cash and cash equivalents)	-	148	503	649	615
Other long-term financial liability	26	-	-	-	-
Deferred taxation liabilities	553	518	512	570	528
<b>Current liabilities (excluding borrowings)</b>					
	1 162	1 281	1 321	1 169	1 116
<b>Total equity and liabilities</b>	<b>5 425</b>	<b>5 415</b>	<b>5 383</b>	<b>5 627</b>	<b>5 090</b>
<b>SUMMARISED CONSOLIDATED INCOME STATEMENT</b>					
<b>Revenue</b>	<b>5 537</b>	<b>5 473</b>	<b>5 834</b>	<b>5 825</b>	<b>5 558</b>
<b>Operating expenses (excluding restructuring costs)</b>	<b>(4 300)</b>	<b>(4 469)</b>	<b>(5 016)</b>	<b>(4 945)</b>	<b>(4 760)</b>
<b>Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)</b>					
	1 237	1 004	818	880	798
Depreciation and amortisation	(379)	(390)	(381)	(366)	(328)
Impairment of tangible assets	(10)	(27)	(35)	-	(31)
Impairment of intangible assets	-	-	(17)	-	-
<b>Earnings before interest and taxation (EBIT) before restructuring costs</b>					
	848	587	385	514	439
Restructuring costs	-	(79)	(185)	-	-
<b>EBIT</b>					
	848	508	200	514	439
Net finance expense	14	(9)	(12)	(47)	(35)
Income from associate	2	1	1	1	4
<b>Profit before taxation</b>					
	864	500	189	468	408
Income taxation expense	(264)	(75)	(93)	(144)	(133)
<b>Profit for the year</b>					
	600	425	96	324	275
Owners of the Company	597	414	83	309	262
Non-controlling interests	3	11	13	15	13
Owners of the Company	597	414	83	309	262
Dividends declared	(275)	(56)	(136)	(139)	(154)
<b>Retained income/(loss)</b>					
	322	358	(53)	170	108

Group	2016 R'm	2015 R'm	2014 R'm	2013 R'm	2012 R'm
<b>CASH FLOW SUMMARY</b>					
<b>EBIT</b>	848	508	200	514	439
Cash generated from operations	1 099	926	986	833	936
Total capital expenditure (tangible)	379	362	514	505	546
Acquisition of intangible assets	10	15	13	-	12
<b>STATISTICS</b>					
Total number of shares in issue (excluding treasury shares) (millions)	309	309	309	309	309
Weighted average number of shares in issue (millions)	309	309	309	309	309
<b>Ordinary share performance</b>					
Basic earnings per share (cents)	193.3	134.2	26.8	100.1	84.9
Headline earnings per share (cents)	189.4	139.2	36.2	95.3	88.5
Dividends declared per share (cents)	94.0	69.0	24.0	47.0	45.0
Dividend cover – basic earnings (times)	2.1	1.9	1.1	2.1	1.9
Dividend cover – headline earnings (times)	2.0	2.0	1.5	2.0	2.0
Net asset value per share (cents)	1 245	1 159	1 158	1 263	1 170
<b>Profitability and asset management</b>					
EBITDA margin (%)	22.3	18.3	14.0	15.1	14.4
EBIT margin (%)	15.3	9.3	3.4	8.8	7.9
Return on net assets (%)	22.9	14.2	5.4	13.7	12.4
Net asset turn (times)	1.5	1.5	1.6	1.6	1.6
Return on shareholders' equity (%)	16.9	12.8	2.7	10.3	9.3
Return on capital employed (%)	24.6	16.7	4.7	12.2	10.9
Effective rate of taxation (%)	30.5	15.0	49.3	30.8	32.5
<b>Liquidity and leverage</b>					
Interest cover (times)	-	57.7	17.4	10.9	12.5
Liability ratio	0.5	0.6	0.7	0.6	0.6
Current ratio	1.5	0.7	1.2	1.6	1.4
Gearing (%)	(4.4)	3.6	12.4	14.6	15.5
<b>Value added</b>					
Number of permanent employees	2 142	2 336	2 856	2 930	3 248
Revenue per average permanent employee (R'000)	2 473	2 108	2 016	1 886	1 701
Profit before taxation per average permanent employee (R'000)	386	194	66	152	125

