HEALTHY

African Oxygen Limited

Integrated Report

2015

AFROX

A Member of The Linde Group

Contents

About this report

At Afrox, we are accountable for our actions and strive to be transparent in all decisions and activities that may impact the environment and society in general.

This integrated report presents the financial and non-financial performance of African Oxygen Limited (Afrox) for the financial year ended 31 December 2015. This report is intended for providers of financial capital and other key stakeholders, including employees, government, industry regulators, current and prospective customers.

In this report, 'Afrox', 'Company', 'the Group', 'us', 'our' or 'we' refer to African Oxygen Limited and/or its management.

Reporting approach

Afrox's 2015 integrated report is based on material matters. These are matters that substantively influence Afrox's ability to create value and guide the format and presentation of the information it contains. *Refer to page 19* for detailed information on Afrox's material matters.

Afrox adapted the reporting of performance elements, focusing on the areas of operation (segments) instead of the strategic pillars as in the previous report. This year's report structure allows for specific, relevant performance reporting, which improves comparability, is more practical, and maintains connectivity to the business's strategic core.

Guidelines used

The information provided in this integrated report is based on local and international requirements and frameworks. These include the:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework;
- King Report on Governance for South Africa 2009 (King III);
- International Financial Reporting Standards (IFRS);
- The Companies Act of South Africa, 71 of 2008, as amended (Companies Act);
- JSE Listings Requirements; and
- The Global Reporting Initiative (GRI) G3 sustainability reporting guidelines.

Scope and boundary

This report covers the performance of Afrox and its consolidated entities for the year 1 January 2015 to 31 December 2015. The report encompasses our operations in South Africa and the rest of sub-Saharan Africa, including information on our subsidiaries. The detail of our subsidiaries and associates can be found in notes 39 and 40 to the Group annual financial statements. Where external stakeholders substantially influence Afrox's business, their real and potential impacts are discussed.

There have been no significant changes to the size, structure or ownership of Afrox since the release of the 2014 integrated report. However, the restructuring programme initiated in 2014 resulted in some changes that had an impact on Afrox's business operations. These are referenced and discussed where appropriate. The restructuring programme is also referred to as the turnaround plan or Project SWIFT.

There have been no restatements to comparatives unless stated in the relevant section. Afrox has adopted new segmental reporting calculations; *refer to the segmental report in the Group annual financial statements*.

Navigational icon

The following icon indicates further information available online at www.afrox.co.za.

Reporting suite

This integrated report is our primary vehicle of communication on our prospects and performance. It includes summarised audited financial statements, derived from the audited consolidated financial statements for the year ended 31 December 2015. The following information is supplementary to our integrated report, and is available online:

Reports and supplementary documents	Purpose and basis of preparation	Assurance over content	Online reference
Group annual financial statements and annual financial statements for the year ended 31 December 2015	Full financial statements in accordance with IFRS and the requirements of the Companies Act.	• Internal controls • Internal audit • Management and governance oversight • External audit opinion	www.afrox.co.za/en/investor_relations
GRI G3 index	This includes detailed responses to complied areas of the G3 reporting criteria and identifies where relevant information is disclosed in the integrated report and supplementary reports.	• Management and governance oversight	www.afrox.co.za/en/investor_relations
King III checklist	Afrox has disclosed its compliance and application of the King III principles as required.	• Internal controls • Management and governance oversight	www.afrox.co.za/en/investor_relations
Award and certification report	A report listing the various certifications and accreditations and the Afrox sites to which they pertain.	• Internal controls • Management and governance oversight • External assurance providers	www.afrox.co.za/en/investor_relations
Supplementary reports	Providing additional information regarding safety, health, environment and quality (SHEQ) as well as corporate social responsibility (CSR), sustainability and ethics.	• Internal controls • Management and governance oversight	www.afrox.co.za/en/investor_relations

Board responsibility

The Board and its sub-committees are ultimately responsible for overseeing the integrity and completeness of this integrated report. The Board applied its collective mind to the preparation and presentation of this report and appropriately considered the accuracy and completeness of the material matters herein, as well as the reliability of all data and information presented. The Board believes that it has sufficiently considered and materially presented these according to the IIRC <IR> Framework. On 26 February 2016, the Board approved the 2015 integrated report.

Schalk Venter
Managing Director

Dorian Devers
Financial Director

Assurance

We used a combined assurance model to ensure the integrity of our integrated report. The model employs a combination of assurance obtained from management, internal audit and external assurance providers.

The combined assurance model consists of three lines of defence.

- Afrox has documented policies and procedures for all functions. A number of these are ISO compliant. All policies and procedures are written by teams of experts and maintained in a central database.
- Process owners amend processes to incorporate legislative and other requirements and ensure implementation when needed.
- High-performance organisation maturity roadmaps are maintained for all areas aligned with The Linde Group[1] standards. This process is ongoing to ensure that Afrox's internal processes are in line with The Linde Group standards.
- Monthly performance reports are submitted to the Executive Committee on the control environment. These reports detail the progress on control improvement initiatives, and are also submitted to the various Board sub-committees and the Board.

- Afrox has a robust risk management process in place *(refer to page 21 for further details)*.
- The legal department monitors regulatory compliance through reviews. This also identifies changes required to policies and procedures to be updated by process owners in the functional areas.

- Internal audit is a function of The Linde Group and is considered to be independent from Afrox. Internal audits are done on financial systems, compliance with policies and business processes. Audit findings are reported to management and summarised findings are presented to the Audit Committee. Progress on resolving audit findings is monitored to ensure that they are appropriately closed out and that the associated risk is mitigated.
- Afrox does not obtain external assurance on sustainability data.
- The summarised and consolidated financial statements contained in this report are a summary of the audited and consolidated financial statements for the year ended 31 December 2015 on which KPMG Inc. has expressed an unmodified audit opinion.

[1] *The Linde Group owns 50.47% of Afrox.*

Forward-looking statements

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Afrox to differ materially from those expressed or implied in any forward-looking statements. Undue reliance should not be placed on such opinions, forecasts or data.

No representation is made on the completeness or correctness of opinions, forecasts or data in this report. Neither Afrox nor any of its affiliates, advisors or representatives accept any responsibility for any loss arising from the use of any opinions expressed, forecast or data in this report. Forward-looking statements apply only as of the date on which they are made and Afrox does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data or future events or circumstances.

The financial information on which the forward-looking statements are based have not been audited or reported on by Afrox's independent external auditors.

Feedback

We remain committed to enhancing and improving on future reports in a manner that provides pertinent information and value to our stakeholders. Therefore, we welcome your feedback on our integrated report. Please send your queries to corporate communications at investor.relations@afrox.linde.com.

Afrox: At a glance

Revenue down
6% to **R5.473 billion**

EBITDA margins up
31% to **18.3%**
(2014: 14%)

HEPS up
284% to **139.2 cents**

ROCE improved by
50% to **16.7%**
(2014: 11.1%)

Quality management
certification is being sought for
the entire business

Gas equipment factory in the
process of being sold

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Angola exit nearing
completion

Overall volumes decreased,
primarily due to lower demand
in most sectors; however,
LPG volumes increased
by **3%**, despite refinery
supply constraints

An **18.2%** reduction in
headcount due to the
restructuring programme

Increase in **funds** allocated for
the upskilling of employees

Number of days lost due to
LTIs decreased from **146** in
2014 to **104** in 2015

Afrox participated in
five renewable energy
projects

Our business

Organisational structure

The Linde Group (owns 50.47% of Afrox)

The Linde Group is a global company, focused on gases, engineering and technology solutions. It employs approximately 65 500 employees in more than 100 countries. The Linde Group's strategy is geared towards long-term, profitable growth, and focuses on the expansion of its international business, with forward-looking products and services. The Linde Group acts responsibly towards its shareholders, business partners, employees, society and the environment, in every one of its business areas, regions and locations across the globe. The Linde Group is committed to technologies and products that unite the goals of customer value and sustainable development. For more information, visit The Linde Group online at www.linde.com.

Atmospheric Gases

These products are supplied from our air separation units (ASUs) to industrial consumers and are also liquefied for bulk delivery to merchant customers.

All aspects of our South African supply chain are managed from within the Merchant and packaged gases (MPG) business, including the warehousing and distribution of Hard Goods, sale of LPG and the regional sales infrastructure.

LPG and filling plants are managed within the MPG structure.

Revenue R2 110 million (2014: R2 050 million)[1]

GPADE[2] margin 32.3% (2014: 36.4%)[1]

GPADE R681 million (2014: R746 million)[1]

2015 overview

Afrox continued to use its expertise to provide packaged products and specialised services to the renewable energy sector, growing its relationships with industry players. Supply of CO_2 was constrained, leading to a national shortage.

Liquefied Petroleum Gas (LPG)

LPG is supplied to the market through our MPG operations. LPG is sold in bulk to all major sectors of the South African market. Packaged LPG, under the brand name 'Handigas', is supplied in cylinders to users who require smaller volumes.

Revenue R1 820 million (2014: R2 118 million)[1]

GPADE margin 17.6% (2014: 13.6%)[1]

GPADE R321 million (2014: R288 million)[1]

2015 overview

Due to severe supply constraints from local refineries during the peak winter-demand period, shortages of LPG were prevalent across South Africa and, in particular, the Western Cape. Afrox is seeking alternative supply solutions and investigating improved storage infrastructure.

[1] *Afrox adopted new segmental reporting calculations and therefore 2014 figures are restated; refer to the segmental report in the Group annual financial statements.*
[2] *Gross profit after distribution expenses.*

Afrox

Afrox operates in South Africa and in 10 other African countries, employing 2 336 permanent employees across sub-Saharan Africa. Afrox's head office is in Johannesburg, and the Company has four main business streams: Atmospheric Gases, LPG, Hard Goods, and operations in Emerging Africa.

Corporate and enabling functions

Our business is supported by the enabling functions of finance, information services, communications, human resource management, strategy and risk, and performance transformation.

Hard Goods

Manufactured and imported products are sold through the Afrox regional sales infrastructure and are exported throughout sub-Saharan Africa.

Nearly 50% of the gas control equipment is sold as premium performance products in Europe and Australia.

Revenue R788 million (2014: R867 million)[1]

GPADE margin 34.5% (2014: 28.1%)[1]

GPADE R272 million (2014: R244 million)[1]

2015 overview

Afrox continued the product rationalisation programme started in 2014, which resulted in an additional 25% reduction in our range of Hard Goods products, focusing on core customer requirements. This contributed to significant cost savings.

Emerging Africa

Afrox's Emerging Africa business comprises the central management support structure for Afrox subsidiaries and Linde-owned, Afrox-managed businesses outside of South Africa. These subsidiaries supply the full range of Afrox products. Afrox's key African subsidiaries include:

- Botswana (100%);
- Lesotho (100%);
- Malawi (79%);
- Mozambique (100%);
- Namibia (100%);
- Swaziland (100%); and
- Zambia (70%).

Revenue R755 million (2014: R799 million)[1]

GPADE margin 41.2% (2014: 37.5%)[1]

GPADE R311 million (2014: R300 million)[1]

2015 overview

Refurbishment and expansion of various micro-filling plants in priority locations are set to improve supply of atmospheric gases, MPG and LPG. In addition, Afrox was awarded the tender for CO_2 supply to SAB Miller for sub-Saharan Africa until the end of 2016.

Geographical footprint

Afrox supplies a wide range of packaged gases to customers in cylinders, which are then used for applications in industrial, mining, commercial, domestic, scientific and medical activities.

Afrox-owned	Revenue (R'million)
1. South Africa	4 718
2. Namibia	276
3. Botswana	173
4. Mozambique	46
5. Angola[1]	3
6. Zambia	151
7. Malawi	72
8. Mauritius[2]	–
9. Democratic Republic of Congo	34
10. Lesotho	84
11. Swaziland	89

Linde-owned, managed by Afrox
12. Zimbabwe
13. Tanzania
14. Kenya
15. Uganda
16. Nigeria

[1] *Afrox is in the process of exiting Angola. For further details, refer to note 38 to the annual financial statements.*
[2] *Associate company. Afrox shareholding 38%.*

Capital capabilities

1

Financial capital

Afrox is a capital-intensive and cash-flow-generative business. Cash generated from operations is generally around 85% of earnings before interest, tax, depreciation and amortisation (EBITDA). Cash generated from operations is used to meet the cost of replacement assets, dividends, finance costs and tax. **Dividend cover is maintained at two times headline earnings per share (HEPS)**.

Working capital management is crucial to keeping Afrox's cash-generative capacity at around 85% of EBITDA. Particular attention is paid to managing imported inventory (Hard Goods, LPG and some special gases such as helium).

Human, social and relationship capital

Our integrated product offerings are largely dependent on a skilled workforce and retention of these critical skills. Afrox **employs 2 336 people at a cost of R884 million per year**. The average employment period at Afrox is 9.3 years, and we spent R14 million on training and R2.6 million on employee wellness programmes to ensure the best possible levels of stability, loyalty, productivity and innovation.

The restructuring programme resulted in a **streamlined management structure**, a reduction in the total number of employees and maximising operational capacity at select sites. Due to this right-sizing process, the Company's workforce reduced by 18.2%, compared to 2014, and training spend for the year focused on maximising capabilities.

Afrox aims to:

- be an employer of choice;
- have the right employee in the right place;
- drive innovation and enhance customer solutions;

3

Intellectual capital

Afrox exploits cutting-edge technologies and research available to us as a member of The Linde Group. Afrox has strong brands and an international distribution network that capitalises on its distributive strengths.

We believe our applications technology is key to operating safely, protecting the environment and delivering unique solutions to meet customers' requirements. Afrox's intellectual property is the basis of Hard Goods production and motivates our efforts in fields such as gases for healthcare, and the provision of LPG as an efficient and low-cost alternative to electricity for numerous South Africans and the 10 other African countries in which we operate.

Manufactured capital

Manufacturing of our gases and other products takes place on 43 different sites (2014: 41). These comprise 33 manned units and 16 on-site automated plants not requiring operators, with some manufacturing sites hosting more than one operating unit. The central scheduling centre deals with more than 20 000 customer drops per month. Afrox has a network of prominently branded and strategically located Gas & Gear retail outlets and a national warehouse located in Gauteng. In light of the reduction in demand for Afrox products as a result of lower economic activity, the extent of this footprint is continuously reviewed.

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Natural capital

Afrox's atmospheric gas products have a zero environmental pollutant factor. The direct impact of our operations is limited to the consumption of electricity and fuel, for which Afrox has efficiency programmes and initiatives in place to conserve resources and reduce greenhouse gases, while remaining commercially successful. All Afrox's products are geared to ensure that its customers' environmental compliance is adhered to and their impact is not

Afrox has a low financial gearing and therefore has the capacity to finance future growth opportunities. Gearing is managed within the financial covenants, which require that net interest-bearing borrowings do not exceed two-and-a-half times EBITDA and that the EBITDA interest cover ratio is not less than four times.

- learn, adapt and improve continuously;
- provide attractive careers;
- develop management and leadership capabilities;
- support line managers and their ability to lead employees; and
- manage and reward performance.

We want to **create a performance culture**. To do this, we concentrate on retention of critical skills and the development of skills aligned with our business strategy and requirements, education, employee engagement and user-friendly human resource process automation.

Ethics underpins how Afrox does business. Afrox has always aspired to the highest ethical standards and is in full compliance with applicable laws, regulations and industry standards.

The Afrox Code of Ethics is the starting point from which employees draw inspiration and guidance on their behaviour. An integrity line is in place, enabling employees to report contraventions of our Code of Ethics. *Refer to page 63 for more information regarding our Code of Ethics.*

2

Afrox has a deep understanding of customer processes and can therefore add value through process optimisation, unique product packages and value-added services aimed at the improvement of delivery, reduction of failure rates, and achieving higher returns. This was further enhanced by the advent of the customer-facing business model and structured customer-oriented teams.

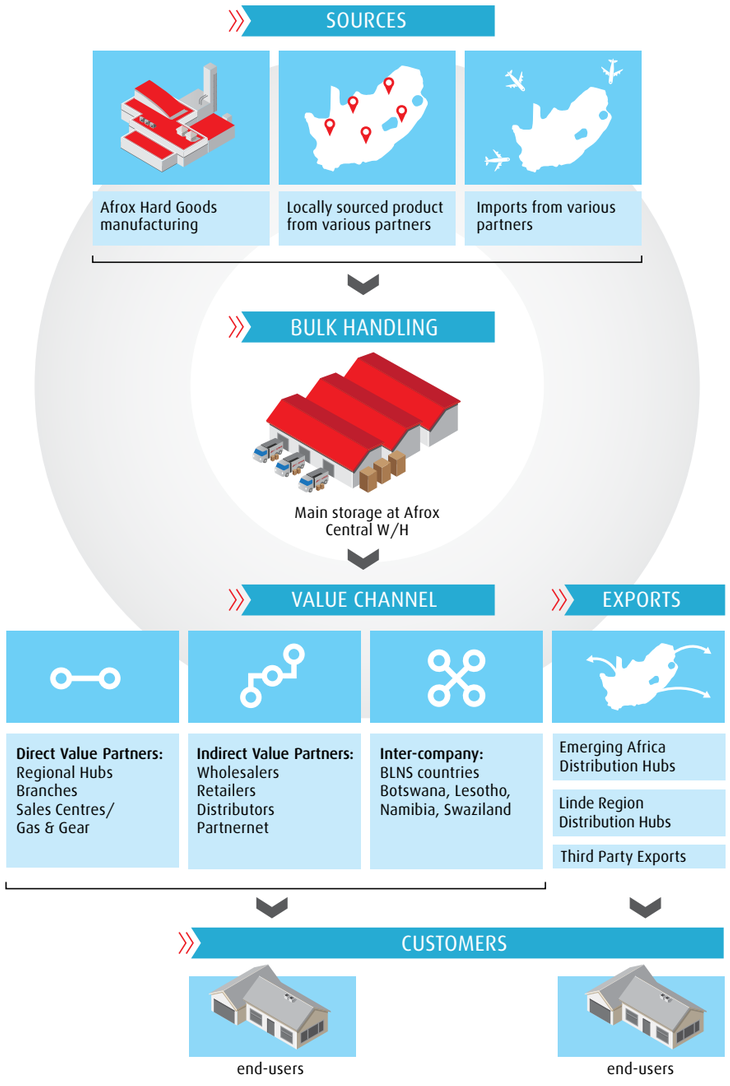
A theme of partnership permeates our customer interaction. Leveraging off our skilled human capital allows us to make customer installations to the appropriate standards and gives us the ability to provide them with innovative solutions when and where they need it.

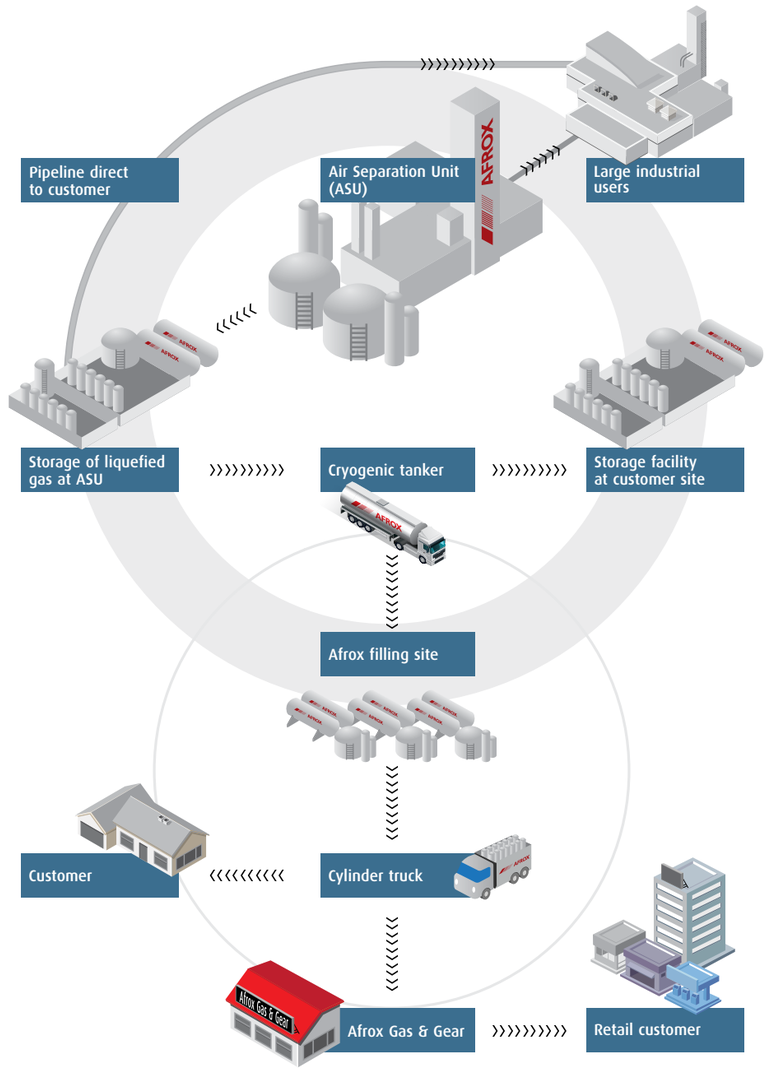
In addition to liquefied bulk deliveries countrywide and customer-specific on-site plants, an advanced supply chain network is capable of sourcing, manufacturing and delivering over 3 000 products and gases in 700 000 high-pressure cylinders and 2.5 million LPG cylinders in South Africa. Our Emerging Africa operations cover the rest of the sub-Saharan area and offer similar distributive excellence, speed and safety. Afrox's transport fleet covers around 26 million kilometres per year in South Africa.

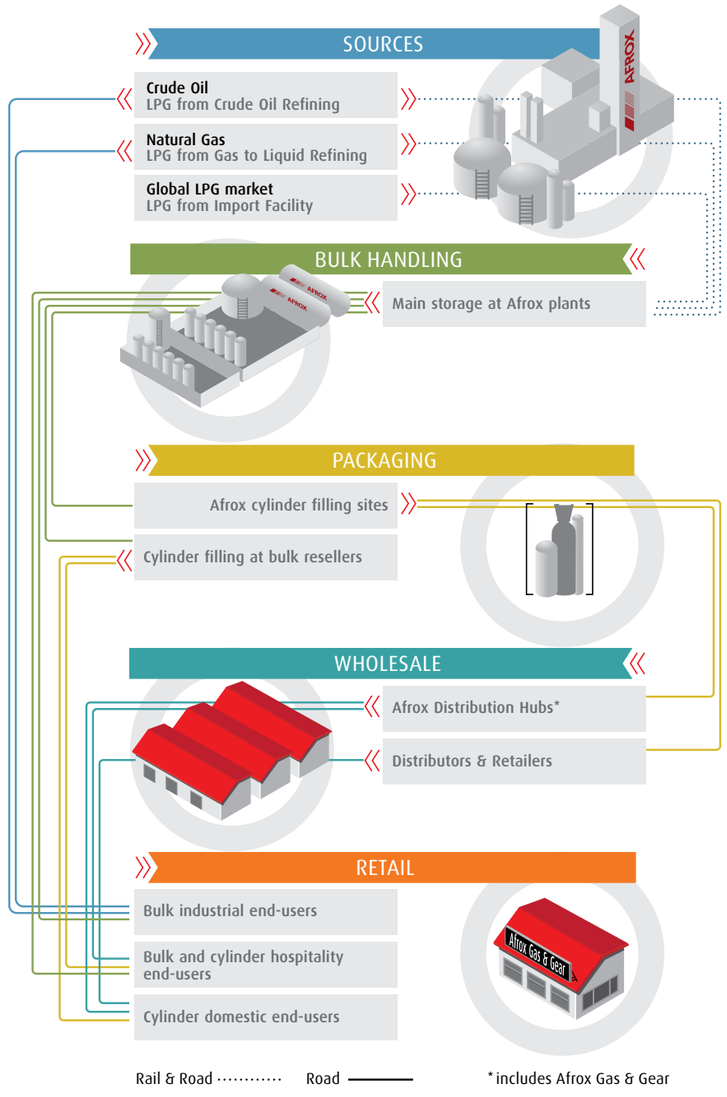
4

unnecessarily high. In understanding the customer's processes, Afrox's value-added services help ensure that efficiencies are realised in its offerings and service to achieve this.

Business model







External environment

- Economy and market influenced by the:
  - South African, Emerging Africa and global economic and socioeconomic trends;
  - state of commodity cycles, which are predominantly low;
  - manufacturing and mining competitiveness; and
  - infrastructure development and programmes.
- Labour disruption and unionisation
- Skills availability
- Transformation
- Regulatory environment, e.g. rate regulation (LPG)
- Technology and infrastructure – substitutes for Afrox products and new manufacturing processes
- Competitive pressure

Material matters (Pages 24 – 27)

- Lower demand and lack of growth in the mining, iron, steel and general fabrication sectors in South African market
- South African economic environment
- Emerging Africa markets
- Restructuring programme
- Customer value creation
- Supply chain reliability, efficiency and cost base
- Access and retention of vital talent, including employment equity targets
- Afrox's BBBEE rating
- Maintain and improve the safety culture
- Government regulation of revenue segments

Inputs (page 10)

Financial capital	• Capital-intensive business supported by capital investment programmes • Cash-generative operations • Appropriate funding structure
Human capital, social and relationship capital	• Stable workforce • Skills well developed, such as engineers and artisans
Intellectual capital	• Access to The Linde Group technology and expertise • Innovative solutions for customers • Installations meet appropriate standards • Understanding customers' processes for process optimisation and improvement
Manufactured capital	• Manufacturing sites throughout southern Africa • Footprint close to established markets • National customer service centre and warehouse • Established and efficient transport fleet
Natural capital	• Electricity and fuel efficiency initiatives • Products have low environmental pollutant impact

Core business activities and processes

Atmospheric Gases

Atmospheric gases include gaseous oxygen, nitrogen and argon, which are produced by cryogenic distillation of air at Afrox-owned air separation units (ASUs). ASUs are reliant on electricity. In their gaseous form, these products are supplied through a direct pipeline to large industrial users. A further part of the output is liquefied and either stored at the ASU for use in the event of a shortage, or transported in bulk by cryogenic tankers to storage facilities on customers' premises. The product is also transported to Afrox filling sites where it is stored and later vaporised back into gas, compressed, and used to fill cylinders.

CO_2 is produced from various sources, including the combustion of hydrocarbons, fermentation of alcohol, production of ethanol and from other agricultural output (e.g. fertilisers and sugars). Depending on the concentration of CO_2 liberated by these processes, it becomes commercially viable for Afrox to recover, purify and liquefy CO_2 through Afrox-owned production facilities.

