AFROX

AFRICAN OXYGEN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

JSE SRI INDEX

- **Basic earnings per share + 128%**
- **Final dividend + 29%**
- **Cash generated from industrial operations + 30%**
- **Gearing at 16%.**

KEY COMPANY DATA

Full name	**African Oxygen Limited**
Registration number	**1927/000089/06**
JSE abbreviated or common usage name	**Afrox**
JSE Code	**AFX**
NSX code	**AOX**
ISIN	**ZAE000030920**
Sector	**Chemicals**
Index	**Socially Responsible Investment (SRI)**
Formed	**1927**
Listed JSE	**1963**
Listed NSX	**1995**
Revenue	**R5,9 billion**
Operating profit	**R987 million**
Shares in issue	**343 million**
No of shareholders	**7 906**
Market capitalisation	**R8 billion**
Employees	**2 983**
Website	**www.afrox.co.za www.afrox.com**

AFROX Scientific

FRONT COVER PICTURE

The new Scientific regulator manufactured by Afrox to world class standards. The regulator is presently sold in the local market but plans are in hand to export it globally and to The BOC Group.

AFROX Safety

The success of AfroxPac as a product necessitated the commissioning of a dedicated factory to manufacture the product range. This shows part of the production line in the new factory, Benoni. AfroxPac now forms part of the new Safety business, which was formed this year.

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financial highlights

	2005	2004	Percentage change
Group			
Revenue (R'000)	**5 852 639**	7 835 144	-25
Operating profit (R'000)	**987 061**	1 256 001	-21
Profit on sale of investment (R'000)	**1 050 726**	(16 167)	>100
Net profit for the year (R'000)	**1 365 669**	614 322	+122
Headline earnings per share (cents) before STC relating to special dividend	**195.8**	185.0	+6

Group: *the results for financial year 2004 include fully consolidated results of Afrox Healthcare Limited. Financial year 2005 has the fully consolidated results of Afrox Healthcare Limited for six months and the exceptional profit on the sale of Afrox Healthcare Limited and the Life Healthcare Group associate profits for six months.*

	2005	2004	Percentage change
Industrial			
Revenue (R'000)	**3 344 465**	2 921 362	+14
Operating profit (R'000)	**663 988**	612 710	+8
Net profit for the year (R'000)	**523 511**	400 987	+31
Headline earnings per share (cents)	**160.0**	117.1	+37
Number of employees at year-end	**2 983**	2 800	+7

Industrial: *figures represent the industrial business, including the contribution for the company's 20,1 percent share in Life Healthcare from April 2005.*

- R10 000.00 invested in October 1999 for a period of six years, ending October 2005, showed a compounded annual growth rate of 25.16 percent.

- The same amount invested for the same period realised R38 436.00, which equates to a total growth of 284 percent

dividend **and share buy back**

10% share buy back at R19,27 per share

Special ‘healthcare sale’ dividend of 415 cents

Total dividend for the year +25% at 80 cents

shareholders’ **benefit**

African Oxygen Limited shareholders received 687 cents in normal dividends, the special dividend and the share buy back during fiscal 2005

balance sheet and **cash flow highlights**

Cash generated from industrial operations + 30% at R829 million

Gearing at a low 16.1%

credit **rating**

Long term AA-

Short term A1+

JSE **index**

Social Responsibility Index (SRI)

(for second year running)

Executive	Independent non-executive	Non-executive - *BOC executives*
Rick Hogben - *managing director & chief executive* Cor van Zyl - *financial director*	Rick Cottrell Lindsay MacNair Conrad Strauss (Dr) Louis van Niekerk	Kent Masters - *chairman* James Cullens Alan Ferguson Jim Ford Daniel Shook (alternate)

The BOC Group plc is African Oxygen Limited's holding company with 50,47 percent of the shares.

board of directors

Directors - managing director and chairman

Rick Hogben **Kent Masters**

Rick Hogben (59)
Executive, appointed managing director of Afrox in October 2001
Rick Hogben is the managing director and chief executive of African Oxygen Limited (Afrox). He joined the healthcare division of Afrox in 1994 as business manager, Healthcare Services, and then became general manager, Healthcare Services, where he was responsible for non-hospital healthcare businesses. He was appointed managing director of Afrox Healthcare in January 1999 before joining Afrox as MD in 2001.

Kent Masters (43) (American)
Non-executive, appointed chairman of Afrox in April 2005
Kent Masters is chief executive, Industrial and Special Products for The BOC Group. He was appointed to the BOC executive management board in December 2002 and to the board of BOC in March 2005. He joined BOC in 1985 and has held positions of increasing responsibility in engineering, marketing and general management, most recently as president of BOC Process Plants. He holds an engineering degree from the Georgia Institute of Technology and an MBA from New York University.

Company secretary and executive director

Ria Sanz (40)
Company secretary
Ria Sanz joined Afrox in May 1998 as general counsel, legal and commercial and was appointed as company secretary in January 2004.

Cor van Zyl (58)
Executive director, appointed to the board in February 2004
Cor van Zyl is a Chartered Accountant (SA) and was a partner at Coopers & Lybrand, a predecessor of PricewaterhouseCoopers, for 21 years before joining PresMed in 1996 as joint managing director. With the merger of PresMed and Afrox Healthcare, he was appointed a director of Afrox Healthcare Limited. He serves on the board of Life Healthcare Group.

Ria Sanz **Cor van Zyl**

Independent non-executive directors

Rick Cottrell (69)
Independent non-executive, appointed to the board in September 2000
Rick Cottrell is a Chartered Accountant (SA) and a Fellow of the Institute of Chartered Accountants in England and Wales. He is a former chairman and managing partner of Coopers & Lybrand, South Africa, a predecessor of PricewaterhouseCoopers, and he is past president of the Institute of Chartered Accountants. He is currently a non-executive director of several companies including Glenrand MIB Limited, Imperial Bank Limited, Nedbank Group Limited, Nedbank Limited, STRATE Limited, and Munich Reinsurance Company of Africa Limited. He is also chairman of the Accounting Standards Board.

Lindsay MacNair (67)
Independent non-executive, appointed to the board in 1989
Lindsay MacNair trained as a Chartered Accountant and has an in-depth knowledge of Afrox, having been a senior executive of the company for over three decades. During his time at Afrox, Lindsay headed finance, the welding and cylinder gas business, and the bulk gas business. He retired from Afrox ten years ago.

Louis van Niekerk (55)
Independent non-executive, appointed to the board in February 2005
Louis van Niekerk, who retired from Iscor (now Mittal Steel SA) towards the end of 2004, held the position of chief executive and then non-executive deputy chairman. He joined Iscor in 1991 and was appointed as executive director finance in 1993. He became managing director of Iscor Steel later that year and chief executive of Iscor Limited in 2001. He is chairman of Foskor and is also the chief operating officer of Transnet. Louis van Niekerk is a Chartered Accountant (SA).

Dr Conrad Strauss (69)
Independent non-executive, appointed to the board in 1996
Conrad Strauss was chairman of Standard Bank Investment Corporation from April 1992 to December 2000. After lecturing in economics at Rhodes University, he joined the Standard Bank of South Africa in 1963 and became its managing director in 1978. In 1984 he became group managing director and, subsequently, in April 1992, was appointed chairman. He holds degrees from Rhodes University in Grahamstown and Cornell University in the United States.

BOC non-executive directors

James Cullens (42) British
Non-executive, appointed to the board in April 2005
James Cullens was appointed to the BOC executive management board in April 2005 and is group human resources director. He joined BOC in July 2003. Prior to joining BOC, he held a variety of senior, international HR roles in organisations including Mars Incorporated, Asda and PA Consulting Group. He has an MA from Cambridge University, an MLitt from Otago University, New Zealand and an MSc from Thames Valley University.

Alan Ferguson (47) British
Non-executive, appointed to the board in October 2005
Alan Ferguson was appointed an executive director of BOC in September 2005. Prior to joining BOC as group finance director, he held a similar role with Inchcape plc, which he joined in 1982 having qualified as a Chartered Accountant with KPMG. He has a business economics degree from Southampton University.

Jim Ford (57) British
Non-executive, appointed to the board in April 2005
Jim Ford is managing director, ISP Europe of The BOC Group. He joined BOC in 1973 and, prior to his present role, he held various senior management positions within the group. Jim is also responsible for the exchange of best operating practice for ISP activities globally. He holds an honours degree in mechanical engineering from the University of Strathclyde.

Alternate director

Daniel Shook (38) American
Non-executive, appointed as an alternate director of the board in April 2005
Daniel Shook was appointed as finance director, Industrial and Special Products of The BOC Group in January 2005. He has held a number of finance and commercial roles within BOC's US operation, and in 2000 he transferred to the UK to take up the position of group treasurer for BOC. He holds an MBA from The Wharton School and has a degree in economics and mathematics from Colgate University in Hamilton, New York.

our vision

We are passionate about our business and our brand. We are dedicated to customer service and believe in the quality of our people.

We shall be the leaders in the businesses we operate, activities we undertake and services we provide while operating within a value system that supports the highest standards of ethics and integrity.

We will achieve this by being:

No.1 at safety, health, environmental management and quality

No.1 at delivering superior customer service

No.1 at providing consistent growth and superior shareholder value

No.1 at identifying and commercialising innovative growth opportunities

No.1 at attracting and retaining high performing people

No.1 at operational excellence

No.1 at nation building commitments and social responsibility

our values

At Afrox we believe in values above rules. Our values are based on the principles of:

- Ethics and integrity
- Safety of all our stakeholders
- Customer satisfaction
- Performance excellence
- Care for our environment
- Commitment to our community, and,
- A fundamental belief that our people make the difference

our operating principles

Afrox's operating principles are based on ten behavioural competencies aligned to ACTS:

Accountability

- Strategy delivery
- Performance through people

Collaboration

- Partnership building
- Influencing
- Customer intimacy

Transparency

- Information sharing
- Visible leadership

Stretch

- Growth drive
- Capability development
- Change leadership

AFROX Hospitality

The improvement in the retail sector has benefited Handigas. Handigas is the country's top selling brand of liquefied petroleum gas and is used by most hotels, pubs, and restaurants. Afrox Hospitality has secured a further 15 contracts to supply Handigas to new shopping centre developments. Bulk tanks are installed in safe positions and the gas is then piped to the various hospitality outlets in the centre.

company profile

For 78 years, African Oxygen Limited (Afrox) has, every day in some way, touched the lives of all South Africans.

Since 1927, the year the company was founded, Afrox has prospered by constantly meeting the needs of customers and developing solutions that add value to customers' applications. Afrox has an inherent ability to respond and adapt to change, and a determination to meet world standards in products and service.

Afrox is a customer-centric supplier of gas, welding and related products and services operating in South Africa and in 15 other African countries. We provide solutions and services to meet the needs of customers, and package product service offerings to targeted market segments.

Our business comprises:

- Large supply schemes, bulk and tonnage business
- Industrial products
- Liquefied petroleum gas - mega bulk, industrial and household gas, and Autogas
- Medical gases
- Special gases including scientific gases, refrigerant gases and services, propellants and other packaged chemicals and helium
- Hospitality gases
- Safety business including safety products and services
- Manufacturing and export of gas equipment, welding and safety products
- African operations

The Afrox Group is 50,47 percent owned by The BOC Group, which serves two million customers in more than 50 countries. The BOC Group is one of the largest and most global of the world's leading gas companies. It employs around 30 000 people and in 2004 its annual sales exceeded R53 billion.

For more than a century BOC's gases and expertise have contributed to advances in many industries and aspects of everyday life, including steel-making, refining, chemical processing, environmental protection, waste water treatment, welding and cutting, food processing and distribution, glass production, electronics and health care.

Being part of an international organisation gives Afrox an edge in engineering standards, product research and development, supply chain capability, best operating and commercial practices, as well as information and information technology. Afrox also leverages BOC's global distribution network by making products under the BOC brand for sale in many countries globally.

Afrox has a long and proud financial growth record and, from its very start, has shown a 14,6 percent increase in its compound annual growth rate in profit. Earnings have been positive since inception. Forty-two years ago, when Afrox listed, its share offer was over subscribed 32 times - a record that stood for many years.

This financial standing has given Afrox high credit worthiness, with the Global Credit Rating Company rating Afrox as A1+ for short term and as AA- for long term.

Afrox is sub-Saharan Africa's market leader in gases and welding and safety products, with a market capitalisation of around R8 billion and 343 million shares in issue. In total 2 983 people are employed by the company.

Following the sale of a majority shareholding in Afrox Healthcare Limited to a BEE consortium led by Mvelaphanda and Brimstone, the company has retained a 20,1 percent interest in the now re-named Life Healthcare Group.

JSE SRI INDEX

For the second year running Afrox was selected for the JSE's SRI Index. In 2005 there were 49 companies selected compared with 51 in 2004.

The company continues to appraise its core competencies - its strong Afrox brand and access to customers across Africa, its innovative design and manufacturing expertise, its strong management philosophy - and to identify every opportunity to evolve these into competitive advantages. For example, during the year the company,

- launched a new safety business with the capability of growing it into a major operation,
- was awarded the State contract for gases, and for the first time, the contract for the State home care medical gas and respiratory business,
- opened new markets for its growing export business,
- opened 11 new Gas and Gear retail outlets aimed at smaller collect customers.

Some critical components make Afrox a preferred employer. While it is more important to be doing the right things than acquiring recognition, the company has been the recipient of unsolicited accolades.

SRI Index

In 2004 and again in 2005 Afrox was selected by the JSE as one of the companies to make up the prestigious Socially Responsible Investment (SRI) index. This year 49 of the top 100 companies qualified for this index following an independent assurance audit conducted by the auditing firm KPMG. The index, the first of its kind in an emerging market, started trading on the JSE on 20 May 2004.

Recognition

In the Deloitte & Touche 2005 Good Governance Awards, Afrox was a finalist in the Board Effectiveness and Ethics and Integrity categories.

Afrox was also a finalist in the Mail & Guardian Investing in the Future Award.

Welding products exports expand with new UK business

In recent years, Afrox has been successful in exporting welding products to several countries outside of the African continent. This export activity began in 1999 when Afrox completely re-designed its range of welding products and invested in improved manufacturing processes. The welding products range was accepted as “best in class” in numerous countries including Australia and New Zealand. This year, through its outlets in the UK, BOC launched a range of welding products designed and manufactured by Afrox. This new UK business has boosted production at Afrox’s gas equipment factory.

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Afrox puts customers first

Customer relationships and service have become critical in today’s competitive environment. Afrox recognises customer service as one of the key thrusts under a programme named CustomerFirst. The CustomerFirst programme covers customer-centricity, and the Afrox approach to selling, distribution, and back-up support of products and services. A comprehensive communication programme ensures that CustomerFirst is firmly entrenched in the behaviour of all employees. A strategic programme is in place that records all customer complaints and tracks each one individually, until resolved.

AFROX Safety

New Safety Products business launched

Afrox has launched a new safety products business. This business could ultimately become Afrox's fourth leg after Gases, Handigas and Welding. To add impetus to this important business, we acquired Twinco, a leading safety products and services company. Twinco specialises in managing on-site safety products stores for large customers and operates from 20 on-site stores nationwide.

05 highlights

AFROX AfroxPac

Milestone for top technology product

Afrox has produced its 100 000th AfroxPac35, endorsing the Afrox developed and made self-contained emergency breathing apparatus for underground miners as the favoured self-rescuer on South African mines. The production of the 100 000th AfroxPac35 is indicative of the success Afrox has achieved in establishing itself in a market where it had no presence a few years ago. AfroxPac35 emerged as the benchmark product in September 2002, when it became the first product of its type to comply with SABS 1737, the SA Bureau of Standards specification for self-contained self-rescuers. The Afrox designed and made product won the most outstanding technological innovation in the 2003 Technology Top 100 awards.

AFROX

Artist's impression

Afrox to invest R100 million to develop world-class facility

Afrox is to invest R100 million in ensuring its main gases production centre, the Gases Operation Centre (GOC) in Germiston is compatible with the best in the world. This major re-engineering project is part of the CustomerFirst programme, which focuses on service excellence. This investment will ensure Afrox's capability to produce products to exacting standards to meet our current and future customers' requirements. GOC is the largest gas cylinder facility in the southern hemisphere and the most complex in terms of product mix. The project is taking three years to complete. It will include an improved logistics layout, cylinder filling facilities, a nitrous oxide and helium plant, and a world-class scientific gases mixing facility. The facility will position Afrox at the forefront of global technology.

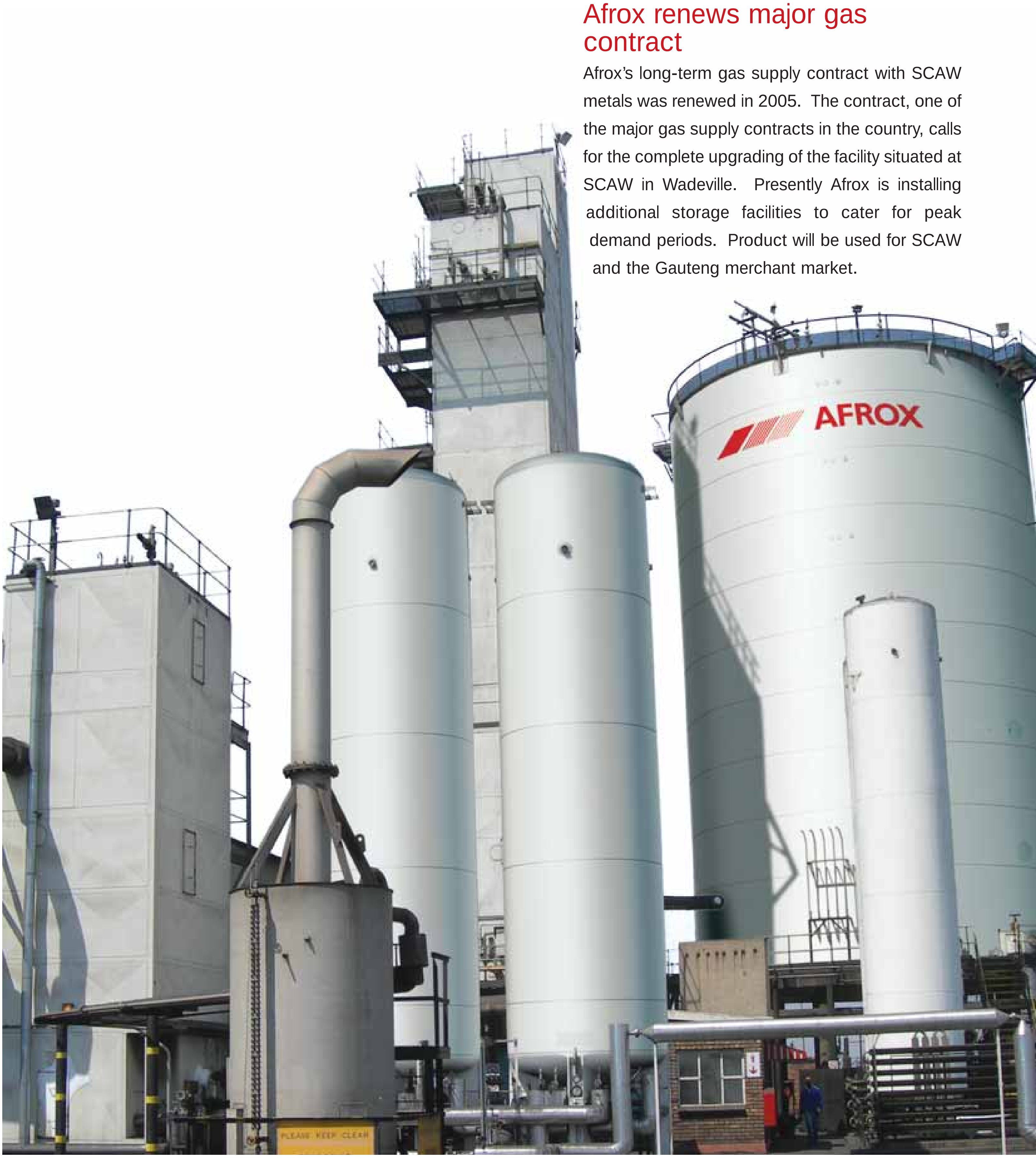
AFROX

Afrox strengthens brand

Afrox has one of the strongest industrial brands in the country, and to protect and build the brand, the company has embarked on a programme to define its future portrayal. Much of the work has revolved around product branding and how Afrox's numerous product names will relate to the corporate logo. This will be an ongoing process in protecting and growing one of Afrox's most important assets.

Afrox renews major gas contract

Afrox's long-term gas supply contract with SCAW metals was renewed in 2005. The contract, one of the major gas supply contracts in the country, calls for the complete upgrading of the facility situated at SCAW in Wadeville. Presently Afrox is installing additional storage facilities to cater for peak demand periods. Product will be used for SCAW and the Gauteng merchant market.



Kent Masters

chairman's statement

In my first year as chairman, I am pleased to report another strong performance. The fine results were achieved in difficult trading conditions, but sales were boosted by a recovery in the manufacturing sector in the final six months.

Group results

The year was an eventful one for the group. We continued to produce results well above inflation in an economy where certain sectors showed positive growth, and others, namely mining and fabrication, showed noticeable declines.

The interpretation of the results is complicated as a result of the sale of Afrox Healthcare Limited and a compulsory share buy back. The group net profit for the year was R1.4 billion, an increase of 122 percent on the previous year's R614 million. This includes the profit from the sale of the Healthcare investment. The industrial business presently includes gases, welding and related products, and a 20,1 percent shareholding in Life Healthcare, the sucessor company to Afrox Healthcare Limited. On this basis, revenue increased 14 percent to R3,3 billion, operating profit was higher by 12 percent at R685 million and headline earnings per share grew by 16% on a like-for-like basis. The cash generated from these operations increased by 30 percent to R829 million.

Sale of Afrox Healthcare

This year the sale of Afrox Healthcare Limited was concluded with a black owned consortium comprising Brimstone Investment Corporation Limited and Mvelaphanda Strategic Investments (Pty) Limited. We are pleased that under the name of Life Healthcare Group, the company is operating as well for its new owners as it did for Afrox.   Afrox retained a 20,1 percent share in the business and these results include this interest in Life Healthcare since April 2005. Prior to that, the results were fully consolidated.

Afrox received the proceeds from the disposal of its 67,8 percent shareholding in Afrox Healthcare Limited on 22 March 2005. Taking into account the cash generating performance of our operations and our low level of gearing, the board agreed that the net proceeds received from the disposal of Afrox's shareholding, after the deduction of related expenses, should be distributed to shareholders. As a result, Afrox was able to distribute R6,07 per share to shareholders from a special dividend and compulsory buy back of shares.

Black economic empowerment strategy

Afrox recognises that through past practices a concentration of economic wealth and inequalities in employment, education and skills characterise the South African economy.

We believe that we can contribute towards the upliftment of the broader population without compromising shareholder value, employee security or customer service. We will accomplish this by focusing on the critical success factors identified in the BEE Act and through focused black ownership initiatives in various levels and facets of the business. An employment equity programme, and a social responsibility programme have been implemented. We promote transformation by empowering employees to improve their quality of life through better career prospects and greater job satisfaction, and we focus on skills development at all employee levels.

Returns to our shareholders

In 2005, Afrox paid a special cash dividend of 415,0 cents a share in June and an interim cash dividend of 40,0 cents per share in July. Our results for the year have enabled the board of directors to declare a final cash dividend of 40,0 cents per share (2004: 31 cents). This dividend is covered twice by earnings from the remaining industrial operations.

Corporate governance

The board of directors is committed to high standards of governance and integrity. The Afrox board has a governance sub-committee to ensure that its directors follow best practice in corporate governance. During the year, we conducted an evaluation of the board's effectiveness covering a wide range of governance issues. Areas of opportunity were identified and improvements implemented.

Over time, Afrox has formalised its operational procedures and safety standards, and issued a Code of Conduct that establishes an ethical framework for the company. A toll free line supports this.

Throughout Afrox there is also a strong commitment to the principles of ACTS - accountability, collaboration, transparency and stretch.

The board focuses on the need for excellence in financial reporting. Companies registered with the US Securities & Exchange Commission must comply with the Sarbanes-Oxley Act 2002. Compliance is therefore mandatory for The BOC Group, which is listed on the London and New York Stock Exchanges. In tandem with BOC, Afrox is documenting and testing its internal financial reporting controls to comply with Sarbanes-Oxley. The Act is intended to deter corporate and accounting fraud and corruption, and protect the interests of workers and shareholders. When Afrox achieves Sarbanes-Oxley compliance in 2006, the company will have a set of documented financial and reporting controls that will complement the Code of Conduct ensuring strong standards of safety, corporate governance and financial integrity.

Alongside Sarbanes-Oxley, Afrox will be implementing IFRS and our next annual report and accounts for 2006 will be prepared on an IFRS basis.

Board of directors

This year I joined the board as non-executive chairman, replacing John Walsh, who resigned from both the BOC and the Afrox boards to take up a position with an energy company in the United States. John played an important role in positioning the company for the challenges of conducting business in South Africa. On behalf of the board I thank John sincerely for his efforts and wish him well for the future.

The year saw several board changes, mostly related to BOC representation. To maintain stability and management continuity, the board asked Rick Hogben to continue as an executive director and managing director of African Oxygen Limited until 31 March 2007, a year beyond his official retirement date. This means he will remain both on the board as an executive director and as managing director of African Oxygen Limited until the end of March 2007. We are very pleased he accepted this offer and that he will continue to provide leadership in the successful execution of our strategy.

Apart from John Walsh, other directors who stepped down from the board during the year were Tony Isaac, the chief executive of BOC, and Nick Deeming, BOC group legal director and company secretary. They resigned due to pressure of global commitments. René Médori, BOC's group finance director, and Rob Lourey, BOC's human resources director, left The BOC Group to pursue their own interests and as a result, both resigned from the board of Afrox.

Following the sale of Afrox Healthcare, Michael Flemming resigned from the Afrox board to give his undivided attention to the management of Life Healthcare Group as its first managing director. I thank those directors for their valued input over the years and for the guidance and direction they gave to Afrox, and I wish them success in their future business activities.

We were privileged to welcome Louis van Niekerk (formerly the chief executive of Iscor - now Mittal Steel SA, and current chief operating officer of Transnet) who was appointed to the board in February 2005. Louis has been associated with Afrox for many years - both as a customer and a supplier - and brings a wealth of experience to the board.

Other than myself, BOC executives who joined during 2005 were Jim Ford, managing director of BOC's industrial and special products business in Europe, James Cullens, BOC's group human resources director, and Alan Ferguson, BOC's group finance director. Daniel Shook was appointed as an alternate director. I have worked closely with these people for many years and Afrox will undoubtedly benefit from their collective experience and fresh ideas.

Our board now comprises two executive directors and four non-executive directors who are experienced in global gases and industrial products, complemented by four independent non-executive directors who add to the effectiveness of the group's strategy, operations and governance. Of these, two of our non-executive directors, Dr Conrad Strauss and Rick Cottrell, will achieve the mandatory retirement age of 70 and will retire from the board in February 2006. We are indebted to them for their wise counsel and leadership over their years as directors.

Acknowledgements

2005 has been a benchmark year for Afrox and its employees with the sale of Afrox Healthcare. Since the separation, both Afrox and Life Healthcare have continued to prosper pursuing their own corporate interests and maximising their different growth potentials. It is clear to me that Afrox has a tremendous brand, quality products, talented people and an enviable customer base.

I thank my fellow directors and the executive team for their support in my first year. In the short time that I have been chairman I have been struck by Afrox employees' loyalty and dedication to the company. Their energy and efforts have made the difference in a competitive market and are greatly appreciated. I thank our customers for choosing Afrox and trust that you have been well served. To all those who partner, supply and contribute to our company in our various businesses, I record my gratitude. Finally I thank our shareholders for the faith you continue to show in Afrox.

Kent Masters
Chairman

managing director's. review

The macroeconomic environment was generally more robust and accompanied by a rise in business confidence in South Africa. Afrox continued to produce results that were well above inflation in an economy where certain manufacturing sectors faced difficulties. Exports grew with expansion into the European market. Most of the African countries in which we operate experienced resilient economic conditions.

Trading conditions

Despite these positive factors the year was not without its challenges. The continuing rise in the price of oil, which fluctuated between $40 and $67 a barrel, impacted on our distribution costs and our liquefied petroleum gas (LPG) margins. Nevertheless we were successful in managing volatile input costs and sustaining margins as LPG prices increased sharply. In addition, steel is a key raw material in our manufacturing operations, and rising steel prices were difficult to recover in an otherwise low inflation environment. Local demand for MIG wire exceeded our supply capacity and necessitated a high level of more expensive imports.

Market overview

Afrox supplies gas, welding and related products and services. We have continued to develop and expand our core businesses and traditional industrial markets, but constantly seek new markets for our products and services, as well as more products and services for existing markets. In the past ten years, we have extended our reach into a wide range of new sectors such as medical gases, hospitality, LPG in its various forms, safety products, scientific gases, refrigerants and packaged chemicals. Considerable progress has been made in capturing the opportunities that have evolved from these sectors.

The company has access to world-class processes and standards through The BOC Group. Our ability to draw on global best operating and commercial practices, research and development, technology, and engineering standards gives Afrox a significant advantage.

The BOC Group's accessibility to global customers and its distribution and supply chain capabilities have provided the infrastructure for Afrox to export a growing range of our own manufactured gas equipment and welding products. These quality products have achieved recognition as world benchmark products.

Industrial and Special Products (ISP)

Long-term contracts, established branch and distribution networks, strong branding and steady revenues from gas cylinder rentals underpin our businesses. Our investment in cylinders is considerable, and the year saw a marked improvement in our cylinder management.

Several exciting new projects made 2005 a significant year for Afrox:

- Construction started on the R100 million expansion of Afrox's gases operations centre in Germiston. This project will enlarge what is already the biggest gas production, cylinder filling and distribution centre in the southern hemisphere, increasing our ability to offer excellent customer service. The project includes a new nitrous oxide facility, which will address environmental issues and position Afrox at the forefront of global filling technology.
- We announced the formation of Afrox Safety, a business unit that specialises in the provision of safety products and services, AfroxPac emergency breathing units, on-site services through the newly acquired Twinco, and an increasing retail component. Afrox Safety had an excellent year with sales growing by 98 percent during the year, and we have considerable hopes for future growth in this business.
- We opened a further eleven new Afrox Gas and Gear retail outlets and will continue to convert or re-locate our existing chain to provide customers with easy access to our products and services. We plan to have 40 operational at the end of 2007. These retail outlets address smaller collect customers and cater for more than 50 000 retail transactions per month.
- We have revised our medical gas infrastructure to ensure compliance to global standards and Good Manufacturing Practices, and have improved the quality of our medical product offers. We continue to be compliant with Medicines Control Council requirements. On the strength of this we were awarded the State contract for gases - the major portion of which was medical gases - and also the State home care contract including oxygen-based and other respiratory therapies, home medical equipment, infusion services, and medical gases.
- We commissioned a world-class scientific gas calibration and filling facility at Germiston, which has improved our offer to the petrochemical and specialised laboratory markets. Today every refinery in South Africa uses Afrox calibration mixtures and pure instrument grade gases.
- We gained several new supply contracts and, more important, we were successful in achieving the business we wanted.

During the year, our industrial products were adversely affected by a slow down in the resources sector, although there were signs of a recovery in the last quarter. We are fortunate in that our product range spans the key sectors of the economy, so we're not overly dependent on the economic performance of a select few.

New products manufactured in our Germiston factory have increased our export market opportunities. Our range of medical and scientific regulators, welding equipment and accessories, and other industrial products has grown with expansion into the European market. The Afrox PortaPak was introduced into the Australian and New Zealand oxy-acetylene welding markets, and our Vitemax electrodes continue to find favour in Australia. Exports have shown above average growth and, although this is a smaller contributor to profit, it is an important and growing part of our business.

A strong performance from Afrox Handigas can be attributed to new business gains and the renewal of existing contracts with increased volumes. Handigas is a significant contributor to Afrox's profit and the largest contributor to revenue. Our liquefied petroleum gas (LPG) business was notably successful in countering increasing input costs and sustaining margins during the year. We gained our customers' understanding and were able to increase our prices to mitigate the upward trend in the oil price and fluctuations in the rand/dollar exchange rate. To grow this business further, we are exploring the supply of LPG to informal settlements.

Our new Lasox technology was launched successfully with applications for stainless steel cutting, particularly in the automotive and rail sectors. The strong demand for MIG wire exceeded our supply capacity and necessitated more expensive imports.

The African Operations achieved a strong performance with Malawi and Zambia performing exceptionally well. Although conducting our business in Africa poses challenges, our approach to investments here has been rewarded. We have expertise in developing new markets and view cross border expansion as a strong growth area for Afrox.

Under its new black economic empowerment ownership Life Healthcare Group has successfully pursued its own growth agenda. Our 20,1 percent investment in Life Healthcare continues to create wealth for our shareholders.

Process Gas Solutions (PGS)

Greater activity in the merchant market and good tonnage growth stretched PGS's capacity utilisation, resulting in high costs for maintenance and increased logistics. Strategic partnerships and our ability to grow in tandem with our key customers led to new long term bulk gas supply contracts that will boost turnover for several years. There was also increased demand for nitrogen and carbon dioxide from the food and beverage industries.

Prospects for the PGS business remain strong, supported by a number of merchant and tonnage investment opportunities, which should come to fruition over the next two years.

To contribute to our growth strategy for PGS, the board has approved six new projects at a cost of over R300 million, which will be implemented over the next two years. These will expand our capacity and upgrade our facilities to ensure that our technology enables us to offer optimal value to our customers.

Our commitment to customers

During the year our CustomerFirst initiative was rolled out to all employees to ensure that they understand the need to go beyond the Afrox promise of excellence and reliability in delivering our integrated product and service solutions. In striving for market leadership in the areas in which we operate, our processes to create value for customers are proving to be highly effective. Objective measures and monitoring systems also focus on improved service.

Safety performance

Our safety performance is gratifying in that we have achieved significant improvements and engaged the entire Afrox team in our mission to create the safest possible conditions for all our employees, contractors, and customers. Our lost workday case rate declined to 0.07, the lowest Afrox has achieved to date. Passenger car incidents, which had been high, declined in the second half. Truck incidents remained high, although these were in the minor incident category. Most leading indicators were positive and two safety initiatives, SiteSafe and LeadSafe, are being cascaded to all our sites.

Managing to the highest standards

Six critical success factors inform the way in which we conduct our operations. These are the creation of shareholder value through the provision of sustainable and superior growth, the provision of superior customer service, the pursuit of operational excellence, the building of capacity in our employees, developing our SHEQ management, and demonstrating good corporate citizenship and commitment to sustainable development.

We use best operating and commercial practices to offer an impeccable service to all our customers. Our Code of Conduct supports our operating procedures and a consistent strategy for the business. We work hard to tap the full potential of our diverse and talented workforce.

In 2005 we have spent time and effort in developing our strategic plan for the growth of all our businesses.

Pleasing growth was recorded in our scientific, refrigerants, packaged chemicals and helium division. The petroleum industry is phasing out leaded fuel and introducing low sulphur diesel, with new refining plants requiring our mixtures and high purity gases. With appropriate investment this business should realise above average growth.

Afrox Scientific is also developing gas standards for the air quality monitoring industry to measure compliance with the new National Air Quality Management Act. This will monitor emissions from manufacturing processes that could be harmful to the environment.

We have enjoyed leading market share and good margins in the medical gas market. Small growth opportunities exist in clinical sales and to the peripheral home care market.

In addition to future new on-site plants, there are opportunities for Process Gas Solutions in water treatment, steel manufacturing, paper pulp and food freezing.

Afrox is well positioned to continue to improve our portfolio seeking acquisitions that suit our competencies, and expanding into allied businesses.

Appreciation

Our customers and our employees create our success. I thank our customers for their support and continued loyalty, the board of directors for their warm and continuing support of management, and Afrox staff for their passion and commitment in achieving these results. We have set stringent targets for the year ahead that will continue to drive our efforts to attain superior returns for our shareholders.

Rick Hogben
Managing director

business review

Afrox is divided into two lines of business, namely Industrial and Special Products (ISP) and Process Gas Solutions (PGS)

AFROX

The Afrox Gas Equipment Factory has in recent years won numerous export orders. These were mainly from The BOC Group and marketed by them under their own brand. This year, the Afrox Gas Equipment Factory was awarded a contract to supply the UK and Europe with a range of 105 products.

Industrial & Special Products (ISP)

Industrial & Special Products (ISP) involves cylinder and liquid fabrication gases, welding products, scientific gases, refrigerants, packaged chemicals, and helium, medical gases, Handigas, hospitality gases, and the manufacturing and sale of gas equipment, welding and safety products.

The business is backed by a considerable infrastructure. Afrox's transport fleet, consisting of some 500 vehicles, operates from 92 South African branches and from another 25 branches in 15 other African countries. The business has approximately three million cylinders in circulation, and offers a range of over 3 000 products that support over 76 000 customers.

In South Africa, ISP is able to meet customers' needs by offering a wide range of products supplied through advanced supply chain networks. This includes the supply to industrial customers and consumers of Handigas, Afrox's liquefied petroleum gas brand.

Certain gaseous chemicals, such as propellants and refrigerant gases, are delivered to customers either in bulk or in cylinders of varying sizes, depending on each client's requirements. The company also incorporates a new business known as Afrox Safety, which sells a comprehensive range of personal protective and safety equipment products. Its recent acquisition of Twinco enables Afrox to integrate Twinco's supply chain with that of its customers thereby creating significant customer value.

Incorporated too is a medical business, which includes the sale of both gases and medical respiratory equipment. The hospitality business supplies gases to the hospitality and leisure industries. Afrox has designed and manufactured a range of gas equipment that is now sold through all the BOC outlets around the world. The global market for these products is estimated at US $18 billion a year. Afrox, together with its parent company, BOC, is aiming for a ten percent share of this market.

Industrial Products

Afrox's Industrial Products is the largest manufacturer and supplier of gas equipment and welding products in sub-Saharan Africa, offering a comprehensive range of services to meet the needs of the manufacturing industry. Afrox continues to sustain its welding products sales despite the effect of the strong currency and lower priced imports. Innovative designs, unparalleled product quality and safety standards have grown the company's exports of welding consumables and gas equipment.

Gas equipment

Afrox manufactures an internationally compliant range of industrial, medical and scientific regulators. The range includes welding and cutting torches, nozzles, tips and accessories for local and global markets. Since the start of our export drive in 1999, the company has entrenched itself as a leading international supplier of gas equipment and is rapidly approaching a ten percent global market share.

This capability is supported by BOC's access to customers in some 50 countries throughout the world, and by its global marketing and supply chain capabilities. Our ability to customise products to meet customers' requirements has resulted in the acquisition of more than 40 percent of the Australian gas equipment market in the past six years. We also supply BOC companies in New Zealand, South East Asia, Africa, Latin America and Canada.

This year our BOC sister company in Europe launched the Afrox manufactured gas equipment in the UK with great success. The range included 105 different product configurations, most of which were specifically developed for the European market. These additional volumes resulted in a 20 percent increase in production output. The new range offers significantly better flow performance and enhanced safety features and is being launched in sub-Saharan Africa. Warranty claims on equipment are now less than 0,2 percent allowing the company to extend the warranty period and further enhancing customer value.

The Afrox PortaPak commands a major portion of the portable oxy-acetylene welding market in southern Africa, and this product was successfully introduced into New Zealand and Australia during the year.

Exports are an important part of our future growth strategy and we plan to extend our offer to more countries and will pursue further global opportunities. Nearer home we have increased sales into Africa, particularly into Zambia and Zimbabwe.

AFROX
PortaPak

Portable welding set for export

This year, Afrox supplied BOC companies in Australia and New Zealand with the locally made PortaPak welding kit. The PortaPak oxy-acetylene welding, brazing and cutting kit weighs only 15kg with two full cylinders of gas. It provides trade-quality welding and is ideal for those constantly on the road, like plumbers, refrigeration technicians, auto repairers and handymen.

Afrox won the Design Institute of South Africa Award for design excellence for its medical integrated valve regulator in 2003. The regulator forms part of a lightweight cylinder designed to supply medical gases to patients in hospitals, ambulances and for home medical care. The product has been well received locally and will be exported globally through our BOC channels. Meanwhile we are spearheading the development of the next generation integrated valve regulator for industrial use.

