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

FINANCIAL RESULTS AND DIVIDEND DECLARATION
for the year ended 31 December 2018

Commentary

Performance highlights

Afrox increased its revenue by 6.2% to R6 047 million (2017: R5 693 million) from a combination of higher volumes in certain sectors of the business and successful recovery of cost inflation as a result of effective pricing management. Higher market prices in the Liquified Petroleum Gas (LPG) segment contributed to that growth and revenue adjusted for changes in LPG market price increased by 2.3%. Earnings before Interest and Taxes (EBIT or Group Operating Profit) at R596 million (2017: R855 million), decreased by 30.3%. Adjusted for 2018 non-recurring items: (the restructuring provision of R52 million and the impairment of certain plants R55 million) the EBIT declined by 17.8% on a comparable basis. This reduction in EBIT was a result of higher operational cost, additional plant breakdown cost of R56 million, LPG stock devaluation, market price impact of R32 million and increase in depreciation of R45 million.

Despite these adverse movements in the Group Operating Profit, the underlying growth in strategic markets, solid price cost inflation recovery and continued productivity gains from various efficiency projects, helped mitigate the cost increases.

In December 2018 Afrox announced another restructuring to address its fixed cost base, functional market strategy and the change in operating segments. R52 million has been provided in 2018 for the 2019 restructuring. The R55 million impairment relates to two Air Separation Units (ASUs) due to repeated break downs and changes in our supply strategy.

As part of its Atmospheric Gases business, Afrox finalised the installations for the additional healthcare business and invested additional R150 million during 2018 due to the tender awarded. Afrox now delivers medical gases and regulators for all 9 provinces within the public healthcare sector of South Africa.

Continued volume erosion in the Hard Goods segment and lower volumes in our Industrial Packaged Gas business because of reduced levels of South African business activity. Total EBIT declined by R185 million (or 16.8%) to R917 million (2017: R1 102 million). This adverse variance includes the non-recurring items. Corporate costs have increased by R74 million mainly due to the R52 million provision for restructure (non-recurring item). Afrox's Subsidiaries contributed satisfactory results despite continued subdued economic conditions.

EBITDA (Earnings before Interest taxes depreciation and amortisation) declined by 9% from R1 183 million to R1 077 million.

Headline earnings per share decreased by 23% to 154.9 cents (2017: 201.0 cents) and basic earnings per share decreased by 29% to 144.8 cents (2017: 203.6 cents).

Diluted earnings per share decreased by 28.6% to 144 cents (2017: 201.8 cents). Adjusted for non-recurring items normalised headline earnings per share decreased by 16.9% to 167 cents and Earnings per share decreased by 11.8% to 169.8 cents.

Operating Cash Flow of R897 million (2017: R997 million) decreased by R100 million or 10% compared to the prior year. Increased capital expenditure of R150 million as a result of the Healthcare tender, and ASU plant upgrades of R61 million, additional cash utilised in acquiring shares in respect of the share incentive scheme of R57 million (2017: R7 million) and the acquisition of the remaining 30% of the equity in Afrox Zambia Pty Ltd of R41 million, resulted in a net cash position of R1 153 million (December 2017: R1 344 million).

Return on capital employed (ROCE) reduced by 800bps to 15.7% (2017: 23.7%). Adjusting for non-recurring items ROCE reduced by 520bps to 18.5%.

The Group invested capital expenditure largely relating to the healthcare tender and ASU plant upgrades.

Atmospheric Gases

Atmospheric Gases revenue increased by 3.5% compared to 2017 reflecting revenue growth in all business areas and most market sectors of this operating segment. This increase in revenue was as a result of, effective pricing in line with inflation and growth from Healthcare and various Industrial Gas Bulk products and applications. The prevailing challenging economic conditions mainly impacted the compressed gas cylinder business.