CO_2 and atmospheric gas cylinders are dispatched directly to the customer or to Afrox Gas & Gear outlets, where it is sold directly to the end-user. Empty cylinders are collected and/or returned to filling sites for maintenance and refilling.

LPG

Liquefied petroleum gas (LPG) is a mixture of hydrocarbons, which are vapour at room temperature but can be liquefied by compression. LPG is produced as a by-product from the fuel refining processes. Afrox purchases LPG from local refineries and also sources seaborne product from global merchants in anticipation of capacity constraints from local refineries.

Bulk LPG is collected from the source and transported in road tankers or by rail tank cars. The product can be delivered directly to bulk end-users or to bulk storage tanks at the Afrox filling sites. LPG is then packaged into 9 kg, 19 kg and 48 kg cylinders at the filling sites. The cylinders are delivered by road to end-users and retail outlets. Empty cylinders are collected and returned to the filling sites for maintenance. Only authorised Afrox Handigas dealers may fill Afrox-owned LPG cylinders, which carry the brand name Handigas and the Afrox Red Seal of Safety.

The Department of Energy, which controls all energy matters in South Africa, regulates certain selling prices that affect the retail consumer, in particular, setting the maximum selling price for 9 kg cylinders of LPG at the refinery gate (maximum refinery gate price).

Hard Goods

Three supply streams are used to source saleable Hard Goods products:

- manufacturing from our Afrox-owned facilities;
- procurement from local suppliers; and
- imports.

These supply streams all come together at our national warehouse from where the customer demand is supplied. Products are distributed globally through our exports division, while national demand is distributed through our direct Afrox-supplied offer or through strategically located indirect channels to end-users.

Our direct channel is supported by our national footprint of plants, Gas & Gear outlets and our sales force. Our indirect channel includes national retailers, distributors and partners conveniently situated close to the market.

Emerging Africa[1]

Comprising a combination of the MPG, LPG and Hard Goods businesses for operations throughout southern Africa and the rest of sub-Saharan Africa.

Hard Goods are primarily sourced from South Africa. Atmospheric gases are generally produced in the country, except for speciality gases, which are imported.

LPG is either sourced from South Africa or imported for use, with the exception of Zambia, which has its own in-country refinery.

[1] *Emerging Africa was previously referred to as Rest of Africa (REA)*

Outputs

Afrox products are widely used in areas such as healthcare services, production of iron and steel, fabrication and assembly of motor vehicles, industrial ceramics, food preservation, water treatment and various other industries.

Afrox electrodes, wires, gas cutting equipment and machines are used in welding, brazing and cutting of metal. An increasing number of our original equipment manufacturer products are being sold in Europe, Southeast Asia and Australasia.

Integrated product offerings through high-value solutions

The Afrox product reference manual contains our comprehensive range of products, and is available on the Afrox website EN

http://www.afrox.co.za/en/customer_service/publications/product_reference_manual/Index.html.

Hard copies as well as the CD version are available on request.

Outcomes

Strategic objectives	• Achieve a step change in profitability and operating performance • Ensure sustainable growth while enhancing competitiveness • Embed advanced performance in the areas of safety, health, environment and quality (SHEQ) • Build a performance culture
Our mission	We will provide engineering services and a focused range of performance-enhancing atmospheric gases, welding and safety products and LPG to valued customers, through excellence in operations, customer service, product delivery and investment in infrastructure, employees and technology for the benefit of all stakeholders.
Our vision	We will be the leading gases and welding products company, admired for our employees by any measure, in sub-Saharan Africa.
Our principles	• Safety • Integrity • Sustainability • Respect
Our values	• Passion to excel • Innovating for customers • Empowering employees • Thriving through diversity

Products

Atmospheric Gases

- **Industrial gases:** These include dissolved acetylene, oxygen, nitrogen, argon and other general gases
- **Special gases:** Refrigerants, chemicals and scientific gases
- **Medical gases:** Include packaged medical gases and respiratory therapy equipment
- **Hospitality gases:** Includes beverage dispensing and balloon gas

LPG

- **Liquefied petroleum gas:** Includes packaged LPG in a range of cylinder sizes
- **Bulk supplies** to major industrial and hospitality users

Hard Goods

- **Filler materials:** Include filler materials for manual metal arc (MMA), metal inert gas (MIG), tungsten electrode inert gas (TIG) and brazing; as well as fluxes and gouging carbons
- **Gas equipment[1]:** Includes accessories and parts, torches, hoses, nozzles/tips, regulators and flow meters, welding and cutting kits
- **Arc equipment:** Includes arc accessories and MIG, MMA, and TIG equipment
- **Personal protective equipment (PPE)[1]:** Includes cutting and welding-related PPE

[1] *Production was discontinued in 2015 as part of the restructuring process.*

Emerging Africa

- All products listed for Atmospheric Gases, LPG and Hard Goods are available in various Afrox geographies outside of South Africa through select production facilities and/or Afrox's distribution network.

Key market differentiators

- Well-established brands in sub-Saharan Africa for both industrial gases and welding products. Afrox's brands include, but are not limited to, Afrox, Handigas and Vitamax
- Access to The Linde Group technology, innovation and plant capabilities (designing, building, operating and maintaining plant)
- Expertise throughout the supply chain for a range of products
- Extensive market coverage and distributive competencies (especially for LPG)
- An integrated product offering with a wide range of gas and Hard Goods products, supply options and solutions
- Reliable plants
- Broad customer solution experience
- Proactive business structure changes that strongly consider Afrox's key strengths, the economic operating environment, desired long-term results, customer needs and operational efficiencies

Core competencies

Afrox is managed in accordance with The Linde Group global best practice. Enabling functions include logistics and planning.

Support processes

Afrox is managed in accordance with The Linde Group global best practice, enabling functions include:

Channels to market (marketing, sales and distribution)	Customer service centre	Finance	Safety, health, environment and quality	Information systems	Communications	Human resources	Emerging Africa Corporate

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Value-adding core services

- Afrox provides tailored product packages for specific industries and our engineering experts advise customers on the welding, fabrication and process solutions that help them achieve productivity and quality targets as cost-effectively as possible.
- Managing gas installations through Afrox trained experts
- Training and advice on health, safety and environmental compliance

Industries and sectors served

	2015 R'000	2014* R'000
Chemistry and Energy	473 033	498 568
Food and Beverages	625 741	648 298
Retail Trade*	867 941	1 001 187
Healthcare	337 361	305 800
Manufacturing Industry	1 266 448	1 411 989
Metallurgy and Glass	760 004	841 662
Other Industries	387 343	328 131
Total South African operations*	4 717 871	5 035 635

* *South Africa only.*

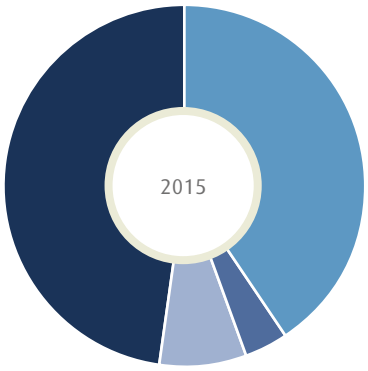
Value added statement

This statement is a measure of the wealth created by the Group, through its various business activities. The statement and charts show the total wealth created, how it was distributed, and how it was retained.

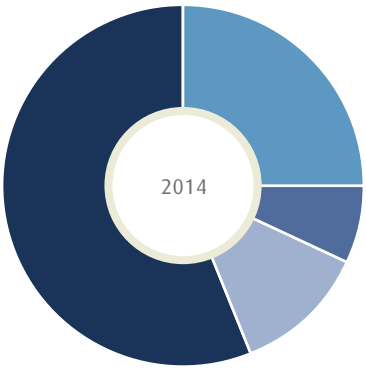
Wealth distributed and retained

	2015 R'million	2015 %	2014 R'million	2014 %
Wealth created				
Revenue	5 473		5 834	
Cost of goods and services	(3 689)		(4 042)	
Value added	1 784		1 792	
Finance income	87		75	
Income from investments	1		1	
	1 872		1 868	100
Wealth distributed and retained				
Employees				
Salaries and benefits	884	47	1 204	56
Community				
Donations	2	–	7	–
Providers of capital	163	9	236	12
Finance costs	96	5	87	4
Non-controlling interest	11	1	13	1
Ordinary dividends	56	3	136	7
Taxation	75	4	93	7
Retained in Group activities	748	40	328	25
Depreciation and amortisation	390	21	381	17
Retained income	358	19	(53)	8
	1 872	100	1 868	100
Value added ratios				
Number of employees	2 345		2 872	
Permanent	2 336		2 856	
Short-term and contractors	9		16	
Revenue per average permanent employee (R'000)	2 108		2 017	
Value added per average permanent employee (R'000)	721		646	

Wealth distributed and retained (%)



- Retained 40%
- Taxation 4%
- Providers of capital 9%
- Employees 47%



- Retained 25%
- Taxation 7%
- Providers of capital 12%
- Employees 56%

Strategy overview

Strategy direction

Afrox's strategy remains one directed at leveraging off of its industrial gases position in South Africa and the Emerging Africa region, where we have a well-established, profitable footprint. Competitive pressure is increasing and the market growth in South Africa (Afrox's largest geography) will remain subdued and possibly negative. Our ability to combine offers for LPG, Hard Goods and industrial gases will continue providing customers with value-added integrated offers.

The four strategic objectives maintained by Afrox throughout 2015 are:

- achieving a step change in profitability and operating performance;
- ensuring sustainable growth while enhancing competitiveness;
- embedding advanced performance in the areas of safety, health, environment and quality (SHEQ); and
- building a performance culture.

To remain the leading sub-Saharan Africa gases and welding products company, Afrox focuses on the following performance drivers, in conjunction with the turnaround plan, which aids the strategic objectives.

South Africa	Emerging Africa
• Focus on cost management and reducing the full-time employee headcount by more than 15% • Drive efficiency improvements • Refine go-to-market approach • Resolve LPG security of supply • Improve flexibility of Hard Goods supply chain	• Focus on growth areas and products • Identify investment and expansion opportunities • Reduce supply chain cost • Ensure critical mass in each country • Further strengthen corporate governance

Turnaround plan

Afrox initiated a turnaround plan in 2014 (also referred to as the restructuring programme, restructuring process or internally as Project SWIFT) and commenced execution in 2015. The right-sizing and strategic elements involved in this programme formed the bulk of the strategic focus this year. By taking the initiative to consolidate and adapt the business to expected economic conditions, ahead of most of our competitors, Afrox believes that we will be better positioned to develop in key areas and further improve our focus on customer care and interaction to make the most of market conditions.

This programme was a comprehensive review of all aspects of our South African business, including:

- business portfolios;
- product offering;
- production capacity and distribution network;
- leadership configuration;
- channels to market; and
- geographic footprint.

The objective of this programme was to ensure that after its implementation Afrox would be a business that is:

- correctly sized and resourced for current and future economic conditions;
- focused on profitable market segments; and
- delivering an EBITDA margin and return on invested capital appropriate for the type of business we operate.

Our medium-term target remains the achievement of a return on capital employed (ROCE) higher than 20%.

The turnaround plan is structured as three pillars, Get healthy, Get strong, and Get business.

Turnaround plan and pillars

	1. Get healthy	2. Get strong	3. Get business
Focus areas	• Introduce a leaner organisation • Right-size the operations • Improve asset utilisation • Outsource non-core operations • Improve the effectiveness of our procurement process • Ensure best commercial practice (BCP) pricing composition	• Implement a new customer-centric go-to-market model • Increase effectiveness and efficiency of traditional market channels, and customer engagements across the key segments • Improve portfolio management • Improve profitability through efficiency, pricing initiatives, and BCP price cost recovery • Introduction of e-shop and electronic data interface (EDI) • Invest in our resource development, and capabilities to deliver growth opportunities • Position Afrox to gain the majority of future key market segments for high-value, and high-growth opportunities	• Grow LPG, healthcare and special gases • Grow our light industry market with tailored offers delivered through defined channels • Capitalise on Emerging Africa opportunities through defined offers in light industries and prioritise key projects
2015 progress	• The full programme of initiatives was implemented on schedule in 2015 and Afrox expects to reap the benefits of its approach in the new financial year. A total of R79 million (2014: R165 million) was recognised in the financial statements for the restructuring costs. • By offering retirement and retrenchment schemes, Afrox has streamlined employee numbers and ensured that management layers are fit for purpose. *Refer to page 10 for information on human capital.* • Closing or merging of some of our facilities, and the increased focus on ASU facilities are examples of our redirection of resources to higher-margin business. This has also reduced our structural costs and ensures sustainability. • LPG and other product lines remain focus areas to improve our financial and operating performance. *Refer to page 37 for the performance review of each segment.*	• Customers are no longer serviced according to their geographic location, but rather according to the customer categories. This allows specialist teams to develop competencies and skills that are relevant to the customer and their business to provide a more efficient service. *See below for more information.* • Afrox has adapted its customer engagement channel strategy and how it interacts with various partners, such as distributors, agents, and Gas & Gear outlets. Afrox is critically reviewing its presence to establish where we need to have our own footprint and where we should use a third party to optimise processes and reduce cost. Approximately 17% of all delivered orders are now done via the e-shop platform. This resulted in a saving of 20 000 man-hours due to the self-service transactions.	• Afrox is monitoring market opportunities and growth prospects throughout our geographies. • Afrox is in the process of adapting its quality management system (ISO 9001) to a business-wide accreditation to attract more customers.

Customer-centric go-to-market model

This strategy applies to LPG, MPG, and Hard Goods, and was developed to improve the effectiveness of the Group's sales and marketing function and to do so at a lower cost. As part of the restructure, Afrox adapted the function, creating specialist teams that attend to customer needs according to each of our newly rationalised customer segments, regardless of geographical location.

- **Large customers:** These customers provide 70% of the Company's revenue. These customers were further segmented according to sector such as food, energy and fabrication. Individual sector teams cater to the needs of each sector to develop area-specific competencies.
- **Special markets:** Growth areas, such as hospitality, refrigerant, propellant and helium customers with specific requirements, are serviced as a collective area by a single dedicated team.
- **Bulk gases process industries:** These customers typically use bulk gases in a manufacturing process. In addition to dedicated service, Afrox focuses on developing process solutions and product packages for these customers.
- **Light industries and retail:** These are our remaining customers who are not classified as 'large customers' and spend R500 000 or less on Afrox products each year. These customers make up more than 70% of our customer base. Afrox previously lost share in this segment, and it became a key focus area to regain share. This included advanced marketing strategies, creating demand pull, improving geographic presence, deploying a new channel strategy, developing new products and leveraging Group technology, which included the new e-shop.

Material matters

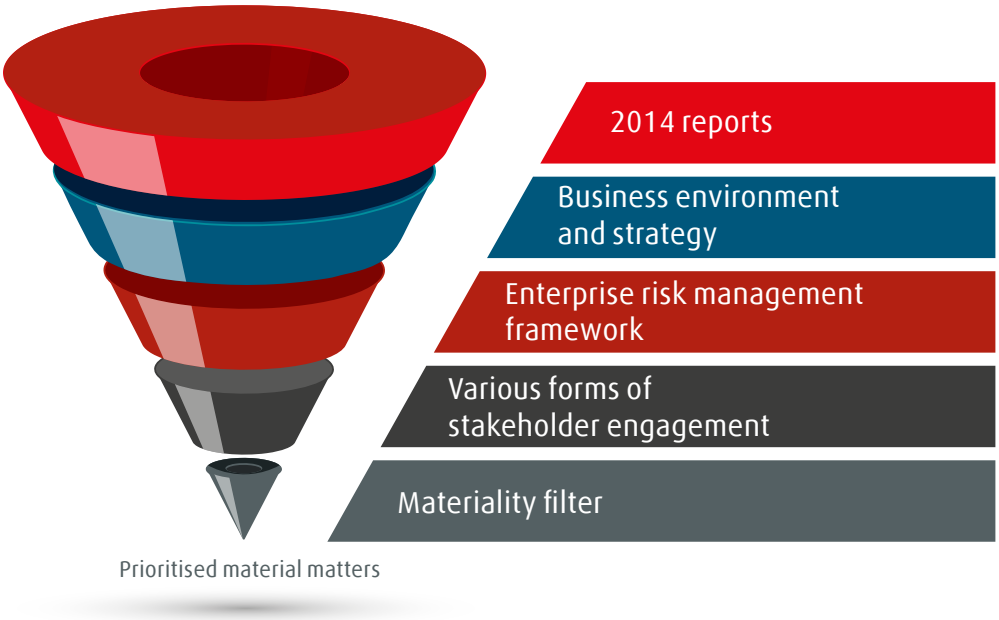
Materiality determination process

For reporting purposes, Afrox defines material matters as items that substantially affect its ability to create and sustain value over the short, medium and long term. These are the matters that are most material to the business and, accordingly, the items on which this report focuses.

Afrox assessed, refined and built on the material matters identified in the 2014 integrated report through an externally facilitated workshop. This workshop focused on:

- relevant concerns raised by stakeholders;
- key risks from the Afrox risk register; and
- matters considered to be key to our strategy and business environment.

Commentary on each of the underlying factors that informed the materiality determination process is discussed in this chapter. The material matters and context for each are *on page 24*.



Risk management

The Board is responsible for risk management and is assisted in its responsibilities by the Audit Committee. The day-to-day responsibilities for the design and implementation of risk management processes and systems rest with Afrox management.

A Risk Management Policy, an enterprise-wide Risk Management Framework, and a Risk Management Plan are all in place and are regularly reviewed. Risks are updated into the Active Risk Management database quarterly.

Risks are assessed in terms of impact and probability of defined criteria, in line with the risk tolerance set by the Board. An assigned risk owner is responsible for implementing and tracking progress on the mitigation plans. Key risks are escalated and reviewed by the Audit Committee, which reports to the Board.

Afrox's assessment of business risks and opportunities considers not only the technical risks but also the developing geo-political, socioeconomic and customer trends. Risks are classified as pure or speculative, allowing for refinement of the mitigation strategy and for improved decision making on risks that previously might not have been viewed as within Afrox's risk tolerance. The business model *on page 12* provides context for the issues apparent in the environment in which Afrox operates. Comprehensive insurance is in place and extent of the cover is reviewed annually.

Afrox provides information to both our internal and external auditors as part of their audits to assess the effectiveness of risk management. Our internal audit function also reviews risk management practices as part of the internal audit cycle.

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

The Board is responsible for monitoring the effectiveness and efficiency of the SHEQ process. SHEQ performance is governed by self-regulation, and the communication and encouragement of adhering to safe practices. A SHEQ department ensures that the Company has a deliverable policy, is proactive in its risk assessment and professional in its remediation.

Executive managers review the SHEQ policy regularly, which is a key part of overall Company strategy and operating policy. The policy states that Afrox 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 employees or to the environment. In addition, Afrox is committed to compliance with all external regulations, including ISO 9001, ISO 14001 and OHS 18001.

For more information on our SHEQ activities, *refer to page 51*.

Summarised top five risks

The table below is an extract of our top five risks. These are incorporated in our material matters *on page 24*.

	Top five risks	Risks mitigation plan
1.	**Sales volume** – no significant recovery in demand foreseen in South Africa for 2015/16.	Continued focus on reducing costs through the turnaround initiatives (*refer to page 16*) and target volume recovery.
2.	**CO_2 source** – high reliance on a small group of suppliers to meet demand and region growth.	Diversify sources of supply, increase strategic storage space and reduce bottlenecking at relevant plants.
3.	**Security of LPG supply** – Inability of local refineries to fully meet demand now and in future and inadequate LPG strategic storage to ensure growth potential can be captured. The impact of declining oil price and forecast global oversupply of LPG also has an impact as Afrox is not in a position to ensure opportunities can be captured, e.g. increase in demand, import pricing vs. local sources.	Engage the opportunity to partner with government agencies, refineries, and other strategic partners to build strategic storage capabilities which will facilitate imports and benefit from local periods of product surplus. Contracts with local and overseas suppliers have been concluded to secure supply in high-demand periods.
4.	**Healthcare** – Potential loss of more provinces in state tender process.	Rebuild relationships with government at provincial and national level while evaluating options to improve BBBEE level. Ensure competitive offers and regain key provinces while targeting growth in others.
5.	**South Africa infrastructure constraints negatively impacting operations directly** – Disruption to production plants as a result of poor quality and/or insufficient utilities such as water and electricity are impacting operating expenditure, customer service and leading to increased equipment failures.	Afrox is evaluating adequacy of strategic storage. A risk assessment of the national power grid is in progress.

Stakeholder engagement

At Afrox we are accountable for our actions and strive to be transparent in all decisions and activities that may impact the environment and society in general. Everything we do is based on integrity, honesty and equality; and we respect all stakeholder interests, the rule of law, human rights and international standards of behaviour. *Refer to page 63* for our Code of Ethics. We recognise that 'stakeholders' is a broad term but one that generally consists of shareholders, employees, customers and other individuals or groups, that may have rights, claims or other interests in our business.

The table below outlines the material matters that were identified through the engagement process with our key stakeholders. The material matters *on page 24* expand on the actions we have taken to address material matters and, in turn, the concerns raised by stakeholders.

Stakeholder group	Concerns raised	Related material matter
Shareholders, lenders and market analysts are key as they provide financial capital.	• Dividends and return on investment • Recovery process and impact on the business, specifically earnings per share, dividends and safety levels • Transparency and up-to-date information • Progress on transformation	• Lower demand and lack of growth in the mining, iron, steel and general fabrication sectors in South African market • Restructuring programme • Supply chain reliability, efficiency and cost base • Maintain and improve safety culture • Government regulation of revenue segments
Customers – meeting and exceeding customer requirements are key to future sustainability.	• Customer value creation, service levels and delivery process • Supply chain reliability and BBBEE requirements • Quantum of and rational for price increases • Safety performance • Innovative solutions, including product and technical expertise	• Customer value creation • Supply chain reliability, efficiency and cost base • Afrox's BBBEE rating • Maintain and improve the safety culture • Government regulation of revenue segments
Business partners form part of the driving force behind the development and delivery of products, technologies and support services we provide.	• Supply chain reliability • Customer value creation • Primary cost recovery • Afrox's BBBEE rating	• Customer value creation • Supply chain reliability, efficiency and cost base • Afrox's BBBEE rating
Employees are key to our ability to provide product offerings through high-value solutions.	• Future sustainability of Afrox • Downsizing and job security • Fair pay and incentive structures • Employee empowerment and career progression	• Lower demand and lack of growth in the mining, iron, steel and general fabrication sectors in South African market • Restructuring programme • Access and retention of vital talent, including employment equity targets • Maintain and improve the safety culture
Trade unions support our employees.	• Update on Company strategy and challenges • Transparency • Fair pay and incentive structures • Employee empowerment and career progression • Job certainty • Compliance with BBBEE and employment equity requirements	• Lower demand and lack of growth in the mining, iron, steel and general fabrication sectors in South African market • South African operating environment • Restructuring programme • Afrox's BBBEE rating • Maintain and improve the safety culture
Government and regulators are providers of Afrox's legal licence to operate.	• Compliance with BBBEE legislation and the impact of new codes on Afrox's rating • Empowering suppliers under the new codes • Fiscal policy • Appropriate service levels to state hospitals and Medicine Controls Council requirements	• Lower demand and lack of growth in the mining, iron, steel and general fabrication sectors in South African market • South African operating environment • Afrox's BBBEE rating • Maintain and improve the safety culture • Government regulation of revenue segments
Communities and NGOs are providers of Afrox's social licence to operate.	• Responsible citizenship, especially regarding safety • Employment opportunities for members of the communities in which Afrox operates • Illegal township cylinder fillers • Pricing	• South African operating environment • Maintain and improve the safety culture • Government regulation of revenue segments

Afrox uses various channels to engage with stakeholders:

Stakeholder engagement methods

- Formal results presentations, including the integrated report and the annual financial statements
- SENS announcements
- Ongoing interactions with funders
- One-on-one meetings
- Specialist media publications
- Customer surveys
- Monthly site shop steward meetings and regular shop floor talks
- Email communications from executives
- Regular meetings with government
- Afrox's website
- Supplementary media releases covering developments within the Company
- Annual rating agency assessment of creditworthiness
- Electronic product brochures, product manuals and CDs
- Direct contact with our current and prospective customers
- Quarterly meetings with the unions
- Internal newsletters and publications, as well as a DVD news programme.
- Corporate social investment (CSI) initiatives

Material matters

Material matter	Term impact[1]	Contextualisation of risks and opportunities	Strategic response	Page reference
Lower demand and lack of growth in the mining, iron, steel and general fabrication sectors in South African market.	S, M, L	• No significant recovery in the South African economy with lower demand foreseen for the short to medium term. • Opportunities to expand into Africa and innovation will be key to supplying new products and increasing market share. Afrox also embraces opportunities provided by the increased demand for medical gases and products by the healthcare sector. • Regulation and socioeconomic constraints impact demand, including the growth in demand for natural gas alternatives. • Traditional and non-traditional competitors entering the market can negatively impact Afrox's market share.	**Achieve a step change in profitability and operating performance** • The restructuring programme included changing our customer-facing business model to improve customer service and retention (*refer to page 16*). • We focused on further streamlining costs, outsourcing non-core functions, where appropriate, and improving working capital management. **Ensure sustainable growth while enhancing competitiveness** • Afrox continues focusing on providing the best possible service and products to the healthcare and emerging sectors to remain a supplier of choice. Focus on our BBBEE rating is essential for securing business. • Natural gas supply was secured as an option for further diversification. • Afrox continues seeking profitable opportunities and application-led growth throughout the continent. • Afrox will invest in acquisitions and/or new business ventures, when appropriate.	16
South African operating environment	S, M, L	• Operational constraints of the local market, such as electricity shortages and above-inflation wage increases. • South Africa has experienced an increase in the number and duration of strikes, which can negatively impact Afrox, its suppliers and its customers. Industrial action at Afrox could stimulate disjointed operational processes, leading to an increase in SHEQ-related incidents and reduced productivity as a result of lost work days. • Government actions and regulations may have a socio-political influence that affects Afrox operations; examples include impending wage negotiations, 2016 municipal elections, etc. • There are opportunities for development in supporting infrastructure spend by government.	**Build a performance culture** • Afrox consolidated selected operations to maximise effectiveness as part of its restructuring programme. • Successful trade union engagement laid the platform for positive relationships between Afrox and unionised employees. • Afrox has a robust industrial action contingency plan in place to ensure that there is no disruption of services to customers during periods of industrial action. **Ensure sustainable growth while enhancing competitiveness** • Afrox will focus on improving its BBBEE status to secure government business.	16

