



AFRICAN OXYGEN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2003



our brands, our customers, our people

Afrox continues a track record of steady growth, sound financial and asset management, and improved efficiencies in all businesses.

- ▲ Revenue up 13% @ R7,3 billion
- ▲ Operating profit up 22% @ R1,1 billion
- ▲ Net profit up 42% @ R554 million
- ▲ Return on net assets improves from 28,5% to 31,5%

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The Daimler Chrysler factory in East London is a world-class manufacturer and all C-Class Mercedes Benz are made there for local, and global right-hand drive markets. Afrox supplies the bulk Handigas, which is used to cure the paint on all vehicles. Helping to service Daimler Chrysler is Roger Purcell, the Eastern Cape's sales manager - major customers, who has 14 years experience with the company. He has implemented various technologies and commercial solutions affirming Afrox's position as a world-class supplier. He is standing in front of two on-site Handigas 20 ton megabulk storage vessels, which are supported by telemetering and advanced monitoring systems.

*Front cover:
Afrox's new ultra high
purity ammonia plant*

Whitness Mohlahedi is a long serving employee who started with the company 17 years ago. Today, he operates the sophisticated CNC machine at Afrox's gas equipment factory and helps make 'best in class' gas welding and cutting products for local and export markets.

financial highlights

	2003	2002	Percentage change
Revenue (Rm)	7 326	6 512	+13
Profit before taxation (Rm)	1 011	751	+35
Net profit for the year (Rm)	554	390	+42
Headline earnings per share (cents)	166,5	124,8	+33
Dividends per share (cents)	83,0	62,5	+33
Number of employees at year end	16 531	16 809	

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2003



income statement highlights

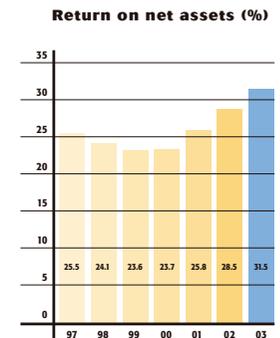
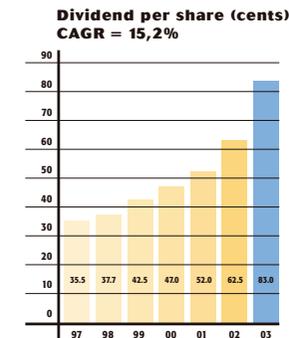
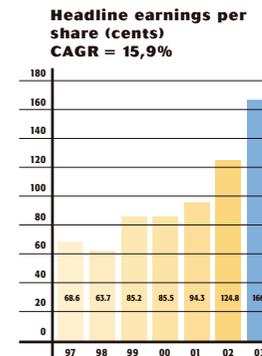
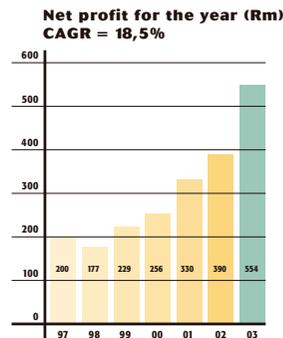
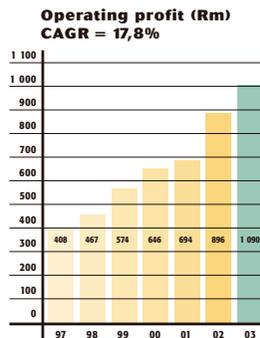
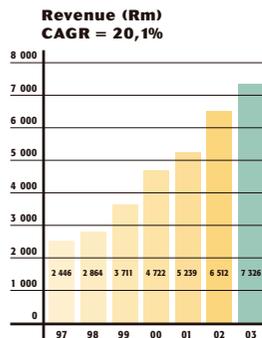
- Revenue up 13 percent at R7,3 billion.
- Operating profit up 22 percent at R1 090 million.
- Net profit for the year up 42 percent at R554 million.
- Total dividend up 33 percent at 83,0 cents

balance sheet highlights

- Cash generated from operations – R1 445 million.
- Return on net assets improves from 28,5% to 31,5%.

credit rating

Short term A1
Long term A+



company profile

Established in 1927, Afrox has prospered by constantly evolving to meet the needs of customers and developing solutions that add value to any application. This ability to respond and adapt to change, and determination to meet world standards of product and service, enables Afrox to provide superior returns for its stakeholders.

For 76 years, African Oxygen Limited (Afrox) has, every day in some way, touched the lives of all South Africans.

Afrox is engaged in the manufacture and sale of gases and related products, and welding equipment and products. The company also has interests in healthcare, specifically private hospitals and healthcare services businesses.

Afrox has a long and proud financial growth record. It has been earnings positive since inception, and forty years ago, when Afrox listed, its share offer was over subscribed 32 times – a record that stood for many years. Since listing, Afrox has never reduced a dividend.

The past seven years have seen compound annual growth in revenue of 20 percent, operating profit 17,8 percent, dividends per share 15,2 percent, headline earnings per share 15,9 percent, and return on capital employed never less than 23 percent.

This financial standing has accorded Afrox a high credit rating, with the Global Credit Rating Company rating Afrox as A1 for short term and as A+ for long term.

Afrox industrial is sub-Saharan Africa's market leader in gases and welding products, with a market capitalisation of around R5,5 billion and 343 million shares in issue. Of these shares, 56 percent are owned by The BOC Group plc – one of the world's leading gases companies, with operations in 50 countries on five continents. The company has a 69,0 percent holding in Afrox Healthcare Limited, with 224 million shares in issue and a market capitalisation of around R3 billion.

Afrox employs 16 531 people in its gas and welding, and in its healthcare businesses, and is one of South Africa's larger employers. The industrial arm of the company remains the main business contributing 62 percent to its share of group net profit.

The group's two listed companies are ranked among the top companies in South Africa. Both are firmly placed within the Financial Mail's top 100, and, in addition, the Financial Mail rates Afrox Healthcare as among the 20 best performing companies on the JSE Securities Exchange for compound annual growth rate over five years.

Afrox is the only manufacturer of gas welding and cutting equipment in The BOC Group. BOC operates in 50 countries world-wide and Afrox is increasingly supplying world benchmark products under the BOC brand to many of these global markets.



In the Sunday Times Business Times Top Companies Awards for 2003, Afrox Healthcare was named the fifth best performing company on the JSE Securities Exchange out of the top 100 companies based on a return to shareholders over a five-year period.

Afrox consists of two distinct sectors: industrial and healthcare.

Gases and welding constitute the industrial operations that are divided into two lines of business: Industrial and Special Products (ISP) and Process Gas Solutions (PGS). ISP involves cylinder and liquid fabrication gases, special and medical gases, Handigas,



Our brands, our customers, our people



One of Afrox's brands is FoodGrade CO₂. This product puts the fizz in most soft drinks made in South Africa.

LISTED DATA

Full name	African Oxygen Limited
JSE abbreviated or common usage name	Afrox
Code	AFX
Sector	Chemicals
Formed	1927
Listed JSE	1963
Listed NSX	1995
Revenue	R7,3 billion
Profit before tax	R1 011 million
Shares	343 million
No of shareholders	5 543
Market capitalisation	R5,5 billion
PE	9,8
Employees	16 531
	(industrial 2 837)
	(healthcare 13 694)

welding products, and two welding product factories. PGS tailors solutions to meet the needs of large consumers of product in key market sectors, by supplying dedicated on-site production units, either by pipeline, or in liquid form by tanker.

The healthcare operation, managed through Afrox Healthcare Limited, is the third business. It owns and manages acute care private hospitals and same-day surgical centres, complemented by healthcare services companies.

Afrox's lines of business align with those of BOC. Being part of an international group gives the company an edge in technology, product research and development, and best operating and commercial practices. Regular international meetings allow for a cross fertilisation of ideas.

Industrial and Special Products (ISP)

The ISP business is backed by a considerable infrastructure. Its transport fleet, consisting of some 500 vehicles, operates from 113 South African branches and from another 30 branches and distributors in 16 other African countries. The business has approximately three million cylinders in circulation, and offers a range of over 3 000 products that support a customer base exceeding 70 000. The two welding products factories are the biggest in the southern hemisphere.

In South Africa, ISP is able to supply a wide range of gases, special gases and gas mixtures. Handigas, Afrox's liquefied petroleum gas brand, and certain gaseous chemicals such as propellants and refrigerant gases, are outsourced in bulk,

and delivered to customers either in bulk or in cylinders of varying sizes, depending on each client's requirements.

Process Gas Solutions (PGS)

PGS services customers in South Africa and sub-Saharan Africa with large volumes of gas. Through PGS, Afrox is able to supply its customers by bulk road tankers, pipeline, or from on-site gas producing pressure swing adsorption plants (PSAs) and on-site cryogenic air separation units for large tonnages. The main products supplied are oxygen, nitrogen, argon, carbon dioxide, and hydrogen. Strategically sited plants throughout South Africa include 14 large plants, mainly producing oxygen, nitrogen and argon; five carbon dioxide plants; two hydrogen plants; and 22 gas producing PSA plants, mostly sited on customer premises.

Healthcare

Afrox has a 69 percent interest in Afrox Healthcare Limited, which in turn owns, manages, and has interests in a total of

PROCESS GAS SOLUTIONS

Supply schemes

Bulk merchant market

63 acute care and 22 chronic long-stay hospitals. The acute care hospitals have 7 516 beds while the long-stay hospitals have 8 700 beds. The company is well equipped to handle an extensive range of emergency and trauma services with its network of 40 emergency units.

Afrox Occupational Healthcare is the country's leading provider of contracted on-site healthcare services to commerce, industry and mining. The division's 182 customer-owned clinics situated across the country currently provide occupational and primary care to 120 000 patients. Another healthcare services business, Direct Medicines, specialises in chronic benefit management and is contracted with medical schemes to provide services to 164 700 patients.

INDUSTRIAL & SPECIAL PRODUCTS

Industrial products

Medical gases

Hospitality

Special gases

Packaged chemicals

Handigas – mega bulk, industrial, household and Autogas

Safety products and services

Manufacturing, including gas equipment, welding and safety products

AFROX HEALTHCARE

Acute care hospitals

Chronic care hospitals (Lifecare)

Healthcare services (chronic benefit management, occupational healthcare, diagnostics)

Afrox is South Africa's main supplier of electric welding wires and electrodes. Manufactured in its Brits factory, these Afrox products are marketed locally in South Africa, in Africa and other global countries. SA's top selling electrode is Vitemax, with 293 million sold each year.



Lifecare Special Health Services (Lifecare) is the largest successful public/private partnership in South Africa. It provides chronic care and long-term care to patients on a contract basis to the provincial governments of South Africa, as well as to other low-income patients. Lifecare also runs two community hospitals with 400 beds for provinces.

In partnership with the University of Port Elizabeth, the Afrox Healthcare College of Learning has seven centres based around South Africa. A total of 710 students are currently enrolled with the College, from which more than 2 000 students have graduated since its inception.

Shared services

Centralised service centres for customer services, financial services, human resources, and bulk gas distribution, have increased efficiencies, contained costs and improved customer and patient focus.

Recognitions

There are some critical components that form the backbone of Afrox and make it a preferred employer. In this respect we have received some pleasing accolades over the 2003 financial year.

Afrox received the 2003 Deloitte & Touche /Moneyweb Good Governance Award for the best governed company in the country. Not only was Afrox declared the best overall, but it was also placed first in the Board Effectiveness and Corporate Integrity and Ethics categories.

The Good Governance Award participants are adjudicated by a panel of fund and investment managers, and are selected from listed companies on the JSE Securities Exchange. The finalists included Anglo American, AngloGold, Anglovaal Industries, SABMiller and Standard Bank.

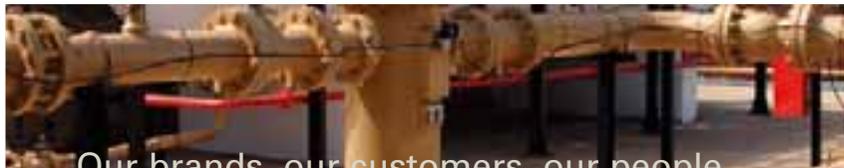


The company was honoured to receive two important, unsolicited awards during the year. First, Afrox was named the Best Governed Company and placed first in two of the four categories – Board Effectiveness and Corporate Integrity and Ethics. Second, the United Nations chose Afrox's community involvement process as an excellent example of an employee driven, sustainable social development programme. The UN is promoting the Afrox programme globally for other companies to use.



Another unsolicited honour came from a case study in which the United Nations selected Afrox's community involvement programme as an excellent example of an employee driven, sustainable social development initiative. The UN Volunteers and the New Academy of Business – both falling under the administration of the United Nations Development Programme in Bonn, Germany – compiled the case study. In addition Afrox won an award in the corporate social responsibility section of the Mail and Guardian's 'Investing in the Future' competition.

For the third year running, Afrox's 2002 annual report was placed among the top 20 best annual reports in South Africa, with a rating of 'excellent'. The annual award, sponsored by Ernst & Young, is judged by a panel of experts under the chairmanship of Geoff Everingham, Professor of Accounting at the University of Cape Town.



Our brands, our customers, our people



John Walsh

Rick Hogben

Rick Cottrell

Nick Deeming

Mike Flemming

Tony Isaac

JOHN WALSH (48) (American) *Non-executive, appointed chairman of Afrox in August 2001*

John Walsh is chief executive, Industrial and Special Products for The BOC Group. Appointed an executive BOC director in July 2001, he was previously president, Process Gas Solutions, North America. He joined BOC in 1986 as vice president, Special Gases and has held various senior management positions in the group, including president, Process Plants. He has a BA in economics and an MBA in finance and marketing, both from Harvard University.

RICK HOGBEN (57) *Executive, appointed managing director of Afrox in October 2001*

Rick Hogben is the managing director and chief executive of African Oxygen Limited (Afrox) and a director of Afrox Healthcare Limited. Before joining Afrox, Rick worked for SA Breweries for 24 years, where he held several executive management positions. He joined Afrox Healthcare in 1994 as business manager, healthcare services, and then as general manager, healthcare services, where he was responsible for non-hospital healthcare

businesses. He was appointed managing director of Afrox Healthcare in January 1999, and negotiated and led the Lifecare acquisition and the merger with PresMed to form Afrox Healthcare Limited.

RICK COTTRELL (67) *Independent non-executive, appointed to the board in September 2000*

Rick Cottrell is a former chairman and managing partner of Coopers and Lybrand, South Africa, a predecessor of PricewaterhouseCoopers. He is a past president of the Institute of Chartered Accountants, chairman of the Accounting Practices Committee, and one of the two South African representatives on the International Accounting Standards Committee. After retiring from practice, he became executive officer of the Financial Services Board. He is now a director of companies, including Afrox Healthcare Limited, Glenrand MIB Limited, Iscor Limited, Nedcor Limited, Nedcor Bank Limited, STRATE Limited, and Munich Reinsurance Company of Africa Limited. He is chairman of the Accounting Standards Board and sits on the audit committee of the Department of Defence.

NICK DEEMING (49) (British) *Non-executive, appointed to the board in 2001*

Nick Deeming is group legal director and company secretary of The BOC Group. He was appointed to the executive management board in May 2001. He has more than 16 years' in-house counsel experience, including Schlumberger SEMA and Axa PPP Healthcare, specialising in corporate and commercial law. He has a degree in law from Guildhall University and an MBA from Cranfield University. He qualified as a solicitor in 1980.

MICHAEL FLEMMING (46) *Executive, appointed an executive director in November 2001*

Michael Flemming is managing director of Afrox Healthcare Limited and is also a director of Afrox. He joined Afrox in 1985 and transferred to its healthcare division in 1994. He has held several senior financial and line management positions with both Afrox and Afrox Healthcare. Michael Flemming has a BCom, Bachelor of Law and a BProc degree. He attended the Harvard Business School advanced management programme, and has an AMPD: ISMP 150.

Executive *Rick Hogben – Managing Director and Chief Executive Michael Flemming*

Non-executive *(BOC executives) John Walsh – Chairman Nick Deeming Tony Isaac René Médori Greg Sedgwick Rob Lourey – (alternate to Tony Isaac)*

Independent non-executive *Rick Cottrell Lindsay MacNair Gordon Sibiya (Dr) Conrad Strauss (Dr)*

The BOC Group plc is Afrox's holding company with 56,08% of the shares.



Lindsay MacNair

René Médori

Greg Sedgwick

Dr Gordon Sibiya

Dr Conrad Strauss

Rob Lourey

board of directors

TONY ISAAC (62) (British) *Non-executive, appointed to the board in 1994*

Tony Isaac is chief executive of The BOC Group plc. He was previously finance director of Arjo Wiggins Appleton plc, which he joined shortly before the demerger from BAT Industries plc in 1990. Before that he had been finance director of GEC Plessey Telecommunications Ltd since its formation in 1988. He is a non-executive director of International Power plc.

LINDSAY MACNAIR (65) *Independent non-executive, appointed to the board in 1989*

Lindsay MacNair trained as a chartered accountant and has an in-depth knowledge of Afrox, having been a senior executive of the company for over three decades. During his time at Afrox, Lindsay headed finance, the welding and cylinder gas business, and the bulk gas business. He retired from Afrox eight years ago.

RENÉ MÉDORI (46) (French) *Non-executive, appointed to the board in 2000*

René Médori was appointed as a non-executive director in July 2000. He joined BOC in 1987 and has held several finance appointments in the Group. He was appointed finance director of BOC's gases business in the Americas in 1997. Before

joining BOC, he worked for Accenture and Schlumberger Ltd. He is a finance graduate of the Université de Paris-Dauphine and has a doctorate in economics. He is a non-executive director of Scottish & Southern Energy plc.

GREG SEDGWICK (42) (Australian) *Non-executive, appointed to the board in 2000*

Greg Sedgwick has been group director, business development, of The BOC Group since June 2000. He is chairman of Afrox Healthcare Limited. He joined BOC in 1984 and has held a variety of senior management roles in the south Pacific region, most recently as managing director, Industrial and Special Products. He was previously market sector director, minerals and a director of BOC India. He has a degree in marketing and a master's degree in business planning from the University of New South Wales.

DR GORDON SIBIYA (57) *Independent non-executive, appointed to the board in 1995*

Dr Gordon Sibiya is the managing director of his own electrical consulting and project engineering company. Educated in South Africa, the UK and Germany, he has a doctorate in nuclear reactor physics from the University of Stuttgart in Germany. He graduated from UNISA with a BSc in mathematics and physics and obtained his

BSc (Hons) in physics. At the University of Nottingham, UK, he obtained a BSc (Hons) and an MSc in electrical engineering. He is a member of several professional bodies in science and engineering.

DR CONRAD STRAUSS (67) *Independent non-executive, appointed to the board in 1996*

Dr Conrad Strauss was chairman of Standard Bank Investment Corporation from April 1992 to December 2000. After lecturing in economics at Rhodes University, he joined the Standard Bank of South Africa in 1963 and became its managing director in 1978. In 1984 he became group managing director and, subsequently, in April 1992, was appointed chairman. He holds degrees from Rhodes University in Grahamstown and Cornell University in the USA.

ROB LOUREY (46) (Australian) *Non-executive, appointed an alternate director in 2000*

Rob Lourey is The BOC Group's human resources director. He joined BOC in Australia in 1996 and, most recently, was human resources director for Asia/Pacific. He has a bachelor of business degree in personnel management.

Accountability, collaboration, transparency and stretch, with the acronym ACTS, provide the behavioural platform for our organisation and our people. Accountability and stretch help us to deliver the tough targets that we have set. Collaboration and transparency promote teamwork in delivering the best for our company, our shareholders and our communities.



John Walsh



Our brands, our customers

chairman's statement

The AfroxPac 35 is a new generation high technology product developed and launched by Afrox in 2002. It is a self-contained, self-rescuer worn by miners. It provides oxygen in the event of an emergency. Here, Hamilton Webster carefully adds an oxygen producing chemical blend to the product.

Dear shareholders Results

Our results for the year ended 30 September 2003 continued our track record of steady growth, demonstrating Afrox's resilience in the face of challenging operating conditions. A sound financial strategy, improved competencies within the business, and a strong contribution from all Afrox operations have stood us in good stead.

The favourable economic conditions at the start of the year were less evident during the second six months when there was a marked decline in the manufacturing sector. In spite of volatile trading conditions, the excellent results attest to our sound operational strategies and the work and productivity ethic entrenched in Afrox's people.

We increased revenue by 13 percent to R7,3 billion and for the first time, Afrox's operating profit exceeded R1 billion to reach R1,1 billion, an increase of 22 percent. Net profit increased by 42 percent, and net cash inflows from operating activities increased by 34 percent. This was led by the industrial business, which grew its net profits by 61 percent. Earnings per share were up 38 percent at 165 cents while headline earnings per share have increased by 33 percent. The results reflect our company's ability to grow all its businesses profitably while focusing on improved efficiencies and asset management.

We recognise the importance of the value we create for shareholders, and these results enabled the board of directors to increase the final dividend by 35 percent to 50 cents per share, making a total dividend for the year of 83 cents per share. This dividend is covered twice by earnings.

On a segmental basis, the industrial business now represents 62 percent of net profit, and healthcare 38 percent. Growth in our businesses was achieved in spite of the stronger rand, which had the effect of reducing foreign currency receipts from our industrial global export sales and earnings in other African countries. We hope that South Africa's decline in interest rates will lead to the rand being more appropriately priced so as to facilitate growth in the manufacturing sector.

Corporate initiatives

Afrox has always complied with high standards of governance and discipline. Compliance with the King II report has increased our focus on standards of performance and disclosure. All aspects of the conduct of the company, ranging from company policies and practices to the board and board committees, have been reviewed and improved.

We have diversity and a breadth of experience on the board, with five nationalities represented, emanating from four continents. This, together with the wisdom and knowledge that the executive board members and nine non-executives offer, enables us to tackle issues and look at opportunities with a clear understanding of the business challenges and opportunities faced by Afrox. As a result I believe we demonstrate high standards of performance across the range of key corporate governance measures. This was publicly acknowledged when Afrox received the 2003 Good Governance Award for the best governed company in South Africa from Deloitte & Touche and Moneyweb. Afrox was also placed first in two of the four categories, namely Board Effectiveness and Corporate Integrity and Ethics.

During the year we also received external recognition for other efforts. Our community involvement programme was selected by the United Nations for a case study as an excellent example of an employee driven, sustainable social development initiative. In further recognition of corporate social responsibility, Afrox received an award from the Mail and Guardian for 'Investing in the Future.'

Afrox's annual financial report was placed in the top group and was rated as excellent in Ernst & Young's Excellence in Financial Reporting Awards for the third year in succession. Afrox Healthcare was named fifth best performing company on the JSE Securities Exchange at the Sunday Times Business Times Top Companies Awards based on a return to shareholders, and was placed 13th in the Financial Mail's top companies based on the compound annual growth rate over five years.

Behavioural policies that were inherent in the company, have been documented and cascaded to all members of staff. While many of the concepts contained in the policies have existed all along, we now have formal guidelines to follow. These policies reaffirm our commitment to our Code of Conduct, black economic empowerment, employment equity, corporate social investment, and our HIV/AIDS programme.

The HIV/AIDS pandemic has made our HIV/AIDS programme particularly relevant and we are campaigning to amend the current tax legislation, which is onerous to both the employer and employee.

Post balance sheet event

In July a joint cautionary announcement was made by Afrox and Afrox Healthcare, which stated that, 'Afrox is in the process of considering its strategic options with regard to its shareholding in Afrox Healthcare Limited. These discussions may or may not lead to a change in the shareholding of Afrox in Afrox Healthcare Limited.'

On 17 November 2003 Afrox announced the disposal of its 69 percent holding in Afrox Healthcare Limited to a BEE consortium that will comprise Brimstone Investments Limited, Mvelaphanda Strategic Investments (Pty) Limited, national and regional smaller board-based empowerment groups as well as doctor groupings, and Medi-Clinic.

Shareholders' attention is drawn to the formal announcement insert in this report.

Appreciation

I thank my fellow directors for their guidance and the role they have played in the prudent governance of Afrox. I congratulate the executive management team, under Rick Hogben's capable leadership, for this year's strong performance, and I am grateful to all those who work for Afrox for their continued dedication to serving our customers. I thank our customers for their support and give you our assurance that we will continually strive to improve our products and services for your benefit.

Afrox has built its reputation on the ethos of hard work, integrity, and fair and ethical conduct. This will continue, as will our commitment to our shareholders, our customers and our communities.

John Walsh
Chairman



Rick Hogben

managing director's review

Afrox is an organisation founded on strong values and principles that have been built over many years. In 2003 we set out formal guidelines for behaviours by which all Afrox employees must conduct their business. In addition, a focus on our brands, our customers and our people, led to increased productivity, improved efficiencies and growth in our markets.

Market overview

Our industrial business benefited from favourable manufacturing and export conditions in the first six months of the financial year. In the second half of the year, however, there was a marked decline in manufacturing trends and the strong rand affected both our direct exports and the businesses of our customers who export. Nevertheless, Afrox has been successful in continuing to develop new industrial markets with both products and services, and our strategic business development programme has contributed to market share growth.

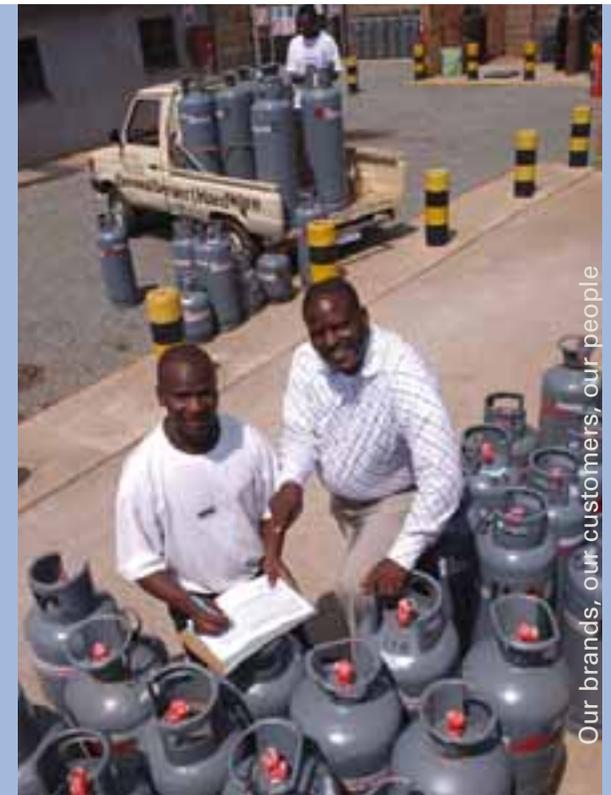
Operating performance achievements

Our marketing and efficiency enhancing initiatives have been successful, particularly in our industrial business, which contributed 62 percent of the net profit for the year. This growth occurred in spite of the stronger rand, which had the effect of diluting foreign currency receipts from our global export sales and earnings in other African countries. Nevertheless our export division is poised to capitalise on any upturn in the global economy.

In the past two years we have focused on developing new markets for our industrial business, extending our global customer base, and adding to our range of product and service offerings to existing and new customers. In spite of a decline in volumes in the gas and welding operations, we improved margins through operational and efficiency initiatives. Our global best operating practices and best commercial practices within all our businesses are aligned to those of The BOC Group, and have provided a successful track record and a solid foundation for future growth.

Notable performance achievements came from the Handigas business, which improved operating profit margins and gained further business in the automotive industry. Our special products and packaged chemicals operations continued to grow and new applications are being researched to augment future growth, adding value and services to our customers.

The Handigas Midway Sales Centre, Soweto. The centre was opened to service the growing number of black-owned distributors and consumers in the area. Here Vumile Sifelani, Midway sales centre supervisor, and Zach Khumalo, Handigas sales manager - major accounts, check cylinders for delivery. Zach started with the company in 1976 as a filing clerk. Vumile joined ten years ago as a cylinder handler.



Substantial local and export orders, delivering sound returns, were received from our AfroxPac 35 self-rescuer, contained within the safety services and products sector.

New business gains, the supply and installation of oxygen and nitrogen pipelines for tonnage customers, and operational efficiencies helped Process Gas Solutions (PGS) achieve its targets, in spite of the general slowdown in the manufacturing sector.

South Africa has played an important role as the bread-basket for Africa and, in spite of a difficult political and trading environment, there are positive indications that the southern African region will sustain economic growth. Our African operations continue to perform well, although the profit translation is weaker due to the strength of our rand. These businesses provide the infrastructure for further expansion and development into neighbouring countries.

The healthcare business had another year of increased organic growth and performance excellence, although the healthcare industry in South Africa faces significant challenges. Shareholdings were increased to 60 percent in the Little Company of Mary Hospital in Pretoria, and to 49 percent in Joint Medical Holdings in Durban, adding to income. Synergy benefits were also derived from last year's acquisition of the Amahosp hospitals in KwaZulu-Natal, which are now generating strong revenues.

Our results were boosted through continuing focus on management of working capital, fixed assets and cylinders, and partly aided by lower interest rates. We were fortunate too in being able to utilise assessed tax losses in both the industrial and healthcare operations, which led to an overall reduction in the tax rate.

Performance alignment and growth

Realising the importance of a clear and common direction for the organisation, we have established performance management processes to ensure the achievement of goals that have been communicated to all managers. These goals cover areas such as profit and growth, customer service excellence, operating efficiencies, safety, employee growth and development, as well as sustaining our right to trade.

Financial year 2003 was not without its challenges, but a number of strategic initiatives led to the company's strong performance. In particular, we focused on our brands, our customers and our people, and these efforts are reflected in the solid contributions to attributable earnings.