# Shareholders' profile

for the year ended 31 December 2016

## SHAREHOLDER SPREAD

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

	2016				2015			
	Number of shareholders	% of holders	Number of shares	% of issued share capital	Number of shareholders	% of holders	Number of shares	% of issued share capital
<b>Distribution of shareholders</b>								
Public companies	4	0.13	209 821 185	61.20	5	0.17	210 201 239	61.31
Insurance, investment and trust companies	92	3.09	31 439 904	9.17	62	2.17	23 038 592	6.72
Pension, provident funds and trusts	197	6.62	37 371 907	10.90	211	7.38	34 472 096	10.05
Banks and nominee companies	47	1.58	58 937 588	17.18	61	2.13	69 782 973	20.35
Individuals and deceased estates	2 519	84.68	4 549 023	1.33	2 402	84.02	4 499 808	1.32
Corporate bodies	64	2.15	470 309	0.14	68	2.38	529 148	0.15
Private companies	52	1.75	262 994	0.08	50	1.75	329 054	0.10
<b>Total</b>	<b>2 975</b>	<b>100.00</b>	<b>342 852 910</b>	<b>100.00</b>	<b>2 859</b>	<b>100.00</b>	<b>342 852 910</b>	<b>100.00</b>
<b>Shareholder type</b>								
Public shareholders	2 964	99.63	132 966 488	38.78	2 849	99.65	132 650 371	38.69
Non-public shareholders (within the Linde AG Group)	11	0.37	209 886 422	61.22	10	0.35	210 202 539	61.31
Strategic holdings (more than 10%)	1	0.03	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	5	0.17	500	0.00	5	0.18	1 300	0.00
Own holdings and share incentive scheme	5	0.17	36 839 509	10.75	4	0.14	37 154 826	10.84
<b>Total</b>	<b>2 975</b>	<b>100.00</b>	<b>342 852 910</b>	<b>100.00</b>	<b>2 859</b>	<b>100.00</b>	<b>342 852 910</b>	<b>100.00</b>

## MAJOR SHAREHOLDERS

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

	2016		2015	
	Number of shares held	% of total	Number of shares held	% of total
<b>Beneficial shareholdings of 1% or more</b>				
BOC Holdings (wholly owned subsidiary of Linde AG)	173 046 413	50.47	173 046 413	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00	34 285 308	10.00
BNP Paribas (Custodian)	20 974 571	6.12	19 514 389	5.69
Government Employees Pension Fund (previously Public Investment Corporation)	18 723 775	5.46	18 447 898	5.38
State Street Bank (Custodian)	18 605 259	5.43	26 642 780	7.77
Sanlam Group	7 135 974	2.08	3 766 291	1.10
JP Morgan (Custodian)	6 093 948	1.78	7 128 481	2.08
Allan Gray	6 018 945	1.76	5 994 867	1.75
Investec Asset Management	5 739 119	1.67	3 780 876	1.10
Eskom Pension & Provident Fund	4 934 356	1.44	-	-
CitiGroup (Custodian)	4 784 921	1.40	9 955 393	2.90
Other shareholders	300 342 589	87.60	302 562 696	88.24
	42 510 321	12.40	40 290 214	11.76
<b>Total</b>	<b>342 852 910</b>	<b>100.00</b>	<b>342 852 910</b>	<b>100.00</b>

## DIVIDENDS AND STATISTICS

### Dividends

Details of gross dividends declared, paid and payable are as follows:

Number	Declaration date	Last date to trade (LDT) shares cum dividend	Ordinary shares trade ex dividend	Record date (RD)	Payment date	2016 Amount per share (cents)*	2015 Amount per share (cents)
177	27 August 2015	2 October 2015	5 October 2015	9 October 2015	12 October 2015		18.0
178	26 February 2016	7 April 2016	8 April 2016	14 April 2016	19 April 2016		51.0
179	7 September 2016	11 October 2016	12 October 2016	14 October 2016	17 October 2016	38.0	
180	23 February 2017	4 April 2017	5 April 2017	7 April 2017	10 April 2017	56.0	
						94.0	69.0

\* Before taxation on dividends at 20% (2015: 15%).