[1] *S – Short term (2016); M – Medium term (2017 to 2019); L – Long term (Beyond 2019)*

Material matter	Term impact[1]	Contextualisation of risks and opportunities	Strategic response	Page reference
Emerging Africa markets	S, M	• Afrox focuses on identifying investment opportunities in Emerging Africa that reduce supply chain cost, and allow for the growth of product offerings such as helium, CO_2 and refrigerants, while expanding our geographic footprint. • Appropriate governance is in place to accompany international expansion.	**Ensure sustainable growth while enhancing competitiveness** • New markets and new products are essential to future sustainability and Afrox focuses on expanding its geographical footprint and leveraging the expertise of The Linde Group for new products. • Governance and compliance are improved by comprehensive training programmes as well as the introduction and expansion of Afrox's governance structures.	44

Restructuring programme	S	• In any material restructuring, numerous risks arise, including demotivation of employees, losing critical resources, loss of customer focus and the overarching risk that the restructuring programme does not meet its objectives within the expected time frame
		• Structural risk of deterioration in customer service is constantly tested; however, operational changes may adversely affect productivity in the short term.
		• Our new structure is in place, putting Afrox in a position to operate effectively and efficiently in the current economic state. In addition to right-sizing the business, changes to the Company's sales and marketing approach placed the customer at the centre of operations.
			Ensure sustainable growth while enhancing competitiveness and build a performance culture
			• The restructuring programme included:
			  • changing our customer-facing business model to improve customer service and retention;
			  • a focused drive to extract cost efficiencies, including improving working capital management;
			  • outsourcing of certain functions, including finance and payroll functions; and
			  • reducing our permanent headcount by 520 employees. *Refer to page 16 for further details on the turnaround plan.*
			• Training in safety remains consistent across Afrox operations.
				16

Customer value creation	S, M, L	• Providing customers with a service that meets and exceeds their expectations.
		• BBBEE status and SHEQ performance influence customer attraction and retention.
			Ensure sustainable growth while enhancing competitiveness
			• Customer focus is the central element of operations and our customer-facing business models were improved. Examples include:
			  • a live electronic customer feedback loop that allows real-time engagement with customers by tracking the sale of products, interacting with customers and attending to concerns or issues during the service process instead of retroactively/post-sale; and
			  • an e-shop for online product orders and payments, for increased convenience and cost saving compared to physical purchases at retailers or on site.
			• We are leveraging The Linde Group expertise for the development of new products and service offerings.
				17

Material matter	Term impact[1]	Contextualisation of risks and opportunities	Strategic response	Page reference
Supply chain reliability, efficiency and cost base	S, M	• The reliability of CO_2 supply is at risk due to our reliance on a small group of suppliers who provide CO_2 to our southern African operations. This is an issue of concern considering the growing demand in the region. • The security of supply for LPG is linked to the inability of local refineries to meet demand now and in future. LPG cost is also impacted by volatility in oil prices and the forecasted global oversupply of LPG. Afrox explores opportunities to selectively pursue strategic storage solutions in South Africa. • South Africa's electricity shortages and associated costs can have a negative impact on operations. • Afrox's BBBEE status has a direct effect on its supply chain. There is a further impact on opportunities to retain government contracts. • SHEQ-related incidents may affect operations and supply of products. • Opportunities for efficiency improvement were identified and are being leveraged after the restructure.	**Achieve a step change in profitability and operating performance** • Afrox is actively seeking new profitable sources of CO_2 supply. • Afrox focused on obtaining stable and effective suppliers in line with its cost-cutting and quality improvement agenda. • Afrox has negotiated a separate contract with Eskom for its Witbank ASU operations, reducing the risk of electricity supply loss from Evraz Highveld Steel. • Continued safety training at all levels exists with appropriate monitoring. Also refer to the restructuring programme above. **Ensure sustainable growth while enhancing competitiveness** • Afrox continues leveraging its BBBEE status and ensuring effective training and recruitment at all levels of management. Supplier status and other BBBEE criteria are addressed for improvement. • New distributor and customer channel strategy includes the development of BBBEE distributors.	40
Access and retention of vital talent, including employment equity targets	S, M	• It is vital that Afrox has adequate bench strength to ensure we can leverage opportunities to increase market share, increase volume, etc. • Selection and placement is about having the right employees in the right place, which should also positively impact customer service levels. • Proper succession planning is a key requirement for the sustainability of Afrox.	**Build a performance culture** • Afrox's talent retention strategy is in line with right-sizing activities to minimise the potential loss of high performers, employment equity candidates and critical skills. • Next generation talent is secured by select recruitment and development, while maintaining focus on employment equity targets. Ongoing safety training assists in reducing employee-related safety risks.	46
Afrox's BBBEE rating	S, M	• Compliance with BBBEE legislation and sector charters is a non-negotiable requirement. • Afrox and its competitors' BBBEE levels have an impact on revenue opportunities, especially for state-owned enterprises' contracts available to the Company.	**Ensure sustainable growth while enhancing competitiveness** • The Board has set an objective of being measured as a level 7 contributor in the first year of measurement under the new Codes.	48

[1] *S – Short term (2016); M – Medium term (2017 to 2019); L – Long term (Beyond 2019)*

Material matter	Term impact[1]	Contextualisation of risks and opportunities	Strategic response	Page reference
Maintain and improve the safety culture	S, M	• Any loss of life caused by a safety, health, environmental, or product quality incident is unacceptable. We are serious about our duty of safety toward our employees, the environment and the products we produce. • The restructuring programme resulted in employee changes, among others, which can increase the risk of SHEQ-related incidents. • With the outsourcing of some activities, Afrox has reduced influence on the safety performance of suppliers. • The negative impact of a SHEQ-related incident on operational flexibility and output remains a risk. In addition, incidents bring about the risk of penalties, injuries and environmental pollution.	**Embed advanced performance in areas of safety, health, environment and quality (SHEQ)** • Afrox has applied increased focus on training new and current employees in SHEQ procedure. • Afrox supplies customers with commercial safety training to educate them on the correct and safe use of Afrox products, helping to reduce customer-related safety incidents.	51
Government regulation of revenue segments	S, M	• Price increases in electricity and fuel costs, coupled with low price levels of commodities, create cost pressure and impact pricing. Above-inflationary wage increases also have a negative impact. • Some LPG costs are regulated and priced by reference to the crude oil price. Fluctuations in the exchange rate and crude oil prices have significant impacts on the LPG input cost and a corresponding impact on sales prices. • The Competition Commission initiated a market inquiry into the LPG sector in South Africa on 15 September 2014. An official response is expected by mid-2016 and may influence the market and/or pricing. Afrox is monitoring developments in this area.	**Achieve a step change in profitability and operating performance** • Investigating new growth opportunities and markets, including alternative electricity supply in the hospitality sector. • The restructuring programme was initiated and implemented to drive cost efficiencies.	16


A Member

Leadership report

Chairman's review

Bernd Eulitz
Chairman

> "Afrox has approached customer service from a partnership perspective, paying attention to how we can help customers produce their products safely, more effectively and at a lowered cost."

Dear stakeholder

As a member of The Linde Group's executive Board, and with my responsibility for the Linde region Europe, Middle East and Africa, it was considered expedient at this time of change in Afrox, that I take the reins of the Board as Chairman, which I did in May 2015.

Due to the continued uncertain economic conditions prevailing since 2014, the decision was taken to transform our South African business in 2015 in order to reduce our selling and general and administrative overheads, improve efficiency and enhance our competitive position.

Under the leadership of Schalk Venter, appointed Managing Director in May 2015, the operational transformation of Afrox was achieved with speed and precision, resulting in a more focused business motivated to deliver.

Schalk and the new Financial Director, Dorian Devers, also appointed in May 2015, had the mandate to deliver on the following objectives:

- Create a more cost-effective and customer-centric operating model and introduce a customer-centric go-to-market model.
- Reduce the employee headcount and drive efficiency improvements.
- Ensure LPG security of supply and improve the flexibility of Hard Goods supply.
- Focus on growth areas and products and identify investment opportunities.
- Further strengthen corporate governance and compliance in line with best practice.
- Improve performance in 2016/17 to justify capital investment plans.

While these are ambitious targets, the Board and I believe Schalk and his leadership team have made significant progress and delivered on the necessary operating cost targets. *Refer to the joint Managing Director and Financial Director's review on page 32 for further information on our financial performance in 2015.*

Economic review

In recent years, Afrox's performance has not been satisfactory. Our actions in 2015, focused on transforming operations in South Africa, are as a result of our determination to reverse the steady decline of the African markets in recent years.

The need to structurally transform was not only prudent, but urgent, as it is expected that sub-Saharan economies will deliver subdued growth in the medium term, with the International Monetary Fund (IMF) revising both its 2015 and 2016 forecasts downwards.

Commodity demand and prices are expected to continue to decline, due to the Chinese economy's change toward internal consumerism as a growth driver, and this is having a negative effect across markets. Also apparent is what little growth emerges going forward is unlikely to be in the traditional sectors of our sub-Saharan business, especially in South Africa, which is expected to significantly underperform against its African counterparts in terms of GDP.

South Africa's challenge with Eskom's lack of electricity generating capacity and consistently above inflation tariff increases is inhibiting industrial growth and stability, pushing the country to the verge of recession in the last quarter of 2015, as reported in the government's statistics.

Increased demand for higher wages, rising inflation and a weak rand led to the IMF's prediction of GDP growth being below 1% for South Africa in 2016.

Strategic overview

We believe the best way to counter this continued level of uncertainty is to ensure our business is focused on retention of existing customers and exploiting all available growth opportunities through the realisation of integrated and solution-driven offers. Price cost recovery is vital to maintaining the gains made under the 2015 transformation of our operations. However, this will have to be balanced against the need for a strong market position and sales growth in a challenging short to medium-term business environment.

By the end of 2016, Afrox's approach to doing business will be fully aligned with the governance, ethics, processes, and compliance guidelines of The Linde Group to benefit from best practice of this larger organisation.

This means there are only two internal targets of importance when it comes to driving behaviours, efficiencies and growth in Afrox; these are zero and 100 – zero tolerance of non-conformity on ethics, corruption and safety, and 100% compliance when it comes to our business behaviours, business practices dedication to customer service excellence and commitment to growth. Our transformation in 2015 reflects this. Our cost base has been reduced substantially *(refer to page 14 for details)* and will not be permitted to increase at more than budgeted levels until sustainable margins and growth in volumes and earnings clearly confirm that the business can fully justify cost base expansion.

We will continue to strategically invest in the South African business, particularly in new technologies and innovative products, and new and growing industries and markets, for instance renewable energy, healthcare, CO_2 and speciality gases. Advances in these areas will be implemented in support of our operations in Emerging Africa, which despite being impacted by weak commodities and lower oil prices, still offer the potential for higher growth. *Refer to the Managing Director and Financial Director's review on page 32 for further details.*

We will be driving new cost-efficient routes to market to improve the efficiency of our customer interactions and promote increased ease in doing business with us. Solutions, including e-commerce, utilising on-line ordering, electronic payments and offering access via smartphone technologies, are examples of the planned improvements.

This is an innovative approach in our industry which will reduce our cost-to-serve and will significantly differentiate Afrox from our competitors. At the same time, our customers will be the main focus of our sales force activities; improved face-to-face contact will drive a deeper understanding of their businesses, their requirements and their expectations, leading to an improved customer experience that delivers value-adding tailored solutions.

Ultimately, this intimate focused approach to our customers is to ensure we are not just the supplier of choice, every time, but the partner of choice for technical advice on production efficiencies and world-class innovative solutions that will enhance the customer's business and add value to planned growth projects.

Compliance

Afrox's Social, Ethics and Transformation (SET) Committee is in its third year of existence and has made continuous progress on our non-financial agenda under the committee chairman, Dr Khotso Mokhele. We have reinforced in-house training across all units on ethics, anti-corruption, and business partner compliance in 2015. Good governance will always be at the heart of what we stand for as a business, an employer and as a socially responsible corporate citizen.

We continue to make every effort to meet South Africa's Broad-Based Black Economic Empowerment (BBBEE) transformation agenda, and have achieved level 3 status. However, the promulgation of the new codes brings with it a set of new challenges and targets, which are onerous to the point that the Company will in all probability only achieve a level 7 rating for 2016. We should keep in mind that the majority of the South African industry faces the same significant level drop in BBBEE ratings under the new codes.

The Board understands a company's BBBEE rating is fast becoming the differentiating and deciding factor in the awarding of many government and government-linked contracts. The Board continues to consider this and endeavours to find the right balance between business viability and BBBEE codes balance in the short to medium term.

Outlook

There is little doubt the economic landscape changed across sub-Saharan Africa during 2015. The 'Africa Rising' expectations appear to have stalled with double-blow collapse in demand for crude oil and commodities.

This led to national budgetary constraints and currency depreciation in most countries, and prompts concern about Africa's ability to invest in much-needed infrastructure development, especially in the power, road and rail sectors in the short term.

In South Africa, where Afrox generates the bulk of its profits, our decision to reorganise and refocus our operations has shown positive results. However, the economic turbulence unfolding at the start of 2016 undoubtedly signals new and possibly severe challenges ahead for our traditional markets.

Like most companies in South Africa, we faced increasing uncertainty in 2015, lower than expected GDP growth, constrained power supply, a collapse in commodity prices, a weakening rand, low business confidence and inflationary pressure, all contributing to lower volume demand in the key sectors of manufacturing, fabrication, mining and steel production.

Nevertheless, we made solid progress in transforming the Company, management structure, geographic footprint, channels to market, distribution network as well as our business and product portfolios.

These actions, achieved in the face of considerable headwinds in the South African economy, should ensure the Company profile mirrors customer needs and that our products are competitive and delivered cost-effectively.

It is now incumbent on the new management team to drive continuous improvements and maximise efficiencies in the low growth and uncertain business climate of 2016 and beyond.

Board

In May 2015, Mike Huggon stepped down as Afrox Chairman after serving in this position since May 2011. David Lawrence resigned as independent non-executive director in May 2015. We thank both David and Mike for their strategic insights and contributions during their terms as board members.

Gratitude

I wish to thank my fellow Board members for their input, support and guidance during a year of change. I would also like to thank Afrox's management team, employees and our suppliers for their continued dedication and commitment. Lastly, and most importantly, I thank our customers for their continued support of our products and services.

Bernd Eulitz
Chairman

Managing Director and Financial Director's review

Schalk Venter
Managing Director

Dorian Devers
Financial Director

"Our task is not to simply take stewardship of Afrox, it is to make and implement tough decisions where necessary, bring fresh perspectives to bear, and apply a healthy dose of common sense to tackling operational challenges."

Introduction

As the recently appointed Managing Director and Financial Director, we are privileged to be charged with the responsibility of delivering a revitalised and modern Afrox, capable of exploiting growth opportunities and generating sustainable returns that will justify the levels of capital investment required in the industrial gases industry.

To lead Afrox is an exciting opportunity, and one we embrace with determination and a clear vision of leadership by example. Leadership combines the traits of the ability to inspire the best in others, agility in decision making, listening to and respecting the opinions of others, and embedding the right business behaviours to ensure our efforts, as the Afrox collective, deliver on customer and service excellence.

Year-on-year, Afrox improved operating margins as a result of increased focus and proficiency on cost-effective manufacturing in key product areas and partially through employee reductions. Afrox does not expect the economy to recover until 2017 and beyond, and has positioned itself to maximise margin opportunities going forward.

Afrox will seek to maintain and grow its customer base by becoming a preferred supplier, partnering with customers and producing solutions to improve their process efficiencies, helping them to create safer, more cost-effective and higher-quality products.

Customer focus

Customer service has become a significant area of focus for improvement. Our transformed Afrox has provided a tangible opportunity to regain its rightful status of excellence in service, consistent quality and delivery, while maintaining values of responsibility and commitment to shareholders and customers alike.

Afrox implemented the 'rant and rave' customer feedback programme in November 2015. The interactive electronic programme allows customers to comment on and rate our service and products. Updates can be viewed instantly by The Linde Group and Afrox personnel, and Afrox endeavours to respond to all negative feedback within two hours of posting.

This programme resulted in a closer relationship between the Managing Director and the customer by removing unnecessary barriers in operations and adapting our business structure to have more customer-facing departments. This makes for more efficient and faster responses to customers who seek differentiated solutions based on their needs, and more transparent communication.

The restructuring programme

In line with our 2015 turnaround plan, we oversaw a significant cost base reduction, introduced new skilled employees, redeployed existing employees, where identified, in areas best suited to individual capabilities, and instituted new structures aligned with a revised strategy reflective of the current economic uncertainties.

It is our aspiration for Afrox to realise its full potential as a leading business, driven by people who provide innovative solutions that make a difference to our customers within an environment of strong governance and compliance. The turnaround plan has produced an agile business capable of making quick decisions to improve operational efficiencies, depending on the needs of our customers and the business climate.

The key challenge for Afrox remains the weak South African economy leading to tough market conditions in the traditional sectors that we supply in the short to medium term. The economy, impacted by a weakening rand, electricity shortages, a visibly shrinking mining sector, low commodity prices, rising interest rates, inflationary pressure, and low business confidence, is in a fragile state bordering on recession.

Hence, our focus on transforming the Company in 2015 was implemented with dynamism and unwavering attention to achieving an appropriate cost base and structure. All activities were aligned with The Linde Group's operating model, which has been revitalised to reflect economic conditions globally. Further alignment will take place during the year.

Financial overview

Positive effects of the turnaround are already evident with EBITDA before restructuring costs increasing by 23%, or R186 million, to R1 004 million in 2015. This growth was achieved despite headwinds experienced in the South African economy, mainly impacting volumes in some of our businesses. The EBITDA margin before restructuring costs increased to 18.3% (2014: 14%). An additional restructuring charge of R79 million was incurred in the current year. Improvements in the underlying business performance resulted in headline earnings per share increasing by 283.9% to 139.2 cents (2014: 36.2 cents) and basic earnings per share increasing by 400.34% to 134.2 cents (2014: 26.8 cents).

Revenue reduced by 6% to R5.473 billion (2014: R5.834 billion) mainly due to the impact of lower LPG prices. Revenue, excluding the effects of reduced LPG pricing in South Africa, was marginally below the prior year. Capital expenditure of R377 million (2014: R527 million) has reduced, thus aligning capital requirements with the prevailing economic environment. The decision to invest in a production campus in Durban was re-evaluated, resulting in a decision to secure suitable rented premises and dispose of the property instead. This will result in a R205 million reduction in planned capital expenditure.

Lower levels of capital expenditure, focused trade working capital management, optimisation of fixed assets and underlying EBITDA growth resulted in Afrox remaining strongly cash generative. Net debt reduced by R355 million to R148 million (2014: R503 million). On the key financial measure of return on capital employed (ROCE), Afrox improved to 16.7% (2014: 11.1%), reflecting the focus that the restructure has on both costs and asset utilisation.

Working capital

Net working capital reduced by R54 million from 2014, the outcome of nearly two years of intense focus on improving controls over our supply chain. This contributed significantly to an improvement in cash generated from operations.

Borrowing facilities

The R500 million – seven-year facility, negotiated during the previous year, remains unutilised and, coupled with the significant cash on hand, places Afrox in a strong position to fund any future new business opportunities.

Capital expenditure

The major programme of renewal (Project SWIFT) announced in 2015 is reaching completion. Highlights include:

- The merchant ASU in Pretoria forms the cornerstone of capacity for the Gauteng and Limpopo Province region.
- The merchant ASU in Port Elizabeth has been in full production since the second quarter of 2015 and improved our customer service to the Eastern Cape.
- The new filling plant in Durban, which will be operational by the end of quarter two 2016.
- Gases distribution equipment (covering cylinders, bulk tanks, customer installations and vehicles) has ensured an improvement in the customer experience.

Dividends

The Company retains its policy whereby headline earnings cover the dividend twice. In compliance with this policy, a final dividend for 2015 of 51 cents was declared, thus bringing the total dividends declared to 69 cents (2014: 24 cents).

Business segment performance

Afrox, through the many and varied markets it serves, is a barometer of the health of the real South African economy. As a result, volumes were, with the exception of LPG and healthcare, all lower when compared to 2014. During a year characterised by depressed demand, Afrox responded by conducting a total review and transformation of its operating structures, cost base and footprint in South Africa.

LPG

Liquefied Petroleum Gas (LPG) revenue decreased as a result of the reduction in global oil prices; however, volumes increased marginally by 3% compared to 2014. Local shortages, due to planned and

unexpected shutdowns at refineries, were mitigated as much as possible by our import storage facility which provided us the ability to realise additional, non-price-regulated, bulk sales to industrial customers. We expect the continued depressed price of crude oil to drive increasing demand in the medium term and, while cash margins will not be affected, the lower costs of LPG to customers will materially depress revenue.

We continue to actively manage the illegal filling threat, not only to ensure that our assets are not abused but, more importantly, to protect the public from significant safety risks. We await the outcome of the Competition Commission's inquiry into the LPG industry and monitor developments closely.

Refer to page 41 for further details.

Atmospheric Gases

Revenue from the **Atmospheric Gases** business increased by 2.9%, mainly as a result of the performance in Afrox's market-leading CO_2 business, the healthcare business and speciality products. Output reduction in key markets across mining, steel and manufacturing sectors led to reductions in pipeline and compressed gases. As a result, gaseous pipeline and compressed gases sales were impacted; bulk liquid gases volumes performed relatively well as new gas applications were sold to customers. In the healthcare sector, Medical Atmospheric Gases volumes provided to the state and private healthcare sector increased for the year. Plant reliability of 99% (2014: 98%) was achieved.

On the compressed gases front, our Individual Cylinder Control project, which will see Afrox's total inventory of high-pressure cylinders barcoded, went live in Swaziland in the fourth quarter and will be implemented regionally across South Africa in 2016. This will enable full tracking across the supply chain of our cylinders at the touch of a button. The programme is an integral pillar of our focus on enhancing the customer experience in dealing with Afrox.

Refer to page 38 for further details.

Hard Goods

Hard Goods revenue reduced by 9.1%, driven by lower volumes from the adverse business environment. GPADE increased by 11.5% due to one-time inventory provisions incurred in 2014. Underlying the GPADE margin improvement was the rationalisation of the product range and manufacturing facilities, closing the gas equipment factory in Germiston as part of our initiative to outsource non-core operations and supply chain review, and focusing on driving sales of high-yield products.

Refer to page 42 for further details.

Emerging Africa

The **Emerging Africa** (formerly Rest of Africa) revenue decreased by 5.5% due to the exit from Angola, reduction in LPG market pricing, linked to lower costs and devaluation of the Zambian currency. Despite the exit from Angola and the devaluation of the Zambian currency, sales and volumes performed relatively well, with growth in most market sectors and countries.

Due to continued uncertainty around key developments in this region, arising from a combination of increasing political and economic instability, and volatility in global oil and commodity prices, we remain cautious in terms of our investment programme into the sub-Saharan region outside of South Africa.

Refer to page 44 for further details.

Performance alignment

We continue to benchmark our performance against The Linde Group and set clear objectives and targets. These goals are translated into specific Company-level performance objectives, which are complemented by supporting personal objectives embedded in all employee performance measures. This direct performance management approach is integrated into our training and development programme, and our employment equity and succession programmes.

Refer to page 71 for further details.

Our SHEQ commitments

Afrox introduced SHEQ initiatives and a well-defined strategy and associated plans that will take us through to 2016. These include training and regular reporting of progress against the strategy. Each employee is personally responsible for SHEQ on our sites.

Managers are expected to demonstrate visible leadership in implementing the SHEQ agenda. Due to this critical focus, our position on SHEQ continues to improve, with major incidents down 25%, further curtailing related vehicle damage/replacement costs, and contributing to improved DIFOT levels of 95% for the year for industrial gases.

Afrox remains committed to delivering on its no harm to the environment policy and progress is being made on an ongoing basis. Afrox also achieved multisite regional ISO 9001:2008 quality management certification, effectively streamlining certification in line with the Afrox business structure and improved margin achievement.

Refer to page 51 for further details.

Customer service

Our focus on excellence in customer service, promoting ease of doing business and driving innovation, remained at the heart of our endeavours. Listening to the customer, understanding their needs and acting upon them will exponentially improve our service delivery and the customer experience. Customer response to our e-shop channel, launched in response to the growing trend for online ordering and account solutions, continues to gain traction. This new channel is all about doing convenient business with us in a simple and transparent way and we expect e-shop to grow in popularity in the years ahead, especially among our smaller customers *(refer to our customer-centric go-to-market model on page 17 for further details)*. Independently monitored customer satisfaction levels, with Afrox and our National Customer Service Centre (NCSC), stand at 90% (2014: 95.25%).

Outlook

Afrox remains a profitable and robust business. Our focus in 2016/17 will be on ensuring cohesion across the new structure, prioritising profitable contract retention and realising any and all growth opportunities. This will be achieved by listening to customers, understanding what they need and acting on that, all the while continuously driving greater operational efficiencies and customer service levels to higher standards. We expect there will be bumps in the road, which make these behaviours critical to achieving business sustainability in the short to medium term and, from our standpoint, these behaviours are non-negotiable. We expect 2016 to be a challenging year; however, as a diversified business we expect to perform relatively well. To meet these challenges we will continue to demonstrate fiscal, operational, compliance and behavioural discipline.

Appreciation

We extend our sincere thanks to the members of the Board, our Afrox colleagues and our customers for their unstinting commitment and support. It is only through this support that our business is able to live up to our maxim: success is making the right choices in difficult times.

Schalk Venter
Managing Director

Dorian Devers
Financial Director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Performance review

Atmospheric Gases

Air separation technology is used for the production of large volumes of oxygen, nitrogen and, to a lesser extent, argon. These products are supplied directly to large consumers and are also liquefied for bulk delivery to merchant customers. Similarly, CO_2 is processed to meet specifications before being liquefied for the merchant market.

Achievements

- The launch of new products catering for specific customer requirements, such as the integrated medical valve and the light-weight helium fibreglass cylinder on wheels for the leisure market.
- Afrox is using its expertise to provide packaged products and specialised services to the renewable energy sector.
- Implemented the pilot phase of the Tag 'n Trace Individual Cylinder programme.