A programme is being implemented to develop and build brand awareness, loyalty and commitment both internally with employees, and externally with customers.

In growing our business we understand how important it is to convert customers to our offering and then sustain that commitment. We achieve this by identifying customers' needs, structuring our product and service offerings to meet these needs, and ensuring that we have the capabilities to meet our obligations.

Demanding operational efficiency goals for the industrial businesses throughout The BOC Group have been established in a project known as Optima. Encompassing stretch targets and measurements for our organisation, the Optima strategy identifies best operating practices globally, improves global collaboration and benchmarking against those best operating practices, and leverages technical, supply chain and asset management capabilities.

Commitments to customers

Over the past two years, efforts initiated to reposition Afrox as a world-class customer-centric supplier have led to increased customer loyalty with a growth in sales in both local and overseas markets. The appointment of a General Manager - Key Customers, confirms this commitment to our customers.

We have focused on understanding the customers' requirements, and on providing

the relevant packaged offers and services at appropriate prices to specific customer segments. A branded offer called Proserve for medium to large customers has translated into higher sales, and Proserve agreements have been signed with a significant proportion of that customer segment.

By improving customer service and ensuring that service offerings were well aligned with customer needs, our approach to merchandising and marketing has changed. An example of this is the upgrading of many of our retail outlets. These realised average additional sales growth of 25 percent in the past year. Our customer service centre, designed to provide a world-class point of contact, aims to exceed our customers' expectations in terms of order taking, requests for information, problem resolution, and follow up services. Electronic commerce has also become an important tool for sustaining and growing sales.

Future growth

We face the future knowing that we must have adaptable strategies and the commercial agility to face fluctuations in trading conditions, the exchange rate and the oil price. The rand is likely to remain strong in the short term and we are factoring this into future projects.

We aim to turn our core competencies into strategic advantages by growing the scale and scope of Afrox while improving productivity and efficiency. We will create shareholder value by expanding new products and services for local and global markets, driving volumes and productivity, and seeking value-adding opportunities. Our business base is broad, providing essential products and services to almost every industrial company in South Africa. We intend to build on our strong brand and distribution network to deliver world-class performance and profitability.

For 2004 we have stretch targets for growth in every sector with measurements that are linked to the executive team's performance contracts. Our focus will remain on working capital management and on the understanding that customers are pivotal to all our initiatives.

Increased marketing efforts are successfully generating additional sales of packaged chemicals including ammonia, refrigerant gases and propellants. In expanding this sector of our operations we

Afrox is one of South Africa's best known industrial brands. It is a leader in all its businesses - gases, welding products and healthcare.



customers, our people

In 2004 Afrox will launch a range of personal protective equipment. This new market for Afrox is valued at around R1 billion and Afrox is aiming for 20 percent within a few years.

will seek acquisitions that suit our competencies and will diversify selectively into allied businesses.

Safety performance

I am pleased with our safety performance, where we have achieved significant improvements and engaged the entire Afrox team in our mission to create the safest possible conditions for all our employees, our contractors, and our customers. An executive, with overall responsibility for safety, health, environment and quality (SHEQ), was appointed to the executive management team.

The National Occupational Safety Association (NOSA) audits approximately 1 200 companies annually and it rated Afrox as one of the top ten companies in South Africa for safety and awarded Afrox the coveted 5-star Corporate Status.

Executive management changes

Owing to the retirement of several senior executives last year, we appointed seven

people to new positions in our top executive team. They comprise an energetic young team, bringing a fresh perspective to our core skills, and affirming the solid capability that we have at executive level.

The new appointments catered for an increased emphasis on medical gases, key account management, and safety. Peter Betch changed roles to become Senior General Manager Sales & Services, caring for customer related issues, and we welcomed Elizabeth Dhlamini-Kumalo, who was appointed as General Manager Human Resources.

Appreciation

Alan Jones retired after 45 years' service with The BOC Group and Afrox. We thank Alan for his service to the company and for agreeing to assist us with our African operations as a non-executive director of Nigeria, Zimbabwe, Kenya and Mauritius.

I should like to thank Michael Flemming and all the employees of Afrox Healthcare for the very important role they have

played in contributing to the success of Afrox, and I wish them continued prosperity in the future.

I congratulate and thank the Afrox team for the past year's performance. With the commitment and passion of our employees and executive management, guidance from my co-directors, and support from our customers, I am sure the company will continue to meet challenges that await us in the year ahead. I am proud to be part of what I consider to be an exceptional team.

Rick Hogben
Managing director



Industrial & Special Products involves cylinder and liquid fabrication gases, special gases and packaged chemicals, medical gases, Handigas, hospitality gases, industrial products, and manufacturing of gas equipment, welding and safety products.

Industrial and Special Products (ISP) produced excellent results. The year started well, but manufacturing activity declined during the second six months. In preparation for a slowing in the economy we adjusted our business practices to mitigate fluctuating exchange rates and volatile economic conditions. Industrial grew its share of net profits by 61 percent in spite of the negative impact of the stronger rand on foreign receipts from our exports into Africa and global markets.

Industrial products

Our welding and cutting operations grew as a result of our efforts to improve product quality and marketing both locally and globally. We have developed global best commercial and operating practices, and have succeeded in extending customised marketing initiatives to segmented customer groupings. In addition, we introduced several new products into the speciality welding consumables market.

We are constantly developing commercial offers that are tailor-made for different customer segments. Typical examples are our retail outlets where we focused on our calling customers' needs and reassessed the location, image and product range of our retail sales centres.

One new retail sales centre opened during the year, and nine had a complete makeover and upgrade to make them into consumer friendly, self-merchandising outlets. We now have 90 retail outlets with an estimated 725 000 people passing through each year.

During the year we expanded our health and safety related products and protective preservation equipment, and by leveraging our supply chain management, global purchasing and reliable service, we grew sales by 88 percent.

As manufacturing activity declined, we identified and targeted resilient industries and increased our product and service offers to these industry sectors. As a consequence, we achieved an excellent performance in a difficult market.

Handigas

Many large energy users take advantage of the high calorific values of Afrox's brands – Afrox LPG (liquefied petroleum gas), Afrox Handigas, Afrox Propane and Autogas. These Afrox products can be adapted for use in the widest range of applications from motor vehicle components, carpeting and plastics, to steel and food processing.

We continued to manage the impact of fluctuations in the oil price and the rand/dollar exchange rate during the period under review. Performance for the year was excellent with growth in volumes.

A long-term contract, commensurate with the capital invested, was secured with Toyota SA Motors to supply Propane for the curing of paint in Toyota's paint shop

for the entire Toyota vehicle range. Afrox has installed two bulk storage vessels on the Toyota SA Motors' site to ensure continuity of supply.

Both LPG and Propane industry shortages occurred during refinery shutdowns for routine and unplanned maintenance. Nevertheless, by trucking product from the other refineries, we were able to continue our service without disruption to customers, many of whom were unaware of the challenges we faced in providing uninterrupted supply.

In a pilot project to assess the feasibility of using Autogas as an alternative fuel source, 210 government vehicles are being converted from petrol to liquid petroleum gas. Afrox supplied the Autogas and is

industrial and special products

Industrial & Special Products executives from left to right:

1. Steve Viljoen (regional), 2. Donal Mackinnon (operations & technology), 3. Rob Clarke (finance), 4. Nazmi Adams (marketing), 5. Brett Wheatcroft (SHEQ), 6. Keith Bonyngne (Handigas), 7. Rob Mellon (key customers), 8. Rick Hogben (CE, African Oxygen Limited), 9. Walter Pretorius (systems management), 10. Elizabeth Dhlamini-Kumalo (human resources),



Our brands, our customers, our people



11. Wayne Lee (manufacturing), 12. Peter Betch (regional), 13. Gavin Turner (special products), 14. Jonathan Narayadoo (regional), 15. Patrick Dunseith (customer services), 16. Michael Rowell (company secretarial), 17. Peter Roberts (medical gases) and 18. Alan Jones (regional).

monitoring the exercise for the Gauteng Department of Agriculture, Conservation, Environment and Land Affairs to determine whether this is a cleaner and more efficient fuel source.

In conjunction with various partners, we are exploring the feasibility of alternative energies and trials are in progress to verify the benefits and efficiencies of these fuels.

A sales initiative has been implemented to identify how best to distribute Handigas more widely to low-income households and rural communities. Opportunities for further export to African countries will expand our distributor network and increase volumes.

Manufacturing and exports

For five years Afrox has designed and manufactured BOC branded gas equipment for the global markets. Our forays into new markets have been extremely successful particularly into Australia and New Zealand. Although the continuing strength of the rand against

hard currencies has recently affected revenues, a vigorous campaign to extend our products globally continues. We are able to apply BOC's first world infrastructure, technology advantage, and global access to markets, which, with our relatively low manufacturing costs, provides a winning formula. We view our exports as a growing, and extremely important, profit contributor.

In addition to our well established range of industrial products, new medical regulators and an internationally compliant range of regulators for special gases together form the nucleus of our manufactured goods. These are high-end quality regulators, able to meet European, Australian and American standards, and their safety has contributed to their success.

Our new Mediflo integrated valve, which forms part of a portable lightweight oxygen-dosing device, has gone through an extensive development phase. The device is primarily for use by paramedics, in ambulances, hospitals or home care, and will be launched before the end of 2003.

Another recent development is the Spectrol regulator range, with its encapsulated valve that controls flow. These regulators have recently been marketed in the USA through BOC, and exciting opportunities exist for extending this range into other countries during 2004.

An internally approved clean room has been established in our gas equipment factory for the assembly of our high-end equipment requiring ultra clean conditions.

This year we began supplying Vitemax electrodes, manufactured by our welding consumables factory in Brits, to BOC Australia, on a one-year trial basis. There has also been an increase in demand for electrodes from our African operations. Our strength lies in the brand, and Vitemax electrodes have become synonymous with safe welding practices.

Special products

The Special Products division, which markets and supports a range of over two hundred specialised and high purity scientific gases and equipment, calibration mixtures and gaseous packaged chemicals, experienced another successful year.

By adding value to customer processes through services and technology, particularly in environmentally sensitive products, we have grown various niche markets in which Special Products is active. The engagement of key customers in joint initiatives has led Sasol to outsource to Afrox the production of its calibration gas mixtures, used in the processes of coal to fuel conversion.

The refrigerant gases business has grown volumes with supply to key automotive and mining customers being the main contributors. A refrigerant gas recovery, recycling and reclamation initiative was

The Mediflo integrated valve forms part of a lightweight oxygen-dosing device. It will be used in hospitals, by paramedics, at offices and factories and for home care. It is 40 percent lighter than a conventional oxygen cylinder and valve, and is presently being made for local and export markets.



Our brands, our customers, our people



Gary Smith, the executive director of Petrogas, started with Afrox in Durban as a trainee 20 years ago. He recently transferred to Mozambique to head the Afrox joint venture company with Petroleus de Mocambique. Here Gary is seen at the Petrogas LPG plant in Matala, just outside Maputo.

developed during the year, with a strong environmental focus on the handling of refrigerant gases. The provision of services and management of environmentally sensitive refrigerant molecules enhances Afrox's position as the only South African supplier of a complete range of refrigerant gases, which includes ammonia, carbon dioxide and hydrocarbons.

The ammonia service to customers has been expanded with the introduction of flexible mini-bulk. Instead of handling large numbers of cylinders, we are taking orders for mini-bulk volumes to customers' specific requirements. These are delivered directly into customers' systems, or 1.5 tonne storage vessels are placed on customers' sites for bulk filling from our tankers. Reclamation of contaminated material has been introduced regionally and has been well received.

Growth in highly specialised applications requiring ammonia and oxygen of an exceptionally good quality, has led to the installation of ammonia and oxygen plants to cater for demand.

Medical gases

In the first year since its inception, our medical gases division has provided an increased focus on the company's overall medical operations and marketing capabilities. A sales team dedicated to medical gases gives national coverage, concentrating on the clinical management of medical products in this highly specialised business.

The division supplies the full range of medical gases both in bulk and cylinders, and gas equipment such as regulators and flowmeters. It also manages gas storage and reticulation, compressors and compressed air systems, vacuum pumps, and vacuum systems up to the wall points in hospital wards, including the monitoring of new legislation likely to affect the industry. Gas facilities management has met with success, and complete reticulation systems were installed at several hospitals with upgrades at others.

During the year, Medispeed, Afrox's separate home oxygen therapy and respiratory business, was integrated into the Afrox medical business to increase the level of customer service and to provide a

Our brands, our customers, our people



The world renowned Butcher Shop and Grill uses Afrox hospitality to supply its gas for cooking and heating and Suremix for beverage and draught beer dispensing. The most important hospitality brand is Handigas, which is used by almost every hotel, pub, restaurant and casino in southern Africa.



Our brands, our customers, our people

Afrox prides itself as a customer-centric organisation that continually investigates and introduces new and more efficient ways to supply customers. In the past few years, Afrox has totally remodeled its service offers for customers. Here Afrox delivers cylinders to a platinum mine from its new branch at Burgersfort which was opened specifically to service the 'platinum reef'.



strong base for future growth. The consolidation helps us to deliver a more efficient and reliable supply of oxygen cylinders, concentrators and accessories for home use to long-term oxygen therapy patients and we have expanded the range of products for greater comfort in the treatment of patients.

Hospitality

Hospitality provides an effective service solution to the hospitality and leisure industries, with fast and flexible deliveries of gas for food, space and water heating, beverage dispensing, and special events products, such as PartiGas for balloon and blimp filling. Afrox's Suremix range of beverage dispense gases remains the industry standard and offers the retail hospitality market the assurance of quality in the dispensed beverage. Our ability to provide all the customers' gas and related equipment requirements contributed to

Hospitality's strong position in the market, with HandiGas and Suremix featuring well in the large franchise chains, hotel groups and casinos.

AfroxPac

The AfroxPac 35 self-contained, self-rescuer manufactured by Afrox is a benchmark emergency breathing unit supplying life-sustaining oxygen to miners in the event of an underground fire or explosion.

We have been designing, producing and marketing these units since 1986, supplying 48 000 first generation AfroxPac 30's and approximately 60 000 second generation AfroxPac 35's globally, primarily in the mining sector. Afrox is now the leading international and local supplier of these body worn units.

Since the AfroxPac 35 was approved in March 2002, and recently received Proudly

South African certification, the self-rescue division (SRD) has won several major orders equipping thousands of underground miners. To accommodate the demand, the SRD factory was relocated from Germiston to Benoni enabling a three-fold increase in capacity.

Interest in the AfroxPac 35's from the coal mining industry in India has led to approval for sale in the Indian sub-continent. Other global mining houses have expressed an interest, and potential markets are being investigated.

We are committed to the continuous improvement of our current range of AfroxPacs for the mining industry and are developing products for alternative market sectors. The global trend by corporates to improve the safety conditions of their workers, in some instances supported by legislation, ensures a growing, sustainable market for the AfroxPac and its derivatives for the future.

African operations

Afrox has expanded into 13 African countries and sells products to four more. The Kenyan, Nigerian and Zimbabwean businesses are owned by The BOC Group but are managed by Afrox as part of a single African business unit with Afrox providing training, sales support, marketing and technology expertise to develop markets for growth.

The African operations performed well, with a 13 percent increase in operating profit (excluding the effect of currency conversion losses) contributing 15 percent of industrial gas revenue.

We service both Tanzania and Uganda from our operation in Kenya and have a depot situated in the heart of the Tanzanian gold mining zone.

In 2001, Afrox entered a joint venture agreement in Mozambique with Petrogas, the government-owned oil company, for the marketing of Handigas. We have increased our market share in Mozambique with distributors throughout the country as well as plants in Matola, Beira, Nacala and Quelimane servicing the industrial, commercial and domestic markets. Our joint venture partner has access to some 150 filling stations through which product is channelled. We have entered Madagascar in a similar joint venture with Moch Energy International.

Our business in Namibia has recorded good results with sales and volume growth. Two new sales centres were opened, one in Rundu to cater for the local market and as a conduit for exports into Angola, and the second in Rosh Pinah, which supports the mining industry in the area. Afrox Namibia installed a new bulk LPG supply scheme at the Skorpion Zinc Mine in southern Namibia.

Our efforts to build the Handigas brand in Swaziland and expand the market, particularly to rural consumers, have proved successful. We have set up retail centres in Siteki, Piggs Peak and Manzini with another outlet at Nhlanguano to open shortly. In Lesotho, Handigas has grown market share and Afrox Lesotho will open a new sales centre in Maseru in 2004.

Our Botswana operation performed well gaining new contracts in the supply of bulk Handigas to the chicken farming industry and to two new shopping malls.

Prospects for extending our reach into South Africa's neighbouring territories are improving and we see Africa as a growth area for our products.

Process Gas Solutions (PGS) serves larger-scale industrial customers, typically in the oil and chemicals, food and beverage, and metals and glass sectors. Gases and services are supplied either by road tanker, pipeline, or from dedicated on-site plants, as part of customer-specific solutions to create value for customers.

process gas solutions

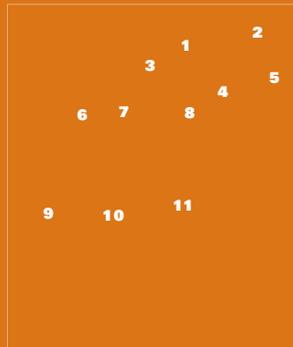
Process Gas Solutions (PGS) performed extremely well in the first six months, but mirrored the general slowdown in the manufacturing sector in the second half. Nevertheless, firm pricing trends and a focus on operating efficiencies contributed towards the achievement of our targets.

Additional costs were incurred by PGS as a result of the PetroSA extended shutdown, which halted supplies of carbon dioxide, oxygen and nitrogen to Afrox in the Western Cape. The plant was closed for planned routine maintenance during May, and, because of problems experienced by PetroSA, the plant is expected to reach full capacity only in January 2004. Customers were generally unaware of the shortages, as Afrox maintained continuity of supply by trucking product from inland to satisfy the Cape market. In addition we were able to assist our competitors during the shortages.

The PGS division's strength is its application of sophisticated technology to produce new processes and enhance existing ones. During the financial year, we entered into a contract for a Mini-Gan high purity nitrogen plant, located in KwaZulu-Natal, and an oxygen ASU (air separation unit) in Namibia. We have contracted to operate and maintain the PSA (pressure swing adsorption) plant at a gold mine in Mali, utilising our patented Goldox system that enhances the gold recovery.

During the financial year, a fleet covering a combined distance of some 12 million kilometres made 76 000 deliveries in supplying thousands of tonnes of gases to customers. The co-ordination of bulk gas supply is constantly being refined through technology that controls the entire

Process Gas Solutions executive:
 1. Martin Slabber (tonnage), 2. Ashley Soupen (human resources), 3. Sugen Moodley (major customers), 4. Stephen du Plessis (merchant sales), 5. Luke Kuhn (operations), 6. Jan Campher (distribution), 7. Dave Smith (product marketing), 8. Craig Falconer (business unit head of PGS for Africa), 9. Jan du Plessis (finance), 10. Tebogo Mabudusha (SHEQ), and 11. Carlos dos Santos (engineering services).



Our brands, our customers, our people

Alex Wasielewski joined Afrox two years ago as the special products marketing and new business development manager. With him is Standing Ratikane who has been with Afrox for 31 years. Standing is the plant supervisor for Afrox's new ultra-high purity ammonia plant. The product is mainly used in downstream chemical processing.

distribution scheduling system. Known as 'global optimised liquid distribution', the system is unique on the African continent and represents a world-class solution to the logistical challenge of forecasting customers' demands, scheduling deliveries to meet service and cost objectives, and inventory routing.

Our customer engineering services (CES) department often links sales with service. CES is involved in planning and installing bulk storage tanks, gas reticulation systems, medical compressed air and vacuum systems in hospitals, and storage vessels for liquid hydrogen and nitrogen for purging applications. Increased legislation regarding reticulation and safety in respect of the distribution of medical gases has led to the concept of 'gas facilities management'.

New business gained in the industrial sector included the supply and installation of new oxygen and nitrogen pipelines for tonnage customers, who typically sign long-term contracts, as well as for LPG facilities and oxygen mixing stations.

Several tanker accidents marred our safety record, and we have revised behavioural and policy issues to eliminate recurrences. Programmes to address the problem are in place and employees have undergone rigorous training in defensive driving.

In exploring areas of growth for PGS, we continue to negotiate new contracts and to expand tonnage volumes. We have introduced an incentive scheme to reward the sales team for exceptional effort and the team has concentrated on customer service solutions. Further growth opportunities are expected from the carbon dioxide, hydrogen, nitrogen and oxygen markets as well as niche opportunities in the treatment of environmental pollution in air, water and soil. Contracts secured this year for bulk liquid gas will also contribute to growth in 2004.

healthcare

Our healthcare business performed well in a challenging year. Healthcare's concerted drive to achieve quality in every facet of the business and its customer-centric approach have laid a solid foundation for continued growth.



Proud mother Patience Hlengiwe Mahlobo with baby Mahlobo and Sister Usha Harrichander at the Mount Edgecombe Hospital, KwaZulu-Natal.

Government legislation in the form of the recently approved Medical Schemes Amendment Act and the National Health Bill will influence the way in which we conduct our businesses in the future. Following the consolidation of ownership of private hospitals within South Africa, future growth will be organic rather than by acquisition.

In an innovative approach to risk-sharing with funders we are able to offer appropriate, low cost healthcare. Forty percent of our business is no longer conducted in a fee-for-service context and our reputation as a low cost, quality provider is acclaimed in this price-sensitive market.

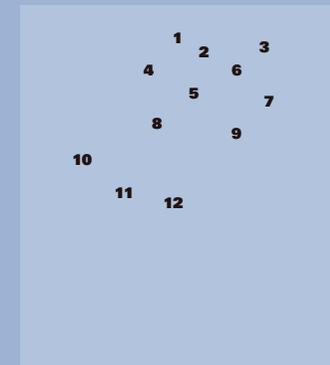
Hospitals

Our core business is acute care, private hospitalisation, concentrated in high growth urban areas. We have 63 owned and managed hospitals and sameday facilities and an interest in a further ten hospitals, with 7 516 beds, 301 operating theatres, 40 emergency units, three rehabilitation facilities, eight cardiac units, seven oncology centres and eight renal dialysis units. Through our integrated holistic model we offer diversified healthcare elements, which include chronic benefit management, primary and occupational healthcare, diagnostic services, and emergency medical and trauma services.



The nursery at St Dominic's Hospital, East London. It forms part of the new maternity wing which includes a neo-natal intensive care unit, labour and gynaecological wards. Attending to a new baby is Sister Liesel Wagenaar with Amelda Labuschagne and Sister Brenda Peters in the background.

Our brands, our customers, our people



- Healthcare executives:*
1. Rodney Hull (funders), 2. Steve Taylor (regional), 3. Cor van Zyl (finance), 4. Adam Pyle (marketing), 5. Brian Davidson (strategy & development), 6. Colin Davidson (information management), 7. Peter Scott (human resources), 8. Michael Flemming (managing director Afrox Healthcare), 9. Helene Clement (healthcare services), 10. Chris Redfern (regional), 11. Dena van den Bergh (enabling functions), 12. Zith Mahaye (public affairs & transformation).

Our brands, our customers, our people

BUILDING INITIATIVES

R270 million was invested in building projects and upgrades to equipment during the year and includes:

a new 124-bed Roseacres Clinic in Germiston

new doctors' consulting rooms at Flora, Springs Parkland and Wilgeheuveld expansion and upgrade of paediatric and medical wards, and a new accident and emergency unit, entrance and parking area at Springs Parkland

a new scope theatre and extensions to the paediatric and medical wards at Flora

three new theatres, significant renovations and extensions at Peglerae

a new women's wellness clinic at Forona

alterations and additions to maternity, paediatric and neonatal intensive care units at Anncron

new maternity ward, trauma unit, day clinic and refurbished wards at Mount Edgecombe

completion of cardiac ICU, ward refurbishment, a dedicated neurological acute rehabilitation unit, and an orthopaedic theatre at Entabeni

new accident and emergency, paediatric, and intensive care units at Chatsmed as well as upgrading of theatre, wards, pharmacy and reception

upgrade of all patient facilities and expansion of casualty department at Crompton

a new endometriosis unit established at Westville

a new radiation oncology unit, level one trauma unit, neonatal intensive care unit and nursery, labour and gynaecological wards, reception and pharmacy at St Dominic's

a new 30-bed private facility at Humansdorp

a new scope and trauma theatre at Rosepark

an improved trauma unit at Wilgers

a new ICU at St George's.



Afrox Healthcare is the country's leading healthcare provider with 88 acute care and long-stay chronic hospitals

Afrox Healthcare increased its shareholdings in the Little Company of Mary Hospital in Pretoria to 60 percent, and also in Joint Medical Holdings in Durban, where we now hold 49 percent of the shares. Joint Medical Holdings incorporates City Hospital, Isipingo Hospital, Durdoc Hospital, Maxwell Clinic and Citi-med Ambulance and Emergency Services.

Construction of our new 124-bed Roseacres Clinic in Germiston was completed in October 2003. The building is sited on land leased from the Avril Elizabeth Home, securing the financial future of the home and providing a safe environment for the hospital.

We have an agreement with medical funders to deliver healthcare services to Anglo Platinum employees and, in a joint venture with Anglo Platinum, we are expanding the Peglerae Hospital in Rustenburg to cater for increased admissions, and converting the Forona Clinic to a women's wellness centre.

A public/private partnership was concluded between a group of Afrox Healthcare hospitals and an empowerment company, Season Star Trading, as the two members

of a private consortium, and the Eastern Cape Department of Health. Our consortium will manage the Humansdorp Hospital, and a R13,5 million private wing that we will fund and build on to the hospital.

Healthcare services

Afrohc, our primary and occupational healthcare business, achieved excellent growth. Afrohc is the leading supplier of on-site occupational and basic primary healthcare services contracted to commerce, industry and the mining sector. New contracts led to a 20 percent increase in both the number of lives covered and on-site clinics serviced.

Direct Medicines, our chronic benefit management business, has been successfully re-engineered during the past year. We expect the patient base to grow in the coming year as a result of opportunities provided through prescribed minimum benefits.

Lifecare Special Health Services is the largest private/public partnership in South Africa, with 22 facilities and 9 000 beds operated under contract to provincial governments. Lifecare has performed consistently well throughout the year.

Afrox Healthcare owns 50 percent of ER24, which provides a nationwide emergency ambulance and response service for pre-hospital assistance. During the year its ambulance fleet was increased to 100 and control systems are being developed in Johannesburg, Durban and Cape Town.

Technology is important in providing optimum levels of quality and professionalism and exciting developments have included the company's introduction of point of care technology spanning wards, theatres and applications for doctors.

Future projects

Major building projects are planned at Rosepark and Glynnwood Hospitals, and planning approval has been awarded to develop a new hospital in the Fourways area of Gauteng. Afrox Healthcare will continue to expand its core competencies in areas such as oncology, rehabilitation, and renal dialysis.

financial performance

A focus on operating margins and efficiencies resulted in operating profits exceeding R1 billion for the first time, while working capital declined for the third year in succession due to excellent asset management.

Notwithstanding a decline in the manufacturing sector of the economy, revenue increased 13 percent to R7,326 billion (2002: R6,512 billion) characterised by relatively strong turnover growth of 15 percent in the healthcare business, and growth of 9 percent in the industrial business, which comprises Industrial and Special Products (ISP), and Process Gas Solutions (PGS). The healthcare growth, was mainly organic and came from heightened activity levels within the hospitals, reflected by increased admissions, theatre cases, and paid patient days. The industrial business was affected by lower volume levels in the second half, in line with a general weakness in manufacturing, and a price reduction in Handigas following the decline in the rand cost of petroleum products.

On a segmental basis, the industrial business increased its net profit by 61 percent to R345,8 million (2002: R214,7 million). There was a significant reduction in interest paid of 62 percent at R33,2 million (2002: R87,6 million), due

to very positive cash inflows during the financial year, and a 19 percent increase to R208,6 million (2002: R175,5 million) in healthcare's share of the group's net profit.

The operating profit increase of 22 percent to R1 089,8 million (2002: R896,5 million) translated into an operating margin ratio improvement from 14 percent to 15 percent. ISP benefited from improved margins in the welding and cutting and Handigas businesses, and the new safety product, AfroxPac. PGS's focus on operating efficiencies, including major plant and distribution efficiencies, lowered costs. Healthcare grew operating profit by 19 percent to R571,2 million (2002: R478,3 million) as a result of increased activity levels, acquisitions and a reduction in overhead costs. The industrial business increased operating profits by 24 percent to R518,6 million (2002: R418,2 million).

Finance costs reduced by 22 percent to R121,9 million (2002: R157,3 million) owing to excellent working capital management, which led to a reduction of

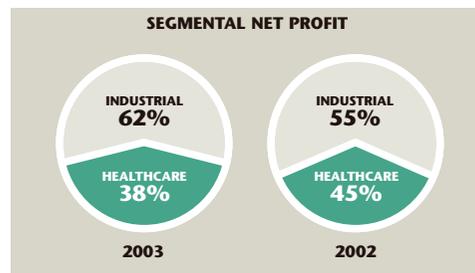
17 percent in net current assets to R458,9 million (2002: R554,1 million). Improved profitability and the lowering of interest rates by 350 basis points in the latter part of the financial year were contributing factors.

A 22 percent increase in the tax charge to R298,3 million (2002: R244,0 million) was offset by using assessed losses within the safety products and healthcare services businesses, which lowered the effective tax rate to 30 percent (2002: 33 percent).