Afrox supplies a diverse and broad portfolio into Sub Saharan Africa. The gas business has demonstrated high levels of resilience with positive nominal growth in most sectors and demonstrated Afrox's ability to successfully compete in its core segment. Within Industrial Gases (acetylene, oxygen, nitrogen and argon) the demand for Bulk products was above the prior year resulting in increased volumes at customer installations. On-site revenue improved from recovering higher electricity costs and volume growth from various customers.

During the 2nd half of the year Afrox completed most of its new installations at public hospitals in the additional 4 provinces. Afrox will supply all public hospitals in South Africa for a period of at least five years as part of the government tender award, with an estimated R1 billion of revenue in total. Afrox has invested an additional R150 million during 2018 to meet the demand in respect of this new business. Furthermore, satisfactory growth was achieved in our existing Medical gases' business and increased revenue from a continued increase in demand from public and private hospitals. The investment and roll out of an inhouse designed and toll manufactured integrated valve for medical oxygen cylinders will deliver innovative solutions on a rental bases to the public healthcare sector.

Packaged gases volumes were below prior year levels. Improved recovery of cost inflation due to effective pricing management underpinned the overall increase in revenue.

EBIT decreased by 19.7% to R458 million (2017: R571 million), this reduction included non-recurring item of R55 million for plant impairment and R56 million relating to unplanned plant downtime costs. As a result the EBIT margin decreased by 500bps to 17.1% (2017: 22.1%), (Adjusted for the non-recurring items EBIT margin for 2018 was 19.2%.)

LPG

Revenue for LPG increased by 10.5% to R2 552 million (2017: R2 310 million) or 0.9% on a comparable basis, after adjusting for the change in LPG market prices. Total volumes for the Group grew by 0.8% to 158.000 tons (2017: 156.700 tons). Cylinder volumes increased by 1.7% from growth in strategic South African markets mainly as a result of the introduction of an additional 120 000 5Kg cylinders for lower income households. This cylinder delivers an affordable alternative energy solution to a large group of the population.

LPG bulk business volumes reduced by 1.9% due to lower demand from key industrial customers. Revenue was negatively impacted due to the SA Government not adjusting the fuel price and the MRGP (maximum refinery gate price) at the end of September. Excluding 2017 and 2018 portions for once-off bulk trading, Afrox total LPG volumes are down by 0.3%. Our subsidiaries reported stable LPG revenue largely due to good pricing management, but volumes were impacted by constrained supply and low economic activity.

EBIT reduced by 17.1% to R330 million (2017: R398 million). EBIT margin reduced from 17.2% in 2017 to 12.9% in 2018 (14.2% adjusted for LPG market price change). This decline in profitability was as a result of non-trading items.

Afrox once again increased its portion of imported product compared to the prior year and this remains a key strategic focus in growing the domestic market by providing supplementary product at competitive prices.

The continued investment in additional LPG cylinders added to this positive development and new business partnerships with selected BBBEE distributors unlocked growth in the domestic and hospitality markets.

Hard Goods

Hard Goods revenue increased by 2.8% due to the effective recovery of cost inflation from imported products via pricing despite volumes in parts of our business. The continued lower demand from mining and steel industry resulted in lower volumes due to reduced business activity in the South African mining sector and lower output levels in the manufacturing industry. This was partly offset by increased volumes in the petrochemical sector from maintenance activities at a large SA customer. We experienced reduction in volumes in welding, gas equipment and our Self Rescue Pack business, all negatively impacted by the continued downturn in mining, iron and steel and manufacturing. The focus on growth in sub Saharan Africa was encouraging.

We continue to explore various options to strengthen supply, production and logistics of this operating segment. Continued focus remains on cost containment, efficiencies, improved, just in time delivery and price management in line with cost inflation.

EBIT decreased by 3% to R129 million (2017: R133 million). The decline in EBIT margin by 100bps to 15.7% mainly as a result of lower volumes.

BOARD OF DIRECTORS
Mr Richard Gearing, a non-executive director of the Company, resigned from the board of directors of Afrox (Board) with effect from 18 February 2018.