Key challenges

- CO_2 supply was constrained, leading to market shortages.
- Difficult trading environment continues as a result of the constrained global economy, including a declining steel demand and depressed commodity prices.

Performance review

Key performance indicators

KPI	Unit	2015	2014*	2013*
Revenue	Rm	2 110	2 050	2 009
GPADE[1]	Rm	681	746	645
Run-out efficiency	Rate	0.39	0.31	3.00
Capex[2]/revenue	%	12.2	18.8	19.0
Reliability of plant ASU/CO_2	%	99/98	98/98	98/97
DIFOT[3]	%	91	92	93

** Restated.*
[1] Gross profit after distribution expenses.
[2] Capital expenditure.
[3] Delivered in full and on time.

Overall demand for bulk products was flat compared to 2014. However, a combination of product mix and pricing initiatives ensured a 3% increase in revenue. Margins were under pressure across most areas of Atmospheric Gases, resulting in an 8.7% decrease in GPADE. Mining, construction, steel construction and fabrication customers were impacted the most during the year, becoming less active and profitable during the economic downturn. Industrial oxygen volumes came under pressure in the second half of the year, as steel demand and commodity prices declined, impacting steel producers and scrap metal industries. Lowered overall mining output during the same period, together with a decline in metal fabrication output for the full year, contributed to the lower volumes.

Plant reliability remained at historical levels of 99% during the year, leading to an improved reliability score. Transport costs improved as a result of logistics efficiencies such as optimising the number of trips and volumes transported to customers. Ensuring that we overcome commodity pricing pressure through enhanced product service offerings and process solutions for our customers, across all areas, is a core challenge. Lower employee numbers necessitated the removal of all activities that did not add value to our filling process, further streamlining activities. Further improvements have been identified.

Although CO_2 supply was constrained by plant outages and poor feedstock quality, demand remained high going into the summer season from August 2015 onwards. We increased investigation into obtaining CO_2 from biogas to mitigate shortages in future. Afrox will also consider increasing capacity to provide additional storage of CO_2. This would support diversification of supply sources and align with the government's renewable energy drive by becoming more environmentally considerate.

The Tag 'n Trace Individual Cylinder programme that was started in 2014, continues to gain momentum. This programme requires all high-pressure cylinders to be barcoded to enhance the audit trail of each cylinder and its life cycle. This process will provide the desired step change in customer holding accuracy and customer experience. Data on cylinder use will also be used to improve cylinder utilisation. The Swaziland site was used as pilot for this programme and the remaining seven sites in South Africa will go live in 2016. An estimated 93% of high pressure cylinders have been barcoded as at 31 December 2015.

As with all businesses that undergo major restructuring, Afrox experienced a dip in grade of service levels for a two-month period. Thereafter, performance improved and surpassed our previous levels, reflecting the impact of our new customer-oriented structure. The Company recognised that this slump would materialise and focused on reducing this period to the shortest possible time.

Medical gases

Sale volumes and margins of medical gases increased as a result of the increased demand in government and private sectors, primarily due to medical infrastructure development. Afrox focused on developing relationships in this segment.

As a world first, an integrated medical valve designed and manufactured by The Linde Group, was launched in South Africa in 2015. Unlike the old design, which had the regulator as a separate attachment to the cylinder, the integrated medical valve is attached to the cylinder and encapsulates the regulator in a protective shroud, reducing the likelihood of damage during the day-to-day movement of the cylinder. Afrox believes this to be the safest and most advanced valve of its kind globally.

Hospitality gases

The growth of retail centres, fast-food franchises, tourism, shopping malls and South Africa's expanding middle class supported further growth in this area. As a result, sales volumes have increased. Afrox is well positioned in this market, our brand is well known, service delivery is consistent and the Company is making continuous efforts to ensure that the industry has a steady supply to meet the demand. Afrox continuously seeks to support entrepreneurs and large business, primarily as a partner to their operations, providing timeous service and consistent deliveries.

Special gases

Products in this area include refrigerants used in freezing and propellants used in aerosol cans. Afrox lost share in these product segments and this trend was reversed by creating a dedicated business unit to focus on customer needs and developing appropriate product service offers.

Helium also forms part of this segment and the Company invested in making the product easily accessible by introducing a light-weight fibreglass cylinder on wheels. This significantly improved movement and convenience in filling balloons and using this party gas. Afrox has formed strategic alliances with helium customers and these have developed significantly in the last year.

Afrox supports exporters of food products by ensuring the longevity of the items through our flash freezing tunnels. We are one of a few companies in South Africa with Food Safety System (FSSC) 2200:2010 certification and were the first to obtain this certification nationally. New developments in the cryogenic freezing sector are being secured by making use of a unique equipment rental offer, from a central global pool of state-of-the-art freezing systems. Application capabilities are growing and Afrox leverages the expertise and knowledge provided by The Linde Group in this regard.

Industrial gases

As a result of the economic slowdown in the manufacturing and general fabrication sectors, industrial gases (acetylene, oxygen and argon) have reduced volumes year-on-year due to lowered use and demand.

The focus, going forward, will be operational efficiency, specifically the reduction of product costs to protect margins. Continuity of supply for industrial gases improved, due to good ASU availability and expansion as our Port Elizabeth ASU became operational. Afrox is in the process of commissioning a new state-of-the-art modular filling plant in Durban and it is envisaged that the filling plant will be commissioned in quarter two of 2016, that will improve our efficiencies while targeting improved safety and quality statistics. All operations will now be consolidated at this facility, improving collaboration between various functions and speeding up decision making. We expect this improvement to reflect in our customer service. On-site costs such as electricity, building maintenance, and rates and taxes will also be consolidated, resulting in further savings.

Renewable energy

Afrox is a market leader in providing services and products for the construction and operation of renewable energy plants, particularly for solar farms and wind turbines. Afrox provides the conventional welding and industrial gases required by these large infrastructure projects, including the welding equipment and processes required for wind energy projects.

Concentrated solar plants (CSPs)

CSPs that use molten salt require large amounts of LPG to melt the salt before operations commence and after routine maintenance periods. Insufficient supply of LPG poses a significant operational risk for these projects. Afrox has the necessary experience, infrastructure, scale of equipment and delivery record to ensure that these salt-melting processes are done correctly. We use our local and imported sources, as well as our dedicated tanker fleet to support the growing CSP industry for their LPG requirements.

Wind turbines

These structures require meticulous welding on site and high-level technical welding skills. Afrox provides these products and offers technical consulting services for its customers. The Linde Group's trademark 'LindoFlamm' process is used to preheat the components prior to welding and reduces the typical preheating time required for this process by 40%, representing a significant reduction in fabrication costs. This process is one that was borne out of the research and development by The Linde Group.

Hydrogen fuel cells

Afrox commissioned a R14 million hydrogen facility in Pelindaba during 2014, which is operational, reducing the demand for hydrogen imports. With a stable supply secured, Afrox intends to move into the hydrogen fuel cell market, should the environment remain stable and projections favourable, leveraging the technological expertise of The Linde Group and our local distribution network. The Linde Group developed high-technology hydrogen gas systems for automotive use and other applications. The Linde Group completed exhaustive development and testing processes to allow for the gas to be used safely in commercial applications.

Biogas, compressed natural gas (CNG) and liquefied natural gas (LNG)

Afrox is partnering with a biogas company to produce high-grade CO_2 and methane for distribution to industries in the Western Cape that have traditionally experienced shortages of CO_2. Initially, offtake of CO_2 is expected to be between 18 tonnes and 30 tonnes per day and will benefit waste water treatment applications, as well as the food and beverage industries. This new plant will become operational in early 2017 and relieve the pressure of having to transport CO_2 from Mossel Bay, which is the nearest source, 380 kilometres away.

Afrox will also purchase the methane from the new plant for CNG purposes. CNG is more than 94% methane. Long term, Afrox is exploring opportunities for LNG or CNG, to reduce reliance on LPG and expand its market footprint. This would assist in reducing the impact of LPG supply shortages. If the source is significant, Afrox will also consider liquefying the natural gas to produce LNG and distribute this through our extensive southern African LPG network.

The Linde Group developed several technological processes to upgrade biogas and other natural gas streams and will support the emerging biogas industry in areas with sufficient and consistent sources of bio waste. The gas products will then be sold to local users in these areas. This opportunity provides potential for Afrox to significantly reduce the carbon footprint of our customers, our country and our business.

Future focus areas

- Bulk capacity planning through increased storage, specifically the proactive identification of locations where capacity additions are required in our network. The Western Cape is of particular focus for LPG and CO_2.
- Actively seeking potential strategic sourcing opportunities – being the first to secure superior feed gas sources will provide a competitive advantage to operations and, as such, Afrox continues monitoring the market for ideal opportunities.
- Successfully commissioning of the new state-of-the-art modular Durban cylinder filling plant will expand our footprint and aid supply further.
- Afrox plans to take advantage of spare ASU capacity to secure the major share of market growth opportunities and practice-effective cost recovery efforts while maintaining customer satisfaction.

LPG

Afrox supplies liquefied petroleum gas (LPG) to bulk users across all major sectors of the South African market. Packaged LPG, under the name Handigas, is supplied in cylinders to users requiring smaller volumes. Handigas is the brand name under which we have marketed LPG for over 50 years.

Achievements

- Volume growth in a market with constrained supply.
- Margin improvement through focused cost management.
- Retention of significant supply agreements.
- Capital investment in improving storage infrastructure and distribution.

Key challenges

- Severe supply constraints from local refineries during the peak winter demand period.
- Import capacity and logistical challenges particularly regarding LPG supply in the Western Cape.

Performance review

Key performance indicators

KPI	Unit	2015	2014*	2013*
Revenue	Rm	1 820	2 118	2 120
GPADE[1]	Rm	321	288	311
Run-out efficiency	Rate	0.33	0.33	6.0
Capex[2]/revenue	%	3.9	3.9	3.7
DIFOT[3]	%	88	92	94

** Restated.*

[1] Gross profit after distribution expenses.

[2] Capital expenditure.

[3] Delivered in full and on time.

LPG wholesale pricing is regulated by the National Energy Regulator of South Africa (NERSA), and supply is strongly influenced by refinery production. Price increases during the year enabled Afrox to improve margins due to strict cost management. These include cost-conscious filling processes in conjunction with tank optimisation for distributions – controls that are in line with the Company's efficiency drive.

During the year, supply constraints by refineries resulted in market demand exceeding supply considerably. This led to a very marginal increase in volumes. Refinery shutdowns for maintenance, extended maintenance periods and unscheduled shutdowns all contributed to the lowered output from refineries and the subsequent shortage in the country. This lack of supply significantly impacted the amount of run-outs experienced and Afrox expects LPG supply constraints to persist into 2016. The Western Cape was severely impacted, as both suppliers in the region experienced significant production issues, and storage of LPG is limited in the region, requiring more tanker deliveries to meet demand. Afrox focused on supplying its most economically strategic customers and vital industries to avoid negative knock-on effects throughout the country should they cease to operate (shopping centres, hospitality markets, tourism, etc.). The limited supply of LPG also contributed to customers choosing to remain with Afrox for reliability and stability and, as a result, Afrox retained significant supply agreements.

Overall, lead time for delivery and cost of distribution increased as a result of LPG imports and extended delivery routes to assist in countrywide demand, particularly through the winter period. Despite this, profit margins improved with the assistance of a surcharge (levy) on imported LPG, which the Company recovered.

Competition Commission market inquiry

The Competition Commission market inquiry into the LPG sector commenced in September of 2014, results are expected by mid-2016 and Afrox is monitoring the process closely to ensure adequate and timely responses to any market changes as a result of the inquiry.

On 14 October 2015, the Competition Commission conducted a search and seizure investigation at the Afrox Head Offices on an allegation that Afrox and four other LPG operators had illegally coordinated trading conditions contrary to the Competition Act 1998, specifically in relation to LPG cylinder deposit fees. Afrox is engaging with the Commission to resolve the matter.

Afrox has robust compliance processes and policies to ensure the Company complies with the provisions of the Competition Act in all its commercial activities. The Afrox Board and management condemn any form of anti-competitive practices and expect strict adherence by all employees, agents, suppliers, customers and contractors to the Company's Code of Ethics.

Future focus areas

- Ensuring security of supply in 2016 and beyond – additional viable and reliable sources of imports are being sought to address the expected shortage of LPG in 2016.
- Capitalising on new growth opportunities, particularly in the domestic sector, to diversify Afrox's customer portfolio.
- Creating strategic storage capacity to assist in reducing run-outs in the event of refinery shutdowns and to reduce transportation time and cost, where necessary. A key competency that Afrox retains is the ability to transport LPG and other products throughout the country effectively and safely.
- Afrox will support the government's renewables agenda by diversifying sources to take product from viable biogas sources in future, a likely competitor to LPG in the near future.
- Through our Emerging Africa segment, Afrox will seek opportunities for expansion into the rest of the continent.

Hard Goods

Afrox distributes a select range of welding consumables, automation equipment and machines. The Company continues to optimise the Hard Goods business to streamline and right-size the segment in line with the Company's strategy and goals.

Achievements

- Product rationalisation resulted in a 25% reduction in our range of Hard Goods products, resulting in significant cost savings and improved working capital management.
- Sales growth focus resulted in the disposal of low-margin products in favour of higher margin products.
- Restructuring plants and strategic partnerships for certain products ensured core customer-focused operations.
- New product service offerings with additional focus on overall product solutions to assist in customers' drive for productivity, quality and safety, especially when customers seek to remain competitive in difficult market conditions.

Key challenges

- Accurate stock forecasting in the current economic climate.
- Cost recovery due to devaluation of the rand and pricing pressures in the market.
- Difficult trading conditions due to poor economic growth in fabrication, mining and industrial sectors. The reduced activity at key customers had a negative impact on sales volumes.

Performance review

Key performance indicators

KPI	Unit	2015	2014*	2013*
Revenue	Rm	788	867	927
GPADE[1]	Rm	272	244	229
Capex[2]/revenue	%	0.5	1.6	0.9
DIFOT[3]	%	92	92	78

** Restated.*
[1] Gross profit after distribution expenses.
[2] Capital expenditure.
[3] Delivered in full and on time.

Due to the nature of these products and their use, the performance of Hard Goods is directly related to economic activity. The decline in the local performance led to customer purchases decreasing – mainly from the distribution, mining, energy and fabrication sectors. As a result, revenue decreased by 9.1% to R788 million, but due to the proactive restructuring process, market share increased. The Company aims to improve margins in this area and effectively manage working capital in a market that is expected to continue its decline in the next year.

Reliability of plant levels improved during the year under review, predominantly due to lowered production levels. Products delivered in full and on time remained at 92%. Cost management for the year was essential and the conversion cost for the year is almost the same as the previous period.

The effects of the amalgamation of two electrode filler plants in 2014 resulted in a cost saving for the year. Upgrading of facilities took place across the Company, and our special consumable filler plant was restructured to make it significantly more flexible in producing special products. Our competitors have to import these and local production gives Afrox a unique competitive advantage going forward.

Stock levels have improved through effective management and the new structure of the business has aided the process, preventing large-scale inventory write-offs as was the case in prior years.

Product rationalisation

The turnaround plan necessitated the review of products, and those that were deemed to be dilutive, or not delivering sufficient margins, were discontinued to streamline the business's operations and align with our strengths. This was a continuation of the product rationalisation process initiated in 2014 and resulted in a discontinuation of a further 25% of Hard Goods products. This translated into reduced costs for storage, transport and service. The products retained are those that serve the core needs of our customers and deliver appropriate margins.

As part of the restructuring rationale to 'get strong', commodity personal protective equipment (PPE) was discontinued. Gas equipment production also ceased as the Company came to the conclusion that it would not be competitive in the market going forward due to high labour costs and mass-produced competitive equipment, particularly from China. Afrox has since formed a strategic alliance with a European based third-party manufacturer that will manufacture the equipment while Afrox retains ownership of these products and continues to leverage its world-class design capabilities in gas equipment to develop new world-leading products. The arrangement includes licence agreements that will enable the use of our technology on a global scale by our alliance partner.

Future focus areas

- Leverage strategic partnerships for certain products and continue seeking cost and operational efficiencies.
- Grow our light industry market with tailored offers delivered through defined channels.
- Defend and grow our traditional customer base across the key segments and capitalise on opportunities in Emerging Africa.
- Invest in our resource development and capabilities to deliver growth. Our research and development department has a healthy pipeline of high-technology gas control and medical devices.

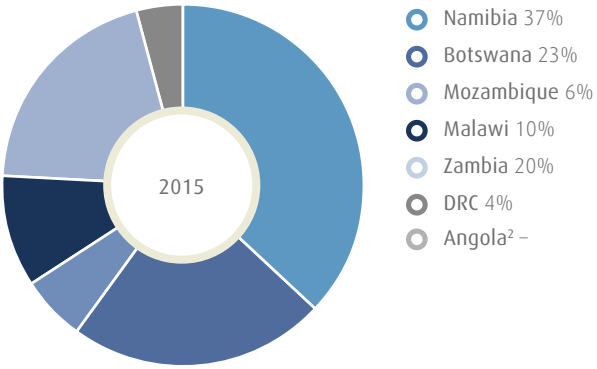
Emerging Africa

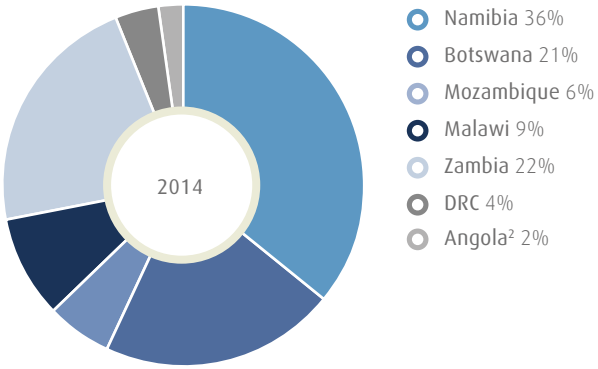
The Emerging Africa[1] region includes all sub-Saharan Africa atmospheric gas businesses outside of South Africa. It is directly affected by LPG and MPG supply in South Africa, as the bulk of Emerging Africa countries receive products and/or support from our South African operations. Afrox has offtake agreements in the countries and Emerging Africa facilitates all transactions in these geographies, including local sales and marketing requirements.

Emerging Africa countries and operations

Afrox operates in ten countries outside of South Africa. Some countries within Emerging Africa operate plants and facilities to service their local areas. In these cases, logistics costs, economies of scale, size of the markets and other factors, such as economic or political stability, are considered before such plants are erected. This important business segment receives increasing support from the Afrox executive team to strengthen governance, improve customer service, and deliver added value to customers.

Revenue per country (%)





Operationally, Swaziland and Lesotho form part of South Africa and report in that function. Operations in Zimbabwe, Kenya, Uganda, Tanzania and Nigeria are Linde-owned but managed by Afrox and excluded from Emerging Africa. Afrox exited Angola in 2014 and this had no material effect on operations and results.

Achievements

- Successful commissioning of various micro-filling plants in priority locations in Mozambique and Zambia.
- Commissioning of an LPG filling facility in Ndola, Zambia to improve efficiency.
- ASU refurbishment in Ndola, Zambia to improve efficiency.
- Awarded the tender for CO_2 supply to SAB Miller for sub-Saharan Africa until the end of 2016.

Key challenges

- Slowing economic growth in Africa as well as globally.
- Low international commodity and oil prices have a negative impact on economic conditions and timing of investments.
- Electricity shortages impact internal production and customer project investments in most countries but especially Zambia.
- Widening trade balance deficits in certain countries and resultant currency devaluations.
- LPG and CO_2 supply constraints from South Africa.

[1] *Rest of Africa (REA) was renamed Emerging Africa in 2015.*
[2] *Afrox is in the process of exiting Angola.*

Performance review

Key performance indicators

KPI	Unit	2015	2014*	2013*
Revenue	Rm	755	799	736
GPADE[1]	Rm	311	300	322
Capex[2]/revenue	%	6.1	4.8	5.0
Reliability of plant	%	77	95	82

** Restated.*
[1] Gross profit after distribution expenses.
[2] Capital expenditure.

Sales volumes across our Emerging Africa operations reduced by approximately 10%, and revenue for 2015 declined by 5.5% to R755 million (2014: R799 million). This decrease is a direct result of the slowing international commodity and oil prices, the resultant decline in sub-Saharan Africa growth rates, delays in customer project investments and the widening of country current account deficits. All of these factors had a negative effect on currencies in some countries, especially in Zambia where the kwacha devalued by as much as 50% in a three-month period.

LPG and CO_2 supply constraints from South Africa negatively impacted revenue. Performance overall is in line with expectation and targets. Hard Goods performance has improved in Botswana, Mozambique, Zambia and Malawi; the segment's sales volumes increased marginally. Despite lower revenue, the Atmospheric Gases sector of Emerging Africa regained some of the shortfall through key performance and efficiency initiatives such as the reduction in gas losses, centre isle loading on our cylinder distribution vehicles, various procurement-related savings and headcount reduction initiatives. To reduce gas losses, Afrox increased cylinder work leading to bigger batch sizes being filled and improved bulk gases delivery planning, which led to less frequent tanker conversions between the different gas types. From a procurement perspective, savings were realised through a combination of reduced LPG transport contractor rates and a reduction in calcium carbide pricing (used in the manufacturing of dissolved acetylene).

Other contributing initiatives include the successful completion of the micro-filling plant installations in Mozambique and Zambia. These installations significantly reduce our transport cost and cater for local demand quickly and efficiently, positively impacting customer service.

Afrox continues to experience challenges with the reduction in trade receivable balances, especially in the public healthcare sector. Our improvement initiatives were also impacted by the difficult trading environment, which is directly linked to global economic decline. Afrox is engaging with stakeholders at appropriate levels in a bid to reduce the trade receivable levels further. The improvement to the management of working capital, well below the 2015 budget is indicative of the effectiveness of our effects in this regard.

Zambia

Electricity shortages and surges have increased, damaging plants in Zambia and reducing operational time, which ultimately increases the cost per unit. Although the resultant impact has not been material this year, customers in Zambia are requesting lower prices due to lower commodity prices, and Afrox is reviewing operations to establish further fixed-cost savings that could be passed on to our customers.

Future focus areas

- The Emerging Africa strategy focuses on smaller filling plants until demand in the area rises substantially enough to warrant further investment. A key success driver is taking advantage of supply opportunities provided by large tonnage customers that set up operations in one of our geographies and provide a guaranteed offtake for the plant.
- The difficult economic conditions, driven by low international commodity and oil prices, are expected to persist in the short to medium term. Therefore, the Emerging Africa focus for 2016 will be on consumer demand driven growth areas such as healthcare, CO_2 and LPG. Productivity and efficiency improvements are ongoing.
- Operational improvement in each country is a governance responsibility. As a result, Afrox is rolling out an internal Control Steering Committee for each country. These Committees will meet every quarter to assess country performance, and these findings will be reported to the Audit Committee and shared throughout the Company to measure best practice and progress against targets.

Human resources

We recognise our employees are entitled to the fundamental human rights enshrined in South Africa's Constitution. We are committed to upholding human rights and labour laws across the full spectrum of our business. The retention of critical skills and development of skills, including leadership development, remains imperative to our long-term sustainability.

Achievements

- Significant progress towards a leaner, more agile organisation that is closer to its customers.
- Employment equity improved at various levels.

Key challenges in 2015

- Providing retrenchment packages that maximise employee satisfaction.
- Addressing the negative impact that the restructuring process had on employee morale.
- Uncertainty around the amended BBBEE requirements.
- Afrox's product profile in terms of local availability, capacity and technical specifications regarding black-owned (BO) and black women-owned (BWO) spend.

Performance review

The restructuring process had a significant impact on employee numbers. Operations and performance measurements are set to return to normal in 2016 after an exceptional 2015 that focused on ensuring that the restructuring process was successfully implemented.

Key performance indicators

Key performance area	KPI	Unit	2015	2014	2013
Employee development and leadership capability	Leadership developments	Number	15	387	651
	Learners, apprentices, bursars and graduates	Number	65	52	80
Diversity and transformation	BBBEE level	Overall scorecard rating	3	3	3
	Employment equity	*(See table on page 47)*			
Employee retention	Employee turnover total	%	28.9%	14.8%	17.4%

The restructuring programme

In the year under review, the turnaround plan's restructuring process has resulted in 427 employees accepting voluntary separation packages. Employees were given competitive packages, and additional concessions, such as the ability to leave employment early and personal development support for finding new employment, ensured that the process was as amicable as possible. Afrox also provided additional financial support and made counselling available to employees to assist them in this process.

The restructuring process is geared towards creating a leaner, more customer-focused operational structure with less levels of separation between customers and Afrox *(Refer to page 16 for more information on the turnaround plan)*. The reporting structure has been functionalised, using line management accountability as opposed to the regional reporting structure previously in place. Localised responsibility has allowed for improved response time and decision making with clear lines of accountability.

A number of employees were redeployed to different operations or sites within our new structure. Employees who were redeployed or promoted to new positions received training on their new roles to limit the disruption to productivity and quality. Actual training expenditure increased by R5 million, to R26 million (2014: R21 million) to accommodate this upskilling process. The funds budgeted for training in 2016 amounts to R20 million.

Employee retention

Afrox measures and records the reasons for employees leaving as this informs the direction chosen to improve aspects of employment.

Analysis of leavers		2015 Overall	2014	2013
Number of employees that left due to voluntary resignation				
Male	FTE	112	126	155
Female	FTE	61	78	75
Number of employees that left as a result of voluntary separation packages				
Male	FTE	293	–	–
Female	FTE	134	–	–
Number of employees that left for other reasons				
Male	FTE	119	157	244
Female	FTE	32	63	71
Total number of voluntary and non-voluntary leavers	FTE	751	424	545
Average length of service	Years	9.5	9.10	8.05

Employee turnover is higher this year at 28.9%; however, excluding the restructuring, Afrox's employee turnover rate for the year is 13.86%.