The group's net profit for the year increased by 42 percent to R554,4 million (2002: R390,2 million). Headline earnings per share were up 33 percent. The number of shares in issue increased from 330 million to 343 million shares due to the significant share capitalisation take-up in respect of the dividend awards.

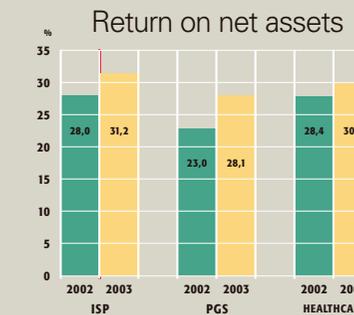
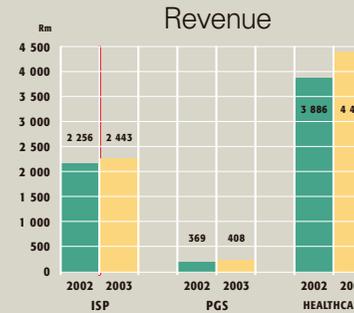


For the third year running, the Afrox annual report was judged excellent in the Ernst & Young Excellence in Corporate Reporting Awards.



Our brands, our customers, our people

Segmental analysis



Balance sheet and cashflow

Owing to an exceptionally strong balance sheet at the financial year-end, the group's borrowing requirements reduced by R248,4 million to R451,8 million (2002: R700,2 million), in spite of acquisitions and capital expenditure of R551,9 million.

Net current assets declined by 17 percent to R458,9 million (2002: R554,1 million). This significant achievement was due mainly to excellent stock and debtor management. Stocks increased by only 3 percent to R416,6 million (2002: R404,3 million) while trade and other debtors increased by 5 percent to R1257,4 million (2002: R1202,0 million). Industrial trade debtors reduced from the previous year's 53 days to the current year's 44 days outstanding, following a successful initiative in this area.

Accounting policies

These results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice including AC 133, which became applicable for the first time this year. The accounting policies at 30 September 2003 are consistent with those applied at 30 September 2002, except for a change with regard to financial instruments: Recognition and Measurement - AC133. Comparative figures have not been restated.

An analysis of key profitability and financial ratios follows on page 30.

RATIOS

PROFITABILITY RATIOS	Sep-03	Sep-02
Operating profit		
• as a % of turnover	15	14
• as a % of total average capital employed (ROCE)	31	28
Net profit for the year		
• as a % of turnover	8	6
• as a % of total capital employed	15	11
GROWTH RATIOS		
% increase on last year		
• Turnover	13	24
• Operating profit	22	29
• Net profit for the year	42	18
FINANCIAL RATIOS		
Current ratio	1	1
Quick ratio	1	1
% Change in trade payables (incl cylinder deposits) on prior year	12	9
% Change in trade receivables on prior year	9	19
% Change in inventories on prior year	3	15
Gearing ratio - borrowings divided by capital employed	13	21
EBITDA (earnings before interest, taxation, depreciation and amortisation)		
EBITDA to turnover - African Oxygen Ltd	19	18
EBITDA to turnover - ISP	22	21
EBITDA to turnover - PGS	37	37
EBITDA to turnover - Healthcare	16	15

value added statement

for the year ended 30 September 2003

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

	2003 R'000		2002 R'000
WEALTH CREATED			
Revenue	7 325 895		6 511 510
Cost of goods and services	(3 995 487)		(3 679 847)
Value added	3 330 408		2 831 663
Income from investments	14 541		21 913
Wealth created	3 344 949		2 853 576
	2003 R'000	%	2002 R'000
			%

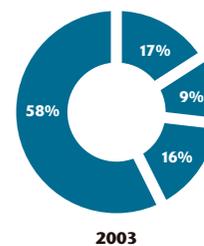
WEALTH DISTRIBUTED AND RETAINED

Employees				
Salaries and benefits	1 933 282	58	1 709 796	60
Providers of capital	513 229	16	459 496	16
Finance costs	121 944	4	157 275	6
Minority interest	157 971	5	117 040	4
Ordinary dividend	233 314	7	185 181	6
Taxation	298 324	9	244 018	9
Reinvested in group activities	600 114	17	440 266	15
Depreciation	278 990	8	235 199	8
Future growth	321 124	9	205 067	7
	3 344 949	100	2 853 576	100

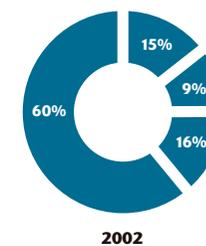
Value added ratios

Number of employees (at 30 September)	16 531	16 809
Revenue per employee (R'000)	439	403
Value added per employee (R'000)	200	175
Wealth created per employee (R'000)	201	177

WEALTH DISTRIBUTED AND RETAINED



	2003 %		2002 %
17		Reinvested	15
9		Taxation	9
16		Providers of capital	16
58		Employees	60
100			100



corporate governance



Vassie Naidoo, chief executive officer Deloitte & Touche, presents The Good Governance Award to Rick Hagben as Mervyn King of the King Commission looks on.

‘There are some companies that take pride in doing things right, and the 2003 Deloitte & Touche Good Governance Awards, in association with Moneyweb, put African Oxygen Limited (Afrox) at the top of the list.

The competition, run over a twelve-month period, involved judging by seven high profile fund managers, interviews with the 12 companies they nominated as finalists in each of the four categories, and in-depth assessments of their governance-related performance. And with the scrutiny over, the scores for all the companies were added together, giving Afrox top honours in two categories – Board Effectiveness and Ethics & Integrity – and making it a perfect candidate for the overall prize as well’.

(Courtesy: Moneyweb)

Introduction

The directors regard corporate governance as vital to the success of Afrox's business. The directors take full responsibility for and are unreservedly committed to applying the principles necessary to ensure that the highest standards of good governance are practised. These principles include the directors' honesty, transparency, integrity, discipline and accountability to all stakeholders. In pursuit of these ideals,

the intention is to exceed 'minimum requirements' with due consideration and in accordance with local and internationally accepted corporate governance practice.

Afrox subscribes to the values expressed in the Code of Corporate Practices and Conduct as set out in the second report of the King Commission (King II) and the JSE Securities Exchange (South Africa) Listings Requirements.

In line with the company's commitment to these values, we have established a Governance and Nominations Committee responsible for ensuring compliance to good governance practices.

Corporate governance within the Afrox group is managed and monitored by a unitary board of directors and several subcommittees of that board.

The key principles underpinning the governance of the group are set out in this statement.

Board accountability

In accordance with its charter, the board has reserved the following responsibilities:

- approval and adoption of the strategic and annual business plans, the setting of objectives and the review of key risk and performance areas;
- approval of commitments outside the authority delegated to the executive management committees and individual directors;
- review of management's performance against set objectives, in terms of management performance contracts, at board meetings held regularly throughout the year;



- determination of overall policies and processes to ensure the integrity of the company's management of risk and internal control;
- approval and adoption of group policies, programmes and procedures for safety, health, environment, treasury, remuneration and benefits;
- adoption and monitoring of the code of conduct and matters related;
- approval and adoption of statutory communications to stakeholders and the investing public;
- appointment of the chief executive officer;

- approval of the appointment and removal of the directors, the auditors and the company secretary.

While retaining overall accountability and subject to matters reserved to itself, the board has delegated authority to the chief executive officer and other executives, to run the day-to-day affairs of the company. The board has also created Audit, Retirement, Management Resources, and Governance and Nominations Committees to enable it to discharge properly its duties and responsibilities and to fulfil effectively its decision-making process.

Each committee acts with appropriate terms of reference. Board committees may take independent professional advice at the company's expense when necessary. Chairpersons of the board committees are required to attend annual general meetings to answer any questions raised by stakeholders. An independent person will be appointed to review the performance of the board.

The board of directors

The composition of the board

The board has a strong independent element. The roles of chairperson and chief executive are not vested in the same person; the responsibilities are divided between them. The board, chaired by non-executive director John Walsh, comprises two executive and nine non-executive directors, four of whom are independent. Effective control is exercised through the executive directors who are accountable through regular reports to the board. The non-executive directors are considered to have the skill and experience to bring unrestrained judgement to bear on issues of strategy, resources, transformation, diversity and employment equity; standards of conduct and evaluation of results. The independent directors are Rick Cottrell, Lindsay MacNair, Gordon Sibiya and Conrad Strauss. The non-executive directors are John Walsh, Nick Deeming,

Tony Isaac, René Médori and Greg Sedgwick.

In terms of the company's articles of association, one third of the directors retire by rotation annually and, if willing, stand for re-election. Their names are submitted for election at the annual general meeting. This reflects the principle of the Combined Code and is applied in such a manner that all the directors submit themselves for re-election at regular intervals not exceeding three years. Proposals for re-election to the board are considered by the Governance and Nominations Committee, and are not automatic. The chief executive officer is not subject to retirement by rotation. Non-executive directors retire at the age of 70. There are no long-term service contracts relating to the position of any director. Non-executive directors derive no benefits from the company for their services as directors other than the fees detailed in the Directors' Report on page 66. All board members are required to disclose their shareholdings in Afrox, other directorships and any potential conflict of interest. They are then invited to recuse themselves from all discussions and decisions on matters in which they have a conflicting interest. All directors are considered on the basis of their experience, skills and level of contribution necessary to carry out their duties.

The names and credentials of the directors in office on 30 September 2003 are detailed on pages 8 and 9.

Roles and responsibilities

The board sets the strategic objectives of the company, determines investment policy, agrees on performance criteria, and delegates to management the detailed planning and implementation of that policy in accordance with appropriate risk parameters.



The board monitors compliance with policies and achievement against objectives, including quarterly performance reporting and budget updates.

The board considers issues of strategic direction, major acquisitions and disposals, and it also approves major capital expenditure and other matters having a material effect on Afrox. Presentations are made to the board by management on the activities of operations and projects of the company.

The board meets regularly. Five formal meetings are held annually with ad hoc meetings as required. Where directors are unable to attend board meetings for any reason, every effort is made to obtain and communicate to the meeting any comments they may have on agenda and general items.

Effective chairmanship and a formal agenda ensure that proceedings are conducted efficiently and all appropriate matters addressed. The agenda and relevant supporting documents are distributed to all directors in good time before each board meeting. The appropriate executive director gives

explanations and motivations for business items requiring facts and explanations. All board members have unrestricted access to all company property and personnel to obtain information and records for their deliberations.

Where directors, based in countries other than the one in which a meeting is scheduled, are not able to attend personally, video- or tele-conferencing facilities are used to include them in the relevant proceedings and allow them to participate in the decision making process.

Induction and appraisal of directors
On appointment, new directors are briefed on their fiduciary duties and responsibilities, in writing and orally, by executive management and the company secretary. Visits to company sites and operations are arranged to facilitate understanding of the company's main businesses.

Directors are informed of any new relevant legislation and changing commercial risks that affect the company's affairs. Directors are entitled to seek independent professional advice at the company's expense about the affairs of the company

and, where necessary, for the furtherance of their duties. All directors have access to the company secretary, who is responsible to the board for ensuring company compliance with procedures and applicable statutes and regulations. The board will conduct regular ongoing assessments to evaluate the effectiveness of its procedures. The first review will be conducted in 2004.

The company secretary
The company secretary is responsible to the board as a whole, and to directors individually, for ensuring compliance with procedures and applicable statutes and regulations.

The board has unlimited access to the company secretary, who advises the board and its sub-committees on issues including compliance with group rules and procedures, statutory regulations and King II. He works with the board to ensure compliance with the rules of the JSE Securities Exchange (South Africa) and the Namibian Stock Exchange.

The secretary ensures that, in accordance with applicable laws, the proceedings and affairs of the directorate, the company

itself and, where appropriate, of owners of securities in the company, are properly administered. The company secretary assists in developing the annual board plan and administers the share appreciation rights scheme, as well as all statutory obligations of the company's subsidiaries in Africa.

He is kept apprised of dealings by directors in shares of the company and works with the board to ensure adherence to the necessary JSE rules and other appropriate statutes.

The name of the company secretary is on page 116 of this annual report.

Insider trading
No employee may deal either directly or indirectly in the company's shares when the company is under a cautionary announcement. There are processes to ensure that no directors and officers of the company may trade in the company's shares during a closed period determined by the board, in terms of a formal policy. A list of persons regarded as officers for this purpose has been approved by the board and is revised from time to time. Closed periods are introduced from the end of the interim and annual reporting periods to the announcement of financial and operating results of the respective periods, as well as during periods that the board deems necessary.

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



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

Risk management

The board is responsible for the total process of risk management through the identification and control of the main business and operational risks that could adversely affect the achievement of the group's business objectives. Business unit managers identify and monitor risk, and are responsible for implementing the control processes, providing the necessary guarantee that the controls are implemented and maintained.



A risk management system assists the identification, assessment and mitigation of business risk. The likelihood or probability of each risk is prioritised, as well as its possible impact. Appropriate action plans ensure that significant risks are reduced to acceptable levels. Responsibilities for the actions are agreed, and target dates are set for completing each action.

An executive management workshop in June 2003 identified 15 strategic risks that needed to be managed successfully for management to be able to meet its business growth objectives. The strategic plan presented to the board in July 2003 included an overview of these risks and the actions recommended to mitigate them.

Risk analyses are conducted in respect of all business acquisitions and major projects. Responsibility for mitigating risk in action plans is built into the relevant management performance contracts to ensure that risk management is embedded in all management processes. The board is satisfied that there is an adequate, ongoing risk management process in place, providing reasonable assurance that key risks are professionally identified, evaluated and managed.

Internal controls

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

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

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

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

Board attendance	31 Oct 2002	10 Feb 2003	30 April 2003	31 July 2003	25 Sep 2003	30 Oct 2003
Lindsay MacNair **	p	p	p	p	p	p
René Médori *	a	p	a	a	p	a
Rick Cottrell **	p	p	p	p	p	p
Michael Flemming +	p	p	p	p	p	p
Conrad Strauss **	p	p	p	p	p	p
John Walsh *	p	p	p	p	p	p
Rick Hogben +	p	p	p	p	p	p
Nick Deeming *	p	p	p	p	a	p
Tony Isaac *	a	p	a	a	a	a
Greg Sedgwick *	p	p	p	p	p	p
Gordon Sibiyi **	p	a	p	a	a	p
Rob Lourey #	a	a	a	p	a	p

+ Executive * Non-executive ** Independent # Alternate

p = present a = absent

Business assurance

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

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

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

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

Board committees

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

Audit committee



René Médori Gordon Sibiya



Rick Cottrell Lindsay MacNair

Composition of the Audit Committee

René Médori, a non-executive director, chaired the audit committee. Gordon Sibiya, Rick Cottrell and Lindsay MacNair, all of whom are independent non-executive directors, served on this committee during the year. Gordon Sibiya retired on 30 July 2003 and was replaced by Lindsay MacNair. The committee met twice during the financial year to coincide with key dates within the company's financial reporting and auditing cycle. From 2004, the audit committee will meet three times annually. The external auditors, risk assurance manager, the chief executive, and the general manager of finance and administration attended each meeting.

Roles and responsibilities

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

The audit committee has the authority to examine any financial reporting and other strategic issues relating to the company, in accordance with its written terms of

reference, as confirmed by the board. This authority includes evaluating the findings of business assurance and external audit, the actions taken, the appropriateness and adequacy of the systems of internal financial and operational control, review of accounting policies and financial information issued to stakeholders.

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

All employees are directed to co-operate with any request made by the committee. The committee monitors proposed changes in accounting policy, reviews the business assurance function, and discusses the accounting implications of major transactions. The board is provided with regular reports on the committee's activities and has unlimited access to the audit committee's chairperson.

The committee reviews the statement prepared by the directors acknowledging their responsibility for preparing the accounts, the directors' report on the effectiveness of the company's system of internal control, and the directors' report that the business is a going concern. The committee ensures that statements are made in accordance with statements of generally accepted accounting practice and that the board confirms the outcome of such review.



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

Record of attendance

Meeting attendance	30 Oct 2002	30 Apr 2003	29 Oct 2003
René Médori (chairperson)*	p	p	p
Rick Cottrell**	p	a	p
Gordon Sibiya** (retired at 30 April 2003 meeting)	p	p	-
Lindsay MacNair** (appointed after April 2003)	-	-	p

* Non-executive

** Independent

Board retirement committee

Composition of the board retirement committee

During the financial year, Lindsay MacNair, an independent non-executive director, chaired the committee. Rick Cottrell (independent non-executive director), Rick Hogben (executive director) and Rob Lourey (non-executive director) served on the board retirement committee. As required by the committee's terms of reference in the future, the committee must meet twice during the financial year.



Lindsay MacNair Rick Cottrell



Rick Hogben Rob Lourey

Roles and responsibilities

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



Retirement fund trustees

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

Record of attendance

April meeting did not take place

Meeting attendance	25 Sep 2003
Lindsay MacNair (chairperson)**	p
Rick Cottrell**	p
Rick Hogben+	p
Rob Lourey#*	a
+ Executive	
* Non-executive	
** Independent	
# Alternate	

Dr Conrad Strauss John Walsh Rob Lourey



Management resources committee

Composition of the management resources committee

During the financial year, Conrad Strauss, an independent non-executive director, chaired the committee. John Walsh and Rob Lourey (alternate), both non-executive directors, served on the management resources committee. Gordon Sibiya, a non-executive director, was appointed to the committee on 30 July 2003. As required by the committee's terms of reference, the committee met twice during the financial year.

Roles and responsibilities

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

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

The committee acts as the selection committee or duly authorised committee of the board under the rules of any share option, share appreciation rights or share awards scheme operated by the company.

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

Record of attendance

	31 Jan 2003	30 Oct 2003
Conrad Strauss** (chair)	P	P
John Walsh *	P	P
Gordon Sibiyi **	P	a
Rob Lourey #	P	P

* Non-executive

** Independent

Alternate

Governance and nominations committee

Composition of the governance and nominations committee

During the financial year, John Walsh, a non-executive director, chaired the committee. Rick Cottrell and Conrad Strauss served on the committee.

As required by the committee's terms of reference, the committee met twice during the financial year.



John Walsh

Rick Cottrell

Conrad Strauss

Roles and responsibilities

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

It reviews and makes recommendations on the size of the board, committee structures, and director assignments.

An independent assessor will evaluate the board's effectiveness and the performance of the board as a whole. The committee determines and reviews the corporate governance statement and other related matters for the interim and annual report and accounts of the company, together with any other external communication with stakeholders.

Record of attendance

	11 Feb 2003	30 Jul 2003
John Walsh* (chair)	P	P
Conrad Strauss**	P	P
Rick Cottrell** (appointed 30 July 2003)	-	P

* Non-executive

** Independent

Relationships and reporting

Employee participation

Encouragement of employee participation is a high priority. Good progress has been made with the 'living our values' code of conduct that is being rolled out to all employees. The company has gone to

exceptional lengths to ensure that every employee understands and accepts the code of conduct. Further information on the code of conduct is provided on page 42.

The company has adopted a variety of participating structures on issues that affect employees. Afrox aims to be an employer with lines of communication so clear and of such high quality that employees do not feel the need to join trade unions.



Employment equity

The directors are committed to the creation of an organisation that supports the equality of its people and is committed to the elimination of any form of unfair discrimination in the workplace. It views employment equity as essential and integral to the company's business. A more detailed report appears under Employment Equity on page 45.

Public and shareholder communications

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



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

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



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

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

Going concern

Having considered all relevant factors, it is the opinion of the board that the company is a going concern.

Code of conduct

The company is committed to the highest ethical standards of business conduct. To comply fully with all applicable laws and regulations, a revised code of conduct was launched on 31 July 2003. A more detailed report appears under Code of Conduct on page 42.

Security, safety, health and environment practices

Protection of staff, colleagues, shareholders and the environment is paramount in all activities. A more detailed report appears on pages 52 to 57.



Social responsibility

The company has a strong culture of social responsibility. Its objective is to assist wisely and constructively by building its people and its projects, thereby making a sustainable difference to society. A more detailed report appears under Corporate Social Investment on page 50.

people review

We value our human capital and the contribution that our people of quality make to the success of this organisation. We endeavour to create a working environment where our people share a common vision and passion, are motivated, and are encouraged to develop, both as individuals and as part of the Afrox team.

Afrox manages a staff complement of some 16 531 people and is one of the larger employers in South Africa. Of these, approximately 2 837 are employed in the gas and welding business, while Afrox Healthcare, the more people-intensive service business, accounts for 13 694. During the 2003 financial year, average staff turnover was 11,8 percent, of which 1,7 percent was in our industrial business and 10,1 percent in our healthcare business.

Our human resources division, operationally aligned to The BOC Group, provides centralised services that include professional human resources (HR) functions, and payroll and benefit administration to our employees.

Building organisation capacity

Afrox provides guidance, leading HR policies and a set of corporate values to support employees in their activities and long-term career planning. The HR specialists are well versed in the business operations and ensure that the human resource strategy, structure and policies are synchronised with key business requirements and growth targets.

Employees' personal performance, and the energy and application of individuals and teams throughout the company, are often

the determining factors in the competitive advantage and commercial success of the organisation. HR plays an important role in instilling an attitude of respect and equal dignity for all people and maintaining an equitable culture within Afrox. Resourcing, training and development programmes are designed to ensure that we have a group of well-qualified, gifted individuals, and there is adequate succession depth to meet both our technical and leadership requirements and our plans for the future. A web-based recruiting platform is currently being implemented to supplement our other recruitment channels.

Building people capacity

Afrox regularly assesses the strengths and weaknesses of its units. Talented people are targeted for development and new talent is recruited to supplement this cadre. Continuous training and development assists in nurturing the commitment of our management and employees to the guiding principles that underscore our goals and objectives. Key performance indicators are used to assess employee performance, while reward and incentive programmes focus on innovation, service excellence, and the attainment of long and short term strategic and operational goals.

Complementary to the development initiatives for executive, senior and front line managers, and individual plans for high potential employees, several on-going processes make sure that latent talent is identified. Facilitators are trained and used to implement a range of change management projects. Instruction is also provided in workplace skills, with learning modules in place to improve competencies for specified work sites.

New impetus has been placed on our efforts to attract bursars. Showcasing both our industrial and healthcare businesses at universities has generated interest and an encouraging response from students. Our graduate development scheme facilitates the development of new graduates who join the organisation. Fourteen graduates, each assigned to a mentor within the company, are participating in the central programme.

Care of employees

Afrox offers bursaries to educational institutes for employees wishing to further their education. In addition the company spent R1,5 million this year on assisting employees' dependants with tertiary education.

In order to instill a sense of pride and ownership in the company, the board has approved a share appreciation rights scheme to benefit employees in terms of rules relating to pay and length of service.

Industrial relations

We advocate constructive dialogue with our employees to avoid conflict within the organisation, and to encourage productive working relationships and shared interest in the profitable operation of our businesses. Afrox values the freedom of association, which includes the right to join trade unions. In a spirit of participative management, regular surveys are undertaken and action plans agreed. Grievance and dispute procedures exist to address work-related complaints. There were no major industrial disputes during the year.

Communication and involvement

In 2002 an employee survey was conducted throughout the company to gauge staff morale, commitment and satisfaction. A follow up survey conducted this year demonstrated that employee perceptions of the company had improved meaningfully.

At Afrox we place a high priority on two-way communication with our staff. Through a number of formal and informal communication channels we share information and shape behaviour. Our investment in web-based communications technology complements traditional videos, magazines, newsletters and briefing packs, to ensure that clear and consistent messages are conveyed quickly.

We encourage employees to become involved in shaping the future, jointly creating processes, systems and strategies. We achieve this through peer and special interest groups, teams of excellence, and quality teams. Regular meetings take place, either face-to-face or facilitated through tele- or video-conferencing, to allow for multi-disciplinary and cross-geographic interaction.

(See Employment Equity on page 45, and Skills Development on page 47.)



Our brands, our customers, our people

Communications is a key management function within the company and the corporate communications department handles internal and external communications as well as investor relations. Ros Beart, Afrox's public relations manager, checks proofs for the launch of key policies and guidelines for employees. The policies cover Afrox's code of conduct, black economic empowerment, employment equity, corporate social investment, and the HIV/AIDS programme. Detailed individual communication programmes were prepared for each policy and then cascaded to all 16 531 employees.

nation building commitments



While Afrox's primary responsibility is to be commercially successful, our nation building commitments are just as important. We have taken on the responsibility to add value to the societies in which we live and work, and to be worthy corporate citizens of the countries in which we operate. Our efforts to contribute actively to civil society take into account the government's broad-based Black Economic Empowerment strategy.



The company is committed to upholding the principles of integrity, performance excellence, collaboration, transparency and accountability. These long standing values, together with good corporate governance, have always been inherent to our culture and to the way in which we aim to conduct our business.



code of conduct

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



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

Accountability

1. Strategy Delivery
2. Performance Through People
3. Collaboration
4. Partnership Building
5. Influencing
6. Customer Intimacy
7. Transparency
8. Information Sharing
9. Visible Leadership
10. Stretch

Our parent company, BOC, and Afrox operate a wide-ranging legal and ethical compliance programme that describes our principles and helps to guide and support employees in their actions. This programme is underpinned by our code of conduct, launched in July 2003, and our ACTS (accountability, collaboration, transparency and stretch) behavioural principles, which describe our standards, processes and support mechanisms in detail. The code has the support of our executive management and has been communicated to every employee.

The code establishes a set of global standards that apply to all our business dealings and processes. It covers important issues such as safety, health and security, conflicts of interest,

environmental issues, and human rights. In addition, we have in place a confidential guidance and support help line and a policy of non-retaliation to protect and encourage people wishing to share their concerns.

Much of 'living our values' is common sense and applying one's conscience and good judgement to uncertain situations. We make sure we adhere to these values in the code by taking care that we:

- demonstrate integrity and ethical conduct in all our business relationships
- are focused on human, equipment and product safety and on respect for the global environment
- strive for teamwork, respect for individuals, and appreciation of all our differences
- are committed to open, honest communication, listening and follow-through
- foster a culture of personal development, professional excellence and the opportunity for challenging work
- recognise and reward teams and individuals who contribute to our success
- support an environment where all issues raised in good faith will be investigated and, if appropriate, addressed.

Our guiding principles

Our guiding principles outline our expectations of how our employees treat our customers, suppliers and markets, fellow employees, shareholders and the communities in which we work and live. Individual standards detail what issues we face and how we are expected to respond to them.

- shareholders, who expect the best endeavours from our organisation to maximise the value of their investment
- employees, who work with enthusiasm and pride because they feel challenged and valued
- communities in which we play a practical and constructive role, who appreciate our involvement and contributions.

Our stakeholders

Our stakeholders include:

- customers, who are satisfied and feel understood
- providers of finance and other services
- suppliers, who appreciate us because we are demanding but fair

Our individual, as well as our shared, responsibilities to these groups of people are defined clearly and in detail. Specific issues that may arise in different geographies form an addendum to the code.

BEE ownership, management and control

We recognise that through past practices the South African economy is characterised by a concentration of economic wealth and inequalities in employment, education and skills. Afrox will contribute towards uplifting the broader population through black empowerment initiatives at various levels and aspects of the business, continued focus on developing employee skills at all levels and our employment equity and corporate social responsibility programmes.

The company has a highly successful corporate social investment process that is recognised by the United Nations as a benchmark programme. Part of this employee-driven, ongoing, sustainable programme is Bumbanani Day – meaning 'let's build together'. Bumbanani Day is a day of celebration, where Afrox employees entertain disadvantaged children from 125 homes adopted by the company. This year over 13 000 children attended Bumbanani Day.

Our brands, our customers, our people



Black distributor collects cylinders at Afrox's Midway branch, Soweto. Afrox has hundreds of black Handigas distributors throughout South Africa, and one, who started as a distributor in 1992, has annual revenues of over R90 million.



Afrox is committed to including previously disadvantaged groups. The board approved a policy and strategy in July 2003. This policy is being implemented through focus on the seven critical success factors identified in the BEE Act against which performance will be measured. These areas are documented in this report (see page references below):

- Ownership (this section)
- Management and control (this section)
- Employment equity (page 45)
- Skills development (page 47)
- Preferential procurement (page 49)
- Enterprise development (page 49)
- Corporate social responsibility (page 50).

Ownership

We will seek BEE partners to add value in our business, particularly where we can enable growth, including expansion into

new markets and in any new business enterprises on which we embark, as well as in selected existing businesses. We are in ongoing discussions with groups and organisations that would add value in our various businesses.

Management and control

Our objectives are to:

- raise the proportion of designated groups in executive management
- continue to develop and appoint middle and junior managers from designated groups
- continue with our graduate development programme
- appoint trainees at all levels, and
- increase our bursar scheme.

These objectives are set out fully under the section on Employment Equity on page 45.

Currently six members of the industrial, and three members of the healthcare executive teams, are from designated groups. We operate in 16 African countries outside our borders, and follow a policy of developing and appointing local managers. All but one of our African operations are headed by local nationals.

Our strategy for BEE ownership, management and control is in place: an internal group monitors its implementation. We report on this regularly to the board of directors and to shareholders.

employment equity

Afrox respects the freedom and dignity of all people regardless of race, colour, religion, gender or political persuasion. We aspire to a workforce composition that reflects the society in which we conduct our business. Our employment equity policy is in place to correct employment imbalances by promoting equal opportunity and fair treatment in employment through the elimination of any form of unfair discrimination or prejudice in the workplace.