Welding products

Our welding consumables factory at Brits is the largest in the southern hemisphere supplying over 300 million Vitemax electrodes to the metal fabrication industry annually. The Vitemax brand has become synonymous with quality, safety and excellence in welding practices. Afrox welding electrodes, and particularly its flagship Vitemax brands, have successfully weathered the competition from cheap electrodes and wires from the Far East. By improving our customers' productivity and overall cost reduction, we have significantly enhanced our local sales. This is evidenced by recent large wins at several of our key customers. Our sound reputation has also gained us repeat export orders from BOC Australia.

In South Africa, sales of our newly launched C5 7018-1 electrodes were boosted by the multibillion rand Project Turbo and by refineries that are upgrading their facilities to produce cleaner fuel before March 2006.

Several new products were introduced into the speciality welding consumables market resulting in significant orders and new supply contracts. For example, we have an agreement to supply our new premium Vitemax flux range into Pakistan, a three-year supply contract was obtained for our stainless steel MIG welding wire, and we gave our merchandising new focus by launching Vitemax and other brand names in sleeve form. We also found a ready market for our new products in the emerging small to medium fabrication business.

Customers responded well to the introduction of the latest Compact MIG welding equipment from Miller, and plasma cutting equipment from Thermal Dynamics, while our new Axcess MIG machine that delivers the latest in pipe welding technology, played an important role in South Africa's clean fuels project. Machine sales achieved record highs due to productivity improvements, superior machine technology and after sales service.

Afrox identified a need among laser cutting operations for a specialised gas supply and process support service. As a result, we launched our new Lasox technology this year, which provides a world-class offer to the South African laser industry. We have grown the laser gas business in tandem with our customers, particularly in the automotive and rail sectors, and are recognised as leaders in stainless steel cutting using the Trifecta high-pressure delivery system for nitrogen supply. We have been successful in obtaining most of the new laser cutting business over the past year.

Maintaining customer focus

Customer research showed that the Afrox brand is significantly stronger than competing brands with about 80 percent first time mention by customers. The brand is strongly associated with quality, safety, availability and reliability. We embarked on an ambitious programme to strengthen further the Afrox brand focusing on those factors customers regard as important to their business.

Our CustomerFirst initiative ensures the shelf availability of products as well as deliveries completed in full and on time. In recognising that different customer segments have specific needs, we have developed a range of customised product service offers.

To communicate and service a broader market our industrial gas agents use Partnernet, a global, web-based transactional system developed by Afrox in conjunction with BOC. Partnernet has helped to streamline and improve the efficiencies of our channel partners and industrial gas agents. The programme provides our customers with tailored solutions and reduces the administrative workload associated with inventory control.

Customers are assisted in improving their welding and cutting productivity, their product quality and in reducing any wastage, and our efforts in this regard have been mutually beneficial.

Retail

Afrox has 90 retail outlets. We have continued to convert or re-locate some of our existing outlets to a new concept in industrial retailing under the brand name, Afrox Gas and Gear. Eleven of these retail outlets now operate nationally, and it is intended to have 40 operational by the end of 2007.

Our entry into this retail business was aimed at building stronger relationships with smaller collect customers. The new Gas and Gear outlets are located to ensure high visibility and branding, and a very convenient shopping experience. They are showing excellent increases in turnover year on year. In a continued quest for improvement in quality and efficiency, our retail employees are undergoing an intensive training and development programme.

AFROX Gas & Gear

New retail outlets show marked growth in sales

Afrox has launched a new retail concept known as Gas & Gear. These retail outlets show excellent sales increases compared to the 'old style' Afrox sales centres. Eleven Gas & Gear retail outlets are open and 40 are planned by the end of 2007. Gas & Gear retail outlets carry a full range of Afrox products, safety equipment, and general engineering tools.

Afrox's retail programme facilitates close relationships with customers, offers fast responses to their changing needs, and advises on safety and welding technology.

Handigas

Our liquefied petroleum gas (LPG) offers large energy users a portfolio of high calorific values in the Afrox brands - Afrox Bulk LPG (for large sites), Afrox Handigas (for the hospitality industry and smaller customers), Afrox Propane and Autogas.

Handigas maintained the positive trend of recent years by securing new contracts and increasing market share despite fluctuations in the price of crude oil.

In response to Government's plea to industry to create employment and uplift rural communities, we embarked on a pilot project supplying gas to the low-income housing market. Aligned to the Government paraffin displacement initiative, we hope to replace paraffin consumption in this environment with Safety Gas. The Deputy President, Ms Phumzile Mlambo-Ngcuka, in her former role as Minister of Minerals & Energy, was co-signatory to our 'commitment to ensure safe, clean and efficient energy (LPG) gas, and to make it available, accessible, affordable and acceptable to the low-income households of South Africa.' We are hopeful that in future this project will become a sustainable community business model.

In a new initiative focusing on packaging and building the brand value of Handigas, we have developed a product service offer for the consumer market. The focus will be to change consumer-spending behaviour by making cylinders of Handigas available on the forecourts of selected service stations.

We are offering Autogas as a clean and efficient fuel source in small niche markets where vehicle fleets return to home base. At this stage Autogas will not be offered to the general public, but, with the upward trend in oil and fuel prices, its application as an alternative fuel source is gaining momentum in several countries globally.

Winter sales are traditionally higher as Handigas is used for heating. This year's unusually mild winter with average temperatures three degrees higher than last year translated to lower volumes. However, Afrox's expansion in more African countries has presented opportunities to extend our distributor network and increase volumes.

The bulk LPG business performed well as a result of several large contracts secured, which generate annuity income.

Hospitality

Our Hospitality division services the hospitality and leisure industry, providing an effective solution with fast and flexible gas deliveries to restaurants, hotels, clubs and pubs. We are able to supply Handigas for cooking and for heating space and water, Suremix for draught beer dispensing, carbon dioxide for beverage dispensing, and Partigas for balloon and blimp filling. This has positioned Hospitality as an important supplier to the large franchise chains, hotel groups, casinos and shopping centres, as well as the thousands of individually owned restaurants countrywide.

Hospitality performed well. Rationalisation among some of the bigger customers has led to a slight decrease in Suremix volumes over the short term, but this should stabilise next year.

New contracts have been secured as a result of a buoyant retail industry and the proliferation of new shopping malls nationally, as well as through the competency of Afrox's customer engineering services in the installation of bulk tanks and reticulation of gas supplies throughout shopping malls.

Increased customer focus has seen an investment in the training of our people, a restructuring of our regional hospitality sales teams, as well as our supply chain management and business processes. In addition, sales service representatives are being introduced to maintain and extract value when delivering our products. We are currently working on a fundamental change in our after hours and weekend delivery model.

Afrox hospitality's vision is one committed to 100 percent reliability in this highly service-oriented industry, and we were therefore pleased to receive several service awards.

AFROX
Partigas®

The lighter than air gas has major applications

Helium as a gas is one of the rarest marketed by Afrox. It is used in MRI's in hospitals and as it is lighter than air, it is used for weather balloons, blimps and, literally millions of party balloons. The Hospitality business markets helium under the brand name, Partigas.

Scientific gases, refrigerants, packed chemicals and helium

This division markets and supports an extensive range of diverse and specialised gases, gas mixtures, equipment and gaseous chemicals.

Scientific gases, refrigerants, packaged chemicals and helium showed reasonable growth. During the year, we commissioned our new state of the art gravimetric filling rig for scientific gas mixtures, successfully marketed our new scientific regulators, extended our fire suppression capabilities, grew our refrigerants business, and launched our refrigerant services business offering on-site evaluation and rectification of customer's refrigeration plants.

Scientific gases

Results from our scientific gas product business are pleasing. Gas mixtures are individually made to meet customer requirements and the increasing complexity in satisfying this demand has led to a significant investment in, and development of, our product service offers.

Investment in a world-class calibration and gravimetric filling rig at our Germiston plant has secured new business in scientific gas mixtures. We are able to produce mixtures to an accuracy measured by parts per million, with up to 20 different components from a selection of over 350 different chemical and gaseous components commonly used in industry, including hydrocarbon gases. Since 2002, we have steadily grown our market share in the petroleum industry and today every refinery in South Africa uses Afrox calibration mixtures and pure instrument grade gases. To ensure refinery efficiencies and correct gas standards, certain refineries have outsourced their entire supply of process control gases to Afrox.

Our scientific regulators, designed and manufactured by Afrox to world-class standards, are also aimed at the petrochemical and specialised laboratory markets, where constant flow and sensitive calibration are critical. Afrox Scientific regulators are attracting international customers, and will be exported around the world.

Our hydrogen and argon mixtures have been marketed to the automotive industry for the detection of leaks, particularly with air-conditioning systems.

Packaged chemicals

Last year we entered the fire suppression market with a market leading system incorporating a design package, equipment and suppression gases. The Afrox FS125 system is ideal for computer rooms, laboratories, libraries and occupied spaces where it is crucial not to damage equipment or paper documents with water, or where conventional fire suppressants such as carbon dioxide and inert gas blends present an unacceptable asphyxiation risk to people in those areas. The Afrox FS125 fire suppression system is the only one in the country that has received accreditation from the Underwriters' Laboratory, an internationally accepted accreditation agency, and it has also received accreditation from the International Maritime Organisation.

The Afrox FS125 system supports our approach on environmentally sensitive products. The system can be used as a replacement for Halon fire suppression systems that, as ozone depleting substances, have to be phased out under the Montreal Protocol. We can also assist customers in the responsible disposal of these environmentally damaging substances.

Our refrigerants business has continued to grow and we are the only supplier in South Africa of a complete range of fluorocarbon refrigerant gases, ammonia, hydrocarbons and carbon dioxide.

Concern for the environment is a major factor in the design and operation of refrigeration systems. Afrox views reclaim technology as an essential part of its refrigerant strategy. The Montreal Protocol has created opportunities for us and we are partnering some key customers by managing molecules of R12 (CFCs), replacing them with environmentally friendlier R134a and various blends. These long-term initiatives augur well for growth in our refrigerant gases business.

Through technological leadership and innovation our refrigerant services add value to our customers' processes. Afrox has exclusive access to USA-based Hudson Technologies' world-leading diagnostic and reclamation technology, and we have developed a broad refrigerant services offer for the mining, petrochemicals, breweries, and food processing industries, as well as for comfort cooling in large spaces.

Our ammonia business has increased and, aligned with changing customer needs, we now supply ammonia by dedicated road tanker into the mini-bulk ammonia market. In conjunction with our reclaim service for contaminated ammonia, we offer refrigeration engineers an environmentally friendly option for plant maintenance.

AFROX Scientific

Unique scientific gas mixing facility

Afrox has commissioned a R3.3 million state-of-the-art scientific gas mixing and filling system at its Germiston facility. This plant is capable of producing mixtures to an accuracy measured by parts per million, with up to 20 different components per mix. These mixes are selected from a range of some 350 different routinely required hydrocarbon, inorganic and atmospheric gases. The new facility, the only one of its kind on the continent, has the capacity to produce 750 cylinders a month of high value, specialised gas mixtures. The scientific gases produced at the new facility are commonly used as calibration standards in laboratories across a spectrum of southern African industry sectors, including petrochemical, automotive, general manufacturing, food and beverage, mining and agriculture.

Helium

Only a few sources in the world contain a sufficient proportion of helium to justify its separation. Afrox, together with The BOC Group, has a strong helium supply chain and has invested heavily in liquid and compressed helium equipment. Key customers are using our customised service in hospitals with our on-site technicians supporting the filling of magnetic resonance imaging (MRI) and nuclear magnetic resonance (NMR) spectroscopy equipment with liquid helium.

Medical gases

Our Medical Gases business supplies a full range of medical gases, both in bulk and in cylinders. The range includes medical oxygen, air and nitrous oxide, Entonox and carbon dioxide. The division also supplies medical gas equipment such as regulators and flowmeters, and manages gas storage and reticulation, compressors and compressed air systems, vacuum pumps, and vacuum systems in hospital wards. A home oxygen therapy and respiratory business is growing in importance.

Afrox is acknowledged as a leader in the supply of medical gases in South Africa. This was corroborated when the company was awarded the contract for the State home care business as well as having the central State gases contract extended for a further three years.

The State home care contract was held by a competitor for many years, and is an important win for the company. It covers the supply of concentrators, cylinders and related accessories for the State home oxygen therapy and respiratory business. The award, for national supply, is worth in excess of R12 million per year and includes rapid delivery to patients' homes, as well as periodic clinical visits to patients to check oxygen saturation levels, test lung functions, and submit compliance reports against treatment regimens.

Home care is a fast growing sector in the overall medical gases business. It has a stable growth profile, and is independent from economic cycles that affect most other businesses.

Nevertheless, the supply of medical gases and services to the institutional market (hospitals and clinics) is the major income generator. We were therefore pleased to retain the central State gases business. Eighty percent of this contract is made up of the full range of medical gases and services to the State institutional market in eight provinces. Outside the scope of the central State gases contract, are the KwaZulu-Natal provincial hospitals that Afrox is also currently supplying.

Sales of our medical product range increased with the successful marketing of our lightweight medical oxygen cylinder that incorporates our Afrox manufactured integrated valve/regulator. This gas package is focused on paramedics and ambulances, where additional gas capacity is required in emergency situations. Patients being treated for sleep apnoea, boosted demand for our range of CPAP (constant positive airway pressure) machines.

During the year we saw an increase in the use of Entonox and medical nitrous oxide due to wider use in various pain relief applications. New clinical applications are also being explored in the use of gases to deliver drugs effectively.

Medical gases are classified as medicines under the Medicines & Related Substances Act, and these gases and their application can mean the difference between life and death. We continue to develop best operating practices ahead of new pharmacopoeia standards, creating a high profile for our medical operations, and world-class standards for our customers.

We are fastidious about gas reticulation at hospitals, and the condition under which gas products are filled and transported. Frequent SHEQ audits are conducted at all our sites to ensure compliance to strict legislation, reliability and an untarnished safety record.

Afrox Safety

Growth in demand for our safety products and services led to the formation, early in 2005, of a new business known as Afrox Safety, under which all our safety products and services are consolidated.

Afrox Safety is a holistic safety business supplying a full range of safety products and services to industry. As part of our overall growth strategy we also acquired a leading safety products and service company, Twinco.

Afrox safety products and services

Our safety products and services are offered direct to customers via our national branch network, our new retail Afrox Gas and Gear outlets, and through on-site stores on customers' premises. In addition, we are targeting our head-to-toe range of personal protective and safety equipment products to major customers such as mining houses, foundries and large fabricators, with growth planned into our industrial sectors.

AFROX
AfroxPac

100 000th AfroxPac35

During the year, the 100 000th AfroxPac35 rolled off the production line at Afrox's dedicated factory in Benoni. The Afrox Pac35 won the innovation award in the 2003 Technology Top 100 Awards. The product is an oxygen breathing device carried by underground miners. It supplies oxygen to the miner in the event of an underground emergency, fire or explosion.

Twinco's distribution, marketing and sales arms, and its sophisticated stock monitoring system have added value to our personal protective equipment offering. The stock monitoring system allows customers to outsource their per capita management and provision of personal protective equipment and safety products. We now have more than 20 safety product service stores on customers' premises and will replicate this model across our key and major customer base.

Self-Rescuers

Part of Afrox Safety is Afrox's self-rescuer business, which manufactures emergency life support breathing units for underground miners, including the benchmark AfroxPac 35 self-contained self-rescuer. These emergency breathing units supply life-sustaining oxygen to miners in the event of an underground emergency, fire or explosion. This year the 100 000th AfroxPac 35 was manufactured - a commendable achievement considering this self-rescuer was introduced five years ago.

This division has had an excellent year with increased sales to the gold and platinum mining industries. A strong global emphasis on employee mining safety has also facilitated sales of the AfroxPac 35s in Australia, Europe, Africa and, more recently, in the Middle East. In 2003, the AfroxPac 35 won the Department of Science and Technology award for the most outstanding technological innovation and Afrox is committed to remaining a leader in design, performance and maintenance of this life-support breathing equipment.

African operations

Afrox operates in 15 countries outside of South Africa and is continuing to expand its footprint in sub-Saharan Africa. We have recently entered Angola and the Copper Belt in the southern DRC. Many of the countries are experiencing growth in excess of 20 percent per annum.

Africa is an exciting growth area, which also presents a significant export market for our welding and safety products, carbon dioxide and Handigas. For the past two years we have co-ordinated our growth strategy and overall structure within the African Operations, concentrating on establishing the principles of good governance, and sound financial, human resourcing, marketing, operational and safety, health and environmental (SHEQ) management.

Economic growth for sub-Saharan Africa in 2005 was estimated at 5,2 percent with an expected improvement in 2006. Apart from Zimbabwe - which must be excluded in any normal calculations - inflation should be less than 10 percent for most economies. While business in Africa may have its challenges, we are committed to opening up African markets for our products and services, and to stimulate business opportunities and employment.

African Operations comprise:

- Angola
- Botswana
- Kenya*
- Lesotho
- Malawi
- Mauritius
- Mozambique
- Namibia
- Nigeria*
- Southern DRC
- Swaziland
- Tanzania
- Uganda
- Zambia
- Zimbabwe*

** owned by BOC, managed by Afrox*

We are now seeing significant operational and SHEQ improvements. Fiscal disciplines have improved, with accounting and reporting systems in line with Afrox standards. We are able to benchmark best operating and commercial practices across the countries and have a firm foundation from which to grow.

Through renewed efforts we have taken advantage of the opportunities arising from our presence in Africa. Oil exploration along the west coast is expected to stimulate sales of our gases and welding products. Similarly, the copper and nickel mines in Zambia and the Democratic Republic of Congo (DRC) have provided significant growth in these areas. There is scope for liquefied petroleum gas in East Africa, while the growth in agriculture provides further opportunities in Malawi, Zambia and Tanzania.

Afrox has several hub operations, which allow for low risk expansion for relatively small investments with acceptable returns. During the year, we established branches at Luanda in Angola, Lubumbashi in the DRC, and Dar-es-Salaam in Tanzania. At the same time we exited from the Seychelles due to foreign currency constraints and difficult trading conditions.

Both Malawi and Zambia performed exceptionally well. In the past year we acquired a gases and welding business in Malawi.

We have increased sales of our welding and safety products in most of the countries in which we operate. Our LPG business has expanded particularly with the installation of bulk filling facilities in Nairobi, Kenya, and at Chipoka Sands Mine on the shores of Lake Malawi.

Last year we enlarged our carbon dioxide infrastructure in Nigeria and Malawi and, as a result business has increased in these countries.

Using various channels, we have supplied a wide range of products into Angola. A significant increase in demand for our products led to a formal entry into the Angolan market with the establishment of a country manager in Luanda in September 2005.

AFROX

Miller welding machines for Kenya

BOC Kenya has been awarded the exclusive franchise for the Miller range of welding products. BOC Kenya will represent Miller throughout East Africa and already, consignment stock has been sent to Tanzania. BOC Kenya is owned by The BOC Group plc, but is managed by Afrox as part of its African Operations.

In Namibia we acquired Namox, a distributorship, and our personal protective equipment product line has developed into a sizeable business.

Sales in Mozambique increased due to large inflows of direct foreign investment, however there is evidence that, owing to serious supply constraints, economic activity is faltering. Nevertheless our Mozambican operation is the preferred supplier of all the special gas requirements to the natural gas project in Temane, and there was increased demand for welding consumables from the sugar milling industry. Developments at Moma Heavy Minerals, the Corridor Sands Project and Mozal Phase 3, all of which will come on line in 2006, augur well for future growth.

Despite the difficult trading conditions in Swaziland, operating profit increased nearly 19 percent on last year. This was mainly due to the opening of a new Afrox Gas and Gear in Matsapha and the subsequent increase in retail sales. The main Swazi industries - sugar and textiles - have however, shown a sharp decline.

While Afrox owns most of the African operations, the Kenyan, Nigerian and Zimbabwean businesses are owned by The BOC Group but are controlled and managed by Afrox. We provide training, sales support, marketing and technology expertise to develop markets for growth. This arrangement works well as Afrox has a clear understanding of this environment and the expertise to develop markets within Africa.

Process Gas Solutions (PGS)

Process Gas Solutions (PGS) supplies large volumes of gas and tailors solutions to meet the needs of bulk customers in South Africa and sub-Saharan Africa. Through PGS, Afrox is able to supply its customers by bulk road tankers, pipeline, or from on-site gas-producing pressure swing adsorption plants (PSAs) and on-site cryogenic air separation units for large tonnages.

The main products supplied are oxygen, nitrogen, argon, carbon dioxide, and hydrogen. Strategically located plants throughout South Africa include a number of large plants, mainly producing oxygen, nitrogen and argon; five carbon dioxide plants; three hydrogen plants; and a number of gas producing Pressure Swing Adsorbtion (PSA) plants, mostly sited on customer premises. Larger-scale industrial businesses form PGS's customer profile, typically in the oil and chemicals, food and beverage, and metals and glass sectors.

The second half results were strong and countered the first six months of the financial year when PGS grappled with plant reliability. Added to this, carbon dioxide supplied by Afrox is obtained as a by-product from other companies' manufacturing processes, and one of the big refineries shut down for maintenance. Our customers were mostly unaware of the scarcity of product, because of back-up storage, and gases were trucked from our other plants around the country to ensure continuity of supply to our customers. As a result, higher distribution costs were incurred.

Nitrogen and carbon dioxide sales increased during the year mainly due to support for our quality products and services from the food and beverage industries - both of which continue to show excellent growth. Liquid nitrogen and solid carbon dioxide are used for chilling and freezing in the food industry, while as a gas, carbon dioxide is used to carbonate and dispense beverages of all kinds. Afrox is presently the only supplier that can guarantee surety of supply, and that complies with stringent beverage industry specifications.

Opportunities abound for the use of carbon dioxide and oxygen in sectors such as pulp and paper, minerals, glass, the environment, and, of increasing importance in Africa, in the potable and industrial water treatment markets. Supplies for welding, steel production and medical applications also boosted oxygen volumes.

PGS's large tonnage customers are supplied from dedicated plants on the basis of long-term contracts. Liquefied gases delivered by bulk tankers into special storage vessels installed at customers' sites, are also supplied on a contract basis. Revenues from these contracts have a measure of stability with regard to changes in demand for product.

We have made strategic investments in production facilities and productivity tools to help us grow our business. Several new plants are under construction to supply nitrogen and oxygen to our tonnage customers. We have also made a substantial investment in facilities to supply the manufacture of critical motor components for Bleistahl GmbH in the Western Cape where we have a long-term supply contract.

A further long-term contract was renewed with Scaw Metals, in Wadeville and part of the Anglo American stable. Afrox is currently installing additional facilities to cater for peak demand periods and is upgrading the plant to produce additional product.

In addition Afrox entered into another long-term agreement to supply Mondi in Richards Bay with substantial oxygen tonnages. We expect to erect and commission the necessary plant during 2006.

AFROX
Foodgrade CO_2

High quality Foodgrade CO_2

Afrox is South Africa's major supplier of carbon dioxide. Carbon dioxide has many applications which range from keeping food fresh, to the purification of water and adding the fizz in soft drinks.

One of PGS's strengths is its ability to apply BOC's sophisticated technology to produce new processes and enhance existing ones. Ultimately, Afrox's success is linked to its customers' success and there are many applications where PGS is able to provide customer-specific solutions. For instance, PGS is acknowledged as a leader in developing technologies such as its patented Goldox system for precious metal recovery.

Support services

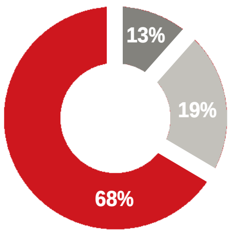
Customer engineering services, a division within PGS, offers a wide range of engineering experience and expertise in the installation of specialised gas application, control and handling equipment. On-site generating systems are installed and maintained on customer sites to provide gases. The customer engineering services department underwent a re-structuring during the year to promote efficiencies and increase benefits to customers.

Bulk distribution of gases is handled through PGS's bulk distribution scheduling system, which is unique on the African continent. This highly developed forecasting and distribution system provides a world-class service to our customers and has the capability of monitoring and tracking customer gas inventories. Our fleet of vehicles travels some 12 million kilometres each year making over 55 000 deliveries in the supply of 410 000 tonnes of gases to customers.

Vacuum pumps and blowers

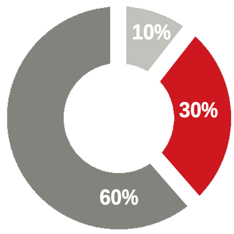
We received a major order for process blower units from France.   Afrox is the only South African distributor for BOC Edwards industrial vacuum products, providing technical support of a fully imported range of BOC's vacuum pumps and air blowers. These vacuum products are used in metal refining, chemical manufacturing, petrochemical and power refineries, and food processing, with tailor-made applications for the pharmaceutical and hospital industries.

cash generated from operations
by segment (R'000)



2005

2005 %	**2005** Amount		2004 Amount	2004 %
19	**181 898**	PGS	153 558	10
68	**646 927**	ISP	481 868	30
13	**125 662**	Healthcare	975 950	60
100	**954 487**	Total	1 611 376	100

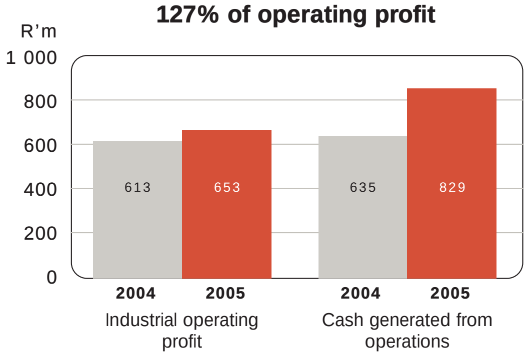


2004

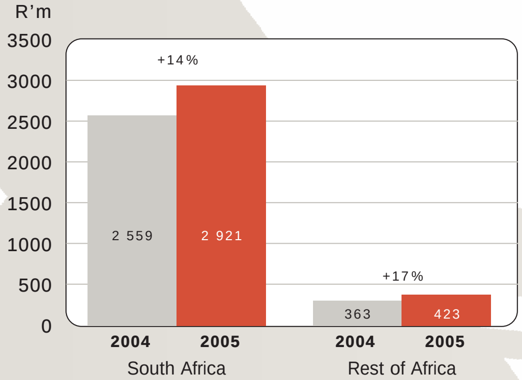
financial review

For the year ended 30 September 2005, Afrox continued to produce results well above inflation in a manufacturing economy that remained difficult, with very high oil prices. The company's ability to generate cash was once again a highlight of the results.

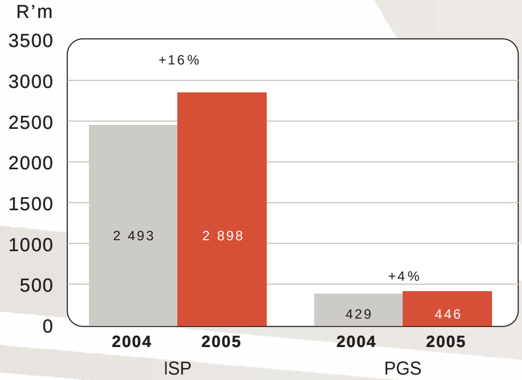
cash generated from operations
127% of operating profit



Remaining business segmental
geographic revenue



Remaining business segmental
geographic revenue



The sale of the 68 percent shareholding in Afrox Healthcare was concluded at the end of March 2005 for a consideration of R2,3 billion, realising a profit of R1,05 billion. We retained a 20,1 percent share in the healthcare company presently known as Life Healthcare Group.

The sale of Afrox Healthcare and the compulsory share buy back has complicated the interpretation of the results. The company's businesses now consist of the industrial operations (ISP and PGS) and also include our 20,1 percent shareholding in Life Healthcare Group. For the first six months the Afrox Healthcare results were well up on the previous year, while revenue for the ISP business grew by 16 percent, and PGS by four percent.

Basic earnings per share for the group increased 128 percent from 179 cents to 408 cents. Cash generated from the industrial operations was up 30 percent.

Shareholders received a special dividend of R4,15 per share, which amounted to R1,4 billion paid from the proceeds of the healthcare sale. During the last quarter there was a compulsory share buy back of 10 percent at R19,27 per share resulting in a further R663 million being returned to shareholders. The difference between the consideration received and the amount distributed to shareholders represents STC, capital gains tax and the cost of the transcation.

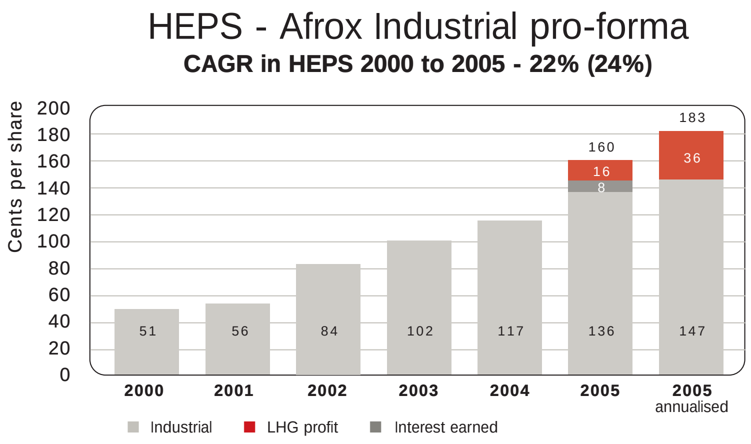
Due to the sound results, the board of directors has declared a final cash dividend of 40.0 cents per share. The full normal cash dividend for the year thus amounts to 80.0 cents per share. The total dividend is covered twice by earnings from the remaining industrial operations.

Segments

Healthcare results for the first six months were included in the consolidated group results. Revenue was R2,5 billion, operating profit to R302 million and net profit from ordinary activities increased to R113 million.

Remaining business

Revenue at R3,3 billion (2004: R2,9 billion) was up 14 percent. Operating profit increased by 12 percent to R685 million (2004: R613 million) and the net profit from ordinary activities increased by 31 percent to R524 million (2004: R401 million). Headline earnings per share are up 37 percent to 160 cents (2004: 117 cents).



Industrial business only

Despite difficult economic manufacturing conditions the operating profit increased by seven percent to R653 million (2004: R613 million). Net profit from ordinary activities showed good growth at 13 percent to R452 million (2004: R401 million). Headline earnings per share increased by 16 percent to 136 cents (2004: 117 cents).

Finance income/(costs)

Finance income for the year is R1,0 million compared to a cost of R98 million in 2004, in total a swing of R99 million.

The following was included in net finance income for the year:

- Six months of Afrox Healthcare finance costs of R16 million (2004: R72 million).
- The net finance income from the proceeds on disposal of the Afrox Healthcare investment was R21 million.
- The finance costs relating to the industrial business were R4 million (2004: R26 million). This was as a result of lower net working capital and lower interest rates negotiated.

Income from associates

The income has grown from R52 million in 2004 to R76 million. The Afrox Healthcare share of income from associates was R28 million (2004: R52 million). Our 20,1 percent associate profit share of Life Healthcare Group is R43 million. Industrial operations' share of income from another associate company is R5 million.

Income tax expense

The tax expense increased R255 million, from R396 million to R651 million. The effective tax rate is 31 percent compared to 33 percent in the previous financial year. This was as a result of:

- R178 million secondary tax on the company's payment of the special dividend.
- Afrox Healthcare's tax expense for six months in the current financial year was R107 million compared to R212 million (for the full year) in the 2004 financial year.
- Profit before tax has increased by R1,050 billion as a result of the sale of the investment and the capital gains tax expense relating to the profit is R144 million.

Minority interest

The minority interest decreased from R184 million to R98 million. The minority interest in Afrox Healthcare was R94 million compared to R181 million for the previous year.

Balance sheet and cash flow

Gearing increased from 4,6 percent to 16,1 percent as a result of major capital expenditure and investments totalling R910 million compared to the previous year of R540 million. The group's funding requirements increased by R188 million to R362 million (2004: R174 million).

Cash generated from operations for the group reduced from R1,6 billion to R954 million as a result of the sale of the healthcare business.

The cash generated for the remaining business increased by 30 percent to R829 million (2004: R635 million) as a result of our stringent net working capital management.

Afrox group paid in total R951 million (2004: R801 million) taxes to the fiscus. The direct taxes were R669 million (2004: R410 million) the indirect portion was R282 million (2004: R391 million).

Accounting policies

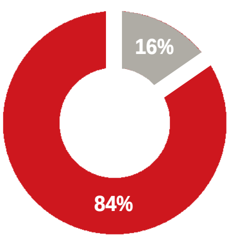
These financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The accounting policies are consistent with those of the previous financial year, with the exception of the implementation of South African Statements of Generally Accepted Accounting Practice, AC140 (IFRS 3): Business combinations, AC128 (IAS 36) Impairment of assets and AC129 (IAS 38): Intangible assets. All companies in the group have followed these policies in all material respects.

The change in accounting policies described above has been made in accordance with the transition provisions of the respective standards. AC140 (IFRS 3): Business combinations have been applied prospectively from 1 October 2004, while AC128 (IAS 36) Impairment of assets and AC129 (IAS 39): Intangible assets have been applied retrospectively. There has been no impact on the opening retained earnings at 1 October 2004 as a result of the adoption of these standards. In addition we have adopted the guidance to straight line rental payments made under operating leases with escalation clauses over the period of the lease, and have restated the prior year comparatives.

African Oxygen Limited will adopt all further mandatory International Financial Reporting Statements in its 2006 financial year.

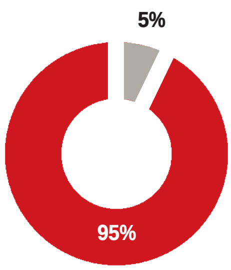
total capitalisation

(R'000)



2005

2005 %	**2005** Amount		2004 Amount	2004 %
84	**1 877 621**	Equity	3 539 480	95
16	**361 550**	Net borrowing	174 274	5
100	**2 239 171**	Capital employed	3 713 754	100



2004

Due to the changed circumstances whereby African Oxygen Limited became a 20,1 percent investor in the Life Healthcare Group, the 2004 income statement, which was previously split into continuing and discontinuing operations due to the expected disposal, has been restated to reflect the transaction as a diminution in holding.

Management of financial risks

In the course of the group's business operations it is exposed to currency, interest, counterparty, credit and acquisition risk. Approved policies exist for managing the financial risks to which the group is exposed. The treasury policy specifies controls and procedures over the management of currency, interest, counterparty and liquidity risk. The Treasury Committee monitors the compliance with the treasury policy. The Investment Committee oversees the management of acquisition risk. The group has a risk management and central treasury function that manages the financial risks relating to operations. See pages 86 to 87.

Risk profile

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency and interest rates. Throughout the year under review, it has been, and remains the group's policy, that no speculative trading in derivative instruments be undertaken.

The financial risk management policy of the group relating to each of these risks is discussed under the headings below:

Currency risk

The group has potential foreign exchange exposures in respect of items denominated in foreign currencies, comprising transactional exposure in terms of imports and exports incurred in currencies other than rand, and in respect of investments in overseas operations. Currency transaction exposures are managed through approved policies utilising derivative instruments. Underlying commitments or receivables support all forward exchange contracts.

Where possible, hedging is effected by borrowing in the same currency as the assets being hedged or through the use of other hedging methods such as currency swaps. Borrowings in a foreign currency constitute two percent (2004: eight percent) of the group's total borrowings. The aggregate of the notional principal values of currency swaps was nil (2004: R7 million).

The aggregate principal amount of forward exchange contracts as at 30 September 2005 was R137 million (2004: R78 million). The fair value of these contracts at 30 September 2005 amounted to a loss of R4 million (2004: a loss of R2 million). A ten percent appreciation of the rand would decrease the fair value of these contracts by R11 million (2004: R7 million).

Interest rate risk

As at 30 September 2005 the group had net exposure of R250 million (2004: R260 million) to variable interest rates. Based on the group's year end composition of debt an increase in average interest rates of one per cent per annum would result in a decrease in future earnings before tax of R2.5 million (2004: R2.6 million).

In order to manage interest rate risk the group maintains both variable and fixed rate debts. At 30 September 2005, there was a 48:52 ratio (2004: 41:59) between variable and fixed rate debt. Where appropriate the group uses interest rate swaps to vary the mix between variable and fixed rate debt in order to manage the group's interest rate exposure. At 30 September 2005, the aggregate of the notional principal values of swap agreements, which affect the variable/fixed rate mix, was nil (2004: nil).

Counterparty risk

Deposits and other financial instruments give rise to the credit risk on the amounts due from counterparties. Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty depending upon its credit rating and by regular reviews of these ratings. The possibility of material loss arising in the event of non-performance by a counterparty is considered unlikely by management.

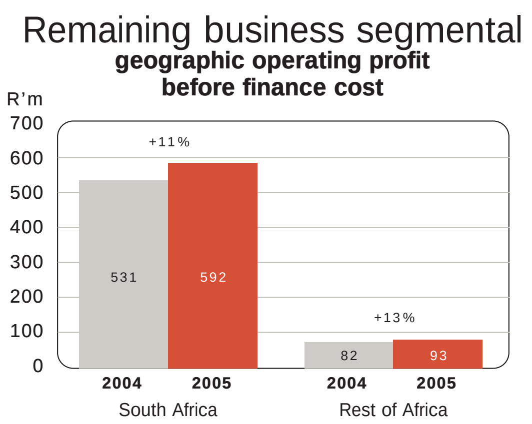
Liquidity risk

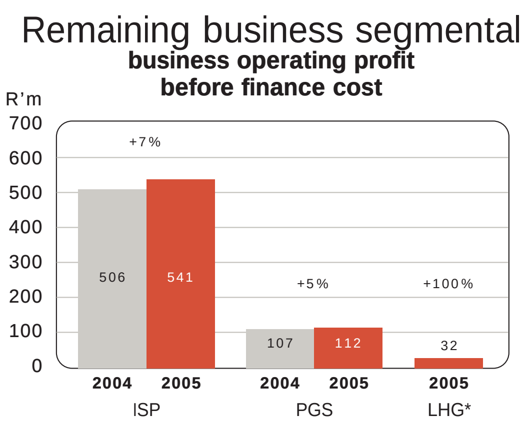
The group manages liquidity risk by proper management of working capital and cash flow. Adequate banking facilities and reserve borrowing capacities are maintained. The group has adequate banking facilities in order to meet its immediate or foreseeable working capital requirements.

Banking facilities	**30/09/2005 R'm**	**30/09/2004 R'm**
Available	1 728	2 217
Utilised	373	169
Unutilised headroom	1 355	2 048

Credit risk

The group has potential credit risk exposure on trade receivables. Receivables consist primarily of invoiced amounts from normal trading activities and the group has a large diversified customer base across many geographical areas. Strict credit control is exercised through the setting of credit limits according to each customer's risk profile, monitoring customers' payment history, and when necessary, provision is made for doubtful accounts. As at 30 September 2005, the group was unaware of any significant unprovided or uninsured concentration of credit risk.





* LHG = Life Healthcare Group

Acquisition risk

There is a risk that future expected net cash flows from acquisitions might not be realised resulting in impairment on the asset valuation upon which the original purchase consideration was based.

An Acquisition Policy and Process is in place that has a clearly defined structure and approach that covers levels of authority and risk management responsibilities in each of the following phases:

- Project initiation
- Target evaluation
- Risk analysis
- Business case evaluation
- Due diligence
- Deal structure
- Integration and implementation
- Post-acquisition evaluation

The Investment Committee reviews all acquisitions prior to any formal board approval, monitors each stage of acquisition, and where appropriate, advises the relevant line of business.

Credit rating

During the financial year the Global Credit Rating Company assessed the credit rating for Afrox and the company achieved the following rating:

Security class	Currency	Rating	Date	Rating outlook	Previous rating
Long term	Rand	AA-	06/2005	Positive	A+
Short term	Rand	A1+	06/2005	Positive	A1

Ratios

	2005	2004
Operating profit as a % of turnover	16,7	16,0
Net asset value per share (cents)	557,3	776,7
Current ratios	1,2	1,3
Liability ratio	0,6	0,5
EBITDA (earnings before interest, exceptional items, taxation, depreciation and amortisation)		
EBITDA to turnover - African Oxygen Limited	23	21
EBITDA to turnover - ISP	24	24
EBITDA to turnover - PGS	39	39
EBITDA to turnover - Healthcare	20	18

for the year ended 30 September 2005

value added statement

This statement is a measure of the wealth created by African Oxygen Limited through its various business activities. The statement shows the total wealth created and how it was distributed.