Statistics	December 2016	December 2015	December 2014	December 2013	December 2012
Share price (cents)					
- Closing	1 900	1 300	1 604	2 200	2 350
Ordinary shares in issue at financial year-end ('000)	342 853	342 853	342 853	342 853	342 853
Number of shares traded ('000)	36 964	36 273	44 869	46 220	46 658
Value of shares traded (R'000)	664 641	500 448	878 493	1 013 911	899 409
Number of shares traded as a percentage of shares issued	10.8	10.6	13.1	13.5	13.6
Earnings yield (%)	10.2	10.3	1.7	4.6	3.6
Ordinary dividend yield (%)	4.9	5.3	1.5	2.1	1.9
Price:basic earnings ratio	9.8	9.7	59.9	22.0	27.7
Price:headline earnings ratio	10.0	9.3	44.4	23.1	26.6

### Definitions of ratios and terms utilised for statistics

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

# Ratio definitions

<b>Basic earnings per share</b>	$\frac{\text{profit for the year attributable to equity holders of the parent company}}{\text{weighted average number of ordinary shares in issue during the year excluding treasury shares}}$
<b>Headline earnings per share</b>	$\frac{\text{profit for the year attributable to equity holders of the parent company, excluding impairment and profit or loss on disposal of property, plant and equipment (net of taxation)}}{\text{weighted average number of ordinary shares in issue during the year excluding treasury shares}}$
<b>Dividend cover</b>	$\frac{\text{profit for the year attributable to equity holders of the parent company}}{\text{total dividends paid/declared}}$
<b>Dividend declared per share</b>	interim dividend per share paid plus final dividend per share declared
<b>Net asset value per share</b>	$\frac{\text{net asset value}}{\text{number of ordinary shares in issue at year-end}}$
<b>EBITDA margin</b>	$\frac{\text{EBITDA}}{\text{revenue}}$
<b>EBIT margin</b>	$\frac{\text{EBIT}}{\text{revenue}}$
<b>Return on net assets</b>	$\frac{\text{EBIT}}{\text{average net assets}}$
<b>Net asset turn</b>	$\frac{\text{revenue}}{\text{average net assets}}$
<b>Net assets</b>	total assets (excluding cash and cash equivalents, deferred taxation assets and retirement benefit assets), less current liabilities (excluding borrowings)
<b>Return on shareholders' equity</b>	$\frac{\text{profit for the year attributable to equity holders of the parent company}}{\text{average shareholders' equity}}$
<b>Return on capital employed</b>	$\frac{\text{EBIT}}{\text{capital employed}}$
<b>Capital employed</b>	Shareholders' equity, total borrowings, deferred taxation, and non-controlling interests
<b>Borrowings</b>	Net debt, calculated as borrowings, plus bank overdraft, less cash and cash equivalents
<b>Effective rate on taxation</b>	$\frac{\text{taxation}}{\text{profit before taxation}}$
<b>Interest cover</b>	$\frac{\text{EBIT}}{\text{net finance (expense)/income}}$
<b>Liability ratio</b>	$\frac{\text{gross borrowings and current liabilities}}{\text{total equity and liabilities (excluding borrowings and current liabilities)}}$
<b>Current ratio</b>	$\frac{\text{current assets (excluding taxation and cash and cash equivalents)}}{\text{current liabilities (excluding taxation and bank overdraft)}}$
<b>Gearing</b>	$\frac{\text{borrowings}}{\text{total capital employed}}$
<b>Revenue per employee</b>	$\frac{\text{revenue for the year}}{\text{average number of permanent employees}}$
<b>Profit before taxation per employee</b>	$\frac{\text{profit before taxation}}{\text{average number of permanent employees}}$