An employment equity strategy exists, and progress against plans is reported and reviewed monthly in a committee chaired by the chief executive. These plans have been developed in consultation with our consultative forums, which operate at local, regional and national levels. To ensure compliance with the requirements of the Employment Equity and Skills Development Acts in achieving progressive equitable representation in all categories of employees, our employment equity plan covers:

- recruitment
- staff development, including succession and development planning
- retention of high quality employees
- corporate culture and diversity
- accountability
- measurement, consultation and communication.

While transformation and the implementation of employment equity in

the workplace is a business imperative, fully endorsed by executive management, the onus to achieve our goals rests with all managers. To be successful, the policy must filter down to every employee in the organisation.

Legislative compliance

Employment equity is guided by legislation. We have submitted two reports to the Department of Labour in terms of the Employment Equity Act 55 of 1998. Frequent communication with the Department ensures that we remain focused in eliminating discrimination and implementing specific measures to accelerate the advancement of designated groups.

As employment equity is important to Afrox's business ethos, the employment equity policy is acknowledged and

understood by all. A summary of the Act is displayed at each business site.

Consultative forums, comprising management and employees, have been established at business unit and branch level, with regional and, finally, national representation. Through our consultative forums, consultation and dialogue are used to address outcomes of the employment equity audits, the formation of strategy, progress made against targets, and

QUANTITATIVE EMPLOYMENT EQUITY MEASURES

It is Afrox's aim to achieve the following goals for designated groups:

30% at management grades by September 2004

35% at management grades by September 2005

40% at management grades by September 2006

We will reach this by the following actions:

We will recruit black* executive trainees with the potential to be appointed to middle and senior management positions after a suitable training and development period

We will expand our university bursar and graduate development programmes so that they apply predominantly to people from designated groups

We will continue to increase the black membership of our Senior Executive Team from the current seven.

We will monitor all appointments in managerial ranks to ensure they reflect our ultimate employment equity goals.

We will train and develop employees at all levels to equip them to perform their present roles and develop their careers with the company.

* Black = Africans, Asians and Coloureds

AFFIRMATIVE ACTION STATISTICS at managerial level as at 30 September 2003

	African, Coloured & Indian	White Male	White Female	Total Female	Total AA %
Industrial	22.42	60.52	17.06	22.82	39.48
Healthcare	60.95	3.36	35.69	86.52	96.64

legislative compliance. The representatives on the consultative forums are trained and well versed in all aspects of the Employment Equity Act. Managers are held accountable for achieving employment equity targets and their progress is monitored and measured.

Recruitment

Currently, African, Asian and coloured people are under-represented at executive and managerial grades. We have set the following targets for recruitment of people from the designated groups:

- Executive level – currently we have nine executive managers from designated groups on our executive management teams (six from industrial and three from healthcare) and our goal is to double this number by 2006.
- Management level – we aim to increase our percentage of managers from designated groups from the current 21 percent to 35 percent by 2006, after which we believe the process will become self-perpetuating.
- Bursary and graduate development scheme – we offer finance, engineering and information technology bursaries to school leavers and graduates from designated groups. Currently we have seven bursars and we aim to have 12 people on the bursar scheme by 2006.

Development and performance

The human resources committee monitors the performance of management level employees, particularly from the designated groups, on a monthly basis.

Individual development plans are agreed with employees' managers annually. Employees' personal performance is the determining factor in the commercial success of our business and the company's succession planning process caters for people displaying ability and talent. A mentorship programme is being upgraded to ensure that designated employees at management levels have the option of choosing a competent mentor to guide them on their career path.

Cultural diversity

Afrox values the ethnic and cultural diversity of its people. We consider different views, styles and approaches as strengths on which to build. Although we champion unifying values, they are imposed with sensitivity for other cultures.

A survey is currently being conducted to monitor cultural diversity and to identify any cultural barriers that our employees from diverse backgrounds may experience. The survey will be completed by December 2003, and will form a foundation on which

to implement a diversity management programme that eradicates obstacles, provides dignity in the workplace, and enables people to grow.

Retention of designated employees

Staff turnover statistics are monitored monthly and all senior management appointments, promotions, terminations and vacancies are reviewed and ratified. Exit interviews are held before an employee leaves the company and allow for the tracking and analysing of trends to inform our retention strategy.

Monitoring

The process of monitoring employment equity occurs at executive level where business unit heads and their general managers meet monthly to evaluate progress made against the objectives of the employment equity plan, and it occurs through the consultative forums that receive regular feedback.



Cultural and personal diversity in Afrox is seen as an asset that will contribute to the group's continued growth, building on the successes achieved through consultative forums and multi-cultural customer programmes. From left: Bruce Janssens (KZN Regional Office), Isabelle Peters (East London Private Hospital), Mohammed Sujee (Afrox Pharmacy Management Services), Sharon Vasuthevan (Afrox College of Learning), Lyle Nesbitt and Dorothy Sekhukhune (Lifecare Special Health Services).



Afrox has its own university for e-learning. Known as IMSS, this is available to all Afrox and BOC group employees. IMSS houses all global business reference material, procedures and standards. It incorporates a learning system for individual learning and has 'audit manager' covering every aspect of the audit cycle. Here, executive assistant, Chantel Lovett, uses IMSS which is just a click of the mouse away.

skills development

A hallmark of Afrox is its dedication to training and educating employees. Knowledge is transmitted to Afrox's disparate business units, branches, factories and hospitals through on-the-job coaching and training, development projects, secondments, e-learning and classroom based training.

Licence to work

At Afrox we encourage our employees to pursue their careers and development opportunities actively. Our employee development programme is driven through the concept of 'licence to work' that equips all employees with the competence to do their current jobs and to improve further by acquiring additional skills. We have developed a computerised training system known as Integrated Management System and Standards (IMSS), from which

policies, knowledge of processes and procedures, presentations and videos can be accessed.

The 'licence to work' programme encourages competent personnel to attempt the next level in personal and career development and it extends the company's outcomes-based learning philosophy. It encompasses some 2 500 industrial and 8 000 healthcare employees. Those who are not computer literate are coached and assessed by supervisors.

Executive and management development

Every year, carefully selected senior managers participate in LEAD, a global leadership programme tailored to suit BOC's requirements for high potential managers.

LEAD augments other management development initiatives such as iLead or Leadership Development in Afrox (LDA), which is run in conjunction with the Wits Business School. LDA challenges middle managers to prepare themselves for senior leadership roles by equipping participants with the broad range of financial, operational, marketing and change management skills they will need to be successful leaders within the group. To date, 75 industrial and 50 healthcare managers have completed this course.

In line with our strategy to nurture employees at all levels, another training initiative, the front line management programme, prepares front line managers for more responsibility in their current roles, and for expansion into future middle management roles.

We participate in the SA Institute of Chartered Accountants' Training Outside Public Practice programme, which provides students with an alternative route to obtaining the practical training for the Chartered Accountant (financial management) qualification through approved organisations. In this programme we support students from previously disadvantaged groups.

Individual development plans are structured to retain high potential employees, and, on merit, bursaries are made available for our employees who wish to continue their development at outside institutions.

Afrox Healthcare College of Learning

Nursing education and training is of utmost importance in the delivery of quality patient care. Recognising this, in affiliation with the University of Port Elizabeth, Afrox operates the Afrox Healthcare College of Learning with its seven centres, based around South Africa. In total 710 students are currently enrolled with the College. The College had its first public/private partnership this year with Johannesburg Hospital and the University of the Witwatersrand, training nurses from the provincial Department of Health.

Employee education at all levels

All recruitment, development, recognition and enhancement processes are aligned to our ACTS (accountability, collaboration, transparency and stretch) cultural pillars. Leadership competency models and workplace skills modules for specified areas inculcate these behavioural working patterns in our employees.

Training manager for Healthcare, Sharon Vasuthevan, with trainee nurses from the Afrox Healthcare College of Learning. The College, financed entirely by the company, was opened in 1998 to help alleviate the shortage of skilled nurses in this country. Since opening over 2 000 nurses have graduated and 710 are presently in training.



enterprise development and preferential procurement

We aim to break the poverty spiral and have an impact on society by fostering economic empowerment among previously disadvantaged groups. One way in which Afrox creates value is in partnerships with SMMEs and through our suppliers and distributors as our products go to the market.

We are committed to developing the economy by improving economic capacity among previously disadvantaged people. We offer practical assistance and support to new entrepreneurs wishing to set up their own businesses, in two ways – first, by giving opportunities to SMME or emergent black suppliers in order to transform the demographics of our supplier profile, and, second, through our distributor and other outsourced programmes. For example, we have created an outsourced business out of our gas cylinder refurbishment business and sold it to former employees.

Preferential procurement

Our BEE procurement policy is a proactive, preferential procurement initiative that ensures constructive participation by SMMEs from previously disadvantaged communities as well as large suppliers (affirmative business enterprises) with sophisticated financial, technical and managerial capacity. The policy applies to all levels and types of contracts and takes into account suitable quality at the best overall price. Our procurement activities are designed to create products and services that add value to our customers.

In 2002 our spending on preferential procurement totalled R204 million. This year the combined industrial and healthcare figure has increased to R784 million.

Our supply management strategies are designed to influence support for a broad understanding of BEE among all our suppliers, by using BEE support as the criteria for evaluating suppliers and encouraging joint ventures between traditional suppliers and BEE companies.

Afrox has actively worked to create viable outsourcing opportunities for black suppliers. Services rendered by SMME suppliers – some of whom are former employees – include transport, cylinder distribution, cylinder revalidation, printing and the provision of paper products, cleaning, catering, gardening, security, and waste removal.

Enterprise development

Some achievements in enterprise development:

- We have created some 200 franchised distributors in our Handigas business, and we are using this opportunity to expand our reach into lower level and informal urban and rural settlements. The wealth and employment created by these franchisees is considerable. Each job offers a livelihood to extended family members and benefits the wider economy.
- We have developed 26 SMMEs to handle our medical gases distribution, particularly to state users. We provide

SMME DEVELOPMENT

Our SMME development initiatives are designed to encourage black suppliers through:

Price preference: Afrox may consider a price preference when comparing quotations.

Designated spend: Where appropriate, set-asides or designated spend areas may be established for the exclusive participation of SMMEs.

Payment cycles: A short payment cycle of 15 working days after receipt of an invoice and proof of delivery assists the supplier with cash flow.

Skills and technology transfer: Training may be given in areas such as finance, quality improvement and technical enhancement.

Performance guarantee: We can provide a certificate on behalf of an SMME unable to raise a guarantee.

Supply and purchasing support: We can assist to secure goods and services where labour contracts are undertaken.

Debriefing meetings: We may hold post-award, debriefing meetings with unsuccessful suppliers to encourage their future success.

- skills training in a range of disciplines for these SMMEs, and also preferential financing.
- We have assisted in the development of a successful black owned business, started by a retired employee who now employs others in manufacturing vapourisers and LPG manifolds.
- We contribute to NEPAD through partnering black businesses with expansion into African countries.

corporate social investment

Since Afrox's formation in 1927, company records show that corporate social investment has formed an inherent part of Afrox's business ethos.

As a large corporation with operations throughout Africa, we believe that the future prosperity of Africa, as well as the company, hinges on the positive transformation and upliftment of society as a whole. We are obligated to assisting wisely and constructively in the communities in which we operate. Over the years our approach has evolved from passive philanthropy to a comprehensive corporate social investment programme where meaningful interaction with stakeholders is an important facet of our philosophy.

For decades our social investment activities focused on educational grants to universities, technikons, individuals and organisations in the form of bursaries or donations. Today, this commitment to

education and training continues with external and employee bursaries, employee dependant grants, in-house training, incidental donations and memberships, as well as support of a welding school, and of the Afrox Healthcare College of Learning.

In the 2003 financial year R3,2 million was donated to charitable causes. All donations are governed by a formal policy, and are approved by a donations committee comprising the managing director and two senior executives who meet quarterly. Normally one percent of attributable earnings is allocated to charitable donations. The company's donation policy has as its theme, 'Investing for the Future' with an emphasis on 'our children, their education and their environment.'

Afrox's corporate social investment programme is employee driven with strong support from management. Seen on Bumbanani Day this year are three project committee members, Deborah Julius, Sharon Jones and Karen Schroeder from Healthcare financial services with children from Banakekeleni Aids Orphanage. With them is the African Oxygen Limited chief executive, Rick Hogben, who makes a point of visiting several venues where Bumbanani Day is celebrated.

PROJECTS	
	No. of projects
South Africa	
Gauteng	50
Eastern Cape	11
Free State	6
KwaZulu-Natal	12
Limpopo Province	1
Mpumalanga	6
Northern Cape	3
North West	10
Western Cape	11
Africa	
Botswana	4
Kenya	1
Malawi	1
Mozambique	1
Namibia	3
Nigeria	1
Swaziland	1
Zambia	2
Zimbabwe	1
Total	125

Community involvement programme

The cornerstone of Afrox's corporate social investment programme is its unique community involvement programme (CIP), which includes Afrox's annual Bumbanani Day – meaning 'lets build together.' Our CIP provides care and support to various community institutions and concentrates on orphanages and care centres for abused, abandoned and disabled children.

Nine years ago Afrox launched this programme, which was designed to reflect the spirit of the new South Africa and was based on consultation, empowerment and partnerships. In its first year 15 projects were started, and since then the programme has grown so much that this year there are 125 employee driven projects offering help to approximately 13 500 previously disadvantaged children. These projects are found throughout South Africa and nine other African countries.

From its inception, our CIP has focused on creating sustainability for recipients and encouraging continuous hands-on involvement from all our employees. This has made the programme one of the world's best examples of an employee driven company programme.

Our community involvement process is unique in that our employees at all branches or hospitals are empowered to form employee committees, consult with their immediate community and identify worthy projects. In this way a tripartite entity is formed, the company with its people and money, the immediate community, and the benefiting project.

Financial assistance from the company is minimal at R8 000 per project, making a total of R1 million each year. Nevertheless, the full impact of the programme lies within the empowered Afrox employees, who give their time freely to provide assistance in the form of further fund raising for projects, and ongoing maintenance for the homes.

LIST OF ORGANISATIONS SUPPORTED BY AFROX CIP	
Type of home	Number supported
Orphanage/place of safety/care centre for orphaned, abandoned, abused or destitute children	54
School/crèche/aftercare facility	25
Centre assisting AIDS orphans/babies and children living with HIV and AIDS	21
Centres for physically and/or mentally disabled children	15
Shelters for streetchildren	8
Provincial hospital children's ward	2
Total	125

The only criterion for Afrox's CIP is that all beneficiaries must be non-profit organisations, with good financial management, that care for under-privileged or previously disadvantaged children.

Bumbanani Day

Once a year, as part of the ongoing programme, Afrox employees get together for a fun day with the causes they support. This day is known as Bumbanani Day and is a celebration of the continuing relationship that employees have built with the community. Functions held throughout sub-Saharan Africa are attended by approximately 13 500 children and 40 percent of Afrox employees. The Afrox committees affectionately refer to this day as 'Africa's biggest picnic'.

United Nations' endorsement



Afrox's Community Involvement Programme has been recognised beyond South Africa. This year it was identified by the United Nations as a model community involvement programme that is meaningful, sustainable and employee driven.

The UN Volunteers and the new Academy of Business, administered by the United Nations Development Programme in Bonn, Germany, conducted a UN case study on Afrox. It is being distributed globally as a tool for enhancing international understanding of the meaning and experience of business-community relations, across different geographical and socio-economic contexts. It is also being used for teaching purposes.

A list of all homes supported by Afrox can be viewed on the Afrox web www.afrox.com under 'Sustainable reporting - CIP institutions supported.'

Welding school

In 1999, in a joint venture with two companies, Afrox opened a welding school at Richards Bay, KwaZulu-Natal. The school imparts welding skills and provides people in the community with upliftment and the potential to earn a living.

Other external outreach

Part of our external outreach comes from the wealth of healthcare skills that we can offer to address the healthcare needs of the communities in which our hospitals are situated. This outreach occurs at hospital level and is also provided by employees working on a voluntary basis. We believe that volunteering builds bridges with local communities and also enhances employees' skills and team development.



safety, health, environment and quality

‘Safety is not a percentage of your time, but 100 percent of your behaviour’ is a slogan often seen in Afrox. It is as important for Afrox to transmit safe working protocols to customers and suppliers as it is to have clear, entrenched and measurable performance standards practised by all Afrox plants, depots and distributors. Our safety, health, environment and quality (SHEQ) programmes are well established and govern our performance.

Safety

The gases industry is potentially hazardous, with some products stored at low temperatures or under pressure. A few are toxic or flammable. We are committed to communicating and practising safe operations and have for a long time emphasised our safety, health, environment and quality (SHEQ) performance. The safety of our products, employees, customers and all other stakeholders is of such importance to our business that SHEQ is top of the agenda and a stand-alone item at all board and executive management meetings.

Aligned to our parent company, BOC’s safety standards, Afrox’s safety performance is benchmarked against world-class levels. A proactive approach to safety ensures that we measure ourselves against leading, and not just lagging, indicators. A drive to

halve our accident rate by October 2006 was launched early in 2002 and our disabling injuries numbered 17 this year, compared to the 33 of last year. Strong leadership commitment and continuous training is bringing a culture change and we are encouraged by exceptional overall progress. We are intent upon achieving a completely accident free environment and being recognised as globally best in class.

As we are committed to SHEQ and in order to develop global best operating practices, performance goals with a SHEQ component are integrated into Afrox’s senior management contracts. Objectives for improved performance also remain an integral part of business unit heads’ performance contracts.

Two new SHEQ executives and one SHEQ manager were appointed during the year. These were a general business manager, SHEQ; SHEQ partner, PGS; and a SHEQ manager, African operations.

Although our overall safety performance has improved, we believe that all accidents are preventable and our goal is to achieve zero injuries. Our five-year programme focuses on ‘near miss’ and less serious events, currently in the majority, to imbue a culture of safety and to strive towards accident free on- and off-the-job safety incidents. We place utmost importance on the control of process-related risks. Any incidents that do occur are thoroughly investigated and the lessons learned are applied throughout the organisation to minimise the likelihood of recurrence.

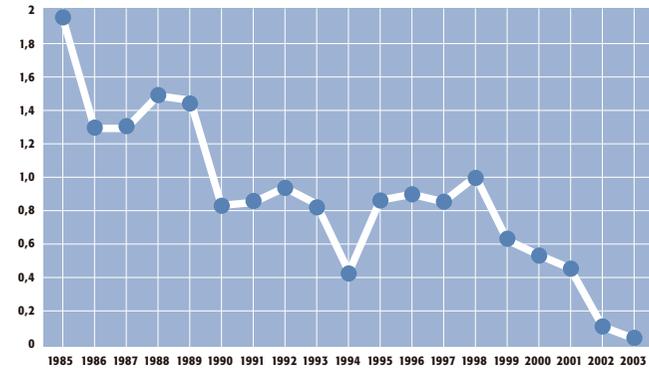
Various initiatives ensure sustainable progress and heightened awareness of safety. These include safety audits and intensive training supported by roadshows and videos. Standards are constantly monitored, and improvements and upgrades have included the re-cladding of several bulk LPG tanks at customer sites.

The annual recognition and reward programme encourages all sites to implement optimum standards of safety and to improve through feedback and self-evaluation. At an award ceremony attended by all our branch managers, the SHE award for the best large branch was presented to Port Elizabeth, and Pongola won the award for the best small branch.

Internal and external SHEQ audits confirm that Afrox’s commitment to safety is achieving results and that significant improvements have been made during the year. In line with BOC, Afrox uses four principal lagging indicators to provide a consistent measure of its workplace and vehicle safety performance. These are:

- Lost workday case rate (LWCR) per 200 000 hours. (In accordance with best international practice, LWCR includes all accidents resulting in the loss of one complete day of work.)
- Total recordable case rate (TRCR) per 200 000 hours.

LOST WORKDAY CASE RATE - INDUSTRIAL



- Passenger car avoidable accident rate (PCAAR) per million miles.
 - Truck avoidable accident rate (TAAR) per million miles.
- (Truck and car avoidable accidents are those that could have been avoided had the driver applied defensive driving techniques. Many accidents not deemed to be the fault of Afrox drivers are nevertheless considered to be avoidable when using this definition.)

Afrox will be implementing leading indicators as an effective and progressive safety management tool in the new financial year. Leading indicators offer a proactive approach to address the effective monitoring of practices that help to prevent incidents. Lagging indicators cover the counting of incidents after the event and cannot be directly controlled.

NOSA grading status

The National Occupational Safety Association (NOSA) audits all Afrox’s industrial sites against the Gases Industries Audit Book. All regions have been audited by NOSA during the year and, overall, Afrox has achieved the prestigious 5-star Corporate Status and was rated as one of the top ten companies in South Africa.

Process Gas Solutions and our African operations were audited by NOSA and achieved a 4-star status, with Fabrication, Southern, Central and Northern Regions attaining 5-star ratings.

In Afrox Healthcare all hospitals have been audited by NOSA and the platinum star system is being implemented throughout. The Eugene Marais Hospital in Pretoria received the first hospital NOSCAR (National Occupational Safety Accredited Awards) in South Africa. All hospital managers are familiar with legislative requirements in the Occupational Health & Safety Act to ensure compliance in our hospitals.

A safety management evaluation carried out by DuPont, world leaders in safety theory and practice, attributed Afrox’s exceptional safety levels to the programmes that we have implemented and to our general employee commitment to safety. DuPont made some recommendations and these have now been effected to ensure world-class performance levels.

An interactive behavioural safety programme known as STEP (safety through the empowerment of people) has been implemented at 66 percent of our sites to date. The STEP programme has improved accident and incident investigations as well as measurements and ratings. In addition, outside drivers contracted by Process Gas Solutions have completed the STEP programme for lone workers, and STEP will be cascaded to the rest of our drivers and all our sites by the end of 2004.

Transport safety

Afrox places a high priority on transport safety and has a designated department catering for driver training and safety standards. All passenger car avoidable accident rates (PCAAR) and truck avoidable accident rates (TAAR) are recorded and measured. Employees who drive cars or trucks on company business are trained in advanced techniques of defensive driving. Major incident reports are recorded whenever a truck or vehicle rollover incurs serious injuries, fatalities, or substantial loss to company property.

Safety in Afrox Healthcare

Hospitals are continuously assessed for generic risks. In mitigation of fire risks, practice evacuations of hospitals are carried out twice a year with staff being substituted for patients. Each hospital has a hazardous chemicals and substances procedure for the correct handling of substances such as anaesthetic gases, flammable, toxic or poisonous substances, and sterilisation procedures. A hazardous biological agent risk assessment is frequently conducted at every hospital.

Risk assessment and management

Risk assessments, benchmarked globally for hazardous materials, are conducted regularly both on and off site. Afrox audits all facilities that produce gases – either in the gaseous or the liquid form – or transport its gases, or fill cylinders.

Training ensures that hazards are properly understood and controlled and that risks are managed within strict group guidelines.

Examples of risks that could be encountered include the unsafe containment of liquid petroleum gas (LPG), the overfilling of bulk tankers, cylinders venting to the atmosphere, faulty gas alarms, and contractors working on Afrox premises without protective safety equipment.

Licence to work

Afrox's licence to work and skills development plays an important role in safety. The Integrated Management Systems and Standards (IMSS) are being cascaded to our operations encompassing customer engineering services, dissolved acetylene, industrial gases, LPG, special products, transport operations, medical gases, air separation units (ASUs) and management system requisites.

We provide training for our customers, which is unique in the industry. Courses have been tailor-made to offer a sound knowledge of safety procedures, efficient

usage of medical gas equipment, and cost-savings associated with in-house troubleshooting, and also to ensure that hospitals comply with the Occupational Health & Safety Act (OHS Act).

Health

As a responsible employer, we strive to provide a safe and healthy working environment for all our employees. We manage employee health activities in accordance with local laws and regulations, and global best practice, ensuring that all occupational health and safety risks are identified, evaluated and appropriately minimised. Preventive measures and programmes on health issues are being standardised and applied in all our operations. Access to guidance on occupational hygiene is available in manuals and on an intranet site.

Afrox is committed to addressing HIV and AIDS in a proactive and non-discriminatory manner and to managing HIV and AIDS amongst our employees. The Afrox HIV and AIDS programme was launched in August and includes education

and training, treatment through the provision of anti-retroviral therapy, a disease management programme, counselling and support, and financial risk management (see page 57).

In order to eradicate absenteeism through illness, all operations are reviewed for occupational health and hygiene risks. At some sites – but not all – sites, employees' blood pressure and cholesterol levels are monitored regularly and, as a prophylactic measure, influenza injections are made available to those employees wanting to avail themselves of this offer.

We support the Blood Bank of South Africa in its drive to acquire blood and we facilitate their visits to our sites so that employees can donate blood if they so wish.

New staff members are assessed medically and, in Afrox Healthcare, training is provided in the manual handling of patients and in ergonomics to help prevent musculoskeletal disorders. Employees participate in International Back Week, and Afrox Healthcare is a gold sponsor of

the Heart Foundation, promoting awareness and prevention of cardiac disorders. With the prevalence of HIV and AIDS in South Africa, all needlestick injuries incurred in the hospitals are monitored and treated.

Environment

We are committed to a safe and healthy environment for all our employees and the communities in which we interact; and to the conscientious stewardship of our products and services. Although Afrox is listed on the JSE Securities Exchange under the chemicals sector, we do not have the same direct or significant environmental issues to deal with as traditional chemical manufacturers. Nevertheless the company has representation on parent company, BOC's, team of environment experts and is party to best environment practices globally.

We aim to conform to environmental legal requirements and to national, provincial and municipal by-laws, to conserve environmental resources and minimise any adverse impacts that operations might

have. No fines or penalties have been imposed during the year for non-compliance with environmental regulations. Any infringement of regulations, permits or licenses is investigated and corrective action is taken.

Our goal is to obtain ISO 14001 environmental management system certification for our business units by July 2005. To this end we have a new appointee who is tasked with the implementation and standardisation of environmental management systems, based on the ISO 14001 requirements throughout our operational business units. Our systems and processes also comply with the spirit of the UN Global Compact, to which The BOC Group is a signatory and which supports human rights, labour and environmental principles.

We have installed energy management systems at our air separation units where large quantities of electricity are consumed.

We contribute technology and processes to meet the environmental requirements of

customers who are striving to improve their own environmental performance. Increased demands set by environmental legislation presents Afrox with a number of potential business opportunities. Eco-efficiency technologies include our OzoneClear® process which uses a combination of lime and ozone in the purification and treatment of water.

All our hospitals maintain an environmental aspects register. In our quest to save scarce resources, a wide-ranging energy review programme was conducted at the hospitals. This focused on efficient site water utilisation, space heating, steam production, air conditioning and energy load management systems. One of the many benefits of the review was the introduction of solar panels at the Brentthurst Clinic to assess and implement new energy sources.

A comprehensive environmental survey has highlighted issues relevant to the business and assesses how well they are being managed. Plans are in place to mitigate risks and sustain good practices.

Afrox prides itself in providing a safe and healthy working environment. Employee health management, however, goes beyond local laws and regulations. Here Marietjie Shelly from Healthcare communications assists with a voluntary medical check on employees at Afrox House. They have the opportunity of having blood pressure, cholesterol and sugar levels tested.



The company is committed to a safe and healthy environment for all. The goal is to obtain ISO 14001 environmental management system certification for the entire business by July 2005. In addition, all Afrox systems and processes comply with the spirit of the UN Global Compact, to which BOC is a signatory.

The company also advises customers on how to improve their own environmental performance. This is becoming an increasingly important business initiative.

We have quantified the emission of hazardous waste at our factories and have implemented steps to reduce and eliminate it. Owing to the rapid growth in demand for natural refrigerants in applications such as air conditioning and refrigeration, our range of hydrocarbons are sought after by consumers eager to minimise industry's contribution to global warming.

All our acetylene plants have been upgraded and the introduction of automatic deluge systems, in line with global best operating practices, is an improvement on existing systems to mitigate the risk of fires.

During the year, environmental incident reporting was instituted at our hospitals and covers areas such as the handling of medical waste. We are contracted to two companies to dispose of all our medical waste using microwaving or autoclaving technology as an eco-friendly alternative to incineration.

Gas reticulation systems that are used to supply oxygen or oxygen mixtures for medicinal or breathing purposes require a very high level of integrity. We are in the process of upgrading our medical gas filling sites to meet world-class best operating practices in the important area of life-sustaining support. At a global level, certain products used in medical gas installations and in plugs on medical oxygen cylinder valves have been identified, which, if ignited, could produce toxic by-products. To reduce the risk, we are investigating suitable alternatives.

Our 'gas facilities management' offers total management of our own, and customers' hospitals' gas, compressed air, vacuum and scavenging systems including the monitoring of emerging legislation likely to affect the medical industry.

Quality

In striving to meet and exceed customer requirements and expectations, we apply eight quality management principles that have led to better business performance and to the improved quality of our products and the service we offer to our customers.

The quality management principles that have become a way of life in Afrox are:

- Customer focus
- Leadership
- Involvement of people
- Process approach
- System approach to management
- Continual improvement
- Factual approach to decision making
- Mutually beneficial supplier relations.

ISO grading status

In our industrial business, our southern and central regions, Roodekop facilities, gases operations centre in Germiston, and our factories in Brits and Germiston have been listed as ISO 9001:2000 compliant. Process Gas Solutions bulk distribution and tonnage operations and BOC Zimbabwe also comply with ISO 9001:2000. All other departments are embarking on the ISO implementation process with the target to become fully compliant by the end of 2005.

A corporate ISO 9001 listing will be sought in future.