	2005 R'000	%	2004 R'000	%
Wealth created				
Revenue	5 852 639		7 835 144	
Cost of goods and services	(3 181 660)		(4 100 659)	
Profit on sale of investment	1 050 726		(16 167)	
Value added	3 721 705		3 718 318	
Income from investments	11 020		17 597	
Wealth created	3 732 725		3 735 915	
Wealth distributed and retained				
Employees				
-Salaries and benefits	1 360 660	36	2 144 673	57
Providers of capital	1 749 677	47	566 135	15
Finance (income)/costs	(980)	–	97 854	3
Minority interest	98 106	3	183 713	5
Ordinary dividends	229 711	6	284 568	7
Special dividend	1 422 840	38	–	–
Taxation	651 155	17	395 715	11
Reinvested in group activities	(28 767)	–	629 392	17
Depreciation	258 115	7	299 638	8
Future growth	(611 006)	(16)	329 754	9
Re-investment in healthcare associate	324 124	9	–	–
	3 732 725	100	3 735 915	100

Value added ratios

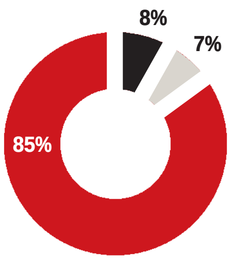
	2005	2004
Number of employees (at 30 September 2005)	2 983	16 192
Revenue per employee (R'000)	610	479
Value added per employee (R'000)	388	227
Wealth created per employee (R'000)	389	228

Our employees are the foundation of our business and are our most important asset.

employee review

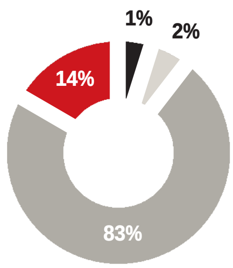
Recognising the contribution they make to the success of our organisation, we endeavour to improve their performance and ensure our people share a common vision, embracing our values and goals, and thus consolidating the Afrox brand. We encourage their development as individuals, and as part of the larger team, and support them in their activities and long-term career planning.

employees
by segment



2005

2005 %	2005 Amount		2004 Amount	2004 %
8	**240**	PGS	240	1
85	**2 529**	ISP	2 275	14
0	**0**	Healthcare	13 392	83
7	**214**	Other	285	2
100	**2 983**	Total	16 192	100



2004

Operationally aligned to The BOC Group, our human resources division provides professional centralised services and maintains an equitable and non-discriminatory culture within Afrox. Regular local and global meetings ensure that the company benefits from global best practice and that the human resources strategy is aligned with the company's business plan and growth targets.

Employee complement

During the year, the disposal of Afrox Healthcare resulted in the transfer of 13 392 healthcare employees out of the Afrox group to Healthcare's new company, Life Healthcare. This reduced the number of employees in Afrox to 2 983 as at September 2005 (2004: 16 192).

Employee satisfaction is measured and managed through surveys as well as in the business units. Levels of employee satisfaction and commitment are generally high with the average length of service at eight years.

Behavioural standards

Afrox has always been committed to the highest ethical standards of business conduct. Only by consistently acting with integrity do we earn the trust of our stakeholders. Our Code of Conduct binds our employees to legal and ethical behavioural standards and provides a framework in evaluating our dealings with our colleagues, customers, suppliers and the communities in which we operate. The Code of Conduct is reinforced by a culture of accountability, collaboration, transparency and stretch, known as ACTS, which has been developed throughout the organisation.

Building people capacity

The company conducts a robust annual process to assess the strengths and weaknesses of its business units. Afrox offers many opportunities for career and development planning. Resourcing, training and development programmes are designed to ensure that we have succession depth and a pool of well-qualified, talented individuals with passion, energy and stamina who are able to meet our operational needs and plans for the future (see Skills Development page 59 to 61).

We believe that diversity is a key driver of future organisational and operating effectiveness and our efforts to recruit more disabled people, women, and people of diverse ethnic backgrounds have intensified. Transformation is managed as an on-going consultative process. (See black economic empowerment on pages 56 to 63).

Prevention of discrimination

Our Code of Conduct and Disciplinary Code and Procedures promote equal opportunity and prohibit any form of unfair discrimination. We are however, cognisant that we must apply affirmative action and black economic empowerment measures in terms of the Employment Equity and Black Economic Empowerment Acts. Appointments to middle and senior management positions are reviewed monthly by a committee of senior executives to ensure applicants comply with employment equity principles.

Reward and recognition

In creating value for employees, a share appreciation rights scheme, governed by rules relating to performance, remuneration and length of service, enables individuals to participate in the company's long-term growth. Performance contracts are used to measure and assess employee performance, innovation, service excellence and the attainment of long and short-term strategic and operational goals.

The remuneration committee

The remuneration committee is comprised of non-executive directors under the chairmanship of Dr Conrad Strauss. The committee sets the overall remuneration policy of the company and makes recommendations to the board on the framework of executive remuneration. It meets twice a year. The terms of reference are reviewed annually to ensure that they conform to best practice. Specifically, the committee determines on behalf of the board the detailed terms of service of the executive directors and the other members of the executive management team including, salaries, performance related bonus arrangements, long-term incentives and retirement benefits.

The board as a whole submits the non-executive directors' fees on recommendation to the remuneration committee. These fees are then submitted to shareholders for their approval at the Annual General Meeting.

Remuneration policy

Afrox's remuneration policy for executive directors, management and staff, is designed to attract and retain executives of the highest calibre so that the company is managed successfully to the benefit of its stakeholders. In setting remuneration levels, the remuneration practices in other listed South African companies of a similar size and complexity is taken into account. It is the view of the remuneration committee that performance-related remuneration should form a substantial element of total remuneration.

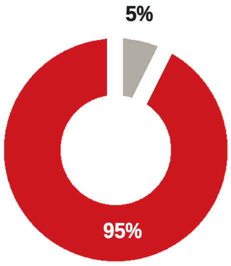
Remuneration components

Basic salary

Salaries are based on market rates drawn from data provided by two independent external agencies. They take into account experience, responsibilities and performance. Performance is assessed from both an individual and business perspective.

Variable compensation scheme

The executive directors, senior and middle management participate in the variable compensation bonus plan. The plan focuses on annual objectives and links individual performance to business plans. Bonuses are assessed on a combination of financial targets and personal objectives. These are based on Afrox's strategic goals and include safety, growth, people, productivity and customer service. Performance is measured against key performance indicators determined during formal appraisals.
The bonuses for the executive directors and senior managers are paid quarterly. Details of the payments to the directors are included in the directors' remuneration for the year on page152.

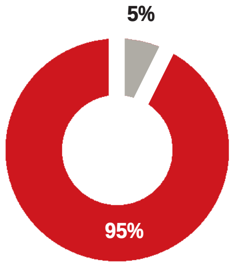


2005

employee costs for industrial business

(R'000)

2005 %	**2005** Amount		2004 Amount	2004 %
95	**621 149**	South Africa	569 489	95
5	**33 395**	Rest of Africa	30 485	5
100	**654 544**	Total	599 974	100



2004

Share Appreciation Rights Scheme

The company operates a reward strategy consisting of a Share Appreciation Rights Scheme (SARS). Over 600 employees participate in this scheme. The purpose of the scheme is to enhance employee identification with the objectives, strategies and long-term success of the company. The scheme also applies to high potential and affirmative action employees as part of the company's overall retention strategy and SARS are allocated to employees who achieve certain long service milestones.

The allocations are based on a proportion of the value of the appreciation rights, which are linked to ordinary shares in African Oxygen Limited, to basic remuneration according to seniority, and to performance. SARS are issued at the ruling price on the JSE on the date of issue. Rights may be exercised after the fourth anniversary of the allocation, but before the end of the tenth year the allocation is held.

The number of ordinary shares to which unexercised SARS are granted shall not in the case of a single manager, exceed one percent of the total issued ordinary shares and in the aggregate exceed ten percent of the total issued ordinary shares. Market surveys are undertaken from time to time to ensure that the number of allocations made are in line with the mid-point of market practice.

Employee benefits

In acknowledging the part that employees play in the success of the company, Afrox provides a range of benefits that go beyond those that are legally mandated. These benefits include the provision, at some but not all sites, of primary care clinics and canteens. In addition, all employees have access to: • HIV/Aids guidance and assistance, • paid maternity leave, • disability grants, • medical aid, • pension and provident funds, • DIY loans, • first time home owners' assistance, • bond subsidies, • educational assistance for employees and their children, • training programmes, • wellness programme, • leave benefits that exceed the Basic Conditions of Employment Act, • staff discounts for Afrox products, and • SARS.

Freedom of association

Afrox fully appreciates the concept of freedom of association and understands that this constitutes a basic and fundamental right in terms of the South African Bill of Rights. Employees are therefore at liberty to join any organisation, forum or trade union if they so wish. Currently approximately 12 percent of our employees belong to trade unions. Employees elect colleagues who represent them in bona fide consultative forums. These forums meet regularly and provide a platform for formal worker representation in decision-making.

Afrox is party to the Base Chemicals Agreement and the SEIFSA (Metal Workers) agreement, while SACWU and NUMSA are the predominant trade unions representing workers at some of our plants. Relations with both unions are cordial and there were no major disputes during the year. Open and constructive dialogue, which encourages productive working relationships and a shared interest in the profitability of our operations helps to avoid conflict within the organisation.

Communication and involvement

We believe that two-way communication is vital to the success of our organisation. The primary communication channels are within the business units where local managers work with their people and communication is most achievable. We also use formal and informal channels to share information and shape behaviour. Regular feedback meetings stimulate employees' awareness of operational issues. The company's investment in e-mail and web-based technologies augments traditional media and ensures that clear and consistent messages are swiftly communicated to all employees.

Employee support

Afrox has adopted a proactive and holistic approach to the wellbeing of its employees, which encompasses the physical, mental and financial health of each individual. Employees are encouraged to take responsibility for their own health and wellbeing by fostering self-sufficiency and resilience.

During the year we contracted with a supplier to implement an employee support programme providing a confidential personal support and information service that all employees and immediate family members can access. Qualified, experienced counselors provide this service, which offers multi-lingual access to telephone or face-to-face counseling. Advice is provided on life management, which includes legal advice, financial management, family care, work issues, stress, trauma and substance abuse. Support is offered in the context of workplace productivity and performance enhancement.

Twenty-one percent of employees have made use of this service to date. Of these 95 percent are self-referred.

The employee support programme's effectiveness will be measured in terms of reductions in absenteeism, stress-induced medical aid costs and staff turnover.

As part of the programme, financial life skills are offered, and a financial and debt management module was successfully implemented at our two factories at Brits and Germiston. These financial life skills will be extended further within our organisation.

Meeting the HIV/Aids challenge

Afrox's HIV/Aids policy was implemented in 2003 and to date 62 percent of employees have undergone HIV/Aids training and approximately one percent are registered on the HIV programme and are receiving anti-retroviral therapy. Confidentiality is assured through an externally monitored Aid for Aids hotline.

HIV/Aids is acknowledged as a critical business risk that affects our employees, has an impact on our work production and increases costs. Our HIV/Aids policy is based on a combination of sound business principles as well as on the obligations associated with being a socially responsible employer.

We are managing HIV/Aids by using internal and external experts and by focusing on awareness, lifestyle education and the prevention of infection as well as by offering anti-retroviral treatment to prolong life expectancy. We are committed to addressing HIV/Aids in a proactive and non-discriminatory manner, and to treating employees fairly, with dignity and compassion.

Afrox employees are encouraged to know their health status through education and awareness training, confidential voluntary counselling and testing. HIV-negative individuals receive assistance to maintain this status, while HIV-positive employees are offered disease management and treatment as well as counseling, care and support.

New employees receive basic Aids awareness training as part of their induction programme while line managers are trained to handle the problems that may face members of staff who are infected or affected by the pandemic. There are 56 peer educators who have the skills to train the HIV/Aids trainers.

Occupational health matters

Afrox endeavours, collectively, to protect the health of our employees and the communities in which we operate. It is our responsibility and obligation to ensure that all occupational and safety risks are identified, evaluated and appropriately mitigated. We manage employee health activities according to local laws and regulations, as well as global best practice.

Potential health issues that exist in Afrox differ across business units. In the gases businesses the main potential issues are: exposure to noise from gas compression activities and from cylinder handling; potential exposure to gases filled into cylinders; potential exposure to chemicals used in metal cleaning; and ergonomic and manual handling risks, particularly those associated with cylinders.

Programmes have been tailored to deal with these issues and are applied through local initiatives and through the internal web-based SHEQ management system.

Provision of on-site clinics

On-site clinics are based at our major sites in Brits, Germiston, Durban, Port Elizabeth and Cape Town, and some of the African Operations, and an exercise is under way to extend on-site clinics to as many branches as possible.

New staff members are assessed medically - HIV testing is voluntary - and all our operations are regularly reviewed for occupational health and hygiene risks. At some sites blood pressure and cholesterol levels are monitored and, as a prophylactic measure, influenza injections are made available to those employees wanting them.

Medical check-ups are outsourced for senior executives.

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- Ownership
- Management and control
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- Skills development
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- Preferential procurement
- Corporate social investment and donations

black economic empowerment

Exercising sound corporate responsibility is fundamental to the way we operate. We are serious about the influence and impact our operations, products, services and people have on society, the economy and the natural environment. This is borne out by Afrox's selection as one of the 49 companies in 2005 to make up the JSE's Socially Responsible Investment (SRI) index. This index, which is the first of its kind in an emerging market, was launched in 2004. It assesses the top 150 companies listed on the JSE and measures their systems and processes on corporate governance, economic, environmental and social issues.

Overview of Black Economic Empowerment in Afrox

Ownership: This year Afrox entered into three joint ventures with black empowerment partners. In addition, we have disposed of our holding in Afrox Healthcare to a black empowerment consortium. The effect of the recently published DTI codes are being evaluated.

Management and control: 26 percent of management in Afrox are from previously disadvantaged groups. Three members of the Afrox Executive Management Committee are black, and two are female.

Skills development: During the year 10 604 training initiatives were conducted with a total cost of 4,16 percent of payroll.

Enterprise development: We have developed 200 franchise distributors for Handigas, 62 SMMEs for medical gas distribution, and we partner with a further 62 industrial black SMMEs. Afrox has an active programme designed to extend this initiative.

Preferential procurement: Black owned, black empowered and black influenced spend increased 53 percent to R642 million. This represents 45 percent of the discretionary spend.

Corporate social investment and donations: As a policy the company donates one percent of after tax earnings. Donations in 2005 amounted to R4,4million. In addition, Afrox's Community Involvement Programme catered for 8 000 children in 71 child care homes.

Afrox has adopted the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development, which includes economic, environmental, and social performance issues. We believe that to be successful we must achieve a balance between competitive performance and being a socially responsible member of the communities in which we work and the countries in which we operate.

Afrox is committed to contributing to the upliftment of the broader population through our black ownership initiatives across various facets of the business, developing our employee skills at all levels, our employment equity programme and, our corporate social responsibility programme. This is an ongoing process and we aim for continuous improvement along the journey to transformation.

We give financial support to a number of initiatives whose objectives benefit society. These include the National Business Initiative, the Business Trust, South African Foundation, Free Market Foundation of South Africa, the World Wildlife Fund of South Africa, and the Endangered Wildlife Trust.

Afrox has always been committed to the highest ethical standards of business conduct. Only by consistently acting with integrity do we earn the trust of our customers, shareholders, colleagues, suppliers and communities.

Ownership

Afrox is 50,47 percent held by The BOC Group plc of Windlesham, United Kingdom, and South Africa institutions hold the balance (see Shareholders' profile page 94). In addition, Afrox has entered into three joint ventures with black empowerment partners.

We have adopted a policy to seek BEE partners to add value in our business, particularly where we can enable growth, in selected existing businesses and including expansion into new markets and in any new commercial enterprises on which we embark. We continue discussions with groups and organisations that would add value to our undertakings.

In March 2005, the company sold its 67,8 percent shareholding in Afrox Healthcare to Bidco, a BEE consortium, led by Brimstone Investment Corporation and Mvelaphanda Strategic Investments.

Management and control

We will raise the proportion of historically disadvantaged South Africans within the company.
Our objectives are to:

- raise the proportion of designated groups on the executive management team
- appoint executive trainees from the designated groups at several levels of management
- increase our bursary scheme and graduate development programme to encourage greater participation from designated groups

We operate in 15 African countries outside our borders and follow a policy of appointing local citizens. Almost all our African operations are staffed with local nationals. An internal group monitors the implementation of our BEE ownership, management and control and we report on BEE regularly to the board of directors and shareholders.

Employment equity

We stand for equal opportunity and fair treatment and we aspire to a workforce composition that reflects the demographics of our country. Our employment equity strategy forms part of the annual strategic planning process and is reported and reviewed at monthly executive management meetings chaired by the managing director. A robust process ensures that employment equity issues, legislative compliance and numerical target levels are set in consultation with the employment equity steering committee, the skills development committee and the consultative forums. Consultation and dialogue are used to address the results of employment equity audits, and progress towards our targets.

Our strategy covers recruitment, staff development and retention, and cultural diversity. Our managers and consultative forums are well versed in the Employment Equity Act. Senior managers are held accountable and are responsible for reaching employment equity goals. Although we will not sacrifice our quality standards, accelerated development programmes assist with the integration of new entrants.

Recruitment

Currently Asian, black and coloured people are under-represented at executive and senior managerial grades, although the imbalances are being redressed. We have three executive managers from designated groups on our executive management team and we wish to add to this number and to increase our percentage of senior managers to create critical mass. Bursaries are offered to students and graduates from designated groups and we have nine bursars and 13 graduates. We offer the following categories of bursaries:

- full time bursaries
- partial bursaries to many educational establishments (available to employees unable to meet the costs of fees)
- fully paid assistance to employees to further their education up to bachelor degree level
- fully paid bursaries for dependents of employees accepted by tertiary institutions.

Quantative employment equity measures
Employee numbers as at 30 September 2005

JOB LEVEL	MALE AFRICAN	MALE COLOURED	MALE INDIAN	MALE WHITE	TOTAL	FEMALE AFRICAN	FEMALE COLOURED	FEMALE INDIAN	FEMALE WHITE	TOTAL	TOTAL	AA EXCL WF %
Top management	0	0	0	5	5	1	0	0	0	1	6	16.67%
Senior management	4	3	8	65	80	0	0	1	4	5	85	18.82%
Professionally qualified & mid management	23	12	21	186	242	7	3	5	49	64	306	23.20%
Skilled technical & academically qualified	130	54	50	267	501	21	6	11	120	158	659	41.27%
Semi-skilled & discretionary	464	116	41	91	712	68	48	21	208	345	1057	71.71%
Unskilled & defined decision making	458	43	4	18	523	21	3	0	1	25	548	96.53%
Total	1 079	228	124	632	2 063	118	60	38	382	598	2 661	61.89%
Not graded											147	
African Operations											175	
Grand Total											**2 983**	

Development and performance

Our succession planning process identifies ability and talent, and monitors on a monthly basis the performance of high worth individuals from designated groups. Individual development plans are agreed in collaboration with employees' managers. Specific mentoring and accelerated development of selected employees from designated groups, empowers them for expansion into more senior roles. Nevertheless, it seems that other companies recognise the value of Afrox trained individuals and retention of designated groups at senior levels remains a challenge.

Cultural diversity

Afrox takes pride in the cultural diversity of its people and strives to maintain an environment where differences of employees are celebrated, recognised and understood. As set out in our Code of Conduct, we encourage sensitivity to other cultures and are committed to maintaining a workplace free from discrimination for reasons of race, creed, culture, nationality, gender or marital status. Employees are selected on their ability to perform the job and disability is not a barrier to employment.

Skills development

Afrox is committed to investing in its people, and a focus on career and personal development, creates a motivated workforce. To unleash the talent in its employees, the company places an emphasis on education and training and offers many opportunities for advancement.

Knowledge is transmitted to the business units, factories, branches and depots by various channels and employee development takes the form of e-learning, on-the-job coaching and training, development projects, secondments and traditional classroom-based training.

Employees are encouraged to have regular discussions with their managers regarding their aspirations, prospects and development needs. From these discussions, individual development plans are formulated, with agreed targets that synchronise the employee's needs with the business strategy and plans.

Afrox has a number of programmes to cater for the educational needs of its employees. These Include:

- programmes for all employees
- specific programmes, focusing on welding and artisan skills
- bursary and graduate development programmes
- four stages of management development:
  - front line management development
  - management development
  - leadership development
  - lead programme (offered by BOC)

employee training **2005**

Description	Total training interventions
Licence to work; 8 605 learning interventions for 2 705 learners. This presents a 62,0 percent overall level of competence.	
Learning interventions	**8 133**
Safety, health, environment and quality	**609**
Adult basic education	**16**
Management & leadership development	**167**
Computer systems training	**194**
Life skills	**1 048**
Driver training	**413**
Legal	**24**
Total training interventions	**10 604**
Cost as a percentage of payroll	**4,16%**

All employees

Afrox manages the development of functional skills through the Licence to Work approach. The approach ensures that each employee is competent in his/her job within a specific time frame. Learning needs analyses are achieved through the development of competency profiles for specific jobs.

Our computerised IMSS (Integrated Management System and Standards) equips employees with the competence to perform and to improve further by acquiring additional skills. IMSS is a training system housing global business reference material, procedures and standards. Individual learning and auditing of the learning cycle are incorporated in the system. Supervisors coach and assess those who are not computer literate. Sixty-two percent of employees have completed their competency modules.

In-house soft skills programmes are provided in an attempt to improve productivity in managers and employees by equipping them with operational skills. Advertised internally these courses include performance and change management, recruitment and selection, industrial relations, stress management, and presentation skills. In addition, individual development plans assist employees identified as having high potential.

Specific programmes

A shortage of welding skills throughout South Africa has led to the development of welding skills training at varying levels. The company trained 87 people in welding during the year. As part of their induction, graduate engineers complete a welding skills course, which incorporates marketing of welding products. The intention is that some of these graduates will become fabrication specialists within Afrox to equip them with both marketing skills and a technical qualification.

Front line management development programme

The front line management development programme is targeted at entry-level managers. It equips front line managers and supervisors with competencies that will allow them to lead their teams more productively and it encourages promotion into future middle management roles. Currently 94 delegates are participating in the programme that is run in this country and throughout our African operations.

Management development programme

The company needs the strong support of an informed and empowered second-in-line management and specialist team to enable growth in a competitive business environment. In partnership with the Graduate Institute of Management and Technology (GIMT), Afrox has developed a customised Management Development programme and this year two groups have completed this programme.

Leadership development in Afrox

In addition to the high value Lead programme, Afrox offers an iLead programme for selected employees. This programme is run in conjunction with the University of the Witwatersrand. This four-month course challenges senior managers and executives to use creative thinking. The programme includes fulltime teaching at Wits Business School and the completion of strategic action learning projects pertinent to Afrox. Several of the projects undertaken have been adopted and implemented by the company.

Lead programme

Each year, high potential employees are selected to participate in a challenging Executive Development Programme called Lead. This programme extends over 12 months and grooms participate for future executive leadership roles within Afrox and The BOC Group. It is facilitated by world-class external providers and is tailored to equip participants with the broad range of skills and experiences they will need to become successful leaders within the group.

Bursaries

Afrox also offers bursaries to full-time students taking selected studies such as metallurgy, mechanical, chemical industrial or electrical engineering. Afrox continues to fund bursaries for promising young people in order to ensure a stream of well-qualified professionals. Currently we offer fully comprehensive bursaries and partial bursaries for people from disadvantaged backgrounds. New graduates participate in our graduate development scheme, which assigns graduates to mentors within the organisation and facilitates the integration of new recruits. Afrox also runs a TOPP (Training Outside Public Practice) programme and presently has students on the course from previously disadvantaged groups.

Company sponsored bursaries are also offered to employees to further their education at recognised institutions. In addition, Afrox has and will continue to support the children of employees with bursaries for tertiary education.

Graduate development

A two-year graduate-in-training programme rotates graduates around the various businesses every six months giving them knowledge of, and exposure to, different areas in the company. Their performance in each business is assessed at the end of each six-month period, teaching behavioural skills in which mentors, who have been assigned to the graduates, join the certain training sessions.

Specific employees assistance

Education forms an important part of Afrox's employee programme and the company offers educational assistance and bursaries to all employees and their dependents. Presently 72 dependents of employees have bursaries for tertiary education, and 115 employees are presently studying through the Employee Bursary Scheme.

Enterprise development

Afrox is committed to creating sustainable economic wealth by nurturing growth and fostering economic empowerment to facilitate transformation. We create value through management mentoring, procurement, and through our suppliers and distributors who market our products.

Afrox does not take for granted its right to trade freely in South Africa. We strive for equitable economic growth and job creation without compromising shareholder value or customer service. We create value in partnering SMMEs and through our suppliers and distributors as our products go to the market.

In fostering economic empowerment among previously disadvantaged groups we have created some 200 franchised distributors in our Handigas business, and we are using this opportunity to reach into informal urban and rural settlements. The wealth and employment created by these franchisees is considerable. Each job offers a livelihood to extended family members and benefits the wider economy.

Our medical gases distribution, particularly to State users, supports some 62 SMMEs. We provide skills training for these SMMEs and also preferential financing.

We have assisted in the development of a successful black owned business, started by a retired employee who employs others in manufacturing vapourisers and LPG manifolds.

The reality of SMMEs in South Africa is that the entrepreneur is often under-skilled in managing a business. Our SMME development initiatives are designed to encourage black suppliers, and we have a programme and training workshops to enhance their managerial and operational capacity where there are deficiencies. We also take into account designated spend for the exclusive participation of SMMEs, shorter payment cycles, skills and technology transfer, as well as supply and purchasing support in securing goods where labour-only contracts are undertaken.

We cultivate a broad understanding of BEE among all our traditional suppliers, by using BEE support as a criterion for evaluation and also by encouraging joint ventures between traditional and black suppliers.

Afrox's formal accreditation process ensures that suppliers meet the company's preferential procurement policy criteria as either SMMEs, black owned, black empowered or black influenced suppliers, and that they have the potential and capacity to satisfy our business requirements.

Afrox recognises the importance of broad based black economic empowerment in its business strategy, and partners 62 BSMMEs and spends more than R20 million annually for the work they do for Afrox. Our SMME policy aims to identify, develop and support SMMEs in a fair, equitable, competitive and transparent environment, so that they become cost effective vendors for Afrox. The process is intended to be self-perpetuating so that previously disadvantaged people can contribute to, and participate in, the economy.

We aim to help SMMEs to become successful vendors, and to perform to a predetermined standard. Particular emphasis is placed on:

- nurturing SMME distributors in our medical gases business and extending this concept to other outsourced delivery opportunities
- identifying and maximising opportunities to create SMMEs in other areas of our business, for example in cylinder refurbishment
- developing black franchised distributors in our LPG business
- contributing to NEPAD through partnering black business expansion into African countries.

An SMME management team develops the economic capacity among historically disadvantaged people in surrounding communities. The SMME programme has been cascaded to 120 operating units. The programme formalises a process that can be implemented consistently across the company and includes detailed guidelines on how to:

- identify, select and appoint the SMME
- understand the accreditation process and the obligations of the SMME
- provide an appropriate induction once the SMME is appointed
- develop and manage the SMME, and
- identify and solve problems and issues

Targets set for branch and business unit managers stimulate the partnering and empowering of black-owned small businesses. Progress with SMMEs is measured and monitored by an external auditor.

Developing a small business from scratch is extremely time consuming. Not every manager is skilled in mentoring entrepreneurs, and not every budding entrepreneur will be successful. Afrox, however, remains totally committed to this initiative.

Preferential procurement

Afrox contributes to sustainable growth by encouraging purchasing from black-owned, black empowered and black influenced companies. Our procurement policy encompasses both small, medium and micro-sized black suppliers (BSMMEs) and large black-owned, empowered or influenced suppliers with sophisticated financial, technical and managerial capacity. Our procurement policy is commercially oriented and is aimed at identified suppliers who meet a wide range of performance criteria assessed using our SESPA process. We continue with a comprehensive practice of favouring BEE suppliers and we regularly measure progress in achieving our targets.

During the year we increased our procurement discretionary spend with black owned, black empowered, black influenced and black SMME companies by 53 percent to R642 million. This represents 45 percent of discretionary spend.

Corporate social investment

Corporate social investment (CSI) is an inherent part of Afrox's business ethos. As a large organisation with operations throughout Africa, we believe that our future is linked to the sustainable development of the communities in which we work. Economically and socially strong communities enhance Afrox's success, and our CSI strategy is aligned to our long-term business objectives.

CIP institutions **supported**

Our programme includes:

- Community Involvement Programme - the highlight being Bumbanani Day
- Donations programme
- Support of a welding school
- Educational support for under privileged learners.

Type of Home	Number supported
Orphanage/place of safety/care centre for orphaned, abandoned, abused or destitute children	**35**
School/crèche/aftercare facility	**20**
Centre assisting AIDS orphans/babies and children living with HIV and AIDS	**6**
Centre for physically and/or mentally disabled children	**10**
Total	**71**

Community Involvement Programme

Eleven years ago, Afrox established a comprehensive hands-on corporate social investment programme based on empowerment, consultation and partnerships. With financial support from the company, employees volunteer their time and talents to uplift the communities. Known as the Afrox Community Involvement Programme (CIP), this has become a fully-fledged, sustainable, employee driven initiative, which has flourished for 11 years.

Employee CIP committees are formed and, in a spirit of collaboration and consultation with communities, our employees develop an understanding of the needs of the people. Focusing mainly on children, worthy institutions are selected after thorough assessments are undertaken to ensure they are viable and sustainable. Employee groupings then support their chosen projects into the future.

In 2004, we supported 122 projects (of which 60 were cared for by Afrox employees and the balance by Afrox Healthcare employees). Since the separation from Afrox Healthcare, 11 institutions have been added and Afrox employees now support and manage 71 projects offering help to 8 000 disadvantaged children throughout South Africa and in nine other African countries. Despite the sale of Afrox Healthcare, the new company, Life Healthcare Group, continues to support its 'adopted' institutions and continues with its involvement in its own community initiative.

The CIP is an employee-driven initiative, which has the full support of the senior executive team and is not a mere monetary donation. The company offers nominal assistance at R10 000 per annum per project and the objective is for employees to take ownership of their projects, raising further funds to assist with needs that have been prioritised. This devolved approach has empowered and encouraged our volunteers in their efforts to improve the circumstances of their 'adopted' children and the homes or institutions in which these children live or learn. A spin-off for the company is that our employees are enriched by interactions within the communities; it instills in them an understanding of the challenges faced by others; and it exposes them to different cultures and backgrounds.

Bumbanani Day

Annually, as a culmination of the work achieved during the year, and in celebration of the relationships they have fostered, Afrox CIP employees throughout the country celebrate with the community homes they support. This one-day event is known as Bumbanani Day - meaning 'let's build together' - and functions are held throughout sub-Saharan Africa and are attended by 8 000 children and approximately 40 percent of employees. Although Bumbanani Day has become an Afrox trademark, it is one small element in the on-going assistance given to the institutions and homes that benefit from the company's CIP.

The UN Volunteers and the new Academy of Business administered by the United Nations Development Programme in Germany, has identified our CIP as a model community involvement programme that is 'meaningful, sustainable and employee driven.' The case study they conducted on our CIP is used globally as a tool for enhancing international understanding of business-community relations across different geographical and socio-economic contexts.

A list of homes supported by Afrox can be viewed on www.afrox.com under 'Corporate Reporting - CIP institutions supported'.

Donations

As a policy the company donates one percent of after tax earnings. In the 2005 financial year donations amounted to R4,4 million.

Our programme of sponsorships and donations to charitable organisations is designed around upliftment. The company directs resources at areas where we feel we can make a difference or where employees have a direct involvement.

Donations are governed by a formal policy that has as its theme 'investing in the future' with emphasis on 'our children, their education and their environment.' Our managing director chairs a committee that meets quarterly to allocate funds to charitable institutions.

As in previous years, no donations were made to any political party either in South Africa or the African countries in which we operate.

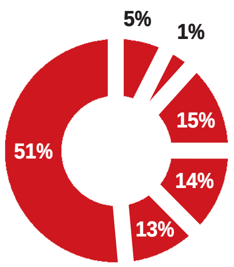
Welding school

Afrox is a co-sponsor with two companies in a welding school in Richards Bay, KwaZulu-Natal. The school teaches welding skills and equips people in the community to earn a living with their craft. In addition the company sponsors a a skills development initiative in Johannesburg.

projects 2005

	No. of projects
South Africa	
Gauteng	27
Eastern Cape	2
Free State	3
KwaZulu-Natal	7
Limpopo Province	1
Mpumalanga	4
Northern Cape	3
North West	4
Western Cape	8
Africa	
Botswana	1
Kenya	1
Malawi	1
Mozambique	1
Namibia	3
Nigeria	1
Swaziland	1
Zambia	2
Zimbabwe	1
Total	**71**

total donations



2005	%	Amount (R'000)
Universities and Technikons	15	659
Corporate donations and services	14	625
Special projects	13	563
Community involvement programme	51	2 262
Welding school	1	50
Other donations	5	241
Total	**100**	**4 400**

safety health, environment and quality

Afrox's SHEQ policy

- We believe that all fatalities, injuries and incidents can be prevented
- We are committed to a goal of zero injuries and incidents
- Safety is our most important business key performance indicator
- Safety is a pre-requisite to any business we undertake
- We all take a personal responsibility for safety
- Safe behaviour is a condition of continued employment within Afrox.

There are no greater priorities for Afrox than the health and safety of colleagues, contractors, suppliers, customers and local communities, and the protection of the environment. We are committed to excellence in managing these areas through our safety, health, environment and quality (SHEQ) function.

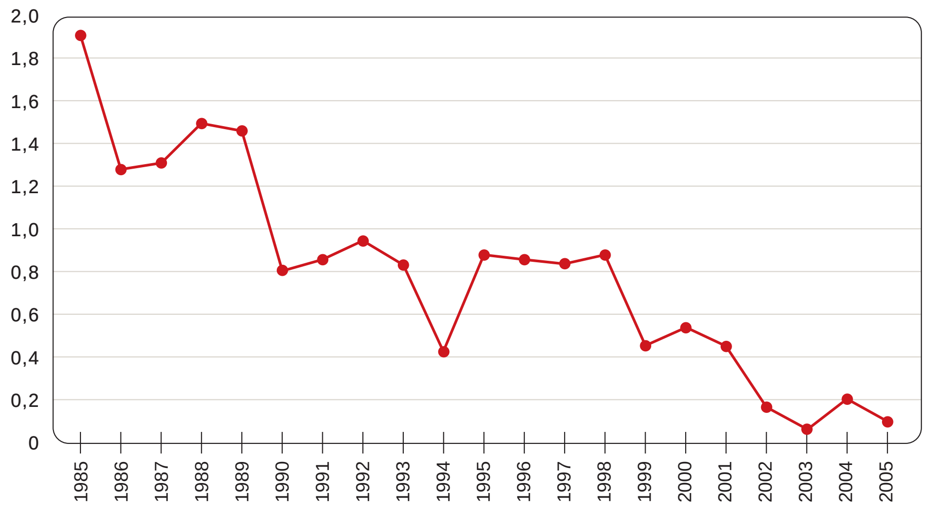
SHEQ policies and procedures are aligned to those of The BOC Group through a global SHEQ peer group. They are endorsed by Afrox's managing director and implemented by Afrox's business units with the support of the SHEQ function. The SHEQ department works within the businesses to ensure that the company has deliverable policies; is proactive in its risk assessment and professional in its remediation. Inculcated into Afrox employees is the maxim that 'safety is not a percentage of your time but 100 percent of your behaviour.'

Strengthening SHEQ

Over many years we have worked hard to ensure the highest standards of safety. Through communication, training, checks and audits we ensure compliance with legal, ethical and corporate responsibility elements of SHEQ management.

afrox safety trends

disabling injury requency rates



Although we have some top ratings when benchmarking and evaluating our SHEQ standards and performance against international best practice, we find we are still at entry level along the journey to becoming world-class and achieving our vision. This vision is that nobody should be hurt whether at work, while travelling, or at home. Afrox has some excellent safety tools, processes and systems but people continue to have accidents. Unfortunately this year, we experienced the deaths of three contract drivers, two from the Handigas business and one from Process Gas Solutions. These deaths were followed up by specific communication exercises which reached all employees and reaffirmed our absolutely commitment to safety.

We restructured the organisation thereby strengthening our SHEQ resources. We also introduced Safety in Afrox integrating the principles of behavioural safety into our systems and standards. The Safety in Afrox guidelines provide a framework or roadmap for all our operations to assess and improve safety management systems to world-class safety standards. They define objectives, milestones and measures on the journey from dependent to independent behaviour and, ultimately to interdependent behaviour where employees care for each other and not just themselves.

Afrox is intent upon establishing a culture - grounded in the principles and language of our businesses - that anticipates the consequences of our actions, pre-empting and preventing incidents and challenging unsafe behaviour. To cultivate this new mindset, an initiative known as SiteSafe has been cascaded to several Afrox business units during the year and the rollout will be completed during 2006. SiteSafe is a management tool which positions company sites in terms of their safety status and then maps their progress towards the ultimate goal of zero accidents and world-class safety.

Safety is inculcated throughout the organisation, and although senior managers may not be involved with day-to-day safety issues, their role is crucial in providing visible leadership. LeadSafe is a course designed to demonstrate visible leadership in safety, assessing behaviour and converting mindsets to safety.

An important element of Afrox's safety communication is a series of 'heart and mind' sessions especially tailored for the company, to address issues concerning management of change, permit to work, risk assessment and incident reporting. These sessions provide key personnel with an understanding of why these processes are required.

Handling of SHEQ risk

The SHEQ inspection process uncovers, records and controls substandard conditions and practices before they result in losses. Exposure to risk and loss are created by the day-to-day activities in the organisation. Equipment and facilities wear out, and work procedures can be inadequate, not in place or misunderstood. Afrox has a well-managed general inspection programme in place to identify and mitigate any deviations from accepted standards.

Risk assessments, benchmarked globally, are conducted regularly for hazardous materials. Afrox audits all facilities that either produce gases - whether in liquid or in gaseous form - fill cylinders, or transport gases. Risks are identified and the causes, potential impacts and controls to minimise them are documented to form a composite information base. We then give risks a rating and ensure they are measured and monitored.

Several operating and engineering directives that emanated from BOC were addressed and closed off during the year. The SHEQ panel ratifies changes to existing procedures. Measures to manage risk could typically include engineering design that incorporates control and safety warning devices, the training of employees and customers in the safe handling of gases, and the use of personal protective equipment.

Measuring performance

We use four principal lagging indicators to provide a consistent measure of our workplace and vehicle safety performance. Lagging indicators cover the counting of incidents after the event. These are:

- Lost workday case rate (LWCR) per 200 000 hours. (According to best international practice, LWCR includes all accidents resulting in the loss of one complete day of work)
- Total recordable case rate (TRCR) per 200 000 hours
- Passenger car avoidable accident rate (PCAAR) per million miles
- Truck avoidable accident rate (TAAR) per million miles

Measurement of leading indicators is a proactive approach in addressing the cause of incidents before they occur. With a result we had a marked improvement in driving skills, new safety measures were implemented, awareness of 'near miss accidents' was raised, more audits were conducted and findings were actioned and closed off. Afrox's leading indicator measurement includes:

- Advanced driver training
- Analysis of accident findings
- Measurement and review of near misses
- Reporting and analysis of major incidents
- License to work training incidents
- Adherence to audit plans
- Sustaining MHRP licenses

The year ended well for most of our SHEQ measures. Our Lost Workday Case Rate declined to 0,07%, which is an all time low for the company. Passenger car incidents, which had been high due to the accident rate in Zimbabwe, declined in the second half. Although truck incidents were in the minor category, they remained high.

Equipping employees

Afrox's licence to work and skills development programmes play an important role in the competence and safety training of our employees. All our operations can access the computerised IMSS package, which encompasses a wide range of training competencies. The competency rate as measured by IMSS rose to 62 percent, compared to 31 percent at the start of the year.

The internal annual recognition and reward programme encourages all sites to improve their leading and lagging indicators as well as behavioural SHEQ practices. This year our Springbok, Trichardt and Klerksdorp branches won awards.

Product stewardship

Afrox is committed to going beyond legislative compliance in minimising product risk by responsible care of our products throughout their life cycle. This includes product design and development, supply, manufacture, storage, packaging and distribution, customer use, and finally, disposal and recycling. We offer our customers improved health, safety and environmental performance through enhanced product stewardship.