Diversity and transformation

Employment equity percentage

Employee level	2015	2014	2013
Top management	0	0	33.75
Senior management	30	33	48.3
Professionally qualified middle management	50	51	61
Skilled middle and junior management	65	64	55
Semi-skilled junior management	92	75	84.6
Unskilled and defined decision making	99	99.3	99.3

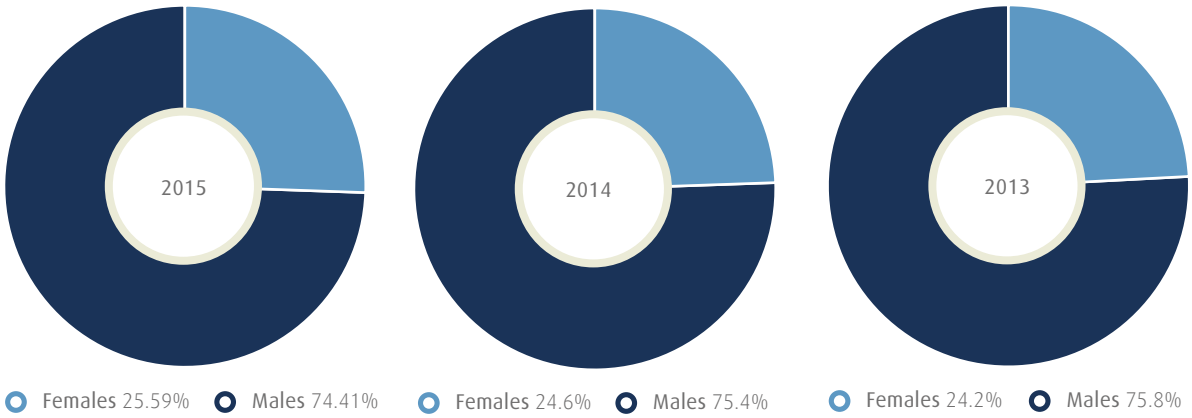
Diversity levels at senior management level have decreased marginally, predominantly due to restructuring at executive level. The largest change in levels is at our semi-skilled junior management level, primarily as a result of the restructure process.

BBBEE profile (South Africa only)

	2015		2014			2015		2014	
Number of men	Black	White	Black	white	Number of women	Black	White	Black	white
Senior management	16	40	14	33	Senior management	4	6	5	5
Professionally skilled	107	103	133	145	Professionally skilled	39	39	50	50
Skilled	234	105	304	151	Skilled	111	78	154	115
Semi-skilled	509	22	361	27	Semi-skilled	145	31	123	59
Unskilled	376	2	705	4	Unskilled	28	1	36	1
Total	1 246	273	1 877	369	Total	329	158	368	230

Overall black representation in Afrox in South Africa is 78.5% (2014: 78.9%) and includes 24.2% (2014: 21%) females. To maintain and improve our employment equity statistics, preferential recruitment is given to black individuals and females with special dispensation provided by the human resource executive or the Managing Director as and when required.

Employee gender analysis (%)



BBBEE requirements

We are developing a strategy in this regard and have implemented policies to address and improve the performance of each line item that contributes to our BBBEE scorecard. This decision was made to improve BBBEE performance proactively in consideration of business diversity and changes to the weighting of BBBEE line items.

Ownership

The Company's majority shareholder is The Linde Group with a 50.47% stake. As a level three BBBEE contributor (under the previous codes), we promote the interests of previously disadvantaged individuals within our supplier value chain. As a value-adding enterprise, we offer 110% preferential procurement recognition.

Supplier development

Afrox has followed The Linde Group's Code of Conduct for Suppliers since July 2013. The code defines the basic requirements to meet Afrox's standards relating to health and safety, human rights and labour laws and standards, legal compliance and integrity, environmental protection and supply chain. To date 40% of those suppliers constituting the top 80% of our procurement spend, have acknowledged and agreed to the Code of Conduct for Suppliers.

In light of the significant changes to the new BBBEE Code of Good Practice, specifically related to supplier development, Afrox is working on a more integrated approach to BO and BWO spend and development. We acknowledge that we face challenges due to our product profile in terms of local availability, capacity, and technical specifications. Currently, BBBEE suppliers are not treated differently regarding sourcing of business requirements, but we actively seek the inclusion of BO and BWO suppliers where commercially viable. As a result, we increased our preferential procurement spend to approximately R200 million (2014: R190 million).

Afrox actively sought out 10 BO and BWO suppliers that receive management attention in the form of welding equipment and training, allowing skills and knowledge to be transferred, improving the operations and ultimately the effectiveness of these suppliers. Aside from developing a preferred supplier, Afrox can establish long-term relationships for mutual benefit.

Unionisation

Afrox employees have the freedom to join any organisation, forum or trade union. We believe in fair labour practices and have ensured that these are entrenched in our policies and processes, as is the right to representation and to be heard.

Current union representation is as follows:

CEPPWAWU	422
Metal Industries	1
NUMSA	152
SACWU	218
Solidarity	27
UASA	6
Total unionised	826

Trade unions represent approximately 35.4% (2014: 37%) of our employees who can also elect colleagues to represent them in bona fide internal consultative forums. Our forums meet regularly and provide platforms for formal worker representation in decision making. The minimum notice period for operational changes is one month and all Afrox employees are provided with grievance procedures and disciplinary processes.

Employee development and succession planning

Employee development remains a focus for Afrox as this ensures a talent pipeline and effective succession planning. Total funds allocated for training, including bursaries, rose to R26 million (2014: R21 million). A moratorium was in place in respect of large-scale training in 2015 in order to focus on the restructuring process and job-specific training to bridge capabilities where required. However, learnerships continued through MerSeta and tertiary institutions where welding was re-introduced as a subject for technical schools. Normal training programmes will recommence in 2016.

Linde integrated management system and standards (LiMSS)

LiMSS is a computerised training system that houses global and local business reference material, procedures and standards. Individual learning (TRACCESS) and auditing (audit manager) are incorporated in the system. Supervisors coach and assess those who are not computer literate.

Employee training and talent pipeline

Afrox focuses its resources on tertiary and skills development programmes for students and candidates focused on a career in the industry.

Management development and training	We have a globally developed leadership development programme designed to enhance the leadership capabilities for first and second line managers. These programmes build employee management skills and clarify roles in supporting our high-performance work ethic by actively promoting employee engagement. In 2015, a senior management support module was implemented and will continue after the restructure.
Adult education and training	Our adult education and training programme provides employees who, for various reasons, were unable to achieve general or further education and training, an opportunity to do so while employed. During 2015, 31 (2014: 23) employees were enrolled for English literacy and numeracy levels.
Graduate training scheme	Afrox offers a 24-month graduate training scheme covering the fields of mechanical, chemical and industrial engineering, marketing and econometrics. There were 16 (2014: 10) graduates in training during 2015.
Bursary scheme	We also offer a bursary scheme, typically in the disciplines of metallurgical (physical), mechanical, chemical, industrial and electrical engineering (heavy current). From their second to final year of study, students receive financial assistance from Afrox and are given the opportunity to work at Afrox during the university recess for additional learning and exposure to some practical elements of their studies. In 2015, three (2014: six) black students benefited from this scheme.
Learnerships and apprenticeships	During 2015, 13 males and 31 females (2014: 7 males and 5 females) were enrolled in the trades learnerships and apprenticeships. In July 2015, 9 (2014: 11) females enrolled in the Customer Service Centre NQF2 and another 9 in Business Administration NQF 3 successfully completed their Learnerships. Afrox spent R6 million (2014: R6 million) on learnerships and apprenticeships during the period.

Succession planning

Afrox has a well-defined succession planning process. Critical roles are identified across the business and are linked to development planning strategies. These focus on potential evaluation, calibration and suitable time frames for competency and skill development to ensure that we have the necessary bench-strength of talent within the business. Mitigation plans are proposed for critical roles where a successor has not been identified. Accordingly, a large majority of Afrox's vacancies are filled from its succession pool.

Performance management and employee surveys

For 2015, all middle-manager levels and higher had individual targets replaced with turnaround KPIs to drive efficiency in the restructure. These turnaround KPIs are based on financial targets and constitute 30% of the bonus amount. Individual ratings will resume in 2016.

An employee recognition awards programme was re-launched in November 2015 to highlight the efforts of employees who have provided excellent service to customers and to the business. The programme is peer-nominated and involves the entire business.

Employee wellness

Our employee wellness programme's key objectives are to:

- enhance employees and workplace productivity and performance;
- instil a corporate culture of wellness and caring;
- empower our employees to take responsibility for their own wellbeing; and
- develop personal and organisational resilience.

Afrox is in the process of designing a robust wellness programme for 2016 to ensure that the Company remains a great place to work. Afrox also uses the Independent Counselling and Advisory Service (ICAS) to assist employees.

Remuneration

Afrox applies fair remuneration principles for all employees guided by its remuneration philosophy *(refer to page 70)* and our employees are paid on the basis of their role, qualifications, experience and performance.

We have a mix of target and performance-related remuneration for managers, and a global performance management system to ensure regular feedback between employees and line managers. Variable remuneration components are indexed to Afrox's success in reaching targets, and the performance of the individual manager. *Refer to page 69 for the remuneration report*.

Social benefits

We believe in supporting our employees and supply a range of benefits beyond those legally mandated (paid maternity leave, family responsibility, disability grants and medical aid). These additional benefits include first-time homeowners' assistance, bond subsidies and tertiary education assistance for the children of our employees.

Pension and provident funds

Afrox has a defined benefit pension fund and a defined contribution provident fund. All employees belong to one of these funds and the defined benefit fund is closed to new members. The funds are managed and administered on behalf of Afrox by trustees and external service providers, and are governed in terms of the Pension Funds Act, 24 of 1956. *For more information, refer to note 8 of the annual financial statements.*

Future focus areas

- Afrox will continue redeploying and transferring necessary employees and skills within its structure to optimise performance.
- Training, development and coaching (specifically for middle management) will take on a phased approach through externally facilitated programmes.
- Afrox will galvanise employees by reintroducing milestone retirement recognition programmes and the centralised long-service awards.
- The Company's performance management structure is under review to identify improvement areas, as are our training, remuneration and incentive processes and policies.
- Afrox will build on the tactical work in terms of our BBBEE performance and implement policies and procedures that will assist us in improving our BBBEE level.

Safety, health, environment and quality (SHEQ)

At Afrox, we value the health and safety of our employees and all who come into contact with our business and we are committed to supplying high-quality and safe products to our customers. Afrox believes that SHEQ performance is an indication of business management. To this end, performance and compliance in all SHEQ matters are viewed as a priority in our daily operations.

Achievements

- A back-to-basics approach was applied to ensure that after the restructure, the competencies and capacity of employees in their new roles were of a high standard.
- Zero truck rollovers.
- Reduced number of days lost-time injuries.

Key challenges

- Further improve our SHEQ performance as we embed our new operating model.
- The number of severe vehicle accidents has increased.
- Obtaining a business-wide quality management accreditation that adds value.

Performance review

Key performance indicators

Key performance area	KPI	Unit	2015	2014	2013
Safety and health	Lost-time injuries (LTI)	Number	9	7	16
	Lost-time injury rate (LTIR)	Rate	0.95	0.72	1.65
	Commercial vehicle incidents (severity 1 and 2)[1]	Number	6	0	2
	Commercial vehicle incident rate (severity 1 and 2)[1]	Rate	0.23	0.00	0.07
	Passenger and light vehicle incidents (severity 1 and 2)[1]	Number	8	0	2
	Passenger and light vehicle incident rate (severity 1 and 2)[1]	Rate	0.36	0.00	0.08
	Third-party fatalities	Number	4	2	3
	Lost-time injuries (LTI)	Lost days	104	146	161
	Major incidents reported (MIR)	Number	8	6	8
	Potential severe injury and fatalities (pSIF)	Number	15	11	8
	Total recordable injuries[2]	Number	24	22	31
	LeadSafe engagements	Number	4 154	5 971	3 338
Environmental	Electricity consumption	MWh	426 164	401 187	460 558
	Water consumption	m^3	870 425	840 818	979 665
	Total carbon emissions[2]	t CO_2e	445 617	391 890	485 056
	Waste	Tonnes	3 120	3 723	4 078
Quality	Adherence to quality standards, in particular for regulated products	%	100%	100%	100%
	Sites certified to ISO 9001	%	100%[3]	100%[3]	100%[3]
	Sites certified to ISO 14001	%	100%[3]	100%[3]	100%[3]
	Sites certified to ISO 18001	%	100%[3]	100%[3]	100%[3]

[1] *In 2015, Afrox began recording all vehicle incidents, instead of only avoidable vehicle incidents.*
[2] *Includes direct and indirect emissions.*
[3] *Percentage of sites that require ISO accreditation.*

Safety and health

Lost-time injuries

LTIR measures the rate at which employees are unable to work due to injuries using a base of 250 000 hours. Although the number of LTIs and the LTIR are higher, the nature of the accidents and severity of injuries are on the decline. Lost days for 2015 are down to 104 (2014: 146). This is indicative of an improved safety culture and increased awareness in all levels of Afrox employees. Our injury numbers were negatively affected by the restructure in our operating model, and in some cases, a hindered management line of sight.

Incidents

As a business with an intensive transport element, a key area of safe performance remains the ability to achieve no vehicle accidents and empowering our drivers to operate vehicles safely. During 2015, Afrox changed its vehicle incident measures from avoidable accidents to total accidents with a view that we can learn from every incident to reach our aim of zero incidents. KPIs in vehicle safety rates are based on one million kilometres and include total numbers for the entire business, incidents in rental cars and any incidents that occurred during the performance of Company business in Company and personal vehicles. Severe vehicle incidents were primarily as a result of poor third-party behaviour.

Afrox had no truck rollovers during 2015 (2014: zero). A combination of hard controls (physical implements such as drive-cam) and soft controls (behavioural programmes) have led to the improvement. The roll-out of the ActSafe and DriveSafe behavioural training programme will be completed by the first quarter of 2016 in all geographies. *Refer to our SHEQ supplementary report for more information regarding our vehicle safety programmes.*

Potential severe injury and fatalities

Potential severe injury and fatalities (pSIF) can have a high impact if not monitored and addressed. The Company will continue to analyse all pSIF incidents and will treat them with the same rigor of investigation as actual major incidents. This is to identify underlying systemic problems and address them in order to prevent loss of life in the future.

Another element in preventative action is our LeadSafe engagement process, where line managers intervene in acts or behaviour that are unsafe, such as reminding an employee to wear the correct personal protective equipment (PPE) on site. Recording of these intervention assists in establishing trends of unsafe acts and behaviour by area or site and positive behaviour within the Company.

Afrox has not had an employee or contractor fatality since 2010; however, there were four unfortunate third-party fatalities in 2015. In three of these four incidents, there was no breach of Afrox controls or behaviour that led to the fatalities.

Process safety

Process safety refers to the management of major accident hazards. The Company has made significant progress in this area through a number of initiatives, such as the introduction of an improved permit-to-work system, more transparent reporting and root cause analysis of process safety non-conformances that are identified during internal audits. Process safety workshops were held during the course of the year to further enhance process safety as a management discipline.

Environment

Legal compliance forms the foundation of our approach to environmental matters and is coupled with Afrox's moral and ethical imperative to be a good corporate citizen. Specific legislative requirements of select sites are met with compliance with ISO 14001 environmental management system where required by our stakeholders.

We maintain our focus on environmental initiatives to reduce waste as well as water and electricity consumption for the business, reducing costs and impacting the environment positively in the process. All of these parameters are measured annually. To gain greater efficiencies in the short term, Afrox is in the process of setting targets across these three areas.

There was an increase in purchased electricity (6.2%), carbon emissions (13.7%), water (3.5%) and a decrease in total waste (16.2%). The levels of damage to plant and equipment due to load-shedding are set to decrease with the introduction of controls and devices to minimise the impact of cut-off and surges while facilitating energy-efficient production and reducing operating costs. Improved monitoring in this area and an increase in demand/production has contributed to an increase in purchased electricity and consequently an increase in carbon emissions and water consumption during 2015. We have seen a decrease in total waste due to improved recycling driven by cost-saving initiatives.

Quality

The ISO 9001 quality management system standard was updated in September 2015 and now requires more focus from leadership and a risk-based approach. The Afrox Quality Council, established in 2013, will continue to bring together various key stakeholders from our process chain for the purpose of reviewing our quality programmes and create appropriate action plans.

The ISO standard needs to be realigned after the change in our business model – rather than seek accreditation by site, Afrox is exploring a company accreditation based on our scope, which will assist alignment and process efficiency throughout the organisation. As a major customer consideration, this fit-for-purpose approach will also add more value to our customers.

Future focus areas

- Afrox will continue its focus on operational, transport, passenger car, manual handling and process safety risk management processes to improve safety performance.
- Further progress of our SHEQ Maturity RoadMap towards an advanced level and zero harm across the business. The RoadMap is a performance review tool and details standards and behaviour to reach our targets, with emphasis on a business culture that positively integrates dependence (following instructions given by management), independence (correct action of one's own accord), and interdependence (considering others) in our operations.
- Continue with our behavioural safety programmes to further create a culture of visible leadership and embed required SHEQ behaviour at all levels within the organisation.
- Our environmental focus on reducing our carbon footprint in terms of waste, energy and air emissions, and reduce our water consumption will continue with a focus on maintaining quality accreditations throughout the business.
- 'SHEQ-delivered by the line' training courses will provide leadership training, risk profile assistance and action plans for deployment.

Corporate social responsibility (CSR)

Afrox is serious about corporate responsibility as it reflects the Company's contribution to sustainable development and involves the systematic integration of social and environmental aspects into its business strategy.

Afrox ensures that its corporate responsibility is considered in every step of the value chain and in the way we do business. This supports our continued contribution to the wellbeing of our Company, our country, our society and the environment.

Achieving desired results means ensuring that we have the right leadership and governance in place. As such, our sustainability governance structure places overall responsibility for the Company's sustainability performance with the Managing Director. The Board is kept informed of the Company's sustainability compliance and high-level risks through reports and presentations to the Social, Ethics and Transformation (SET) Committee.

Corporate social investment (CSI) is part and parcel of our business philosophy and forms part of our socioeconomic development initiatives, stipulated under the BBBEE transformation scorecard.

Afrox is aware that strong economic and social communities enhance its success and this directs our efforts in ensuring that our CSI strategy is aligned with our long-term business objectives. Where applicable, we align our annual strategies with The Linde Group and implement changes in BBBEE and related legislation when necessary. All social investments are governed by policy and approved by the SET Committee.

We have maintained a focus on education, job creation and income-generating programmes aimed at creating self-sustainability where our social investment is concerned. Afrox donates at least 1% of our previous year's net profit after tax to social investment initiatives.

As in previous years, no political donations were made in 2015.
Refer to our supplementary report: Corporate social responsibility, sustainability and ethics review for further information.

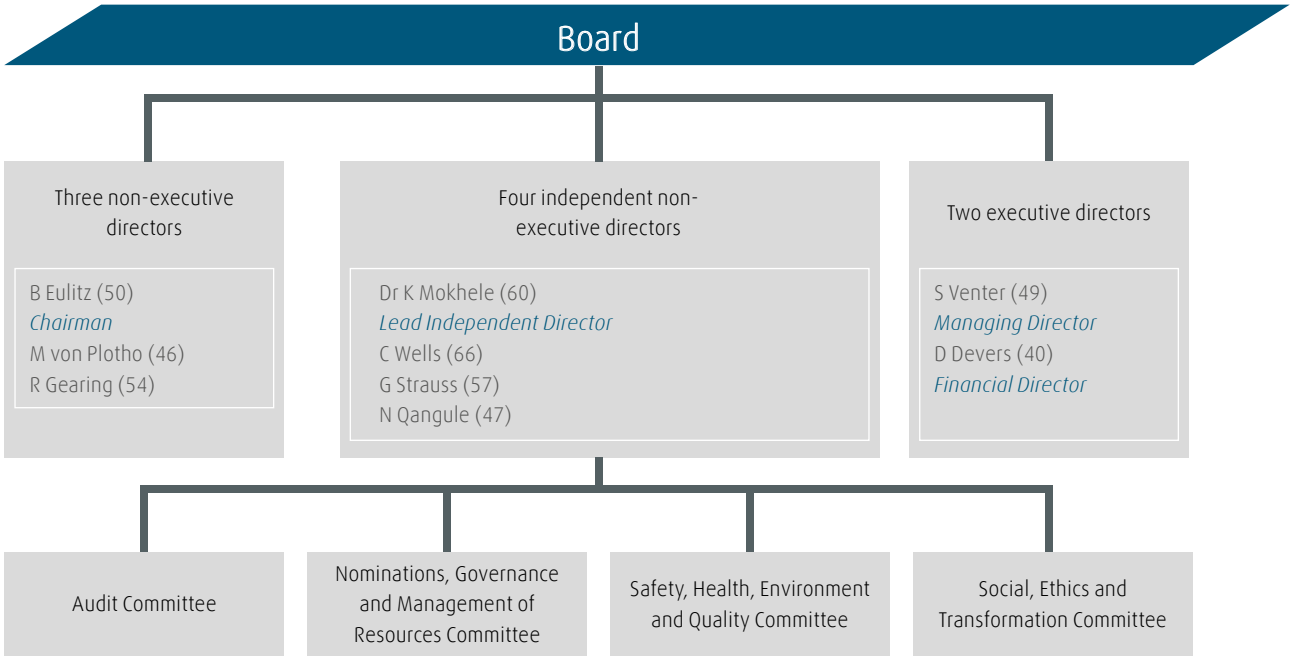
Leadership and governance

Our approach to governance

The Board recognises the principles of good corporate governance, and open, comprehensive business practices, as being essential to protecting the interests of all stakeholders.

Good corporate governance is integrated into our organisational culture to ensure that it is a way of life within Afrox. Afrox is managed in accordance with The Linde Group global best practice, encompassing business processes, management, technology, environment, employment, relations with suppliers, customers and society, and in the manner in which the Group is governed. Appropriate governance principles are incorporated into all structures, systems and policies – these are constantly re-assessed and reviewed to ensure continuous compliance and to safeguard the application of best practice. A robust governance structure is in place, including the presence of a lead independent non-executive director.

The King Report on Governance for South Africa (King III) supports the inclusion of sound leadership, including sustainability and good corporate citizenship, in our business structures, policies and practices.



Executive Management

Managing Director: S Venter
Financial Director: D Devers
General Manager Finance: M Vogt
General Manager Operations: J Ntuli
General Manager Healthcare: X Sizane *(Resigned 31 January 2016)*
General Manager Emerging Africa: M Kruger
General Manager Tonnage: B Mabalane
General Manager Sales and Marketing: N Adams
Chief Transformation Officer: A Bieringer

Corporate function heads

Head of Human Resources: A Soupen
Head of Procurement: M Magaoga
Head of SHEQ: S Moran
Head of Legal, Risk and Compliance and Company Secretary: C Singh
Head of Communications: J Cilliers
Head of Information Systems: J Poulter

Refer to www.afrox.co.za for our Board and Executive Committee members and summaries of their curricula vitae.

Board of directors

Non-executive directors

Bernd Eulitz
(50) Chairman

Appointed to the Afrox Board and assumed the role of Chairman from 1 June 2015, after Michael Huggon resigned, effective 31 May 2015.

Bernd is a member of The Linde Group Executive Board of Directors and is head of The Linde Group's region Europe, Middle East and Africa. Bernd brings a significant amount of international experience to the Afrox Board. He joined The Linde Group in 2004 and has since held a number of senior posts, including regional business head of the Gases Division South and East Asia (Singapore), Managing Director, Chief Executive Officer of PanGas AG (Switzerland), and Head of the Gases Division's Sales Region East (Germany).

Dr Khotso Mokhele
(60) Lead independent director

Appointed to the Afrox Board in December 2005.

Khotso was on the teaching and research staff of the Universities of Fort Hare and Cape Town between 1986 and 1992. He was Vice President and President of the Foundation for Research and Development from 1992 to 1999 and is President of the National Research Foundation. He has also served on the Council for Higher Education, the National Advisory Council on Innovation and the National Skills Authority, and was also the founder and President of the Academy of Science of South Africa. He is the recipient of six honorary doctorates from South African higher education institutions and one honorary doctorate from Rutgers University in New Jersey (USA). In addition, Khotso is a director of several South African listed companies.

Khotso chairs the SET and SHEQ Committees. He is also a member of the NGMR Committee.

Lean (GJ) Strauss
(57) Independent non-executive director

Appointed to the Afrox Board in May 2015.

Lean joined Sasol in 1982. Spending most of his career with Sasol Oil, where he held the positions of General Manager, Manufacturing and Supply as well as General Manager, Marketing. He was appointed General Manager of Sasol Gas in 1997 and Managing Director of Sasol Nitro in 2002. In 2005 Lean was appointed as a member of the Group Executive Committee and as Group General Manager responsible for Sasol's International Energy portfolio. From January 2010 he also took over the Group's responsibility for Sasol Oil and Sasol Gas. In July 2010 he was promoted to Senior Group Executive, responsible for the Group's total growth portfolio, Sasol's International Energy Cluster, Sasol New Energy and Sasol Technology. He was also a director and Chairman of several companies in the Sasol Group.

Lean has a BCom and BCom Honours degree from the University of Stellenbosch and an MCom Business Management degree from the Rand Afrikaans University (now University of Johannesburg).

Lean chairs the NGMR Committee and is a member of the Audit Committee and the SHEQ Committee.

Chris Wells
(66) Independent non-executive director

Appointed to the Afrox Board in November 2012.

Chris is Chief Executive Officer of Oakbrook Holdings (Pty) Ltd, a private investment company and Chief Executive Officer of International Facilities Services (Pty) Ltd, a company focused on providing facilities services in sub-Saharan Africa. He is a non-executive director of the Spar Group Limited where he chairs the Audit Committee and Risk Committee and is a member of its Social, Ethics and Transformation Committee. He has extensive experience in the retail and manufacturing sectors having been both a CFO and CEO of various listed companies.

He is a Chartered Accountant (SA).

Chris chairs the Audit Committee.

Nomfundo Qangule
(47) Independent non-executive director

Appointed to the Afrox Board in July 2014.

Nomfundo was the Chief Financial Officer for Harmony Gold Limited between 2004 and 2007. She is currently director of Hans Merensky Holdings, Afrocentric Health Limited, Rebosis Limited, and Nozala Investments (Pty) Ltd.

She is both a CA(SA) and CAIB(SA).

Nomfundo is a member of the Audit Committee and the SET Committee.

Richard Gearing
(54) Non-executive director

Appointed to the Afrox Board in August 2012.

Richard is the Head of MPG Operations at BOC UK, a subsidiary of The Linde Group. He joined BOC in 1985 and has held various senior positions in the industrial and packaged gases business, including Business Director Industrial, General Manager North, Customer Services Manager North and Distribution Manager.

He holds a BSc in Engineering Mathematics from Bristol University.

He is a member of the SHEQ Committee.

Matthias von Plotho
(46) Non-executive director

Appointed to the Afrox Board in May 2011.