The Board would like to express their gratitude to Mr Gearing for his valuable contribution to Afrox.

DIVIDEND

It is the Company's policy to declare dividends twice annually. The Board of directors have declared a cash dividend of 25 cents per share (2017: 54 cents), declared out of the after-tax income for the year ended 31 December 2018. Based on Afrox's policy the dividend is covered two times by headline earnings per share (HEPS).

OUTLOOK
Whilst economic growth in South Africa remains subdued, Afrox will focus on specific growth opportunities arising from the Healthcare Tender award and will continue with cost containment and effective price cost recoveries.

NOTICE OF INTERIM DIVIDEND DECLARATION NUMBER 184 AND SALIENT FEATURES

Notice is hereby given that a gross cash dividend of 25 cents per ordinary share, being the final dividend for the year ended 31 December 2018, has been declared payable to all shareholders of Afrox recorded in the register on Friday, 5 April 2019.

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

Last day to trade ordinary shares "cum" dividend	Tuesday, 2 April 2019
Ordinary shares trade "ex" the dividend	Wednesday, 3 April 2019
Record date	Friday, 5 April 2019
Payment date	Monday, 8 April 2019

Shares may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive.

The local net dividend amount is 20 cents (2017: 43.2 cents) per share for shareholders liable to pay Dividends Tax and 25 cents (2017: 54 cents) per share for shareholders exempt from Dividends Tax.

In terms of the Dividends Tax, the following additional information is disclosed:
- the dividend has been declared out of income reserves;
- the local Dividends Tax rate is 20%, subject to double tax agreement;
- Afrox currently has 308 567 602 ordinary shares (excluding treasury shares of 34 285 308) in issue; and
- Afrox's income tax reference number is 9350042710.

By order of the Board

Cheryl Singh 6 March 2019
Company Secretary Johannesburg

Summarised consolidated profit or loss
for the year ended 31 December 2018

R'million	31 December 2018 Audited	31 December 2017 Audited
Revenue	6 047	5 693
Operating expenses	(4 963)	(4 510)
Earnings before interest, taxation, depreciation, amortisation and impairment loss on trade and other receivables	1 084	1 183
Impairment loss on trade and other receivables	(7)	-
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1 077	1 183
Depreciation and amortisation	(374)	(328)
Impairment of property, plant and equipment	(55)	-
Earnings before interest and taxation (EBIT), before restructuring costs	648	855
Restructuring costs	(52)	-
Earnings before interest and taxation (EBIT)	596	855
Finance expense	(111)	(108)
Finance income	152	133
Profit before taxation	637	880
Taxation	(180)	(242)
Profit for the year	457	638
Attributable to:		
Owners of the company	447	628
Non-controlling interests	10	10
Profit for the year	457	638
Earnings per share - cents		
Basic earnings per ordinary share - cents	144,8	203,6
Diluted earnings per ordinary share - cents	144,0	201,8

Summarised consolidated statement of comprehensive income
for the year ended 31 December 2018

R'million	31 December 2018 Audited	31 December 2017 Audited
Profit for the year	457	638
Other comprehensive income net of taxation	(39)	45

Items that are or may be reclassified to profit or loss	1	9
Translation differences on foreign operations	5	9
Translation differences relating to non-controlling interests	(6)	(1)
Cash flow hedges - effective portion of changes in fair value	2	1
Items that will not be reclassified to profit or loss	(40)	36
Actuarial (losses)/gains on retirement benefit assets	(40)	36
Total comprehensive income for the year	418	683
Total comprehensive income attributable to:		
Owners of the Company	414	674
Non-controlling interests	4	9
	418	683

Condensed consolidated statement of financial position
for the year ended 31 December 2018