A product stewardship group was established during the year, with responsibility for the strategy for special products, packaged chemicals and all products both in South Africa and in our African operations. The group is tasked with ensuring the products we sell are safe to use now and in the future, and that we provide sufficient information to customers and suppliers for their safety. They will segment products into risk categories, ensuring customers know about any associated SHE risks and any additional legal or transport controls, and agree on the safety of new product introduction, labelling and objectives for emergency response.

A programme called GMP or good manufacturing practice covers areas such as legislation and accreditation and ensures our compliance. For example, ahead of new pharmacopoeia standards for our medical gases, all our medical gases' sites have been licensed under the Medicines & Related Substances Act. In addition our gas cylinder test facilities have obtained the SANAS Test Shop accreditation.

Health

See Employee support, meeting the HIV/Aids challenge, occupational health matters and provision of on-site clinics (pages 52 and 53).

Environment

Our systems comply with the spirit of the United Nations Global Compact, to which our parent company, The BOC Group, is a signatory. The Compact engages large businesses in support of human rights, labour and environmental principles. Through communication, training, checks and audits we ensure compliance with legal, ethical and corporate responsibility elements of SHEQ management.

At Afrox we go beyond legislative compliance to address shareholders' expectations in protecting the environment.

Grading our status

Our continual focus on quality management and performance led to improved service levels and work performance spanning several functions. Selecting the right supplier for Afrox is fundamental to conducting business effectively and ethically, and through the SESPA process for supplier evaluation, selection and performance appraisal, we have identified a new auditing body that will conduct regular integrated audits of all SHEQ functions within our organisation. This will ensure consistent application of standards. We will continue the process of corporate quality listings with Africert until the end of the calendar year, December 2005.

We have progressed in implementing ISO 9001 quality certification into business units that were previously not certified. Several sites are now ISO 9001 compliant with our supply chain division, customer services centre and office services in Selby receiving certification this year.

Policy and commitment

Afrox is committed to developing, marketing and supplying quality products that are safe and do not pose a risk to the environment. We have established an integrated safety, health, environment, and quality policy. Our aim is to conserve natural resources, to prevent pollution and to comply with all internal standards and external regulations.

Environmental protection has a high priority in all of Afrox's activities. We strive to minimise the environmental impacts of our products and continue to improve our environmental performance. We are working towards efficient utilisation of natural resources in our processes and the prevention of pollution.

Responsibilities

Each business unit is responsible for managing its own environmental risks, taking into consideration the Afrox SHEQ policy, local circumstances, as well as the requirements of the Afrox standards and of ISO14001.

Managers of all business units are accountable for environmental issues. Regional and factory SHEQ managers and co-ordinators assist with the implementation of the Afrox environmental management system and the continuous improvement of environmental performance. The national environmental manager oversees the implementation, standardisation and continual improvement of the company's environmental management system. Environmental key performance indicators are included in the performance contracts of plant/factory managers and personnel with SHEQ responsibilities.

ISO14001: 2004 Environmental management systems standard

ISO14001 is an international standard for environmental management systems. Achievement and continued certification attests to a company's contribution towards environmental protection and commitment towards continued environmental performance improvement.

Afrox aims to obtain ISO14001 certification for its business units in South Africa by the end of 2006. The Afrox Welding Consumables Factory currently holds a valid ISO14001 certificate. This factory used the TÜV Certification Body for its certification audits. Our gas equipment factory and self-rescue division are working towards certification by the end of 2005.

Training and competence

Environmental awareness has increased with the preparation for ISO14001 certification and the implementation of an environmental management system. Training, regular newsletters and e-bulletins that discuss environmental risks relating to Afrox's activities and products promote awareness. Afrox sites celebrate government's environmental programmes such as Arbour Day, National Water Week and World Environmental Day, which further accentuate environmental reponsibilities.

Trained SHEQ managers co-ordinate the requirements of the ISO14001 standard and the auditing of environmental management systems.

Risk assessment

Afrox's operations affect the environment in a variety of ways making use of both renewable and non-renewable resources during the production of gases, and gas and welding equipment. Natural resources are used and waste is generated. The environmental impacts are primarily confined to local environments in which the operations are situated.

We use a standard environmental risk assessment tool to determine significant environmental impacts. All activities are assessed and rated in terms of their environmental significance. Management techniques used to mitigate risks are reviewed regularly and short or long-term programmes are developed to improve significant risks.

Incident reporting

Afrox has an incident reporting system for environmental incidents and near misses. During the year the incidents reported had minor environmental impacts. Generally the incidents involved incorrect or inappropriate handling of waste, storage and disposal practices or the wastage of water resources. All incidents are investigated through to completion of the appropriate corrective actions.

Environmental impact of products and services

The production of atmospheric gases from our air separation units has a minimal impact on the environment. Air separation processes use air as feedstock and are physical processes where no chemical reactions are involved. Only the materials originally present in the air could end up in the waste gas streams (purges and vents). The potential consequences to the environment are the use of water and energy as well as the use of oil. To minimise such impacts we have continuously improved the energy efficiency of our air separation units through equipment design, maintenance and efficient operating practices.

Production of dissolved acetylene and nitrous oxide has limited environmental impact. Other than the raw materials used, the water and energy required for the production process and possible emissions during production, no significant environmental effects are known. Good operating and environmental practices, training of personnel and improving the environmental awareness of employees assist in controlling our significant environmental impacts.

waste types

Waste type	Quantity	Destination
Carbide sludge ($Ca(OH)2$)	31 241 Ton	**Re-used or land-filled**
Potassium super oxide residues	129 kg	**Recycled**
Waste oil	34 165 litres	**Recycled**
Copper bearing sludge	240 Ton	**Land-filled**
Flux residues	362 Ton	**Land-filled**
Used solvents	28 520 kg	**Recycled or incinerated**
Copper swarf	16,8 tons	**Recycled**
Scrap LPG and other cylinders	15 995	**Metal recycled**

Waste management

Waste management programmes have been implemented and include improved storage facilities, more effective waste separation, recycling and disposal procedures.

Hazardous wastes including used oils, oil sludge (from oil/water separators), fluorescent tubes, chemical containers and paint residues, are disposed of at licensed landfill sites. Oil, used within compressors and transformers is sent to registered oil disposal companies for re-cycling. Hazardous waste contractors are evaluated and audited on a regular basis.

Most of the carbide sludge ($Ca(OH)2$), a useful by-product of acetylene production, is sold to mines where the sludge is used for neutralisation of acid effluent, or for re-use to the building, paint, cement manufacturing or construction industries.

Scrap metals, like copper swarf and cylinders, are sold to dealers for re-cycling. Significant portions of plastic, paper and cardboard are recycled and the remainder is land-filled. Used solvents are re-cycled or land-filled and flux residues are disposed of as hazardous waste. We monitor some, but not all, waste streams, and plan to improve this process.

Environmental performance assessment

Environmental performance and compliance with internal and legal requirements are assessed via regular audits. Environmental audits at Afrox sites are performed on an annual basis as part of the company's integrated management system audits. External environmental legal specialists performed legal compliance audits at six Afrox operational sites during the past year.

Regulatory compliance

All sites can access applicable South African environmental legislation from the company's information centre and legal register on the intranet. The register is updated annually.

Annual consumption in respect of major products manufactured are indicated in the following table:

Material	Quantity	**Production process**
Calcium carbide	6 620 tons	Acetylene production
Acetone	290 tons	Acetylene production
Liquid ammonium nitrate	2470 tons	Nitrous oxide production
Paint	79 360 litres	Cylinder maintenance & general activities
Solvents	10 350 litres	Cylinder maintenance & general activities
Flux powders	4 580 tons	Welding consumables production
Iscor iron rod (5.5mm Coiled Wire)	12 000 tons	Welding consumables production
Liquid silica formulation	860 tons	Welding consumables production
Silica flour	37 200 kgs	Welding consumables production
Calcium carbonate	360 tons	Welding consumables production
Feldspar (alumino-silicate; Al_2O_3 - SiO_2)	360 tons	Welding consumables production
Rutile (92 % TiO_2)	1080 tons	Welding consumables production
Polymers for powder coating	1000 kgs	Welding equipment production
Brass	470 000 kgs	Welding equipment production
Stainless steel	260 kgs	Welding equipment production
Metal alloys	5 240 kgs	Welding equipment production
Copper metal	52 000 kgs	Welding equipment production
Air	15 900 000 tons	Air Separation Units:
		oxygen & nitrogen production
Lithium hydroxide	1820 kgs	Self-rescue pack production
Potassium super oxide	9 620 kgs	Self-rescue pack production
Lubricants	25 020 litres	General activities

Reporting

Our production sites and bigger branches report on their environmental performance by completing an annual survey. A consolidated report for Afrox is then compiled by BOC each year and is a tool for identifying environmental improvement opportunities for the business.

Continual improvement

Our environmental management system and SHEQ policy is committed to environmental performance improvement. Environmental considerations are integrated into business plans for all current and future operations and developments. Water and energy efficiency, the replacement of environmentally unfriendly materials used in Afrox's products with safer materials and waste handling practices provide opportunities for improvement.

Materials used other than water

Various raw materials are used during production processes of Afrox gases, welding consumables, gas equipment and self-rescue packs. The quantities of raw materials that are used are monitored and plant and processes optimised to ensure maximum efficiency, yields and outputs. Annual consumption in respect of major products manufactured are indicated in the table on page 74:

Gas cylinders used for the storage of our industrial gases are manufactured from various metals and metal alloys. Cylinders are returned to Afrox and re-used as packaging material.

Water usage

6 404 435 kilolitres of water were used during the year for manufacturing and office purposes. Water is obtained from municipal or regional utilities and some sites have boreholes where the water is used for gardening purposes. No water sources and related ecosystems are significantly affected by our activities nor is any ground or surface water withdrawn. Improvement projects include the installation of secondary flow meters to monitor water consumption of processes that make use of large quantities of water, for example dissolved acetylene production and the hydrostatic testing of cylinders. Water consumption for these processes will be monitored separately in future.

Environmental expenditure

R1 431 906 was spent on environmental improvement projects. This amount included consultancy fees (environmental impact assessments, external audits and legal advice), updating of the Afrox Legal Register, training of managers and co-ordinators, upgrading of waste storage facilities and areas, spill prevention equipment, upgrading of chemical storage areas and process modifications.

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corporate governance

This corporate governance statement outlines the key principles and governance practices of Afrox to inform our internal and external stakeholders through fair and understandable disclosure.

As Afrox has its primary listing on the JSE ('JSE') and its secondary listing on the Namibian Stock Exchange ('NSX'), it is subject to the Listings Requirements of the JSE and of the NSX as well as the guidelines contained in the King Report on Corporate Governance for South Africa 2002 ('King II').

As corporate governance is essential to protect the interests of Afrox stakeholders, the board of directors ('the board') conducts the business of the group with integrity, openness and honesty and is committed to applying and enforcing suitable corporate governance principles, policies and practices within Afrox.

The board is responsible for ensuring that the company's business is conducted according to high standards of corporate governance and local and internationally accepted corporate practice. The board is committed to the principles of accountability and to the provision of relevant and meaningful reporting to all stakeholders.

Statement of compliance

The Listings Requirements of the JSE require that JSE-listed companies report on the extent to which they comply with the principles set out in the King II Report.

The board, to the best of its knowledge and belief, is of the opinion that throughout the accounting period under review, Afrox has applied the principles of King II and complied with the provisions set out in the Listings Requirements of the JSE, except that preferred practice in King II was not followed in that:

- John Walsh and subsequently Kent Masters acted as chairmen of both the Board, Governance and Nomination Committees.
- René Médori and subsequently Alan Ferguson acted as chairmen of the Audit Committee.

These directors are non-executive but are not independent. The board is satisfied that this departure from preferred practice does not compromise the integrity of the governance process.

Code of conduct

Inextricably linked to good corporate governance is the company's Code of Conduct. Afrox has always espoused the highest ethical standards of business conduct and full compliance with all applicable laws, regulations and industry standards.

We aim to earn the trust of our customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. We expect people to respect confidential information and company time and assets. We believe in open and honest communication, fair treatment and equal opportunities, and we support the fundamental principles of human rights.

While common sense, good judgement and conscience, or 'living our values', apply in managing a difficult or uncertain situation, the code assists in detailing the standards and priorities within the company, as well as specific rules covering human rights, safety at work, and environmental and supply management.

Guiding principles or core values within the code define our responsibilities towards, and what we expect from:

- Directors
- Employees
- Local communities and the public
- Customers, suppliers and markets
- Shareholders

Allegiance to our code of conduct is the starting point from which our employees draw inspiration and guidance for behaviour within a group, society or the organisation.

These principles are inherent to the Afrox business model, and have been for many years. In 2003, however, a written code formalised our policies and set out standards to be applied to all business dealings and processes. This was published on the intranet and every employee throughout Africa received a copy of the code. After two years, sustaining the code - keeping it relevant, resonant and visible - remains a challenge, and sustainability managers have been tasked with ensuring that its principles remain ingrained in every employee. The directors, employees, employees of outsourced functions, as well as suppliers to Afrox, are all expected to comply with the principles of the code and act within its terms.

The code of conduct helps to enforce the culture of the company and encourages the effective use of the code helpline.

The directors believe that the ethical standards of the group, as stipulated in the code of conduct, are monitored and are being met. Where there is non-compliance the appropriate discipline is consistently enforced as Afrox responds to offences and prevents recurrence.

Operating principles

Our ACTS (accountability, collaboration, transparency and stretch) behavioural model is endorsed by our code of conduct, which details our standards, systems, and support mechanisms. All Afrox's operating principles are based on ten behavioural competencies aligned to ACTS. (See page 6.)

The composition of the board

The following changes to the board were made during the financial year ended 30 September 2005.

Appointments

Name of director	Capacity	Effective date of appointment
Louis van Niekerk	Independent non-executive	24 February 2005
Kent Masters	Chairman, non-executive	1 April 2005
Jim Ford	Non-executive	1 April 2005
James Cullens	Non-executive	29 April 2005
Daniel Shook	Alternate non-executive	1 May 2005
Alan Ferguson	Non-executive	3 October 2005

Resignations

Name of director	Capacity	Effective date of resignation
Dr Gordon Sibiya	Independent non-executive	28 October 2004
John Walsh	Chairman, non-executive	31 March 2005
Nick Deeming	Non-executive	31 March 2005
Michael Flemming	Executive	31 March 2005
Tony Isaac	Non-executive	30 April 2005
Rob Lourey	Alternate non-executive	30 April 2005
Dr René Médori	Non-executive	31 May 2005

The Board

Afrox has a unitary board, chaired by non-executive director Kent Masters, comprising two executive directors and eight non-executive directors. Four of the non-executive directors are independent. The board ensures that no one individual has unfettered powers of decision and authority, and that shareowner interests are protected. The board has a charter showing a clear division of responsibilities.

The names of the directors as at 30 September 2005 as well as biographical details are set out on pages 4 to 5 of this annual report.

The roles of the chairman and the chief executive are separate to ensure that there is a clearly accepted division of responsibilities. The board is responsible to shareholders and other stakeholders for the strategic direction of the group. Matters reserved for the board and its committees are defined to ensure that the directors retain full and effective control, specifically regarding significant strategic, financial, organisational and compliance matters.

The non-executive directors have the skill and experience to bring unrestrained judgement to bear on issues of strategy, resources, transformation, diversity and employment equity, standards of conduct and evaluation of results.

The independent directors are Rick Cottrell, Lindsay MacNair, Conrad Strauss and Louis van Niekerk.

To test independence, the guidelines contained in the Listings Requirements of the JSE were used to determine the category most applicable to each director.

The non-executive directors are Kent Masters, Jim Ford, James Cullens, and Alan Ferguson. These directors replaced Michael Flemming, Nick Deeming, Tony Isaac, René Médori, and John Walsh who resigned during the financial year ended 30 September 2005.

The company's articles of association stipulate that one third of the directors retire by rotation annually and, if willing, stand for re-election. Their names are submitted for election at the annual general meeting. All the directors submit themselves for re-election at regular intervals not exceeding three years. Proposals for re-election to the board are considered by the governance and nominations committee, and are not automatic. The chief executive officer is not subject to retirement by rotation. Non-executive directors retire at the age of 70 and there are no long-term service contracts relating to the position of any director. Messrs Conrad Strauss and Rick Cottrell will be retiring at the annual general meeting and will not be offering themselves for re-election.

Independent non-executive directors derive no benefits from the company for their services as directors other than the fees detailed in the Directors' Report on page 100. All board members are required to disclose their shareholdings in Afrox, other directorships and any potential conflict of interest. They are then invited to recuse themselves from discussions and decisions on matters in which they have a conflicting interest.

The directors are considered on the basis of their experience, skills and level of contribution necessary to carry out their duties.

Roles and responsibilities

According to its charter, the board has the following responsibilities:

- approval and adoption of the strategic and annual business plans, the setting of objectives and the review of key risk and performance areas
- approval of commitments outside the authority delegated to the executive management committees and individual directors
- review, at regular board meetings, of management's performance against set objectives, in terms of management performance contracts
- determination of overall policies and processes to ensure the integrity of the company's management of risk and internal control
- approval and adoption of group policies, programmes and procedures for safety, health, environment, treasury, remuneration and benefits
- adoption and monitoring of the code of conduct and related matters
- approval and adoption of statutory communications to stakeholders and the investing public
- appointment of the chief executive officer
- approval of the appointment and removal of the directors, the auditors and the company secretary.

The board monitors compliance with policies and achievement against objectives, including quarterly performance reporting and budget updates. It considers issues of strategic direction, large acquisitions and disposals, and it approves major capital expenditure and matters having a material effect on Afrox. Management makes presentations to the board on business activities and projects within the company.

Board meetings and attendance

The board meets formally five times a year and holds ad hoc meetings as required. Where directors are unable to attend board meetings for any reason, they communicate to the meeting any comments they may have regarding the agenda and general items.

The agenda and relevant supporting documents are distributed to the directors well before each board meeting. During the meeting, the appropriate executive director gives explanations and motivations for business items where decisions are required. In any event the directors have unrestricted access to all company property, information and records.

Where directors are based in countries other than the one in which a meeting is held and are not able to attend, video- or tele-conferencing facilities allow them to participate in the debate and conclusions reached.

Details of the directors' attendance at the board meetings are set out below:

Board attendance	28 Oct 2004	24 Feb 2005	29 Apr 2005	26 Jul 2005	29 Sep 2005
Rick Cottrell **	P	P	P	P	P
James Cullens *	-	-	P	P	P
Nick Deeming *	A	A	-	-	-
Michael Flemming +	P	P	-	-	-
Jim Ford *	-	-	P	P	A
Rick Hogben +	P	P	P	P	P
Tony Isaac *	A	A	-	-	-
Rob Lourey #	P	P	-	-	-
Lindsay MacNair **	P	P	P	P	P
Kent Masters *	-	-	P	P	P
René Médori *	A	A	P	-	-
Daniel Shook #	-	-	-	P	A
Gordon Sibiya **	A	-	-	-	-
Conrad Strauss **	P	P	P	P	P
Louis van Niekerk **	-	P	P	P	P
Cor van Zyl +	P	P	P	P	P
John Walsh *	P	P	-	-	-

*+ Executive   * Non-executive   ** Independent   # Alternate   P = present   A = Absent*
- Resigned or not yet appointed

Induction and appraisal of directors

On appointment, new directors are briefed on their fiduciary duties and responsibilities by executive management. Visits to company sites and operations are arranged to facilitate understanding of the company's affairs. Directors are informed of any new relevant legislation and changing commercial risks that affect the company. The company secretary assists the chairman with the induction and orientation of directors, including arranging specific training, if required.

Directors are entitled to seek independent professional advice at the company's expense about the affairs of the company and, where necessary, for the furtherance of their duties. All directors have access to the company secretary, who is responsible to the board for ensuring company compliance with procedures and applicable statutes and regulations.

During the past financial year the board conducted a self-assessment, the results of which have been studied and, where necessary, actions put in place to address areas of perceived weakness. The board will conduct regular ongoing assessments to evaluate the effectiveness of its procedures.

The company secretary

Ria Sanz, the company secretary, is responsible for providing the board as a whole, and to directors individually, guidance on the discharge of their responsibilities in terms of legislation, regulation and best practice requirements of the relevant jurisdictions.

The board has unlimited access to the company secretary, who advises the board and its sub-committees on issues including compliance with group rules and procedures, statutory regulations, King II and the rules of the JSE and NSX.

The company secretary plays an active role in the company's corporate governance process and ensures that the proceedings and affairs of the directorate, the company itself and, where appropriate, shareowners are properly administered. She assists in developing the annual board plan. She is kept apprised of directors' dealings in shares of the company and ensures that the appropriate disclosure is made under the Listings Requirements of the JSE.

Insider trading

No employee may deal either directly or indirectly in the company's shares when the company is under a cautionary announcement and during a closed period. A formal policy and processes ensure that no directors and officers of the company trade in the company's shares during a closed period determined by the board. Closed periods are introduced from the end of the interim and annual reporting periods to the announcement of financial results of the respective periods, as well as during periods that the board deems necessary.

Comprehensive guidelines on how to comply with insider trading laws and how to deal with analysts are provided in the Afrox Code of Conduct.

Details of directors' dealings in the shares of the company are disclosed to the JSE through the Stock Exchange News Service. In addition, further stringent trading policies regarding all personal transactions in all financial instruments are in force at Afrox.

Risk philosophy

Effective risk management is critical to Afrox's operations. Nevertheless, responsible risk-taking is an integral part of the business helping Afrox to attain growth across its operations. Our success lies in identifying, understanding and managing the risks associated with our business strategy and the execution of our activities.

Our objective is to create shareholder value through sustainable profit growth while adhering to approved risk parameters and limits. We do this by identifying risks that may inhibit the company from achieving its objectives, analysing those risks, avoiding certain risks and implementing plans for mitigating risks that remain.

We acknowledge that enterprise risk management is a driver of business performance rather than an obligation created with a view to achieving good governance.

Individual teams within the organisation are responsible for control and compliance whether the risk covers strategic, operational, legal, financial, marketing, SHEQ, technology, human resources, reputational, or other issues. Employees are attuned to Afrox's risk philosophy and a culture of risk awareness is embedded in their daily activities.

An executive management workshop in July 2005 identified nine strategic risks that required mitigation for management to be able to meet its business growth objectives. The strategic plan presented to the board in July 2005 was approved, and included an overview of these risks and actions recommended to mitigate them.

Risk management procedures

Risk is monitored and controlled at board level as well as through the executive management forum, and at each business unit. The audit committee reviews the risk management process, other than SHEQ, which remains a board responsibility. These process are being refined and developed. Business assurance meetings are held with executive team members to establish and classify major risks and to assess whether appropriate actions are in place to minimise or eliminate them, and whether insurance cover against certain risks is required.

The various business areas hold annual risk workshops to identify key risks. The business assurance audit department facilitates these workshops, using a tool called Optionfinder, which enables discussion and ensures a common understanding of the issues. Risks are then prioritised using agreed criteria and actions are planned to mitigate them.

Afrox has the following risk procedures in place:

Management of financial risks

Approved policies exist for managing the financial risks to which the group is exposed. The treasury policy specifies controls and procedures over the management of currency, interest, counterparty and liquidity risk. The group has a risk management and central treasury function that manages the financial risks relating to operations. Risk workshops are performed for all proposed mergers and acquisitions as a standard step in the due diligence stage. Refer to Financial Review on pages 44 to 46.

Management of safety, health, environment and quality (SHEQ) risk

The board does not delegate its responsibility for monitoring the effectiveness and efficiency oif the SHEQ process. Programmes govern SHEQ performance through self-regulation and by communicating and adhering to safe practices. A dedicated SHEQ department ensures that Afrox has a deliverable policy, is proactive in its risk assessment and professional in its remediation. Executive managers regularly review the SHEQ policy, which is a key part of overall company strategy and operating policy.

The policy states that the company will develop its SHEQ capabilities to world-class standards by manufacturing, marketing and supplying quality products that are safe and do not pose a risk to people or to the environment. In addition, Afrox is committed to compliance with all external regulations as well as ISO 9001 and ISO 14001.

SHEQ performance is managed through continuous improvement. Safety is a prerequisite to any business we undertake and safe behaviour is a condition of continued employment within Afrox. The maxim that ‘safety is 100 percent of our behaviour, 100 percent of the time,’ is frequently heard within the company.

Refer to the Safety, health, environment and quality section on pages 66 to 75.

Internal controls

Management maintains accounting records, and has developed systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements. Responsibility for the adequacy and operation of these systems is delegated to the executive directors. These records and systems are designed to safeguard assets and minimise fraud.

Our systems of internal control are based on established organisational structures, such as written policies and procedures, which include budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts.

A controls template has been developed for the key financial and operational processes. Responsibilities for controls in the processes have been clearly defined and agreed with the appropriate senior managers. Compliance is tested by management self-assessments, business assurance reviews and external audit reviews.

Having reviewed the effectiveness of the company's system of internal financial controls during the period covered by this report, the directors are not aware of any significant weaknesses or deficiencies.

Business assurance

The business assurance department is an independent appraisal function. It examines and evaluates the group's activities and the appropriateness, adequacy and efficiency of the systems of internal control and resultant business risks. Relating to the audit committee charter, the senior business assurance manager is responsible for reporting to the audit committee and has unrestricted access to its chairman, the chairman of the company and the chief executive officer.

Audit plans are formulated based on the assessment of the key risks. Every assignment is accompanied by a detailed report to management, which includes recommendations for improvement.

Significant business risks and weaknesses in the operating and financial control systems are highlighted and brought to the attention of the audit committee, senior management and the external auditors. The audit work plan is presented in advance to the audit committee.

Employees and associates are able to report suspected irregularities anonymously via a code of conduct help line that is managed by an independent service provider. The business assurance team is responsible for managing the investigation of reported incidents and informing the audit committee of the results.

Board committees

While retaining overall accountability, the board has delegated authority to the chief executive officer and other executives to run the day-to-day affairs of the company.

The board committees consist of the audit committee, board retirement committee, management resources committee, and governance and nominations committee. A non-executive director chairs each committee.

Each board committee acts within agreed, written terms of reference. The chairman of each board committee reports at scheduled meetings of the board and minutes of board committee meetings are provided to the board. The majority of the members of the audit, retirement and governance and nominations committees are independent non-executive directors.

Audit committee

Composition of the audit committee

Dr René Médori chaired the audit committee until his resignation on 31 May 2005. Alan Ferguson was appointed as chairman of the audit committee on 3 October 2005. Rick Cottrell and Lindsay MacNair served on this committee during the year and Louis van Niekerk was appointed to the committee on 3 October 2005. The committee met twice during the financial year to coincide with key dates within the company's financial reporting and auditing cycle. The external auditors, risk assurance manager, the chief executive, and the financial director attended each meeting.

Roles and responsibilities

The audit committee ensures the integrity of the financial reporting and audit process, and the maintenance of sound risk management and internal control systems. In pursuing these objectives, this committee oversees relations with the external auditors, and reviews the effectiveness of the business assurance/internal audit function.

The audit committee has the authority to examine financial reporting and other strategic issues relating to the company, according to its written terms of reference, as confirmed by the board. This includes evaluating the findings of business assurance and external audit, the actions taken, the appropriateness and adequacy of the systems of internal financial and operational control, review of accounting policies, and financial information issued to stakeholders.

It recommends to the board the appointment and selection of the company's external auditors, their proposed audit fee and scope of the audit for the following financial year, and, if relevant, any question of resignation, dismissal or appointment of external auditors. The audit committee is authorised to seek the information it requires from any employee.

The committee monitors proposed changes in accounting policy, reviews the business assurance function, and discusses the accounting implications of major transactions. Regular reports on the committee's activities are provided to the board, which has unlimited access to the audit committee's chairperson.

The committee reviews the statement prepared by the directors acknowledging their responsibility for preparing the accounts, the directors' report on the effectiveness of the company's system of internal control, and the directors' report that the business is a going concern.

The business assurance and external auditors have unrestricted access to the chairperson of the audit committee.

Record of attendance

Meeting attendance	26 Oct 2004	28 Apr 2005	2 Nov 2005
René Médori * outgoing chairperson	P	P	-
Alan Ferguson * incoming chairperson	-	-	P
Rick Cottrell **	P	P	P
Lindsay MacNair **	P	P	P
Louis van Niekerk **	-	-	P

** Non-executive ** Independent P = present - Resigned or not yet appointed*

Board retirement committee

Composition of the board retirement committee

During the financial year, Lindsay MacNair chaired the committee. Rick Cottrell, Rick Hogben and Rob Lourey served on the board retirement committee until Rob Lourey resigned on 30 April 2005. As required by the committee's terms of reference, the committee met twice during the financial year.

Roles and responsibilities

The board retirement committee monitors and reviews the company's retirement funds to ensure compliance with current best practice standards, industry practices and legislation. The committee informs and recommends to the board any changes required regarding legislation and processes pertinent to the administration of retirement funds. It performs an annual review of the pension, provident, and benefit funds administered on behalf of the company and its employees, and reports to the board on those items that require board approval.

Retirement fund trustees

The retirement funds have a board of trustees comprising company and staff representatives. Staff elected trustees make up at least half of the board. Meetings are held biannually.

Record of attendance

Meeting attendance	28 Apr 2005	28 Sep 2005
Lindsay MacNair ** chairperson	P	P
Rick Cottrell **	P	P
Rick Hogben +	P	P
Rob Lourey *	A	-

*+ Executive * Non-executive ** Independent P = present - Resigned or not yet appointed*

Since 30 September 2005, the board decided to disband this committee and transfer the relevant activities to the Management Resources Committee. New terms of reference were approved for the latter.

Management resources committee

Composition of the management resources committee

During the financial year, Conrad Strauss chaired the committee. John Walsh, Rob Lourey and Gordon Sibiya served on the management resources committee until their resignations and Kent Masters and James Cullens replaced them. As required by the committee's terms of reference, the committee met twice during the financial year.

Roles and responsibilities

The purpose of the management resources committee is to determine and make recommendations to the board on the framework, policy and costs of executive and senior management remuneration. The committee determines and recommends the remuneration strategy to ensure that executive directors and other senior employees are adequately remunerated for their contribution to the company's operating and financial performance. The committee refers specific recommendations for independent director remuneration to the board for deliberation. No person is involved in any decisions as to his or her own remuneration.

The committee reviews and advises on the general principles under which compensation, pension, training, succession plans and performance management are applied to senior employees of the Afrox group.

The committee provides the approval function in terms of the rules of the Share Appreciation Rights Scheme, operated by the company.

The management resources committee, in fulfilling its duties, gives consideration to industry, local, and international benchmarks and trends. At all times, it pays due attention to succession plans and the retention of key executives.

Record of attendance

Meeting attendance	27 Jan 2005	2 Nov 2005
Conrad Strauss ** chairperson	P	P
James Cullens *	-	P
Rob Lourey #	P	-
Kent Masters *	-	P
John Walsh *	P	-
Gordon Sibiya **	-	-

*+ Executive   * Non-executive   ** Independent   # Alternate   P = present*

- Resigned or not yet appointed

Governance and nominations committee

Composition of the governance and nominations committee

During the financial year, John Walsh chaired the committee until his resignation, and was replaced as chairman by Kent Masters. Rick Cottrell and Conrad Strauss served on the committee. As required by the committee's terms of reference, the committee met twice during the financial year.

Roles and responsibilities

The committee monitors and reviews the company's policies, practices and compliance in the areas of corporate governance against current best practice standards and corporate governance principles and regulations. While devising criteria for board membership and board positions, it determines and recommends changes to the board and any changes required with regard to the company's corporate governance policies and practices. Prior to the annual general meeting, the committee reviews and makes recommendations on the retirement and re-election of directors by rotation. The committee identifies, evaluates and nominates candidates to fill vacancies for executive, non-executive and independent directors of the company for approval by the board as a whole.

It reviews and makes recommendations on the size of the board, committee structures, and director assignments. An independent assessor evaluates the board's effectiveness and the performance of the board as a whole.

Record of attendance

Meeting attendance	23 Feb 2005	28 Sep 2005
John Walsh * outgoing chairperson	P	-
Kent Masters * incoming chairperson	-	P
Rick Cottrell **	P	P
Conrad Strauss **	P	P

** Non-executive ** Independent P = present - Resigned or not yet appointed*

Relationships and reporting

Employee participation

Encouragement of employee participation is a high priority. The company has gone to exceptional lengths to ensure that every employee understands and accepts the 'living our values' code of conduct. The company has adopted a variety of participating structures on issues that affect employees. Afrox aims to be an employer with lines of communication so clear and of such high quality that employees do not feel the need to join trade unions.

Employment equity

The directors are committed to the creation of an organisation that supports the equality of its people and that is committed to the elimination of any form of unfair discrimination in the workplace. It views employment equity as essential and integral to the company's business. A more detailed report appears under Employment Equity on pages 58 to 59.

Public and shareholder communications

Communication to the public and shareholders embodies the principles of balanced reporting, clarity and openness. Positive and negative aspects of both financial and non-financial information are provided.

The company maintains an active dialogue with its key financial audiences, including institutional shareholders and investment analysts. The company has a dedicated investor relations and communications team for liaising with institutional investors. It is the policy of the company to make presentations to investors, fund managers and analysts twice a year after the release of company results.

The investor relations team is in constant contact with analysts and fund managers, and arranges presentations on recent acquisitions and country business progress as well as site visits. The executive directors and senior managers conduct regular roadshows and presentations. The investor relations department maintains contact with fund managers and institutional investor representative bodies on socially responsible investment and triple bottom line issues, and initiates one-on-one interactions and briefings with interested investors.

The company's website www.afrox.com provides the latest and historical financial and other information about Afrox.

The board encourages shareholders to attend its forthcoming annual general meeting, notice of which is contained in this annual report. This meeting provides opportunities for shareholders to ask questions of the board, including the chairpersons of the various board committees. Facilities have been put in place to enable shareholders to receive company communications electronically rather than by mail and to cast their annual general meeting votes by electronic means.

Going concern

The directors, having considered all relevant factors, are of the opinion that the annual financial statements set out on pages 100 to 159 have been prepared on a going concern basis. The directors have reason to believe that the group has adequate resources in place to continue in operation for the foreseeable future.

Security, safety, health and environment practices

Protection of staff, colleagues, shareholders and the environment is paramount in all activities. A more detailed report appears on pages 66 to 75.

Social responsibility

The company has a strong culture of social responsibility. Its objective is to assist wisely and constructively by building its people and its projects, thereby making a sustainable difference to society. A more detailed report appears under Corporate Social Investment on pages 63 to 65.

contents4

shareholders’ **profile**

as at 30 September 2005

Number of shareholders	Group of shares	% of holders	Holdings	% of issued share capital
3 341	1 - 1 000	42.26	1 509 342	0.44
3 661	1 001 - 10 000	46.31	12 708 328	3.71
709	10 001 - 100 000	8.97	20 690 912	6.03
163	100 001 - 1 000 000	2.06	45 931 513	13.40
31	1 000 001 and over	0.39	88 966 302	25.95
1	BOC Holdings	0.01	173 046 513	50.47
7 906		**100.00**	**342 852 910**	**100.00**

5 441	Individuals and deceased estates	68.82	14 483 447	4.23
461	Corporate bodies	5.83	39 500 723	11.52
1 421	Banks and nominee companies	17.97	11 909 762	3.47
54	Insurance, investment and trust companies	0.68	18 355 451	5.35
528	Pension, provident funds and trusts	6.69	85 557 014	24.96
1	BOC Holdings	0.01	173 046 513	50.47
7 906		**100.00**	**342 852 910**	**100.00**

Major shareholders

The shareholders registered as holding 1% or more of the share capital of the company at 30 September 2005 were:

Beneficial shareholders	Number of shares held	% of total
BOC Holdings	173 046 513	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00
Old Mutual Group	11 056 593	3.22
Investment Solutions	7 188 598	2.10
Namibian Government Institutions Pension Fund	5 563 712	1.62
Allan Gray	5 217 819	1.52
Investec	5 057 348	1.48
Oasis	3 849 799	1.12
Standard Bank	3 679 374	1.07
Capital Alliance	3 464 122	1.01
	252 409 186	73.62
Other shareholders	90 443 724	26.38
TOTAL	**342 852 910**	**100.00**

According to information available to the management on enquiry as to registered nominee shareholders, the only shareholders who beneficially held, directly or indirectly, in excess of 1% of the share capital of the company at 30 September 2005 are listed above.