Matthias is The Linde Group's Head of Finance for Europe, Middle East and Africa and Financial Director for Region Continental and Northern Europe (RCN). He joined The Linde Group in 2001, responsible for implementation of IFRS for Financial Instruments. Since then he has held a number of senior posts, including Head of Mergers and Acquisitions. Prior to joining The Linde Group, he was with KPMG and AGIV AG in Germany.

He holds a Master's Degree in Business Administration, University of Würzburg, Germany.

Matthias attends the Audit Committee meetings by invitation.

Executive directors

Schalk Venter
(49) Managing Director

Appointed to the Afrox Board on 18 May 2015 and assumed the role of Managing Director.

Schalk joined Chemserve Systems in 1991 as a junior sales representative and went on to serve as Managing Director of a number of subsidiaries of the Group before he was promoted to Chemical Services Executive and joined the Board in 2006. Thereafter, he was appointed Chairman of a number of subsidiaries, including Nulandis, Resinkem, Duco Speciality Coatings and Chemfit. In 2010, he was promoted to Executive for AECI and in 2012 he was promoted to Managing Director of AECI's biggest subsidiary, AEL Mining Services.

Dorian Devers
(40) Financial Director

Appointed to the Afrox Board on 28 May 2015 and assumed the role of Financial Director.

Dorian is currently the Region Africa and United Kingdom Financial Director for The Linde Group AG (Linde Group), the holding company of Afrox. Dorian joined BOC in 1997 and has held a number of senior posts, including Financial Director Ireland and CFO Elgas in Australia before his appointment as Financial Director Africa, UK and Ireland in 2013.

He holds a BSc (Hons) in Maths/Physics from the University of Manchester.

The Board is the highest decision making body and is responsible for governance, operating on the understanding that sound governance practices are fundamental to earning the trust of stakeholders. This is critical to sustaining performance and preserving shareholder value.

In discharging its duties, the Board delegates authority to relevant Board Committees and individuals with clearly defined mandates, which the Board reviews at least annually. Effective control is maintained through a well-developed governance framework that provides for delegation of authority. Board Committees facilitate the discharge of Board responsibilities and provide in-depth focus on specific areas.

The Board delegates authority to the executive directors to manage the business and affairs of Afrox. The Executive Management Committee assists the Managing Director, subject to statutory parameters and the Board's limits on the delegation of authority to the Managing Director. Delegated authorities are monitored and reviewed on an annual basis.

The Board charter

The Board operates under an approved charter, which regulates the way business is conducted in line with the principles of sound corporate governance. The Board charter is aligned with principles recommended by King III and details the powers of the Board and provides that the Board is ultimately accountable and responsible for Afrox's performance and affairs. The charter is updated annually to keep up with best practice and is amended to take into account any changes brought about by new legislation.

Chairman and Managing Director

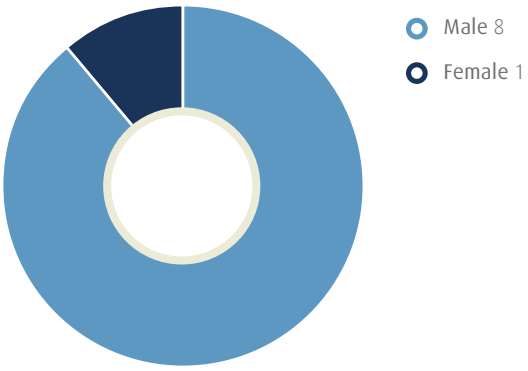
The Chairman is an executive of the controlling shareholder, The Linde Group, and the Chief Executive of the Region Europe, Middle East and Africa (EMEA) of which Afrox forms part. The Chairman provides overall leadership of the Board and its Committees. In conjunction with the Nominations, Governance and Management of Resources (NGMR) Committee, he monitors and evaluates the performance of the Managing Director to ensure that the strategic and operational objectives of the Company are achieved. Dr Khotso Mokhele is the lead independent director as the Chairman is not an independent non-executive director.

The Board recognises that the roles of the Chairman and the Managing Director should be separate to ensure a balance of power and authority, so that no one individual has unfettered powers of decision making. However, the previous Chairman of the Board assumed all the responsibility of the Managing Director on the resignation of Brett Kimber on 12 January 2015. The new Managing Director was appointed on 18 May 2015. *Refer to page 64 for the compliance statement.*

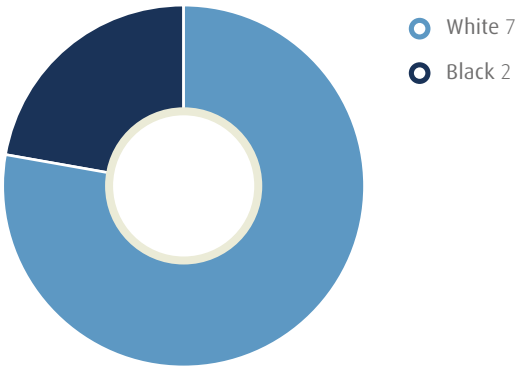
Composition of the Board

As at the date of this report, the Afrox Board consists of four independent non-executive directors and three non-executive directors, employed in executive capacities within The Linde Group, and two executive directors.

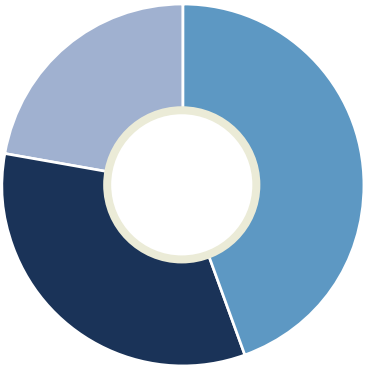
Board gender representation



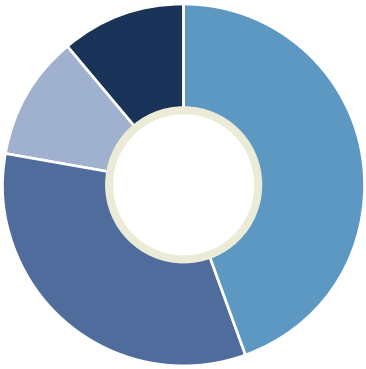
Board representation



Balance of executive and non-executive directors



Board representation



Board meetings

Board meetings are held four times a year and ad hoc meetings are arranged whenever necessary. During 2015, there were four regular and two special meetings.

Where directors are unable to attend any particular Board meeting, they communicate comments they may have regarding the agenda and general items to the Committee chairman, to be raised at the relevant meeting. The agenda and relevant supporting documents are distributed to directors before each Board meeting. During the meeting, the appropriate executive director explains and motivates business items where decisions are required. The directors have unrestricted access to all Company information and records. Where directors are based abroad and are not able to attend, video or teleconferencing facilities allow them to participate in the debate and conclusions reached.

Schedule of attendance for Board meetings

	Appointment date	Resignation date	Meetings attended
Executive directors			
SM Venter – Managing Director[1]	18 May 2015	–	2/2
DKT Devers – Financial Director[2]	28 May 2015	–	2/2
BD Kimber – Former Managing Director[1]	1 January 2012	12 January 2015	0/0
NA Thomson – Former Financial Director[2]	1 April 2012	26 February 2015, effective 31 May 2015	4/4
Non-executive directors (The Linde Group)			
BH Eulitz – Chairman[3]	1 June 2015	–	2/2
MS Huggon – Former Chairman[3]	4 November 2011	21 May 2015	3/3
M von Plotho	20 May 2011	–	6/6
R Gearing	23 August 2012	–	6/6
Independent executive directors			
Dr KDK Mokhele – Lead independent director	1 December 2005	–	6/6
DM Lawrence	1 December 2005	28 May 2015	2/2
SN Maseko	22 November 2012	28 May 2015	0/3
CF Wells	22 November 2012	–	6/6
NVL Qangule	22 July 2014	–	5/6
GJ Strauss	26 February 2015	–	6/6

[1] *Schalk Venter replaced Brett Kimber.*
[2] *Dorian Devers replaced Nick Thomson.*
[3] *Bernd Eulitz replaced Mike Huggon.*

Rotation of directors and confirmation of new appointments

Following the resignation of Afrox Chairman Michael Huggon on 21 May 2015, Bernd Eulitz was appointed to the Board on 28 May 2015 and assumed the role of Chairman from 1 June 2015. Schalk Venter was appointed as Managing Director effective 18 May 2015 and Dorian Devers was appointed Finance Director with effect from 28 May 2015. David Lawrence and Sipho Maseko retired as independent non-executive directors, with effect from 28 May 2015.

The appointment of Bernd Eulitz and Dorian Devers will be confirmed by the shareholders at the AGM to be held on 26 May 2016. Furthermore, shareholders will be asked to confirm the re-appointment of Dr Khotso Mokhele and Matthias van Plotho, who will retire in accordance with the Company's Memorandum of Incorporation but who, being eligible, have offered themselves for re-election.

Selection, succession planning and training

Selection and succession planning

The NGMR Committee makes recommendations to the Board on the appointment of executive and non-executive directors and on the composition of the Board. Having due regard for the recommendations of the Committee, the Board makes such appointments as it may deem appropriate, subject to the approval of shareholders being obtained at the ensuing AGM.

Directors are appointed on the basis of skills, acumen, experience and their actual or potential level of contribution to and impact on the activities of Afrox, and racial and gender diversity. All directors have access to management, including the Company Secretary, and to information required to enable them to carry out their duties and responsibilities fully and effectively.

In compliance with the new Section 3.84 of the JSE Listings Requirements, the Afrox Board will be considering and agreeing the target for gender and racial diversity to be achieved in 2016.

Training

Board members received external training on 27 August 2015 and guidance documents on the fulfilment of their fiduciary duties.

Developments in the legal and regulatory environment are included in the Board and sub-committee packs.

The Company Secretary

Cheryl Singh is the Company Secretary and was appointed in January 2014. The Board is satisfied that an arm's length relationship exists between it and the Company Secretary, who is not a member of the Board or a prescribed officer of Afrox.

The Company Secretary provides the Board with guidance in respect of the discharge of directors' duties and their responsibilities and regarding legislation, regulatory, and governance procedures and requirements. The Board has access to, and is aware of, the responsibilities and duties of the Company Secretary and has committed itself to ensuring that the Company Secretary is afforded the support required to perform her duties. The Company Secretary acts as secretary to all Board-appointed Committees.

In line with the JSE Listings Requirements, the Board assessed the competence, qualifications and experience of the Company Secretary and concluded that she is competent to carry out her duties. The Board remains responsible for the appointment and removal of the Company Secretary.

Board-appointed committees

The Board remains accountable and responsible for the performance and affairs of the Company. However, it delegates to management and Board-appointed Committees, certain functions to assist it in discharging its duties properly. *Refer to page 55 for the governance structure*. Each Board-appointed Committee acts within agreed, written terms of reference. The Chairman of each Board-appointed Committee reports and provides minutes of Committee meetings at the scheduled Board meetings.

With the exception of the SHEQ and SET Committees, where the Managing Director is an official member, the Board-appointed Committees' members are non-executive directors and the Chairman of each Board-appointed Committee is an independent non-executive director.

The executive directors attend Committee meetings by invitation. The Audit Committee report for the year ended 31 December 2015 is included in the annual financial statements and the SET Committee report is available on page 66 and at www.afrox.co.za/en/corporate_responsibility.

Committee members	Meeting attendance	Purpose
Audit Committee		
CF Wells (Chair) Dr KDK Mokhele *(Resigned from the Audit Committee 25 February 2015)* NVL Qangule GJ Strauss DM Lawrence *(Resigned from the Board 28 May 2015)* Audit Committee report available at www.afrox.co.za/en/corporate_responsibility.	5/5 1/1 4/5 3/3 2/2	The Audit Committee is an independent statutory Committee appointed by the shareholders to fulfil the obligations contained in the Companies Act, and the requirements contained in King III. It also executes further duties delegated to the Audit Committee by the Board. In addition to having specific statutory duties to the shareholders, in terms of the Companies Act, the Committee assists the Board by advising and making submissions on financial reporting, overseeing the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the Company. The role of the Audit Committee, and how it achieved its responsibilities, is described in its charter.
Nominations, Governance and Management of Resources (NGMR) Committee		

DM Lawrence
(Resigned from the Board 28 May 2015)
GJ Strauss (Chair)
Dr KDK Mokhele
BH Eulitz
(Appointed as a committee member on 29 October 2015)
	1/1
	
	2/2
	3/3
	1/1
		Management of resources
		• To determine and make recommendations to the Board on the framework, policy and costs of executive and senior management remuneration.
		• Determines and recommends the remuneration strategy to ensure that executive directors and other senior employees are adequately remunerated.
		• Refers specific recommendations for independent director remuneration to the Board for deliberation. No person is involved in any decision as to his or her own remuneration.
		• Reviews and advises on the general principles under which compensation, retirement plans, training, succession plans and performance management are applied to senior employees of Afrox.
		• Reviews the rules of any long-term incentive schemes operated by Afrox.
		• Monitors and reviews the Afrox retirement funds to ensure compliance with current best practice standards, industry practices and legislation.
		
		Nominations and corporate governance
		• Monitors and reviews the Company's policies, practices and compliance with corporate governance principles and regulations.
		• Serves as a Nominations Committee (chaired by KDK Mokhele) and as part of its function, the Committee:
		  • reviews and makes recommendations on the retirement and re-election of directors, by rotation, prior to the AGM;
		  • 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; and
		  • reviews the size of the Board, Committee structures and director assignments.
		• The Board, through the Committee, conducts self-performance evaluations.

Committee members	Meeting attendance	Purpose
Safety, Health, Environment and Quality (SHEQ) Committee		
Dr KDK Mohkele (Chair) MS Huggon SM Venter GJ Strauss *(Appointed as a committee member on 29 October 2015)*	4/4 3/4 2/2 1/1	• Ensures that SHEQ management within Afrox is aligned with the overall business strategy, and is geared for compliance and fulfilment of its commitments and obligations in these fields. • Reviews the policies and performance of Afrox and the implementation of SHEQ policies. • Considers and provides guidance to the Board on major SHEQ projects. • Ensures that the Board is informed about all significant impacts on the Company in the SHEQ field and how these processes and activities are managed. • Considers substantive national and international regulatory and technical developments in the field of SHEQ. • Monitors the Company's SHEQ performance progress on continuous improvement.
Social, Ethics and Transformation (SET) Committee		

Dr KDK Mohkele (Chair)
NVL Qangule
(Appointed as a committee member on 29 October 2015)
SM Venter
 	
SET Committee report available at www.afrox.co.za/en/corporate_responsibility.
	3/3
	1/1
	
	2/2
		The Committee has specific statutory duties in terms of provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.
		• To monitor the Company's activities, having regard to relevant legislation, other legal requirements, or prevailing codes of best practice.
		• To draw matters within its mandate to the attention of the Board.
		• To report to shareholders at the AGM on the following range of activities:
		  • social and economic development;
		  • good corporate citizenship;
		  • consumer relationships; and
		  • labour and employment.
		• To formulate strategies and monitor a range of activities to ensure the successful transformation of Afrox, in the areas of BBBEE, sustainable development and good corporate citizenship, by assessing the Company's performance against the following criteria:
		  • black equity participation;
		  • employment equity;
		  • management transformation;
		  • skills development;
		  • affirmative procurement; and
		  • supplier development.

Code of Ethics

In line with the Board's philosophy, the Board sets the leadership tone for governance and ethics in the organisation and expects consistency in application of the ethical standards across all Afrox subsidiaries, businesses and operations. The Board takes a zero-tolerance approach to deviations from the standard of conduct expected from all employees, contractors and/or suppliers.

Our Code of Ethics is linked to good corporate governance. We have always maintained the highest ethical standards of business conduct and compliance with 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 confidential information and Company time and assets to be respected. We believe in open and honest communication, fair treatment, equal opportunities and support the fundamental principles of human rights.

While common sense, good judgement and conscience apply in managing difficult or uncertain situations, the Code of Ethics assists in detailing the standards and priorities within the Company, and specific rules covering human rights, safety at work and environmental and supply management. Guiding principles or core values within the Code defines the responsibilities of, and what we expect from:

- directors;
- employees;
- local communities and the public;
- customers, suppliers, markets; and
- shareholders.

An integrity line has been established to enable employees to report contraventions of the Code of Ethics. To enhance the monitoring and managing of ethics in the organisation, an Ethics and Compliance Committee (sub-committee of the Executive Committee) was established, with representation from finance, internal audit, human resources, forensics and legal. The diverse Committee membership allows for an integrated and cohesive approach to managing ethical risks and opportunities across the business. Ethical non-conformances and breaches are reported to the Audit and SET Committees. Afrox's procurement function has systems in place to detect conflict of interests between employees, affiliates and suppliers.

In addition, Afrox has implemented various detailed policies to strengthen the governance environment:

- anti-corruption;
- business partner compliance guidance; and
- competition policy.

Training and guidance on these policies are carried out throughout the organisation to ensure a consistent ethical culture.

Other required disclosures

Dealing in securities

Trading in Afrox securities by directors, managers and employees is governed by the Afrox Share Trading Policy, which is jointly managed by the Company Secretary and Group Finance. In compliance with the policy, the Company is timeously informed of all closed and prohibited periods and their obligations during such periods.

This policy complies with the Financial Markets Act and JSE Listings Requirements, which restrict directors, officers and employees from dealing in Company securities prior to any announcement in respect of its financial results or during any period surrounding the disclosure of any price-sensitive information. The policy requires a higher governance and legal standard than that stipulated in the JSE Listings Requirements and, in terms of the policy, the Chairman approves all transactions in Company securities for both the Board members and the executive management prior to any such transactions. The Board expects strict adherence to the policy.

The Company maintains a list of insiders, which is actively monitored and updated. The policy is reviewed from time to time to ensure continued compliance with applicable legislation. The Audit Committee and the Board review the policy on an annual basis.

Public and shareholder communications and treatment of stakeholders

Communication with 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. We maintain an active dialogue with our key financial audiences, including institutional shareholders, investment analysts and our funding community. Our policy is to present to investors, fund managers and analysts twice a year after the release of the Company's results.

The Board actively endeavours to fairly balance the interests of all shareholders and stakeholders and the Board as a whole continuously challenges business decisions and judgements to ensure that all shareholder interests, particularly minority interests are appropriately protected. In alignment with this obligation, the Board reviews all transactions and/or agreements between the Company and The Linde Group annually.

Refer to page 22 for more information regarding stakeholder engagement.

Interest of directors in contracts

The directors have certified that they had no material personal interests in any transactions of any significance with the Company or any of its subsidiaries. No conflicts of interest exist regarding directors' interests in contracts. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

During the year, various banking and employee share scheme transactions have been undertaken on the Group's behalf by Investec Bank Limited. Former Director David Lawrence is a director of the bank, however, all transactions were in the ordinary course of business.

Statement of compliance

The JSE Listings Requirements require listed companies to report on the extent to which they comply with the principles incorporated in King III. The Board is of the opinion that Afrox is compliant with King III and the JSE Listings Requirements, except for the following instances:

King III principles and recommendation	Explanation
Principle 2.16: The board should elect a chairman of the board who is an independent non-executive director.	The Chairman of the Afrox board is Bernd Eulitz, who is a board member of The Linde Group and is responsible for managing the EMEA segment within The Linde Group. Accordingly, Mr Eulitz cannot be classified as an independent director. Dr Khotso Mokhele is appointed to the Afrox Board as lead independent director in compliance with Recommendation 38.
Principle 2.16: The CEO should not also fulfil the role of chairman of the board.	On 12 January 2015, the former Afrox Board chairman, Mike Huggon assumed full executive responsibility on the resignation of the former MD, Brett Kimber. The Board was of the opinion that it was in the best interests of the Company for Mike Huggon to occupy the dual roles of Chairman and Acting CEO pending the permanent appointment of the new incumbent. The new MD, Schalk Venter, was appointed on 18 May 2015. Mike Huggon resigned as Chairman and Acting CEO on 31 May 2015.
Recommendation 78: Independent non-executive directors may serve longer than nine years.	Dr Khotso Mokhele has served on the Afrox Board since 2005 and despite the recommended nine-year board tenure in King III, the Board is of the opinion that Dr Mokhele's independence of character and judgement is in no way affected or impaired by the length of service. Moreover, Dr Mokhele plays a critical role in ensuring continuity of knowledge and experience on the Afrox Board.
Principle 2.22: The evaluation of the board, its committees and the individual directors should be performed every year.	The Board, guided by the NGMR Committee, took a decision to suspend the Board evaluation exercise for 2015 as four new directors were appointed to the Board at various times in 2015. In addition, a new Chairman was appointed in Q3 2015. The Board committees were also re-constituted in Q4 2015. Accordingly, the new Board members were not in office for an adequate period to fully participate in a meaningful manner in the exercise. The Board will conduct a comprehensive appraisal in 2016 as members would be in office for a reasonable period of time to provide substantive feedback which will be used to improve Board processes.

Our approach to information technology (IT) governance

Afrox applies IT governance that defines the decisions, the involvement by various stakeholders, the structures, processes, responsibilities and other mechanisms required to make decisions. IT governance continues to be guided by the principles articulated in the African Oxygen Limited Board Charter for Information Technology, as signed by the Board in November 2011. Afrox is of the opinion that we continue to operate with compliance to the King III Chapter 5 requirements.

The Afrox Board has control and responsibility for the governance of IT. All major IT projects and initiatives undertaken in 2015 were approved by the Board in adherence to the levels of authorisation as defined by the Board. Regular management reports on progress, risks and deliverables are provided to the Executive Management Committee. There were no material changes to policies in 2015.

IT is aligned with the performance and sustainability objectives of the Company and IT-specific objectives are in support of the Afrox strategic objectives. Various projects were executed as part of the restructuring programme and were closely monitored by management committees. These included monitoring the effectiveness of IT and identifying additional programmes and initiatives to further leverage benefits from the existing IT platform.

The IT disaster recovery, as an integral part of the Afrox business continuity planning, remains in place and was successfully tested during 2015. Afrox remains compliant with all South African, and sub-Saharan African IT-relevant legislation.

During the year, focus in the area of IT security and governance intensified. A new enterprise mobility management solution was implemented in conjunction with the deployment of new smart-phones to enable mobility in the workforce. Global security monitoring and compliance has been significantly hardened and visibility increased through the circulation of monthly reporting.

The IT function was audited several times during the year and all findings were reported to the Risk and Audit Committee. During 2015, no major material findings were reported by either internal or external auditors.

Social, Ethics and Transformation (SET) Committee report

The SET Committee fully discharged its responsibilities during 2015 as outlined in its formal terms of reference. The terms of reference were reviewed during the year to ensure there was no duplication or inefficiencies in the allocated roles or responsibilities across the various Board committees. The Board committee matrix (below) that provided the SET Committee with oversight across all Board committees to ensure full discharge of its roles and responsibilities in line with the Companies Act of South Africa, other applicable regulations and codes of good practice.

The committee has established an annual work plan for each financial year to ensure all the relevant matters are covered in the agendas of the meetings planned for the year.

Each of the five areas of our Sustainability Strategy has its own accountable person who developed a Maturity Roadmap in line with The Linde Group methodology. This allows the committee to properly assess performance against agreed KPIs and targets.

Scope of matters	SHEQ	Audit	NGMR	SET
Companies Act, 2008				
Social economic development and Company's standing in terms of:				
10 Principles of UNGC				x
OECD guidelines on corruption				x
EE Act				x
BBBEE				x
The International Labour Organisation Protocol on decent work and working conditions			x	
Good corporate citizenship including:				
promotion of equality, prevention of discrimination				x
and corruption				x
contribution to development of communities				x
record of sponsorships, donations and charitable giving				x
The environment	x			
Health and public safety	x			
Impact of Company's activities and products and services on communities/environment in which the Company operates	x			
Consumer relationships, including policies and records relating to advertising and public relations				x
Compliance with consumer protection laws			x	x
Labour and employment matters				
King III				
Ethical leadership and ethical behaviour				
Review adequacy and effectiveness of Company's engagement with stakeholders				x
Review Company strategy and policy for corporate social investment				x
Determining code of ethics and ensuring Company adherence				x
Governing stakeholder relations				
Review Stakeholder report on Company's reputation				x
Feedback on stakeholder engagements				x
Consider stakeholder material issues				x
Sustainability reporting				
Review of the sustainability section of the Integrated Report				x
Compliance with Global Reporting Index				x
Compliance with ISO 26000				x
Compliance with the JSE SRI Index				x
Independent assurance of sustainability content		x		
JSE Listings Requirements				
Disclosure in Integrated Report on Company's compliance with the King III and areas of non-compliance with explanations			x	

Conclusion

The committee has no reason to believe that any substantive non-compliance or non-adherence with legislation and regulation, or non-adherence to codes of best practice, relevant to the areas within the committee's mandate, has occurred.

As the Chairman of the SET Committee, I have the discretion to accept written reports from other Board committees which comprehensively address any function, responsibility or duty that falls within the mandate of that committee. In this way, the Board processes are fully integrated and streamlined in addressing the statutory scope of the SET Committee. In addition, the role of the SET Committee has evolved to play a part in identifying strategic risks and opportunities across the organisation and in ensuring that appropriate Board focus is achieved, e.g. the implications of the revised BBBEE Codes.

The committee is pleased to advise that progress was made against the 2015 SET agenda, which built on the good work of 2014, as is evidenced by Afrox once again being included in the JSE Socially Responsible Index (SRI).

The committee recognises the challenging economic environment within which Afrox and its subsidiaries operate but continues to play a critical role in assisting the Board with delivering its sustainability agenda.

Dr Khotso Mokhele
Chairman of the Social, Ethics and Transformation Committee

Note: For more detail on the performance under each section please refer to supplementary on-line reports at www.afrox.co.za.

Remuneration report

Remuneration philosophy

This report sets out our remuneration philosophy for executive management, non-executive directors and other employees.

The remuneration process is designed to support the successful execution of the organisational strategy by:

- attracting, motivating and retaining high-performing employees, by being competitive in the market;
- encouraging and rewarding employees to achieve or exceed the objectives and targets of the business as contained in the business strategy; and
- aligning the economic interests of employees with those of other stakeholders.

Our philosophy is to balance a flexible approach that recognises differences in individual performance, value and contribution to the organisation, with a consistent framework that ensures equitable pay levels and defensible remuneration decisions. At all levels there is a rigorous objective-setting process to ensure shareholder expectations are met and/or exceeded.