R'million	Note	31 December 2018 Audited	31 December 2017 Audited
ASSETS			
Property, plant and equipment	4	3 006	2 964
Retirement benefits assets		472	484
Other non-current assets		49	39
Lease receivables		54	66
Deferred taxation assets		10	13
Non-current assets		3 591	3 566
Inventories		687	710
Trade and other receivables		1 271	1 094
Lease receivables		18	12
Derivative financial instruments		1	-
Receivables from fellow subsidiaries of holding company		172	130
Taxation receivable		36	57
Cash and cash equivalents		1 174	1 387
Current assets		3 359	3 390
Total assets		6 950	6 956
EQUITY AND LIABILITIES			
Shareholders' equity		4 012	4 001
Non-controlling interests		11	33
Total equity		4 023	4 034
Long-term borrowings		1 000	1 000
Other long-term liabilities and provisions		45	20
Deferred taxation liabilities		579	591
Non-current liabilities		1 624	1 611
Trade, other payables and provisions		1 176	1 126
Taxation payable		23	26
Payables to fellow subsidiaries of holding company		83	96
Derivative financial instruments		-	20
Bank overdrafts		21	43
Current liabilities		1 303	1 311
Total equity and liabilities		6950	6 956

Summarised consolidated statement of cash flows
for the year ended 31 December 2018

R'million	31 December 2018 Audited	31 December 2017 Audited
Earnings before interest and taxation (EBIT)	596	855
Adjustments for:		
Depreciation and amortisation	374	328
Impairment of property, plant and equipment	55	-
Restructuring costs	52	-
Movements in trade receivables and inventory allowances and provisions*	4	(58)
Movement in revaluation (gain)/loss on derivative financial instruments*	(19)	11
Other non-cash movements*	(56)	(37)
Operating cash flows before working capital movements	1 005	1 099
Working capital movements	(108)	(102)
Cash generated from operations	897	997
Interest paid	(108)	(105)
Interest received	(71)	74
Taxation paid	(173)	(235)
Dividends received	-	1
Cash from operating activities	687	732
Dividends paid to owners of the company	(327)	(315)
Dividends paid to non-controlling interests	(5)	(3)
Net cash inflow from operating activities	355	414
Additions to property, plant and equipment	(491)	(350)
Proceeds from disposal of property, plant and equipment	19	106
Other investing activities	24	28
Net cash outflow from investing activities	(448)	(216)
Acquisition of non-controlling interest	(41)	-
Shares purchased - forfeitable share plan#	(57)	(7)
Net cash outflow from financing activities	(98)	(7)
Net (decrease)/increase in cash and cash equivalents	(191)	191
Cash and cash equivalents at the beginning of the year	1 344	1 153
Cash and cash equivalents at the end of the year	1 153	1 344

* Restated. Refer to note 10.1.

Shares purchased in respect of the employee share incentive scheme.

Summarised consolidated statement of changes in equity
for the year ended 31 December 2018

R'million	Share capital and Share premium (Attributable to owners of the company)	FCTR* and hedging reserves	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2017	552	(97)	3 202	27	3 684
Total comprehensive income	-	10	664	9	683
Profit for the year	-	-	628	10	638
Other comprehensive income, net of taxation	-	10	36	(1)	45
Transactions with owners of the company					
Shares purchased - forfeitable share plan#	-	-	(7)	-	(7)
Share-based payments, net of taxation	-	-	(8)	-	(8)
Dividends	-	-	(315)	(3)	(318)
Balance at 31 December 2017	552	(87)	3 536	33	4 034
Balance at 1 January 2018, as previously reported**	552	(87)	3 536	33	4 034
Adjustment on initial application of IFRS 9 (net of taxation)	-	-	8	1	9
Adjusted balance at 1 January 2018	552	(87)	3 544	34	4 043
Total comprehensive income	-	7	407	4	418
Profit for the year	-	-	447	10	457
Other comprehensive income, net of taxation	-	7	(40)	(6)	(39)
Transactions with owners of the company					
Shares purchased - forfeitable share plan#	-	-	(57)	-	(57)
Transfer of NCI on acquisition of minority interest	-	(8)	(11)	(22)	(41)
Share-based payments, net of taxation	-	-	(8)	-	(8)
Dividends	-	-	(327)	(5)	(332)
Balance at 31 December 2018	552	(88)	3 548	11	4 023

*   Foreign currency translation reserve
** The group has adopted IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.
#   Shares purchased in respect of the employee share incentive scheme.