ISO 9000 CERTIFICATION

The following areas within Afrox have ISO 9000 certification:

Southern Region
Central Region
GOC and Special Products
Roodekop – Handigas and Propellant plants
ISP Engineering
Welding Consumables Factory
Gas Equipment Factory
PGS Tonnage production
Bulk gases distribution
BOC Zimbabwe



Action on HIV and AIDS

Afrox is committed to addressing HIV and AIDS in a proactive and non-discriminatory manner; to treating all employees with fairness, dignity and compassion; and to managing the HIV and AIDS epidemic in the workplace.

Following two years of careful development, the board approved the Afrox HIV and AIDS programme, which was launched in August 2003 to give employees a sufficiently thorough understanding of the problem to influence the choices they make. The programme was devised after commissioning an actuarial study, including a detailed cost and impact analysis, and after close consultation with managers, consultative forums and union representatives.

The objectives of the programme are:

- prevention of HIV and AIDS infection, through education and awareness training
- assistance to ensure that HIV negative employees remain negative

- treatment to prolong life expectancy through the provision of anti-retroviral therapy, via a disease management programme, to employees living with HIV
- care, which includes counselling and other support for HIV positive employees
- overall project management, including financial risk management.

The programme is informed by a combination of sound business principles and the obligations associated with being a socially responsible employer. While business survival is paramount, Afrox recognises that a supportive and caring response is essential for maintaining the quality of life and the productivity of an employee living with HIV.

If an employee makes a voluntary disclosure about his or her HIV status, the information remains confidential. Employees living with HIV will not be victimised, prejudiced or discriminated against on account of their medical condition.

We endeavour to protect the wellbeing of our employees by providing a disease management service and anti-retroviral therapy to eligible employees living with HIV, in accordance with our philosophy on HIV and AIDS, and subject to the availability of resources.

The success of our HIV and AIDS programme will depend on winning confidence among employees, their co-operation and willingness to undergo voluntary testing, their compliance with treatment protocols and acceptance of responsibility for their own health and wellbeing. We have contracted with external providers to provide a disease management service that guarantees expertise and confidentiality. While we will address the problem effectively, we will limit our liabilities.

The company's response to HIV and AIDS, the extent of the HIV and AIDS programme, and capped funding are subject to annual review and revision. Influencing factors will include changes or advances in terms of:

- developments in HIV and AIDS research and treatment
- government's anti-retroviral programme
- the availability and affordability of drugs
- overall success of the programme, as measured by the extent to which it achieves its objectives and its ongoing affordability.

financial contents

Our brands, our customers, our people

Handigas has major uses in many mega bulk industrial applications such as paint curing for the motor industry, and as a source of thermal energy in steel manufacture. In South Africa, Afrox has the majority of mega bulk liquefied petroleum gas supply schemes. At the Toyota Handigas plant is Gewaine Fourie, sales manager major accounts for KwaZulu-Natal. He started with Afrox Durban ten years ago as a clerk in the Durban stores. He is with Toyota employee Louis Joseph, who manages the plant.



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shareholders' profile

for the year ended 30 September 2003

Number of shareholders	Group of shares	% of holders	Holdings	% of issued share capital
2 511	1 - 1 000	41.69	855 823	0.25
2 459	1 001 - 10 000	44.36	8 105 409	2.36
584	10 001 - 100 000	10.54	16 393 540	4.78
162	100 001 - 1 000 000	2.92	48 493 082	14.14
26	1 000 001 and over	0.47	76 734 509	22.39
1	BOC Holdings	0.02	192 270 721	56.08
5 543		100.00	342 853 084	100.00
5 930	Individuals and deceased estates	70.90	11 976 098	3.49
273	Corporate bodies	4.93	2 044 369	0.60
942	Banks and nominee companies	16.99	15 461 414	4.51
41	Insurance, investment and trust companies	0.74	39 825 422	11.62
356	Pension, provident funds and trusts	6.42	81 275 060	23.70
1	BOC Holdings	0.02	192 270 721	56.08
5 543		100.00	342 853 084	100.00

MAJOR SHAREHOLDERS

The shareholders registered as holding 1% or more of the share capital of the company at 30 September 2003 were:

Shareholder	Number of shares held	% of total
BOC Holdings	192 270 721	56.08
Old Mutual Group	30 516 884	8.90
Investec Group	5 340 920	1.56
Coronation Life	5 339 202	1.56
Capital Alliance	4 913 634	1.43
mCubed Funds	4 012 249	1.17
Sasol Retirement Funds	3 916 818	1.14
Sage Group	3 474 100	1.01
	249 784 528	72.85
Other shareholders	93 068 556	27.15
TOTAL	342 853 084	100.00

According to information available to the management on enquiry as to registered nominee shareholders, the only shareholders who beneficially held, directly or indirectly, in excess of 1% of the share capital of the company at 30 September 2003 are listed above.

shareholders' profile

for the year ended 30 September 2003

SHAREHOLDER SPREAD

To the best knowledge of the management and after reasonable enquiry, the spread of shareholders at 30 September 2003 as defined in the listings requirements of the JSE Securities Exchange (SA) Ltd, was as follows:

Public shareholders	43.92%
Non-public shareholders	56.08%

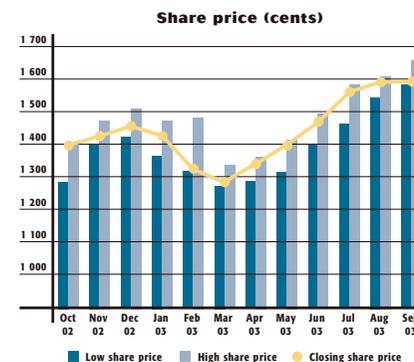
DIVIDENDS

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

Number	Declaration date	Last date to trade ('LDT') ordinary shares 'CUM' dividend	Ordinary shares trade 'EX' dividend	Record date ('RD')	Payment date	2003 Amount per share (cents)	2002 Amount per share (cents)
154	Apr 30, 2003	July 18, 2003	July 21, 2003	July 25, 2003	July 28, 2003	33.0	25.5
155	Oct 30, 2003	Jan 16, 2004	Jan 19, 2004	Jan 23, 2004	Jan 26, 2004	50.0	37.0
						85.0	62.5

STATISTICS

	2003	2002	2001	2000	1999	1998	1997
Share price (cents)							
-High	1 650	1 500	1 310	1 550	1 230	1 590	1 775
-Low	1 250	1 150	955	970	590	600	1 260
-Average	1 429	1 270	1 131	1 191	857	1 149	1 545
-Closing	1 610	1 310	1 200	1 225	985	750	1 260
Ordinary shares in issue at year end ('000)	342 853	350 301	325 542	318 488	315 134	310 034	307 101
Number of shares traded ('000)	40 835	65 977	41 817	28 219	57 743	34 801	19 493
Number of transactions	6 328	5 124	4 381	4 958	4 050	3 701	2 875
Value of shares traded (R'000)	583 529	837 889	472 749	336 199	496 895	396 531	297 195
Number of shares traded as a percentage of shares issued	11.9	20.0	12.8	8.9	18.3	11.2	6.3
Earnings yield (%)	10.3	9.1	8.6	6.6	7.4	7.6	5.2
Dividend yield (%) (Note 22)	5.2	4.8	4.3	3.8	4.3	5.0	2.8
Price earnings ratio	9.8	11.0	11.7	15.1	13.5	13.1	19.3



seven year financial review

	CAGR %	2005 Rm	2002 Rm	2001 Rm	2000 Rm	1999 Rm	1998 Rm	1997 Rm
INCOME STATEMENT SUMMARY								
Revenue	20.1	7 326	6 512	5 239	4 722	5 711	2 864	2 446
Operating profit	17.8	1 090	896	694	646	574	467	408
Exceptional items		–	(15)	24	(18)	(45)	(22)	–
Profit from operations		1 090	881	718	628	529	445	408
Finance costs		(122)	(157)	(146)	(162)	(145)	(136)	(96)
Income from associates		43	27	30	16	9	3	3
Profit before taxation		1 011	751	602	482	393	312	315
Income tax expense		(299)	(244)	(182)	(161)	(123)	(117)	(104)
Profit after taxation		712	507	420	321	270	195	211
Minority interest		(158)	(117)	(90)	(65)	(41)	(18)	(11)
Net profit for the year	18.5	554	390	330	256	229	177	200
Dividends declared (Note 22)		(233)	(185)	(66)	(149)	(134)	(117)	(109)
Retained Income		321	205	264	107	95	60	91

BALANCE SHEET SUMMARY

Non-current assets								
Property, plant and equipment		2 858	2 688	2 193	2 173	2 075	1 619	1 496
Other non current assets		334	268	214	267	265	96	150
Retirement benefit asset		10	–	–	–	–	–	–
Deferred tax		68	33	28	24	17	15	9
Current assets (excluding bank and cash)		1 682	1 611	1 396	1 310	1 202	927	807
Total assets	12.4	4 952	4 600	3 831	3 774	3 559	2 657	2 462
Equity and liabilities								
Capital and reserves		2 377	1 893	1 585	1 205	1 063	930	842
Minority interest		626	560	385	396	396	70	49
Borrowings (including short term, bank and cash)		383	623	552	861	796	625	704
Property finance leases (including short term)		69	77	82	85	87	87	–
Retirement benefit obligation		–	78	58	47	43	55	51
Deferred tax		160	166	179	189	180	171	135
Current liabilities (excluding interest bearing borrowings)		1 337	1 203	990	991	994	719	681
Total equity and liabilities	12.4	4 952	4 600	3 831	3 774	3 559	2 657	2 462

CASH FLOW SUMMARY

Operating profit (before other operating income)	18.0	1 089	896	684	639	568	462	403
Cash generated from operations	17.5	1 445	1 168	947	641	711	480	550
Change in funding requirements		(258)	(141)	(319)	45	(175)	71	(129)
Total capital expenditure		(485)	(381)	(257)	(316)	(370)	(159)	(213)

seven year financial review

	2005	2002	2001	2000	1999	1998	1997
STATISTICS							
Ordinary share performance							
Weighted average number of ordinary shares ('000)	355 767	326 363	320 828	316 719	312 731	308 578	306 205
Basic earnings per share (cents)	165.1	119.6	102.9	81.0	73.0	57.3	65.4
Headline earnings per share (cents)	166.5	124.8	94.3	85.5	85.2	63.7	68.6
Dividends per share (cents) (Note 22)	83.0	62.5	52.0	47.0	42.5	37.7	35.5
Dividend cover - excl final dividend for current year (times)	2.38	2.11	5.02	1.72	1.71	1.51	1.84
Dividend cover - interim & final dividend for current year (times)	1.96	1.90	1.96	1.72	1.71	1.51	1.84
Net asset value per share (cents)	693	573	487	378	337	300	274
Profitability and asset management							
Operating margin (%)	14.9	13.8	13.0	13.5	15.3	16.1	16.5
Return on net assets (%)	31.5	28.5	25.8	23.7	23.6	24.1	25.5
Net asset turn (times)	2.1	2.1	1.9	1.8	1.7	1.5	1.5
Return on shareholders' equity (%)	26.0	22.4	23.7	22.6	22.9	20.0	22.9
Return on capital employed (%)	31.1	28.3	25.5	23.5	23.5	23.9	25.4
Effective rate of taxation (%)	29.5	32.5	30.2	33.4	31.2	37.5	32.9
Liquidity							
Interest cover (times)	8.94	5.60	4.91	3.89	3.64	3.28	4.27
Liability ratio	0.57	0.71	0.74	1.06	1.12	1.17	1.29
Current ratio	1.36	1.18	1.20	0.94	0.92	1.14	0.95
Gearing	12.50	20.61	22.30	34.02	34.41	36.75	39.56
Employees							
Number of employees	16 531	16 809	15 505	16 509	16 027	8 819	8 372
Revenue per employee (R'000)	439	403	327	290	299	333	303
Profit before taxation per employee (R'000)	61	47	38	30	32	36	39

DEFINITIONS OF RATIOS AND TERMS

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

approval of the financial statements

for the year ended 30 September 2003

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

The financial statements which appear on pages 66 to 113 are prepared in accordance with South African Statements of Generally Accepted Accounting Practice, incorporate full and responsible disclosure and are based on appropriate accounting policies.

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

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

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

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



J Walsh
Chairman
Johannesburg
30 October 2003



R Hogben
Managing director

for the year ended 30 September 2003

auditors' report

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

We have audited the annual financial statements and group annual financial statements of African Oxygen Limited set out on pages 66 to 113 for the year ended 30 September 2003. These financial statements are the responsibility of the company's directors.

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

Scope

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

An audit includes:

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

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

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and the group at 30 September 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.



PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
Johannesburg
30 October 2003

Lodgement of returns with the Registrar of Companies

In terms of section 268 G (d) of the Companies Act 61 of 1973 as amended, I certify that in respect of the year ended 30 September 2003 the company has lodged with the Registrar all such returns as are required by the Companies Act.



M Rowell
Company secretary
Johannesburg
30 October 2003

report of the directors

for the year ended 30 September 2003

The directors have pleasure in submitting their report and the annual financial statements of the group and the company for the year ended 30 September 2003.

In the context of the financial statements, the term group refers to the company and its subsidiaries. A list of the subsidiaries appears on page 112.

Nature of business

African Oxygen Limited manufactures and markets gases, welding products and a wide range of specialised high-technology industrial products. The group has extensive interests in private hospitals and healthcare services.

Listings

The abbreviated name under which the company is listed on the JSE Securities Exchange, South Africa, is 'Afrox' and the Company's JSE Clearing code is ISINZAE00003090.

Financial services

Contribution to the operating profit was as follows:

	2003	2002
	%	%
Industrial and Special Gases	42	43
Process Gas Solutions	8	9
Healthcare	50	48

Financial results

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

Accounting standards

The group's and the company's annual financial statements comply with the South African Statements of Generally Accepted Accounting Practice applicable to the group for the current financial year. The comparatives have been adjusted or extended to take into account the requirements of AC133 - Recognition and Measurement of Financial Instruments.

Share capital

As at 30 September 2003, the share capital was: (See Table 1 at the bottom of the page.)

The following changes took place during the year:

- 6 374 318 ordinary shares of 5 cents each were granted on the capitalisation award in January 2003.
- 6 177 958 ordinary shares of 5 cents each were granted on the capitalisation award in July 2003.

Shares repurchased

A special resolution was passed at the Annual General Meeting held on Monday, 10 February 2003, in which a

general authority was granted for the company to repurchase a maximum of 20% of its own shares in any one financial year.

Dividends and capitalisation share awards

Details of dividends are set out in the income statement.

On 30 April 2003, the directors resolved to award capitalisation shares to ordinary members or the right of election to receive an interim cash dividend of 35 cents per share in lieu thereof for the 6 month period ended 31 March 2003.

A dividend of 35 cents (2002: 25.5 cents) per ordinary share was paid on 28 July 2003.

A final dividend of 50 cents (2002: 37.0 cents) per share has been declared.

The board is satisfied that the capital remaining after the payment of the final dividend, will be sufficient to support the current operations and to facilitate future development of the business.

Parent company

The parent company of African Oxygen Limited is BOC Holdings. The ultimate parent company is The BOC Group plc. African Oxygen Limited is incorporated in the Republic of South Africa and both BOC Holdings and The BOC Group plc are incorporated in England. African Oxygen Limited is listed on the JSE Securities Exchange South Africa and on the Namibian Stock Exchange. The BOC Group plc is listed on the London and New York Stock Exchanges.

Board of directors

In terms of the Articles of Association, Messrs Sedgwick, Deeming and Flemming, together with Dr Sibiyi, retire as directors at the forthcoming Annual General Meeting and, being eligible, are available for re-election.

Details of the board of directors are presented on pages 8 and 9 of the report.

A detailed report on directors' emoluments has been prepared in accordance with JSE listings requirements and appears on pages 107 and 108.

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

Executive directors

Rick Hogben Managing director
Mike Flemming Director

Non-executive directors

John Walsh Chairman (American)
chief executive of industrial and special products: The BOC Group plc.

TABLE 1	Number		Number	
	2003	R	2002	R
Authorised ordinary shares of 5 cents each Issued	350 000 000	17 500 000	350 000 000	17 500 000
	342 855 084	17 142 650	350 300 808	16 515 040
Unissued	7 146 916	357 350	19 699 192	984 960

for the year ended 30 September 2003

report of the directors

Nick Deeming (British) group legal director/company secretary: The BOC Group plc.
Tony Isaac (British) group chief executive: The BOC Group plc.
René Médori (French) group finance director: The BOC Group plc.
Greg Sedgwick (Australian) group business development director: The BOC Group plc.
Rob Lourey (Australian) group human resources director: The BOC Group plc.

Mr Lourey is an alternate director to Messrs Isaac, Médori and Sedgwick.

Independent non-executive directors

Rick Cottrell director of companies
Lindsay MacNair former senior general manager - gases
Gordon Sibiyi a consulting engineer
Conrad Strauss director of companies

Interests of directors

For details refer to note 34 in the annual financial statements.

No other material change in the foregoing interests has taken place between 30 September 2003 and the date of this report.

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

Service contracts

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

The fees payable to the directors and chairman increased during the 2003 financial year by 39% from R43 000 per director to R60 000 per annum. The fees for the Board Retirement Committee increased by 40% from R7 500 per director to R10 500 per annum, the Audit Committee increased by 55% from R7 500 per director to R11 600 per annum and the Management Resources Committee fees increased by 50% from R3 500 per director to R5 250 per annum.

During the year, the Governance and Nominations Committee was established. The fee payable to members is R10 500 per director per annum.

Share Appreciation Rights Scheme

A summary of shares subject to exercise in terms of the Share Appreciation Rights Scheme ("SARS") is provided below in accordance with the provisions of the company's SAR Scheme.

Maximum number of shares that may be allocated - 10% of issued share capital	34 285 508
--	------------

Number of SARS allocated at 30 September 2002	15 822 235
Add: SARS allocated during the year	2 456 075

Less:	(2 949 875)
Number of SARS lapsed since 1 October 2002	84 750
Number of SARS exercised during the year	2 865 125
Number of SARS allocated at 30 September 2003	15 328 435
Number of SARS still reserved for the SAR Scheme at 30 September 2003	18 956 873

In terms of the rules of the Share Appreciation Rights Scheme, the aggregate number of share appreciation rights for the purposes of the scheme shall not exceed the equivalent of 10% of the company's issued ordinary share capital from time to time and no one individual may hold in excess of the equivalent of 1% of the company's issued share capital.

Certain directors who held office on 30 September 2003, had a direct interest in 291 200 Share Appreciation Rights in the company granted at an average price of 14.6 cents per share. At the date of this report, there have been no changes to the above shareholdings.

Secretary

MG Rowell was appointed as company secretary on 31 December 2002 in place of IM Mathee who resigned on 31 December 2002. His business and postal addresses appear on page 116 of this annual report.

Administration

Computershare Limited is the share transfer secretary of the company.

Subsidiary and associated companies

Information regarding the interest in subsidiaries is set out on page 112, and of interest in associates on page 113.

	2003 R'000	2002 R'000
Subsidiary companies' profit after taxation	515 599	378 654
Subsidiary companies' losses after taxation	(7 051)	(6 861)
Share of associated companies' profit after taxation	32 453	19 250

Cautionary

Afrox and Afrox Healthcare are currently trading under a joint cautionary announcement, which states that Afrox is in the process of considering its strategic options with regard to its shareholding in Afrox Healthcare. This may or may not lead to a change in Afrox's shareholding. As soon as this process is finalised, there will be a full communications exercise to inform stakeholders. (See Post Balance Sheet Event - page 11.)

Auditors

PricewaterhouseCoopers Inc. will continue in office for the ensuing year in accordance with section 270(2) of the Companies Act, 1973, as amended.

Material events after accounting date

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

balance sheets

as at 30 September 2003

	Note	Group		Company	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
ASSETS					
Non-current assets		3 269 797	2 988 843	1 398 054	1 369 053
Property, plant and equipment	3	2 857 588	2 687 938	1 061 005	1 013 459
Intangibles	4	2 180	3 084	–	–
Goodwill	5	133 227	105 686	941	773
Investments in subsidiaries	6	–	–	281 966	356 713
Investments in associates	7	121 818	96 519	–	–
Other investments	8	36 407	32 935	33 361	18 108
Non-current receivables	10	40 532	30 060	10 860	–
Retirement benefit asset	11	9 798	–	9 921	–
Deferred tax	12	68 247	32 621	–	–
Current assets		1 942 527	1 691 211	829 830	643 445
Inventories	13	416 647	404 319	199 447	200 119
Trade and other receivables	14	1 257 353	1 202 017	409 646	438 498
Group companies		7 975	4 888	7 975	4 828
Cash and cash equivalents	15	260 552	79 987	212 762	–
Total assets		5 212 324	4 680 054	2 227 884	2 012 498
EQUITY AND LIABILITIES					
Capital and reserves		2 377 131	1 892 528	1 560 056	1 241 545
Share capital	16	17 143	16 515	17 143	16 515
Share premium	16	537 314	360 478	537 314	360 478
Revaluation reserve		102 745	104 371	–	–
Non-distributable reserve		(332)	–	–	–
Accumulated profits		1 720 261	1 411 164	1 005 599	864 552
Minority interest		626 165	560 342	–	–
Non-current liabilities		783 873	794 673	192 973	297 723
Interest bearing borrowings	17	564 670	480 052	89 885	118 310
Derivative instrument against interest bearing borrowings	17	332	–	–	–
Property finance leases	18	58 733	70 313	–	–
Deferred tax	12	160 138	166 378	103 090	101 483
Retirement benefit obligation	11	–	77 930	–	77 930
Current liabilities		1 425 155	1 432 511	474 855	473 230
Trade and other payables	19	1 051 408	931 551	379 828	340 244
Provisions	20	178 616	113 347	38 920	25 766
Current portion of interest bearing borrowings	17&18	87 278	201 067	–	29 432
Group companies		2 633	12 271	2 633	12 271
Taxation		103 843	145 490	53 474	65 517
Bank overdraft	15	1 377	28 785	–	–
Total equity and liabilities		5 212 324	4 680 054	2 227 884	2 012 498

income statements

for the year ended 30 September 2003

	Note	Group		Company	
		2003 R'000	2002 R'000	2003 R'000	2002 R'000
Revenue	27	7 325 895	6 511 510	2 265 672	2 066 889
Cost of sales		(3 199 103)	(2 897 972)	(1 154 670)	(1 183 395)
Cost of services		(2 067 657)	(1 834 871)	–	–
Gross profit		2 059 135	1 778 667	1 111 002	883 494
Other operating income		897	–	144 182	115 919
Distribution costs		(129 213)	(121 044)	(129 213)	(111 540)
Other operating expenses		(840 983)	(761 147)	(614 247)	(492 170)
Operating profit		1 089 836	896 476	511 724	395 703
Exceptional items	29	–	(15 034)	–	23 833
Profit from operations	28	1 089 836	881 442	511 724	419 536
Finance costs	30	(121 944)	(157 275)	(45 835)	(89 318)
Income from associates		42 841	27 139	–	–
Profit before taxation		1 010 733	751 306	465 889	330 218
Income tax expense	32	(298 324)	(244 018)	(83 048)	(64 306)
Profit after taxation		712 409	507 288	382 841	265 712
Minority interest		(157 971)	(117 040)	–	–
Net profit for the year		554 438	390 248	382 841	265 712
Basic earnings per ordinary share (cents)	33	165.1	119.6		
Headline earnings per ordinary share (cents)	33	166.5	124.8		
Dividends per share (cents)		83.0	62.5		
Final	22	50.0	37.0		
Interim		33.0	25.5		

statements of changes in equity

for the year ended 30 September 2003

Note	Share capital R'000	Share premium R'000	Revaluation reserve R'000	AC133 hedging reserve R'000	Accumulated profits R'000	Total R'000
GROUP						
	16 277	298 756	87 807	-	1 182 407	1 585 247
Balance at 1 October 2001						
Surplus on revaluation of properties	-	-	15 940	-	-	15 940
Other movements	-	-	624	-	10 105	10 729
Currency translation difference	-	-	-	-	13 585	13 585
	16 277	298 756	104 371	-	1 206 097	1 625 501
Net profit for the year	-	-	-	-	390 248	390 248
Dividend declared	35	-	-	-	(185 181)	(185 181)
Issue of share capital	16	258	61 722	-	-	61 960
	16 515	360 478	104 371	-	1 411 164	1 892 528
Balance at 1 October 2002						
Change in accounting policy	2	-	-	1 061	15 911	16 972
	16 515	360 478	104 371	1 061	1 427 075	1 909 500
Restated balance	-	-	2 016	-	-	2 016
Surplus on revaluation of properties	-	-	782	-	(8 019)	(7 237)
Other movements	-	-	-	(1 393)	-	(1 393)
Current year adjustment for derivative cash flow hedge	-	-	(4 424)	-	(19 919)	(24 343)
Currency translation difference	-	-	-	-	-	-
	16 515	360 478	102 745	(332)	1 599 137	1 878 543
Net profit for the year	-	-	-	-	554 438	554 438
Dividends declared	35	-	-	-	(233 314)	(233 314)
Issue of share capital	16	628	176 836	-	-	177 464
	17 143	537 314	102 745	(332)	1 720 261	2 377 131
Balance at 30 September 2005						
COMPANY						
	16 277	298 756	-	-	784 021	1 099 054
Balance at 1 October 2001						
Net profit for the year	-	-	-	-	265 712	265 712
Dividends declared	35	-	-	-	(185 181)	(185 181)
Issue of share capital	16	258	61 722	-	-	61 960
	16 515	360 478	-	-	864 552	1 241 545
Balance at 1 October 2002						
Net profit for the year	-	-	-	-	382 841	382 841
Dividends declared	35	-	-	-	(233 314)	(233 314)
Other movements	-	-	-	-	(8 480)	(8 480)
Issue of share capital	16	628	176 836	-	-	177 464
	17 143	537 314	-	-	1 005 599	1 560 056
Balance at 30 September 2005						

for the year ended 30 September 2003

cash flow statements

Note	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Cash flows from operating activities				
Cash receipts from customers	7 240 911	6 546 734	2 268 564	2 074 520
Cash paid to suppliers and employees	(5 796 296)	(5 178 724)	(1 735 090)	(1 577 858)
Cash generated from operations	36	1 444 615	1 168 010	533 474
Interest received		28 155	26 091	17 850
Interest paid		(153 554)	(183 366)	(61 735)
Dividends received		897	-	144 182
Normal taxation paid	37	(341 537)	(202 344)	(93 485)
Secondary taxation on companies paid	37	(22 634)	(14 751)	-
Cash available from operating activities		955 942	793 640	540 286
Dividends paid	38	(55 850)	(123 221)	(55 850)
Net cash inflow from operating activities		900 092	670 419	484 436
Cash flows from investing activities				
(Acquisition)/disposal of subsidiaries	39	(66 624)	(116 556)	(9 801)
Purchase of property, plant and equipment	3	(485 261)	(380 804)	(182 474)
Replacement of property, plant and equipment		(182 035)	(184 891)	(62 788)
Additions to property, plant and equipment		(303 226)	(195 913)	(119 686)
Proceeds from disposal of property, plant and equipment		45 229	13 976	14 093
Associates and investments		13 729	(647)	37 831
Long term assets		(10 472)	(6 037)	(10 860)
Intangibles acquired		(459)	(958)	-
Net cash outflow from investing activities		(503 858)	(491 026)	(151 211)
Cash flows from financing activities				
Dividend paid to minority shareholders		(75 711)	(38 375)	-
Increase/(repayment) of long term borrowings		75 423	(120 942)	(28 427)
Repayment of short term borrowings		(113 789)	(9 209)	(29 432)
Repayment of capital element of finance lease liabilities		(11 580)	(6 271)	-
Movement on retirement benefit obligation		(62 604)	(387)	(62 604)
Net cash outflow from financing activities		(188 261)	(175 184)	(120 463)
Net increase in cash and cash equivalents		207 973	4 209	212 762
Cash and cash equivalents at beginning of year		51 202	46 993	-
Cash and cash equivalents at end of year	15	259 175	51 202	212 762

segmental reporting

for the year ended 30 September 2003

Primary reporting format

Business segments

The group operates in three business segments, namely Process Gas Solutions (PGS), Industrial and Special Products (ISP) and Healthcare. These businesses are the basis on which the group reports its primary segment information. The PGS business operates dedicated gas plants that are situated on or adjacent to customer sites, or supplied by long distance gas pipelines. PGS also supplies bulk gases by road tanker to the merchant market, to enhance customer processes and installs and manages small on-site packaged gas producing plants. The ISP business comprises cylinder and liquid fabrication gases, special, hospitality and medical gases, Handigas and welding products. This business also includes the industrial business of local and foreign subsidiaries.

The Healthcare business operates private hospitals in southern Africa. It offers healthcare services consisting of a chronic benefit management company, an occupational and primary healthcare provider, an interest in a pathology management company, a pharmacy management company and Lifecare Group Holdings Ltd.

