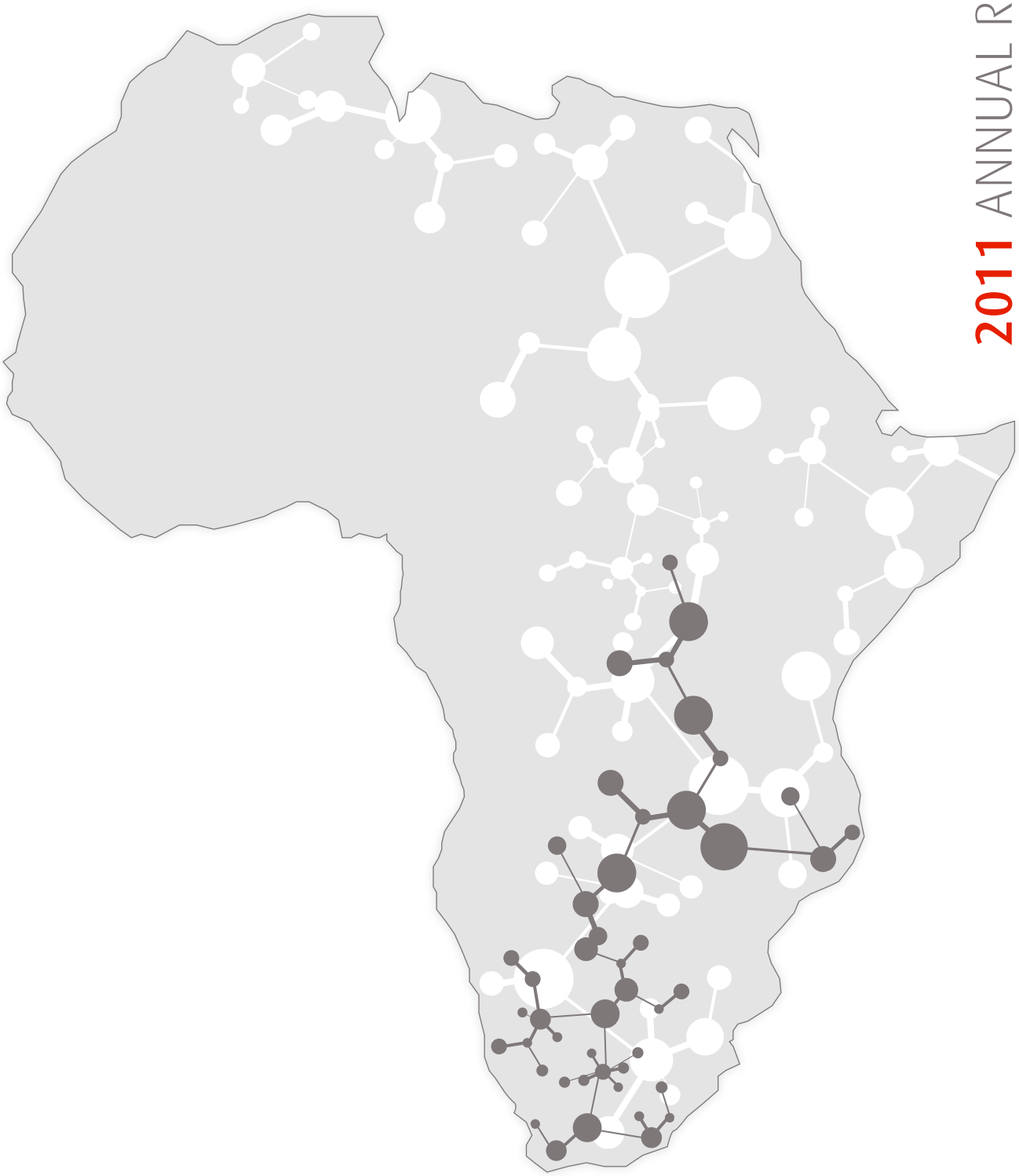
2011 ANNUAL REPORT

African Oxygen Limited



AFROX

A Member of The Linde Group

Afrox is the largest gases and welding products supplier in South Africa and one of the country's most trusted brands, with products and services that form part of most manufacturing, industrial and construction processes. With its African operations, Afrox is the largest gases and welding company in sub-Saharan Africa.

Contents

COMPANY KEY DATA

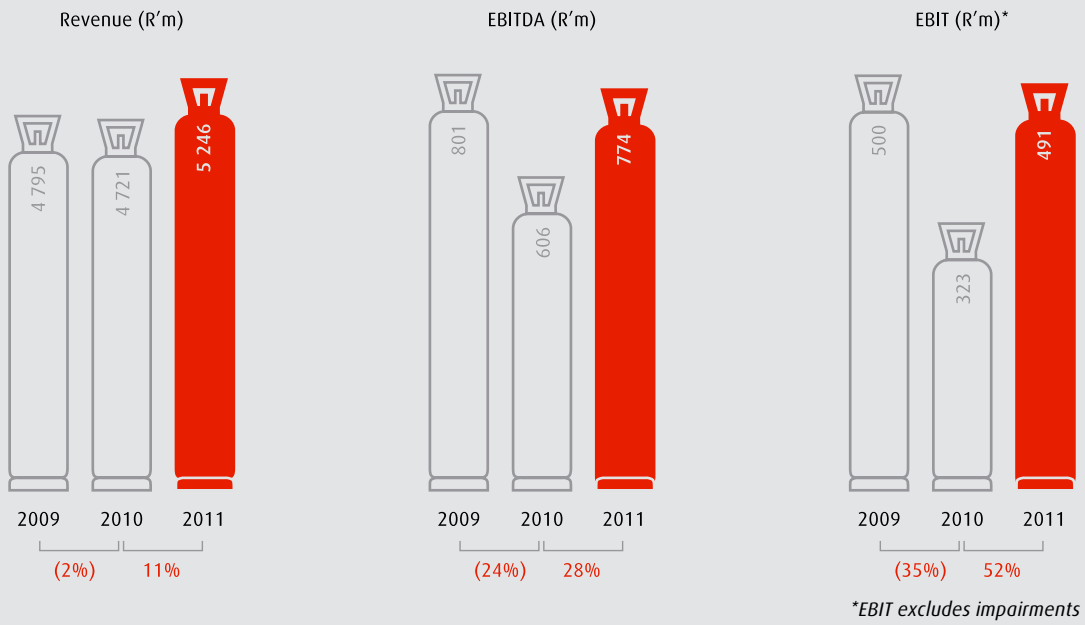
Full name:	African Oxygen Limited	Formed:	1927
Registration number:	1927/000089/06	Listed JSE:	1963
Year-end:	31 December	Listed NSX:	1995
JSE abbreviated or common usage name:	Afrox	Shares in issue:	342 852 910
JSE code:	AFX	No of shareholders:	4 123
NSX code:	AOX	Market capitalisation:	R5 554 million
ISIN:	ZAE000067120	Employees:	3 288
Sector:	Chemicals		
Index:	Socially Responsible Investment (SRI) Index	Website:	www.afrox.co.za/www.afrox.com

INFORMATION ABOUT THIS REPORT

This document constitutes the annual report and annual financial statements of African Oxygen Limited and its consolidated entities for the year ended 31 December 2011 in accordance with JSE listing requirements. The Group will publish its first integrated annual report in the year to 31 December 2012. The annual report for the year ended 31 December 2011 contains the directors' report on page 61. The directors' remuneration report is on page 63. The consolidated financial statements start on page 56. The report of the independent auditor is on page 67.