Top 2 beneficial shareholders’ and top 8 fund managers’ shareholding	Number of shares held	% of total
BOC Holdings	173 046 513	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00
Investec Asset Management	17 630 129	5.14
Oasis Asset Management	15 594 796	4.55
Coronation Fund Managers	13 599 701	3.97
Allan Gray Investment Council	12 527 338	3.65
Old Mutual Asset Managers	10 056 510	2.94
Regarding Capital Management (Re:Cm)	8 986 742	2.62
Investec Securities (Pty) Limited	6 890 476	2.01
Prudential Portfolio Managers	4 961 974	1.45
	297 579 487	86.80
Other shareholders	45 273 423	13.20
TOTAL	**342 852 910**	**100.00**

as at 30 September 2005

Shareholder spread

To the best knowledge of the management and after reasonable enquiry, the spread of shareholders at 30 September 2005 as defined in the Listings Requirements of the JSE Limited, was as follows:

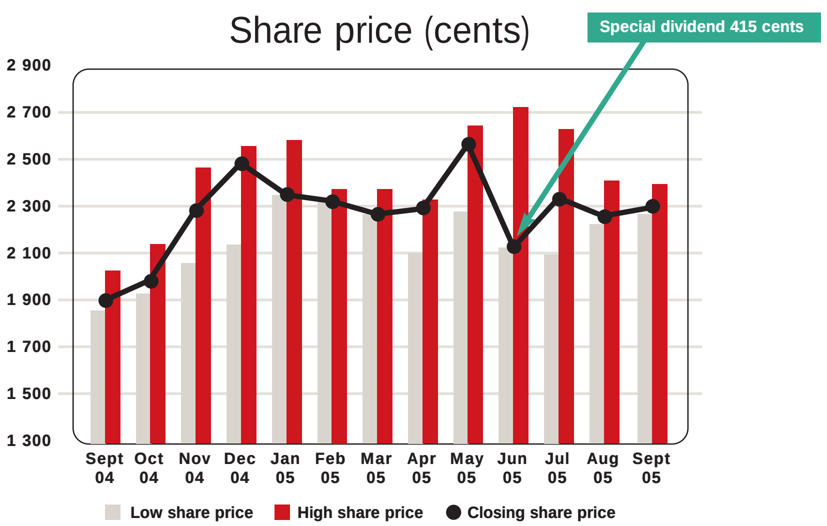
Public shareholders	39.53%
Non-public shareholders	60.47%

Dividends

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

Number	Declaration date	Last date to trade ('LDT') ordinary shares 'CUM' dividend	Ordinary shares trade 'EX' dividend	Record date ('RD')	Payment date	**2005** Amount per share (cents)	2004 Amount per share (cents)
Special dividend	29 April 2005	17 June 2005	20 June 2005	24 June 2005	27 June 2005	**415.0**	–
158	29 April 2005	15 July 2005	18 July 2005	22 July 2005	25 July 2005	**40.0**	33.0
159	3 Nov 2005	20 Jan 2006	23 Jan 2006	27 Jan 2006	30 Jan 2006	**40.0**	31.0
						495.0	64.0

statistics	**2005**	2004	2003	2002	2001	2000	1999
Share price (cents)							
- High	**2 739**	2 080	1 650	1 500	1 310	1 550	1 230
- Low	**1 945**	1 580	1 250	1 150	955	970	590
- Average	**2 325**	1 854	1 429	1 270	1 131	1 191	857
- Closing	**2 330**	1 940	1 610	1 310	1 200	1 225	985
Ordinary shares in issue at year end ('000)	**342 853**	342 853	342 853	330 301	325 542	318 488	315 134
Number of shares traded ('000)	**59 266**	74 894	40 833	65 977	41 817	28 219	57 743
Number of transactions	**12 069**	10 458	6 328	5 124	4 381	4 958	4 050
Value of shares traded (R'000)	**1 378 245**	1 502 415	583 529	837 889	472 749	336 199	496 895
Number of shares traded as a percentage of shares issued	**17.3**	21.8	11.9	20.0	12.8	8.9	18.3
Earnings yield (%)	**17.5**	9.2	10.3	9.1	8.6	6.6	7.4
Ordinary dividend yield (%) (Note 22)	**3.4**	3.3	5.2	4.8	4.3	3.8	4.3
Price: basic earnings ratio	**5.7**	10.8	9.8	11.0	11.7	15.1	13.5



seven year financial **review**

for the year ended 30 September 2005

	CAGR %	2005 Rm	2004 Rm	2003 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm
income statement summary								
Revenue	7.9	**5 853**	7 835	7 326	6 512	5 239	4 722	3 711
Operating profit	9.5	**987**	1 256	1 090	896	694	646	574
Profit/(loss) on sale of investment		**1 051**	(16)	–	–	–	–	–
Exceptional items		**–**	–	–	(15)	24	(18)	(45)
Profit from operations		**2 038**	1 240	1 090	881	718	628	529
Finance income/(costs)		**1**	(98)	(122)	(157)	(146)	(162)	(145)
Income from associates		**76**	52	43	27	30	16	9
Profit before taxation		**2 115**	1 194	1 011	751	602	482	393
Income tax expense		**(651)**	(396)	(299)	(244)	(182)	(161)	(123)
Profit after taxation		**1 464**	798	712	507	420	321	270
Minority interest		**(98)**	(184)	(158)	(117)	(90)	(65)	(41)
Net profit for the year	34.7	**1 366**	614	554	390	330	256	229
Dividends declared (Note 22)		**(1 653)**	(285)	(233)	(185)	(66)	(149)	(134)
Retained Income		**(287)**	329	321	205	264	107	95
balance sheet summary								
Non-current assets								
Property, plant and equipment		**1 665**	3 048	2 858	2 688	2 193	2 173	2 075
Other non current assets		**449**	373	334	268	214	267	265
Retirement benefit asset		**64**	32	10	–	–	–	–
Deferred tax		**3**	77	68	33	28	24	17
Current assets (excluding bank and cash)		**898**	1 620	1 682	1 611	1 396	1 310	1 202
Total assets	(2.4)	**3 079**	5 150	4 952	4 600	3 831	3 774	3 559
Equity and liabilities								
Capital and reserves		**1 720**	2 663	2 377	1 893	1 585	1 205	1 063
Minority interest		**12**	753	626	560	385	396	396
Borrowings (including short term, bank and cash)		**362**	115	383	623	552	861	796
Property finance leases (including short term)		**–**	59	69	77	82	85	87
Retirement benefit obligation		**–**	–	–	78	58	47	43
Deferred tax		**146**	124	160	166	179	189	180
Current liabilities (excluding interest bearing borrowings)		**839**	1 436	1 337	1 203	990	991	994
Total equity and liabilities	(2.4)	**3 079**	5 150	4 952	4 600	3 831	3 774	3 559
cash flow summary								
Operating profit (before other operating income)	9.5	**976**	1 255	1 089	896	684	639	568
Cash generated from operations	5.0	**954**	1 611	1 445	1 168	947	641	711
Change in funding requirements		**548**	(331)	(258)	(141)	(319)	45	(175)
Total capital expenditure		**(492)**	(494)	(485)	(381)	(257)	(316)	(370)

seven year financial **review**

for the year ended 30 September 2005

	CAGR %	2005	2004	2003	2002	2001	2000	1999
statistics								
Ordinary share performance								
Weighted average number of ordinary shares ('000)		**334 587**	342 853	335 767	326 363	320 828	316 719	312 731
Basic earnings per share (cents)		**408.2**	179.2	165.1	119.6	102.9	81.0	73.0
Headline earnings per share (cents)	9.0	**142.6**	185.0	166.5	124.8	94.3	85.5	85.2
Headline earnings per share (cents) before STC relating to special dividend	14.9	**195.8**	185.0	166.5	124.8	94.3	85.5	85.2
Dividends per share (cents) (Note 22)		**495.0**	64.0	83.0	62.5	52.0	47.0	42.5
Dividend cover - excl final dividend for current year (times)		**0.83**	2.16	2.38	2.11	5.02	1.72	1.71
Dividend cover - interim, special & final dividend for current year (times)		**0.82**	2.80	1.96	1.90	1.96	1.72	1.71
Dividend cover - industrial operations		**2.00**	1.83	1.96	1.90	1.96	1.72	1.71
Net asset value per share (cents)		**557**	777	693	573	487	378	337
Profitability and asset management								
Operating margin (%)		**16.7**	16.0	14.9	13.8	13.0	13.5	15.3
Return on net assets (%)		**69.4**	34.5	31.5	28.5	25.8	23.7	23.6
Net asset turn (times)		**2.0**	2.2	2.1	2.1	1.9	1.8	1.7
Return on shareholders' equity (%)		**62.3**	24.4	26.0	22.4	23.7	22.6	22.9
Return on capital employed (%)		**68.5**	33.8	31.1	28.3	25.5	23.5	23.5
Effective rate of taxation (%)		**30.8**	33.1	29.5	32.5	30.2	33.4	31.2
Liquidity								
Interest cover (times)		**(100)**	12.67	8.94	5.60	4.91	3.89	3.64
Liability ratio		**0.64**	0.46	0.57	0.71	0.74	1.06	1.12
Current ratio		**1.18**	1.25	1.36	1.18	1.20	0.94	0.92
Gearing		**16.15**	4.69	12.50	20.61	22.30	34.02	34.41
Employees								
Number of employees		**2 983**	16 192	16 531	16 809	15 505	16 509	16 027
Revenue per employee (R'000)		**610**	479	439	403	327	290	299
Profit before taxation per employee (R'000)		**221**	73	61	47	38	30	32

definitions of ratios and terms

Basic earnings per share - net profit for the year divided by the weighted average number of ordinary shares in issue during the year.
Headline earnings per share - net profit for the year before exceptional items (net of tax), goodwill impaired and profit and loss on disposal of property, plant and equipment, divided by the weighted average number of ordinary shares in issue during the year.
Headline earnings per share before STC related to the special dividend - net profit for the year before exceptional items (net of tax), STC related to the special dividend, goodwill impaired and profit and loss on disposal of property, plant and equipment, divided by the weighted average number of ordinary shares in issue during the year.
Dividend cover (excl final dividend for current year) - net profit for the year divided by the dividend included in the statement of changes in equity for the current year.
Dividend cover (interim & final dividend for current year) - net profit for the year divided by the sum of the interim dividend paid and the final dividend declared for the current year.
Dividend cover - Industrial operations - net profit from industrial operations for the year divided by the sum of the interim dividend paid and the final dividend declared for the current year
Net asset value per share - capital and reserves divided by the number of ordinary shares in issue at year end.
Operating margin - operating profit, before other operating income, as a percentage of revenue.
Return on net assets - profit from operations expressed as a percentage of average net assets.
Net assets - total assets less non-interest-bearing liabilities, excluding deferred taxation.
Net asset turn - revenue divided by average net assets.
Return on shareholders' equity - net profit for the year expressed as a percentage of average capital and reserves.
Return on capital employed - profit from operations expressed as a percentage of average capital employed.
Capital employed - capital and reserves, minority interest, total interest-bearing borrowings (including cash and cash equivalents), retirement benefit obligation and deferred tax liability.
Borrowings - net interest-bearing debt including property finance leases.
Effective rate of taxation - income tax expense expressed as a percentage of profit before taxation.
Interest cover - profit from operations divided by finance costs.
Gearing - borrowings as a percentage of total capital employed.
Liability ratio - total borrowings and current liabilities divided by total equity and liabilities (excluding total borrowings and current liabilities).
Current ratio - current assets to current liabilities.
Revenue per employee - revenue for the year divided by the average number of employees.
Profit before taxation per employee - profit before taxation divided by the average number of employees.
Compound annual growth rate (CAGR%) - the year over year growth rate over a six year period of time.

approval of **the financial statements**

for the year ended 30 September 2005

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements and related financial information included in this annual report. The external auditors are responsible for reporting on the financial statements.

The financial statements which appear on pages 100 to 159 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, incorporate full and responsible disclosure and are based on appropriate accounting policies.

Furthermore, the directors are also responsible for the group's system of internal control which is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, adequately to safeguard, verify and maintain accountability of assets, and to prevent and detect material mistakes and fraud.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be going concerns in the forseeable future, based on forecasts and available cash resources.

These financial statements support the viability of the company and group.

The financial statements were approved by the board of directors and are signed on their behalf by:

RL Hogben
Managing director
Johannesburg
3 November 2005

CJPG van Zyl
Financial director

auditors’ **report**

for the year ended 30 September 2005

Report of the independent auditors to the members of African Oxygen Limited

We have audited the annual financial statements and group annual financial statements of African Oxygen Limited set out on pages 100 to 159 for the year ended 30 September 2005. These financial statements are the responsibility of the company's directors.

Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by the management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 September 2005 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
3 November 2005

Lodgement of returns with the Registrar of Companies

In terms of section 268 G (d) of the Companies Act 61 of 1973 as amended, I certify that in respect of the year ended 30 September 2005 the company has lodged with the Registrar all such returns as are required by the Companies Act.

ME Sanz

ME Sanz
Company secretary
Johannesburg
3 November 2005

report **of the directors**

for the year ended 30 September 2005

The directors have pleasure in submitting their report and the annual financial statements of the group and the company for the year ended 30 September 2005.

In the context of the financial statements, the term group refers to African Oxygen Limited ('Afrox') as the company and its subsidiaries. A list of the subsidiaries appears on page 158.

Nature of business

Afrox manufactures and markets gases, welding, safety and related products and services, operating in Africa. We provide solutions and service to meet the needs of customers, and package product service offerings to targeted market segments.

We segment our business into two - Process Gas Solutions (PGS) and Industrial & Special Products (ISP). PGS supplies large volumes of gas and tailors solutions to meet the needs of bulk customers. ISP involves cylinder and liquid fabrication gases, scientific gases, packaged chemicals, helium and refrigerant services, medical gases, Handigas, hospitality gases and the manufacturing and sale of gas equipment, welding and safety products.

Listings

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

Sale of Afrox Healthcare Limited

On 22 March 2005 Business Ventures Investments No 790 (Pty) Ltd ('Bidco'), a consortium led by Brimstone Investment Corporation Ltd and Mvelaphanda Strategic Investments (Pty) Ltd, became the registered holder of all the issued shares of Afrox Healthcare Limited ('Afrox Healthcare'). Afrox received the proceeds from the disposal of its 67,8 percent shareholding in Afrox Healthcare on 22 March 2005. The board resolved to distribute a portion of the net proceeds by way of an acquisition, as treasury shares, of 10 percent of Afrox's shares in issue. The balance of the net proceeds was distributed to shareholders by way of a 415 cents special dividend. The treasury shares did not participate in the special dividend.

Segmental contribution

Contribution to the operating profit was as follows:

	2005 %	2004 %
Industrial and Special Gases	**56**	40
Process Gas Solutions	**11**	8
Healthcare	**33**	52

Financial results

The results of the business and operations of the group are fully set out in this annual report and do not require any further comment or elucidation, other than described in the paragraph below.

The results for the financial year 2004 include fully consolidated results of Afrox Healthcare Limited. Financial year 2005 has the fully consolidated results of Afrox Healthcare Limited for six months and the exceptional profit on the sale of Afrox Healthcare Limited and the Life Healthcare Group associated profits for 6 months. Any comparisons to prior year results should be made with care.

Accounting standards

The group's and the company's annual financial statements comply with the South African Statements of Generally Accepted Accounting Practice applicable to the group for the current financial year.

The comparatives have been adjusted or extended to take into account the requirements of the following revised or new accounting statements that the group has implemented in 2005:

AC140 (IFRS 3): Business combinations,

AC128 (IAS 36): Impairment of assets, and

AC129 (IAS 38): Intangible assets

In terms of the transitional provisions of AC140 (IFRS 3): Business combinations, comparative figures have not been restated.

In addition we have adopted the guidance to straight line rental expenses of leases with escalation clauses over the period of the lease, and have restated the prior year comparatives. African Oxygen Limited will adopt all further mandatory International Financial Reporting Standards (IFRS) in its 2006 financial year. Due to the changed circumstances whereby African Oxygen Limited became a 20.1percent investor in Business Venture Investments No. 790 (Pty) Ltd, the holding company of Life Healthcare Group (Pty) Limited, the 2004 income statement, which was previously split into continuing and discontinuing operations, has been restated to reflect a dimunition in holding.

report **of the directors**

for the year ended 30 September 2005

TABLE 1	2005 Number	2005 R	2004 Number	2004 R
Authorised ordinary shares of 5 cents each	**350 000 000**	**17 500 000**	350 000 000	17 500 000
Issued	**342 852 910**	**17 142 646**	342 853 084	17 142 654
Unissued	**7 147 090**	**357 354**	7 146 916	357 346
Treasury shares	**34 285 308**	**1 714 265**	–	–

African Oxygen Limited (Afrox) will first report under IFRS for the first half of the fiscal year 30 September 2006. Before the first results under IFRS are announced, Afrox plans in January 2006 to release restated results under IFRS for the half year and fiscal year to 30 September 2005 to facilitate comparison on the new basis. Early evaluations suggest that the net impact of the accounting changes on the group's trading results is unlikely to be significant.

Share capital

The company's authorised share capital remained unchanged. As at 30 September 2005, the company's issued share capital was as follows - see above - table 1.

Shares repurchased

In terms of a Scheme of Arrangement, Afrox African Investments (Pty) Ltd acquired from each Afrox shareholder one Afrox share per ten Afrox shares held at the close of business on 1 July 2005 for a consideration of 1927 cents per share. This equated to R665,0 million including the share buy back expenses.

Distribution to shareholders

Details of dividends are set out in the income statement. A special dividend of 415 cents per ordinary share was paid on Monday 27 June 2005. An interim dividend of 40.0 cents (2004: 33.0 cents) per ordinary share was paid on Monday 25 July 2005. A final dividend of 40.0 cents (2004: 31.0 cents) per ordinary share has been declared. The STC on the final dividend will be 5.0 cents per ordinary share. The final dividend will be paid on Monday, 30 January 2006. The board is satisfied that the capital remaining after the payment of the final dividend will be sufficient to support the current operations and to facilitate future development of the business.

Parent company

The parent company of Afrox is BOC Holdings. The ultimate parent company is The BOC Group plc. Afrox is incorporated in the Republic of South Africa and both BOC Holdings and The BOC Group plc are incorporated in England. The BOC Group plc is listed on the London and New York Stock Exchanges.

Board of directors

In terms of the articles of association, Messrs Rick Cottrell and Conrad Strauss retire as directors at the forthcoming annual general meeting.

On 21 April 2005 Rick Hogben accepted the board's invitation to extend his tenure as chief executive of Afrox by a year. He will now retire in March 2007.

The following directors were appointed during the financial year ended 30 September 2005

Name of director	Capacity	Effective date of appointment
Louis van Niekerk	Independent non-executive	24 February 2005
Kent Masters	Chairman, non-executive	1 April 2005
Jim Ford	Non-executive	1 April 2005
James Cullens	Non-executive	29 April 2005
Daniel Shook	Alternate non-executive	1 May 2005
Alan Ferguson	Non-executive	3 October 2005

The following directors resigned during the financial year ended 30 September 2005

Name of director	Capacity	Effective date of resignation
Gordon Sibiya	Independent non-executive	28 October 2004
John Walsh	Chairman, non-executive	31 March 2005
Nick Deeming	Non-executive	31 March 2005
Michael Flemming	Executive	31 March 2005
Tony Isaac	Non-executive	30 April 2005
Rob Lourey	Alternate non-executive	30 April 2005
René Médori	Non-executive	31 May 2005

report **of the directors**

for the year ended 30 September 2005

Details of the board of directors are presented on pages 4 and 5 of the annual report.

A detailed report on directors' emoluments has been prepared in accordance with the Listings Requirements of the JSE and appears on pages 152 and 153 of the annual report.

The board comprises two executive directors, four non-executive directors and four independent non-executive directors.

Executive directors

Rick Hogben	Managing director
Cor van Zyl	Financial director

Non-executive directors

Kent Masters *(American)*	Chairman, chief executive of industrial and special products: The BOC Group plc.
James Cullens *(British)*	Group human resources director: The BOC Group plc
Jim Ford *(British)*	Managing director, industrial and special products, Europe: The BOC Group plc.
Alan Ferguson *(British)*	Group finance director: The BOC Group plc. (Appointed to the board in October 2005)

Independent non-executive directors

Rick Cottrell	Director of companies
Lindsay MacNair	Former senior general manager - gases
Conrad Strauss	Director of companies
Louis van Niekerk	Director of companies

Alternate non-executive director

Daniel Shook *(American)*	Finance director, industrial and special products: The BOC Group plc.

Interests of directors

Details of the interests of directors are provided on pages 152 and 153 of the annual report.

No other material change in the aforegoing interests has taken place between 30 September 2005 and the date of this report.

There were no contracts of significance during, or at the end of, the financial year in which any directors of the company were personally materially interested.

Significant shareholders

Details of significant shareholders appear on page 94 of this annual report.

TABLE 2

Category	Role	Current practice		Proposed 2006 payment		% increase
Directors' Fees	Director	Retainer fee payable 1 Oct & 1 Apr	Fee per meeting	Retainer fee payable 1 Oct & 1 Apr	Fee per meeting	8.0%
		R25 000	R7 500	R27 000	R8 100	
Audit committee	Member	R15 000		R16 200		8.0%
Management Resources Committee, and Governance and Nominations Committee	Chairperson	R15 000		R16 200		8.0%
	Member	R7 500		R8 100		8.0%

for the year ended 30 September 2005

Service contracts

No service contracts exist between the company and any of its directors having a notice period exceeding one month or providing for compensation and benefits in excess of one month's salary.

Independent non-executive directors' remuneration

The fees payable to the independent non-executive directors are disclosed in table 2 on page 102:

Note: All fees stated are per meeting. The principle of double payment for the chairperson has been retained with the exception of the retainer fee, which is to be paid twice per annum.

Share Appreciation Rights Scheme

A summary of share rights subject to exercise in terms of the Share Appreciation Rights Scheme ('SARS') follows in accordance with the provisions of the company's SAR Scheme.

Number of SARs at 30 September 2004	15 367 532
Add: SARs allocated during the year	2 857 375
Less: SARs redeemed and terminations	(3 950 450)
Number of SARs at 30 September 2005	14 274 457
Number of vested SARs at 30 September 2005	1 470 500
Number of unvested SARs at 30 September 2005	12 803 957

In terms of the rules of the Share Appreciation Rights Scheme, the aggregate number of share appreciation rights for the purposes of the scheme shall not exceed the equivalent of 10 percent of the company's issued ordinary share capital from time to time and no one individual may hold in excess of the equivalent of one percent of the company's issued share capital. The executive directors who held office on 30 September 2005, had a direct interest in 777 125 Share Appreciation Rights in the company granted at an average price of R15.13 per share. At the date of this report, there have been no changes to the above SARS holdings.

Secretary

Ria Sanz is the company secretary. Her business and postal addresses appear on page 170 of this annual report.

Administration

Computershare Investor Services 2004 (Pty) Limited is the share transfer secretary of the company.

The JSE sponsor is Barnard Jacobs Mellet Corporate Finance (Pty) Ltd and the NSX sponsor is Namibia Equity Brokers (Pty) Ltd.

Subsidiary and associated companies

Information regarding the interest in subsidiaries is set out on page 158, and of interest in associates on page 159.

	2005 R'000	2004 R'000
Subsidiary companies' profit after taxation	**318 664**	536 449
Subsidiary companies' losses after taxation	**(208)**	(4 332)
Share of associated companies' profit after taxation	**61 026**	36 707

Independent auditors

The independent auditors, PricewaterhouseCoopers Inc ('PWC'), have been re-appointed and will continue in office for the ensuing year in accordance with section 270(2) of the Companies Act, 1973, as amended. All non-audit services provided by PWC are tabled and approved by the audit committee.

Material events after accounting date

No material events occurred between the accounting date and the date of this report that need further comment.

balance **sheets**

as at 30 September 2005

	Note	Group 2005 R'000	Group 2004 Restated R'000	Company 2005 R'000	Company 2004 R'000
Assets					
Non-current assets		**2 180 244**	3 530 712	**2 538 710**	1 209 566
Property, plant and equipment	3	**1 664 795**	3 048 255	**1 272 068**	1 134 592
Intangibles	4	**18 205**	4 149	**2 185**	1 633
Goodwill	5	**32 373**	170 685	**6 880**	1 062
Investments in subsidiaries	6	**–**	–	**827 280**	12 722
Investments in associates	7	**378 790**	120 925	**346 205**	–
Other investments	8	**200**	22 239	**13 411**	19 735
Non–current receivables	10	**19 153**	55 212	**7 129**	7 624
Retirement benefit asset	11	**63 552**	32 198	**63 552**	32 198
Deferred tax	12	**3 176**	77 049	**–**	–
Current assets		**1 065 360**	2 100 642	**829 267**	1 085 021
Inventories	13	**325 706**	406 544	**234 376**	204 247
Trade and other receivables	14	**543 554**	1 198 927	**422 891**	465 294
Group companies		**28 681**	14 222	**28 232**	13 314
Cash and cash equivalents	15	**167 419**	480 949	**143 768**	402 166
Total assets		**3 245 604**	5 631 354	**3 367 977**	2 294 587
Equity and liabilities					
Capital and reserves		**1 719 622**	2 663 079	**2 040 230**	1 688 605
Share capital	16	**15 428**	17 143	**17 143**	17 143
Share premium	16	**537 314**	537 314	**537 314**	537 314
Revaluation reserve		**107 315**	101 758	**–**	–
Accumulated profits		**1 059 565**	2 006 864	**1 485 773**	1 134 148
Minority interest		**12 083**	752 594	**–**	–
Non-current liabilities		**612 771**	538 910	**569 171**	133 352
Interest bearing borrowings	17	**466 856**	370 533	**460 195**	23 340
Property finance leases	18	**–**	44 570	**–**	–
Deferred tax	12	**145 915**	123 807	**108 976**	110 012
Current liabilities		**901 128**	1 676 771	**758 576**	472 630
Trade and other payables	19	**506 191**	1 078 408	**399 756**	297 036
Provisions	20	**105 685**	220 912	**101 889**	39 214
Current portion of interest bearing borrowings	17&18	**56 923**	237 056	**56 923**	66 537
Group companies		**3 486**	6 777	**3 486**	6 777
Taxation		**223 653**	130 554	**193 644**	63 066
Bank overdrafts	15	**5 190**	3 064	**2 878**	–
Total equity and liabilities		**3 245 604**	5 631 354	**3 367 977**	2 294 587

income statements

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 Restated R'000	Company 2005 R'000	Company 2004 R'000
Revenue	28	5 852 639	7 835 144	2 623 109	2 303 994
Cost of sales		(2 669 149)	(3 237 512)	(1 303 229)	(1 138 975)
Cost of services		(1 290 712)	(2 323 832)	–	–
Gross profit		1 892 778	2 273 800	1 319 880	1 165 019
Other operating income		11 020	1 096	268 086	118 949
Distribution costs		(163 937)	(146 113)	(163 167)	(146 113)
Other operating expenses		(752 800)	(872 782)	(637 509)	(574 317)
Operating profit		987 061	1 256 001	787 290	563 538
Exceptional items	31	1 050 726	(16 167)	1 701 781	22 000
Profit from operations	29	2 037 787	1 239 834	2 489 071	585 538
Finance income/(costs)	32	980	(97 854)	7 344	(37 187)
Income from associates		76 163	51 770	–	–
Profit before taxation		2 114 930	1 193 750	2 496 415	548 351
Income tax expense	34	(651 155)	(395 715)	(475 885)	(135 234)
Profit after taxation		1 463 775	798 035	2 020 530	413 117
Minority interest		(98 106)	(183 713)	–	–
Net profit for the year		1 365 669	614 322	2 020 530	413 117

	Note	Group 2005	Group 2004 Restated
Basic earnings per ordinary share – (cents)	35	408.2	179.2
Headline earnings per ordinary share before Secondary Tax on Companies (STC) relating to special dividend – (cents)	35	195.8	185.0
Headline earnings per ordinary share – (cents)	35	142.6	185.0
Dividends per share (cents)		495.0	64.0
Final	22	40.0	31.0
Special dividend	37	415.0	–
Interim	37	40.0	33.0

Statements of **changes in equity**

for the year ended 30 September 2005

	Note	Share capital R'000	Share premium R'000	Revaluation reserve R'000	AC133 hedging reserve R'000	Accumulated profits R'000	Total R'000
Group							
Balance at 1 October 2003		17 143	537 314	102 745	(332)	1 720 261	2 377 131
Implementation of circular 7/2005 'operating leases'	2	–	–	–	–	(34 475)	(34 475)
Restated balance		17 143	537 314	102 745	(332)	1 685 786	2 342 656
Surplus on revaluation of properties		–	–	47	–	–	47
Other movements		–	–	(650)	–	(1 426)	(2 076)
Current year adjustment for derivative cash flow hedge		–	–	–	332	–	332
Currency translation difference		–	–	(384)	–	(7 250)	(7 634)
		17 143	537 314	101 758	–	1 677 110	2 333 325
Net profit for the year		–	–	–	–	614 322	614 322
Dividend declared	37	–	–	–	–	(284 568)	(284 568)
Balance at 1 October 2004		17 143	537 314	101 758	–	2 006 864	2 663 079
Surplus on revaluation of properties		–	–	8 660	–	–	8 660
Other movements		–	–	(2 873)	–	3 873	1 000
Currency translation difference		–	–	(230)	–	(1 034)	(1 264)
		17 143	537 314	107 315	–	2 009 703	2 671 475
Net profit for the year		–	–	–	–	1 365 669	1 365 669
Dividends declared	37	–	–	–	–	(1 652 551)	(1 652 551)
Buy back of own shares	16	(1 715)	–	–	–	(663 256)	(664 971)
Balance at 30 September 2005		**15 428**	**537 314**	**107 315**	**–**	**1 059 565**	**1 719 622**
Company							
Balance at 1 October 2003		17 143	537 314	–	–	1 005 599	1 560 056
Net profit for the year		–	–	–	–	413 117	413 117
Dividends declared	37	–	–	–	–	(284 568)	(284 568)
Balance at 1 October 2004		17 143	537 314	–	–	1 134 148	1 688 605
Net profit for the year		–	–	–	–	2 020 530	2 020 530
Dividends declared	37	–	–	–	–	(1 666 265)	(1 666 265)
Other movements		–	–	–	–	(2 640)	(2 640)
Balance at 30 September 2005		**17 143**	**537 314**	**–**	**–**	**1 485 773**	**2 040 230**

cash flow statements

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 Restated R'000	Company 2005 R'000	Company 2004 R'000
Cash flows from operating activities					
Cash receipts from customers		5 363 305	7 812 643	2 638 073	2 231 424
Cash paid to suppliers and employees		(4 408 818)	(6 201 267)	(1 824 223)	(1 787 761)
Cash generated from operations	39	954 487	1 611 376	813 850	443 663
Interest received		62 195	26 972	50 562	3 837
Interest paid		(61 625)	(123 790)	(43 510)	(41 553)
Dividends received		11 020	1 096	268 086	118 949
Normal taxation paid	40	(326 354)	(345 009)	(140 543)	(105 255)
Secondary taxation on companies paid	40	(214 191)	(30 213)	(205 792)	(13 463)
Cash available from operating activities		425 532	1 140 432	742 653	406 178
Dividends paid	41	(1 652 551)	(284 568)	(1 666 265)	(284 568)
Ordinary dividends paid		(229 711)	(284 568)	(243 425)	(284 568)
Special dividends paid out from the profit on sale of investment		(1 422 840)	–	(1 422 840)	–
Net cash (outflow)/inflow from operating activities		(1 227 019)	855 864	(923 612)	121 610
Cash flows from investing activities					
Disposal/(acquisition) of subsidiaries	42	2 120 696	(46 408)	2 188 380	–
Purchase of property, plant and equipment	3	(492 187)	(493 713)	(302 643)	(234 547)
Replacement of property, plant and equipment		(325 357)	(352 745)	(135 813)	(95 405)
Additions to property, plant and equipment		(166 830)	(140 968)	(166 830)	(139 142)
Proceeds from disposal of property, plant and equipment		23 256	43 423	14 368	16 230
Associates and investments		(312 185)	35 964	(1 667 586)	282 870
Long term assets		36 059	(14 680)	(302)	3 235
Intangibles disposed		(1 697)	(258)	–	–
Net cash inflow/(outflow) from investing activities		1 373 942	(475 672)	232 217	67 788
Cash flows from financing activities					
Dividends and loans paid to minority shareholders		(29 774)	(48 889)	–	–
Increase/(repayment) in long term borrowings		456 869	(248 208)	439 733	66 543
(Repayment)/increase of short term borrowings		(180 133)	149 778	(9 614)	(66 537)
Repayment of capital element of finance lease liabilities		(44 570)	(14 163)	–	–
Buy back of own shares (treasury shares)		(664 971)	–	–	–
Net cash (outflow)/inflow from financing activities		(462 579)	(161 482)	430 119	6
Net (decrease)/increase in cash and cash equivalents		(315 656)	218 710	(261 276)	189 404
Cash and cash equivalents at beginning of year		477 885	259 175	402 166	212 762
Cash and cash equivalents at end of year	15	162 229	477 885	140 890	402 166

Segmental **reporting**

for the year ended 30 September 2005

Primary reporting format
Business segments for the group.

The group operates in three business segments, namely Process Gas Solutions (PGS), Industrial and Special Products (ISP) and Healthcare. These businesses are the basis on which the group reports its primary segment information. The PGS business operates dedicated gas plants that are situated on or adjacent to customer sites, or supplied by long distance gas pipelines. PGS also supplies bulk gases by road tanker to the merchant market, to enhance customer processes and installs and manages small on-site packaged gas producing plants.

The ISP business comprises cylinder and liquid fabrication gases, special, hospitality and medical gases, Handigas and welding products. This business also includes the industrial business of local and foreign subsidiaries. The Healthcare business operates private hospitals in Southern Africa. It offers healthcare services consisting of a chronic benefit management company, an occupational and primary healthcare provider, an interest in a pathology management company, a pharmacy management company and Lifecare Group Holdings Ltd. Healthcare was partially disposed of in March 2005, and the segment report includes results up to this date.

	PGS		ISP		Healthcare		Total	
	2005 R'000	2004 R'000	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000
Revenue								
External sales	**445 992**	427 884	**2 898 473**	2 493 478	**2 508 174**	4 913 782	**5 852 639**	7 835 144
Result								
Operating profit before corporate overheads	**111 823**	106 743	**535 887**	499 350	**302 273**	643 291	**949 983**	1 249 384
Fair value adjustment for associate investment	**–**	–	**–**	–	**–**	–	**20 800**	–
Preference dividend from associate investment	**–**	–	**–**	–	**–**	–	**11 020**	–
Corporate overheads - unallocated	**–**	–	**–**	–	**–**	–	**5 258**	6 617
Operating profit after corporate overheads	**111 823**	106 743	**535 887**	499 350	**302 273**	643 291	**987 061**	1 256 001
Net third party finance costs - allocated	**–**	–	**–**	–	**(15 911)**	(72 381)	**(15 911)**	(72 381)
Net third party finance costs - unallocated	**–**	–	**–**	–	**–**	–	**16 891**	(25 473)
Income from associates	**–**	–	**5 071**	–	**27 805**	51 770	**32 876**	51 770
Income from healthcare associate	**–**	–	**–**	–	**–**	–	**43 287**	–
Profit on sale of investment	**–**	–	**–**	–	**–**	(16 167)	**1 050 726**	(16 167)
Income tax expense allocated	**–**	–	**–**	–	**(107 203)**	(212 436)	**(107 203)**	(212 436)
Income tax expense unallocated	**–**	–	**–**	–	**–**	–	**(543 952)**	(183 279)
Profit after taxation	**111 823**	106 743	**540 958**	499 350	**206 964**	394 077	**1 463 775**	798 035
Minority interest	**–**	–	**(4 367)**	(2 973)	**(93 739)**	(180 740)	**(98 106)**	(183 713)
Net profit for the year	**111 823**	106 743	**536 591**	496 377	**113 225**	213 337	**1 365 669**	614 322
Other information								
Segment assets	**335 956**	335 580	**2 315 839**	1 954 781	**–**	2 650 592	**2 651 795**	4 940 953
Investments in associates	**–**	–	**8 865**	–	**–**	120 925	**8 865**	120 925
Investment in healthcare associate	**–**	–	**–**	–	**–**	–	**369 925**	–
Unallocated assets	**–**	–	**–**	–	**–**	–	**211 843**	492 427
Consolidated total assets	**335 956**	335 580	**2 324 704**	1 954 781	**–**	2 771 517	**3 242 428**	5 554 305
Segment liabilities								
Current liabilities	**47 143**	44 768	**385 368**	301 724	**–**	1 112 831	**432 511**	1 459 323
Unallocated current liabilities	**–**	–	**–**	–	**–**	–	**468 617**	217 448
Non-current liabilities	**–**	–	**–**	–	**–**	391 659	**–**	391 659
Unallocated non-current liabilities	**–**	–	**–**	–	**–**	–	**466 856**	23 444
Consolidated total liabilities	**47 143**	44 768	**385 368**	301 724	**–**	1 504 490	**1 367 984**	2 091 874
Capital expenditure	**55 407**	45 793	**293 424**	237 238	**143 356**	210 682	**492 187**	493 713
Depreciation	**59 997**	59 324	**128 070**	112 658	**71 513**	135 275	**259 580**	307 257

Segmental **reporting**

for the year ended 30 September 2005

Secondary Reporting Format
Geographical segments for the group.

The group operates mainly in two geographical segments, South Africa and the rest of Africa.

	South Africa		Rest of Africa		Total	
	2005 R'000	2004 R'000	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000
Revenue						
External sales	**5 382 696**	7 472 306	**469 943**	362 838	**5 852 639**	7 835 144
Result						
Segment result	**858 348**	1 173 802	**96 893**	82 199	**955 241**	1 256 001
Fair value adjustment for associate investment	**20 800**	–	**–**	–	**20 800**	–
Preference dividend from associate investment	**11 020**	–	**–**	–	**11 020**	–
Profit on sale of investment	**1 050 726**	(16 167)	**–**	–	**1 050 726**	(16 167)
Finance costs	**399**	(100 565)	**581**	2 711	**980**	(97 854)
Income from associates	**71 092**	51 770	**5 071**	–	**76 163**	51 770
Income tax expense	**(619 014)**	(375 000)	**(32 141)**	(20 715)	**(651 155)**	(395 715)
Profit after taxation	**1 393 371**	733 840	**70 404**	64 195	**1 463 775**	798 035
Minority interest	**(93 734)**	(180 740)	**(4 372)**	(2 973)	**(98 106)**	(183 713)
Net profit for the year	**1 299 637**	553 100	**66 032**	61 222	**1 365 669**	614 322
Other information						
Segment assets/consolidated total assets	**2 591 806**	5 210 006	**271 832**	223 374	**2 863 638**	5 433 380
Investments in associates	**369 924**	120 925	**8 866**	–	**378 790**	120 925
Consolidated total assets	**2 961 730**	5 330 931	**280 698**	223 374	**3 242 428**	5 554 305
Segment liabilities/consolidated total liabilities	**1 273 484**	2 013 573	**94 500**	78 301	**1 367 984**	2 091 874
Capital expenditure	**461 581**	470 619	**30 606**	23 094	**492 187**	493 713
Depreciation	**249 494**	299 003	**10 086**	8 254	**259 580**	307 257

Segment revenue and expenses
Revenue and expenses that are directly attributable to segments are allocated to those segments.

Segment assets and liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of related allowances and provisions.
Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accruals.
Segment assets and liabilities do not include deferred income taxes.

Notes to the **financial statements**

for the year ended 30 September 2005

1 Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those of the previous financial year, with the exception of the implementation of South African Statements of Generally Accepted Accounting Practice, AC140 (IFRS 3): Business combinations, AC128 (IAS 36): Impairment of assets, and AC129 (IAS 38): Intangible assets. In all material respects these policies have been followed by all companies in the group.

The change in accounting policies described above has been made in accordance with the transition provisions of the respective standards. AC140 (IFRS 3): Business combinations has been applied prospectively from 1 October 2004, while AC128 (IAS 36): Impairment of assets and AC129 (IAS 38): Intangible assets have been applied retrospectively.

There has been no impact on the opening retained earnings at 1 October 2004 as a result of the adoption of these standards.

In addition, we have adopted the guidance to straight-line rental payments made under operating leases with escalation clauses over the period of the lease, and have restated prior year comparatives.

1.1 Discontinuing operations

Discontinuing operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The operations represent a separate major line of business or geographical area of operations and can be distinguished operationally and for financial reporting purposes.

The profit or loss on the disposal or abandonment of a discontinued operation is determined from the date when the entity enters into a binding sale agreement or when there is a formal plan and it is announced.

Profits or losses in respect of the discontinued operations are included in attributable profits of the group until the date of discontinuance.

Due to the changed circumstances whereby African Oxygen Limited became a 20.1 percent investor in Life Healthcare Group (Pty) Limited, the 2004 income statement, which was previously split into continuing and discontinuing operations, has been restated to reflect a dimunition in holding.

1.2 Statement of compliance

The financial statements and group financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

1.3 Basis of preparation

The financial statements have been prepared on the historical cost convention, modified by the revaluation of certain freehold properties and the restatement of financial instruments to fair value where applicable.

Current assets and liabilities are considered to be recoverable or payable within twelve months of the balance sheet date.

Non-current assets and liabilities are those items which are recoverable or payable more than twelve months after the balance sheet date.

The preparation of financial statements in conformity with Statements of Generally Accepted Accounting Practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

1.4 Basis of consolidation

1.4.1 *Investments in subsidiaries*

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries.

Subsidiaries, are those companies (including Special Purpose Entities) in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition to the effective dates of disposal. The purchase method of accounting is used to account for the acquisition of subsidiaries.

The cost of the acquisition is measured as the fair value of the assets given up, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Investments in partnership capital accounts under the control of a subsidiary are consolidated in the group annual financial statements.

Where the fair value of the consideration paid exceeds the fair value of the identifiable assets and liabilities acquired, the difference is treated as purchased goodwill.

Where the fair value of the identifiable assets and liabilities acquired exceeds the fair value of the consideration given, the difference is recognised immediately in the income statement. (See note 1.5 for accounting policy for goodwill).

In our company accounts, the subsidiary investments are measured at cost less accumulated impairments (if applicable).

1.4.2 *Investments in associates*
Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recorded at cost.

The group's investment in associates includes goodwill (net of any subsequent impairment losses) identified on acquisition.

The group's share of the associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the share of the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred losses or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The results of associated companies, acquired or disposed of, are included in the consolidated income statement from the date on which effective significant influence begins or until it ceases.

1.4.3 *Investments in joint ventures*
Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement.

Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the group's proportional share of the assets, liabilities, revenue and expenses of joint ventures are combined on a line by line basis, with similar items in the financial statements of the group.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of the profit or losses from joint ventures that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party.

The results of joint ventures are included from the effective dates when joint control commences and up to the effective dates when joint control ceases.

1.4.4 *Transactions eliminated on consolidation*
Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the enterprises.

Unrealised gains resulting from transactions with associates are eliminated against the investment in the associates.

Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

1.5 Goodwill
On the acquisition of an investment or subsidiary company, fair values at the date of the acquisition are attributed to the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired. Goodwill on acquisitions of subsidiaries is reported in the balance sheet as non-current assets. Goodwill on acquisitions of associates is included in investments in associates. Where, at the date of acquisition, the net assets of subsidiary companies, joint ventures and associated companies exceed the cost of the investments, the difference is immediately accounted for in the income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Until 30 September 2004, goodwill was amortised on a straight-line basis, over its estimated useful life, which was assessed on an annual basis, not exceeding twenty years. Goodwill was also assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of AC140 (IFRS 3); the group ceased amortisation of goodwill from 1 October 2004.

Accumulated amortisation as at 30 September 2004 has also been eliminated with a corresponding decrease in the cost of goodwill.

From 1 October 2004 onwards, goodwill is tested annually for impairment, as well as when there are indicators of impairment.

As from 1 October 2004, all goodwill that already existed on this date, is also treated in accordance with AC140 (IFRS 3), and this goodwill is also no longer being amortised.

1.6 Property, plant and equipment
The majority of properties are included at valuation. Property valuations are conducted every four years. Additions after the valuation dates are recorded at cost.

Any surplus on revaluation, in excess of net book value, is transferred to a revaluation reserve. Surpluses on revaluation are recognised in income to the extent that they reverse revaluation decreases of the same assets recognised as an expense in previous periods. Deficits on revaluation are charged directly against the revaluation reserves only to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of the same asset. Other deficits are recognised as an expense.