Summarised consolidated segmental report^
for the year ended 31 December 2018

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 segments and assess its performance. The performance of the segments is managed and evaluated using revenue and earnings before interest, corporate expenses, restructuring costs provision and tax. Assets and liabilities are centrally managed at a corporate level and therefore not used in the decision to allocate resources to operating segments. Business segments have been determined based on: Atmospheric Gases, LPG and Hard Goods.

R'million	31 December 2018 Audited	31 December 2017 Audited Restated*
Revenue*	6 047	5 693
Atmospheric Gases	2 674	2 584
LPG	2 552	2 310
Hard Goods	821	799
Operating expenses	(5 130)	(4 591)
Atmospheric Gases	(2 216)	(2 014)
LPG	(2 222)	(1 912)
Hard Goods	(692)	(665)
Earnings before interest and tax (EBIT), before corporate expenses and restructuring costs	917	1 102
Atmospheric Gases	458	571
LPG	330	398
Hard Goods	129	133
EBIT before corporate expenses	917	1 102
Corporate expenses	(269)	(247)
Restructuring costs provision	(52)	-
Earnings before interest and taxation (EBIT)	596	855
Geographical representation		
Revenue	6 047	5 693
South Africa	5 276	4 937
Southern African Development Community (SADC) countries excluding South Africa**	771	756
Non-current assets	3 591	3 566
South Africa	3 321	3 311
SADC countries excluding South Africa**	270	255

^ Restated, Refer to Note 10.2
* Revenue from external customers. Restated, refer to Note 10.2.
** The revenue and non-current assets foreign country geographical split has been aggregated as SADC. The individual amounts are considered to be immaterial.

Statistics and ratios
for the year ended 31 December 2018

	31 December 2018 Audited	31 December 2017 Audited
Average number of shares in issue during the year ('000)	308 568	308 568
Shares in issue ('000)	308 568	308 568
Dividends per share (cents)	77,0	100,0
Final	25,0	54,0
Interim	52,0	46,0

Ratios

EBITDA margin (%)	17,8	20,8
Return on capital employed	15,7	23,7
Effective taxation rate (%)	28,2	27,5
Gearing (%)	(4,0)	(10,0)
Dividend cover on headline earnings (times)	2,0	2,0

Notes to the summarised consolidated financial statements
for the year ended 31 December 2018

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

1. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listing Requirements for summary reports, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The listing requirements require a summary to be prepared in accordance with the framework concepts and the measurements and recognition requirements of the 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 summary consolidated financial statements were derived, are in terms of IFRS and, except as described in note 2, are consistent with those applied in the annual financial statements for the year ended 31 December 2017.

Emerging Africa has now been allocated to segments based on product categories and is no longer a separate segment. The group has restated its segment report in line with the above.
The summarised consolidated financial statements are prepared on the historical cost basis except for the following items which are measured using an alternative basis at each reporting date:
- Derivative financial instruments measured at fair value through other comprehensive income and profit and loss.
- Retirement benefit assets 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.

The directors take full responsibility for the preparation of the these summarised consolidated financial statements. The summarised consolidated financial statements were compiled under the supervision of Matthias Vogt, Group Financial Director, and were approved on 05 March 2019.

2. NEW ACCOUNTING STANDARDS AND RELATED CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New accounting standards and related changes in significant accounting policies The Group adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018:
- Foreign Currency Transactions and Advance Consideration (IFRIC 22);
- Clarifying Share-Based Payment Accounting (Amendment to IFRS 2).