# Summarised audited consolidated statement of financial position

as at 31 December 2016

R' million	Note	2016 Audited	2015 Audited
<b>ASSETS</b>			
Property, plant and equipment	3	2 952	2 988
Retirement benefits assets		406	538
Deferred taxation asset		15	19
Lease receivables		72	88
Other non-current assets		52	53
<b>Non-current assets</b>		<b>3 497</b>	<b>3 686</b>
Inventories		611	604
Trade and other receivables		1 044	864
Lease receivables		16	19
Derivative financial instruments		-	15
Receivables from fellow subsidiaries of the holding company		66	54
Taxation receivable		38	53
Cash and cash equivalents		1 175	880
Assets held for sale	6	-	120
<b>Current assets</b>		<b>2 950</b>	<b>2 609</b>
<b>Total assets</b>		<b>6 447</b>	<b>6 295</b>
<b>EQUITY AND LIABILITIES</b>			
Equity holders of the parent company		3 657	3 431
Non-controlling interests		27	37
<b>Total equity</b>		<b>3 684</b>	<b>3 468</b>
Long-term borrowings		1 000	1 000
Other long-term financial liability		26	-
Deferred taxation liabilities		553	518
<b>Non-current liabilities</b>		<b>1 579</b>	<b>1 518</b>
Provisions		16	73
Trade, other payables and financial liabilities		1 109	1 186
Taxation payable		26	22
Derivative financial instruments		11	-
Bank overdrafts		22	28
<b>Current liabilities</b>		<b>1 184</b>	<b>1 309</b>
<b>Total equity and liabilities</b>		<b>6 447</b>	<b>6 295</b>

# Summarised audited consolidated income statement

for the year ended 31 December 2016

R' million	2016 Audited	2015 Audited
<b>Revenue</b>	5 537	5 473
Operating expenses (excluding restructuring costs)	(4 300)	(4 469)
<b>EBITDA</b>	1 237	1 004
Depreciation and amortisation	(379)	(390)
Impairment of tangible assets	(10)	(27)
<b>EBIT before restructuring costs</b>	848	587
Restructuring costs	-	(79)
<b>EBIT</b>	848	508
Net finance expense	14	(9)
Income from associate	2	1
<b>Profit before taxation</b>	864	500
Taxation	(264)	(75)
<b>Profit for the year</b>	600	425
<b>Attributable to:</b>		
Owners of the Company	597	414
Non-controlling interests	3	11
<b>Profit for the year</b>	600	425
<b>Earnings per share</b>		
Basic and diluted earnings per ordinary share – cents	193.3	134.2



# Summarised audited consolidated statement of comprehensive income

for the year ended 31 December 2016

R' million	2016 Audited	2015 Audited
Profit for the year	600	425
Other comprehensive (loss)/gain after taxation	(106)	49
<i>Items that are or may be reclassified to profit or loss</i>	(51)	21
Translation differences on foreign operations	(43)	13
Translation differences relating to non-controlling interests	(4)	3
Changes in fair value of cash flow hedges (net of taxation)	(4)	5
<i>Items that will never be reclassified to profit or loss</i>	(55)	28
Actuarial (losses)/gains on defined-benefit funds	(77)	39
Deferred taxation relating to actuarial losses/(gains)	22	(11)
<b>Total comprehensive income for the year</b>	<b>494</b>	<b>474</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	495	460
Non-controlling interests	(1)	14
	<b>494</b>	<b>474</b>

# Summarised audited consolidated statement of changes in equity

for the year ended 31 December 2016

R'million	Share capital and share premium	Incentive scheme share and share-based payment reserves	FCTR and hedging reserves	Actuarial (losses) /gains	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>	552	(8)	(68)	289	2 254	28	3 047
Total comprehensive income	-	-	18	28	414	14	474
Profit for the year	-	-	-	-	414	11	425
Other comprehensive income	-	-	18	28	-	3	49
Shares purchased on behalf of employees	-	(11)	-	-	-	-	(11)
Share-based payments, net of taxation	-	19	-	-	-	-	19
Dividends paid	-	-	-	-	(56)	(5)	(61)
<b>Balance at 31 December 2015</b>	552	-	(50)	317	2 612	37	3 468
Total comprehensive income	-	-	(47)	(55)	597	(1)	494
Profit for the year	-	-	-	-	597	3	600
Other comprehensive income	-	-	(47)	(55)	-	(4)	(106)
Share-based payments, net of taxation	-	6	-	-	-	-	6
Forfeited shares	-	(11)	-	-	11	-	-
Dividends paid	-	-	-	-	(275)	(9)	(284)
Transfer to retained earnings	-	5	-	(262)	257	-	-
<b>Balance at 31 December 2016</b>	552	-	(97)	-	3 202	27	3 684