Revaluation surpluses are realised only when the underlying assets are sold or withdrawn from use.

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes all cost directly attributable to bringing the assets to working condition for their intended use. Cost includes transfers from equity of any gains/losses on qualifying cash flow hedges of currency purchase costs.

No depreciation is provided on freehold land. Leasehold improvements are depreciated over the lesser of the period of the lease and the useful life of the asset. All other property, plant and equipment is depreciated on a straight line basis, calculated to write off the depreciable value of the assets to their residual values, over their estimated useful lives.

The assumptions regarding expected useful lives for the 2005 financial year are as follows:

- freehold property excluding hospital buildings - 40 years.
- the useful life of each major hospital building is assessed and depreciation is provided for over their remaining lives, not exceeding 40 years.
- passenger vehicles - 5 years;
- light delivery vehicles - 7 years;
- trucks - 10 years;
- trailers - 15 years;
- plant and equipment - 15 years;
- liquefied petroleum gas cylinders - 15 years;
- computer equipment - 3 years;
- other cylinders - 25 years;
- furniture and fittings - 5 years and
- medical equipment - 5 to 10 years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Property, plant and equipment are tested for impairment whenever there is an indication that the asset may be impaired, in accordance with the requirements of AC128 (IAS 36): Impairment of Assets.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as repairs and maintenance.

Costs directly attributable to major development projects of property, plant and equipment are capitalised to the asset.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Replacement of linen, cutlery and crockery, and certain medical instruments are also charged as an expense to the income statement.

Profits and losses on the disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

1.7 Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

1.8 Borrowings and borrowing costs

Borrowings are recognised initially on the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowing costs that are directly attributable to qualifying assets are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use or sale.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are expensed in the period in which they are incurred.

1.9 Intangibles

In accordance with AC129 (IAS 38), the useful life of intangible assets is now assessed at the individual asset level as having either a finite or infinite life. Where an asset has a finite life, it is amortised over its useful life. Amortisation periods and methods of depreciation for intangible assets with a finite life are reviewed annually or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the group. Intangibles with indefinite useful lives are reviewed annually to ensure that the carrying value does not exceed the recoverable amount, regardless of whether an indicator of impairment is present, and whether or not the intangible asset continues to have an indefinite life. The group currently has no intangibles assessed as having an indefinite life.

Restraint of trade payments are capitalised and amortised over the period of the restraint on a straight line basis.

Amounts paid for the right to manage a business unit are also capitalised and written off over the period for which the company is entitled to manage this unit.

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

As from 1 October 2004, African Oxygen Limited adopted AC129 (IAS 38): Intangible assets, whereby computer software is no longer reported as part of property, plant and equipment, but rather reported as an intangible asset.

Computer software is amortised on a straight line basis, calculated to write off the amortised value of the assets to their residual values, over their estimated useful lives.

The expected useful lives are as follows :

- computer software costing more than R100 000 - 5 years;
- computer software costing less than R100 000 - is expensed immediately

1.10 Research and development expenditure

Research expenditure is recognised as an expense in the income statement as it is incurred.

Development expenditure relating to the production of new or substantially improved products or processes is capitalised if the products or processes are technically and commercially feasible. Cost includes expenditure on materials, direct labour and project overheads. All remaining development expenditure is recognised in the income statement. Development costs initially recognised as an expense are not recognised as an asset in a subsequent period.

1.11 Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing inventories to their present location and condition.

Cost is calculated on the first-in first-out basis and consists of direct material and labour, together with an appropriate proportion of factory overheads.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Write-downs to net realisable values and inventory losses are expensed in the income statement in the period in which they occur.

Redundant and slow-moving inventories are identified and written down against income with regard to their estimated economic and residual values and are expensed in the period in which the write-down occurs.

1.12 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade payables, lease obligations and borrowings.

Financial assets and liabilities are recognised when the company becomes party to the contractual provisions.

A financial asset consists of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Financial liabilities are contractual liabilities to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

When these criteria no longer apply, a financial asset or liability is no longer recognised.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below:

Investments

Listed investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Unlisted investments are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

Purchases and sales of investments are recognised at the trade date, and cost of purchase includes transaction costs.

Investments that meet the criteria for classification as held-to-maturity financial assets are carried at amortised cost.

Investments that meet the criteria for classification as held-for-trading financial assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of held-for-trading investments are recognised in the income statement in the period in which they arise.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the future cash flows discounted at the market interest rate for similar borrowees. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Cash and cash equivalents are reflected at year end bank statement balances and are carried in the balance sheet at cost.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and other highly liquid investments with original maturities of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks, other liquid investments with original maturities of three months or less and bank overdrafts which form an integral part of the entity's cash management.

Loans

Loans granted and obtained at interest rates that are perceived to be below market related rates, are shown at fair value and the fair value adjustment is charged to the income statement as part of finance costs.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisations.

Derivative instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are remeasured to their fair value.

The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. For the purpose of hedge accounting, hedges are classified into two categories:

a) A hedge of the fair value of a recognised asset or liability (fair value hedge) or

b) A cash flow hedge, which hedges exposure to variability in cash flows, that is either attributed to a particular risk associated with recognised asset or liability, or a forecasted transaction.

Changes in fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement along with any changes in the fair value of the hedged asset or liability that is attributable to hedged risk.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement.

When a committed or forecasted transaction is no longer expected to occur, a cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks that arise from operating and financing activities.

1.13 Leased Assets

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired under finance lease agreements are capitalised at the inception of the lease, at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, with the equivalent amount being shown as a liability. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. The property, plant and equipment acquired under finance lease are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease and disclosed under operating expenses.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by the way of a penalty is recognised as an expense in the period in which termination takes place.

The effect of straight-lining the leases has been considered during the current year, and has been adjusted for as disclosed in note 2 changes in accounting policies and implementation of circular 7/2005 ‘operating leases’.

1.14 Employee benefits

Short term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. Provision is made for accumulated leave and bonuses.

Defined contribution plans

Contributions to defined contribution pension or provident plans are recognised as expenditure in the period in which they are incurred.

Defined benefit plans

Contributions to the defined benefit plans are charged to the income statement so as to spread the cost of the benefit over the employees' expected remaining working lives.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial valuations are done on a regular basis, with interim valuations being performed on an annual basis.

Consideration is given to any event that could impact the funds up to the balance sheet date, where the interim valuation is performed at an earlier date.

Actuarial gains or losses in respect of defined benefit plans are recognised in the income statement if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date before deducting plan assets, and
- 10% of the fair value of any plan assets at that date.

The above method of calculating the amount to be recognised in the income statement is referred to as the corridor method.

The amount recognised in the income statement, is the excess determined above, divided by the expected average remaining working lives of the employees participating in that plan.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Where the calculation results in a benefit to the group, the asset recognised is limited to the net total of actuarial losses and past service costs and the present value of any future refunds or reductions in future contributions.

To the extent that there is uncertainty to the entitlement to the surplus, no asset is recorded.

Past service cost is recognised immediately to the extent that the benefits are already vested, otherwise it is amortised on a straight-line basis over the expected remaining working lives of the employees.

Equity compensation benefits

Share appreciation rights are granted to certain key employees and management. Rights are also issued as long-service awards.

These rights are issued at the prevailing market price at the date of issue. The rights are valid for ten years and become vested after four years. The right-holders are entitled to the appreciation in the share price from the date of issue to the date the right is exercised.

African Oxygen Limited provides for the vested portion of these rights on an annual basis. The vested amount is calculated using the year-end market price of an Afrox share less the issue price of the share appreciation right multiplied by the number of rights issued.

The unvested portion is disclosed as a contingent liability.

1.15 Directors' emoluments

The directors' emoluments disclosed in note 36 represent the emoluments paid, or receivable by directors, in their capacity as director or any other capacity. All amounts in respect of the financial year reported on are presented; including bonuses not accrued for in the annual financial statements. This disclosure is provided in terms of the JSE listings requirements.

1.16 Post retirement medical aid costs

The group policy is not to provide for post-retirement medical aid benefits to employees who joined after 31 October 1996. However, due to previous employment benefits offered, the group has honoured its contractual commitment in respect of post-retirement medical aid contributions to certain employees and pensioners employed before the change in policy.

Some group companies have obligations to provide certain post-retirement medical aid benefits to their eligible employees and pensioners. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age and completing a minimum service period. The actuarial valuation method used to value the plan obligation is the Projected Unit Credit Method.

Actuarial gains or losses as a result of experience adjustments and /or the effects of changes in actuarial assumptions are recognised as income or expenditure systematically over the remaining service period of those employees according to the corridor method.

Adjustments pertaining to retired employees are recognised immediately as an expense.

1.17 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave, annual bonuses and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability of annual leave, annual bonuses and long-service leave as a result of services rendered by employees up to the balance sheet date.

1.18 Foreign currency

1.18.1 *Measurement currency*

Items included in the financial statements of each entity in the group are measured at the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ('the measurement currency'). The consolidated financial statements are presented in South African Rands, which is the measurement currency of the parent.

1.18.2 *Foreign currency transactions*

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions.

Gains and losses arising from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.18.3 *Foreign entities*

All foreign subsidiaries are classified as foreign entities for the purposes of foreign currency translation.

Their financial statements are translated into the reporting currency as follows :

- Assets and liabilities are translated at rates of exchange ruling at the financial year end; and
- Income and expenditure and cash flow items are translated at the weighted average rate of exchange during the year.
- Goodwill and equity are translated at exchange rates ruling on the dates of the transactions.

Profits and losses arising on the translation of foreign subsidiaries are classified as equity.

Such translation differences are recognised in the income statement only in the event of an operation being disposed of.

1.19 Dividends payable/receivable

Dividends payable are recognised as a liability in the period in which they are approved by the company's shareholders. Preference share dividends receivable are recognised when the right to receive payment is established and are included in investment income.

1.20 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable those costs will be recoverable. Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised by using the stage of completion method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Costs incurred in the year in connection with future activity on a contract are excluded and shown as contract work in progress. The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end, and the difference carried either as an amount due or payable to customers on construction contracts.

1.21 Revenue

Revenue comprises amounts invoiced for goods, services and completed contracts, excluding value added taxes. Also excluded are revenues of associated companies and group transactions relating to revenue, commission or royalties, dividends, interest received, or management and secretarial services and rental received on leasing of fixed property.

Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of value added taxes and discounts and after eliminating sales within the group.

Other revenues earned by the group are recognised on the following basis:

- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectability is in doubt.
- Dividend income - when the shareholders' right to receive payment is established.

1.22 Current, STC and deferred taxation

The current taxation charge is based on the results for the year after adjusting for exempt income and disallowed expenditure.

The charge is calculated using rates applicable at balance sheet date.

Deferred tax is provided for using the balance sheet liability method, at currently enacted or substantively enacted tax rates applicable at balance sheet date, providing for temporary differences between the tax bases of assets and liabilities and their carrying values for accounting purposes.

Under this method the group is required to make provision for deferred income tax on the revaluation of certain non-current assets and, in relation to an acquisition, on the difference between the fair value of the net assets acquired and their tax bases.

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for employee benefits, estimates for bad debts and tax losses carried forward.

No deferred taxation liability is recognised in those circumtances, other than a business combination, where the initial recognition of an asset or liability has no impact on accounting profit or taxable income. No deferred tax is recognised on temporary differences relating to investments in subsidiaries, associates and joint ventures when the group controls the timing of the reversal and it is probable that it will not reverse in the foreseeable future.

Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary taxation on companies is provided for in respect of dividend payments, net of dividends received or receivable and is recognised as a taxation charge for the year.

In terms of AC501: Accounting for secondary tax on companies (STC), a deferred tax asset is recognised for unutilised STC credits to the extent that it is probable that the entity will declare dividends against which the STC credits can be utilised.

1.23 Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components that are operating in other economic environments.

The group's primary format for reporting segment information is by business segment and its secondary format is by geographical segment based on the location of its operations.

Inter-segment transfers: Segment revenue, segment expenses and segment results include transfers between business segments and between geographical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. These transfers are eliminated on consolidation.

Segment revenue and expenses: Segment revenue and expenses that are directly attributable to the segments are allocated to those segments.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment and investments, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Segment assets and liabilities do not include deferred taxation.

1.24 Exceptional items

Exceptional items cover those amounts, which are not considered to be typical of the ongoing business, and generally include profit and loss on disposal of investments and businesses, and certain impairment losses.

1.25 Headline earnings per share

The calculation of headline earnings per share is based on the net profit attributable to ordinary shareholders; after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. An itemised reconciliation of the adjustment to earnings attributable to ordinary shareholders is provided in the notes to the financial statements.

1.26 Set-off

If a legally enforceable right exists to offset recognised amounts of financial assets and liabilities, which are determinable monetary amounts, and the group intends to settle on a net basis the relevant financial assets and liabilities are offset.

1.27 Share capital

Incremental external cost directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction from proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of the acquisition.

1.28 Treasury shares

Shares in the company held by wholly-owned subsidiary companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the group's equity. Dividends received on treasury shares are eliminated on consolidation.

1.29 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

In particular, the comparatives have been adjusted or extended to take into account the requirements of the following revised or new accounting statements that the group has implemented in 2005:

- AC140 IFRS3): Business combinations,
- AC128 (IAS 36) Impairment of assets, and
- AC129 (IAS 38): Intangibles assets.

In terms of the transitional provisions of AC140 (IFRS 3): Business combinations, comparative figures have not been restated.

In addition, we have adopted the guidance to straight line rental payments made under operating leases with escalation clauses over the period of the lease, and have restated prior year comparatives. The details of changes made to comparatives are set out in note 2.

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
2. Changes in accounting policies and implementation of circular 7/2005 'operating leases'					
i) - *Intangible assets*					
The group implemented AC140 (IFRS 3): Business combinations, AC128 (IAS 36): Impairment of assets, and AC129 (IAS 38): Intangibles assets with effect from 1 October 2004. In terms of the provisions of AC140 (IFRS 3): Business combinations and AC128 (IAS 36): Impairment of assets, no adjustment has been made to the comparative figures.					
However in terms of the provisions of AC129 (IAS 38): Intangible assets, computer software is no longer treated as part of property, plant and equipment, but rather treated as an intangible asset.					
The adjustment to the income statement is as follows:					
- Depreciation of property, plant and equipment		–	1 139	–	1 180
- Amortisation of intangible assets		–	(1 139)	–	(1 180)
		–	–	–	–
The adjustment to the balance sheet is as follows:					
Balance sheet					
Assets					
Non–current assets					
Property, plant and equipment		–	(2 878)	–	(1 633)
Intangibles		–	2 878	–	1 633
Total assets		–	–	–	–
ii) *Operating leases*					
The group implemented Circular 7/2005 Operating Leases which gave guidance in accounting for operating leases with fixed escalation clauses. The lease expense has been straight lined for the life of the lease contract.					
The adjustment to the income statement is as follows:					
- Operating lease expense		–	(21 500)	–	–
- Taxation		–	6 450	–	–
- Outside shareholders share of expense		–	6 680	–	–
		–	(8 370)	–	–
The adjustment to the balance sheet is as follows:					
Balance sheet					
Accumulated profits		–	42 845	–	–
Minority interest		–	34 197	–	–
Non–current assets					
Deferred tax asset		–	31 468	–	–
Current liabilities					
Other payables		–	(108 510)	–	–
Total assets		–	–	–	–

	Group	Company
	2005 R'000	2004 R'000

3. Property, plant and equipment

	2005 R'000	2004 R'000
Group		
Owned	**1 664 795**	2 971 854
Capitalised leased assets	**–**	76 401
	1 664 795	3 048 255
Company		
Owned	**1 272 068**	1 134 592
	1 272 068	1 134 592

Owned

Group	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
2005			
Freehold property	209 427	(30 293)	179 134
Plant and equipment	1 622 825	(863 069)	759 756
Cylinders	886 475	(319 468)	567 007
Vehicles	263 205	(135 993)	127 212
Furniture and fittings	185 694	(154 008)	31 686
	3 167 626	**(1 502 831)**	**1 664 795**
2004			
Freehold property	1 451 527	(197 288)	1 254 239
Plant and equipment	2 235 454	(1 239 550)	995 904
Cylinders	793 720	(278 909)	514 811
Vehicles	248 163	(129 189)	118 974
Furniture and fittings	391 495	(303 569)	87 926
	5 120 359	**(2 148 505)**	**2 971 854**

2005	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000
Carrying amount at beginning of year	1 254 239	995 904	514 811	118 974	87 926	2 971 854
Additions	69 334	262 634	102 056	34 582	22 024	490 630
(Disposal)/acquisition of business (note 42)	(1 118 125)	(346 183)	97	(2 955)	(53 709)	(1 520 875)
Disposals	(13 696)	(283)	(4 747)	(1 773)	–	(20 499)
Revaluations	8 072	588	–	–	–	8 660
Currency translation differences	(3 143)	(1 443)	(1 174)	(407)	(46)	(6 213)
Reclassification	–	(6 582)	–	–	5 935	(647)
Depreciation	(17 547)	(144 879)	(44 036)	(21 209)	(30 444)	(258 115)
Carrying amount at end of year	**179 134**	**759 756**	**567 007**	**127 212**	**31 686**	**1 664 795**

Notes to the **financial statements**

for the year ended 30 September 2005

2004	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000
3. Property, plant and equipment *continued*						
Carrying amount at beginning of year	1 124 950	943 022	450 402	108 610	120 313	2 747 297
Additions	142 055	200 385	109 624	32 469	7 966	492 499
Acquisition of business (note 42)	32 693	12 303	–	–	3 114	48 110
Disposals	(10 586)	(4 753)	(13 051)	(2 108)	(6 614)	(37 112)
Revaluations	139	81	–	–	–	220
Currency translation differences	(841)	(2 169)	(711)	(98)	(219)	(4 038)
Reclassification	–	(2 878)	–	–	–	(2 878)
Transfers from capitalised leased assets	–	23 828	3 566	–	–	27 394
Depreciation	(34 171)	(173 915)	(35 019)	(19 899)	(36 634)	(299 638)
Carrying amount at end of year	**1 254 239**	**995 904**	**514 811**	**118 974**	**87 926**	**2 971 854**

Owned

Company **2005**	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
Freehold property	7 362	(1 560)	5 802
Plant and equipment	1 220 490	(643 717)	576 773
Cylinders	856 850	(308 275)	548 575
Vehicles	234 144	(121 256)	112 888
Furniture and fittings	158 216	(130 186)	28 030
	2 477 062	**(1 204 994)**	**1 272 068**
2004			
Freehold property	11 858	(1 325)	10 533
Plant and equipment	1 062 743	(572 523)	490 220
Cylinders	766 298	(268 557)	497 741
Vehicles	211 565	(109 017)	102 548
Furniture and fittings	148 675	(115 125)	33 550
	2 201 139	**(1 066 547)**	**1 134 592**

2005	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000
Carrying amount at beginning of year	10 533	490 220	497 741	102 548	33 550	1 134 592
Additions	–	168 111	97 646	27 370	9 516	302 643
Acquisition of business (note 42)	–	–	97	779	119	995
Disposals	(4 123)	(4 295)	(4 848)	(672)	–	(13 938)
Reclassification	(375)	1 720	–	(9)	9	1 345
Depreciation	(233)	(78 983)	(42 061)	(17 128)	(15 164)	(153 569)
Carrying amount at end of year	**5 802**	**576 773**	**548 575**	**112 888**	**28 030**	**1 272 068**

	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000

3. Property, plant and equipment *continued*

	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000
2004						
Carrying amount at beginning of year	10 654	444 150	437 461	93 955	41 789	1 028 009
Additions	–	99 883	102 722	25 460	6 482	234 547
Disposals	–	(5 213)	(12 779)	(1 478)	(29)	(19 499)
Transfers from capitalised leased assets	–	23 828	3 566	–	–	27 394
Reclassification	–	(1 633)	–	–	–	(1 633)
Depreciation	(121)	(70 795)	(33 229)	(15 389)	(14 692)	(134 226)
Carrying amount at end of year	**10 533**	**490 220**	**497 741**	**102 548**	**33 550**	**1 134 592**

Capitalised leased assets

Group

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
2005	–	–	–
2004			
Freehold property	86 643	(10 242)	76 401
	86 643	**(10 242)**	**76 401**

2005	Freehold property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Total R'000
Carrying amount at beginning of year	76 401	–	–	–	76 401
Additions	1 557	–	–	–	1 557
(Disposal)/acquisition of business (note 42)	(76 493)	–	–	–	(76 493)
Depreciation	(1 465)	–	–	–	(1 465)
Carrying amount at end of year	**–**	**–**	**–**	**–**	**–**
2004					
Carrying amount at beginning of year	77 293	26 851	6 147	–	110 291
Additions	1 214	–	–	–	1 214
Transfers to owned fixed assets	–	(23 828)	(3 566)	–	(27 394)
Disposals	–	–	(91)	–	(91)
Depreciation	(2 106)	(3 023)	(2 490)	–	(7 619)
Carrying amount at end of year	**76 401**	**–**	**–**	**–**	**76 401**

Notes to the **financial statements**

for the year ended 30 September 2005

Company **2005**	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000
3. Property, plant and equipment *continued*			
2005	–	–	–
2004	–	–	–

2005	Plant and equipment R'000	Cylinders R'000	Total R'000
Carrying amount at end of year	–	–	–
2004			
Carrying amount at beginning of year	26 849	6 147	32 996
Transfers to owned fixed assets	(23 828)	(3 566)	(27 394)
Disposals	–	(91)	(91)
Depreciation	(3 021)	(2 490)	(5 511)
Carrying amount at end of year	–	–	–

The group's land and buildings, excluding the Healthcare and Lifecare groups were independently valued as at 1 October 2001. The valuation was carried out in accordance with the Property Valuers Professional Act of 2000 by registered Associated Valuers, Garth Mac Farlane and Peter Parfitt who are qualified to express an opinion thereon. Certain land and buildings in the Healthcare group were reviewed by an independent valuer over the past two years. Except for an impairment of R600 000 in 2004, no adjustments were made as a result of the review as the carrying amount of these assets approximated the open market value. Certain fixed assets are encumbered as reflected in notes 17 and 18.
A register of land and buildings owned by the group is available for inspection at the registered office of the company.
If the group's land and buildings were to be stated on the historical cost basis, the amounts would be as follows:

	2005 R'000	2004 R'000
Cost	**156 801**	1 255 822
Accumulated depreciation	**(23 702)**	(193 899)
Carrying amount	**133 099**	1 061 923

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000

4. Intangibles

Group

2005			
Trademarks	8 450	(48)	8 402
Computer software	13 157	(4 402)	8 755
Restraint of trade	1 204	(156)	1 048
	22 811	**(4 606)**	**18 205**
2004			
Computer software	6 369	(3 491)	2 878
Lease premiums	1 374	(600)	774
Licences	456	(456)	–
Restraint of trade	4 222	(3 725)	497
	12 421	**(8 272)**	**4 149**

Reconciliation of carrying amounts

2005	Trademarks R'000	Computer Software R'000	Lease premiums R'000	Licences R'000	Restraint of trade R'000	Total R'000
Carrying amount at beginning of year	–	2 878	774	–	497	4 149
Additions	2 028	1 697	–	–	–	3 725
Acquired/(disposed)	5 850	6 459	(1 165)	–	855	11 999
Reclassification	699	(513)	480	–	104	770
Amortisation charge (note 29)	(175)	(1 766)	(89)	–	(408)	(2 438)
Carrying amount at end of year	**8 402**	**8 755**	**–**	**–**	**1 048**	**18 205**
2004						
Carrying amount at beginning of year	–	–	724	106	1 350	2 180
Additions	–	–	258	–	–	258
Reclassification	–	4 017	–	–	–	4 017
Amortisation charge (note 29)	–	(1 139)	(208)	(106)	(853)	(2 306)
Carrying amount at end of year	**–**	**2 878**	**774**	**–**	**497**	**4 149**

Company **2005**	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
Computer software	6 215	(4 030)	2 185
	6 215	**(4 030)**	**2 185**
2004			
Computer software	4 531	(2 898)	1 633
	4 531	**(2 898)**	**1 633**

Notes to the **financial statements**

for the year ended 30 September 2005

	Computer software R'000	Total R'000
4. Intangibles *continued*		
Reconciliation of carrying amounts		
2005		
Carrying amount at beginning of year	1 633	1 633
Additions	1 685	1 685
Amortisation charge (note 29)	(1 133)	(1 133)
Carrying amount at end of year	**2 185**	**2 185**
2004		
Carrying amount at beginning of year	2 110	2 110
Additions	703	703
Amortisation charge (note 29)	(1 180)	(1 180)
Carrying amount at end of year	**1 633**	**1 633**

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
5. Goodwill					
Carrying amount at beginning of year		**170 685**	133 227	**1 062**	941
Additions		**30 850**	47 533	**4 219**	327
Reclassification		**–**	–	**1 699**	–
Impairment charge (note 30)		**(8 416)**	–	**(100)**	–
Disposals		**(160 746)**	–	**–**	–
Amortisation charge (note 29)		**–**	(10 075)	**–**	(206)
Carrying amount at end of year		**32 373**	170 685	**6 880**	1 062

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included as a non–current asset. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
6. Investments in subsidiaries					
Ordinary shares				**96 348**	610 595
Loans owing by subsidiaries				**788 614**	66 512
				884 962	677 107
Loans owing to subsidiaries				**(59 665)**	(650 615)
				825 297	26 492
Provision for impairment reversal/(loss)				**1 983**	(13 770)
Net investment in subsidiaries				**827 280**	12 722

Details of subsidiaries are presented on page 158.

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
7. Investments in associates					
Unlisted ordinary shares		**201 727**	30 825	**201 727**	–
Opening balance		**30 825**	31 175	**–**	–
Recoverable value of associate at acquisition*		**375 000**	–	**375 000**	–
Redemption of preference shares held in associate		**(50 876)**	–	**(50 876)**	–
Preference shares held in associate shown under indebtedness		**(123 678)**	–	**(123 678)**	–
Disposal		**(30 825)**	–	**–**	–
Increasing interest in investment to associate level		**1 281**	–	**1 281**	–
Increasing interest in associate to subsidiary level		**–**	(350)	**–**	–
Indebtedness		**123 678**	6 111	**123 678**	–
Opening adjustment for AC133		**6 111**	5 075	**–**	–
Preference shares held in associate		**123 678**	–	**123 678**	–
Disposal		**(6 111)**	–	**–**	–
Current adjustment for AC133		**–**	1 036	**–**	–
Share of accumulated profits since acquisition		**53 385**	83 989	**20 800**	–
Share of opening accumulated profits		**83 989**	64 909	**–**	–
Share of current profit for the year		**61 026**	36 706	**–**	–
Increasing interest in associates to subsidiary level		**–**	(7 092)	**–**	–
Disposal		**(114 945)**	–	**–**	–
Repayment of associated trust/partnership profits		**–**	(8 166)	**–**	–
Fair value adjustment of healthcare derivative		**20 800**	–	**20 800**	–
Fair value adjustments taken to equity		**2 515**	–	**–**	–
Ordinary dividends received from associates		**–**	(2 368)	**–**	–
Carrying amount at end of year		**378 790**	120 925	**346 205**	–
Directors' valuation of shares		**378 790**	158 125	**346 205**	–

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
7. Investments in associates *continued*					
***Recoverable value of associate at acquisition**					
Carrying value of investment in Afrox Healthcare Limited after partial disposal of investment		344 991			
Additional investment		375 000			
- Shares at nominal value		–			
- Preference shares		174 554			
- Shareholders' loan		200 446			
Carrying value before impairment		719 991			
Impairment of investment		(344 991)			
Recoverable value of associate at acquisition		375 000			

Included in the shareholder agreement is a call option embedded derivative. In terms of this instrument the BEE consortium shall be entitled at any time prior to the expiry of five years to require Afrox to sell all of its shareholders' interest for a consideration as defined in the agreement. This embedded derivative has been fair valued resulting in an impairment to the carrying value of the associate investment of R344 million. Refer to note 31 for details of the partial disposal of the investment in Afrox Healthcare Limited.

The aggregate assets, liabilities and results of operations of associate companies are summarised as follows:

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Income statement					
Revenue		3 009 587	470 565		
Profit before taxation		373 803	124 798		
Income tax expense		(119 670)	(30 965)		
Net profit for the year		254 133	93 833		
Balance sheet					
Non-current assets		4 344 198	259 511		
Current assets		1 352 057	158 932		
Total assets		5 696 255	418 443		
Capital and reserves		1 722 478	285 910		
Non-current liabilities		2 906 054	73 669		
Current liabilities		1 085 723	58 864		
Total equity and liabilities		5 714 255	418 443		
Cash flow					
Net cash flow from operating activities		533 893	91 667		
Net cash flow from investing activities		(174 468)	(19 626)		
Net cash flow from financing activities		(118 262)	(9 494)		
Net movement in cash and cash equivalents		241 163	62 547		
Capital commitments					
Approved not yet contracted for		329 000	10 996		
Contracted for		103 000	4 700		
		432 000	15 696		

Details of the associates are presented on page 159.

The group's share of profits or losses is determined by reference to the audited financial statements or management accounts of associated companies at 30 June 2005 and 30 September 2005. Management results up to 31 August 2005 have been included for the company with a June 2005 year end. There have been no material transactions in the period between 31 August 2005 and the year end 30 September 2005.

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
8. Other investments					
Unlisted		**200**	22 239	**–**	3 607
Opening carrying amount		**22 239**	36 407	**3 607**	17 233
Disposals		**(20 758)**	(16 737)	**(2 326)**	(13 626)
Loans/advances		**–**	777	**–**	–
Reclassification		**(1 281)**	1 792	**(1 281)**	–
Investment in joint venture		**–**	–	**13 411**	16 128
Net other investments		**200**	22 239	**13 411**	19 735
Directors' valuation		**200**	22 239	**13 411**	19 735

Details of other investments are presented on page 159.

	Note	Group 2005	Group 2004
9. Joint ventures			
The group holds indirectly the following interests in joint ventures:			
East Rand Oncology Unit		**–**	48%
West Rand Oncology Unit		**–**	40%
St George's Linac		**–**	40%
Hospital Medical Systems		**–**	62%
Brenthurst Radiology MRI		**–**	70%
Brenthurst Equipment Trust 1		**–**	50%
Brenthurst Equipment Trust 2		**–**	70%
Brenthurst Radiology Cat Scan		**–**	50%
Flora Renal Unit		**–**	51%
Sandton GIT		**–**	50%
Sandton IVF		**–**	50%
Boldprops 102 (Pty) Ltd		**–**	50%
Vincent Pallotti Oncology unit		**–**	40%
MOCOH Gas Madagascar SARL		**50%**	50%
Petrogas, Lda		**49%**	49%
The consolidated results include the following amounts relating to the group's interest in joint ventures:			
Income statement			
Revenue		**27 790**	80 232
Net profit before taxation		**5 736**	46 080
Income tax (expense)		**(214)**	101
Net profit for the year		**5 522**	46 181

Notes to the **financial statements**

for the year ended 30 September 2005

		Group		Company	
	Note	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000
9. Joint ventures *continued*					
Balance sheet					
Non-current assets		**13 845**	40 601		
Current assets		**2 360**	51 873		
Total assets		**16 205**	92 474		
Capital and reserves		**4 598**	67 060		
Non-current liabilities		**3 740**	11 520		
Current liabilities		**7 867**	13 894		
Total equity and liabilities		**16 205**	92 474		
Cash flow					
Net cash flow from operating activities		**23 259**	30 025		
Net cash flow from investing activities		**(5 889)**	(9 490)		
Net cash flow from financing activities		**(19 530)**	(19 554)		
Net movement in cash and cash equivalents		**(2 160)**	981		
The group's interest in capital commitments for the joint ventures are Rnil (2004: R6 400 000)					
10. Non–current receivables					
Loans receivable		**12 024**	47 588	**–**	–
Opening carrying amount		**47 588**	29 672	**–**	–
Net other movements during the year		**(35 564)**	17 295	**–**	–
AC133 current fair value adjustment		**–**	621	**–**	–
Other long term assets		**7 129**	7 624	**7 129**	7 624
		19 153	55 212	**7 129**	7 624

The Afrox Healthcare loans included in the opening amount are unsecured, bear interest at rates linked to the prime bank overdraft rate and are repayable between two and five years.

for the year ended 30 September 2005

		Group		Company	
	Note	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000
11. Retirement benefit asset					
Summary					
• Post-retirement medical benefits		**63 348**	30 793	**63 348**	30 793
• Disability fund		**204**	1 405	**204**	1 405
		63 552	32 198	**63 552**	32 198

i)Pension and provident funds

The group has one pension fund and one provident fund. All employees are required to belong to either the defined benefit fund or the defined contribution fund. The pension fund is a defined benefit fund and the provident fund is a 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 Fund Act of 1956.

Actuarial valuations are done for the defined benefit fund in accordance with the respective pension fund rules. The defined contribution provident fund does not require an actuarial valuation, however a financial review is carried out annually, to determine the fund's solvency.

The defined benefit fund is actuarially valued using the projected unit credit method.

The defined benefit fund is closed to new members.

The assets of the schemes are held in administered funds separate from the group's assets.

The latest statutory valuation of the African Oxygen Limited Pension Fund was done on 30 June 2005.

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:

The following actuarial assumptions were applied:

	2005	2004
Discount rate (%)	**10.5**	10.0
Consumer price inflation (%)	**5.0**	5.0
Expected return on assets (%)	**11.5**	10.0
Compensation increase rate (%)	**6.5**	7.5
Pension increase rate (%)		
African Oxygen Ltd Pension Fund	**4.1**	4.8
Afrox Healthcare Pension Fund	**–**	4.8
Lifecare Group Holdings Pension Fund	**–**	3.8
Lifecare Clinics Pension Fund	**–**	3.8
Other Healthcare Pension Funds	**–**	2.0

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for the year ended 30 September 2005

11. Retirement benefit asset *continued*

The group's obligation in respect of retirement benefits as measured in terms of AC116 is tabled below:

	African Oxygen Ltd Pension Fund R'000 2005	African Oxygen Ltd Pension Fund R'000 2004
Fund status		
Fair value of plan assets	1 470 051	1 102 050
Benefit obligation	(1 143 212)	(876 047)
Funded status	326 839	226 003
Unrecognised actuarial gain	(162 366)	(102 620)
	164 473	123 383
Unrecognised pension asset	(164 473)	(123 383)
Pension liability recognised at 30 September 2005	–	–

No asset is recognised in respect of the surplus as the apportionment of the surplus still needs to be approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act 39 of 2001.

Movements in the net liability recognised in the balance sheet are as follows:

	2005	2004
Net asset at beginning of year	123 383	118 694
Net income/(expense) recognised in the income statement	18 965	(21 487)
Company contributions	22 125	26 176
Net asset at end of year	164 473	123 383

Amounts recognised in the income statement are as follows:

	2005	2004
Current service cost	15 128	23 013
Interest on obligation	92 387	96 958
Expected return on plan assets	(126 480)	(98 484)
	(18 965)	21 487
Amortisation: unrecognised net loss	–	–
Total included in staff costs	(18 965)	21 487

Net unrecognised actuarial gain*

	2005	2004
Opening unrecognised actuarial (gain)/loss	(102 620)	89 416
Actuarial loss/(gain) on defined benefit obligation	217 341	(139 049)
Actuarial gain on plan assets	(277 087)	(52 987)
Net unrecognised actuarial gain	(162 366)	(102 620)

The actuarial surplus disclosed in this note, is calculated in accordance with AC116 and is for accounting purposes only.

ii) Post - retirement medical benefits

Group and company

African Oxygen Ltd has a liability arising as a result of a post-employment subsidy of healthcare benefits.
Members of certain medical aid plans, who joined the company before 1 November 1996 and remain in the employment of Afrox until retirement, are eligible for a post-retirement subsidy of their medical aid contributions.

for the year ended 30 September 2005

11. Retirement benefit asset *continued*

Afrox's contributions to this fund have been disclosed below.
Afrox is liable to make good any shortfalls in the fund.
The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with AC116. The plan assets represent the market value of the assets.
The defined benefit fund is actuarially valued using the projected unit credit method. This benefit fund is a closed fund.

The following actuarial assumptions were applied:	2005	2004
Discount rate (%)	**8.5**	10.5
Consumer price inflation (%)	**4.5**	5.5
Healthcare cost inflation (%)	**6.5**	8.5

The group's obligation in respect of this post-retirement medical aid benefit as measured in terms of AC116 are tabled below:

Fund status		
Fair value of plan assets	**272 995**	226 999
Benefit obligation	**(216 301)**	(202 860)
Funded status	**56 694**	24 139
Unrecognised actuarial gain	**6 654**	6 654
Benefit asset recognised at 30 September 2005	**63 348**	30 793
Analysis of benefit obligation:		
Projected benefit obligation as at 1 October 2004	**202 860**	181 333
Service cost	**4 510**	4 689
Interest cost	**20 683**	17 628
Benefits paid	**(11 752)**	(10 099)
Actuarial loss	**–**	9 309
Benefit obligation as at 30 September 2005	**216 301**	202 860
Analysis of plan assets:		
Contributions to benefit fund 1 October 2004	**226 999**	193 905
Growth attributable to prior years	**31 862**	22 419
	258 861	216 324
Expected return on plan assets	**25 886**	20 784
Benefits paid	**(11 752)**	(10 099)
Actuarial loss	**–**	(10)
Market value of plan assets at 30 September 2005	**272 995**	226 999
Amounts recognised in the income statement are as follows:		
Current service cost	**4 510**	4 689
Interest on obligation	**20 683**	17 628
Expected return on plan assets	**(25 886)**	(20 784)
Growth in fund	**31 862**	22 419
Total included in staff costs	**31 169**	23 952

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for the year ended 30 September 2005

11. Retirement benefit asset *continued*

Net unrecognised actuarial gain*

	2005	2004
Opening unrecognised actuarial loss/(gain)	**6 654**	(2 665)
Actuarial loss on defined benefit obligation	**–**	9 309
Actuarial loss on plan assets	**–**	10
Net unrecognised actuarial loss	**6 654**	6 654

* - the opening cumulative net unrecognised actuarial (gain)/loss in excess of the 10% corridor is recognised in the income statement over the average remaining working lives of the employees.

iii) Disability fund

Group and company

African Oxygen Ltd has a liability to provide benefits to employees who become disabled during the course of their employment.
Afrox made a lump sum contribution to this disability fund during the year.
The plan assets represent the market value of the assets.
This disability fund has been actuarially valued using the projected unit credit method.

Fund status

	2005	2004
Fair value of plan assets	**16 648**	17 226
Benefit obligation	**(16 444)**	(15 821)
Benefit asset recognised at 30 September 2005	**204**	1 405

Notes to the **financial statements**

for the year ended 30 September 2005

		Group		Company	
	Note	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000
12. Deferred tax					
Capital allowances		**179 346**	204 292	**144 977**	143 998
Tax losses carried forward		**–**	(56 347)	**–**	–
Provisions and other		**(36 607)**	(101 187)	**(36 001)**	(33 986)
		142 739	46 758	**108 976**	110 012
Reconciliation of deferred tax					
Opening balance		**46 758**	66 873	**110 012**	103 090
Under provision in prior years		**(5 297)**	(2 270)	**(9 724)**	–
Exchange adjustments and other		**2 149**	(3 185)	**–**	–
Disposal of subsidiary		**101 291**	–	**–**	–
Temporary differences:					
Capital allowances		**14 129**	5 196	**14 129**	3 388
Provisions and other		**(16 291)**	(13 848)	**(5 441)**	3 534
Tax losses raised		**–**	(6 008)	**–**	–
Closing balance		**142 739**	46 758	**108 976**	110 012

Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefit is probable. The group has tax losses of Rnil (2004: R21 158 000) to carry forward against future taxable income which have not been recognised in these financial statements due to uncertainties regarding the utilisation of these losses in the near future.