Company profile

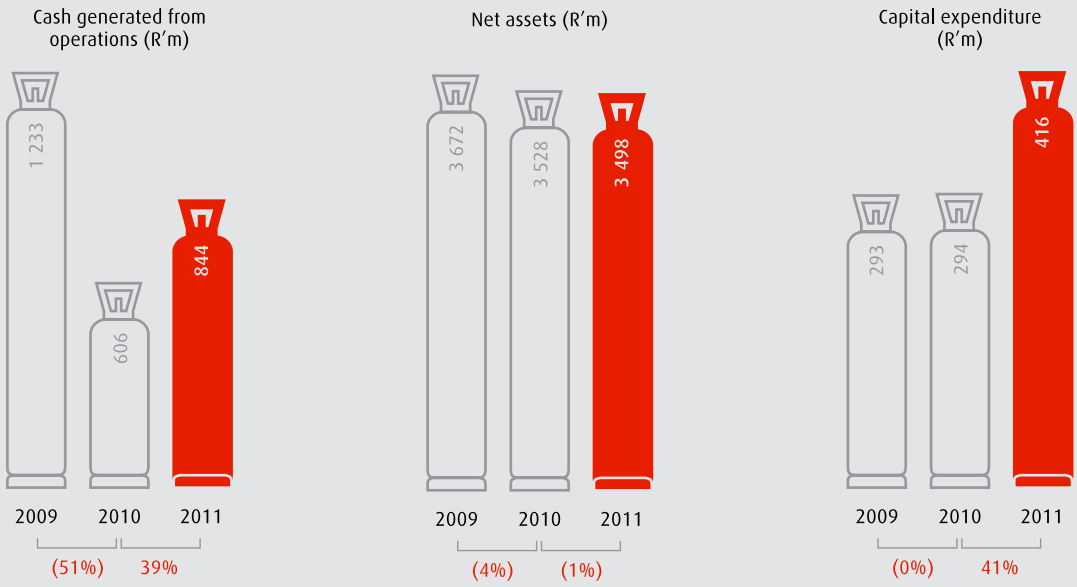
African Oxygen Limited (Afrox) is sub-Saharan Africa's leading supplier of gases and welding products. Established in South Africa 84 years ago, the company listed on the Johannesburg Stock Exchange in 1963 and listed on the Namibian Stock Exchange in 1995. Today, as part of The Linde Group, a global leader in gases, engineering and technology solutions, Afrox operates in South Africa and in 11 more African countries, meeting the product needs of a wide range of customers drawn from sectors as diverse as heavy industry, healthcare and hospitality. Within the sub-Saharan markets in which it is active, Afrox manages five operations on behalf of The Linde Group. Throughout all regions, Afrox supplies the full range of large-volume on-site and bulk gases, cylinder gases, scientific and medical gases, refrigerants, packaged chemicals, helium and associated products. It also serves its markets with gas equipment, welding consumables and safety products. Based in Johannesburg and employing nearly 3,500 people, the company has four business areas, namely Atmospheric Gases, LPG, Hard Goods and Rest of Africa (*see Business Review pages 20* – 29), which are the focus of our core operating structures Operations, Sales, National Customer Service Centre, Safety, Health, Environment and Quality (SHEQ) and African Operations. All business areas are supported by the enabling functions Finance, Communications, Information Services and Human Resources.



The Linde Group profile

The Linde Group is a world-leading gases and engineering company with around 50,000 employees working in more than 100 countries worldwide. In the 2011 financial year, it achieved sales of €13.7 billion. The strategy of The Linde Group is geared towards sustainable earnings-based growth and focuses on the expansion of its international business with forward-looking products and services. The Linde Group acts responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations across the globe. The Linde Group is committed to technologies and products that unite the goals of customer value and sustainable development. More information available from **www.linde.com.**

Financial highlights



CASH DIVIDENDS FOR THE PERIOD

	2011	2010
Interim (cents)	22	19
Final (cents)*	23	8
Total dividends for the period (cents)	45	27

** The final dividend was declared subsequent to 31 December 2011 and is presented for information purposes.*

Board of directors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1. Mike Huggon

(56) Non-executive director

Appointed Chairman of Afrox in May 2011. Mike Huggon is Managing Director of BOC UK, a wholly-owned subsidiary of The Linde Group. He has held various senior positions within the former BOC Group including Managing Director Industrial and Special Products Asia, Managing Director South Asia and Safety Director Asia, and Managing Director Hong Kong Oxygen. He was also Director and General Manager, Permali Gloucester Limited, BTR and General Manager, Permali Gloucester Limited, BTR. He holds a BSc (Hons) in Chemical Engineering from Brunel University and post graduate qualifications in Corporate Strategy (INSEAD Singapore), Advanced Management (National University of Singapore), General Management (Sundridge Park) and in Marketing (Salford University).

2. Frederick Kotzee

(40) Executive director and financial director

Appointed to the Board in April 2010. Attends all Board committees except SHEQ by invitation.

Frederick Kotzee has post articles experience in mining, industry and merchant banking. He joined Anglo Platinum's Corporate Finance department in 2002 from ING Barings. In 2008 he was appointed General Manager Corporate Finance for Anglo American, and returned to Anglo Platinum in 2009 as Head of Business Development. He is a Chartered Accountant (SA) and an honours graduate from the University of Pretoria, and also holds a BProc and LLB from the University of South Africa.

3. Morongwe Malebye

(39) Independent non-executive director

Board committees: Audit

Appointed to the Board in December 2007. Morongwe Malebye is Managing Director, Ditiropele-DDMS. She is a former MD of Babcock (2005). Before that she held senior positions at Armaments Corporation of SA, Spoornet, Sasol Chemical Industries and Sasol Technology. She holds an MSc in industrial engineering and an MBA from the University of Witwatersrand and a BSc in mechanical engineering from the University of Cape Town. She is involved in mentorship programmes at Allan Gray Foundation and student sponsorship programme. She also serves on the Board of Howden Africa, a JSE listed company.

4. David Lawrence

(60) Independent non-executive director

Board committees: Nominations, Governance and Management of Resources (Chair), Audit

Appointed to the Board in December 2005. David Lawrence's early career was spent as an economist at the Chamber of Mines, subsequently working for the office of the Economic Advisor to the Prime Minister. He joined Citibank in 1977 becoming Chairman and Managing Director. In 1987 First National Bank acquired Citibank's business and it became FirstCorp Merchant Bank where he held the position of Managing Director. He joined Investec in 1996 as Managing Director, Corporate and Investment Banking, and is currently Deputy Chairman of Investec Bank Ltd; he holds a number of directorships, is a member of the Group's executive management team, and holds Group-wide responsibility for Banking and Institutions. He obtained a BA (Econ) (Hons) and MCom at the University of the Witwatersrand.

5. Dr Khotso Mokhele

(56) Independent non-executive director

Board committees: SHEQ (Chair), Nominations, Governance and Management of Resources

Appointed to the Board in December 2005. Dr Khotso Mokhele was on the teaching and research staff of the Universities of Fort Hare and Cape Town between 1986 and 1992. He was Vice-President and President of the Foundation for Research and Development from 1992 to 1999, and is President of the National Research Foundation. He has also served on the Council for Higher Education, the National Advisory Council on Innovation, and the National Skills Authority, and was also the founder President of the Academy of Science of South Africa. He is the recipient of six honorary doctorates from South African Higher Education Institutions and one honorary doctorate from Rutgers University in New Jersey (USA). In addition, Dr Mokhele is a director of several South African companies and Chairman of Impala Platinum.