	PGS		ISP		Hcare		Total	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Revenue								
External sales	408 067	369 314	2 442 999	2 256 160	4 474 829	3 886 036	7 325 895	6 511 510
Result								
Operating profit before corporate overheads	90 630	79 638	454 680	391 512	571 196	478 261	1 116 506	949 411
Corporate overheads - allocated	-	-	-	-	(20 675)	(48 995)	(20 675)	(48 995)
Corporate overheads - unallocated	-	-	-	-	-	-	(5 995)	(3 940)
Operating profit after corporate overheads	90 630	79 638	454 680	391 512	550 521	429 266	1 089 836	896 476
Net third party finance costs - allocated	-	-	-	-	(74 955)	(68 403)	(74 955)	(68 403)
Net third party finance costs - unallocated	-	-	-	-	-	-	(47 009)	(88 872)
Income from associates	-	-	-	-	42 841	27 139	42 841	27 139
Exceptional items	-	-	-	(4 568)	-	(10 466)	-	(15 034)
Income tax expense allocated	-	-	-	-	(162 370)	(138 085)	(162 370)	(138 085)
Income tax expense unallocated	-	-	-	-	-	-	(135 954)	(105 933)
Profit after taxation	90 630	79 638	454 680	386 944	356 057	239 451	712 409	507 288
Minority interest	-	-	(3 646)	(5 359)	(154 325)	(111 681)	(157 971)	(117 040)
Net profit for the year	90 630	79 638	451 034	381 585	201 732	127 770	554 438	390 248
Other information								
<i>Segment assets</i>	353 506	376 871	1 833 525	1 810 487	2 557 051	2 324 089	4 744 082	4 511 447
Investments in associates	-	-	-	-	121 818	96 519	121 818	96 519
Unallocated assets	-	-	-	-	-	-	278 177	39 467
Consolidated total assets	353 506	376 871	1 833 525	1 810 487	2 678 869	2 420 608	5 144 077	4 647 433
<i>Segment liabilities</i>								
Current liabilities	44 728	39 796	345 421	342 072	789 025	805 849	1 179 174	1 185 717
Unallocated current liabilities	-	-	-	-	-	-	245 981	246 794
Non-current liabilities	-	3 117	-	62 344	497 033	303 276	497 033	368 737
Unallocated non-current liabilities	-	-	-	-	-	-	126 702	259 558
Consolidated total liabilities	44 728	42 913	345 421	404 416	1 286 058	1 107 125	2 048 890	2 060 806
Capital expenditure	34 834	50 077	194 357	187 914	256 070	142 813	485 261	380 804
Depreciation	60 958	55 028	101 936	91 533	123 953	109 474	286 847	256 035

for the year ended 30 September 2003

segmental reporting continued

Secondary reporting format

Geographical segments

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

	South Africa		Rest of Africa		Total	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000	2003 R'000	2002 R'000
Revenue						
External sales	6 840 659	5 977 038	485 236	534 472	7 325 895	6 511 510
Result						
Segment result	1 018 987	820 349	70 849	76 127	1 089 836	896 476
Exceptional items	-	(15 034)	-	-	-	(15 034)
Finance costs	(119 973)	(156 166)	(1 971)	(1 109)	(121 944)	(157 275)
Income from associates	42 841	27 139	-	-	42 841	27 139
Income tax expense	(279 097)	(219 014)	(19 227)	(25 004)	(298 324)	(244 018)
Profit after taxation	662 758	457 274	49 651	50 014	712 409	507 288
Minority interest	(154 325)	(111 681)	(3 646)	(5 359)	(157 971)	(117 040)
Net profit for the year	508 433	345 593	46 005	44 655	554 438	390 248
Other information						
<i>Segment assets</i>	4 785 090	4 265 178	237 169	285 736	5 022 259	4 550 914
Investments in associates	121 818	96 519	-	-	121 818	96 519
Consolidated total assets	4 906 908	4 361 697	237 169	285 736	5 144 077	4 647 433
<i>Segment liabilities/consolidated total liabilities</i>	1 941 539	1 932 294	107 351	128 512	2 048 890	2 060 806
Capital expenditure	460 791	358 198	24 470	22 606	485 261	380 804
Depreciation	278 675	242 189	8 172	13 846	286 847	256 035

Segment revenue and expenses

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

Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of related allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accruals.

Segment assets and liabilities do not include deferred income taxes.

notes to the financial statements

for the year ended 30 September 2003

1. Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those of the previous financial year, except as otherwise stated in note 2. In all material respects these policies have been followed by all companies in the group.

1.1 Statement of compliance

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

1.2 Basis of preparation

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

1.3 Basis of consolidation

1.3.1 Investments in subsidiaries

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

Subsidiaries, are those companies in which the group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations.

The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition to the effective dates of disposal.

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

Where the fair value of the consideration paid exceeds the fair value of the identifiable assets and liabilities acquired, the difference is treated as purchased goodwill. Where the fair value of the identifiable assets and liabilities acquired exceeds the fair value of the consideration given, the difference is treated as negative goodwill. (See note 1.4 for accounting policy for goodwill).

1.3.2 Investments in associates

An associate is an enterprise over whose financial and operating policies the group has the ability to exercise significant influence, but not control and is neither a subsidiary nor a joint venture of the group.

Investments in associates are accounted for by the equity method of accounting.

Equity accounting involves recognising, in the income statement, the group's share of the associates' earnings for the year.

The group's interest in associates is carried in the balance sheet as an amount that reflects its share of the net assets of the associate and includes goodwill on acquisition.

1.3.3 Investments in joint ventures

Joint ventures are those enterprises over which the group exercises joint control in terms of a contractual agreement. Investments in jointly controlled entities are accounted for by way of the proportionate consolidation method whereby the group's proportional share of the assets, liabilities, revenue and expenses of joint ventures are combined on a line by line basis, with similar items in the financial statements of the group. The results of joint ventures are included from the effective dates when joint control commences and up to the effective dates when joint control ceases.

1.3.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the enterprises.

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

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

1.4 Goodwill and negative goodwill

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill on acquisition occurring on or after 1 October 2000 is reported in the balance sheet and is amortised using the straight line method, over its estimated useful life, which is assessed on an annual basis, not exceeding twenty years.

Goodwill on acquisitions that occurred prior to 1 October 2000 was charged in full to accumulated profits. Such goodwill has not been retrospectively capitalised and amortised.

Negative goodwill is recognised when the fair value of the group's share of the identifiable net assets acquired exceeds the cost of the acquisition.

To the extent that the negative goodwill relates to expected future losses and expenses, but which does not represent identifiable expected liabilities at the date of acquisition, it is recognised in income in the income statement when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition, negative goodwill is recognised in income in the income statement as follows:

The amount of the negative goodwill relating to identifiable non-monetary assets (not exceeding the fair values of such acquired assets), is recognised in

notes to the financial statements

for the year ended 30 September 2003

income on a systematic basis over the weighted average remaining useful lives of the depreciable assets, with a maximum of 20 years.

The amount of the negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised in income immediately.

The amount of the negative goodwill relating to monetary assets is recognised in income immediately.

1.5 Property, plant and equipment

The majority of properties are included at valuation.

Property valuations are conducted every four years.

Additions after the valuation dates are recorded at cost.

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

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

Cost includes all cost directly attributable to bringing the assets to working condition for their intended use.

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

The expected useful lives are as follows:

freehold property excluding hospital buildings – 40 years.
The useful life of each major hospital building is assessed and depreciation is provided for over their remaining lives, not exceeding 40 years.

passenger vehicles – 5 years;

light delivery vehicles – 7 years;

trucks – 10 years;

trailers – 15 years;

plant and equipment – 15 years;

liquefied petroleum gas cylinders – 15 years;

computer equipment – 3 years;

computer software – 5 years;

other cylinders – 25 years;

furniture and fittings – 5 years and

medical equipment – 5 to 10 years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

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

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

Improvements to leased premises are written off over the remaining rental periods applicable.

Profits and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken to the income statement.

1.6 Impairment

The carrying amounts of the tangible and intangible assets are reviewed continuously to determine if there is any indication of impairment.

An impairment loss is recognised in the income statement when the book value exceeds the recoverable amount. The recoverable amount is the greater of net selling price and value in use. In determining the value in use, expected future cash flows are discounted to their estimated present values.

A previously recognised impairment loss is reversed in so far as estimates change, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised.

A reversal of an impairment loss is recognised as income.

1.7 Borrowing costs

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

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

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

1.8 Intangibles

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

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

Other intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

1.9 Inventories

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

notes to the financial statements

for the year ended 30 September 2003

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

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

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

1.10 Financial instruments

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

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

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

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

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

Measurement

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

Investments

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

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for impairment.

Cash and cash equivalents

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

Cash and cash equivalents are reflected at year end bank statement balances.

Loans

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

Financial liabilities

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

Derivative instruments

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

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

- A hedge of the fair value of a recognised asset or liability (fair value hedge) or
- A cash flow hedge which hedges exposure to variability in cash flows that is either attributed to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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

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

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

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

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

1.11 Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired under finance lease agreements are capitalised, at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, with the equivalent amount being shown as a liability. Lease payments are allocated using the effective interest rate method to determine the lease finance

notes to the financial statements

for the year ended 30 September 2003

cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases

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

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

1.12 Employee benefits

Short term employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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

Actuarial valuations are done on a regular basis, with interim valuations being performed on an annual basis. Consideration is given to any event that could impact the funds up to the balance sheet date, where the interim valuation is performed at an earlier date. Actuarial gains or losses in respect of defined benefit plans are recognised in the income statement if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

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

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

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

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted

for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

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

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

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

Equity compensation benefits

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

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

African Oxygen Limited provides for the vested portion of these rights on an annual basis.

The unvested portion is disclosed as a contingent liability.

1.13 Post retirement medical aid costs

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

Actuarial gains or losses as a result of experience adjustments and/or the effects of changes in actuarial assumptions are recognised as income or expenditure systematically over the remaining service period of those employees according to the corridor method (refer to accounting policy 1.12).

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

1.14 Provisions

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

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

notes to the financial statements

for the year ended 30 September 2003

1.15 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

Foreign entities

All foreign subsidiaries are classified as foreign entities. Their financial statements are translated into the reporting currency as follows :

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

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

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

1.16 Dividends payable

Dividends payable are recognised as a liability in the period in which they are declared.

1.17 Revenue

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

Revenue recognition

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

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

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

1.18 Taxation

The current taxation charge is based on the results for the year after adjusting for exempt income and disallowed expenditure. The charge is calculated using rates applicable at balance sheet date.

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

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

The principal temporary differences arise from depreciation on property, plant and equipment, revaluations of certain non-current assets, provisions for employee benefits, estimates for bad debts and tax losses carried forward. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

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

1.19 Segment reporting

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

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

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

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment and investments, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued liabilities. Segment assets and liabilities do not include deferred taxation.

1.20 Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

In terms of the transitional provisions of AC133 – Financial instruments – recognition and measurement, comparative figures have not been restated. Where applicable, opening balances have however been restated.

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
2. Changes in accounting policies				
<i>i) Financial instruments – recognition and measurement</i>				
The group implemented AC133 – financial instruments recognition and measurement, with effect from 1 October 2002. Certain financial instruments have been identified and are now accounted for at fair value in terms of the statement. The adjustment to fair value is accounted for as part of finance costs in the income statement.				
The group is a party to a swap agreement that serves as a cash-flow hedge and is accounted for in non-distributable reserves in terms of AC133.				
The adjustment to opening reserves is disclosed in the statement of changes in equity. In accordance with the transitional provisions of AC133 comparative figures have not been restated.				
Increase/(decrease) in net profit for the year	3 455	–	(1 950)	–
Current movement on non-distributable reserve	(1 393)	–	–	–
<i>Restatement of opening reserves in respect of change in accounting policy</i>				
Non-distributable reserves – AC133 hedging reserve	1 061	–	–	–
Accumulated profits	15 911	–	–	–
Loans originated by the group - investments in associates	(4 218)	–	–	–
Loans originated by the group - other investments	(1 459)	–	–	–
Long term minority loans	21 588	–	–	–
	16 972	–	–	–
Opening and current year adjustments for AC133:				
Balance sheet				
Assets				
Non-current assets				
Investments in associates	(2 378)	–	–	–
Non-current receivables	(1 113)	–	–	–
Current assets				
Trade and other receivables	(2 246)	–	(1 950)	–
Total assets	(5 737)	–	(1 950)	–
Capital and reserves	19 033	–	(1 950)	–
Non-distributable reserve	(332)	–	–	–
Accumulated profits	19 365	–	(1 950)	–
Minority interest	(25 102)	–	–	–
Non-current liabilities				
Interest-bearing borrowings	332	–	–	–
Total equity and liabilities	(5 737)	–	(1 950)	–
Income statement				
Finance costs	3 455	–	(1 950)	–

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
2. Changes in accounting policies continued				
<i>ii) Freehold buildings depreciation</i>				
During the year ended 30 September 2002 the company changed its accounting policy with respect to the depreciation of freehold buildings. Previously freehold buildings were not depreciated. As from 1 October 2001 freehold buildings have been depreciated.				
According to AC135 the company's freehold buildings do not fall within the definition of investment properties and therefore must be depreciated in accordance with AC125 (Property, plant and equipment). Comparative figures have been restated.				
Decrease in net profit for the year	-	(22 038)		
Restatement of opening accumulated profit in respect of prior year adjustment	-	(85 972)		
Income statement				
Operating profit				
Depreciation	-	(22 038)		
<i>iii) Post retirement medical aid</i>				
During the year ended 30 September 2002 the company changed its accounting policy with respect to the treatment of post retirement medical aid liabilities, to comply with AC116.				
Previously the increase or decrease from one year to the next in the liability for in-service members was accounted for by spreading it over the expected working lives of the eligible employees. As from 1 October 2001 the company has provided for the full accrued liability as per the actuarial valuation. Comparative figures have been restated.				
Decrease in net profit for the year	-	(14 480)	-	(14 480)
Restatement of opening accumulated profit in respect of prior year adjustment	-	(47 586)	-	(47 586)
Income statement				
Operating profit				
Post retirement medical aid contributions	-	(20 686)	-	(20 686)
Taxation				
Deferred tax	-	6 206	-	6 206
Net profit for the year	-	(14 480)	-	(14 480)

notes to the financial statements

for the year ended 30 September 2003

	2003 R'000		2002 R'000			
	5. Property, plant and equipment					
Summary						
Group						
Owned	2 747 297		2 545 995			
Capitalised leased assets	110 291		141 943			
	2 857 588		2 687 938			
Company						
Owned	1 028 009		974 755			
Capitalised leased assets	32 996		38 704			
	1 061 005		1 013 459			
OWNED	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000			
Group						
2003						
Freehold property	1 276 666	(151 716)	1 124 950			
Plant and equipment	1 976 163	(1 033 141)	943 022			
Cylinders	639 706	(189 304)	450 402			
Vehicles	228 495	(119 885)	108 610			
Furniture and fittings	368 142	(247 829)	120 313			
	4 489 172	(1 741 875)	2 747 297			
2002						
Freehold property	1 127 914	(122 560)	1 005 354			
Plant and equipment	1 803 091	(889 250)	913 841			
Cylinders	560 502	(167 470)	393 032			
Vehicles	229 182	(110 562)	118 620			
Furniture and fittings	291 885	(176 737)	115 148			
	4 012 574	(1 466 579)	2 545 995			
	Freehold Property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000
2003						
Carrying amount at beginning of year	1 005 354	913 841	393 032	118 620	115 148	2 545 995
Additions	155 683	191 386	92 493	6 260	39 439	485 261
Acquisition of business (note 39)	7 800	15 967	-	829	1 224	25 820
Disposals	(2 007)	(7 558)	(1 626)	(1 099)	(5 115)	(17 405)
Inter asset transfers	(9 940)	(3 720)	-	3 720	9 940	-
Revaluations	656	1 360	-	-	-	2 016
Currency translation differences	(5 227)	(4 570)	(4 523)	(799)	(281)	(15 400)
Depreciation	(27 369)	(163 684)	(28 974)	(18 921)	(40 042)	(278 990)
Carrying amount at end of year	1 124 950	943 022	450 402	108 610	120 313	2 747 297
2002						
Carrying amount at beginning of year	681 732	844 272	312 986	86 856	110 139	2 035 985
Additions	30 588	169 510	103 973	48 417	22 349	374 837
Acquisition of business (note 39)	303 060	46 031	-	-	5 407	354 498
Disposals	(6 850)	(3 027)	(21)	(1 351)	(126)	(11 355)
Inter asset transfers	-	2 802	(2 745)	(57)	-	-
Revaluations	16 785	(845)	-	-	-	15 940
Currency translation differences	3 266	5 134	2 081	663	145	11 289
Depreciation	(23 247)	(150 036)	(23 242)	(15 908)	(22 766)	(235 199)
Carrying amount at end of year	1 005 354	913 841	393 032	118 620	115 148	2 545 995

notes to the financial statements

for the year ended 30 September 2003

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000			
5. Property, plant and equipment continued						
OWNED						
Company						
2005						
Freehold property	11 858	(1 204)	10 654			
Plant and equipment	925 664	(481 514)	444 150			
Cylinders	617 393	(179 932)	437 461			
Vehicles	194 834	(100 879)	93 955			
Furniture and fittings	146 148	(104 359)	41 789			
	1 895 897	(867 888)	1 028 009			
2002						
Freehold property	2 956	(1 110)	1 846			
Plant and equipment	867 512	(417 071)	450 441			
Cylinders	532 492	(157 265)	375 227			
Vehicles	201 519	(94 093)	107 426			
Furniture and fittings	130 805	(90 990)	39 815			
	1 735 284	(760 529)	974 755			
	Freehold Property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Furniture and fittings R'000	Total R'000
2005						
Carrying amount at beginning of year	1 846	450 441	375 227	107 426	39 815	974 755
Additions	1 102	70 283	91 043	955	19 091	182 474
Acquisition of business (note 39)	7 800	383	–	829	–	9 012
Disposals	–	(6 664)	(1 600)	(788)	(1 874)	(10 926)
Depreciation	(94)	(70 293)	(27 209)	(14 467)	(15 243)	(127 306)
Carrying amount at end of year	10 654	444 150	437 461	93 955	41 789	1 028 009
2002						
Carrying amount at beginning of year	5 647	456 425	298 677	76 301	31 322	868 372
Additions	513	53 278	100 972	44 821	20 674	220 258
Disposals	(4 244)	(1 796)	(19)	(511)	(71)	(6 641)
Depreciation	(70)	(57 466)	(24 403)	(13 185)	(12 110)	(107 234)
Carrying amount at end of year	1 846	450 441	375 227	107 426	39 815	974 755

notes to the financial statements

for the year ended 30 September 2003

	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000		
5. Property, plant and equipment continued					
CAPITALISED LEASED ASSETS					
Group					
2005					
Freehold property	86 643	(9 350)	77 293		
Plant and equipment	53 000	(26 149)	26 851		
Cylinders	92 904	(86 757)	6 147		
	232 547	(122 256)	110 291		
2002					
Freehold property	86 643	(7 201)	79 442		
Plant and equipment	96 625	(43 187)	53 438		
Cylinders	145 915	(137 083)	8 832		
Vehicles	278	(47)	231		
	329 461	(187 518)	141 943		
	Freehold Property R'000	Plant and equipment R'000	Cylinders R'000	Vehicles R'000	Total R'000
2005					
Carrying amount at beginning of year	79 442	53 438	8 832	231	141 943
Disposals	–	(23 564)	–	(231)	(23 795)
Depreciation	(2 149)	(3 023)	(2 685)	–	(7 857)
Carrying amount at end of year	77 293	26 851	6 147	–	110 291
2002					
Carrying amount at beginning of year	81 546	59 789	15 246	231	156 812
Additions	–	5 967	–	–	5 967
Depreciation	(2 104)	(12 318)	(6 414)	–	(20 836)
Carrying amount at end of year	79 442	53 438	8 832	231	141 943
	Cost or valuation R'000	Accumulated depreciation R'000	Carrying amount R'000		
Company					
2005					
Plant and equipment	53 000	(26 151)	26 849		
Cylinders	92 904	(86 757)	6 147		
	145 904	(112 908)	32 996		
2002					
Plant and equipment	53 000	(23 128)	29 872		
Cylinders	145 915	(137 083)	8 832		
	198 915	(160 211)	38 704		

notes to the financial statements

for the year ended 30 September 2003

	Plant and equipment R'000	Cylinders R'000	Total R'000
5. Property, plant and equipment <i>continued</i>			
2005			
Carrying amount at beginning of year	29 872	8 832	38 704
Depreciation	(3 023)	(2 685)	(5 708)
Carrying amount at end of year	26 849	6 147	32 996
2002			
Carrying amount at beginning of year	32 894	15 246	48 140
Depreciation	(3 022)	(6 414)	(9 436)
Carrying amount at end of year	29 872	8 832	38 704

The group's land and buildings, excluding the Healthcare and Lifecare groups were independently valued as at 1 October 2001. The valuation was carried out in accordance with the Property Valuers Professional Act of 2000 by registered Associated Valuers, Garth MacFarlane and Peter Parfitt who are qualified to express an opinion thereon.

Certain land and buildings in the Healthcare group were reviewed by an independent valuer over the past two years. No adjustments were made as a result of the review as the carrying amount of these assets approximated the open market value. Certain fixed assets are encumbered as reflected in notes 17 and 18.

A register of land and buildings owned by the group is available for inspection at the registered office of the company. If the group's land and buildings were to be stated on the historical cost basis the amounts would be as follows:

	2005 R'000	2002 R'000
Cost	1 114 512	978 244
Accumulated depreciation	(146 542)	(96 424)
Carrying amount	967 770	881 820

notes to the financial statements

for the year ended 30 September 2003

	Cost R'000	Accumulated amortisation R'000	Carrying amount R'000
4. Intangibles			
Group			
2005			
Lease premiums	1 116	(392)	724
Licences	456	(350)	106
Restraint of trade	4 222	(2 872)	1 350
	5 794	(3 614)	2 180
2002			
Lease premiums	1 112	(118)	994
Licences	296	(91)	205
Restraint of trade	3 925	(2 040)	1 885
	5 333	(2 249)	3 084

	Lease premiums R'000	Licences R'000	Restraint of trade R'000	Total R'000
<i>Reconciliation of carrying amounts</i>				
2005				
Carrying amount at beginning of year	994	205	1 885	3 084
Additions	4	160	297	461
Reclassification	(2)	-	-	(2)
Amortisation charge (note 28)	(272)	(259)	(832)	(1 363)
Carrying amount at end of year	724	106	1 350	2 180
2002				
Carrying amount at beginning of year	154	296	2 499	2 949
Additions	958	-	-	958
Amortisation charge (note 28)	(118)	(91)	(614)	(823)
Carrying amount at end of year	994	205	1 885	3 084

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
5. Goodwill				
Carrying amount at beginning of year	105 686	13 300	775	-
Gross carrying amount	113 336	15 034	780	-
Accumulated amortisation	(7 650)	(1 734)	(7)	-
Additions	36 230	98 302	225	780
Amortisation charge (note 28)	(8 689)	(5 916)	(55)	(7)
Carrying amount at end of year	133 227	105 686	941	775
Gross carrying amount	149 566	113 336	1 005	780
Accumulated amortisation	(16 339)	(7 650)	(62)	(7)
6. Investments in subsidiaries				
Ordinary shares			610 595	609 598
Loans owing by subsidiaries			82 391	77 664
			692 986	687 262
Loans owing to subsidiaries			(375 250)	(314 779)
			317 736	372 483
Provision for impairment loss			(35 770)	(35 770)
Net investment in subsidiaries			281 966	336 713
Details of subsidiaries are presented on page 112.				

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
7. Investments in associates				
<i>Unlisted ordinary shares</i>	51 175	17 728		
Opening balance	17 728	49 828		
Increasing interest in associates to maintain shareholding	17 465	-		
Acquired through investment in subsidiary	873	-		
Increasing interest in associate to subsidiary level	(4 891)	(32 100)		
<i>Indebtedness</i>	25 734	34 967		
Opening adjustment for AC135	(4 218)	-		
Gross amount owing	31 143	34 967		
Current adjustment for AC135	(1 191)	-		
<i>Share of accumulated profits since acquisition</i>	64 909	43 824		
Share of opening accumulated profits	43 824	43 546		
Adjustment for associates implementing AC135*	(1 961)	-		
Share of current profit for the year	32 455	19 230		
Increasing interest in associates to subsidiary level	(277)	(17 287)		
Repayment of associated trust/partnership profits	(4 907)	-		
Dividends received from associates	(4 223)	(1 665)		
Carrying amount at end of year	121 818	96 519		
Directors' valuation of shares	96 086	61 552		
* This adjustment represents the group's proportionate interest of the adjustments made for the implementation of AC135 by associated companies subsequent to the issuing of the 2002 financial statements.				
The aggregate assets, liabilities and results of operations of associate companies are summarised as follows:				
Income statement				
Revenue	515 492	507 357		
Profit before taxation	117 859	85 959		
Income tax expense	(32 349)	(18 734)		
Net profit for the year	85 510	67 225		
Balance sheet				
Non – current assets	255 188	197 846		
Current assets	125 573	135 692		
Total assets	380 761	333 538		
Capital and reserves	207 735	157 548		
Non – current liabilities	105 421	102 001		
Current liabilities	67 605	73 989		
Total equity and liabilities	380 761	333 538		

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
7. Investments in associates <i>continued</i>				
Cash flow				
Net cash flow from operating activities	71 828	(1 408)		
Net cash flow from investing activities	(39 327)	32 658		
Net cash flow from financing activities	(51 136)	(36 445)		
Net movement in cash and cash equivalents	1 365	(5 195)		
Capital commitments				
Approved not yet contracted for	33 557	6 855		
Details of the associates are presented on page 113.				
The group's share of profits or losses is determined by reference to the audited financial statements of associated companies at 28 February 2003 and 30 September 2003.				
Management results up to 31 August 2003 have been included for all companies with 28 February 2003 year ends.				
There have been no material transactions in the period between August 2003 and the year ended 30 September 2003.				
8. Other investments				
<i>Unlisted</i>	36 407	16 713	17 235	15 391
Opening carrying amount	16 713	25 815	15 391	13 082
Disposals	(1 152)	(2 170)	(1 152)	(2 717)
Acquisitions	6 505	6 148	5 868	5 026
Loans/advances	17 215	–	–	–
Reclassification	(2 874)	(9 017)	(2 874)	–
Increasing interest to subsidiary level	–	(4 063)	–	–
<i>Endowment policy to repay bond</i>	–	16 222	–	–
<i>Investment in joint venture</i>	–	–	16 128	2 717
Net other investments	36 407	32 935	33 361	18 108
Directors' valuation (excluding the endowment policy)	36 407	16 713	33 361	18 108

Details of other investments are presented on page 113.

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
9. Joint ventures				
The group holds indirectly the following interests in joint ventures:				
East Rand Oncology Unit	48%	48%		
West Rand Oncology Unit	40%	40%		
St George's Linac	60%	40%		
Hospital Medical Systems	62%	62%		
Brenthurst Radiology MRI	70%	70%		
Brenthurst Equipment Trust 1	50%	50%		
Brenthurst Equipment Trust 2	70%	30%		
Brenthurst Radiology Cat Scan	50%	50%		
Flora Renal Unit	50%	75%		
Sandton GIT	50%	50%		
Sandton IVF	50%	50%		
Boldprops 102 (Pty) Ltd	50%	50%		
MOCOH Gas Madagascar SARL	50%	50%		
Petrogas Lda	49%	0%		
The consolidated results include the following amounts relating to the group's interest in joint ventures:				
Income statement				
Revenue	68 521	54 282		
Net profit before taxation	36 523	32 402		
Income tax expense	(37)	(8)		
Net profit for the year	36 486	32 394		
Balance sheet				
Non-current assets	41 787	22 528		
Current assets	27 651	16 136		
Total assets	69 438	38 664		
Capital and reserves	59 112	32 340		
Non-current liabilities	90	1 195		
Current liabilities	10 236	5 129		
Total equity and liabilities	69 438	38 664		
Cash flow				
Net cash flow from operating activities	38 823	31 637		
Net cash flow from investing activities	(17 057)	(6 289)		
Net cash flow from financing activities	(19 397)	(26 382)		
Net movement in cash and cash equivalents	2 369	(1 034)		

The group's interest in capital commitments for the joint ventures is R5 500 000 (2002: R960 000)

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
10. Non-current receivables				
Afrox Healthcare - loans receivable	29 672	30 060	-	-
Opening carrying amount	30 060	26 153	-	-
AC153 opening fair value adjustment	(1 458)	-	-	-
Net other movements during the year	725	3 907	-	-
AC153 current fair value adjustment	545	-	-	-
Other long term assets	10 860	-	10 860	-
	40 532	30 060	10 860	-
The Afrox Healthcare loans are unsecured, bear interest at rates linked to the prime bank overdraft rate and are repayable between two and five years.				
11. Retirement benefit asset/(obligation)				
Summary				
i) Pension funds	(125)	-	-	-
ii) Post-retirement medical benefits	9 907	(77 930)	9 907	(77 930)
iii) Disability fund	14	-	14	-
	9 798	(77 930)	9 921	(77 930)

i) Pension and provident funds

The group has twelve pension funds and thirteen provident funds. All employees are required to belong to either a defined benefit fund or a defined contribution fund. Six of the pension funds are defined benefit funds and the remaining pension and provident funds are defined contribution funds.

The funds are administered on behalf of the group by external financial service companies and trustees and are governed by the Pension Fund Act of 1956.

Actuarial valuations are done for each defined benefit fund in accordance with their respective pension fund rules.

The defined contribution pension and provident funds do not require an actuarial valuation, however a financial review is carried out annually, to determine the funds' solvency.

The defined benefit funds are actuarially valued using the projected unit credit method.

All the defined benefit funds are closed to new members.

The assets of all the schemes are held in administered funds separate from the group's assets.