For base pay, we take the 50th percentile of a selection of peer companies into account, primarily drawn from the manufacturing sector. However, on occasion, we pay above this benchmark to attract the best talent. We also strive to differentiate ourselves by providing a comprehensive basket of relevant employee benefits.

Responsibility for governing remuneration and developing relevant policy

The Board is responsible for the remuneration policy. To assist the Board in fulfilling its responsibilities, it has appointed and mandated an NGMR Committee. The primary objective of the NGMR Committee in respect of remuneration is to provide input on and approve the reward strategy.

The NGMR Committee uses the services of a number of advisors to assist in tracking market trends related to all levels of employees. The Linde Group also provides significant input into the establishment of Afrox's remuneration practices.

Service contracts

Except as negotiated under mutual separation arrangements, no director has a service contract with the Company containing a notice period exceeding six months or providing for compensation and benefits (excluding share-linked benefits vesting in terms of the applicable rules of the scheme) in excess of six months' salary.

The Managing Director is retained on an employment contract containing a notice period of one month. The Financial Director has an employment contract with The BOC Holdings PLC (a member of The Linde Group) and the Company recovers a portion of his remuneration from Afrox in lieu of his management services rendered to Afrox.

Remuneration for senior management and employees

Remuneration packages for senior management and employees contain some or all of the following components, depending on the individual's level in the Company.

Guaranteed component

All permanent employees who are not in a sales function, irrespective of level, receive a guaranteed element of remuneration. This is based on cost to Company and comprises a fixed basic salary and compulsory benefits (as per executive directors). The guaranteed portion of the remuneration package is set taking into account base pay at the 50th percentile of the market, and the skills of the specific employee. Increases in the guaranteed component are determined in line with market movements and reflect individual performance.

Employees in a customer-facing sales function receive a variable bi-annual reward linked directly to the achievement of specific targets on top of their guaranteed components.

Short-term incentives

At a management level, we use short-term incentives to encourage achievement of stipulated annual objectives, thereby ensuring that a significant portion of pay is variable and linked to performance.

Senior management's short-term incentives are based on both Company financial and non-financial KPIs and individual performance. Typically the split between Company and individual performance is 90% and 10% respectively and short-term incentives are typically up to 30% of base salary.

The NGMR Committee approves the Company's primary bonus pools and oversees the principles applied in allocating these pools to business units and individuals. The short-term incentives are paid annually.

Long-term incentives

Senior management, and executive directors, take part in the Company's share-based incentive scheme.

The overall Company and individual performance is taken into account when the NGMR Committee decides on the allocation. It is the view of the Committee that the incentive scheme is a direct link to the Company performance through the share price. In addition, the scheme is intended primarily to attract and retain competent employees.

Both the Share Appreciation Rights (SARs) scheme and Forfeitable Share Plan (FSPs) are equity-settled long-term incentive schemes.

Share Appreciation Rights (SARs) scheme

In terms of the rules of the various share schemes, the aggregate number of SARs shall not exceed the equivalent of 10% of the Company's issued ordinary share capital and no one individual may hold in excess of the equivalent of 1% of the Company's issued share capital. The SARs are converted into ordinary shares (providing performance conditions are met by the vesting date) by applying the following formula at the date of exercise of the option:

$$\frac{\text{Share price at exercise date} - \text{Share price at grant date}}{\text{Share price at exercise date}} \times \text{Number of rights exercised}$$

The executive directors who held office on 31 December 2015 had a direct interest in 32 000 SARs in the Company, granted at an average price of R13.74 per share.

Forfeitable Share Plan (FSPs)

The FSPs were introduced on 1 January 2012. Executive directors who held office on 31 December 2015 had an indirect interest in 178 000 forfeitable shares. The vesting of certain of the shares is conditional only upon the employee being employed by the Company at the vesting date and for other shares granted both on continued employment and on reaching predetermined performance conditions. Note: during the vesting period, all dividends paid accrue to the employee concerned.

Review of long-term incentives

The NGMR Committee regularly reviews the long-term incentive scheme to ensure alignment with our long-term objectives and any relevant changes in tax legislation

Remuneration for executive directors

Remuneration packages for executive directors comprise a guaranteed component, short-term and long-term incentives.

Guaranteed component

Executive directors receive a guaranteed element of remuneration. This is based on cost to Company and comprises a fixed base salary and benefits (medical aid, life cover, travel and related allowances and retirement fund membership). The executive directors receive guaranteed remuneration in line with market levels, taking their responsibilities into account.

Short-term incentives

Short-term incentives are designed to reward executive directors for achieving stipulated strategic annual objectives, thereby ensuring that a significant portion of executive directors' cost is variable.

Executive directors' short-term incentives are based on both Company financial and non-financial KPIs and individual performance. Typically the split between Company and individual performance is 90% and 10% respectively and short-term incentives are typically between 30% and 50% of base salary.

Long-term incentives

Long-term incentives aim to encourage executive directors to execute our long-term strategy successfully. Executive directors take part in the share-based incentive scheme. These schemes are described in more detail in the section that follows. *Detail on the remuneration of executive directors can be found on page 73.*

Remuneration for non-executive directors

The remuneration of non-executive directors for the financial year is detailed *on page 73*.

The NGMR Committee reviews the fees annually and makes recommendations to the Board for consideration. Following recommendations from the Committee, the Board proposes the non-executive director fees for shareholder approval at the AGM.

The Chairman of the Board is entitled to receive a fixed retainer and would not receive any other fees or retainer for attendance at Board or Committee meetings. However, as the current Chairman holds this position by virtue of his executive position in The Linde Group, no retainer is currently payable.

The fee structure for 2015 and that proposed for the 2016 financial year are reflected below.

Independent non-executive directors' remuneration

The fees payable to the independent non-executive directors are reflected below:

		2015 Current practice		2016 Proposed payment		
Category	Role	Retainer fee R	Fee per meeting R	Retainer fee R	Fee per meeting R	Total fee increase %
Independent lead director		370 000	10 500	392 200	11 130	6
Board	Director	212 000	10 500	224 720	11 130	6
Audit Committee	Chairperson	143 000	10 500	151 580	11 130	6
	Member	71 000	10 500	75 260	11 130	6
Nominations, Governance and Management of Resources Committee	Chairperson	95 000	10 500	100 700	11 130	6
Safety, Health, Environment and Quality Committee	Member	48 000	10 500	50 880	11 130	6
Social, Ethics and Transformation Committee						

Director emoluments (R'000) – 2015

Name	Months paid	Fees	Re-muneration	Pension/ payment contributions	Performance bonus^	Benefits, allowances and gains on share incentives	Total
2015 Non-executive directors*		2 719	–	–	–	–	2 719
Former directors							
DM Lawrence	5	609	–	–	–	–	609
SN Maseko	5	–	–	–	–	–	–
Current directors							
NVL Qangule	12	402					402
Dr KDK Mokhele	12	787	–	–	–	–	787
GJ Strauss	10	436					436
CF Wells	12	485	–	–	–	–	485
Executive directors		1 000	2 947	429	1 157	8 645	14 178
Current directors							
SM Venter	7		1 869	272	325	601	3 067
DKT Devers[1]	7	1 000					1 000
Former directors							
BD Kimber[2]	1	–	–	–	–	7 385	7 385
NA Thomson	5	–	1 078	157	832	659	2 726
Total emoluments		3 719	2 947	429	1 157	8 645	16 897

* *Linde non-executive directors are not reflected as they do not receive emoluments from the Company.*
^ *In respect of 2014 financial performance.*
[1] *Fees paid to BOC Holdings PLC.*
[2] *BD Kimber resigned with effect from 12 January 2015. The severance package of R16 million resulting from his resignation was fully provided for in the 2014 annual financial statements. The severance package took into account his 24 years of service with The Linde Group and the agreed national cost of re-locating him and his family back to the USA in accordance with his employment contract. The total of the severance package relating to his Afrox employment contract is disclosed above.*

Director emoluments (R'000) – 2014

Name	Months paid	Fees	Re-muneration	Pension/ payment contributions	Performance bonus[1]	Benefits, allowances and gains on share incentives	Total
Non-executive directors[2]		2 366	–	–	–	2 366	2 366
Current directors							
DM Lawrence	12	473	–	–	–	473	473
SN Maseko	12	292	–	–	–	292	292
Dr KDK Mokhele	12	847	–	–	–	847	847
NVL Qangule	5	325	–	–	–	325	325
CF Wells	12	429	–	–	–	429	429
Executive directors	–	–	6 881	652	3 392	1 089	12 014
Current directors							
BD Kimber[3]	12	–	4 323	280	2 458	286	7 347
NA Thompson[4]	12	–	2 558	372	934	803	4 667
Total emoluments		2 366	6 881	652	3 392	1 089	14 380

[1] *In respect of 2013 financial performance.*
[2] *Linde non-executive directors are not reflected as they do not receive emoluments from the Company.*
[3] *BD Kimber resigned with effect from 12 January 2015. The severance package of R16 million resulting from his resignation was fully provided for in the 2014 annual financial statements. The severance package took into account his 24 years of service with The Linde Group and the agreed national cost of re-locating him and his family back to the USA in accordance with his employment contract.*
[4] *NA Thompson resigned 26 February 2015, effective 31 May 2015.*

Share Appreciation Rights (SARs) scheme and Forfeitable Share Plan (FSPs) granted during the year

Name	Fair value at options at issue date R'000	Number of SARs	Number of FSPs with performance conditions	Number of FSPs without performance conditions
2015				
Executive directors	2 442	32 000	61 000	117 000
SM Venter	2 442	32 000	61 000	117 000
DKT Devers	–	–	–	–
BD Kimber	–	–	–	–
NA Thomson	–	–	–	–
Total SARs and FSPs granted during the year	2 442	32 000	61 000	117 000
2014				
Executive directors	1 533	56 000	63 000	21 000
BD Kimber	876	32 000	36 000	12 000
NA Thompson	657	24 000	27 000	9 000
Total SARs and FSPs granted during the year	1 533	56 000	63 000	21 000

Vested and non-vested number of rights

Name	2015 Vested number of rights (exercisable)	2015 Non-vested number of rights (not yet exercisable)	2014 Vested number of rights (exercisable)	2014 Non-vested number of rights (not yet exercisable)
Executive directors				
SM Venter		210 000	–	–
DKT Devers			–	–
BD Kimber	–	–	2 000	180 000
NA Thomson	–	–	–	130 000
Total vested and non-vested number of rights	–	210 000	2 000	310 000

Shareholding of directors

Name	2015 Beneficial	2015 Non-beneficial	2014 Beneficial	2014 Non-beneficial
Executive directors				
SM Venter – Managing Director	–	–	–	–
DKT Devers	–	–	–	–
BD Kimber		100	–	100
NA Thomson		100	–	100
Non-executive independent directors				
NVL Qangule		100	–	–
GJ Strauss	–	–	–	–
DM Lawrence *(Resigned 28 May 2015)*	500	–	500	–
SN Maseko *(Resigned 28 May 2015)*	–	100	–	100
Dr KDK Mokhele	–	100	–	100
CF Wells	–	100	100	–
Non-executive directors				
BH Eulitz – Chairman	–	–	–	–
R Gearing	–	100	–	100
MS Huggon	–	100	–	100
M van Plotho	–	100	–	100

Interests of directors in contracts

The directors have certified that they had no material personal interests in any transactions of any significance with the Company or any of its subsidiaries. Accordingly, no conflicts of interest with regard to directors' interests in contracts exist. There was no change in directors' interests in contracts and shareholding in the period between the financial year-end and the date of signature of this report.

David Lawrence is a director of Investec Bank Limited and during the year, up to the date of the resignation of David, various banking and employee share scheme transactions were undertaken on the Group's behalf by Investec Bank Limited. All transactions were in the ordinary course of business.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Abridged summarised audited consolidated financial statements and other information

These condensed consolidated annual financial statements are a summary of the audited consolidated annual financial statements as at and for the year ended 31 December 2015 that were approved by the Board on 26 February 2016. The preparation of these condensed consolidated annual financial statements was supervised by the Financial Director, Dorian Devers.

The audited consolidated annual financial statements are available for inspection at the Company's registered office and on the Afrox website at www.afrox.co.za

Five-year financial review

R'million	2015	2014	2013	2012	2011
GROUP SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Non-current assets					
Property, plant and equipment	2 988	3 166	3 034	2 854	2 657
Retirement benefit assets	538	475	552	348	601
Deferred taxation assets	19	15	9	15	6
Other non-current assets	141	163	199	241	273
Current assets (excluding cash and cash equivalents)	1 609	1 564	1 833	1 588	1 574
Assets held for sale	120	–	–	44	–
Total assets	5 415	5 383	5 627	5 090	5 111
Equity and liabilities					
Total equity attributable to the equity holders of the parent company	3 431	3 019	3 202	2 804	2 827
Non-controlling interests	37	28	37	27	38
Borrowings (including cash and cash equivalents)	148	503	649	615	716
Deferred taxation liabilities	518	512	570	528	524
Current liabilities (excluding borrowings)	1 281	1 321	1 169	1 116	1 006
Total equity and liabilities	5 415	5 383	5 627	5 090	5 111
SUMMARISED CONSOLIDATED INCOME STATEMENT					
Revenue	5 473	5 834	5 825	5 558	5 246
Operating expenses (excluding restructuring costs)	(4 469)	(5 016)	(4 945)	(4 760)	(4 472)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	1 004	818	880	798	774
Depreciation and amortisation	(390)	(381)	(366)	(328)	(283)
Impairment of tangible assets	(27)	(35)	–	(31)	(153)
Impairment of intangible assets	–	(17)	–	–	–
Earnings before interest and taxation (EBIT) before restructuring costs	587	385	514	439	338
Restructuring costs	(79)	(185)	–	–	–
Earnings before interest and taxation (EBIT)	508	200	514	439	338
Net finance expense	(9)	(12)	(47)	(35)	(58)
Income from associate	1	1	1	4	3
Profit before taxation	500	189	468	408	283
Income taxation expense	(75)	(93)	(144)	(133)	(100)
Profit for the year	425	96	324	275	183
Owners of the Company	414	83	309	262	171
Non-controlling interests	11	13	15	13	12
Owners of the Company	414	83	309	262	171
Dividends declared	(56)	(136)	(139)	(154)	(93)
Retained income/(loss)	358	(53)	170	108	78
CASH FLOW SUMMARY					
Earnings before interest and taxation (EBIT)	508	200	514	439	338
Cash generated from operations	926	986	833	936	844
Total capital expenditure (tangible)	362	514	505	546	416
Acquisition of intangible assets	15	13	–	12	5
Change in funding requirements	(350)	(146)	32	(115)	(126)

R'million	2015	2014	2013	2012	2011
STATISTICS					
Total number of shares in issue (excluding treasury shares) (millions)	309	309	309	309	309
Weighted average number of shares in issue (millions)	309	309	309	309	309
Ordinary share performance					
Basic earnings per share (cents)	134.2	26.8	100.1	84.9	55.3
Headline earnings per share (cents)	139.2	36.2	95.3	88.5	87.6
Dividends declared per share (cents)	69.0	24.0	47.0	45.0	45.0
Dividend cover – basic earnings (times)	1.9	1.1	2.1	1.9	1.3
Dividend cover – headline earnings (times)	2.0	1.5	2.0	2.0	2.0
Net asset value per share (cents)	1 159	1 158	1 263	1 170	1 134
Profitability and asset management					
EBITDA margin (%)	18.3	14.0	15.1	14.4	14.8
EBIT margin (%)	9.3	3.4	8.8	7.9	6.4
Return on net assets (%)	14.2	5.4	13.7	12.4	9.6
Net asset turn (times)	1.5	1.6	1.6	1.6	1.5
Return on shareholders' equity (%)	12.8	2.7	10.3	9.3	6.2
Return on capital employed (%)	16.7	4.7	12.2	10.9	8.3
Effective rate of taxation (%)	15.0	49.3	30.8	32.5	34.2
Liquidity and leverage					
Interest cover (times)	57.7	17.4	10.9	12.5	5.4
Liability ratio	0.6	0.7	0.6	0.6	0.6
Current ratio	0.7	1.2	1.6	1.4	1.6
Gearing (%)	3.6	12.4	14.6	15.5	17.4
Value added					
Number of permanent employees	2 336	2 856	2 930	3 248	3 288
Revenue per average permanent employee (R'000)	2 108	2 016	1 886	1 701	1 572
Profit before taxation per average permanent employee (R'000)	194	66	152	125	88

Ratio definitions

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

Shareholders' profile

for the year ended 31 December 2015

SHAREHOLDER SPREAD

To the best knowledge of management and after reasonable enquiry, the spread of shareholders at 31 December 2015 (as defined in the Listings Requirements of the JSE Limited), was as follows:

	2015				2014			
	Number of share-holders	% of holders	Number of shares	% of issued share capital	Number of shares	% of holders	Number of shares	% of issued share capital
Distribution of shareholders								
Public companies	5	0.17	210 201 239	61.31	5	0.17	209 591 978	61.14
Insurance, investment and trust companies	62	2.17	23 038 592	6.72	75	2.48	42 050 669	12.26
Pension, provident funds and trusts	211	7.38	34 472 096	10.05	295	9.75	32 608 575	9.51
Banks and nominee companies	61	2.13	69 782 973	20.35	67	2.21	52 751 931	15.39
Individuals and deceased estates	2 402	84.02	4 499 808	1.32	2 448	80.93	4 842 176	1.41
Corporate bodies	68	2.38	529 148	0.15	82	2.71	612 560	0.18
Private companies	50	1.75	329 054	0.10	53	1.75	395 021	0.11
Total	2 859	100.00	342 852 910	100.00	3 025	100.00	342 852 910	100.00
Shareholder type								
Public shareholders	2 849	99.65	132 650 371	38.69	3 011	99.54	133 259 632	38.87
Non-public shareholders (within The Linde AG Group)	10	0.35	210 202 539	61.31	14	0.46	209 593 278	61.13
Strategic holdings (more than 10%)	1	0.03	173 046 413	50.47	1	0.03	173 046 413	50.47
Directors' holdings	5	0.18	1 300	–	9	0.30	1 300	0.00
Own holdings and share trusts	4	0.14	37 154 826	10.84	4	0.13	36 545 565	10.66
Total	2 859	100.00	342 852 910	100.00	3 025	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 31 December 2015 were:

	2015		2014	
	Number of shares held	% of total	Number of shares held	% of total
Beneficial shareholdings of 1% or more				
BOC Holdings (wholly owned subsidiary of Linde AG)	173 046 413	50.47	173 046 413	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00	34 285 308	10.00
Aberdeen Global Fund	–	–	23 576 790	6.88
Government Employees Pension Fund (previously Public Investment Corporation)	18 447 898	5.38	18 711 568	5.46
State Street Bank (Custodian)	26 642 780	7.77	26 506 607	7.73
Allan Gray	5 994 867	1.75	8 973 868	2.62
Investec Asset Management	3 780 876	1.10	–	–
RBC Dexia (Custodian)	–	–	3 506 943	1.02
JP Morgan (Custodian)	7 128 481	2.08	7 318 405	2.13
CitiGroup (Custodian)	9 955 393	2.90	8 982 618	2.62
Old Mutual Group	–	–	4 071 037	1.19
BNP Paribas (Custodian)	19 514 389	5.69	–	–
Sanlam Group	3 766 291	1.10	–	–
	302 562 696	88.24	308 979 557	90.12
Other shareholders	40 290 214	11.76	33 873 353	9.88
Total	342 852 910	100.00	342 852 910	100.00

DIVIDENDS AND STATISTICS

Dividends

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

Number	Declaration date	Last date to trade (LDT) shares cum dividend	Ordinary shares trade ex dividend	Record date (RD)	Payment date	2015 Amount per share (cents)*	2014 Amount per share (cents)
176	21 August 2014	3 October 2014	6 October 2014	10 October 2014	13 October 2014		24.0
177	27 August 2015	2 October 2015	5 October 2015	9 October 2015	12 October 2015	18.0	
178	26 February 2016	8 April 2016	11 April 2016	15 April 2016	18 April 2016	51.0	
						69.0	24.0

** Before taxation on dividends at 15%.*

Statistics	December 2015	December 2014	December 2013	December 2012	December 2011
Share price (cents)					
– Closing	1 300	1 604	2 200	2 350	1 620
Ordinary shares in issue at financial year end ('000)	342 853	342 853	342 853	342 853	342 853
Number of shares traded ('000)	36 273	44 869	46 220	46 658	49 885
Value of shares traded (R'000)	500 448	878 493	1 013 911	899 409	934 810
Number of shares traded as a percentage of shares issued	10.6	13.1	13.5	13.6	14.5
Earnings yield (%)	10.3	1.7	4.6	3.6	3.4
Ordinary dividend yield (%)	5.3	1.5	2.1	1.9	2.8
Price: basic earnings ratio	9.7	59.9	22.0	27.7	29.3
Price: headline earnings ratio	9.4	44.4	23.1	26.6	18.5

Definitions of ratios and terms utilised for statistics

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

Approval of the abridged summarised audited consolidated financial statements

for the year ended 31 December 2015

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of African Oxygen Limited, comprising the statements of financial position at 31 December 2015, the income statements and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and SAICA Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the Directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that they will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the Group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

The Group annual financial statements and annual financial statements of African Oxygen Limited, as identified in the first paragraph, were approved by the Board of directors on 26 February 2016 and are signed by:

SM Venter
Authorised director
Managing Director

DKT Devers
Authorised director
Financial Director

Johannesburg
26 February 2016

Abridged summarised audited consolidated statement of financial position

as at 31 December 2015

R'million	Note	2015 Audited	2014 Audited
ASSETS			
Property, plant and equipment	5	2 988	3 166
Retirement benefit assets		538	475
Deferred taxation assets		19	15
Lease receivables		88	104
Other non-current assets		53	59
Non-current assets		3 686	3 819
Inventories		604	634
Trade and other receivables		864	849
Lease receivables		19	19
Derivative financial instruments		15	–
Other current assets		54	30
Taxation receivable		53	32
Cash and cash equivalents		880	526
Assets held for sale	8	120	–
Current assets		2 609	2 090
Total assets		6 295	5 909
EQUITY AND LIABILITIES			
Equity holders of the parent company		3 431	3 019
Non-controlling interest		37	28
Total equity		3 468	3 047
Long-term borrowings		1 000	1 000
Deferred taxation liabilities		518	512
Non-current liabilities		1 518	1 512
Provisions		61	197
Trade, other payables and financial liabilities		1 198	1 080
Taxation payable		22	43
Derivative financial instruments		–	1
Bank overdrafts		28	29
Current liabilities		1 309	1 350
Total equity and liabilities		6 295	5 909

Abridged summarised audited consolidated income statement

for the year ended 31 December 2015

R'million	2015 Audited	2014 Audited
Revenue	5 473	5 834
Operating expenses (excluding restructuring costs)	(4 469)	(5 016)
Earnings before interest, taxation, depreciation, amortisation and impairments (EBITDA)	1 004	818
Depreciation and amortisation	(390)	(381)
Impairment of tangible assets	(27)	(35)
Impairment of intangible assets	–	(17)
Earnings before interest and taxation (EBIT) before restructuring costs	587	385
Restructuring costs	(79)	(185)
Earnings before interest and taxation (EBIT)	508	200
Net finance expense	(9)	(12)
Income from associate	1	1
Profit before taxation	500	189
Taxation	(75)	(93)
Profit for the year	425	96
Attributable to:		
Owners of the Company	414	83
Non-controlling interests	11	13
Profit for the year	425	96
Earnings per share		
Basic and diluted earnings per ordinary share – cents	134.2	26.8

Abridged summarised audited consolidated statement of comprehensive income

for the year ended 31 December 2015

R'million	2015 Audited	2014 Audited
Profit for the year	425	96
Other comprehensive gain/(loss) after taxation	49	(119)
Items that are or may be reclassified to profit or loss	21	(41)
Translation differences on foreign operations	13	(27)
Translation differences relating to non-controlling interests	3	(10)
Changes in fair value of cash flow hedges (net of taxation)	5	(4)
Items that will never be reclassified to profit or loss	28	(78)
Actuarial gains/(losses) on defined-benefit funds	39	(109)
Deferred taxation relating to actuarial (gains)/losses	(11)	31
Total comprehensive income for the year	474	(23)
Total comprehensive income attributable to:		
Owners of the Company	460	(26)
Non-controlling interests	14	3
	474	(23)

Abridged summarised audited consolidated statement of changes in equity

for the year ended 31 December 2015

R'million	Share capital and share premium	Incentive scheme share and share-based payment reserves	FCTR and hedging reserves	Actuarial gains/ (losses)	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2014	552	13	(37)	367	2 307	37	3 239
Total comprehensive income			(31)	(78)	83	3	(23)
Profit for the year	–	–	–	–	83	13	96
Other comprehensive income	–	–	(31)	(78)	–	(10)	(119)
Shares purchased on behalf of employees	–	(17)	–	–	–	–	(17)
Share-based payments, net of taxation	–	(4)	–	–	–	–	(4)
Dividends	–	–	–	–	(136)	(12)	(148)
Balance at 31 December 2014	552	(8)	(68)	289	2 254	28	3 047
Total comprehensive income							
Profit for the year	–	–	–	–	414	11	425
Other comprehensive income	–	–	18	28	–	3	49
Shares purchased on behalf of employees	–	(11)	–	–	–	–	(11)
Share-based payments, net of taxation	–	19	–	–	–	–	19
Change in subsidiary shareholding	–	–	–	–	–	–	–
Dividends	–	–	–	–	(56)	(5)	(61)
Balance at 31 December 2015	552	–	(50)	317	2 612	37	3 468

Abridged summarised audited consolidated statement of cash flows

for the year ended 31 December 2015

R'million	Note	2015 Audited	2014 Audited
Earnings before interest and taxation (EBIT)		508	200
Adjustments for:			
Depreciation, amortisation and impairments		417	433
Other non-cash movements		88	217
Operating cash flows before working capital adjustments		1 013	850
Working capital adjustments		82	136
Cash generated from operations before restructuring costs		1 095	986
Restructuring costs paid		(169)	–
Cash generated from operations		926	986
Vested shares purchased on behalf of employees		–	(2)
Net finance expenses		(74)	(101)
Taxation paid		(116)	(113)
Dividends received		1	1
Cash available from operating activities		737	771
Dividends paid to owners of the parent		(56)	(136)
Dividends to non-controlling interest		(5)	(12)
Net cash inflow from operating activities		676	623
Additions to property, plant and equipment and intangibles		(377)	(514)
Proceeds from disposal of property, plant and equipment and intangibles		33	(13)
Other investing activities		31	66
Net cash outflow from investing activities		(310)	(461)
Borrowings repaid		–	(3)
Forfeited shares sold		–	1
Incentive scheme shares purchased on behalf of employees		(11)	(17)
Net cash outflow from financing activities		(11)	(19)
Net increase in cash and cash equivalents		355	143
Cash and cash equivalents at the beginning of the year		497	354
Cash and cash equivalents at the end of the year		852	497

Segmental report

The business segments are based on internal reports, which are regularly utilised by the Executive Committee (EXCO) to assess the Group's performance and allocate resources to the segments. Segments have been determined based on business segments: Atmospheric Gases, LPG, Hard Goods and Emerging Africa.