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6. Matthias von Plotho

(42) Non-executive director

Board committees: Audit

Appointed to the Board in May 2011. Matthias von Plotho is Head of Finance EMEA and Finance Director for RCN. He joined The Linde Group in 2001 responsible for implementation of IFRS Financial Instruments. Since then he has held a number of senior posts including head of Mergers and Acquisitions, and Finance Director for the Region Continental and Northern Europe. Prior to joining The Linde Group, he was with KPMG and AGIV AG in Germany. He holds a masters degree in Business Administration, University of Würzburg, Germany.

7. Jonathan Narayadoo

(53) Executive director and general manager MPG Operations

Board committees: No appointment as yet

Appointed to the Board in December 2009. Jonathan Narayadoo joined the company in 1980 and has held a number of senior management positions in Afrox and served, most recently, on the boards of the Group's various African subsidiaries. He was educated in South Africa and attended a graduate development programme at the University of Cape Town, as well as management development programme in the United Kingdom. In addition he is an Associate of the Production Management Institute of South Africa.

8. Sipho Pityana

(52) Independent non-executive director (resigned 31 December 2011)

Board committees: Transformation (Chair)

Appointed to the Board in December 2005. Sipho Pityana has an MSc (London) and a BA (Hons) (Essex). He has a successful track record in running large government departments. He is Chairman of Izingwe Holdings (Pty) Limited and Munich Reinsurance Company of Africa Limited boards. He is also a non-executive director of AngloGold Ashanti Limited, Scaw Metals South Africa (Pty) Ltd., Aberdare Cables and Onelogix Group Limited.

9. Louis van Niekerk

(62) Independent non-executive director

Board committees: Audit (Chair), Nominations, Governance and Management of Resources, SHEQ

Appointed to the Board in February 2005. Louis van Niekerk, who retired from Iscor (now Mittal SA) towards the end of 2004, held the position of Chief Executive and then non-executive Deputy Chairman. He joined Iscor in 1991 and was appointed as executive director finance in 1993. He became Managing Director of Iscor Steel later that year and Chief Executive of Iscor Limited in 2001. He was the Chief Operating Officer of Transnet until March 2009. Louis is currently executive director of the Macsteel Group and sits on various subsidiary boards within the Group. Louis van Niekerk is a Chartered Accountant (SA) and has a masters degree in Commerce.

10. Dynes Woodrow

(64) Non-executive director

Board committees: SHEQ

Appointed to the Board in May 2010. Dynes Woodrow is Head of PGP for Linde in Greater China. In this role he is responsible for the Packaged Gases & Products business including Sales, Operations, Distribution and Business Development. He joined BOC in 1984 and has held a number of senior positions including Global Head of Best Commercial Practice, Marketing Director Europe, Global Business Development Director and Director of Sales & Marketing South Pacific. He holds a degree in Electrical Engineering and a Masters in Business Administration.

Brett Kimber

(50) Executive director

Board committees: The MD attends all Board committees by invitation

Appointed Managing Director of African Oxygen Limited in January 2012. Brett Kimber has held various senior positions in The Linde Group, Afrox's majority shareholder, including Chief Executive of Linde Korea, Global Business Manager for former BOC Edwards' Bulk Gases Product Division in Singapore, Project Development Manager with Linde North America, various senior posts in Afrox between 1990 and 1998, and was Senior Research Geologist with Anglo American Research Laboratory. He holds a BSc (Hons) in Mineral Economics from the University of Johannesburg, BSc (Hons) in Geo-Chemistry from the University of Cape Town and Bachelor of Science (BSc) with majors in Chemistry and Geology from the University of KwaZulu-Natal.

Chairman's statement

Mike Huggon

DEAR SHAREHOLDER

At the heart of our improved financial performance in 2011 are effective procurement, cost management and operational efficiencies. I feel these are indicative of the previously reported austerity measures, our capex investments since 2007 and our drive and commitment to achieving High Performance Organisation status.

As an example, in 2009, Afrox committed to reduce its 2008 cost base, across the region, by 3% each year through to 2012.

In 2011 productivity achievement of 3% was attained. This will remain vital to the ongoing growth of your company and is a focus of your management team.

In real terms, the 2011 reporting year presented Afrox with major challenges arising from a broad base of economic and operational conditions. At the foundation of these lay depressed global and local economic conditions.

Our strengths lie in the Afrox brand, which is recognised and respected in all African markets, and the inherent strengths implicit in being an integrated gases supply business.

As it is impossible for the South African economy to fully escape the effects of the world's ongoing fiscal and economic woes, the continuing economic downturn in the USA and the 'Euro-crisis' therefore remain of concern.

The gases business historically tracks GDP and going forward it is increasingly obvious that in present economic circumstances the forecast 3% GDP growth in South Africa will be difficult to achieve. A major factor preventing this is the present under-performance of the South African manufacturing sector, to which your company's fortunes are closely tied.

Afrox will therefore not be able to rely on volume growth to drive performance improvement, but will have to look to the benefits that can be accrued from continued cost containment and efficiencies within the organisation.

THE WAY FORWARD

It is my firm belief that management changes and the adoption of new business recovery strategies will continue to bear fruit during the coming financial year and well into the future.

These new business interventions will be driven by our people, among whom we have a bedrock of experienced, long-serving employees. All efforts will be supported by a rejuvenated business focus driven by our efforts to become a High Performance Organisation (*see page 37*), in which quality products, customer service, systems and safety combine to deliver a superior customer experience.

This approach will concentrate on steadily improving margins during the next three years. A key focus will be on effectively recovering increases in the prices of raw materials and input costs, such as electricity.

At the core of this strategic business drive will be base line improvements in understanding the needs and demands of various market segments and providing service levels that will exceed customers' expectations.

Our strengths lie in the Afrox brand, which is recognised and respected in all African markets, and the inherent strengths implicit in being an integrated gases supply business. This competitive advantage means that Afrox can supply all customer requirements through its supply schemes, liquid, cylinders, special gases, hard goods, LPG and healthcare products.

This unique span of product offerings, and the breadth of the markets Afrox serves through an established infrastructure, will ensure that your company retains its leadership role in South Africa and across the sub-Saharan region.

AFRICAN OPPORTUNITIES

There is no doubt that the success achieved by our African operations will continue, with regional revenues and profits making increasingly more significant contributions to Group earnings.

Backing this expected growth is the increasing awareness by African governments of the role that direct foreign investment can play in developing crucial infrastructure in transport, energy, communications and other spheres. Measures adopted to create an environment that is statutorily 'friendly' to investors will create opportunities.

Besides infrastructure growth, increased prosperity across Africa is being led by consumers who have more disposable income. For Afrox, this translates into increased opportunities in the burgeoning carbonated soft drink industry, where demand for food grade carbon dioxide is growing steadily.

During the year, Afrox, as an integral part of The Linde Group's growth platform in sub-Saharan Africa, continued to make significant investments in management capacity and IT infrastructure of African operations. The benefits of these changes are already being felt through better business processes.

Afrox, as an integrated supplier of gases and welding requirements, capable of delivering services regionally, is therefore well placed to benefit from future growth in sub-Saharan economies.

PERFORMANCE

Group net profit increased 95% in 2011 to R183 million (2010: R94 million), with earnings before interest and tax up 54% to R338 million (2010: R219 million). African operations contributed R203 million, or 26% to Group EBITDA.

Afrox basic earnings per share were up 95% to 59.2 cents per share (2010: 30.5 cents). Headline earnings per share were up 65% to 91.6 cents per share (2010: 55.5 cents). Cash flow generated from operations was R844 million. Debtor days reflected a real improvement, down from 50 days in 2010 to 46 days in this reporting period, while creditor days stand at 46. Year-end borrowings of R716 million were 15% below 2010. Gearing ratio at 17.4% compares favourably with the 20.6% in 2010, 21.1% in 2009 and 31.7% in 2008. Stock levels are at 75 days, down from 85 days in 2010.