	Latest statutory valuation
African Oxygen Ltd Pension Fund	30 June 2001
Afrox Healthcare Pension Fund	30 June 2003
Lifecare Group Holdings Pension Fund	1 April 1998
Lifecare Clinics Pension Fund	28 February 2002
Other Healthcare Pension Funds	1 September 2002

At the time of the valuations, all the funds were certified by the reporting actuaries as being in a sound financial position, subject to the continuation of their current contribution rates. In arriving at their conclusions, the actuaries took into account the following assumptions at the date of the valuation:

The following actuarial assumptions were applied:	2003	2002
Discount rate (%)	10.0	12.0
Consumer price inflation (%)	5.0	7.0
Expected return on assets (%)	10.0	11.5
Compensation increase rate (%)	7.5	9.5

notes to the financial statements

for the year ended 30 September 2003

11. Retirement benefit asset/(obligation) continued	2005	2002
Pension increase rate (%)		
African Oxygen Ltd Pension Fund	4.8	6.8
Afrox Healthcare Pension Fund	4.8	6.0
Lifecare Group Holdings Pension Fund	3.8	5.3
Lifecare Clinics Pension Fund	3.8	5.3
Other Healthcare Pension Funds	2.0	4.0

The group's obligation in respect of retirement benefits as measured in terms of AC116 is tabled below:

	African Oxygen Ltd Pension Fund R'000	Afrox Healthcare Pension Fund R'000	Lifecare Group Pension Fund R'000	Lifecare Clinics Pension Fund R'000	Other Healthcare Pension Funds R'000
Fund status					
Fair value of plan assets	988 189	157 552	91 661	20 060	15 088
Benefit obligation	(958 911)	(111 500)	(39 195)	(19 477)	(17 605)
Funded status	29 278	46 052	52 466	583	(2 515)
Unrecognised actuarial loss	89 416	39 968	11 281	5 912	2 891
	118 694	86 020	63 747	6 495	376
Unrecognised pension asset	(118 694)	(86 020)	(63 747)	(6 495)	(499)
Pension liability recognised at 30 September 2003	-	-	-	-	(123)

No asset is recognised in respect of the surplus as the apportionment of the surplus still needs to be approved by the Registrar of Pension Funds in terms of the Pension Fund Second Amendment Act 39 of 2001.

Movements in the net liability recognised in the balance sheet are as follows:

Net asset at beginning of year	106 735	77 088	57 150	5 701	500
Net (expense)/income recognised in the income statement	(13 327)	4 825	5 309	(228)	(920)
Company contributions	25 286	4 107	1 288	1 022	796
Net asset at end of year	118 694	86 020	63 747	6 495	376

Amounts recognised in the income statement are as follows:

Current service cost	20 765	3 306	973	751	724
Interest on obligation	106 178	11 767	5 527	1 678	1 956
Expected return on plan assets	(113 616)	(19 898)	(11 809)	(2 201)	(1 760)
Total included in staff costs	13 327	(4 825)	(5 309)	228	920

Net unrecognised actuarial loss*

Opening unrecognised actuarial (gain)/loss	(8 808)	-	-	-	937
Actuarial loss on defined benefit obligation	6 698	32 815	17 878	892	1 577
Actuarial loss/(gain) on plan assets	91 526	7 153	(6 597)	5 020	377
Net unrecognised actuarial loss	89 416	39 968	11 281	5 912	2 891

The actuarial surplus disclosed in this note is calculated in accordance with AC116 and is for accounting purposes only.

notes to the financial statements

for the year ended 30 September 2003

11. Retirement benefit asset/(obligation) continued

ii) Post – retirement medical benefits

Group and company

African Oxygen Ltd has a liability arising as a result of a post–employment subsidy of healthcare benefits.

Members of certain medical aid plans, who joined the company before 1 November 1996 and remain in the employment of Afrox until retirement, are eligible for a post–retirement subsidy of their medical aid contributions.

Afrox's contributions to this fund have been disclosed below.

In the current year, Afrox increased its contributions to the fund.

Afrox is liable to make good any shortfalls in the fund.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with AC116.

The plan assets have now been ringfenced to provide for post-retirement medical benefits and now represents the current market value of Afrox's contribution to the fund.

The defined benefit fund is actuarially valued using the projected unit credit method.

This benefit fund is a closed fund.

The following actuarial assumptions were applied:

	2005	2002
Discount rate (%)	9.6	12.0
Consumer price inflation (%)	5.0	7.0
Healthcare cost inflation (%)	8.0	10.0

The group's obligation in respect of this post–retirement medical aid benefit as measured in terms of AC116 are tabled below:

Fund status

Fair value of plan assets (2002: Contributions to benefit fund)	195 905	93 236
Benefit obligation	(181 333)	(171 166)
Funded status	12 572	(77 930)
Unrecognised actuarial gain	(2 665)	–
Benefit asset/(liability) recognised at 30 September 2005	9 907	(77 930)

Analysis of benefit obligation:

Projected benefit obligation as at 1 October 2002	171 166	82 500
Change in accounting policy	–	67 980
Restated projected benefit obligation as at 1 October 2002	171 166	150 480
Service cost	4 405	2 625
Interest cost	19 740	18 063
Benefits paid	(11 321)	–
Actuarial gain	(2 655)	–
Benefit obligation as at 30 September 2003	181 333	171 166

Analysis of plan assets:

Contributions to benefit fund 1 October 2002	93 236	92 849
Growth attributable to prior years	24 127	–
	117 365	92 849
Expected return on plan assets	11 276	–
Additional contributions	76 577	387
Benefits paid	(11 321)	–
Actuarial gain	10	–
Market value of plan assets at 30 September 2005 (2002: Contributions to benefit fund)	195 905	93 236

notes to the financial statements

for the year ended 30 September 2003

11. Retirement benefit asset/(obligation) continued

Amounts recognised in the income statement are as follows:

	2005 R'000	2002 R'000
Current service cost	4 405	2 625
Interest on obligation	19 740	18 063
Expected return on plan assets	(11 276)	–
Growth in fund prior to September 2002	24 127	–
Total included in staff costs	36 994	20 686
Net unrecognised actuarial gain*	–	–
Opening unrecognised actuarial gain	–	–
Actuarial gain on defined benefit obligation	(2 655)	–
Actuarial gain on plan assets	(10)	–
Net unrecognised actuarial gain	(2 665)	–

* the opening cumulative net unrecognised actuarial (gain)/loss in excess of the 10% corridor is recognised in the income statement over the average remaining working lives of the employees.

iii) Disability fund

Group and company

African Oxygen Ltd has a liability to provide benefits to employees who become disabled during the course of their employment. Afrox made a lump sum contribution to this disability fund during the year.

The plan assets represent the market value of the assets.

This disability fund has been actuarially valued using the projected unit credit method.

Fund status

Fair value of plan assets	15 086	–
Benefit obligation	(15 072)	–
Benefit asset recognised at 30 September 2005	14	–

	Group		Company	
	2005 R'000	2002 R'000	2005 R'000	2002 R'000
12. Deferred tax				
Capital allowances	201 300	191 166	140 610	125 446
Tax losses carried forward	(50 339)	(8 465)	–	–
Provisions and other	(59 070)	(48 944)	(57 520)	(23 963)
	91 891	133 757	103 090	101 483
Reconciliation of deferred tax				
Opening balance	133 757	150 823	101 483	109 815
Under provision in prior years	(687)	–	–	–
Exchange adjustments	(2 073)	1 496	–	–
<i>Temporary differences:</i>				
Capital allowances	10 134	(8 485)	15 164	1 480
Provisions and other	(5 788)	(10 077)	(13 557)	(9 812)
Tax losses raised	(43 452)	–	–	–
Closing balance	91 891	133 757	103 090	101 483

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
12. Deferred tax <i>continued</i>				
Deferred tax assets arising from tax losses are recognised to the extent that realisation of the related tax benefit is probable. The group has tax losses of R21 792 314 (2002: R167 493 412) to carry forward against future taxable income, which have not been recognised in these financial statements due to uncertainties.				
Deferred tax asset	(68 247)	(32 621)	–	–
Deferred tax liability	160 138	166 378	103 090	101 483
	91 891	133 757	103 090	101 483
13. Inventories				
Raw materials	54 230	41 409	27 929	31 987
Work in progress	3 564	7 080	1 436	4 758
Finished goods (includes medical consumables)	358 853	355 830	170 082	163 374
	416 647	404 319	199 447	200 119
Stock carried at net realisable value				
At net realisable value	30 197	30 576	30 197	30 576
At cost	34 013	34 690	34 013	34 690
14. Trade and other receivables				
Trade receivables	1 188 725	1 118 862	324 064	360 019
Provision for doubtful debts	(61 978)	(81 228)	(19 380)	(28 914)
Net trade receivables	1 126 747	1 037 634	304 684	331 105
Other receivables	59 090	91 775	78 103	69 061
Prepayments	22 810	34 704	4 797	11 837
Deposits	414	1 937	152	1 681
Accrued income	26 927	16 250	9 211	14 908
Staff loans	23 611	19 717	14 649	9 906
AC133 current year fair value adjustment to staff loans	(2 246)	–	(1 950)	–
	1 257 353	1 202 017	409 646	438 498
Receivables are carried at anticipated realisable value. An estimate is made for impairment, based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.				
15. Cash and cash equivalents				
Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:				
Cash on hand and favourable balances with banks	260 552	79 987	212 762	–
Bank overdrafts	(1 377)	(28 785)	–	–
	259 175	51 202	212 762	–
Cash and cash equivalents consist of the following:				
South African rand	247 205	33 753	212 762	–
Foreign currencies	11 970	17 449	–	–
	259 175	51 202	212 762	–

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
16. Share capital and share premium				
Group and company				
Authorised				
Ordinary shares – 350 000 000 of 5 cents each	17 500	17 500	17 500	17 500
	Number of shares	Ordinary shares R'000	Share Premium R'000	Total R'000
Issued				
At 30 September 2001	325 541 956	16 277	298 756	315 033
Issue of shares in lieu of dividend	4 758 852	238	61 722	61 960
At 30 September 2002	330 300 808	16 515	360 478	376 993
Issue of shares in lieu of dividend	12 552 276	628	176 836	177 464
At 30 September 2003	342 853 084	17 143	537 314	554 457
The unissued shares remain under the control of the directors until the next annual general meeting, subject to the provisions of, section 221 and 222 of the Companies Act of 1973 as amended and the rules and directives of the JSE Securities Exchange respectively. All issued shares are fully paid.				
	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
17. Interest bearing borrowings				
Secured loans	541 662	520 670	–	–
Unsecured loans	90 989	147 742	89 883	147 742
Finance leases (excluding property)	9 070	6 132	–	–
	641 721	674 544	89 883	147 742
Less : current portion of interest bearing borrowings	(76 719)	(194 492)	–	(29 432)
	565 002	480 052	89 883	118 310
Analysis:				
United States Dollar	77 798	81 813	–	–
South African Rand	487 204	398 239	89 883	118 310
	565 002	480 052	89 883	118 310

notes to the financial statements

for the year ended 30 September 2003

Terms of repayment	Date of final repayment	2003 %	Group		Company	
			2003 R'000	2002 R'000	2003 R'000	2002 R'000
17. Interest bearing borrowings continued						
Secured loans						
i) Mortgage bond, half yearly repayments in arrears of R6 589 794 (2002: R6 101 662) and escalating at 8% p.a – variable interest rate. Secured by mortgage bond over remainder of erf 146818, Mowbray, Cape Town, with book value of R75 490 708 (2002: R75 431 000) Derivative instrument against long term borrowings*	9/2010	12.68	68 959	70 602		
			332	–		
ii) Mortgage bond, monthly repayments in arrears of R1 246 979 in 2002 - variable interest rate. Secured by mortgage bond over certain land and buildings in the Amahosp group with a book value of R202 527 986 in 2002			–	105 749		
iii) Mortgage bond, monthly repayments in advance of R620 000 in 2002 - variable interest rate. Secured by mortgage bond over remainder of erf 1131, 1132, 1133, Die Wilgers Ext 14, Pretoria, with a book value of R94 973 853 in 2002			–	51 473		
iv) Other mortgage bonds, average monthly repayments of R392 944 (2002: R315 500). Secured by mortgage bonds over fixed properties, with book values of R41 529 606 (2002: R25 478 000)		Prime	27 413	25 359		
v) Loan			–	115 000		
vi) <i>Instalment sales</i> Secured by instalment sale agreement over plant and machinery having a book value of R200 525 714 (2002: R220 083 497) Repayable in bi-annual instalments of R20 489 519 (2002: R24 061 098) and monthly instalments of R1 018 000 (2002: R1 284 000)		Prime	90 811	141 227		
vii) <i>Loans at fixed interest rates</i> These loans bear interest at fixed rates linked to prime, and have various maturity dates over the next seven years. These loans are secured by cross-sureties signed by group companies.	9/2010	Ave 11.5	292 168	–		
viii) <i>Loans at variable interest rates</i> These loans bear interest at variable rates linked to prime, and have various maturity dates over the next two years. Of the total of R61 979 000, R51 436 000 is secured by cross-sureties signed by group companies and the remaining R10 543 000 is secured in terms of sale of share agreements.	9/2005	Ave 12.3	61 979	11 280		
			541 662	520 670		
Less: current portion of interest bearing borrowings			(71 010)	(161 647)		
			470 652	359 023		

notes to the financial statements

for the year ended 30 September 2003

Terms of repayment	Date of final repayment	2003 %	Group		Company	
			2003 R'000	2002 R'000	2003 R'000	2002 R'000
17. Interest bearing borrowings continued						
Minimum repayments of secured borrowings:						
One to two years			71 010	161 647		
Two to five years			249 606	169 402		
Longer than five years			221 046	189 621		
			541 662	520 670		
* Derivative instrument against non-current interest-bearing borrowings						
The derivative instrument represents an interest rate swap that is classified as a cash-flow hedge. Further details are disclosed on note 25.						
Fair value of derivative instrument as at 1 October 2002						
			(1 061)	–		
Current year movement accounted for in the AC133 hedging reserve						
			1 393	–		
Fair value of derivative instrument as at 30 September 2003						
			332	–		
Unsecured loans						
In full on repayment date, interest half-yearly in arrears	10/2005	16.16	20 000	20 000	20 000	20 000
In half yearly repayments with interest	12/2005	9.82	111 406	149 307	111 406	149 307
Loans with maturity dates within one year			(40 417)	(21 565)	(41 523)	(21 565)
			90 989	147 742	89 883	147 742
Less: current portion of interest bearing borrowings			(825)	(29 432)	–	(29 432)
			90 164	118 310	89 883	118 310
Minimum repayments of unsecured borrowings:						
One to two years			825	29 432	–	29 432
Two to five years			90 164	118 310	89 883	118 310
			90 989	147 742	89 883	147 742
Finance leases (excluding property)						
The future minimum payments under finance leases at fixed interest rates, payable half-yearly in arrears and advance, at 12.5 and 17 percent are as follows:						
Repayable before 30 September						
2003			–	3 413		
2004			4 884	2 719		
2005			726	–		
Thereafter			3 460	–		
			9 070	6 132		
Less: current portion of interest bearing borrowings			(4 884)	(3 413)		
			4 186	2 719		

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
18. Property finance leases				
The future minimum payments under property finance leases at fixed interest rates, payable half-yearly in arrears and advance, at 16.28 and 15.42 percent are as follows:				
Repayable before 30 September				
2003	–	6 575		
2004	10 559	10 557		
2005	14 164	14 164		
2006	18 529	18 529		
2007	26 040	27 065		
	69 292	76 888		
Less: current portion of interest bearing borrowings	(10 559)	(6 575)		
	58 733	70 313		
19. Trade and other payables				
Trade payables	648 653	581 834	191 562	186 833
Cylinder deposits	51 422	41 220	35 169	25 238
Value added taxation	32 992	26 352	4 698	1 469
Interest accrual	16 419	21 325	16 419	18 694
Provision for share appreciation rights	28 333	4 934	20 660	4 934
Derivative cover liability	10 995	–	6 157	–
Other payables	262 594	255 886	105 363	103 076
	1 051 408	931 551	379 828	340 244
Other payables include employee related costs and sundry accruals.				
20. Provisions				
Employee benefits (bonuses and leave pay)	178 616	113 347	38 920	25 766
Movement in provisions :				
Additional provisions	167 515	94 669	58 934	36 620
Amounts utilised	(104 906)	(96 103)	(45 780)	(34 898)
Provisions acquired through acquisition of subsidiaries	2 660	6 572	–	–
Movement for the year	65 269	5 138	13 154	1 722
Balance at beginning of the year	113 347	108 209	25 766	24 044
Balance at end of the year	178 616	113 347	38 920	25 766

notes to the financial statements

for the year ended 30 September 2003

21. Foreign currency exposure

Loans

In terms of the group's policy, all material foreign currency loans are covered under forward exchange contracts. As a result, the group did not incur any major currency losses or profits during the year on such loans. A subsidiary in the group had an uncovered rand transaction exposure of R 2 714 000 in 2002.

Trade exposure

The group has entered into certain forward contracts, which do not relate to specific items in the balance sheet, but which were entered into to cover foreign commitments not yet due and proceeds which are not yet receivable. The contracts will be utilised for purposes of trade and interest commitments during 2004.

Details of significant contracts are as follows:

	Foreign amount '000	2003	Rand amount '000	Foreign amount '000	2002	Rand amount '000
		Average rate			Average rate	
Imports						
US dollars	3 377	7.8	26 468	3 316	10.9	36 048
British pounds	661	14.3	9 485	1 736	16.5	28 649
Australian dollars	86	5.0	432	87	5.8	501
Euro	4 259	8.7	37 005	4 850	10.5	51 153
Swedish krone	141	0.9	123	1 533	1.2	1 784
Other	–	–	1 255	–	–	837
			74 766			118 972
Exports						
US dollars	134	7.5	1 010	1 140	10.7	12 227
British pounds	14	11.7	164	41	16.5	677
Australian dollars	396	5.0	1 979	365	6.0	2 172
Other	–	–	–	–	–	121
			3 153			15 197

22. Dividends and capitalisation share award

As per AC107 (post balance sheet events) the dividend is not provided for in the income statement until it has been declared, therefore the final dividend has been shown for information purposes only.

notes to the financial statements

for the year ended 30 September 2003

23. Related party transactions

Various transactions are entered into by the company and its subsidiaries during the year with related parties. Unless specifically disclosed, these transactions occurred under terms that are no less favourable than those entered into with third parties. Intra-group transactions are eliminated on consolidation.

Shareholders

Details on the shareholders of the company are disclosed on page 60 (Shareholders' profile).

Investments

Investments in subsidiaries, associated companies and trade investments are detailed on pages 112 and 113.

Directors

Directors' emoluments are disclosed in note 34.

The directors are listed in the directors' report.

No loans were made to or received from any director.

Holding company

The ultimate holding company of African Oxygen Ltd is The BOC Group plc incorporated in England and listed on the London and New York Stock Exchanges.

	2003 R'000	2002 R'000
Material related party transactions		
Dividend received:		
Les Gaz Industriels Limited	897	–
Technical aid fee:		
Paid to The BOC Group plc	(15 840)	(11 513)
Received from Les Gaz Industriels Limited	–	30
Received from Liquid Air Seychelles	–	605
Revenue from sale of goods:		
BOC Kenya	2 490	3 965
Les Gaz Industriels Limited	2 482	2 127
BOC Nigeria	2 187	841
Liquid Air Seychelles	85	389
BOC Zimbabwe	17 227	18 047
BOC Australia	17 331	21 264
BOC New Zealand	1 807	1 306
These transactions are at arm's length.		
Amounts outstanding on trade receivables:		
BOC Kenya	571	1 487
BOC Zimbabwe	3 415	435
BOC Australia	1 639	1 927
BOC New Zealand	145	118
BOC Nigeria	1 148	–
Amounts outstanding on trade payables:		
BOC Windlesham	2 632	2 878
UK Gases	–	4 772
US Gases	–	3 636
Cash dividends paid to holding company	–	56 830
Shares issued to holding company in lieu of dividend (no of shares)	9 177 345	3 519 387

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
24. Commitments				
Capital expenditure				
Contracted	39 973	150 714	26 692	54 714
Authorised by the directors, but not yet contracted for	645 253	482 409	267 819	137 009
Total future capital expenditure	685 226	633 123	294 511	191 723

It is intended to finance capital expenditure from surpluses generated and borrowing facilities available.

25. Financial instruments

Foreign currency – refer to note 21.

Interest rate risk

The group is exposed to interest rate risk as it borrows funds at fixed and variable rates from financial institutions. It also places funds at institutions at variable and fixed rates. The risk is managed by maintaining an appropriate mix between fixed and variable rates at different financial institutions.

The group's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at the balance sheet date are:

	Weighted average effective interest rate %	Floating interest rate R'000	Fixed interest rate maturing			Non-interest-bearing R'000	Total	
			1 year or less R'000	1 to 5 years R'000	Over 5 years R'000		2003 R'000	2002 R'000
30 September 2003								
Assets								
Cash and cash equivalents	8.4	260 552	–	–	–	–	260 552	79 987
Trade and other receivables	–	–	–	–	–	1 257 353	1 257 353	1 202 017
Non-current assets	17.0	50 330	–	–	–	135 407	185 737	138 830
Investments in associates and trade investments	14.5	25 734	–	–	–	132 491	158 225	129 454
Total financial assets		336 616	–	–	–	1 525 251	1 861 867	1 550 288
Liabilities								
Bank overdraft	12.0	1 377	–	–	–	–	1 377	28 785
Trade and other payables	–	–	–	–	–	1 051 408	1 051 408	931 551
Current portion of interest bearing borrowings	11.5	52 371	34 907	–	–	–	87 278	201 067
Property finance lease	14.5	–	–	58 733	–	–	58 733	70 313
Interest bearing borrowings incl derivative instrument	12.1	75 190	–	280 924	208 888	–	565 002	480 052
Total financial liabilities		128 938	34 907	339 657	208 888	1 051 408	1 763 798	1 711 768
Net financial assets/(liabilities)		207 678	(34 907)	(339 657)	(208 888)	473 843	98 069	(161 480)

notes to the financial statements

for the year ended 30 September 2003

25. Financial instruments continued

Interest rate swap

A company in the group has entered into an interest rate swap contract that entitles it to receive interest at floating rates on notional principal amounts and obliges them to pay interest at fixed rates on the same amounts. The interest rate swap allows the company to raise long-term borrowings at floating rates and effectively swap them into fixed rates that are lower than those available to the company if fixed rate borrowings were made directly. Under the interest rate swaps, the entity agrees with the counter party to exchange at half yearly intervals the difference between the fixed rate and the floating rate calculated by reference to the agreed notional principal amount. At 30 September the fixed interest rate was 10.7% (2002: 10.7%) and the floating rate 9.2% (2002: 12.3%). The floating rate is linked to the 3 month Johannesburg Inter Bank Rate. The fixed interest rate contract expires 28 February 2004.

The remaining terms and notional principal amount of the outstanding contract at the balance sheet date are:

	2005 R'000	2002 R'000
Less than one year	2 915	1 627
One to five years	46 710	32 108
Five to ten years	19 334	36 867
	68 959	70 602

The contract expires 30 September 2010.

Loans originated by the group

Loans to associates and trade investments included in notes 7 & 8 bear interest at variable rates linked to the prime bank overdraft rate except for one loan that is interest free and was adjusted to its fair value in terms of AC133. These loans have no fixed repayment terms.

Non-current receivables bear interest at prime related rates and are repayable over periods of between two and five years.

Bank loans

Bank loans are with reputable banking institutions and all repayment and security details are included in note 17.

Credit risk

Financial assets that potentially subject the group to concentrations of credit risk consist principally of cash and cash equivalents, investments in associates, trade receivables, other investments and non-current receivables.

The group's cash equivalents are placed with high credit quality financial institutions. Trade receivables are presented net of the impairments. Credit risk with respect to trade receivables is limited due to a large customer base, spread across various geographical areas and industries.

With respect to the Healthcare business, credit risk pertaining to accounts receivable can be split between medical aid patient accounts and private patient accounts. Credit ratings for all major funders issued by external parties are reviewed on an ongoing basis to identify possible credit risk.

The financial condition of the customers in relation to their credit standing is evaluated on an ongoing basis. Payments from medical aids are also monitored on an ongoing basis and any adverse payment patterns are immediately taken up with funders. Credit risk on private patient accounts are mitigated through the group's credit policy whereby cash deposits equal to the average cost of a procedure or treatment for a specific condition is required upon admission.

The group has no significant exposure to any single customer or counter party that is of major concern.

The carrying amounts of financial assets included in the balance sheet represent the group's exposure to credit risk in relation to these assets. At 30 September 2003 the group did not consider there to be a significant concentration of credit risk that has not been adequately provided for.

Liquidity risk management

The group manages liquidity risk by utilising a central treasury function and monitoring forecasted cash flows. The group's borrowing powers are determined by the board of directors.

Fair values

The carrying values of cash resources, trade receivables, trade payables, accrued expenses and short-term borrowings approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of other long-term assets and long-term liabilities are not significantly different to their carrying values. Where applicable, the carrying values of these instruments were adjusted to reflect the fair value as disclosed in notes 10 and 14. The fair values of investments in associates which approximate the director's valuation are presented in note 7.

notes to the financial statements

for the year ended 30 September 2003

26. Exchange rates to South African Rand

	2003	2002
<i>Year-end rates:</i>		
US dollar	6.97	10.56
British pound	11.57	16.58
Euro	8.09	10.43
<i>Average rates for the year:</i>		
US dollar	8.28	10.64
British pound	13.24	15.64
Euro	8.95	9.78

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
27. Revenue				
Sale of goods	4 505 066	3 959 012	2 265 672	2 066 889
Revenue from services	2 820 829	2 552 498	–	–
	7 325 895	6 511 510	2 265 672	2 066 889

28. Profit from operations

Profit from operations is shown after taking the following into account:

Income

Dividends received from subsidiaries - listed	–	–	102 039	66 940
Dividends received from subsidiaries - unlisted	–	–	41 246	48 979
Dividends received from associates	4 221	1 665	–	–
Dividends received from third parties	897	–	897	–
Profit on disposal of property, plant and equipment	4 029	2 622	3 165	–
Management fees from subsidiaries	–	–	40 200	19 324
Foreign exchange gains	–	11 788	–	6 014

Expenses

Auditors' remuneration	7 370	5 527	800	970
Audit fees - current	7 226	5 759	800	1 202
- prior year under/(over) provision	132	(232)	–	(232)
Fees for other services	12	2 250	–	–
Less: Amount paid for other services capitalised against investments	–	(2 250)	–	–
Amortisation of goodwill	8 689	5 916	55	7
Amortisation of intangibles	1 363	823	–	–
Depreciation of property, plant and equipment (note 3)				
<i>Owned:</i>	278 990	235 199	127 306	107 234
Freehold properties	27 369	23 247	94	70
Plant and equipment	163 684	150 036	70 293	57 466
Cylinders	28 974	23 242	27 209	24 403
Vehicles	18 921	15 908	14 467	13 185
Furniture and fittings	40 042	22 766	15 243	12 110

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
28. Profit from operations continued				
<i>Capitalised leased assets:</i>	7 857	20 836	5 708	9 436
Freehold properties	2 149	2 104	–	–
Plant and equipment	3 023	12 318	5 023	3 022
Cylinders	2 685	6 414	2 685	6 414
Operating lease charges	156 395	142 171	18 690	20 456
Property	128 235	121 856	15 647	14 497
Equipment	28 160	20 315	5 043	5 959
Directors' emoluments			2 536	4 990
Executives				
For services as directors			2 156	4 726
Non-executives				
Fees			314	198
Pension paid to former directors			66	66
For a detailed breakdown of the directors' emoluments see note 34				
Staff costs	1 933 282	1 709 796	492 512	460 602
Wages and salaries	1 785 209	1 561 452	457 365	395 859
Pension costs - defined benefit and defined contribution plan expenses	43 052	31 866	21 149	18 072
Pension costs - pension holiday	–	(3 973)	–	(3 973)
Provident costs - defined contributions	62 564	48 646	21 429	16 426
Medical aid current contribution for employees	69 567	51 119	17 679	13 532
Post retirement medical aid - growth in fund	(37 946)	–	(37 946)	–
Post retirement medical aid accrual	12 836	20 686	12 836	20 686
Loss on disposal of property, plant and equipment	–	–	–	1 075
Foreign exchange losses	(26 140)	–	(25 631)	–
29. Exceptional items				
Bid costs - during the takeover bid in 2000 the executives were offered stay-bonuses which have now been paid out	–	(4 568)	–	(4 568)
Effect of the exercise of options, by a shareholder of a subsidiary company	–	(10 466)	–	28 401
Gross exceptional (losses)/profits	–	(15 034)	–	23 833
Taxation	–	1 370	–	1 370
Net exceptional (losses)/profits	–	(13 664)	–	25 203

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
50. Finance costs				
Interest paid:				
On borrowings	156 886	164 795	56 887	93 037
On finance leases (excluding properties)	4 848	5 766	4 848	5 766
On finance leases (properties)	11 820	12 805	–	–
Interest received	153 554	183 366	61 735	98 803
	(28 155)	(26 091)	(17 850)	(9 485)
AC135 fair value adjustment	125 399	157 275	43 885	89 318
	(5 455)	–	1 950	–
	121 944	157 275	45 835	89 318
51. Operating leases				
The group leases certain of its property, plant and equipment in terms of operating leases				
	Total future minimum lease payments under non-cancellable operating leases			
Not later than 1 year	151 006	88 772	2 407	4 418
Between 1 and 5 years	553 925	458 188	4 238	12 999
Later than 5 years	565 352	260 218	–	–
	1 250 283	807 178	6 645	17 417
52. Income tax expense				
S.A. normal taxation	275 690	229 267	104 835	75 291
Current	309 561	244 962	117 887	87 185
Prior year	(5 319)	(5 678)	(14 658)	(3 562)
Associate company's taxation	10 388	7 909	–	–
Deferred tax				
Current	(39 159)	(17 998)	1 606	(8 332)
Prior year	219	72	–	–
Secondary taxation on companies	22 634	14 751	–	1 881
Net receipt flowing from participation in vesting trust	–	–	(21 787)	(12 666)
Current	–	–	(15 873)	(12 666)
Prior year	–	–	(5 914)	–
	298 324	244 018	85 048	64 506

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
52. Income tax expense <i>continued</i>				
Reconciliation of taxation charge				
Profit before taxation	1 010 755	751 506	465 889	550 218
Taxation calculated at a tax rate of 30%	505 220	225 392	159 767	99 065
Income not subject to taxation	(5 744)	(7 576)	(46 787)	(47 492)
Prior year adjustments	(5 098)	(5 606)	(20 572)	(3 562)
Expenses not deductible for taxation purposes	16 035	18 625	8 051	12 236
Unprovided temporary differences	(35 312)	(3 946)	–	–
Effect of non-resident shareholders' taxation	2 589	2 378	2 589	2 378
Secondary taxation on companies	22 634	14 751	–	1 881
Income tax expense	298 324	244 018	85 048	64 506
Effective tax rate	29.5	32.5	17.8	19.5

Available STC credits at year-end amount to R86 436 398.