# Summarised audited consolidated statement of cash flows

for the year ended 31 December 2016

R' million	2016 Audited	2015 Audited
<b>EBIT</b>	848	508
Adjustments for:		
Depreciation, amortisation and impairments	389	417
Other non-cash movements	(67)	88
<b>Operating cash flows before working capital adjustments</b>	<b>1 170</b>	<b>1 013</b>
Working capital adjustments	(11)	82
<b>Cash generated from operations before restructuring costs</b>	<b>1 159</b>	<b>1 095</b>
Restructuring costs paid	(60)	(169)
<b>Cash generated from operations</b>	<b>1 099</b>	<b>926</b>
Net finance expenses	(66)	(74)
Taxation paid	(177)	(116)
Dividends received	1	1
<b>Cash available from operating activities</b>	<b>857</b>	<b>737</b>
Dividends paid to owners of the parent	(275)	(56)
Dividends to non-controlling interests	(9)	(5)
<b>Net cash inflow from operating activities</b>	<b>573</b>	<b>676</b>
Additions to property, plant and equipment and intangibles	(389)	(377)
Proceeds from disposal of property, plant and equipment and intangibles	84	34
Other investing activities	33	33
<b>Net cash outflow from investing activities</b>	<b>(272)</b>	<b>(310)</b>
Incentive share scheme shares purchased on behalf of employees	-	(11)
<b>Net cash outflow from financing activities</b>	<b>-</b>	<b>(11)</b>
<b>Net increase in cash and cash equivalents</b>	<b>301</b>	<b>355</b>
Cash and cash equivalents at the beginning of the period	852	497
<b>Cash and cash equivalents at the end of the period</b>	<b>1 153</b>	<b>852</b>

# Segmental report

Business segments are identified on the basis of internal reports that are regularly reviewed by the Group's and Company's chief operating decision making body, the executive directors, in order to allocate resources to the segment and assess its performance. The performance of the segments is managed and evaluated using revenue and gross profit after distribution expenses only. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Segments have been determined based on business segments: Atmospheric Gases, LPG, Hard Goods and Emerging Africa.

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

R'million	2016 Audited	2015 Audited
<b>Revenue*</b>	<b>5 537</b>	<b>5 473</b>
Atmospheric Gases	2 319	2 110
LPG	1 797	1 820
Hard Goods	666	788
Emerging Africa	755	755
<b>Gross profit after distribution expenses (GPADE) before restructuring costs</b>	<b>1 775</b>	<b>1 585</b>
Atmospheric Gases	868	681
LPG	369	321
Hard Goods	232	272
Emerging Africa	306	311
<b>Reconciliation of GPADE to EBIT</b>		
GPADE for business segments before restructuring costs	1 775	1 585
Other operating expenses	(917)	(971)
Impairments	(10)	(27)
Atmospheric Gases	-	(27)
Emerging Africa	(10)	
Restructuring costs	-	(79)
<b>Earnings before interest and taxation (EBIT)</b>	<b>848</b>	<b>508</b>
<b>Geographical representation</b>		
<b>Revenue</b>	<b>5 537</b>	<b>5 473</b>
South Africa	4 782	4 718
Emerging Africa <sup>#</sup>	755	755
<b>Non-current assets</b>	<b>3 497</b>	<b>3 686</b>
South Africa	3 242	3 439
Emerging Africa <sup>#</sup>	255	247

\* Revenue from external customers.

<sup>#</sup> The revenue and non-current assets foreign country geographical split has been aggregated as Emerging Africa. The individual amounts are considered to be immaterial.

# Selected notes to the summarised audited consolidated financial statements

for the year ended 31 December 2016

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

## 1. STATEMENT OF COMPLIANCE

The summarised audited consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE Listings Requirements) for summarised reports, and the requirements of the Companies Act of South Africa, 71 of 2008, as amended (Companies Act) applicable to summary financial statements. The JSE Listings Requirements require summarised reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised audited consolidated financial statements were derived, are in terms of IFRS.

## 2. BASIS OF PREPARATION

The summarised audited consolidated financial statements do not include all the information and disclosures required for the audited consolidated financial statements. The summarised audited consolidated financial statements should be read in conjunction with the audited consolidated financial statements. The audited consolidated financial statements for the Group as at and for the year ended 31 December 2016 were prepared on the going-concern basis, and are available for inspection at the Company's registered office and will be available on the Afrox website at [www.afrox.co.za](http://www.afrox.co.za).