Total volumes produced in the Atmospheric Gases business were down 3% on 2010, impacted by the rising cost of electricity, plant reliability and the depressed steel sector, which accounted for the majority of the volume decline. LPG volumes decreased by 3% on the back of a 5.2% decrease in bulk sales, due in large part to the LPG shortages locally. Overall, hard goods volumes were up 3%, but were impacted by strike action and intense competitor activity in the welding consumables market. Operations in the rest of Africa improved sales revenues by 12% to R815 million, with contributions to Group EBITDA down 1%. (*See Business Review pages 20-29*.)

During March 2010, as previously reported, power outages and an unforeseen structural failure at the Witbank air separation unit resulted in the disruption of product service delivery to Evraz Highveld Steel, Witbank, and via pipeline to Columbus Stainless Steel in Middelburg.

This resulted in both customers lodging claims for compensation. After Evraz Highveld Steel stated that it would not renew supply agreements with Afrox, a decision was taken in June 2011 to impair the R152 million Witbank plant.

The Evraz Highveld Steel claim was settled in December 2011 and the company is in discussions with Columbus Stainless Steel on resolving its R207 million claim.

At the other end of the business spectrum, scheduled maintenance closures coupled with unplanned outages at oil refineries impacted heavily on Afrox liquefied petroleum gas (LPG) sales. As LPG is a widely used commodity in manufacturing and other sectors, this reduced national output during 2011.

Demand far outstripped supply for several months, leaving us unable to meet the needs of our diversified customer base. Local oil refineries delivered 6% less product to Afrox than in 2010. Management of available LPG and concerted logistical efforts, combined with an import programme, ensured that key sectors, including automotive and healthcare, continued to receive stocks. Afrox will work to ensure that our supply chain is robust enough to cater for the variability of supply that characterises the distribution of this crucial resource. (*See Business Review page 24*.)

At a national level strikes by unions affiliated to Cosatu spilled over into most sectors of the local economy. Afrox was unable to avoid being drawn into the vortex caused by the labour unrest. During July, particularly, this had a negative impact on Afrox's transport fleet and, consequently, production and distribution of product.

OPERATIONAL EFFICIENCIES

Optimising the Afrox business includes the identification and sharing of best business practices with colleagues across The Linde Group globally. In 2010, we decided to introduce remote monitoring from the UK of all Afrox's air separation units (ASUs) in South Africa. This process was virtually complete during this review period.

In 2011, our production team drove process improvement at eight of our filling sites thereby making those sites more efficient and some are now considered world-class operations.

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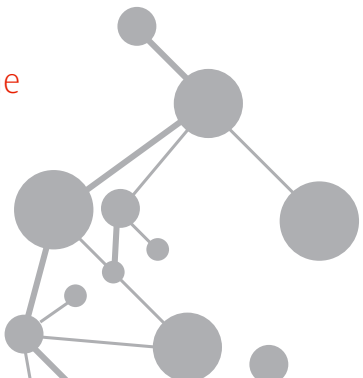

Ability to execute is critical to any organisational success and Afrox is no different. In 2011, 92% of our key improvement and efficiency projects were on schedule.

To further improve execution and realise efficiencies, Afrox has established a Programme Management Office and Project Review Board and as such we expect to see improved delivery of projects in 2012.

Our vision for 2012 is to continue to improve our project governance and lead through execution by delivering our top projects on-time, at best quality and to cost. We also want to leverage the global resources available within The Linde Group.

We are also looking at rolling out an Integrated Business Planning process to increase cross-functional collaboration and business management among the different process areas.

CAPITAL INVESTMENT

Despite the ongoing depressed economic climate, Afrox has continued to invest. During the year under review, capital expenditure totalled R416 million (2010: R294 million).

A final investment of R10 million was made in the Gases Operational Centre (GOC) in Germiston. One of the results is an upgraded packaged gases filling facility that is comparable to the best in the world. This modernised site will provide a firm platform for supplying customers with quality product and increased levels of service. Opportunities to export high value special gases across the continent will be heightened through this investment.

In Pretoria, work on the new R200 million ASU has begun and R71 million was invested in this reporting period. Further investments were also made in cylinder stocks, fleet vehicles and IT systems.

RISK MANAGEMENT

Potentially significant risks to Afrox are identified and mitigated on an ongoing basis. During 2010, events that impacted on plant reliability and product supply were identified and action taken. Although some of these operational issues spilled into 2011, big strides were made in rectifying problems. For example, the obstacles that beset production at the Witbank plant have been resolved and the plant is now operating effectively and meeting expectations.

The LPG shortage, created by circumstances at supplier oil refineries, continued to be of concern. Reducing the risk of a reoccurrence of these events will be a real focus for your company going forward.

A drive to achieve the highest possible safety, health, environment and quality standards are deeply embedded within Afrox. Our commitment to attaining the highest SHEQ standards is reflected in Afrox retaining all its ISO 9001 certificates in 2011. Progress is being made towards gaining accreditation in other areas.

During the year the overall SHEQ performance was marred by several accidents involving our transport fleet. This is being addressed through several customised programmes aimed at raising driver safety awareness.

SUSTAINABILITY

The sustainability of Afrox's business is a major consideration that links all corporate actions across the variety of disciplines in which the organisation is active. The elements in this process are our operations, SHEQ, HR practices, our corporate social involvement practices and information systems.

Our drive on the High Performance Organisation process is integral to achieving sustainability and best practices in South Africa, sub-Saharan Africa and globally as part of The Linde Group.

All these facets of our operations are fully discussed within this report. Where additional material adding to this subject is available, the reader is referred to it.

MANAGEMENT CHANGES

It is a matter of public record that during the 2011 financial year, a number of developments took place within Afrox at the Board level. Kent Masters, Chairman of Afrox since April 2005, left The Linde Group and relinquished his position on the Afrox Board.

In addition, Managing Director, Tjaart Kruger resigned after four years of service with the company.

At this challenging juncture in Afrox's history, it is vital that your company has a Managing Director who has experienced and understands Afrox's culture, and also has had the benefit of international management experience.

Therefore, it is with pleasure that I can confirm that Brett Kimber, a South African and former senior Afrox employee between 1990 and 1998, has rejoined the company as Managing Director from 1 January 2012.

Brett is leaving his position as Chief Executive of Linde Korea, to take up his post in Johannesburg. He has held various senior positions within The Linde Group, including Global Business Manager for former BOC Edwards' Bulk Gases Product Division in Singapore, and Project Development Manager with Linde North America.

His experience in South Africa and in other global markets will add a new dimension to Afrox's activities, particularly in the prevailing challenging economic and business climate. His knowledge of the tonnage and liquid products businesses, as well as his commercial and country operational experience, will stand him in good stead in his new role.

NEW LINDE GLOBAL OPERATIONS STRUCTURE

Brett Kimber's appointment to Afrox coincides with changes in the Linde global structure to reflect operations in three major zones across the globe. These are Europe, the Middle East and Africa, Asia/Pacific and the Americas. In accordance with these changes, each operational zone will have a Linde representative on its board.

I, as Managing Director of BOC UK, a wholly-owned subsidiary of The Linde Group, have been charged with bringing the UK and Africa closer together and achieving this through sharing applicable best practices, skills and competencies. To achieve the operational representation required by Linde, I therefore succeeded Kent Masters as Afrox Chairman at the May 2011 AGM.

BOARD OF DIRECTORS

The Afrox Board includes five independent non-executive directors, three non-executive directors, who are employed in executive capacities within The Linde Group, and three executive directors.