The company participates in a vesting trust for the supply of gases to third parties. The trust will contribute to the beneficiary, amounts which equate to the taxation charge relating to the taxable benefit from participation. In these circumstances, receipts from the trust are treated as a taxation credit.

Subsidiaries within the group have estimated tax losses of R180 439 334 (2002: R169 621 115) available to be offset against future taxable income.

53. Earnings and headline earnings per share

Earnings per share are calculated on earnings of R554 438 090 (2002: R390 248 199) and a weighted average number of ordinary shares of 355 766 964 (2002: 326 363 347) in issue during the year. Headline earnings per share are calculated on headline earnings of R559 098 000 (2002: R407 206 000) and a weighted average number of ordinary shares of 355 766 964 (2002: 326 363 347) in issue during the year.

Reconciliation of the weighted average number of ordinary shares

Balance at beginning of year	330 300 808	325 541 956
Shares issued in lieu of dividend (24 January 2003)	4 565 972	–
Shares issued in lieu of dividend (28 July 2003)	1 100 184	821 391
	335 766 964	326 363 347

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
53. Earnings and headline earnings per share <i>continued</i>				
Reconciliation between earnings and headline earnings				
Net profit/earnings for the year	554 438	390 248	582 841	265 712
<i>Adjustments for:</i>				
Exceptional items	–	15 034	–	(23 833)
Bid costs	–	4 568	–	4 568
Effect of the exercise of options, by a shareholder of a subsidiary company	–	10 466	–	(28 401)
Taxation effect of exceptional items	–	(1 370)	–	(1 370)
Add back goodwill amortised	8 689	5 916	55	7
(Profit)/loss on disposal of property, plant and equipment	(4 029)	(2 622)	(3 165)	1 075
Headline earnings	559 098	407 206	579 731	241 591

54. Directors' emoluments (R'000)

Name	Months paid 2003	Fees	Remun- eration	Retirement, Medical	Performance Bonus	Benefits & allowances	Total	
							2003	2002
<i>Non-executive directors</i>								
<i>Current</i>								
L A MacNair	12	93	–	–	–	–	93	61
G S Sibiyi	12	60	–	–	–	–	60	39
C B Strauss	12	79	–	–	–	–	79	45
R G Cottrell	12	82	–	–	–	–	82	53
<i>Former</i>								
S D O'Grady	–	–	–	25	–	–	25	25
H P De Villiers	–	–	–	25	–	–	25	25
I G Halliday	–	–	–	6	–	–	6	6
J J Kitshoff	–	–	–	10	–	–	10	10
		314	–	66	–	–	380	264
<i>Executive directors</i>								
J Marriott	–	–	–	–	–	–	–	2 689
R L Hogben	12	–	1 076	111	627	342	2 156	2 037
		–	1 076	111	627	342	2 156	4 726
Total emoluments		314	1 076	177	627	342	2 536	4 990
<i>Non-executive director paid by subsidiary</i>								
R G Cottrell	12	82	–	–	–	–	82	49
<i>Executive director paid by subsidiary in which he is the managing director</i>								
C M D Flemming	12	–	761	80	587	245	1 673	1 471

The above director made a gain of R36 750 (2002: R113 000) on the exercise of share appreciation rights in African Oxygen Ltd.

notes to the financial statements

for the year ended 30 September 2003

34. Directors' emoluments (R'000) *continued*

Directors' entitlement to share options in Afrox Healthcare Ltd

	Opening balance	Grants	Exercised	Closing balance	Weighted average price Grants (R)
C M D Flemming	210 000	55 000	–	265 000	9.40
R L Hogben	180 000	–	–	180 000	–

The following executive directors have share appreciation rights:

	2005		2002	
	Vested No of rights (exercisable)	Non-vested No of rights (not yet exercisable)	Vested No of rights (exercisable)	Non-vested No of rights (not yet exercisable)
J Marriott	–	–	148 500	60 000
R L Hogben	70 200	110 000	67 500	106 750
C M D Flemming	88 500	22 500	84 000	42 000
	158 700	132 500	300 000	208 750

The company will incur a liability on the difference between the issue price and the actual exercise price.

Non-executive directors do not participate in the group's incentive programmes, nor is their remuneration pensionable.

Shareholding of directors

	2003	
	Beneficial	Non-beneficial
<i>Executive directors</i>		
R L Hogben ^	104	
C M D Flemming	14 739	
<i>Non-executive independent directors</i>		
L A MacNair * ^	53	
G S Sibiyi +	54	
R G Cottrell * ~ ^	1 055	
C B Strauss + ~	1 308	
<i>Non-executive directors</i>		
J Walsh (chairman) + ~		106
N Deeming		106
T Isaac	1 108	
G Sedgwick	1 088	
R Médori *	1 108	
R Lourey + ^		

* Audit committee member

+ Management resources committee member

~ Governance and nominations committee member

^ Retirement committee member

For more details on the committees see pages 36 to 38.

Interest of directors in contracts

The directors have certified that they were not personally materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
35. Dividends				
Final dividend number 151 paid on 28 January 2002: 31.5 cents per share	–	102 168	–	102 168
Interim dividend number 152 paid on 29 July 2002: 25.5 cents per share	–	85 013	–	85 013
Final dividend number 153 paid on 27 January 2003: 37 cents per share	122 211	–	122 211	–
Interim dividend number 154 paid on 28 July 2003: 33 cents per share	111 103	–	111 103	–
	233 314	185 181	233 314	185 181
36. Reconciliation of net profit before taxation to cash generated from operations				
Profit before taxation	1 010 733	751 306	465 889	330 218
Adjustments for:				
Depreciation	286 847	256 035	133 014	116 670
Foreign exchange loss	(8 943)	4 845	–	–
Other reserve movements	(10 226)	(2 194)	(8 480)	–
Reversal of income from associates (Profit)/loss on disposal of property, plant and equipment	(42 841)	(27 139)	–	–
	(4 029)	(2 622)	(3 165)	1 075
Profit on disposal of company	(912)	–	(337)	–
Amortisation of goodwill	8 689	5 916	55	7
Other non-cash movements	(13 062)	–	(225)	–
Amortisation of intangibles	1 363	823	–	–
Post retirement medical aid provision-non cash	(25 124)	20 686	(25 247)	20 686
Non-cash AC133 adjustments	6 546	–	(1 950)	–
Investment income	(897)	–	(144 182)	(115 919)
Finance costs	121 944	157 275	45 835	89 318
Operating profit before working capital changes	1 330 088	1 164 931	461 209	442 055
Working capital changes	114 527	3 079	72 265	54 607
(Increase)/decrease in inventories	(6 873)	(38 351)	1 742	(27 634)
(Increase)/decrease in trade and other receivables	(33 325)	(76 387)	34 417	22 493
(Decrease)/increase in group company loans	(12 725)	7 055	(12 786)	7 114
Increase in trade and other payables	167 450	110 762	48 892	52 634
Cash generated from operations	1 444 615	1 168 010	533 474	496 662
37. Normal and secondary taxation paid				
Taxation liability at beginning of year	(145 490)	(99 797)	(65 517)	(42 850)
Acquisition of subsidiaries (note 39)	(7)	(8 753)	–	–
Income statement charge (excluding deferred tax and associate tax) (note 32)	(326 876)	(254 035)	(81 442)	(72 838)
Currency translation differences	4 359	–	–	–
Taxation liability at end of year	103 843	145 490	53 474	65 517
	(364 171)	(217 095)	(93 485)	(50 171)

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
58. Dividends paid				
Income statement charge	(253 514)	(185 181)	(253 514)	(185 181)
Capitalisation share award	177 464	61 960	177 464	61 960
	(55 850)	(123 221)	(55 850)	(123 221)

59. (Acquisition)/disposal of subsidiaries

Acquisitions

2003

Effective 1 August 2002, the shareholding in Little Company of Mary Hospital Trust was increased from 25% to 70%.

Effective 1 October 2002, there was a restructuring in shareholding at Peglerae Hospital.

On 1 December 2002, Afrox Healthcare acquired a 70% interest in a practice management company.

A subsidiary of African Oxygen Ltd acquired the assets and liabilities of an LPG distributor on 1 January 2003.

With effect from 1 March 2003, Afrox Healthcare increased its shareholding in Mobisurg (Pty) Ltd from 50% to 100%.

African Oxygen Ltd acquired the assets and liabilities of an LPG distributor on 1 April 2003.

2002

Effective 1 October 2001, the Afrox Healthcare group increased its investment to 96.2% of the issued share capital of Wilgers Hospital Ltd for an amount of R74 655 000.

Queenstown Hospital was acquired in October 2001 for an amount of R6 177 000.

On 1 October 2001 African Oxygen Ltd acquired an effective interest of 70% in Heat Gas (Pty) Ltd.

Cosmos Hospital Partnership was acquired on 1 October 2001 for an amount of R5 134 000.

On 1 January 2002, the Afrox Healthcare group increased its investment to 100% of the share capital of Amalgamated Hospitals Ltd (Amahosp) and the consideration paid was R142 785 000.

St Mark's Clinic was acquired effective 1 June 2002 for an amount of R4 434 000.

Disposals

2003

Effective 1 January 2003, Afrox Healthcare decreased its shareholding in Little Company of Mary Hospital Trust from 70% to 60%.

From 1 March 2003, Afrox Healthcare decreased its shareholding in Birchmed Day Clinic Partnership from 60% to 30%.

During the year, African Oxygen Ltd sold 0.22% of its shareholding in Afrox Healthcare Ltd to an individual.

2002

During the previous year African Oxygen Ltd sold 12% of its shareholding in Afrox Healthcare Ltd to Real Africa Holdings Ltd.

notes to the financial statements

for the year ended 30 September 2003

	Group		Company	
	2003 R'000	2002 R'000	2003 R'000	2002 R'000
59. (Acquisition)/disposal of subsidiaries continued				
The fair value of assets (acquired)/disposed of and liabilities assumed were as follows:				
Cash	4 193	(4 825)	-	-
Inventories	(5 455)	(15 645)	(1 070)	-
Trade receivables	(24 257)	(88 436)	(5 565)	-
Property, plant and equipment	(25 820)	(554 498)	(9 012)	-
Shares in associated companies/subsidiary	(16 569)	63 929	1 663	111 097
Minorities	10 928	106 003	-	-
Goodwill on acquisition	(33 241)	(96 806)	-	-
Interest bearing borrowings	9 195	207 388	-	-
Trade payables	17 676	52 555	3 846	-
Taxation	7	8 753	-	-
Deferred tax	-	201	-	-
Total (purchase)/sales price	(63 343)	(121 381)	(10 138)	111 097
Less: cash	(4 193)	4 825	-	-
Profit on disposal of interest	912	-	337	-
Cash flow on (acquisition)/disposal net of cash acquired	(66 624)	(116 556)	(9 801)	111 097

40. Contingencies

Afrox Healthcare Ltd stands as guarantor in respect of certain operating leases and instalment sale agreements concluded by subsidiaries.

African Oxygen Ltd has issued share appreciation rights to some of its employees as a performance incentive and as long service awards. There are certain conditions and time periods attached to these rights. The contingent liability for the non-vested portion of these share appreciation rights, based on a share price of R16.10 (2002: R13.10) amounts to R45 716 053 (2002: R13 828 011). The vested portion has been fully provided for.

Certain matters relating to a subsidiary within the group which arose before that company became a subsidiary, continue to be investigated. Your board, on the basis of the facts currently before it, and due to the continuing investigation, is not able to arrive at any conclusion as to whether or not there will be a liability for the subsidiary at all or in excess of provisions made.

subsidiaries

as at 30 September 2003

Name of company	Nature of business +	Issued share capital 2005	Effective holding		Book value of company's interest			
			2005 %	2002 %	Shares at cost		Due (to)/by subsidiary	
					2005 R'000	2002 R'000	2005 R'000	2002 R'000
Subsidiaries incorporated in South Africa								
Listed								
Afrox Healthcare Ltd	H	R35 018 242	69	70	514 247	515 910	(96 516)	(52 447)
Unlisted								
Afrox Ltd	G	R100	100	100	-	-	(676)	(676)
Afrox Educational Services (Pty) Ltd	T	R200	100	100	13	13	(1 176)	(720)
Afrox Finance Ltd	F	R60 000	100	100	60	60	(95 267)	(87 716)
Afrox Properties (Pty) Ltd	P	R4 000	100	100	4	4	(80 670)	(89 539)
Dowson and Dobson Ltd	E	R1 000 000	100	100	-	-	38 444	39 154
Industrial Research and Development (Pty) Ltd	E	R6 000	100	100	6	6	6 265	2 589
Isas trust	G	-	100	100	67 551	65 000	(74 629)	(52 685)
Subsidiary incorporated in Botswana								
Botswana Oxygen (Pty) Ltd	G	P200	100	100	-	-	(3 374)	(10 889)
Subsidiary incorporated in Lesotho								
Afrox Lesotho (Pty) Ltd	G	M2	100	100	-	-	(11 451)	(5 164)
Subsidiary incorporated in Malawi								
BOC Malawi Limited	G	K4,4m	76	76	516	407	(8)	(10)
Subsidiary incorporated in Mauritius								
Afrox International Limited	G	US\$50 000	100	100	350	350	653	2 673
Subsidiary incorporated in Mocambique								
BOC Gases Mocambique Limitada	G	MZM 1 100 121	100	100	1 210	1 210	2 624	2 522
Subsidiary incorporated in Namibia								
IGL (Pty) Ltd	G	NS2	100	100	137	137	217	(5 609)
Subsidiary incorporated in Swaziland								
Swazi Oxygen (Pty) Ltd	G	E8	100	100	-	-	(10 077)	(11 317)
Subsidiary incorporated in Zambia								
BOC Gases Zambia plc	G	K86,5m	70	70	4 506	4 506	3 957	16 780
Subtotal					588 600	587 603	(321 686)	(250 854)
Non-trading and other companies					21 995	21 995	28 827	13 739
Total					610 595	609 598	(292 859)	(237 115)

+ Nature of business:

E Engineering merchants, contractors and manufacturers;

F Finance;

G Gas and welding equipment;

H Hospitals, nursing homes and allied services;

P Property holdings;

T Training and educational services.

associated companies and investments

as at 30 September 2003

Name of company	Nature of business +	Issued share capital 2005 R	Effective holding		Book value of company's interest			
			2005 %	2002 %	Shares		Indebtedness	
					2005 R'000	2002 R'000	2005 R'000	2002 R'000
Company								
Unlisted trade investments								
Cylinder Leasing (Pty) Ltd~	G	400	100	100	5 000	5 000	-	-
Lasey Ltd	G	1 200 000	35	35	984	984	-	-
Les Gaz Industriels Ltd	G	RS15,1m	38	38	1 281	1 281	-	-
Other investments	G	-	-	-	9 968	8 126	-	-
Total unlisted investments					17 255	15 391	-	-
Group								
Unlisted trade investments								
Refer to company note above					-	-	-	-
Flodoc Ltd	H	4 965	15	15	17 233	15 391	-	-
Namgas	G	-	25	25	200	200	-	-
ER24 Holdings (Pty) Ltd	H	-	34	-	-	-	17 215	-
Other investments	H	-	-	-	1 759	1 122	-	-
Total unlisted trade investments					19 192	16 713	17 215	-
Unlisted associated companies								
Bloemfontein Ophthalmology Trust	H	-	34	35	-	-	(627)	279
Eximer Associates Partnership	H	-	34	34	-	-	-	560
Joint Medical Holdings Ltd *	H	5 471	34	17	18 864	1 398	7 003	13 599
Little Company of Mary Oncology Trust	H	-	41	-	872	-	(1 501)	-
Little Company of Mary Hospital Trust^	H	-	41	17	-	4 891	-	1 788
Mafeking Hospital (Pty) Ltd	H	8 705	29	29	4	4	1 544	855
Middelburg Hospitaal Bpk	H	100 000	31	31	208	208	9 775	11 419
Middelburg Privaat Hospitaal (Edms) Bpk	H	100 000	31	31	529	529	-	-
Mid-Medic Holdings Ltd *	H	9 076	17	17	9 098	9 098	75	54
Mobisurg (Pty) Ltd *^	H	100	69	35	-	-	-	426
Ocelli Trust	H	-	34	35	-	-	358	140
Phodiso Healthcare Services (Pty) Ltd	H	1 000	23	23	1 250	1 250	1 418	1 922
Sandton Eye Laser Centre Partnership	H	-	17	17	-	-	4	-
Vergelegen Eye Laser Partnership *	H	-	21	21	-	-	49	171
Vrystaat Onkologie Trust	H	-	15	15	-	-	(910)	1 320
Wilgeheuwel Hospital (Pty) Ltd	H	200	20	20	350	350	7 625	2 454
Wilgers Cathlab Trust	H	-	38	38	-	-	(732)	-
Wilgers Oncology Trusts	H	-	17	17	-	-	1 653	-
					31 175	17 728	25 734	34 967

All the associates provide medical and surgical services through private hospitals and/or sameday surgical centres.

* Associates with February financial year ends

^ Investment has been increased to subsidiary level

~ Redeemable preference shares

+ Nature of business

G Gas and welding equipment;

H Hospitals, nursing homes and allied services.

notice to shareholders

for the year ended 30 September 2003

Notice is hereby given that the 76th annual general meeting of African Oxygen Limited will be held on Friday 27 February 2004 at 10h00 in the boardroom at Afrox House, 23 Webber Street, Selby, Johannesburg, for the following purposes:

1. To receive and adopt the annual financial statements for the year ended 30 September 2003.
2. To confirm the directors' remuneration for the year ended 30 September 2003.
3. To re-elect the following directors of the company: Messrs GL Sedgwick, N Deeming, CMD Flemming and Dr G Sibiyi who retire by rotation in terms of the company's articles of association. All retiring directors are eligible and offer themselves for re-election:
 - 3.1 Mr GL Sedgwick
 - 3.2 Mr N Deeming
 - 3.3 Mr CMD Flemming
 - 3.4 Dr G Sibiyi

Abbreviated curriculum vitae in respect of each director offering himself for re-election is contained on page 8 and 9 of the annual report of which this notice forms part.

4. To increase as from 1 January 2004 the fees of directors of the company from R60 000 to R80 000 per annum: To increase as from 1 January 2004 the fees payable to the non-executive directors serving on various committees of the Board as follows:

Audit Committee

Member's fee from R11 600 to R23 550 per annum.*
Chairman's fee from R23 200 to R47 100 per annum.*

Governance and Nominations Committee

Member's fee from R10 500 to R13 200 per annum.^
Chairman's fee from R21 000 to R26 400 per annum.^

Management Resource Committee

Member's fee from R5 250 to R13 200 per annum.
Chairman's fee from R10 500 to R26 400 per annum.

Board Retirement Committee

Member's fee from R10 500 to R13 200 per annum.
Chairman's fee from R21 000 to R26 400 per annum.

*Number of meetings increased from 2 to 3 per annum

^Number of meetings increased from 1 to 2 per annum

As special business, to consider and, if deemed fit, pass with or without modification, the following resolutions, those numbered 5, 6, 9, 10 and 11 as Ordinary Resolutions and number 7 and 8 as Special Resolutions:

5. "RESOLVED THAT the entire authorised, but unissued share capital of the company from time to time, be and is hereby placed under the control of the directors of the company until the next annual general meeting, as a general authority in terms of section 221 and 222 of the Companies Act 61, 1973 ('the Act'), as amended, subject to the provisions of the Act and the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), for allotment and issue to such persons as the directors in their discretion deem fit."
6. "RESOLVED THAT, pursuant to the Articles of Association of the company and subject to the Act, and the Listings Requirements of the JSE, the directors of the company be and are hereby authorised, by way of a general authority to allot and issue ordinary shares for cash, on the following basis:
 - this authority shall not extend beyond the later of the date of the next annual general meeting of the company or the date of the expiry of 15 months from the date of the annual general meeting;
 - a press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, five percent or more of the number of shares in issue prior to the issue;
 - issues in the aggregate in any one financial year may not exceed 15 percent of the number of the shares in the company's issued share capital;
 - the maximum discount at which ordinary shares may be issued is 10 percent of the weighted average traded price of those shares over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company; and
 - any such issue will only be made to "public shareholders" as defined by the Listings Requirements of the JSE, and not to related parties."

notice to shareholders

for the year ended 30 September 2003

In terms of the Listings Requirements of the JSE, a 75 percent majority is required of votes cast by shareholders present or represented by proxy at the annual general meeting at which this ordinary resolution is to be considered.

7. "RESOLVED, AS A SPECIAL RESOLUTION, THAT, subject to the provisions of the Act, the passing of special resolution number 7 and the Listings Requirements of the JSE, the company and/or any of its subsidiary companies, be and hereby authorised, by way of a general authority, to acquire ordinary shares in its issued share capital, and/or acquire shares in its holding company, subject to the following limitations:
 - any such acquisition of ordinary shares shall be implemented on the open market on the JSE;
 - this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
 - acquisitions of ordinary shares, shall not, in the aggregate in any one financial year exceed 40 percent of the company's issued share capital, provided that any general repurchase may not exceed 20 percent of the company's issued capital in any one financial year; and
 - the repurchases are not made at a price greater than 10 percent above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction was agreed."

REASONS FOR AND EFFECTS OF SPECIAL RESOLUTION NUMBER 7

The reason for this special resolution is to authorise the company, and/or any of its subsidiary companies, by way of general approval, to acquire its own issued shares, and/or shares in its holding company, on terms and conditions and in amounts to be determined from time to time by the directors of the company, subject to certain statutory provisions and the listings requirements of the JSE.

8. "RESOLVED, AS A SPECIAL RESOLUTION, THAT, the Articles of Association of the company be and are hereby amended by the insertion of the following new Article 111A:

"111A The directors may participate in and act, and shall be entitled to vote, at any meeting of directors through the use of a conference telephone, video conference or other communication equipment by means of which all persons participating in the meeting can hear each other at approximately the same times. Such participation by directors shall constitute attendance and presence in person at the meeting and a director who so participates shall form part of the quorum necessary for the transaction of business. Notwithstanding anything to the contrary in these presents, any reference to "acts", "meeting" and "meet" in Articles 97(d), 111 to 121 and 123 shall include a meeting held in accordance with the provisions of this Article 111A."

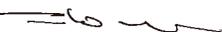
REASONS FOR AND EFFECTS OF SPECIAL RESOLUTION NUMBER 8

The reason for this Special Resolution is to authorise the participation at directors' meetings held in Johannesburg, by telephone conference, video conference or other communication equipment, of directors who are not, at the time of the directors' meeting, situated in South Africa. As a number of the directors of the company reside outside of South Africa, the amendment of the articles in this manner will enhance the ability of non-South African resident directors to participate meaningfully in all directors' meetings, without being required to be present in South Africa for that purpose. The effect of this amendment to the articles is that directors are able to participate in directors' meetings, be counted for the purposes of constituting a quorum at directors' meetings, and to vote on resolutions to be passed at such directors' meetings, without being required to be physically present at the meeting in South Africa.

9. "RESOLVED THAT any one director or the secretary of the company be and they are hereby authorised to do all such things and sign all documents and take all such action as they consider necessary to implement the resolutions set out in the notice convening the annual general meeting at which this ordinary resolution will be considered."
10. "RESOLVED to re-appoint PricewaterhouseCoopers Inc. as independent auditors of the company and to authorise the directors to determine the remuneration of the auditors for the past years audit."
11. "RESOLVED to transact such other business as may be transacted at an annual general meeting."

Any member entitled to attend and vote at the meeting may appoint a proxy to attend, speak, and on a poll, vote in his/her stead. A proxy need not be a member of the company. The proxy form must be lodged with the company's transfer secretaries at least forty-eight hours before the start of the meeting.

By order of the board



MG ROWELL
Company Secretary
Johannesburg, 8 December 2003

shareholders' diary and administration

for the year ended 30 September 2003

SHAREHOLDERS' DIARY

SALIENT DATES

Financial year end 30 September 2003
Annual general meeting 27 February 2004

REPORTS

Interim for half year to March 2004 30 April 2004
Final announcement of 2003 audited annual results 30 October 2003
Annual financial statements of 2003 8 December 2003

DIVIDENDS

Final 2003 October 2003
Interim 2004 April 2004

DECLARED

PAID

January 2004
July 2004

ADMINISTRATION

REGISTERED OFFICE & BUSINESS ADDRESS

Afrox House, 23 Webber Street, Selby, Johannesburg, 2001 South Africa
Tel + 27 (0) 11 490-0400 Telefax + 27 (0) 11 493-1580

POSTAL ADDRESS

PO Box 5404, Johannesburg, 2000
African Oxygen Limited
Reg. No. 1927/000089/06
ISINZAE0000030920

AUDITORS

PricewaterhouseCoopers Inc.

COMPANY SECRETARY

M G Rowell FCIS

TRANSFER SECRETARIES

Computershare Limited
70 Marshall Street
Johannesburg, 2001
PO Box 1053, Johannesburg, 2000
Telephone + 27 (0) 11 370-5000 Telefax + 27 (0) 11 370-5271/2

SPONSORING BROKERS

South Africa
Nedbank Corporate (Africa) (Pty) Ltd
Namibia
Namibia Equity Brokers (Pty) Ltd

Web site: www.afrox.com

STAKEHOLDER ENQUIRIES

Stakeholder enquiries may be addressed per e-mail to:
rick.hogben@afrox.boc.com

FORM OF PROXY AFRICAN OXYGEN LIMITED

(Registration No. 1927/000089/06)
(Incorporated in the Republic of South Africa)
("the company")

This form of proxy must be completed and delivered to the transfer secretaries, Computershare Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 1053, Johannesburg, 2000) not less than 48 hours before the time of the meeting.

I/We _____

Of _____

Being a member of the company hereby appoint:

1. _____ of _____ or failing him/her;
2. _____ of _____ or failing him/her;
3. _____ of _____ or failing him/her;

The chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on Friday 27 February 2004 at 10:00 and at any adjournment thereof.

VOTING INSTRUCTIONS	In favour of	Against	Abstain
1. Resolution to adopt the annual financial statements for the year ended 30 September 2003.			
2. Resolution to confirm the directors' remuneration for the year ended 30 September 2003.			
3. Resolution to re-elect the retiring directors namely: Mr GL Sedgwick Mr N Deeming Mr CMD Flemming Dr G Sibiya			
4. To approve increases in directors' fees as of 1 January 2004			
5. Resolution to place the unissued share capital under the control of the directors.			
6. Resolution to authorise the directors of the company under general authority to issue any/or all of the authorised but unissued shares in the capital of the company for cash as they in their discretion deem fit.			
7. Special resolution to grant a general authority to the company to repurchase its own shares and to purchase shares in the company's holding company.			
8. Special resolution to amend the Articles of Association by insertion of new article 111 dealing with video conferencing.			
9. Resolution to authorise any one director or the secretary to sign all documents and take all such actions to implement the resolutions set out in the notice.			
10. Resolution to re-appoint PricewaterhouseCoopers Inc. and to authorise the directors to determine the remuneration of the auditors for the past year's audit.			

(Indicate instruction to proxy by way of a cross in space provided.)

Unless otherwise instructed, my proxy may vote as he/she thinks fit.

Signed _____ day of _____ 2003/2004

Signature _____

Notes:

- Explanatory notes on the above resolutions are contained on the reverse side of this page.
- A member entitled to attend and vote at the meeting may appoint one or more persons as his/her proxy to attend, speak and vote in his/her stead. A proxy need not also be a member of the company.
- If this proxy is signed under power of attorney, such power of attorney, unless previously registered by the company, must accompany it.
- When there are joint registered holders of any shares, any one of such persons may vote at any meeting in respect of such shares as if he/she were solely entitled thereto, but, if more than one such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrator of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.

Notes:

1. 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 registered in another name, or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their capacity.

A member 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 member of the company.

For the convenience of registered members of the company, a form of proxy is enclosed herewith, containing detailed instructions in this regard.

2. Uncertificated shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting have to request 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.

3. Proxies

Any member entitled to attend and vote at the meeting may appoint a proxy to attend, speak, and on a poll, vote in his/her stead. A proxy need not be a member of the company. The proxy form must be lodged with the company's transfer secretaries at least forty-eight hours before the start of the meeting.

A proxy form is available on page 117 of this document. Explanatory notes pertaining to the above resolution are contained on the reverse side of the proxy form.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company, by no later than 10h00 on 25 February 2004.