The adoption of the amendments to standards listed above did not have a significant impact on the Group's summarised consolidated financial statements.

The Group has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated.

(i) Overall financial effect

When compared to IAS 18, there is no quantitative impact on the adoption of IFRS 15 on the statements of profit and loss, financial position, cash flows, changes in equity and the segmental analysis.

(ii) Disclosure effect regarding accounting policies

The adoption of IFRS 15 did not have a disclosure impact on the Group's summarised consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurements.

(i) Overall financial effect

The transition to IFRS 9 resulted in an increase to retained earnings and non-controlling interest as follows:

R'million	Retained earnings	Non-controling interest
Recognition of expected credit losses under IFRS 9	11	2
Related tax	(3)	(1)
Impact at 1 January 2018	8	1

(ii) Effect of classification and measurement of financial assets and financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale assets. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

Initial recognition

Under IFRS 9, on initial recognition, a financial asset is classified as measured at
- amortised cost;
- fair value through other comprehensive income ('FVOCI') - equity and debt investments
- fair value through profit and loss ('FVTPL').

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI

Debt investments are measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments

Equity investments that are not held for trading are measured at FVOCI.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These are subsequently measured at fair value. Interest income, foreign exchange gains and losses and impairment is recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The effects of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the impairment requirements. The table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

R'million Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Difference
Trade receivables	Loans and receivables	Amortised cost	1 094	1 105	11
Receivables from fellow subsidiaries of holding company	Loans and receivables	Amortised cost	130	130	-

The adoption of IFRS 9 did not have an impact on the Group's derivative financial instruments.

(iii) Effect of impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Financial assets at amortised costs consist of trade receivables, receivables from fellow subsidiaries of holding company and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: there are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to the lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition. The loss allowance for trade receivables is measured at an amount equal to the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

Current year loss allowance adjustments are not considered to be material.

Financial effect of the new impairment model

The Group has determined that the application of IFRS 9 impairment requirements as 1 January 2018 has resulted in a decrease in the impairment allowance as follows:

R'million	
Loss allowance at 31 December 2017 under IAS 39	87
Decreased impairment recognised as at 1 January 2018 on:	
- Trade receivable as at 31 December 2017	(11)
Loss allowance at 1 January 2018 under IFRS 9	76

3. FORTHCOMING CHANGES IN ACCOUNTING POLICIES

IFRS 16 Leases
The Group has concluded its assessment of the potential impact of the adoption of IFRS 16 on the financial statements. Based on this assessment, the Group is expecting to recognise significant right of use assets and lease liabilities relating to current properties and vehicle operating leases. The Group is in the process of evaluating whether certain items of property, plant and equipment, that are not leased items in terms if IAS 17 and IFRC 4, may qualify as leased items in terms of IFRS 16.

The Group will apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. The accumulative effect of adopting IFRS 16 will therefore be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

IFRIC 23 Uncertainty over Income Tax Treatment

IFRIC 23 Uncertainty over Income Tax Treatment IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about judgments made, assumptions and other estimates used; and the potential impact of uncertainties that are not reflected.

No significant impact is expected on disclosures. IFRIC 23 applies for annual periods beginning on or after 1 January 2019.

This standard was not early adopted.

Selected notes to the summarised consolidated financial statements

R'million	31 December 2018 Audited	31 December 2017 Audited
4. PROPERTY, PLANT AND EQUIPMENT		
Opening carrying value	2 964	2 952
Additions, net of transfers from assets under construction	491	350
Disposals	(7)	(8)
Depreciation	(367)	(316)
Impairment	(55)	-
Translation effects and reclassifications	(20)	(14)
Closing carrying value	3 006	2 964

The Group's plant and equipment used in the Atmospheric Gases segment was impaired by R55 million (2017: R27 million). The impairment relates to a plant that was impaired based on a value in use assessment and the impairment of plants that will no longer be used, for the value in use assessment no terminal growth rate was applied as the remaining contractual period for one of the plants significant customers was used for the assessment.