The accounting policies applied in the presentation of the summarised audited consolidated financial statements are consistent with those applied for the year ended 31 December 2015.

The summarised audited consolidated financial statements are prepared on the historical-cost basis except for the following items which are measured using an alternative basis at each reporting date:

- Derivative financial instruments measured at fair value through profit or loss.
- Retirement benefit assets and liabilities are measured at the fair value of the planned assets less the present value of the defined benefit obligation.
- Share-based payment awards are measured at fair value. The fair value of the equity instruments granted is estimated using industry-accepted techniques.
- Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs of to sell.

The directors take full responsibility for the preparation of these summarised audited consolidated financial statements and that the financial information has been correctly extracted from the full audited consolidated financial statements.

This report was compiled under the supervision of Dorian Devers, Financial Director.

## 3. PROPERTY, PLANT AND EQUIPMENT

R' million	2016 Audited	2015 Audited
Opening carrying value	2 988	3 166
Additions, net of transfers from assets under construction	379	379
Transfer to assets held for sale	(7)	(120)
Impairments	(10)	(27)
Disposals	(15)	(28)
Depreciation	(367)	(369)
Translation differences	(16)	(13)
Closing carrying value	2 952	2 988

### Impairment write-down

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

### 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:

R' million	31 December 2016 Audited	31 December 2017 Audited	31 December 2018 Audited	31 December 2019 Audited	31 December 2020 Audited
Decrease in depreciation	36	28	15	9	5

# Selected notes to the summarised audited consolidated financial statements *continued*

for the year ended 31 December 2016

## 4. FAIR VALUE CLASSIFICATION AND MEASUREMENT

### Accounting classification and fair value

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

R'million	Fair value
<b>31 December 2016</b>	
<b>Financial liabilities measured at fair value</b>	
Derivative financial instruments	11
<b>31 December 2015</b>	
<b>Financial assets measured at fair value</b>	
Derivative financial instruments	15

The derivatives are a level 2 measurement, and the fair value of the derivative financial instruments is based on broker quotes. Similar contracts are traded in an active market and the quote reflects the actual transactions in similar instruments.

## 5. EARNINGS AND HEADLINE EARNINGS PER SHARE

Headline earnings per share are calculated on headline earnings of R585 million (2015: R429 million), and a weighted average number of ordinary shares of 308 567 602 (2015: 308 567 602).

### Reconciliation between earnings and headline earnings

R'million	2016 Audited	2015 Audited
Profit for the year	597	414
Adjusted for effects of:		
Impairment of goodwill in subsidiaries	-	-
Profit on disposal of property, plant and equipment	(26)	(6)
Impairment of property, plant and equipment	10	27
Taxation	581	435
	4	(6)
Headline earnings	585	429
Basic and diluted earnings per share – cents	193.3	134.2
Headline earnings per share – cents	189.4	139.2
<b>6. ASSETS HELD FOR SALE</b>		
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.		
Opening net assets held for sale	120	-
Transfer to net assets held for sale	7	120
Disposals	(127)	-
Total assets held for sale	-	120
<b>7. RELATED-PARTY TRANSACTIONS</b>		
As part of the restructuring, a decision was taken to divisionalise Afrox Safety (Pty) Ltd and distribute all its assets to Afrox as at 29 February 2016 as a liquidation distribution. Afrox has assumed all the liabilities of Afrox Safety as at 29 February 2016. Afrox Safety was deregistered on 21 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'million	2016
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

## 8. UPDATE ON KEY LITIGATION MATTERS

The Group and AMSA reached a settlement in 2016. The full proceeds of the settlement amounting to R165 million was 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.

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## 9. SUBSEQUENT EVENTS

The directors are not aware of any material matter or circumstance arising between 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.

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## 10. SUMMARY FINANCIAL STATEMENTS INCLUDED IN THE SUMMARISED REPORT

The summary financial statements have been derived from the audited consolidated financial statements on the basis set out in note 2.

The summary financial statements have not been separately audited. For a better understanding of the Company's financial position, financial performance and cash flows in accordance with IFRS, the full audited consolidated financial statements and auditor's report thereon are available from the Company's registered office. The Company's auditor, KPMG Inc., issued an unqualified auditor's report on the financial statements.

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