Deferred tax asset		**(3 176)**	(77 049)	**–**	–
Deferred tax liability		**145 915**	123 807	**108 976**	110 012
		142 739	46 758	**108 976**	110 012

13. Inventories					
Raw materials		**34 817**	29 811	**27 592**	23 332
Work in progress		**16 565**	9 815	**8 008**	5 314
Finished goods (includes medical consumables)		**274 324**	366 918	**198 776**	175 601
		325 706	406 544	**234 376**	204 247
Stock carried at net realisable value					
At net realisable value		**2 404**	28 978	**2 404**	28 978
At cost		**3 587**	32 198	**3 587**	32 198

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
14. Trade and other receivables					
Trade receivables		**512 422**	1 117 274	**392 724**	338 578
Provision for doubtful debts		**(27 395)**	(64 036)	**(11 919)**	(16 483)
Net trade receivables		**485 027**	1 053 238	**380 805**	322 095
Other receivables		**28 046**	76 211	**18 209**	103 606
Prepayments		**2 110**	28 294	**1 518**	3 020
Deposits		**1 719**	404	**169**	154
Accrued income		**18 477**	24 623	**14 858**	27 680
Staff loans		**9 305**	17 665	**8 462**	10 161
AC133 current year fair value adjustment to staff loans		**(1 130)**	(1 508)	**(1 130)**	(1 422)
		543 554	1 198 927	**422 891**	465 294

Receivables are carried at anticipated realisable value. An estimate is made for impairment, based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
15. Cash and cash equivalents					
Cash on hand and favourable balances with banks		**167 419**	480 949	**143 768**	402 166
Bank overdrafts		**(5 190)**	(3 064)	**(2 878)**	–
		162 229	477 885	**140 890**	402 166
Cash and cash equivalents consist of the following:					
South African Rand		**132 407**	474 202	**140 890**	402 166
Foreign currencies		**29 822**	3 683	**–**	–
		162 229	477 885	**140 890**	402 166

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 cash flow statement comprise the following balance sheet amounts:

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
16. Share capital and share premium					
Group and company					
Authorised					
Ordinary shares - 350 000 000 of 5 cents each		17 500	17 500	17 500	17 500

Group

Issued	Number of shares	Ordinary shares R'000	Share premium R'000	Total R'000
At 30 September 2004	342 853 084	17 143	537 314	554 457
Shares cancelled	(174)	-	-	-
Shares held by a subsidiary in respect of share buy back	(34 285 308)	(1 715)	-	(1 715)
At 30 September 2005	**308 567 602**	**15 428**	**537 314**	**552 742**

Company

Issued				
At 30 September 2004	342 853 084	17 143	537 314	554 457
Shares cancelled	(174)	-	-	-
At 30 September 2005	**342 852 910**	**17 143**	**537 314**	**554 457**

During the year under review African Oxygen Limited's wholly-owned subsidiary, Afrox African Investments (Pty) Ltd., acquired 34 285 308 ordinary shares of African Oxygen Limited for a total amount of R662m. These shares are being held as treasury shares.

The unissued shares remain under the control of the directors until the next annual general meeting, subject to the provisions of section 221 and 222 of the Companies Act of 1973 as amended and the rules and directives of the JSE Limited respectively.

All issued shares are fully paid.

BOC Holdings owns 50.47% of Afrox Company, but from an Afrox Group perspective, BOC Holdings owns 56.08% of the group's shares.

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
17. Interest bearing borrowings					
Secured loans		–	497 646	–	–
Unsecured loans		523 779	90 387	517 118	89 877
Finance leases (excluding property)		–	5 393	–	–
		523 779	593 426	517 118	89 877
Less: current portion of interest bearing borrowings		(56 923)	(222 893)	(56 923)	(66 537)
		466 856	370 533	460 195	23 340
Analysis:					
United States Dollar		–	8 776	–	–
South African Rand		466 856	361 757	460 195	23 340
		466 856	370 533	460 195	23 340

The entity removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expires.
The entity presently separates current and non-current liabilities on the face of the balance sheet.
A liability is classified as a current liability when it:
(a) is expected to be settled in the normal course of the enterprise's operating cycle, or
(b) is due to be settled within 12 months of the balance sheet date.
All other liabilities are classified as non-current liabilities.

Terms of repayment	Date of final repayment	2005 %	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Secured loans						
i) - Mortgage bond, half yearly repayments in arrears of 2004: R7 116 978 and escalating at 8% p.a - variable interest rate. Secured by mortgage bond over remainder of erf 146818 (Mowbray) Cape Town, with book value of 2004: R70 917 207.	09/2010	12.68	–	66 047		
Derivative instrument against long term borrowings*			–	–		
ii) - Other mortgage bonds, average monthly repayments of 2004: R993 908. Secured by mortgage bonds over fixed properties, with book values of 2004: R68 672 639.		Prime	–	66 853		
iii) - Instalment sales Secured by instalment sale agreement over plant and machinery, having a book value of 2004: R184 644 554. Repayable in bi-annual instalments of 2004: R3 979 000 and monthly instalments of 2004: R915 748.		Prime	–	26 084		

Terms of repayment	Date of final repayment	2005 %	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
17. Interest bearing borrowings *continued*						
iv) - Loans at fixed interest rates These loans bear interest at fixed interest rates (2004 average rate: 11,3%), and have various maturity dates over the next six years. These loans are secured by cross-sureties signed by group companies.	09/2010	Avg 11.3%	–	280 454		
v) - Loans at variable interest rates These loans bear interest at variable rates linked to prime (2004 average rate: 7.8%), and have various maturity dates over the next six years. Of the total of R58 208 000 for 2004, R43 835 000 is secured by group companies and the remaining R14 373 000 for 2004 is secured in terms of sale of share agreements.	09/2005	Avg 12.3%	–	58 208		
			–	497 646		
Less: current portion of interest bearing borrowings			–	(155 056)		
			–	342 590		
Minimum repayments of secured borrowings:						
One to two years			–	155 056		
Two to five years			–	129 476		
Longer than five years			–	213 114		
			–	497 646		
***Derivative instrument against non–current interest–bearing borrowings** The derivative instrument represents an interest rate swap that is classified as a cash–flow hedge. Further details are disclosed in note 25.						
Fair value of derivative instrument as at 1 October 2004			–	332		
Current year movement accounted for in the AC133 hedging reserve			–	(332)		
Fair value of derivative instrument as at 30 September 2005			–	–		

Notes to the **financial statements**

for the year ended 30 September 2005

Terms of repayment	Date of final repayment	2005 %	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
17. Interest bearing borrowings *continued*						
- Unsecured loans						
In full on repayment date, interest half-yearly in arrears	10/2005	16.16%	20 000	20 000	20 000	20 000
In half yearly repayments with interest	12/2005	9.18%	28 118	70 387	28 118	69 877
In full on repayment date interest quarterly in arrears	07/2007	7.76%	100 000	–	100 000	–
In full on repayment date interest quarterly in arrears	07/2008	7.81%	150 000	–	150 000	–
In full on repayment date interest quarterly in arrears	07/2007	7.76%	100 000	–	100 000	–
In full on repayment date interest quarterly in arrears	08/2008	7.98%	100 000	–	100 000	–
In half yearly repayments with interest	03/2008	11.74%	19 000	–	19 000	–
In half yearly repayments with interest	03/2008	12.00%	6 661	–	–	–
			523 779	90 387	517 118	89 877
Less: current portion of interest bearing borrowings			(56 923)	(66 552)	(56 923)	(66 537)
			466 856	23 835	460 195	23 340
Minimum repayments of unsecured borrowings:						
One to two years			56 923	66 552	56 923	66 537
Two to five years			466 856	23 835	460 195	23 340
			523 779	90 387	517 118	89 877

Finance leases (excluding property)

The future minimum payments under finance leases at fixed interest rates, payable half–yearly in arrears and advance at 12.5 and 17 percent are as follows:

	Group 2005 R'000	Group 2004 R'000
Repayable before 30 September		
- 2005	–	1 285
- 2006	–	947
- Thereafter	–	3 161
	–	5 393
Less: current portion of interest bearing borrowings	–	(1 285)
	–	4 108

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
18. Property finance leases					
The future minimum payments under property finance leases at fixed interest rates, payable half-yearly in arrears and advance, at 17.64 and 15.36 percent are as follows:					
Repayable before 30 September					
2005		–	14 163		
2006		–	18 530		
2007		–	24 743		
2008		–	1 297		
		–	58 733		
Less: current portion of interest bearing borrowings		–	(14 163)		
		–	44 570		
19. Trade and other payables					
Trade payables		301 003	642 175	257 045	168 751
Cylinder deposits		76 379	60 303	57 830	41 052
Value added taxation		10 351	34 569	7 382	8 489
Interest accrual		7 674	17 345	7 465	17 345
Provision for share appreciation rights		23 240	15 904	23 216	11 903
Operating leases		–	108 512	–	–
Derivative cover liability		–	6 141	–	–
Other payables		87 544	193 459	46 818	49 496
		506 191	1 078 408	399 756	297 036

Other payables include employee related costs and sundry accruals.

Notes to the **financial statements**

for the year ended 30 September 2005

		Group		Company	
	Note	**2005 R'000**	2004 R'000	**2005 R'000**	2004 R'000
20. Provisions					
Employee benefits (bonuses and leave pay)		**46 440**	217 400	**42 644**	39 214
Other provisions		**59 245**	–	**59 245**	–
		105 685	217 400	**101 889**	39 214
Movement in provisions:					
Additional provisions		**115 434**	157 365	**115 434**	55 635
Amounts utilised		**(207 417)**	(118 455)	**(52 759)**	(55 341)
Provisions sold through disposal of subsidiary		**(19 732)**	(1 105)	**–**	–
Provisions acquired through acquisition of subsidiaries		**–**	979	**–**	–
Movement for the year		**(111 715)**	38 784	**62 675**	294
Balance at beginning of the year		**217 400**	178 616	**39 214**	38 920
Balance at end of the year		**105 685**	217 400	**101 889**	39 214
Onerous lease contract					
Balance at 1 October 2004		**–**	–	**–**	–
Additional provision raised		**–**	3 512	**–**	–
Balance at 30 September 2005		**–**	3 512	**–**	–
Total provisions (bonuses, leave pay, other provisions and onerous lease contract)		**105 685**	220 912	**101 889**	39 214

Afrox recognises the expected cost of leave pay and bonus payments when the enterprise has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. Other provisions are raised when Afrox has present legal or constructive obligation to make payment as a result of past events and a reliable estimate of the obligation can be made.

Notes to the **financial statements**

for the year ended 30 September 2005

21. Foreign currency exposure

Loans

In terms of the group's policy, all material foreign currency loans are covered under forward exchange contracts. As a result, the group did not incur any major currency losses or profits during the year on such loans.

Trade exposure

The group has entered into certain forward contracts, which do not relate to specific items in the balance sheet, but 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 and interest commitments during 2005.

Details of significant contracts are as follows:

	2005 Foreign amount '000	2005 Average rate	2005 Rand amount '000	2004 Foreign amount '000	2004 Average rate	2004 Rand amount '000
Imports						
US dollars	6 853	6.6	45 128	3 131	6.6	20 715
British pounds	895	11.6	10 350	745	11.8	8 810
Australian dollars	21	4.9	103	37	4.6	171
Euro	8 827	8.1	71 680	5 412	7.9	42 939
Swedish krone	–	–	–	480	0.9	426
Other	–	–	9	–	–	886
			127 270			73 947
Exports						
US dollars	172	6.5	1 118	646	6.5	4 180
British pounds	755	11.7	8 797	–	–	–
Australian dollars	227	4.9	1 114	663	4.7	3 087
			11 029			7 267

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

22. Dividends

As per AC107 (Post balance sheet events) the dividend is not provided for in the income statement until it has been declared, therefore the final dividend has been shown for information purposes only.

23. Related party transactions

Various transactions are entered into by the company and its subsidiaries during the year with related parties. Unless specifically disclosed, these transactions occurred under terms that are no less favourable than those entered into with third parties. Intra-group transactions are eliminated on consolidation.

Shareholders

Details on the shareholders of the company are disclosed on page 94. (Shareholders' profile).

Investments

Investments in subsidiaries, associated companies and trade investments are detailed on pages 158 and 159.

Directors

Directors' emoluments are disclosed in note 36.
The directors are listed in the directors' report.
No loans were made to or received from any director.

Holding company

The ultimate holding company of African Oxygen Ltd is The BOC Group plc incorporated in England and listed on the London and New York Stock Exchanges.

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
23. Related party transactions *continued*					
Material related party transactions					
Dividend received:					
Les Gaz Industriels Limited		**–**	1 096		
Life Healthcare Group (Pty) Limited preference dividend		**11 020**	–		
Technical aid fee:					
Paid to The BOC Group plc		**(13 467)**	(16 837)		
Revenue from sale of goods:					
BOC Kenya		**3 586**	3 285		
Les Gaz Industriels Limited		**2 218**	1 937		
BOC Nigeria		**3 214**	3 156		
Liquid Air Seychelles		**112**	50		
BOC Zimbabwe		**14 577**	15 035		
BOC Australia		**21 390**	22 044		
BOC New Zealand		**3 029**	2 367		
These transactions are at arm's length.					
Amounts outstanding on trade receivables:					
BOC Kenya		**1 195**	987		
BOC Zimbabwe		**8 427**	4 400		
BOC Australia		**5 409**	2 945		
BOC New Zealand		**432**	236		
BOC Nigeria		**1 620**	2 212		
Amounts outstanding on trade payables:					
BOC Windlesham		**8 111**	3 524		
Cash dividends paid to holding company		**926 757**	159 587		
24. Commitments					
Capital expenditure					
Contracted		**–**	63 065	**–**	–
Authorised by the directors, but not yet contracted for		**623 524**	770 369	**615 927**	401 659
Total future capital expenditure		**623 524**	833 434	**615 927**	401 659
Split between					
Intangibles		**30 000**	–	**30 000**	–
Property, plant and equipment		**593 524**	833 434	**585 927**	401 659

It is intended to finance capital expenditure from surpluses generated and borrowing facilities available.

for the year ended 30 September 2005

25. Contingencies

African Oxygen Limited has issued share appreciation rights to some of its employees as a performance incentive and as long service awards. These rights are issued at the prevailing market price at the date of issue. The rights are valid for ten years and become vested after four years. The right-holders are entitled to the appreciation in the share price from the date of issue to the date the right is exercised. African Oxygen Limited provides in full for the vested portion of these rights on an annual basis and this amount is calculated using the year-end market price of an Afrox share less the issue price of the share appreciation right multiplied by the number of rights issued.

The contingent liability for the non-vested portion of these share appreciation rights, based on a share price of R23.20 (2004: R19.40) amounts to R87 879 183 (2004: R68 522 076). This price has been adjusted to take into account the special dividend of 415 cents.

Share Appreciation Rights (SARS) in issue

The following SARS are in issue	**2005**
No of SARS allocated at 1 October 2004	**15 367 532**
Allocations during the year	**2 857 375**
SARS redeemed and terminations	**(3 950 450)**
No of SARS allocated at 30 September 2005	**14 274 457**
Number of vested SARS at 30 September 2005	**1 470 500**
Number of unvested SARS at 30 September 2005	**12 803 957**
Total SARS issued at 30 September 2005	**14 274 457**

The following vesting and expiry dates applied to the SARS in issue at 30 September 2005

Date of vesting	No of SARS	Expiry dates
2001	572 550	2007
2002	126 500	2008
2003	394 450	2009
2004	85 000	2010
2005	372 750	2011
2006	3 605 500	2012
2007	3 157 575	2013
2008	3 195 757	2014
2009	2 764 375	2015

The following Share Appreciation Rights were issued during the year

No of SARS issued	2 857 375
Average issue price	19.86

The following Share Appreciation Rights were redeemed during the year

No of SARS redeemed	2 620 625
Total gain on encashing of SARS	R25 229 864

Notes to the **financial statements**

for the year ended 30 September 2005

26. Financial instruments

Foreign currency - refer to note 21.

Interest rate risk

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 balance sheet date are:

30 September 2005	Weighted average effective interest rate %	Floating interest rate R'000	Fixed interest rate maturing 1 year or less R'000	1 to 5 years R'000	Over 5 years R'000	Non-interest-bearing R'000	Book Value 2005 R'000	Total Value 2004 R'000
Assets								
Cash and cash equivalents	6.7	167 419	–	–	–	–	167 419	480 949
Trade and other receivables	–	–	–	–	–	543 554	543 554	1 198 927
Non–current assets	17.0	82 705	–	–	–	50 579	133 284	259 366
Investments in associates and trade investments	25.0	123 678	–	–	–	255 312	378 990	143 164
Total financial assets		373 802	–	–	–	849 445	1 223 247	2 082 406
Liabilities								
Bank overdraft	9.0	5 190	–	–	–	–	5 190	3 064
Trade and other payables	–	–	–	–	–	506 191	506 191	969 898
Current portion of interest bearing borrowings	11.7	–	56 923	–	–	–	56 923	237 056
Property finance lease	0.0	–	–	–	–	–	–	44 570
Interest bearing borrowings incl derivative instrument	7.9	250 000	–	216 856	–	–	466 856	370 533
Total financial liabilities		255 190	56 923	216 856	–	506 191	1 035 160	1 625 121
Net financial assets/(liabilities)		118 612	(56 923)	(216 856)	–	343 254	188 087	457 285

Bank loans

Bank loans are with reputable banking institutions and all repayment and security details are included in note 17.

Credit risk

Financial assets that potentially subject the group to concentrations of credit risk consist principally of cash and cash equivalents, investments in associates, trade receivables, other investments and non-current receivables.

The group's cash equivalents are placed with high credit rated financial institutions. Trade receivables are presented net of the impairments. Credit risk with respect to trade receivables is limited due to a large customer base, spread across various geographical areas and industries.

The group has no significant exposure to any single customer or counter party that is of major concern.

The carrying amounts of financial assets included in the balance sheet represent the group's exposure to credit risk in relation to these assets. At 30 September 2005 the group did not consider there to be a significant concentration of credit risk that has not been adequately provided for.

for the year ended 30 September 2005

26. Financial instruments *continued*

Liquidity risk management

The group manages liquidity risk by utilising a central treasury function and monitoring forecasted cash flows. The group's borrowing powers are determined by the articles of association of the company.

Fair values

The carrying values of cash resources, trade receivables, trade payables, accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of other long-term assets and long-term liabilities are not significantly different to their carrying values. Where applicable, the carrying values of these instruments were adjusted to reflect the fair value as disclosed in notes 10 and 14. The fair values of investments in associates which approximate the directors valuation are presented in note 7.

27. Exchange rates to South African Rand

	2005	2004
Year-end rates:		
US dollar	**6.36**	6.48
British pound	**11.25**	11.72
Euro	**7.65**	8.03
Average rates for the year:		
US dollar	**6.24**	6.62
British pound	**11.45**	11.85
Euro	**7.96**	8.06

28. Revenue

Sale of goods	**3 344 465**	5 135 463	**2 623 109**	2 303 994
Revenue from services	**2 508 174**	2 699 681	**–**	–
	5 852 639	7 835 144	**2 623 109**	2 303 994

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
29. Profit from operations					
Profit from operations is shown after taking the following into account:					
Income					
- Dividends received from subsidiaries - listed		–	–	–	61 842
- Dividends received from subsidiaries - unlisted		–	–	257 066	56 011
- Dividends received from associates		–	2 368	–	–
- Dividends received from third parties		–	1 096	–	1 096
- Preference dividends received from associates		11 020	–	11 020	–
- Profit on disposal of property, plant and equipment		2 755	6 222	430	–
- Management fees from subsidiaries		–	–	38 874	38 085
- Foreign exchange gains		–	–	–	5 046
Expenses					
- Auditors' remuneration		6 793	7 818	2 145	1 310
Audit Fees – current		6 252	7 801	1 618	1 310
– prior year under provision		32	–	32	–
Fees for other services					
- other services		14	17	–	–
- Sarbanes–Oxley review		495	–	495	–
Amortisation of goodwill (note 5)		–	10 075	–	206
Amortisation of intangibles (note 4)		2 438	2 306	1 133	1 180
Depreciation of property, plant and equipment (note 3)					
Owned:		258 115	299 638	153 569	134 226
Freehold properties		17 547	34 171	233	121
Plant and equipment		144 879	173 915	78 983	70 795
Cylinders		44 036	35 019	42 061	33 229
Vehicles		21 209	19 899	17 128	15 389
Furniture and fittings		30 444	36 634	15 164	14 692
Capitalised leased assets:		1 465	7 619	–	5 511
Freehold properties		1 465	2 106	–	–
Plant and equipment		–	3 023	–	3 021
Cylinders		–	2 490	–	2 490
- Operating lease charges		97 344	167 702	19 999	18 005
Property		81 229	138 474	16 427	14 756
Equipment		16 115	29 228	3 572	3 249

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
29. Profit from operations *continued*					
Directors' emoluments				**7 845**	9 591
Executives					
For services as directors				**7 392**	9 140
Non-executives					
Fees				**453**	393
Pension paid to former directors				**–**	58
For a detailed breakdown of the directors' emoluments see note 36					
- Staff costs		**1 360 660**	2 144 673	**582 463**	553 019
Wages and salaries		**1 218 959**	1 947 153	**514 883**	486 573
Pension costs – defined benefit and defined contribution plan expenses		**29 533**	43 157	**18 152**	21 606
Provident costs – defined contributions		**55 391**	72 358	**28 179**	24 731
Medical aid current contribution for employees		**56 777**	82 005	**21 249**	20 109
- Loss on disposal of property, plant and equipment		**–**	–	**–**	(3 359)
- Foreign exchange losses		**(6 774)**	(1 808)	**(5 340)**	–
30. Impairment of assets					
- Impairment of goodwill (note 5)		**(8 416)**	–	**(100)**	–
- Reversal of impairment of trade and subsidiary investments		**–**	–	**17 446**	22 000
- Impairment of trade and subsidiary investments		**(3 344)**	–	**(3 344)**	–
		(11 760)	–	**14 002**	22 000

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing, impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash–generating units).

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
31. Exceptional items					
Reversal of previously recognised impairment losses		**–**	–	**17 447**	22 000
Net profit on sale of investment		**906 789**	(16 167)	**1 540 397**	–
		906 789	(16 167)	**1 557 844**	22 000
- Reversal of previously recognised impairment losses		**–**	–	**17 447**	22 000
During the 2000 financial year, a subsidiary's indebtedness to the holding company exceeded the net asset value of the subsidiary, due to losses incurred. This subsidiary was reported in the ISP segment. The holding company's investment in the subsidiary was written down to the net realisable value of the subsidiary. This impairment was reported as an exceptional item in 2000. Subsequently, the subsidiary has become profitable, and a portion of the amount which was previously impaired, has been reversed.					
Net impairment reversal		**–**	–	**17 447**	22 000
Profit on sale of investment					
Gross profit on sale of investment		**1 050 726**	(16 167)	**1 684 334**	–
Taxation		**(143 937)**	–	**(143 937)**	–
Net profit on sale of investment		**906 789**	(16 167)	**1 540 397**	–

On 22 March 2005, after obtaining approval from the Tribunal of the Competitions Commission, African Oxygen Limited disposed of its 68% shareholding in Afrox Healthcare Limited, and purchased a 20.1% interest, in Business Venture Investments No.790 (Pty) Ltd (Bidco) a BEE consortium led by Brimstone Investment Corporation Limited and Mvelaphanda Strategic Investments (Pty) Limited.
Effectively the transaction reduced the group's holdings in the healthcare segment from 68% to 20.1%.
The partial disposal of the healthcare business resulted in a profit of R1 050 726 (2004: loss of R16 167) on the transaction after taking into account the costs of disposal. In addition an impairment of the investment in the associate was written off against the profit on sale of the shares.

The group has equity accounted for any profits earned by the Bidco associate after the date of sale.

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
32. Finance income/(costs)					
Interest paid:					
On borrowings		**(57 155)**	(110 012)	**(43 510)**	(36 620)
On finance leases (excluding properties)		**–**	(4 933)	**–**	(4 933)
On finance leases (properties)		**(4 470)**	(10 410)	**–**	–
		(61 625)	(125 355)	**(43 510)**	(41 553)
Interest received		**62 195**	28 559	**50 562**	3 837
		570	(96 796)	**7 052**	(37 716)
AC133 fair value adjustment		**410**	(1 058)	**292**	529
		980	(97 854)	**7 344**	(37 187)

33. Operating leases

The group leases certain of its property, plant and equipment in terms of operating leases.

	Total future minimum lease payments under non–cancellable operating leases			
	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Not later than 1 year	**11 844**	283 034	**11 679**	2 527
Between 1 and 5 years	**23 579**	426 147	**23 000**	1 711
Later than 5 years	**–**	757 561	**–**	–
	35 423	1 466 742	**34 679**	4 238

34. Income tax expense

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
- S.A. normal taxation	**436 964**	365 502	**281 128**	143 592
Current	**284 791**	375 152	**135 762**	138 622
Capital gains tax	**143 937**	–	**143 937**	–
Prior year	**559**	(7 783)	**2 457**	(1 953)
Associate company's taxation	**15 137**	15 063	**–**	–
Deferred tax				
Current	**(2 163)**	(14 660)	**8 695**	6 923
Prior year	**(5 297)**	(2 270)	**(9 723)**	–
- Secondary taxation on companies	**214 191**	30 213	**205 792**	13 463
- Ordinary dividends	**36 333**	30 213	**27 934**	13 463
- Special dividend	**177 858**	–	**177 858**	–
- Net receipt flowing from participation in vesting trust	**–**	–	**(11 035)**	(21 821)
Current	**–**	–	**(11 035)**	(21 821)
	651 155	395 715	**475 885**	135 234

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
34. Income tax expense *continued*					
Reconciliation of taxation charge					
Profit before taxation		**2 114 930**	1 193 750	**2 496 415**	548 351
Taxation calculated at a statutory tax rate of 29% (2004: 30%)		**613 330**	358 125	**723 960**	164 505
Income not subject to taxation		**(184 835)**	–	**(446 145)**	(38 629)
Prior year adjustments		**(4 739)**	(10 053)	**(7 267)**	(1 953)
Expenses not deductible for taxation purposes		**14 591**	14 175	**928**	(6 046)
Unprovided temporary differences		**(326)**	2 110	**(326)**	2 749
Effect of non-resident shareholders' taxation		**(1 057)**	1 145	**(1 057)**	1 145
Secondary taxation on companies		**214 191**	30 213	**205 792**	13 463
Income tax expense		**651 155**	395 715	**475 885**	135 234
Effective tax rate		**30.8**	33.1	**19.1**	24.7

The tax rate decreased as a result of a drop in the company tax rate from 30% to 29% and an increase in tax exempt income. Available STC credits at year-end amount to Rnil (2004: Rnil).
The company participates in a vesting trust for the supply of gases to third parties. The trust will contribute to the beneficiary, amounts which equate to the taxation charge relating to the taxable benefit from participation.
In these circumstances, receipts from the trust are treated as a taxation credit.
Subsidiaries within the group have estimated tax losses of Rnil (2004: R62 951 000) available to be offset against future taxable income.

35. Earnings and headline earnings per share

Group earnings per share are calculated on earnings of R1 365 669 000 (2004: R614 322 000) and a weighted average number of ordinary shares of 334 587 037 (2004: 342 853 084) in issue during the year.
Group headline earnings per share are calculated on headline earnings of R477 153 000 (2004: R634 342 000) and a weighted average number of ordinary shares of 334 587 037 (2004: 342 853 084) in issue during the year.

	2005	2004
Group		
Reconciliation of the weighted average number of ordinary shares		
Balance at beginning of year	**342 853 084**	342 853 084
Shares cancelled	**(42)**	–
Shares held by a subsidiary in respect of share buy back (4 July 2005)	**(8 266 005)**	–
	334 587 037	342 853 084

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
35. Earnings and headline earnings per share *continued*					
Group					
Reconciliation between earnings and headline earnings					
Net profit/earnings for the year		**1 365 669**	614 322	**2 020 530**	413 117
Adjustments for:					
Exceptional item:					
- Reversal of previously recognised impairment losses		**–**	–	**(17 447)**	(22 000)
- Profit on sale of investment		**(1 050 726)**	16 167	**(1 684 334)**	–
- Capital gains tax on sale of investment		**143 937**	–	**143 937**	–
- Transaction costs within associate investment		**13 393**	–	**–**	–
- Taxation effect on transaction costs within associate investment		**(4 125)**	–	**–**	–
- Impairment of trade and subsidiary investments		**3 344**	–	**3 344**	–
Add back goodwill impairment/amortised		**8 416**	10 075	**100**	206
(Profit)/loss on disposal of property, plant and equipment		**(2 755)**	(6 222)	**(430)**	3 359
Headline earnings		**477 153**	634 342	**465 700**	394 682
- Secondary tax on companies (STC) on special dividend paid from the profit on sale of investment		**177 858**	–	**177 858**	–
Headline earnings before STC related to the special dividend		**655 011**	634 342	**643 558**	394 682

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for the year ended 30 September 2005

Name	**Months paid 2005**	**Fees**	**Remun-eration**	**Retirement Medical**	**Performance Bonus**	**Benefits, allowances & gains on share incentives**	**Total 2005**	**Total 2004**
36. Directors' emoluments (R'000)								
Non-executive directors								
Current								
L A Macnair	12	130	–	–	–	–	**130**	115
L van Niekerk	9	48	–	–	–	–	**48**	–
G S Sibiya	1	10	–	–	–	–	**10**	68
C B Strauss	12	108	–	–	–	–	**108**	110
R G Cottrell	12	113	–	–	–	–	**113**	100
Former								
S D O Grady		–	–	–	–	–	**–**	19
H P De Villiers		–	–	–	–	–	**–**	25
I G Halliday		–	–	–	–	–	**–**	6
J J Kitshoff		–	–	–	–	–	**–**	8
		453	–	–	–	–	**453**	451
Executive directors								
R L Hogben	12	–	1 867	342	2 123	907	**5 239**	4 496
CJPG van Zyl	12	–	1 170	159	824	–	**2 153**	4 644
		–	3 037	501	2 947	907	**7 392**	9 140
Total emoluments		453	3 037	501	2 947	907	**7 845**	9 591
Non–executive director paid by subsidiary								
R G Cottrell	6	41	–	–	–	–	41	116
Paid by subsidiary in which they were directors								
C M D Flemming	12	–	–	–	–	–	–	4 897
CJPG van Zyl		–	–	–	–	943	943	–
R L Hogben		–	–	–	–	475	475	–

Directors entitlement to share options in Afrox Healthcare Ltd

	Opening Balance	Grants	Exercised	Closing balance	Weighted average price Grants (R)	Exercised/ Sales (R)	Gains on exercise R'000
CJPG van Zyl	123 250	–	(123 250)	–	–	14.99	943
R L Hogben	50 000	–	(50 000)	–	–	14.99	475
	173 250	–	(173 250)	–	–		1 418

36. Directors' emoluments (R'000) *continued*

The following executive directors have share appreciation rights:

R L Hogben	**4 500**	**481 625**	81 000	286 625
CJPG van Zyl	**–**	**291 000**	–	156 000
	4 500	**772 625**	81 000	442 625

The company will incur a liability on the difference between the issue price and the actual exercise price.
Non-executive directors do not participate in the group's incentive programmes, nor is their remuneration pensionable.

	2005		2004	
Shareholding of directors	**Beneficial**	**Non-beneficial**	Beneficial	Non-beneficial
Executive directors				
R L Hogben ^	**105**		104	
C M D Flemming	**14 739**		14 739	
CJPG van Zyl	**108**		–	
Non-executive independent directors				
L A Macnair * ^	**1 962**		1 962	
L van Niekerk	**108**		–	
G S Sibiya +	**–**		54	
R G Cottrell * ~ ^	**1 055**		1 055	
C B Strauss + ~	**1 308**		1 308	
Non-executive directors				
J Walsh (chairman) ~		**–**		106
N Deeming		**–**		106
T Isaac		**–**		1 108
R Medori *		**–**		1 108
J K Masters		**100**		–
A Ferguson		**100**		–
A J Cullens		**100**		–
J A Ford		**100**		–

The non-beneficial shares held by J Walsh, N Deeming, T Isaac and R Medori on 1 October 2004 were transferred to JK Masters, A Ferguson, AJ Cullens and JA Ford upon their appointments to the board.

* Audit committee member
\+ Management resources committee member
~ Governance and nominations committee member.
^ Retirement committee member

Directors' interests in contracts
The directors have certified that they were not personally materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interests in contracts does not exist.

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
37. Dividends					
Final dividend number 155 paid on 26 January 2004: 50 cents per share			171 427		171 427
Interim dividend number 156 paid on 26 July 2004: 33 cents per share			113 141		113 141
Final dividend number 157 paid on 31 January 2005: 31 cents per share		**106 284**		**106 284**	
Special dividend paid on 27 June 2005: 415 cents per share		**1 422 840**		**1 422 840**	
Interim dividend number 158 paid on 25 July 2005: 40 cents per share		**123 427**		**137 141**	
		1 652 551	284 568	**1 666 265**	284 568

38. Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (refer note 5).

If the revised estimated gross margin at 30 September 2006 had been 10% lower than management's estimates at 30 September 2005, the group would need to reduce the carrying value of goodwill by R9.2 million and there would be no additional impairment write-down of property, plant and equipment.

If the revised estimated post-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, the group would need to reduce the carrying value of goodwill by R2.2 million and there would be no additional impairment write-down of property, plant and equipment.

If the actual gross margin and sales growth had been higher or the post-tax discounted rate lower than management's estimates, the group would not be able to reverse any impairment losses that had previously been recorded against goodwill.

Impairment tests for goodwill.

Impairment tests for goodwill

Goodwill is allocated to the group's cash-generating units (CGU's) identified according to location of operation and business segment.

A summary of the goodwill impairment allocation is presented below:

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Cash-generating units				
Afrox Healthcare subsidiaries	**(6 137)**	(8 780)	**–**	–
Botswana (Heatgas)	**(303)**	(296)	**–**	–
Drury/Unigas/Mr Gas and Medispeed	**(100)**	(689)	**(100)**	(206)
Namibia	**(1 876)**	(310)	**–**	–
	(8 416)	(10 075)	**(100)**	(206)

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000

38. Critical accounting estimates and assumptions *continued*

The recoverable amount of a CGU is determined based on value-in-use calculations.
These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extracted based on the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:	%
Average annual revenue growth	0-18
Gross margin (1)	29-52
Annual increase in expenses	0-18
Discount rate (2)	12-16

(1) = Budgeted gross margin
(2) = Post-tax discount rate applied to the cash flow projections

These assumptions have been used for analysis of each CGU within the business segment.
Management determined budgeted gross margin based on past performance and its expectations for the market development. The annual growth rates are determined based on market forecasts. The discount rates used are post-tax and reflect specific risks relating to the relevant CGUs.

39. Reconciliation of net profit before taxation to cash generated from operations

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Profit before taxation	**2 114 930**	1 193 750	**2 496 415**	548 351
Adjustments for:				
Depreciation	**259 580**	307 257	**153 569**	139 737
Foreign exchange loss	**(1 993)**	(2 668)	**–**	–
Other reserve movements	**16 602**	(2 625)	**(2 640)**	–
Reversal of income from associates	**(76 163)**	(51 770)	**–**	–
(Profit)/loss on disposal of property, plant and equipment	**(2 755)**	(6 222)	**(430)**	3 359
Profit on disposal of company	**(1 052 619)**	(242)	**(1 684 334)**	–
Impairment/amortisation of goodwill	**8 416**	10 075	**100**	206
Other non-cash movements	**(13 974)**	13 808	**(7 245)**	(1 519)
Amortisation of intangibles	**2 438**	2 306	**1 133**	1 180
Post retirement medical aid provision - non-cash	**(31 354)**	(22 400)	**(31 354)**	(22 277)
Non-cash AC133 adjustments	**(484)**	(1 473)	**292**	529
Investment income	**(11 020)**	(1 096)	**(268 086)**	(118 949)
Finance (income)/costs	**(980)**	97 854	**(7 344)**	37 187
Operating profit before working capital changes	**1 210 624**	1 536 554	**650 076**	587 804
Working capital changes	**(256 137)**	74 822	**163 774**	(144 141)
(Increase)/decrease in inventories	**(40 809)**	14 114	**(28 912)**	(4 800)
(Increase)/decrease in trade and other receivables	**(346 468)**	87 304	**46 601**	(55 648)
Increase in group company loans	**(17 750)**	(2 103)	**(18 210)**	(1 195)
Increase/(decrease) in trade and other payables	**148 890**	(24 493)	**164 295**	(82 498)
Cash generated from operations	**954 487**	1 611 376	**813 850**	443 663

Notes to the **financial statements**

for the year ended 30 September 2005

	Note	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
40. Normal and secondary taxation paid					
Taxation liability at begining of year		**(130 554)**	(103 843)	**(63 066)**	(53 474)
Disposal/(acquisition) of subsidiaries (note 42)		**12 607**	(1 400)	**–**	–
Income statement charge (excluding deferred tax and associate tax) (note 34)		**(643 477)**	(397 582)	**(476 913)**	(128 310)
Currency translation differences		**(2 774)**	(2 951)	**–**	–
Taxation liability at end of year		**223 653**	130 554	**193 644**	63 066
		(540 545)	(375 222)	**(346 335)**	(118 718)
41. Dividends paid					
Income statement charge		**(1 652 551)**	(284 568)	**(1 666 265)**	(284 568)
Ordinary dividends		**(229 711)**	(284 568)	**(243 425)**	(284 568)
Special dividends paid out of the profit on sale of investment		**(1 422 840)**	–	**(1 422 840)**	–
		(1 652 551)	(284 568)	**(1 666 265)**	(284 568)

42. (Acquisition)/disposal of subsidiaries

Acquisitions

2005

Subsidiaries acquired represent Kiddo Investments acquired 1 April 2005 and increases in various other subsidiaries acquired by Afrox Healthcare Limited. African Oxygen Limited also acquired the assets and liabilities of TwinCo (Pty) Ltd on 1 April 2005, as well as the assets and liabilities of Electrogas (Pty) Ltd on 1 May 2005.

2004

Subsidiaries acquired represent an increase in shareholding in Wilgeheuwel Hospital (Pty) Ltd from 28% to 74%, effective 1 January 2004, as well as marginal increases in shareholdings of various other subsidiaries.
The fair value of (assets acquired)/liabilities assumed as follows:

	Group 2005 R'000	Group 2004 R'000	Company 2005 R'000	Company 2004 R'000
Inventories	**(8 902)**	(5 379)	**(1 217)**	–
Trade receivables	**(16 251)**	(26 959)	**(4 197)**	–
Property, plant and equipment	**(70 617)**	(49 849)	**(995)**	–
Shares in associated companies/subsidiary	**(15 500)**	15 598	**–**	–
Minorities	**(1 322)**	(172)	**–**	–
Intangibles	**(15 436)**	–	**(1 100)**	–
Goodwill on acquisition	**(29 274)**	(45 490)	**(2 692)**	–
Interest bearing borrowings	**16 548**	53 643	**–**	–
Trade payables	**32 400**	7 879	**–**	–
Other payables	**12 100**	–	**–**	–
Taxation	**1 945**	1 400	**–**	–
Deferred tax	**762**	–	**–**	–
Total purchase price	**(93 547)**	(49 329)	**(10 201)**	–
Less: cash	**–**	–	**–**	–
Cash flow on acquisition net of cash acquired	**(93 547)**	(49 329)	**(10 201)**	–

	Note	2005 R'000	2004 R'000	2005 R'000	2004 R'000

42. (Acquisition)/disposal of subsidiaries *continued*

Disposals

2005

On 22 March 2005, African Oxygen Limited disposed of its 67,8% shareholding in Afrox Healthcare Limited for R2.3 billion, and purchased a 20.1% interest in Business Venture Investments No.790 (Pty) Ltd (Bidco), a BEE consortium led by Brimstone Investment Corporation Limited and Mvelaphanda Strategic Investments (Pty) Limited, for R375m on 23 March 2005. The associate investment in Bidco is included on the associate and investment line on the cash flow statement.

The transaction generated an after tax accounting profit of R907m.

Afrox Healthcare Limited also decreased their shareholding in certain subsidiaries and associates prior to the date of their disposal by African Oxygen Limited, and these disposals are also included in the disposal schedule below. These transactions generated an after tax accounting profit of R2m.

2004

With effect from 1 September 2004 the group sold its interest in the Jan S Marais Hospital and, with effect from 1 July 2004, the Brackenfell Sameday Surgical and Cape Anaesthetic Sameday Surgical Centres were closed.