As noted, Kent Masters, Chairman of Afrox, left his position during the year. Tjaart Kruger, Afrox Managing Director, and an executive director, resigned. He has been replaced on the Board by his successor, Brett Kimber.

Karen Oliver resigned as a non-executive director in March after serving on the Board since 2007. Jürgen Nowicki resigned as a non-executive director of Afrox in May after serving on the Board since 2007. Sipho Pityana resigned as an independent non-executive director, effective 31 December 2011. He has been on Afrox's Board since 2005. I would like to thank them for the insight and guidance provided during that time.

Matthias von Plotho has been appointed as a non-executive director of Afrox with effect from 20 May 2011.

DIVIDENDS TO SHAREHOLDERS

It is the Group's policy to consider dividends twice annually. The Board therefore has declared a final dividend of 23 cents per share (2010: 8 cents) that together with an interim dividend of 22 cents (2010: 19 cents) totals 45 cents for the year. This is covered two times by headline earnings and compares with the 27 cents per share paid for the 2010 period.

OUTLOOK

Many of the internal factors that restrained growth during 2010 have been resolved, clearing the way for an incremental return to operational and financial strength, barring unforeseen events. Depressed economic conditions, which impact on manufacturing and infrastructure spend in South Africa, remain a real concern. Your company's outlook, therefore, remains cautiously optimistic.

ACKNOWLEDGEMENTS

My appreciation for the support and counsel I have received goes to my fellow Board members. To Kent Masters and Tjaart Kruger go my thanks for their contributions to the company. I wish them both well in their future endeavours.

Once again, Afrox people have given of their best during what was a difficult and challenging year. My thanks go to you all for your efforts and I look forward to your contributions during the year to come.

Finally, I thank our suppliers and customers. Once again, our suppliers have played a key role in our ability to deliver on our promises. To our customers goes my appreciation for entrusting us with their business. We look forward to being of service to you again in 2012.

Mike Huggon
Chairman
23 February 2012

Financial director's review

Frederick Kotzee

BUSINESS CONDITIONS

Afrox continued to operate during the 2011 reporting year in an environment where uncertain global and local conditions prevailed. Fears that there would be a period of negative growth resulted in many companies reviewing plans and shelving projects pending the return of better economic conditions.

Manufacturing, always a key economic indicator to Afrox, failed to significantly consolidate its path to recovery which began towards the end of 2010. This naturally impacted on Afrox which as a mature business in South Africa, tied closely to the prosperity of the manufacturing and allied sectors, failed to achieve the growth in product sales volumes that were expected.

It was noted that the increases recorded by the Purchasing Managers Index (PMI) ran against the global trend and that 'soft global demand' would potentially result in South Africa's PMI remaining relatively subdued for the 'foreseeable future'.

The steady growth and demand for products and equipment within the automotive industry, however, provided a bright spot as exports of locally built units continued and global companies, supplying original equipment fittings for various automotive marques, opened in the Eastern Province.

Labour unrest during the year impacted sales, with activities in July hard-hit. A major effort following the industrial action enabled back order sales to be filled, significantly reducing potential losses. Besides the strikes, the challenges at local oil refineries placed additional pressures on Afrox's LPG supply chain. Sales of the commodity were substantially reduced as Afrox, along with other major suppliers, were forced to ration product sales and resort to higher priced LPG imports to partially close the supply gap.

Afrox trades in more than 11 countries across sub-Saharan Africa and is therefore impacted by the ruling foreign exchange rates against the rand. The weakening of the rand against major currencies, such as the British pound and US dollar, aided Afrox by increasing margins on exports, but put pressure on LPG pricing and imported content.

INCOME STATEMENT

Revenue at R5.2 billion, was 11% ahead the 2010 level of R4.7 billion.

Earnings per share, at 59.2 cents was 95% higher than 2010 at 30.5 cents.

Headline earnings, was 91.6 cents per share, 65% higher than 2010.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to R774 million.

The Afrox Group's financial position remains strong. Gearing has reduced to 17.4% from 20.6%, with debt reducing from R842 million to R716 million.

Results improved during the final six months of the year, due to the implementation of cost management plans, focus on cost recoveries, improved plant reliability, the benefits of Afrox's changing manufacturing strategy and productivity improvements. The result at year-end reflected these.

IMPAIRMENTS

During the year Afrox impaired R152 million of the Witbank plant, after Evraz Highveld Steel indicated that it would not renew its gas supply contract due to expire in two years time. The Evraz Highveld Steel claim was settled in December 2011. Afrox also secured the right to remain on site for an additional 20 years and Evraz Highveld Steel to make utilities available at cost.

The decision to impair the assets of the MIG plant in 2010 and to cease production at the end of December 2010 proved to be sound. During 2011, welding products margins increased from 30% to 33%. Annual savings of R23 million were achieved, slightly below the R25 million forecast. This was due mainly to closure of the plant occurring some months later than scheduled.

CASH FLOW

Cash generated from operations was R844 million compared to R606 million in 2010. Long-term borrowings of R263 million were repaid during the year. The focus on working capital management has resulted in positive cash inflow.

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SEGMENTED RESULTS

During the year, segmental reporting across the business was expanded to Atmospheric Gases, LPG and hard goods and Rest of Africa. African operations continued to produce good results, contributing nearly 26% to the Group's EBITDA. The EBITDA of the African operations was R203 million. Namibia and Zambia had excellent results and contributed 6% each to EBITDA for the Group.

CAPITAL EXPENDITURE

Afrox continued to invest in plant modernisation, additional capacity and efficiency enhancements as capital expenditure on tangible assets rose to R416 million in 2011. This included R71 million investment in the Pretoria plant, R79 million on other production facilities and a further R180 million on cylinders.

REVIEW OF FINANCIAL FUNCTION

The Afrox finance department is continually increasing the utilisation of the SAP accounting system. Regular performance appraisals, including key performance areas and scorecards, have ensured that the finance department is adequately staffed and with the appropriate level of experience. Regular benchmarking is done comparing the Afrox finance department with their counterparties within The Linde Group. Continual learning is ensured via regular IFRS training presented locally as well as with the support of the Linde IFRS Competency Centre.

Progress has been made to rectify competency weaknesses as identified at some of the African subsidiaries with the appointment of new financial managers. At the end of February 2012, substantially all operations were on the Afrox network for the first time, and that will enable standardisation across the region and ensure that the company is well placed to deal with growth in Africa.

A culture of internal controls with strong ethical behaviour is instilled.

OUTLOOK

Internal process enhancements, a focus on governance and containing costs and increasing productivity bore fruit during 2011. Indications are that, unforeseen events aside, Afrox will continue on its path to recovery during 2012 and operating margins will improve.

THANKS

My thanks go to the Board for their support and to my colleagues for their assistance during the year. I thank too, Tjaart Kruger, the former CEO, for the support he gave me after my appointment in 2010.

Frederick Kotzee
Financial Director
23 February 2012

The AfroxPac 35i is a self-contained self-rescuer manufactured by Afrox for use in the mining industry.

Stakeholder engagement

As a public company listed on the Johannesburg and Namibia Stock Exchanges, Afrox acknowledges its duty to its stakeholders. This diverse group is composed of shareholders, employees, the investment community, customers, suppliers, business partners and the broader South African society from which Afrox derives its income.

The company meets its obligations to its stakeholders through a series of activities designed to meet defined objectives.

Shareholders, market analysts and media

The investment community is engaged through required financial advertisements issued in the print media. These notices, and all other major developments, are also made public through the Stock Exchange News Service (SENS).

Supplementary media releases are issued and media interviews are conducted where appropriate. The Group results are presented at the annual general meeting, which follows the publication of a comprehensive annual report to which all shareholders are entitled.