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

R'million	2015 Audited	2014 Audited
Revenue*	5 473	5 834
Atmospheric Gases	2 110	2 050
LPG	1 820	2 118
Hard Goods	788	867
Emerging Africa	755	799
Gross profit after distribution expenses (GPADE)	1 585	1 578
Atmospheric Gases	681	746
LPG	321	288
Hard Goods	272	244
Emerging Africa	311	300
Reconciliation of GPADE to EBIT		
GPADE for business segments	1 585	1 578
Other operating expenses	(971)	(1 141)
Impairments	(27)	(52)
Restructuring costs	(79)	(185)
Earnings before interest and taxation (EBIT)	508	200

** Revenue from external customers.*

The 2015 segmental report has been aligned with the changes from the restructuring and the update in Group eliminations recognised in the various segments. The comparative period has been restated to reflect this change. The Chief Operating Decision Maker is the Board of directors of Afrox, reflecting the change due to the restructuring activities during the year under review.

Selected notes to the abridged summarised audited consolidated financial statements

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

The abridged summarised audited consolidated financial statements do not include all the information and disclosures required for the audited consolidated financial statements. The abridged summarised audited consolidated financial statements should be read in conjunction with the audited consolidated financial statements. The audited consolidated financial statements for the Group as at and for the year ended 31 December 2015 were prepared on the going-concern basis and are available for inspection at the Company's registered office and will be available on the Afrox website at www.afrox.co.za.

The accounting policies applied in the presentation of the abridged summarised audited consolidated financial statements are consistent with those applied for the year ended 31 December 2014, except for new standards that became effective 1 January 2015. Refer note 4.

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

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

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

4. CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015:

- Defined benefit plans: Employee Contributions (Amendments to IAS 19);
- Annual Improvements to IFRSs 2010 – 2012 Cycle – various standards; and
- Annual Improvements to IFRSs 2011 – 2013 Cycle – various standards.

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

R'million	2015 Audited	2014 Audited
5. PROPERTY, PLANT AND EQUIPMENT		
Opening carrying value	3 166	3 034
Additions, net of transfers from assets under construction	379	533
Transfer to assets held for sale	(120)	–
Impairments	(27)	(35)
Disposals	(28)	(12)
Depreciation	(369)	(349)
Translation differences	(13)	(5)
Closing carrying value	2 988	3 166

The future capital commitments as at 31 December 2015 amounted to R344 million (2014: R657 million).

6. FAIR VALUE CLASSIFICATION AND MEASUREMENT

Accounting classification and fair values

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

R'million	Held for trading	Loans and receivables	Liabilities at amortised cost	Other assets	Total carrying amount	Fair value
31 December 2015						
Financial assets measured at fair value						
Derivative financial instruments	15	–	–		15	15
Financial assets not measured at fair value						
Trade and other receivables	–	908	–		908	908
Cash and cash equivalents	–	880	–		880	880
Finance lease receivables	–	–	–		107	107
Total financial assets	15	1 788	–		1 910	1 910
Financial liabilities measured at fair value						
Derivative financial instruments	–	–	–		–	–
Financial liabilities not measured at fair value						
Borrowings	–	–	1 000		1 000	919
Trade and other payables	–	–	1 075		1 075	1 075
Bank overdrafts	–	–	28		28	28
Total financial liabilities	–	–	2 103		2 103	2 022
31 December 2014						
Financial assets not measured at fair value						
Trade and other receivables	–	878	–	–	878	878
Cash and cash equivalents	–	526	–	–	526	526
Lease receivables	–	–	–	123	123	123
Total financial assets	–	1 404	–	123	1 527	1 527
Financial liabilities measured at fair value						
Derivative financial instruments	1	–	–	–	1	1
Financial liabilities not measured at fair value						
Borrowings	–	–	1 000	–	1 000	959
Trade and other payables	–	–	925	–	925	925
Bank overdrafts	–	–	29	–	29	29
Total financial liabilities	1	–	1 954		1 954	1 914

R'million	2015	2014
Reconciliation to the summarised consolidated statement of financial position:		
Trade and other receivables	864	849
Receivables from fellow subsidiary of holding company	54	30
Prepayments	(2)	–
Deposits	(1)	(1)
Value-added taxation	(7)	–
	908	878
Trade, other payables and other financial liabilities	1 198	1 080
Employee benefits including leave pay, bonuses and other costs	(91)	(108)
Deferred rentals	(17)	(18)
Value-added taxation	(15)	(29)
	1 075	925

6. FAIR VALUE CLASSIFICATION AND MEASUREMENT continued

Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

R'million	Level 1	Level 2	Level 3	Total
31 December 2015				
Financial assets measured at fair value				
Derivative financial instruments	–	15	–	15
31 December 2014				
Financial liabilities measured at fair value				
Derivative financial instruments	–	1	–	1

Transfers

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year ended 31 December 2015 and 31 December 2014.

7. EARNINGS AND HEADLINE EARNINGS PER SHARE

Headline earnings per share are calculated on headline earnings of R429 million (2014: R111 million) and a weighted average number of ordinary shares of 308 567 602 (2013: 308 567 602).

Reconciliation between earnings and headline earnings

R'million	2015 Audited	2014 Audited
Profit for the year	414	83
Adjusted for effects of:		
Impairment of goodwill in subsidiaries	–	17
Profit on disposal of property, plant and equipment	(6)	(19)
Impairment of property, plant and equipment	27	35
	435	116
Taxation	(6)	(5)
Headline earnings	429	111
Basic and diluted earnings per share – cents	134.2	26.8
Headline earnings per share – cents	139.2	36.2

8. ASSETS HELD FOR SALE

A decision was taken to dispose of the Group's recently acquired land, situated in Cornubia, Durban. A situated alternative rented premises was procured that will enable the Group to accommodate the Durban operations on one site. The process to dispose of the land will be piecemeal and is expected to be completed within 12 months. Furthermore, as part of the Group's restructuring initiatives, the Group is undergoing a process of evaluating its property portfolio and a decision was taken to dispose of unutilised properties. These properties are expected to be sold within 12 months. As part of the rationalisation of the Group's manufacturing facilities, a decision was taken to close the gas equipment factory and sell the assets. The sale is expected to be completed within 12 months.

R'million	2015 Audited	2014 Audited
Property, plant and equipment	120	–
Total net assets held for sale	120	–

9. RELATED PARTY TRANSACTIONS

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

10. UPDATE ON KEY LITIGATION MATTERS

The Company continues to pursue its rights in terms of a disputed supply contract with a major steel producer. No revenue has been accounted for in terms of this contract since June 2012. The disputed revenue not recorded amounts to approximately R131.9 million (excluding VAT), with the total amount outstanding at approximately R233 million, including interest. The main hearing is scheduled for June/July 2016.

11. SUBSEQUENT EVENTS

The directors are not aware of any material matter or circumstance arising since the end of the year and up to the date of this report, not otherwise dealt with in this report. The Group declared a gross final cash dividend of 51 cents per share on 26 February 2016.

12. SUMMARY FINANCIAL STATEMENTS INCLUDED IN THE ABRIDGED REPORT

The abridged summarised audited financial statements have been derived from the audited financial statements on the basis set out in note 1. The abridged summarised audited financial statements have not been separately audited. For a better understanding of the Company's financial position, financial performance and cash flows in accordance with IFRS, the full audited financial statements and auditor's report thereon are available from the Company's registered office. The Company's auditor, KPMG Inc. issued an unqualified auditors report on the financial statements.

Glossary

Term	Definition
AGM	Annual general meeting
ASU	Air separation unit
BBBEE	Broad-Based Black Economic Empowerment
BCP	Best commercial practice
BO	Black-owned
BWO	Black women-owned
Capex	Capital expenditure
Companies Act	Companies Act of South Africa, 71 of 2008, as amended
CNG	Compressed natural gas
CO_2	Carbon dioxide
CSI	Corporate social investment
CSP	Concentrated solar plant
CSR	Corporate social responsibility
DIFOT	Delivered in full and on time
DPS	Dividends declared per share
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation, amortisation and impairment losses
EDI	Electronic data interface
EMEA	Europe, Middle East and Africa
FSP	Forfeitable Share Plan
GPADE	Gross profit after distribution expenses
GRI	Global Reporting Initiative
HEPS	Headline earnings per share
ICAS	Independent Counselling and Advisory Service
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IT	Information technology
King III	King Report on Governance for South Africa 2009
KPI	Key performance indicator
LiMSS	Linde integrated management system and standards
LPG	Liquefied Petroleum Gas
LNG	Liquefied natural gas
LTI	Lost-time injury
LTIR	Lost-time injury rate
MIG	Metal inert gas
MIR	Major incidents reported
MMA	Manual metal arc
MPG	Merchant and packaged gases
NCSC	National Consumer Service Centre
NERSA	National Energy Regulator of South Africa
NGMR	Nominations, Governance and Management of Resources
PPE	Personal Protective Equipment
pSIF	Potential severe injury and fatalities
ROCE	Return on capital employed
SARs	Share Appreciation Rights
SENS	Stock Exchange News Service
SET	Social, Ethics and Transformation
SHEQ	Safety, health, environment and quality
TIG	Tungsten electrode inert gas

Notice to shareholders

Shareholders of the Company entitled to attend and vote at the annual general meeting are entitled to appoint proxies to attend, participate and vote at the annual general meeting in place of shareholders. A proxy need not be a shareholder of the Company. Meeting participants are required to provide adequate identification before being allowed to participate in the annual general meeting.

AFRICAN OXYGEN LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1927/000089/06)
(JSE share code: AFX)
(NSX share code: AOX)
ISIN: ZAE000067120
('Afrox' or the 'Company')

Notice is hereby given that the 87th annual general meeting of the Company will be held in the Boardroom of the Company, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on Thursday, 26 May 2016 at 10:00 at which the resolutions set out below will be considered and, if deemed fit, pass with or without modification.

The notice of the Company's annual general meeting has been sent to its shareholders who were recorded as such in the Company's securities register on Friday, 18 March 2016, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which shareholders of the Company must be registered as such in the Company's securities register in order to attend and vote at the annual general meeting is Friday, 20 May 2016, being the voting record date used to determine which shareholders are entitled to attend and vote at the annual general meeting. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Friday, 13 May 2016.

In terms of section 63(1) of the Companies Act, 71 of 2008 (the 'Companies Act'), any person attending or participating in the annual general meeting must present reasonably satisfactory identification and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or as proxy for a shareholder) has been reasonably verified.

SOCIAL AND ETHICS COMMITTEE

In accordance with Regulation 43(5)(c) of the Companies Regulations, 2011, promulgated under the Companies Act, a member of the Social and Ethics Committee (the 'Committee') is required to report to shareholders on the matters within the mandate of the Committee. The Committee's report is contained on page 66 of the Afrox 2015 integrated report ('2015 Integrated Report').

1. ORDINARY RESOLUTION NUMBER 1:
Adoption of the annual financial statements

Resolved as an ordinary resolution that the annual financial statements of the Company and its subsidiaries ('Group') for the financial year ended 31 December 2015, including the directors' and independent auditor's report and the Audit Committee report therein, be and are hereby adopted.

2. ORDINARY RESOLUTION NUMBERS 2.1 TO 2.4:
Re-election/confirmation of directors

To elect directors of the Company in accordance with the Companies Act and the Company's Memorandum of Incorporation ('MOI'), which provide that:

- At least one third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election.
- Any director appointments made by the Board of directors ('Board') since the previous annual general meeting require ratification.

Accordingly, shareholders are requested to re-elect or confirm the appointment of the directors named below, by way of passing the separate ordinary resolutions:

Ordinary Resolution Number 2.1

Resolved that the appointment of BH Eulitz as a director of the Company on 28 May 2015 is hereby confirmed;

Ordinary Resolution Number 2.2

Resolved that the appointment of DKT Devers as a director of the Company on 28 May 2015 is hereby confirmed;

Ordinary Resolution Number 2.3

Resolved that KDK Mokhele, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected;

Ordinary Resolution Number 2.4

Resolved that M von Plotho, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected.

A brief CV in respect of each director above appears on pages 56 and 57 of the 2015 Integrated Report.

3. ORDINARY RESOLUTION NUMBER 3:

Re-appointment of Auditors

Resolved that KPMG Inc. be re-appointed as the independent auditors of the Company, who will undertake the audit of the Company for the ensuing period, and to authorise the Audit Committee to determine the terms of engagement and the auditors' fees and remuneration for the past period and the ensuing period.

4. ORDINARY RESOLUTION NUMBERS 4.1 TO 4.3:

Appointment of Audit Committee members

Resolved that the appointment of the following directors as members of the Audit Committee be and is hereby confirmed until the conclusion of the next annual general meeting.

Ordinary Resolution 4.1

Resolved that CF Wells be, and is hereby elected as a member of the Company's Audit Committee.

Ordinary Resolution 4.2

Resolved that GJ Strauss be, and is hereby elected as a member of the Company's Audit Committee.

Ordinary Resolution 4.3

Resolved that NVL Lila Qangule be, and is hereby elected as a member of the Company's Audit Committee.

A brief CV in respect of each director above appears on pages 56 and 57 of the 2015 Integrated Report.

5. ORDINARY RESOLUTION NUMBER 5:

Non-binding vote on the remuneration policy

Resolved to approve, through a non-binding advisory vote the remuneration policy of the Company detailed on page 72 of the 2015 Integrated Report.

Explanation: *This Ordinary Resolution Number 5 is required in accordance with the King III recommendations that the Company obtain an advisory vote by its shareholders in a meeting on the remuneration policy applicable to all employees and directors of the Company and any of its subsidiaries or divisions. The vote is non-binding on the Company and excludes the remuneration of the non-executive directors.*

6. SPECIAL RESOLUTION NUMBER 1:

To approve the independent non-executive directors' fees

Resolved that the fees paid to the independent non-executive directors serving on the Board and the various committees of the Board, be as follows with effect from 1 January 2016:

	Proposed* remuneration for the 12-month period from 1 January 2016 to 31 December 2016	Remuneration for the 12-month period from 1 January 2015 to 31 December 2015	% Increase
Board			6%
Lead independent director	**R392 200**	R370 000	
Independent director	**R224 720**	R212 000	
Audit Committee			6%
Chairman	**R151 580**	R143 000	
Member	**R75 260**	R71 000	
Other Committees			6%
Chairman	**R100 700**	R95 000	
Member	**R50 880**	R48 000	
	Per meeting fee		
Meeting fee (including ad hoc meetings)	**R11 130**	R10 500	6%

7. SPECIAL RESOLUTION NUMBER 2:

General authority to repurchase shares

Resolved, subject to compliance with the Companies Act, the Company's MOI and the Listings Requirements of the JSE Limited ('JSE') ('Listings Requirements'), that the Company and its subsidiaries be and are hereby authorised and granted a general authority to acquire from time to time the issued ordinary shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, provided that:

7.1 the Company and its subsidiaries are enabled by their MOI to repurchase such shares;

7.2 the repurchase of shares shall 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 counterparty;

7.3 the Company and its subsidiaries are authorised by its shareholders in terms of a special resolution taken at general meetings, to make such general repurchases, such authorisation being valid only until the next annual general meeting or for 15 months from the date of this special resolution, whichever is the earlier date;

7.4 an announcement be made giving such details as may be required in terms of the Listings Requirements when the Company has cumulatively repurchased 3% (three per cent) of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of shares and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter;

7.5 at any one time the Company may only appoint one agent to effect any repurchase on the Company's behalf;

7.6 the repurchase of shares will not take place during a prohibited period (as defined in the Listings Requirements) unless the directors have in place a repurchase programme where the dates and quantities of shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed and approved by the JSE prior to the commencement of the prohibited period;

7.7 the repurchase of shares shall not, in aggregate, in any one financial year:

7.7.1.1 exceed 20% (twenty per cent) of the Company's issued share capital in any one financial year; or

7.7.1.2 10% (ten per cent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;

7.8 the repurchase of shares may not be made at a price greater than 10% (ten per cent) above the weighted average traded price of the market value of the shares as determined over the 5 (five) business days immediately preceding the date on which the transaction is effected; and

7.9 a resolution by the Board that it has authorised the repurchase, that the Company and the Group have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group.

Explanation: *This Special Resolution Number 2 authorises the directors of the Company, if they deem it appropriate and necessary and in the best interest of the Company, to repurchase the Company's shares by way of open market transactions on the JSE. This authority is subject to the Companies Act and the Listings Requirements. At the present time the directors have no specific intention with regard to the utilisation of this authority, which will be used only if they deem fit and if the circumstances are appropriate. The directors undertake to comply fully with the limitations and controls imposed by the Listings Requirements.*

OTHER DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS

In terms of the Listings Requirements, the following disclosures are required with reference to the repurchase of the Company's shares as set out in Special Resolution Number 2 above.

Working capital statement

The directors shall not make any repurchases under this general authority unless they 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 (twelve) months after the date of the decision to enter into the market to proceed with the repurchase:

- 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.

Directors' responsibility statement

The directors, whose names are given on pages 56 and 57 of the 2015 Integrated Report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above Special Resolution Number 2 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 Number 2 contains all information required.

Other disclosures contained in the 2015 Integrated Report in terms of paragraph 11.26 of the Listings Requirements

- Major shareholders of the Company *(refer to page 81)*
- Share capital of the Company *(refer to page 81)*
- There were no material changes during the year.

8. SPECIAL RESOLUTION NUMBER 3:

General authority to provide financial assistance to related companies or inter-related companies

Resolved, subject to compliance with the Listings Requirements and with the Companies Act (specifically section 45) that the directors be and are hereby authorised to provide direct or indirect financial assistance through the lending of money, the guaranteeing of loans, or other obligations or the securing of any debts or obligations to any related or inter-related company or companies as defined in section 1 of the Companies Act, when and as they deem fit and appropriate.

Explanation: *The reason and effect of this Special Resolution Number 3 is to grant the directors of the Company the authority to cause the Company to provide financial assistance to any company or corporation that is related or inter-related to the Company. It does not authorise the provision of financial assistance to any director or prescribed officer of the Company. The directors undertake that prior to the Company providing any financial assistances as contemplated in Special Resolution Number 3 above, the Company will have satisfied the solvency and liquidity test as set out in section 4 of the Companies Act.*

9. SPECIAL RESOLUTION NUMBER 4:

Authority to provide financial assistance in connection with the purchase of Company securities on the market

Resolved that, as a special resolution contemplated by section 44(3)(a)(ii) of the Companies Act, the Board be and is hereby empowered to authorise the Company, at any time during the period of two years commencing on the date of this Special Resolution Number 4, to provide any direct or indirect financial assistance to any third-party broker or subsidiary of the Company, for the purpose of or in connection with the purchase of Company shares in the market required for settlement under the share incentive plans operated by the Company from time to time, provided that the Board is satisfied that immediately after providing the particular financial assistance, the Company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act.

Explanation: *The reason and effect of this Special Resolution Number 4 is that the directors of the Company will, pursuant to the requirements of section 44(3) of the Companies Act, be empowered to authorise the Company to provide funds to third-party brokers and/or subsidiaries of the Company in connection with the purchase of Company shares on the market, which shares are to be applied in settlement of the Company's obligations to deliver Company shares to executives and other Company group employees as it may exist under such share incentive plans as the Company may operate from time to time.*

Material changes

Other than the facts and developments reported on in the 2015 Integrated Report, there have been no material changes in the affairs, financial or trading position of the Group since the signature date of the 2015 Integrated Report and the posting date thereof.

VOTING AND PROXIES

Certificated shareholders

Shareholders wishing to attend the annual general meeting have to ensure beforehand, with the transfer secretaries of the Company, that their shares are in fact registered in their name. Should this not be the case and the shares are in fact registered in another name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangement with that party to be able to attend and vote in their capacity.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and on a poll, vote in his/her stead. A proxy need not be a shareholder of the Company. For the convenience of registered shareholders of the Company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

Dematerialised/uncertificated shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting must require their Central Securities Depository Participant ('CSDP') or broker to provide them with a letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries by no later than 10:00 on Tuesday, 24 May 2016. On a poll, ordinary shareholders will have one vote in respect of each share held.

In terms of section 58 of the Companies Act, shareholders have rights to be represented by proxy as herewith stated. An extract of section 58 of the Companies Act is included in the form of proxy.

Electronic participation by shareholders

Should any shareholder (or a representative or proxy for a shareholder) wish to participate at the annual general meeting by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder can be contacted) to so participate, to the transfer secretaries at the address provided in this notice. The application is to be received by the transfer secretaries at least seven business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder for the purposes of section 63(1) of the Companies Act, and for the transfer secretaries to provide the shareholder with details as to how access to the annual general meeting by means of electronic participation is to be made. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangement.

PERCENTAGE OF VOTING RIGHTS REQUIRED FOR RESOLUTIONS

1. Special resolutions

   The percentage of voting rights that will be required for the adoption of each special resolution is at least 75% of the voting rights exercised on the resolution.

2. Ordinary resolutions

   The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% + I vote of the voting rights exercised on the resolution.

Cheryl Singh
Company Secretary
26 February 2016

Form of proxy

AFRICAN OXYGEN LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1927/000089/06)
(JSE share code: AFX)
(NSX share code: AOX)
ISIN: ZAE000067120
('Afrox' or 'the Company')

For use by shareholders holding share certificates and shareholders who have dematerialised their share certificates and have elected 'own name' registration through a Central Securities Depository Participant ('CSDP') or broker, at the annual general meeting of the Company to be held at 10:00 on Thursday, 26 May 2016.

If you are a shareholder entitled to attend and vote at the abovementioned annual general meeting you can appoint a proxy to attend, vote and speak in your stead. A proxy need not be a shareholder of the Company.

If you are a shareholder and have dematerialised your share certificate through a CSDP or broker, and have not selected own name registration in the sub-register maintained by a CSDP, you must not complete this form of proxy but must instruct your CSDP or broker to issue you with the necessary authority to attend the annual general meeting, or if you do not wish to attend, you may provide your CSDP or broker with your voting instructions in terms of the custody agreement entered into with your CSDP or broker.

I/We (full name(s) in block letters)

of (address in block letters)

Telephone (work) Telephone (mobile)

Telephone (home) Email

being a shareholder/shareholders of ordinary shares in the Company and entitled to appoint (see note 3):

1. or failing him/her

2. or failing him/her

the chairman of the annual general meeting

as my/our proxy to act on my/our behalf at the annual general meeting, to be held at the Boardroom of the Company, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on Thursday, 26 May 2016 at 10:00 and at any adjournment thereof, as follows:

		Number of Afrox shares		
		In favour	Against	Abstain
Ordinary resolutions:				
1.	Adoption of the annual financial statements			
2.	Re-election/confirmation of directors			
2.1	BH Eulitz			
2.2	DKT Devers			
2.3	Dr KDK Mokhele			
2.4	M von Plotho			
3.	Re-appointment of Auditors			
4.	Appointment of Audit Committee members			
4.1	CF Wells			
4.2	GJ Strauss			
4.3	NVL Qangule			
5.	Non-binding vote on the remuneration policy			
Special resolutions:				
6.	To approve the independent non-executive directors' fees			
7.	General authority to repurchase shares			
8.	General authority to provide financial assistance to related companies or inter-related companies			
9.	Authority to provide financial assistance in connection with the purchase of Company securities on the market			

Signed at on 2016

Shareholder

Please read the instructions on the reverse side of this form of proxy.

Form of proxy – Instructions

1. On a poll a shareholder is entitled to one vote for each share held.
2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107, Fax +27 11 688 5238), so as to reach the Company by no later than 10:00 on Tuesday, 24 May 2016.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting the words 'the chairman of the annual general meeting'. Any such deletion must be individually initialled by the shareholder, failing which they will not have been validly effected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
4. Any alterations or corrections to this form of proxy have to be initialled by the relevant signatory(ies).
5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the 'In Favour', 'Against' or 'Abstain' headings on the form of proxy. If no instructions are filled in on the form of proxy, 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.
7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. 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 shareholder.
8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.
9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their 'own name' in electronic form in the sub-register.
10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their 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 custody agreement between the shareholder and the CSDP or the broker.
11. Shareholders who wish to attend and vote at the annual general meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 10:00 on Tuesday, 24 May 2016.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
13. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he/she shall not accept a proxy unless he/she is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
(PO Box 61051, Marshalltown 2107)

Summary of rights contained in section 58 of the Companies Act

In terms of section 58 of the Companies Act:

- a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder;
- a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy;
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder;
- any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise;
- if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by:
  - cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  - delivering a copy of the revocation instrument to the proxy and to the relevant company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise; and if the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Corporate information

AFRICAN OXYGEN LIMITED

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

REGISTERED OFFICE AND BUSINESS ADDRESS

Afrox House, 23 Webber Street, Selby, Johannesburg 2001/PO Box 5404, Johannesburg 2000
Telephone +27 (0)11 490 0400
Fax +27 (0)11 493 1580

AUDITORS

KPMG Inc.
KPMG Crescent, 85 Empire Road, Parktown, Johannesburg, 2193
Telephone +27 (0)11 647 7111

COMPANY SECRETARY

Cheryl Singh (BProc LLB MBA)
Afrox House, 23 Webber Street, Selby, Johannesburg 2001/PO Box 5404, Johannesburg 2000
Telephone +27 (0)11 490 0400
Fax +27 (0)11 493 1580

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Telephone +27 (0)11 370 5000
Fax +27 (0)11 370 5271/2

SPONSOR IN SOUTH AFRICA

One Capital
17 Fricker Road, Illovo 2196
Telephone +27 (0)11 550 5000
Fax +27 (0)86 718 4524

SPONSOR IN NAMIBIA

Namibia Equity Brokers Proprietary Limited

WEBSITE

www.afrox.co.za

STAKEHOLDER ENQUIRIES

Stakeholder enquiries may be addressed per email to: corporate.communication@afrox.linde.com