The fair value of assets disposed/(liabilities disposed) are as follows:

	2005 R'000	2004 R'000	2005 R'000	2004 R'000
Inventories	130 549	1 368	–	–
Trade receivables	1 018 382	(1 181)	–	–
Property, plant and equipment	1 667 985	1 740	–	–
Shares in associated companies/subsidiary	162 915	–	–	–
Investments	–	–	514 247	–
Minorities	(812 097)	1 852	–	–
Intangibles	1 410	–	–	–
Interest bearing borrowings	(377 126)	–	–	–
Trade payables	(880 835)	(1 100)	–	–
Taxation	(14 552)	–	–	–
Deferred tax	104 531	–	–	–
Total sales price	1 001 162	2 679	514 247	–
Goodwill	160 462	–	–	–
Profit on disposal of interest	1 052 619	242	1 684 334	–
Cash flow on disposal	2 214 243	2 921	2 198 581	–
Analysis of consideration				
- Cash received	2 317 513	2 921	2 317 513	–
- Other payables	(103 270)	–	(118 932)	–
	2 214 243	2 921	2 198 581	–

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Subsidiaries

as at 30 September 2005

Name of company	Nature of business +	Issued share capital 2005	Effective holding 2005 %	Effective holding 2004 %	Book value of company's interest: Shares at cost 2005 R'000	Shares at cost 2004 R'000	Due (to)/by subsidiary 2005 R'000	Due (to)/by subsidiary 2004 R'000
Subsidiaries incorporated in South Africa								
Listed								
Afrox Healthcare Ltd	H	R35 586 699	–	68	–	514 247	–	(399 854)
Unlisted								
Afrox African Investments (Pty) Ltd	F	R10	100	–	10	–	648 619	–
Afrox Ltd	G	R100	100	100	–	–	(676)	(676)
Afrox Educational Services (Pty) Ltd	T	R200	100	100	13	13	(139)	(855)
Afrox Finance Ltd	F	R60 000	100	100	60	60	2 205	(99 816)
Afrox Properties (Pty) Ltd	P	R4 000	100	100	4	4	35 093	(73 562)
Afrox Safety Ltd	E	R1 000 000	100	100	–	–	23 754	37 588
Industrial Research and Development (Pty) Ltd	E	R6 000	100	100	6	6	16 347	4 793
Isas trust	G	–	100	100	67 551	67 551	(2 381)	(58 406)
Subsidiaries incorporated in Botswana								
Botswana Oxygen (Pty) Ltd	G	P200	100	100	–	–	1 186	(847)
KIDDO Investments (Pty) Ltd	G	P2	100	–	–	–	11 514	–
Subsidiary incorporated in Lesotho								
Afrox Lesotho (Pty) Ltd	G	M2	100	100	–	–	(1 963)	(4 016)
Subsidiary incorporated in Malawi								
BOC Malawi Limited	G	K4,4m	76	76	516	516	404	(5)
Subsidiary incorporated in Mauritius								
Afrox International Limited	G	US$50 000	100	100	350	350	(1 120)	308
Subsidiary incorporated in Mocambique								
BOC Gases Mocambique Limitada	G	MZM 1 100 121	100	100	1 210	1 210	3 861	4 270
Subsidiary incorporated in Namibia								
IGL (Pty) Ltd	G	N$2	100	100	137	137	(13 633)	(11 011)
Subsidiary incorporated in Swaziland								
Swazi Oxygen (Pty) Ltd	G	E8	100	100	–	–	(6 384)	(1 567)
Subsidiary incorporated in Zambia								
BOC Gases Zambia plc	G	K86,5m	70	70	4 506	4 506	–	2 562
Subtotal					74 363	588 600	716 687	(601 094)
Non-trading and other companies					21 985	21 995	12 262	16 991
Total					96 348	610 595	728 949	(584 103)

+ Nature of business:
E Engineering merchants, contractors and manufacturers;
F Finance;
G Gas and welding equipment;
H Hospitals, nursing homes and allied services;
P Property holdings;
T Training and educational services.

Associated companies **and investments**

as at 30 September 2005

Name of company	Nature of business +	Issued share capital 2005 R	Effective holding 2005 %	Effective holding 2004 %	Book value of company's interest Shares 2005 R'000	Shares 2004 R'000	Indebtedness 2005 R'000	Indebtedness 2004 R'000
Company								
Unlisted trade investments								
Lasey Ltd	G	–	–	35	–	984	–	–
Les Gaz Industriels Ltd	G	–	–	38	–	1 281	–	–
Other investments	G	–	–	–	–	1 342	–	12
Total unlisted investments					–	3 607	–	12
Group								
Unlisted trade investments								
Refer to company note above		–	–	–	–	3 607	–	12
Namgas	G	–	25	25	200	200	–	–
ER24 Holdings (Pty) Ltd	H	–	–	34	–	–	–	17 993
Other investments	H	–	–	–	–	427	–	–
Total unlisted trade investments					200	4 234	–	18 005
Unlisted associated companies								
Business Venture Investments No.790 (Pty) Ltd (Bidco)	H	1	20	–	200 446	–	123 678	–
Bloemfontein Ophthalmology Trust	H	–	–	34	–	–	–	(1 120)
Joint Medical Holdings Ltd *	H	5 471	–	33	–	18 864	–	3 736
Lez Gaz Industriels Ltd	G	RS 13,1m	38	–	1 281	–	–	–
Little Company of Mary Oncology Trust	H	–	–	41	–	872	–	(1 218)
Mafikeng Hospital (Pty) Ltd	H	8 705	–	29	–	4	–	1 752
Middelburg Hospitaal Bpk	H	100 000	–	31	–	208	–	6 510
Middelburg Privaat Hospitaal (Edms) Bpk	H	100 000	–	31	–	529	–	–
Mid–Medic Holdings Ltd *	H	9 076	–	17	–	9 098	–	78
Oculli Trust	H	–	–	34	–	–	–	283
Phodiso Healthcare Services (Pty) Ltd	H	1 000	–	22	–	1 250	–	1 977
Sandton Eye Laser Centre Partnership	H	–	–	17	–	–	–	49
Vrystaat Onkologie Trust	H	–	–	15	–	–	–	(1 212)
Wilgers Cathlab Trust	H	–	–	50	–	–	–	(3 511)
Wilgers Oncology Trusts	H	–	–	17	–	–	–	(1 213)
					201 727	30 825	123 678	6 111

* Associates with February financial year ends

+ Nature of business

G Gas and welding equipment;

H Hospitals, nursing homes and allied services.

Global reporting **initiative** (index)

for the year ended 30 September 2005

This report has been prepared using the Global Reporting Initiatives Guidelines (GRI) as a framework. The GRI is an international framework for providing comprehensive information to stakeholders on a company's economic, social and environmental performance - the triple bottom line. The initiative was founded in 1997 and is endorsed by the United Nations. Its goal is to enhance the quality, rigour and utility of sustainability reporting.
A cross-reference index for the GRI framework is set out hereunder.

GENERAL PERFORMANCE INDICATORS				Page numbers
1.1	Vision, mission purpose and strategy	✔	Well defined.	6-9
1.2	Statement from the CEO describing key elements of the report	✔	Covered in Managing Director's review.	18-23
2.1	Name of reporting organisation	✔	African Oxygen Limited.	
2.2	Major products and/or services	✔	Manufacture & supply of industrial, medical and special gases; cutting and welding equipment and consumables; safety products and personal protective equipment.	7
2.3	Operational structure of organisation	✔	In line with parent company, The BOC Group, Afrox has two lines of business Industrial & Special Products and Process Gas Solutions, and has a 20% interest in healthcare, mainly private hospitals. The corporate operations include finance and administration, internal audit, legal, business assurance, company administration, IT, communication, etc.	24
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures	✔	Full reporting of the operations of the organisation's major business units.	25-39, 158,159
2.5	Countries in which operations are located	✔	In South Africa and in 15 African countries - Angola, Botswana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, DRC, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe.	35-37
2.6	Nature of ownership - legal form	✔	Afrox is a public company listed on the JSE with 7 906 shareholders.	158, 159
2.7	Nature of markets served	✔	Covered in ISP & PGS reviews.	25-39
2.8	Scale of reporting organisation	✔		158, 159
2.9	List of stakeholders	✔	Shareholders & providers of capital, customers, employees, suppliers, and the community.	
2.10	Contact information	✔	Corporate.communication@afrox.boc.com Phone 27 11 490 0712 African Oxygen Limited, 23 Webber Street, Selby, Johannesburg.	
2.11	Reporting period	✔	Financial year ended 30 September 2005.	
2.12	Date of most recent previous report	✔	Annual report published in November 2004, interim report May 2005	
2.13	Boundaries/scope of report	✔	Report covers activities of Afrox in sub-Saharan Africa.	
2.14	Significant changes in size, structure, ownership since previous report	✔	R3,1bn sale of Afrox Healthcare to BEE consortium with a consequent reduction of 13 392 employees.	
2.15	Basis for reporting joint ventures, subsidiaries etc	✔	Comprehensively disclosed in the business review - GRI principles applied throughout.	25-39
2.16	Explanation regarding the restatement of information	✔	No significant restatements in this annual report compared with the 2004 annual report except as disclosed on note 1 on page 110. The restatements were made in accordance with the transition towards International Financial Reporting Statements.	110, 117, 118
2.17	Decisions not to apply GRI principles	✔	GRI principles applied.	
2.18	Criteria/definitions used in accounting statements.	✔	Accounting definitions outlined in annual financial statements.	
2.19	Significant changes in measurement	✔	No significant changes in the measurement methods used in the report.	
2.20/ 2.21	Internal & external practices to provide assurance about accuracy and reliability of the sustainability and full report	✔	Strong administration systems ensure the reliability of information. The company's auditors and an independent non-executive director review the annual report. Non-financial information is reviewed by external auditors eg ISO 14001 or ISO 9002 compliance.	71, 72
2.22	Additional information and reports on sustainability	✔	Contact Corporate.communication@afrox.boc.com Phone 27 11 490 0712 or view www.afrox.com	
3.1	Governance structure of the organisation	✔	Afrox is listed on the JSE and complies with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance in South Africa published in March 2002. In addition the company is in the process of becoming Sarbanes-Oxley compliant. Disclosure from 3.2 - 3.6 is contained in the Corporate Governance section of this report.	77-90
3.2	Percentage of the board of directors that are independent, non-executive directors	✔		
3.3	Board member expertise	✔		
3.4	Board level processes	✔		
3.5	Linkage between executive compensation and the achievement of objectives	✔		
3.6	Organisational structure & key responsibilities	✔		

Global reporting **initiative**

for the year ended 30 September 2005

GENERAL PERFORMANCE INDICATORS				Page numbers
3.7	Mission and values statement and code of conduct	✔	Afrox has a well defined mission and values statement, as well as its own code of conduct by which all employees must abide.	6, 78, 79
3.8	Mechanisms for shareholders to provide recommendations	✔	Formal presentations to investment community, direct communication with stakeholders and through electronic communication and media releases.	90,91
3.9	Basis for identification of major stakeholders	✔	Major stakeholders are those who are critical to the success of our performance - eg. investors, customers, employees, suppliers and communities.	
3.10	Stakeholder consultation	✔	We use several media to communicate with stakeholders.	90, 91
3.11	Stakeholder consultation information	✔	Interim & annual reports, regular presentations, meetings and interviews.	90, 91
3.12	Use of stakeholder consultation information	✔	Stakeholder consultation information is acted upon where deemed necessary.	90, 91
3.13	Precautionary approach	✔	See approach to risk management.	44-46, 84-86
3.14	Economic, environmental and social charters	✔	Afrox endorses several global charters:	70, 71
			• Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance in SA	78
			• Global Reporting Initiative's Sustainability Reporting	57
			• Through The BOC Group, the UN Global Compact	70
			• Many of our business units are ISO certificated.	71
3.15	Industry and business association memberships	✔	LP Gas Association, National Business Initiatives, South African Foundation, Free Market Foundation of SA, World Wildlife Fund, Endangered Wildlife Trust.	
3.16	Policies/systems for managing upstream and downstream impacts	✔	A number of initiatives are in place to ensure responsible stewardship of our products. We use our own analytical services and that of The BOC Group to guarantee quality of product. We offer product training for employees and consumers. A preferential procurement policy and supply chain management initiative are in place.	63, 69, 70, 72, 73
3.17	Managing indirect economic, environmental and social impacts	✔	Our procurement and environmental policies require suppliers to conform to performance and environmental criteria.	62-65, 70
3.18	Decisions regarding location and change in operations	✔	Our business evolves to meet market opportunities.	25-39
3.19	Procedures for managing and measuring economic, environmental and social performance	✔	Comprehensively covered throughout the whole report.	41-46, 63-65, 67-75
3.20	Certification status regarding economic, environmental and social management systems	✔	Most sites are ISO accredited and we are working towards general ISO 14001 certification. Afrox is changing to IFRS (international financial reporting standards) of accounting, and was selected for the Socially Responsible Investment (SRI) index on the JSE.	3, 8, 9, 16, 46, 70, 71

ECONOMIC PERFORMANCE INDICATORS				Page numbers
EC1	Net sales	✔	Value added statement provides an overview of the direct economic impact of the company in 2005 and refers to customers, suppliers, employees, providers of capital and public sector.	47
EC2	Geographic breakdown of markets	✔	Afrox operates in South Africa and 15 African countries.	35
EC3	Cost of goods, materials and services purchased	✔	See value added statement.	47
EC4	Percentage of contracts paid in accordance with agreed terms	▲	Not assessed.	
EC5	Payroll and benefits (inc wages, pensions, other benefits & redundancies)	✔	Afrox paid 98 % of its salaries, wages and other benefits in 2005 in South Africa. The substantial decrease from 2004 is due to the partial disposal of Afrox Healthcare Limited, which is now reported as an associate company.	
EC6	Distributions to providers of capital	✔	See value added statement.	47
EC7	Increase/decrease in retained earnings	✔	See value added statement.	47
EC8	Taxes paid	✔	Afrox paid 95 % of its taxes within South Africa, with the balance paid throughout the rest of Africa.	
EC9	Subsidies received	▲	Not assessed.	
EC10	Donations	✔	The donation policy states that annual donations shall not exceed 1% of the previous year's attributable earnings. In 2005 R4,5 million was donated to the community, and other groups. The company offers external and internal bursaries and provides for a welding school.	65
EC11	Suppliers	✔	No supplier represented 10% or more of total purchases.	
EC12	Total spend on non-core business infrastructure development	✔	No investments were made in any infrastructure outside our main business activities.	
EC13	Indirect economic impacts	▲	Not assessed.	

Global reporting **initiative**

for the year ended 30 September 2005

ENVIRONMENTAL PERFORMANCE INDICATORS				Page numbers
EN1	Total material use other than water	✔	See table of materials used.	74
EN2	Wastes used	✔	Afrox uses, processes and sells carbon dioxide that is obtained as a by-product from chemical processes such as refineries, hydrogen reformers (e.g. ammonia plants) and fermentation processes (ethanol plants). The gas is refined to conform to beverage grade carbon dioxide standards. 93 342 tons of carbon dioxide is processed p.a.	73
EN3	Direct energy used	✔	Our primary source of energy is electricity and we purchase 2.1 x 106 Giga Joules annually. Other sources include gas, diesel and petrol.	
EN4	Indirect energy used	✔	Afrox purchases LPG from the petrochemical industry and packages the gas as bulk or in cylinders. LPG is then distributed and sold for industrial or domestic applications. Energy used for delivery of LPG is not evaluated.	
EN5	Total water used	✔	In 2005, 6 404 435 kilolitres of water were used for manufacturing purposes.	
EN6	Land owned, leased or managed in biodiversity rich habitats	✔	Our operations are located in industrial areas and have minimal effects on protected areas, fresh water or marine environments.	72
EN7	Impacts on biodiversity	✔	Our operations do not impact on biodiversity rich habitats. No incidents have led to negative impacts on the environment. Environmental impact assessments are done before new projects are commissioned. No negative impacts associated with our activities/products have been identified.	72
EN8	Greenhouse gas emissions	✔	The main constituent of greenhouse gas emissions is carbon dioxide (CO2) primarily due to the Eskom's electricity. Other greenhouse gas emissions are the result of processes. 93 tons of N_2O were emitted due to residual gas cylinder venting (medical cylinders). 1 849 tons carbon dioxide (CO2) were emitted due to blow off at our carbon dioxide plants and losses during dry ice production.	
EN9	Use and emissions of ozone depleting substances	✔	We minimise product risk by the responsible care of our products throughout their life cycle. CFC usage has been reduced over recent years. Afrox complies with environmental legislation and replaces CFC's with interim replacement refrigerants (HCFC's) and with hydrofluoro-carbons (HFC's), which contain no chlorine and have zero ozone depletion potential.	69, 70
EN10	Nox, Sox and other significant air emissions	▲	These emissions have not been evaluated.	
EN11	Total amount of waste by type and destination	✔	Waste management programmes have been implemented and, improved storage facilities, more effective waste separation, recycling and disposal procedures are in place.	73
EN12	Discharges to water by type	✔	Process effluents are monitored by plants and discharged to municipal sewer systems via permits from local authorities. No industrial effluent is discharged to water resources.	75
EN13	Spills of chemicals, oils and fuels	✔	No major spills were reported.	
EN14	Environmental impacts of products and services	✔	Atmospheric gases from our air separation units have a minimal impact on the environment. Air separation units use water, energy and oil. We have improved energy efficiency of these units through equipment design, maintenance and efficient operating practices.	72
EN15	Percentage of product weight reclaimable	▲	Not assessed.	
EN16	Fines for non-compliance	✔	No fines were levied for non-compliance with environmental issues.	
EN17	Initiatives to use renewable energy sources or increase energy efficiency	✔	Our primary source of energy is electricity and we purchase 2.1 x 106 Giga Joules annually. Other sources of energy include gas, diesel and petrol. No initiatives to use renewable energy resources.	
EN18	Energy consumption of major products	✔		
EN19	Other indirect energy use	✔	Afrox purchases LPG from the petrochemical industry and packages the gas for distribution and sale for industrial or domestic applications. The energy used for the delivery of LPG is not currently evaluated.	
EN20	Water sources and related ecosystems/ habitats affected by water	✔	6 404 435 kilolitres of water p.a. are used for manufacturing and office purposes. Water is obtained from municipal or regional utilities. Water sources and related ecosystems are not affected nor is any ground or surface water withdrawn. Secondary flow meters monitor water consumption of processes like dissolved acetylene production and the hydrostatic testing of cylinders.	75
EN21	Ground and surface water withdrawals	✔	None withdrawn - see EN 20.	
EN22	Recycling and use of water	✔	Some Acetylene plants re-circulate the water used in the generator after separation from the lime (carbide sludge). Cooling water in air separation units is recycled.	75
EN23	Land owned, leased or managed	✔	Land used for production is approx 2301329 sq metres and leased property is 90 072 sq metres.	
EN24	Impermeable surface land owned	▲	Not assessed.	

Global reporting **initiative**

for the year ended 30 September 2005

ENVIRONMENTAL PERFORMANCE INDICATORS				Page numbers
EN25	Impact on protected or sensitive areas	✔	No negative impacts associated with our activities/products have been identified.	
EN26	Changes to natural habitats & percentage protected/restored	▲	Not assessed.	
EN27	Restoring ecosystems	▲	Not assessed.	
EN28	IUCN red list species in operating areas	▲	Not assessed.	
EN29	Operations in protected or sensitive areas	✔	Our business units are primarily located in industrial areas.	
EN30	Indirect greenhouse gas emissions	✔	Refer to EN 9 and EN 8	
EN31	Hazardous waste	✔	Refer to EN 11	73
EN32	Water sources affected by discharges	✔	Production sites are in industrial areas and have a low risk impact on ground waters below the sites and no effect on protected areas, fresh water or marine environments.	75
EN33	Supplier performance re environment	✔	Environmental performance of suppliers is evaluated when contracts are negotiated using a Supplier Evaluation Selection and Performance Appraisal (SESPA) process. SESPA is the BOC Group standard worldwide for supplier selection, and includes safety and environmental performance.	62
EN34	Environmental impacts of transportation used	✔	Our transport fleet is serviced regularly to ensure limited emissions, noise and economic fuel consumption. Approx 19 590 kilolitres of diesel were used. Fuel is supplied by Caltex and stored in Caltex underground storage tanks on some of our premises. Tyres and batteries are returned to the manufacturers for recycling.	72
EN35	Environmental expenditures	✔	R1 431 906 was spent on environmental improvement projects.	75

SOCIAL PERFORMANCE INDICATORS: Labour Relations				Page numbers
LA1	Breakdown of workforce by status	✔		59
LA2	Employment creation	✔		58-61
LA3	Trade union representation	✔	Approximately 20% of employees are represented by registered trade unions	51, 52
LA4	Policy and procedures involving information, consultation and negotiation with employees regarding company restructuring	✔	Afrox subscribes to the Labour Relations Act in respect of all restructuring exercises that require consultation. We use Consultative Forums (representing non-unionised employees).	51, 52, 58, 59, 68
LA5	Recording & notification of occupational accidents/diseases	✔	All occupational injuries are reported monthly to the industrial executive committee and quarterly to BOC. Claims to the Compensation Commissioner (Dept of Labour) and to the European Industrial Gas Association are recorded.	53
LA6	Formal health & safety committees	✔	Every unit has a health & safety committee, complying with the Occupational Health & Safety Act (85 of 1993). Adherence to the health & safety committee programme is measured as a leading indicator. Statistics are reported monthly to the industrial executive committee and quarterly to BOC.	53
LA7	Injury, lost day & absentee rates, work-related	✔	Lost workday case rates and total recordable case rates are reported monthly to the industrial executive committee and quarterly to BOC. Actual performance against set targets is monitored each month. Occupational healthcare clinics at Afrox's major production sites record absenteeism.	67
LA8	HIV/Aids policies and programmes	✔	Our HIV/Aids programme offers prevention, treatment and care backed by the Employee Support Programme for employees and their families.	52-53
LA9	Average hours of training per annum	✔	Approx 160 hours per annum per employee.	59-61
LA10	Equal opportunities and monitoring systems	✔	We have an employment equity policy and management of diversity policy. Afrox champions equal opportunities. Equity plans for each business unit are signed off by the unions/consultative forums. HR reports monthly on levels achieved against the plan. Remedial action is implemented where there are major discrepancies.	58, 59
LA11	Composition of senior management and corporate governance bodies	✔	Several senior management/corporate governance bodies are in place, e.g remuneration committee, competency steering committee. See also Corporate Governance which provides details on governance structures.	80, 83, 86-90
LA12	Employee benefits beyond those legally mandated	✔	Clinics, canteens, HIV/Aids guidance, wellness and employee support programme, paid maternity leave and disability grants, bursaries, education loans etc are some of the benefits offered.	49-53
LA13	Provision for formal worker representation in decision making	✔	Workers elect colleagues to represent them in the consultative forums, which meet regularly with executive management to debate issues.	51
LA14	Compliance with ILO guidelines for occupational health	✔	Afrox is fully compliant with ILO conventions.	53
LA15	Agreements with trade unions covering health and safety at work	✔	Our industry level collective agreement covers safety and health issues at work.	
LA16	Programmes to support continued employability and to manage career endings	✔	See Employee Review and Skills Development.	50-53, 58-61

Global reporting **initiative**

for the year ended 30 September 2005

SOCIAL PERFORMANCE INDICATORS: Labour Relations				Page numbers
LA17	Programmes for skills management	✔	Afrox manages the development of functional skills through the Licence to Work approach, ensuring that employees are competent in their job. Learning needs analyses are achieved through the development of competency profiles for specific jobs. Management development programmes, a graduate development scheme, national learnerships and life skills training are in place.	49, 52, 59, 60

SOCIAL PERFORMANCE INDICATORS: Human Rights				Page numbers
HR1	Policies, procedures etc on human rights	✔	Afrox abides by the South African Constitution and the Bill of Rights.	57, 58
HR2	Human rights impact on investment	✔	Afrox conducts itself in a manner that is consistent with the Bill of Rights of the Republic of South Africa in all aspects of investment.	
HR3	Human rights within supply chain and monitoring systems	✔	The company observes the Bill of Rights in dealings with customers and suppliers and has a Code of Conduct that endorses ethical conduct in customer and supplier relations.	62
HR4	Policies preventing discrimination	✔	The company's Code of Conduct and the Disciplinary Code and Procedure prohibit any form of unfair discrimination. We abide by the relevant anti-discrimination sections within the South African Constitution, the Promotion of Equality & Prevention of Unfair Discrimination Act and the Employment Equity Act.	16, 49, 57, 58, 59
HR5	Freedom of association policy	✔	The company will not violate the right to freedom of association nor will it compel its employees to join any trade union.	51
HR6	Child labour	✔	Afrox complies with Section 43 of the Basic Conditions of Employment Act 75 (BCEA) that prohibits the employment of children under the age of 15 years.	
HR7	Forced and compulsory labour	✔	Fully compliant with Section 48 of the BCEA that prohibits forced and compulsory labour.	
HR8	Employee training in human rights relevant to operations	✔	Afrox undertakes training on employment law and employee relations. Key human rights issues and unfair discrimination are covered in this programme.	
HR9	Appeal practices	✔	The Afrox Disciplinary Code and Procedure contains provision for an appeal mechanism. This is available to all employees who face disciplinary action.	78, 79
HR10	Non-retaliation	✔	The Code of Conduct, Disciplinary Code and the Grievance Procedure all prohibit any form of victimisation by management. Managers who victimise employees, face disciplinary action.	16, 78, 79
HR11	Human rights training for security personnel	✔	Although security is outsourced to an external company, Afrox ensures that security employees receive proper training, fair labour practices and there is full compliance with labour legislation.	
HR12	Needs of indigenous people jointly managed	✔	Afrox takes a firm approach against racial, cultural, ethnic, language and religious discrimination. Diversity training programmes sensitise employees to respect and appreciate the needs of previously disadvantaged people.	58
HR13	Jointly managed community grievance mechanisms	✔	Afrox has an internal alternate dispute resolution mechanism that encourages and requires a participative and joint approach towards problem solving. Consultative forums are working well at various levels of the organisation.	
HR14	Share of operating revenues redistributed to local communities	✔	See Corporate Social Investment.	63-65

SOCIAL PERFORMANCE INDICATORS: Society				Page numbers
SO1	Managing community impacts	✔	Our community involvement project is a sustainable and ongoing relationship with 71 childcare institutions providing care and support to some 8 000 disadvantaged children.	63-65
SO2	Policies to manage bribery and corruption	✔	The Code of Conduct and Disciplinary Code record the actions to be taken against bribery and corruption. A contract with Expolink manages whistleblowing, and employee concerns of perceived corruption are routed to The BOC Group's global compliance department.	16, 78, 79
SO3	Policies to manage political lobbying and contributions	✔	Afrox is apolitical - we do not lobby or contribute to any political party. This is set out in our Code of Conduct.	65, 78, 79
SO4	Awards received for social, ethical & environmental performance	✔	See Recognition in this annual report.	9, 71
SO5	Donations to political parties	✔	As set out in our Code of Conduct, Afrox does not fund any political parties.	78, 79
SO6	Court decisions regarding anti-trust and monopoly regulations	✔	Afrox has not breached any anti-trust or monopoly regulations.	
SO7	Procedures for preventing anti-competitive behaviour	✔	Afrox abides by the rules as laid down by the Competition Commission and the rulings of the Competition Tribunal.	

Global reporting **initiative**

for the year ended 30 September 2005

SOCIAL PERFORMANCE INDICATORS: Product Responsibility				Page numbers
PR1	Customer health and safety during use of products/services	✔	Afrox gases are packaged in containers that meet the requirements of the Occupational Health & Safety Act, Vessels Under Pressure Regulations and the incorporated Health & Safety Standards.	66-70
PR2	Product information and labelling	✔	The packages are filled and labeled to conform to the requirements of the Trade Metrology Act in respect of product contents. Customers are assured of receiving safe gas packages, correctly filled, with labeling that provides information related to both safety and product contents.	69, 70
PR3	Consumer privacy	▲	Not assessed.	
PR4	Non-compliance concerning product information and labelling	✔	No reports of non-compliance during the financial year.	69, 70
PR5	Complaints upheld regarding the health and safety of products	✔	There were no complaints during the financial year.	69, 70
PR6	Voluntary code compliance or award regarding social and/or environmental responsibility	✔	Afrox was selected by the JSE as one of 49 companies to make up the Socially Responsible Investment (SRI) index.	8, 9, 64
PR7	Non-compliance regarding product information and labelling	✔	No instances were recorded.	
PR8	Policies relating to customer satisfaction	✔	The CustomerFirst initiative is part of our daily outreach to both external and internal customers. Customer satisfaction surveys are conducted regularly.	10, 22, 28
PR9	Adherence to standards related to advertising	✔	Content is evaluated internally and externally to ensure that there is no breach of industrial self-regulation or of relevant legislation.	
PR10	Breaches of advertising and marketing regulations	✔		
PR11	Complaints regarding breaches of consumer privacy	✔	No complaints during the financial year.	

Notice to **shareholders**

for the year ended 30 September 2005

Notice is hereby given that the 78th annual general meeting of African Oxygen Limited will be held on Tuesday 28 February 2006 at 09h00 in the boardroom at Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa for the following purposes:

1. **Ordinary resolution number 1 : The adoption of the annual financial statements**
   To receive and adopt the annual financial statements for the year ended 30 September 2005.

2. **Ordinary resolution number 2 : Confirmation of the directors' remuneration**
   To confirm the directors' remuneration for the year ended 30 September 2005.

3. **Ordinary resolution number 3 : Re-election of directors**
   To ratify and re-elect the following directors in terms of the company's articles of association:

   3.1 Mr Louis van Niekerk
   3.2 Mr Kent Masters
   3.3 Mr Jim Ford
   3.4 Mr James Cullens
   3.5 Mr Alan Ferguson

   Abbreviated curriculum vitae pertaining to each new director is contained on pages 4 and 5 of the annual report of which this notice forms part.

4. **Ordinary resolution number 4.1: To increase the independent non-executive fees**

   4.1 To increase the fees of the independent non-executive directors of the company with effect from 1 January 2006 as follows: retainer fee from R50 000 to R54 000 and fee per meeting from R7 500 to R8 100.

   4.2 To increase the fees payable to the independent non-executive directors serving on various committees of the board, with effect from 1 January 2006 as follows:

   Audit Committee
   Member's fee from R15 000 to R16 200 per meeting.

   Governance and Nominations Committee
   Member's fee from R7 500 to R8 100 per meeting.
   Chairman's fee from R15 000 to R16 200 per meeting.

   Management Resources Committee
   Member's fee from R7 500 to R8 100 per meeting
   Chairman's fee from R15 000 to R16 200 per meeting

   Two committee meetings are usually scheduled per annum.

5. **Ordinary resolution number 5: Re-appointment of auditors**
   "RESOLVED to re-appoint PricewaterhouseCoopers Inc. as independent auditors of the company for the ensuring year and to authorise the directors to determine the remuneration of the auditors for the past year's audit."

6. **Ordinary resolution number 6: The renewal of the authority that all the unissued shares be placed under the control of the directors**
   "RESOLVED THAT the entire authorised, but unissued share capital of the company from time to time, be and is hereby placed under the control of the directors of the company until the next annual general meeting, as a general authority in terms of section 221 and 222 of the Companies Act 61, 1973 ('the Act'), as amended, subject to the provisions of the Act and the Listings Requirements of the JSE Limited ('JSE'), for allotment and issue to such persons as the directors in their discretion deem fit."

7. **Ordinary resolution number 7: General authority to issue shares for cash**
   "RESOLVED THAT, pursuant to the articles of association of the company and subject to the Act, and the Listings Requirements of the JSE, the directors of the company be and are hereby authorised, by way of a general authority to allot and issue ordinary shares for cash, on the following basis:

- this authority shall not extend beyond the later of the date of the next annual general meeting of the company or the date of the expiry of 15 months from the date of the annual general meeting;
- a press announcement giving full details, including the impact on the net asset value, earnings per share and headline earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, five percent or more of the number of shares in issue prior to the issue;
- issues in the aggregate in any one financial year may not exceed 15 percent of the number of the shares in the company's issued share capital;
- the maximum discount at which ordinary shares may be issued is 10 percent of the weighted average traded price of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company; and
- any such issue will only be made to "public shareholders" as defined by the Listings Requirements of the JSE, and not to related parties."

In terms of the Listings Requirements of the JSE, a 75 percent majority is required of votes cast by shareholders present or represented by proxy at the annual general meeting at which this ordinary resolution is to be considered.

8. Special resolution 1 : General authority to repurchase shares

"RESOLVED, AS A SPECIAL RESOLUTION, THAT, subject to the provisions of the Act, and the Listings Requirements of the JSE, the company and/or any of its subsidiary companies, be and are hereby authorised, by way of a general authority, to acquire ordinary shares in its issued share capital, and/or acquire shares in its holding company, subject to the following limitations:

- that the repurchase of shares be effected through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counter party;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of this special resolution;
- the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders' spread requirements as laid down by the JSE;
- acquisitions of ordinary shares shall not in the aggregate in any one financial year exceed 20 percent of the company's issued capital; and
- the repurchases are not made at a price greater than 10 percent above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected."

REASONS FOR AND EFFECTS OF SPECIAL RESOLUTION 1

The reason for this special resolution is to authorise the company, and/or any of its subsidiary companies, by way of general approval, to acquire its own issued shares, and/or shares in its holding company, on terms and conditions and in amounts to be determined from time to time by the directors of the company, subject to certain statutory provisions and the Listings Requirements of the JSE.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

9. Ordinary resolution number 8 : Authorisation to sign documents giving effect to resolutions

"RESOLVED THAT any one director or the secretary of the company be and they are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the annual general meeting at which these ordinary and special resolutions will be considered."

DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

In terms of the Listings Requirements of the JSE, the following disclosures are required when requiring shareholders approval to:

- authorise the company, or any of its subsidiaries, to repurchase any of its shares or the shares in its holding company's shares (as set out in the special resolution 1 above); and
- the general authority to issue shares for cash (as set out in ordinary resolution number 8):

Notice to **shareholders**

for the year ended 30 September 2005

Working capital statement

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and the maximum general payments to shareholders, for a period of 12 months after the date of this notice of annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital resources of the company and the group will be adequate for ordinary business purposes.

Barnard Jacobs Mellet Corporate Finance (Pty) Limited, as the company's appointed JSE sponsor, will provide the necessary working capital statement as required in terms of paragraph 2.12 prior to the commencement of any purchase of the company's shares on the open market.

Litigation statement

Other than disclosed or accounted for in this annual report, the directors of the company, whose names are given on pages 4 and 5 of this annual report, are not aware of any legal or arbitration proceedings pending or threatened against the group, which may have or have had, in the 12 months preceding the date of this notice of annual general meeting, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 4 and 5 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out in accordance with the reference pages in the annual report of which this notice forms part:

Directors (refer to pages 4 and 5)
Major shareholders of the company (refer to page 94)
Directors' interests in the company's shares (refer to page 153)
Share capital (refer to page 101).

Any member entitled to attend and vote at the meeting may appoint a proxy to attend, speak, and on a poll, vote in his/her stead. A proxy need not be a member of the company. The proxy form must be lodged with the company's transfer secretaries at least forty-eight hours before the start of the meeting.

By order of the board

ME Sanz
Company Secretary
Johannesburg,
3 November 2005

Shareholders' **diary**

Salient dates

Financial year end	30 September 2005
Annual general meeting	28 February 2006

Reports	**Published**
Interim for half year to March 2005	4 May 2005
Final announcement of 2005 audited annual results	3 November 2005
Annual financial statements of 2005	First fortnight in December 2005

Dividends	**Declared**	**Paid**
Final 2005	November 2005	January 2006
Interim 2006	April 2006	July 2006

Administration

Registered office and business address
Afrox House, 23 Webber Street, Selby,
Johannesburg, 2001 South Africa
Tel + 27 (0) 11 490-0400
Fax + 27 (0) 11 493-1580

Postal address
P O Box 5404, Johannesburg, 2000
African Oxygen Limited
Reg. No. 1927/000089/06
ISIN: ZAE000067120

Auditors
PricewaterhouseCoopers Inc.

Company secretary
ME Sanz B Comm LLB HDip Tax

Transfer secretaries
Computershare Investor Services 2004 (Pty) Ltd
70 Marshall Street
Johannesburg, 2001
PO Box 61051, Marshalltown 2107
Tel + 27 (0) 11 370-5000
Fax + 27 (0) 11 370-5271/2

Sponsor
South Africa
Barnard Jacobs Mellet Corporate Finance (Pty) Ltd

Sponsoring broker
Namibia
Namibia Equity Brokers (Pty) Ltd

Website: www.afrox.com

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

AFRICAN OXYGEN LIMITED

(Registration No. 1927/000089/06) ISIN : ZAE000067120

(Incorporated in the Republic of South Africa)

('the company')

This proxy form is to be completed only by those shareowners who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in dematerialised electronic form in the sub-register.

This proxy form must be completed and delivered to the transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) not less than 48 hours before the time of the meeting.

I/We

Of

Being a member of the company hereby appoint:

1. of or failing him/her;
2. of or failing him/her;
3. of or failing him/her;

The chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on Tuesday 28 February 2006 at 09h00 at Afrox House, 23 Webber Street, Selby Johannesburg 2001, and at any adjournment thereof.

	VOTING INSTRUCTIONS	In favour of	Against	Abstain
1.	Ordinary resolution number 1 to adopt the annual financial statements for the year ended 30 September 2005.			
2.	Ordinary resolution number 2 to confirm the directors' remuneration for the year ended 30 September 2005.			
3.	Ordinary resolution number 3 to ratify and re-elect the directors namely:			
	3.1 Mr Louis van Niekerk			
	3.2 Mr Kent Masters			
	3.3 Mr Jim Ford			
	3.4 Mr James Cullens			
	3.5 Mr Alan Ferguson			
4.	4.1 Ordinary resolution number 4.1 to approve the increase of the independent non-executive directors' fees with effect from 1 January 2006.			
	4.2 Ordinary resolution number 4.2 to approve the increase of fees payable to the independent non-executive directors serving on various committees of the board, with effect from 1 January 2006.			
5.	Ordinary resolution number 5 to re-appoint PricewaterhouseCoopers Inc. and to authorise the directors to determine the remuneration of the auditors for the past year's audit.			
6.	Ordinary resolution number 6 to place the unissued share capital under the control of the directors.			
7.	Ordinary resolution number 7 to authorise the directors of the company under general authority to issue any/or all of the authorised but unissued shares in the capital of the company for cash as they in their discretion deem fit.			
8.	Special resolution number 1 to grant a general authority to the company to repurchase its own shares and to purchase shares in the company's holding company.			
9.	Ordinary resolution number 8 to authorise any one director or the secretary to sign all documents and take all such actions to implement the resolutions set out in the notice.			

(Indicate instruction to proxy by way of a cross in space provided.)
Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed the day of 2005/2006

Signature

Notes:

1. This proxy form is to be completed only by those shareowners who either still hold shares in a certificated form, or whose shares are recorded in their 'own name' in dematerialised electronic form in the sub-register.
2. A member entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend, speak and vote in his/her stead. A proxy need not also be a member of the company.
3. If this proxy is signed under power of attorney, such power of attorney, unless previously registered by the company, must accompany it.
4. When there are joint registered holders of any shares, any one of such persons may vote at any meeting in respect of such shares as if he/she were solely entitled thereto, but, if more than one such joint holder be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrator of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
5. On a poll a shareowner is entitled to one vote for each share held.
6. Forms of proxy must be lodged at, posted to or faxed to (+27 11 370 5390), Computershare Investor Services 2004 (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by not later than 09h00 on Friday 24 February 2006.
7. A shareowner may insert the name of a proxy or the names of two alternative proxies of the shareowner's choice in the space/s provided, with or without deleting the words 'the chairman of the annual general meeting'. Any such deletions must be individually initialled by the shareowner, failing which they will be invalid.

   The person present at the annual general meeting whose name appears first on the proxy form and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
8. Any alterations or corrections to this proxy form have to be initialled by the relevant signatory(ies).
9. Each shareowner is entitled to appoint one or more proxies (who need not be a shareowner(s) of the company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareowner at the annual general meeting.
10. Voting instructions for each of the resolutions must be completed by filling in the number of votes (one per ordinary share) under the 'In favour of', 'Against' or 'Abstain' headings on the proxy form. If no instructions are filled in on the proxy form, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
11. A shareowner or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareowner. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareowner.
12. Documentary evidence establishing the authority of a person signing this form must be attached to this proxy form unless previously recorded by the transfer secretaries of the company or waived by the chairman of the annual general meeting.
13. Shareowners whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant ('CSDP') or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareowner and the CSDP or the broker.
14. Uncertificated shareowners other than those with 'own name' registration who wish to attend and vote at the meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 09h00 on Friday 24 February 2006.
15. The completion and lodging of this proxy form does not preclude the relevant shareowner from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareowner.
16. The chairman of the annual general meeting may accept or reject any proxy form which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareowner wishes to vote.