Sector financial analysts, independent 'stock watchers', leading stockbroking companies and the financial media are provided with briefings. These briefings cover all facets of the company's activities and are arranged in conjunction with the Investment Analysts Society. In addition, the Managing Director and Financial Director endeavour to meet with major shareholders and other interested parties at least twice a year.

A comprehensive website, **www.afrox.com**, provides readily accessible information on all facets of Afrox's corporate activities. Catering for all levels of public interest in Afrox, our website ensures easy access to the specific needs of the financial community, all SENS announcements, company financial results, media releases and documents, including annual reports.

Customers and business partners

Customers and business partners are key groups that play an important part in the development of Afrox's business, and its ability to remain a sustainable supplier of a wide range of value-added products to the markets it serves.

To achieve its business objectives, Afrox cultivates long-term relationships across a broad spectrum of activities so it can meet the changing needs of customers. Applicable technologies and innovative processes are then identified to deliver on customer requirements.

Where circumstances require, such as the recent national LPG shortage or industrial action, specific communications campaigns are devised. These make sure that all parties are aware of developments, the possible consequences and steps taken to minimise the impact of events.

To guarantee that information on products is freely available to all, several marketing tools have been devised. These range from traditional brochures, covering gas services and products, hard goods, welding and safety equipment, to a comprehensive printed product manual that is also available as a CD and through the internet at **www.afrox.com**

Afrox services and products are showcased in various ways. At least 17 major trade shows, crossing the spectrum from premier events such as the Electra Mining and NAMPO (National Maize Producers Organisation) shows, feature a strong Afrox marketing presence. A segmented media campaign makes sure that trade publications regularly receive information on products, innovations or technical subjects of interest to their readers.

Similar activities are conducted in sub-Saharan markets with the support of The Linde Group.

About four marketing campaigns are conducted annually on a business-to-business basis. These events, involving selected Gas & Gear branches, typically see 150,000 product information leaflets distributed in business catchment areas.

Employees and unions

As Afrox's most valued asset, the company's people benefit from remuneration and benefit programmes that reward performance and loyal service. Comprehensive programmes provide employees with access to training and tertiary education courses linked to jobs.

Health and wellbeing are addressed through confidential, off-site counselling services, the provision of medical aid healthcare benefits, and support for those with HIV/Aids. Comprehensive SHEQ policies are in place at all facilities to provide safe working conditions for all.

As an equal opportunity employer, Afrox is committed to offering employees personal development through skills-based training. This is backed with ongoing information and employee engagement programmes that include a quarterly staff newsletter, e-mail information from executives, multi-media presentations and team meetings. Regular contact is maintained with trade unions which communicate with members at some operations.

Performance appraisals are based on twice-yearly interactive meetings in which employees discuss work outputs, expectations and remuneration with line managers.

Engagement includes internal newsletters and posters, regular business addresses from the Managing Director and his General Managers, as well as an internal news programme produced on DVD.

Added to this, Afrox ensures regular shop-floor and team briefings, management road shows and 360-degree performance reviews.

Regulatory compliance

Afrox complies with applicable regulations and statutory requirements in every country in which it is active. The company consults with government agencies, where this is required, to make certain that it complies with all regulations relevant to its sector.

Communities and NGOs

As a responsible corporate citizen, Afrox participates in community involvement programmes within communities from which it derives its profits. Regarding this not only as a duty, but also as a vital component in the company's corporate governance and sustainability strategies, Afrox supports charities and assists more than 3,000 disadvantaged children across the continent. Education, specifically in the areas of science and mathematics, is a particular focus.

Recognised by the United Nations for its activities, which are regarded by the body as a benchmark in the sector, Afrox is committed through its actions to operating ethically in a sustainable manner that ensures the preservation of the environment for future generations.

Internal policies concerning safety, health, environment and quality drive all operations and are constantly monitored. These policies ensure that the company operates within globally accepted norms, and adheres to world-class practices and quality standards, especially those of the International Standards Organisation (ISO) that rates and certifies operations and quality practices at many Afrox sites.

For further information on the company's corporate social investment activities, refer to page 52 in this report.

Suppliers and service providers

Afrox strives to ensure that its employee base reflects the diversity of South African society and is actively engaged with suppliers on their transformation strategies. Where it is possible, the company sources products and materials from those who can demonstrate that they share Afrox's determination regarding equal opportunity, social responsibility, sustainability and concern for the environment.

As a B-BBEE level three contributor Afrox is proud of its achievements in promoting the interests of the previously disadvantaged within its supplier value chain. During the year, in terms of government guidelines, 137.5% of the company's procurement spend in South Africa was recognised as 'preferential'.

Our suppliers and service providers are informed and engaged via supplier site visits and meetings, and performance reports and audits, all geared to ensure good value, safe quality products and services that support our growth strategies.

Executive management

Johann Cilliers
General manager Communications

Willie Coetzee
General manager African Operations

Francis Graham
General manager Human Resources

Frederick Kotzee
Financial director

Carnita Low
Company secretary and general counsel

Donal Mackinnon
General manager Tonnage

Lerato Mosiah
General manager Healthcare

Jonathan Narayadoo
General manager MPG Operations,
Executive director

Herbert Ngwenya
General manager Liquefied Petroleum Gas (LPG)

James Poulter
General manager Information Services

Jan Storm
General manager National Customer Service Centre

Gerhardt Schnackenberg
General manager Sales

Jaco Wiese
General manager Merchant and Packaged Gases

Stuart Read
General manager SHEQ (acting)

The Afrox spirit

VISION

We will be the leading gases and welding products company admired for our people, by any measure, in sub-Saharan Africa.

MISSION

Afrox will provide services and a focused range of performance enhancing gases and welding products to valued customers, through excellence in operations, customer service and delivery, and investment in infrastructure, people and technology for the benefit of all stakeholders.

STRATEGY

Our strategy is to transform our company into a High Performance Organisation. We will achieve this by being the best in our class in everything we do. We will develop a performance-based culture built around the best people. We will transform our company in South Africa to comply to B-BBEE requirements. We will achieve operational excellence by working as one team in a cross-functional matrix driven organisation. This will be delivered through highly effective planning and low-cost manufacturing and distribution. We will focus the business on the customer, routes to market, and marketing strategies driving our brands forward. We will look for growth and other opportunities through innovation, both within and outside of South Africa's borders.

VALUES

We believe that a passion to excel, innovating for customers, empowering and thriving through diversity will result in a high-performing organisation. Moreover, by exercising these values with integrity and in ways that are safe, sustainable and respectful, we will create an organisation which all can be proud to work for and in which everyone can find fulfilment.