5. FAIR VALUE CLASSIFICATION AND MEASUREMENT

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

R'million	Fair Value
31 December 2018	
Financial asset measured at fair value	
Derivative financial instruments	1
31 December 2017	
Financial liability measured at fair value	
Derivative financial instruments	(20)

The derivatives and forward exchange contracts, are 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 reflect the actual transactions in similar instruments.

6. EARNINGS AND HEADLINE EARNINGS PER SHARE

Headline earnings per share is calculated on headline earnings of R478 million (2017: R620 million). A weighted average number of ordinary shares of 308 567 602 (2017: 308 567 602) in issue during the year was used to calculate headline earnings per share and 310 140 952 (2017: 311 275 880) for dilutive earning per share as 1 573 350 (2017: 2 708 278) shares had a dilutive impact.

Reconciliation between earnings and headline earnings

R'million	31 December 2018 Audited	31 December 2017 Audited
Profit for the year attributable to the owners of the company	447	628
Adjusted for the effects of:		
Profit on disposal of property, plant and equipment	(12)	(11)
Impairment of property, plant and equipment	55	-
Taxation	(12)	3
Headline earnings	478	620
Basic earnings per share - cents	144,8	203,6
Diluted earnings per share - cents	144,0	201,8
Headline earnings per share - cents	154,9	201,0
Diluted headline earnings per share - cents	154,1	199,2

7 RELATED PARTY TRANSACTIONS

During the year, Afrox, in the ordinary course of business, entered into various sale, purchase and service transactions with associate, receivables from fellow subsidiaries of holding company, receivables from group companies, payables to fellow subsidiaries of holding company and payables to group companies.

8 UPDATE ON KEY LITIGATION MATTERS

Afrox was a respondent in an investigation by the Competition Commission of South Africa with respect to the LPG sector. Afrox fully cooperated with the Commission's investigation and received no administrative penalties. As at the date of this report, there is no other outstanding litigation of a material nature against the Group.

9 SUBSEQUENT EVENTS

Except for the dividend of 25 cents per share declared of 5 March 2019, The directors are not aware of any material matter or circumstance since the end of the year and up to the date of this report.

10 RESTATEMENT OF PRIOR PERIODS

10.1 Statement of cash flows

The 31 December 2017 statement of cash flows were restated to separately disclose the following:
- Movements in trade receivables and inventory allowances and provisions;
- Movement in revaluation of derivative financial instruments; and
- Other non-cash movements.

The restatement did not have any impact on the summarised consolidated statement of cash flows for the year ended 31 December 2017.

10.2 Consolidated segmental revenue and EBIT

The 31 December 2017 segmental revenue and EBIT were restated to show 3 business segments instead of 4 business segments as previously reported. The following business segments will be disclosed henceforth:
- Atmospheric Gases
- LPG; and
- Hard Goods

11 RESTRUCTURING PROVISION

The restructuring provision relates to the reduction in employee head count.

12 SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The summarised consolidated financial statements are extracted from audited consolidated financial statements, but is not itself audited. The consolidated financial statements were audited by KPMG Inc., LP Fourie, who expressed an unmodified opinion thereon. The audited consolidated financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of these summarised consolidated financial statements and that the financial information has been correctly extracted from the underlying annual financial statements.

Corporate information

Transfer secretaries: Computershare Investor Services (Pty) Limited

Sponsor in South Africa: One Capital
Sponsor in Namibia: Namibia Equity Brokers (Pty) Limited

Directors: S Venter (Managing Director), M Vogt* (Group Financial Director), B Eulitz* (Chairman), M von Plotho*, Dr KDK Mokhele, CF Wells**, NVL Qangule, GJ Strauss, VN Fakude
*German **British

Company Secretary: C Singh

Auditors: KPMG Inc.

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