FOUNDATIONAL PRINCIPLES

Our core principles and values are incorporated into all our processes. The foundational principles by which Afrox does business are:

Safety:

We don't want to harm people or the environment

Sustainability:

We are preoccupied with today's success, but accept our responsibility for future generations

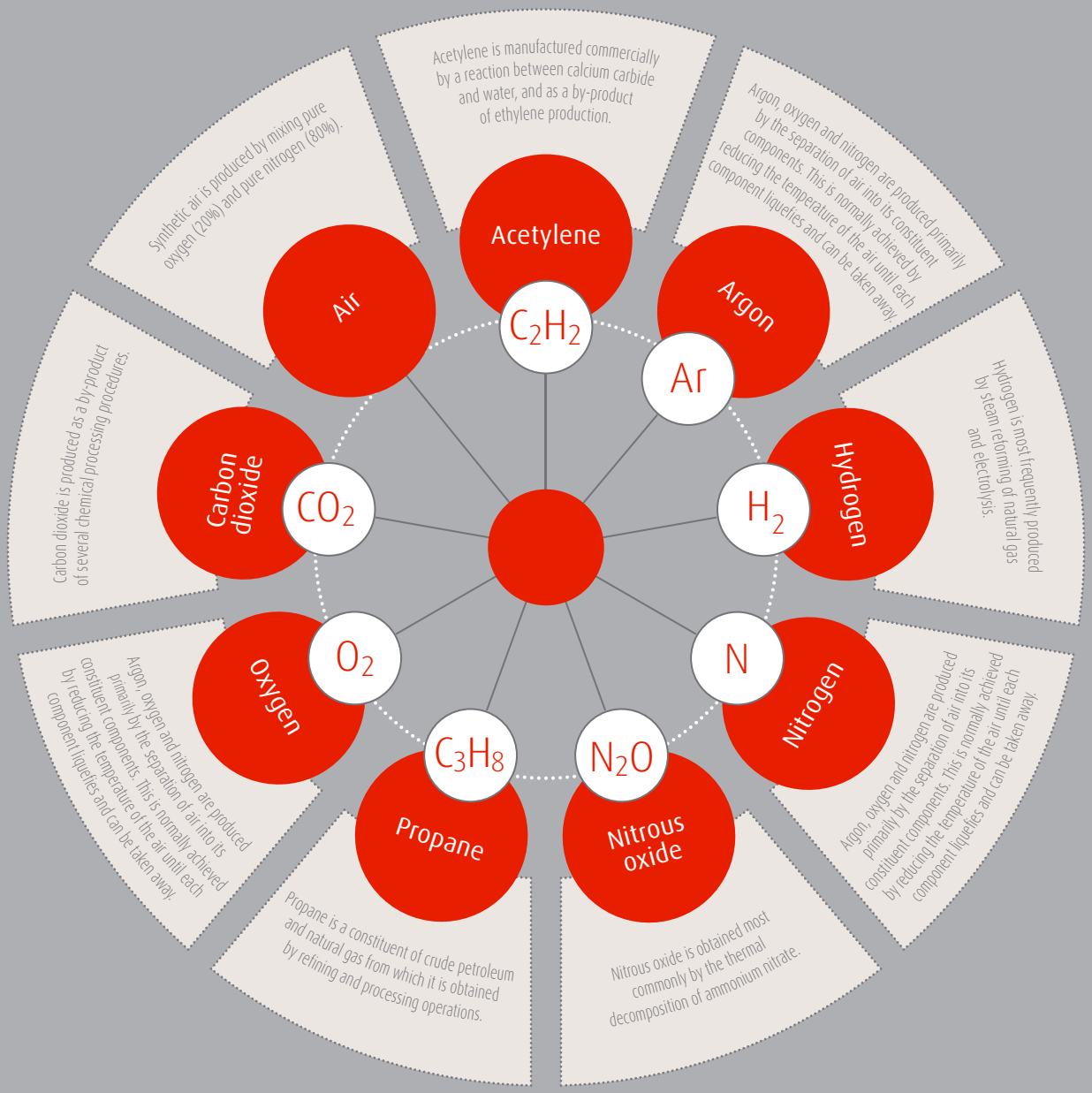
Integrity:

Our actions are honest, fair and ethical

Respect:

Every human being deserves to be treated with respect

Overview of Afrox gases



Business review

Today, as part of The Linde Group, a global leader in gases, engineering and technology solutions, Afrox operates in South Africa and 11 other African markets meeting the needs of a wide range of customers drawn from sectors as diverse as heavy industry, healthcare and hospitality.

Within the sub-Saharan markets in which it is active, Afrox manages five operations on behalf of The Linde Group. Throughout all regions, Afrox supplies the full range of large volume on-site and bulk gases, cylinder gases, scientific and medical gases, refrigerants, packaged chemicals, helium and associated products. It also serves markets with gas equipment, welding consumables and safety products.

Afrox operates in South Africa and 11 other African markets meeting the needs of a wide range of customers drawn from sectors as diverse as heavy industry, healthcare and hospitality.

The company's main areas of business are:

ATMOSPHERIC GASES

pg 22

Atmospheric Gases encompasses those parts of our business that utilise air separation technology for the production of mainly oxygen, nitrogen and argon, our CO_2 plants and special gases facilities. The production of high volume gas products is via air separation units (ASUs) strategically located throughout the country. These serve the needs of customers through 'over the fence' schemes or liquefied product. The 'over the fence' dedicated supply customers usually operate in close proximity to the Afrox ASUs, requiring defined tonnage of product delivered via pipeline to operational sites in terms of 'take-or-pay', long-term supply contracts that can be in force for negotiated periods of up to 20 years.

The supply of bulk, liquefied gas products, typically includes liquefied nitrogen, oxygen, argon and CO_2 that are transported by road tanker, while packaged gases are supplied to customers in cylinders.

The packaged gas products are used in a number of applications that include industrial, mining, commercial, domestic, scientific and medical activities. Products, as can be expected by the wide range of applications, are equally varied and include dissolved acetylene, scientific gases, refrigerants, helium, argon, oxygen, nitrogen, welding shielding gases, propellants and packaged chemicals. Special products and chemicals include refrigerants that are supplied in small quantities or in bulk drums to various industries and gaseous chemicals supplied in bulk or cylinders.

This business segment also covers Afrox medical gases produced for the healthcare sector. This includes supplying leading state and private medical facilities and home-based care. Our medical gases are registered with the Medicines Control Council as pharmaceutical products in accordance with the Medical and Related Substances Control Act 101 (1965). Afrox is the first gases company in South Africa to achieve registration of all its medical gases. Manufactured to pharmaceutical grade standards, all products, whether they are required for anaesthetic purposes or post-operative management, are ultra high-purity, quality products that are renowned for their reliability and safety. Medical gases are also supplied to countries forming part of Afrox's sub-Saharan operations, the supply of which is supplemented by submission of statutorily required registration dossiers and training.

LPG

pg 24

Afrox is the leading distributor of liquefied petroleum gas (LPG) to bulk users across major sectors of the South African market, and supplies packaged LPG under the Handigas brand in cylinders to those requiring smaller volumes. The company packages and distributes LPG in accordance with Department of Energy (DoE) regulations. The DoE is custodian of the energy space in South Africa and controls most aspects of the market. It is also a stakeholder in PetroSA, one of the nation's main refineries. The DoE also regulates imports, issuing permits as necessary, and co-ordinates planned maintenance closures of refineries. Refineries in South Africa are Afrox's main suppliers of LPG.

HARD GOODS

pg 25

Hard goods is the supply of welding electrodes, MIG wire and welding equipment for gas and arc welding requirements, regulators, torches and safety equipment are also supplied to countries forming part of Afrox's sub-Saharan operations.

REST OF AFRICA

pg 26

With its large populations, growing economies led by utilisation of commodities and emerging middle class driving consumer growth, sub-Saharan Africa is continuing to benefit from growing international investment. Working within key markets in this region our operations in the rest of Africa continued to benefit from the economic resilience of the continent that has enabled it to weather the worst effects of the global recession.

Atmospheric gases

In the year under review, factors impacting on the Atmospheric Gases business were the rising cost of electricity, plant reliability and the depressed steel sector. Total volumes in Atmospheric Gases, including CO_2 and special gases, were down 3%, compared to 2010.

Electricity supplied by Eskom, a government-owned enterprise, was subject to major year-on-year increases that had a serious impact on our ASU operations, the largest consumer of electricity in Afrox, running at approximately R200 million in 2011.

Steps have been taken to reduce consumption of this strategic commodity, including participation in Eskom's programme to take sites, such as Kuils River in the Western Cape Province, off-line during national peak energy periods.

In terms of an agreement with Eskom, R20 million is being invested in the construction of bulk storage facilities at Kuils River and at Pietermaritzburg in KwaZulu-Natal. This will enable the two plants to run to capacity during off-peak periods when power is cheaper, and to store product for use when Eskom requests power consumption reductions.

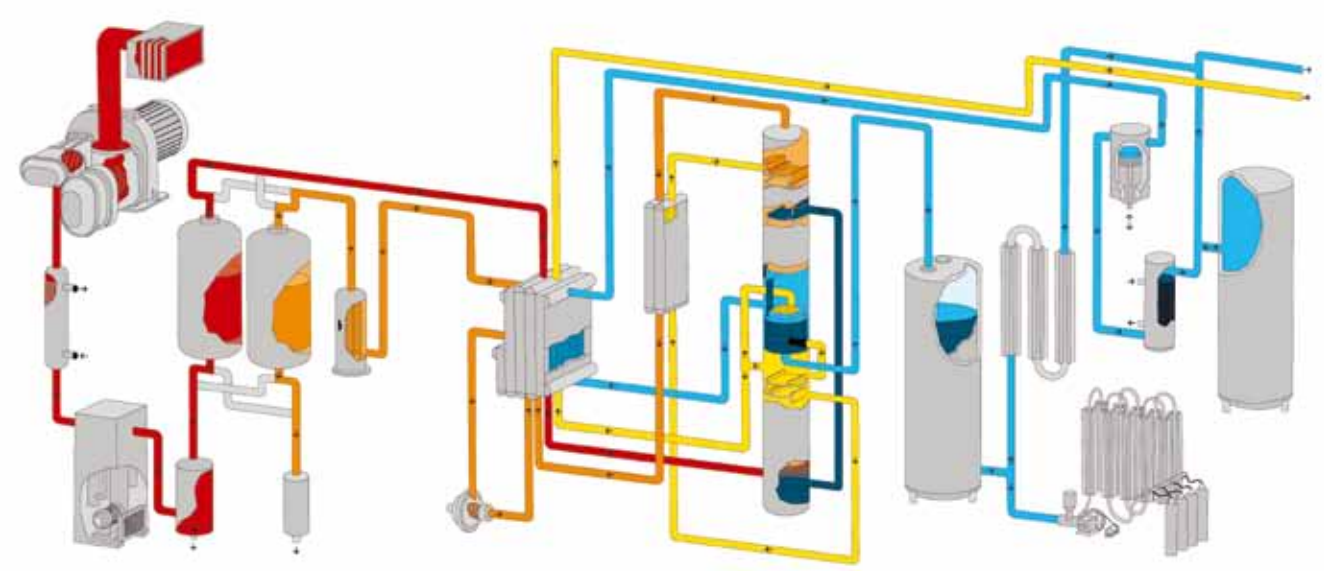
In 2011, while the average cost of electricity rose by 25% in South Africa, this was contained to an actual 12% rise due to stringent power management initiatives in Afrox.

Naturally, plant reliability is a key focus due to the Group's reliance on gases produced by the ASUs for supply scheme customers, the merchant bulk market and the cylinder gas market.

Although this reliability was negatively impacted by events in 2010, mainly with product supply disruptions to Evraz Highveld Steel and Columbus Stainless Steel, there has been a significant improvement in ASU performance during 2011.

At the same time, major investment and corrective action at the Witbank plant, which supplies both Evraz Highveld Steel and

Air separation units are the core of our business



Air ■ Waste nitrogen ■ Nitrogen ■ Oxygen ■

Columbus Stainless Steel, has been undertaken and returned the ASU to its former production levels. This action was carried out before Evraz Highveld Steel announced its decision not to renew its supply contract with Afrox.

Significant pre-emptive work and improvements were undertaken at other facilities where potential problems were identified, ensuring their reliability going forward.

In line with global best practice, most of Afrox's ASUs are now run remotely from the UK, with other CO_2 operations being controlled through the USA. The main advantage is that operations are monitored on a 24-hours-a-day basis by highly skilled engineers. One of the early benefits realised through this approach has been a significant reduction in power consumption. As ASU plants consume almost 80% of all Afrox's electricity supply, the ongoing efficiencies produced through the control programme will continue to be of benefit for years to come.

It is anticipated that the Pietermaritzburg ASU will be remotely run early in 2012. It will be joined by Pretoria once construction of the new R200 million, 200-tons-per-day ASU plant has been completed towards the end of 2012. Technical improvements and efficient operations of the new Pretoria plant will see power consumption reduced by six megawatts.

Comprehensive plant efficiency reviews are now routinely carried out at all plants. One of the benefits of being part of The Linde Group, which provides Afrox with significant access to global resources, is the fact that Afrox plants incorporate technologies and equipment developed by The Linde Group's Engineering Division.

The Afrox programme to bring the new Pretoria ASU and liquefiers into production will further enhance overall plant reliability and contribute to sustaining high levels of plant 'up-time'.

ASU and CO_2 day-to-day operations have been separated to improve functionality through increased specialist attention. The CO_2 sector is primarily concerned with production of CO_2 for the bulk merchant market, which includes the beverage industry as a major component.

The new Sasol CO_2 facility came on stream during the year and is already producing in excess of 250-tons-per-day.

The CO_2 market in South Africa is becoming increasingly quality conscious, with major bottlers subjecting all consignments of the liquefied gas to stringent laboratory processes to ensure conformity to globally adopted standards.

Afrox will be conforming to these standards and has initiated procedures to ensure compliance by mid-2012. Already, for example, Afrox has been awarded preferred supplier status by Coca-Cola bottlers in South Africa.

In 2011, sales of our bulk and special gases maintained forward momentum. However, strike action during the year impacted sales, with activities in July being particularly hard-hit. Concerted action following the strike enabled back order sales to be fulfilled, significantly reducing potential losses. The rising price of electricity also impacted on production costs. This has been countered by increasing attention being paid to productivity and its role in cost containment.

Investment in the Gases Operation Centre in Germiston has enabled Afrox to locally produce and supply specialist gases under the global HiQ Linde brand, a change that has had a positive impact on margins. Demand for scientific gases is also being influenced by environmental legislation, which requires that emissions be controlled and measured.

Looking forward, Afrox expects demand for industrial and special gases to increase, but the extent to which volumes grow will depend on factors such as GDP growth, consumer demand and the introduction of new and innovative product service offerings to our markets. In this respect, during 2011 progress was made on the development of strategic business processes. This has increased the alignment between the different product areas and the product service offerings to customers.

Further growth in the food and beverage industry, which is presently exceeding that in other sectors, will drive demand for beverage grade CO_2.

Our medical gases service offers operate through two streams, Hospital Care and Homecare.

Hospital Care serves both the private and public healthcare sectors. Medicinal gases, supplied in cylinders and bulk tanks, have widespread uses from general wards, high care centres and emergency units to clinics and doctors' rooms. For example, medical oxygen is used for, among others, post-operative hypoxaemia and as part of a fresh gas flow in anaesthesia. Medical nitrous oxide is a proven anaesthetic agent with sedative properties. A combination of oxygen and nitrous oxide, Entonox, is indicated for short-term pain relief and conscious sedation.

In the public sector, the supply of medical gases is on a tender basis, with the state hospitals forming the mainstay of Healthcare's revenue. Afrox presently supply five of the nine provinces with their gas requirements. Afrox is a supplier to leading private healthcare groups that own hospitals across South Africa.

Medicinal oxygen is one of the most widely used drugs in the world. Our medical gases are delivered in bulk tanks for piping to patients via wall outlets in the ward, or in cylinders that

enable delivery to operating theatres, during patient transport or wherever the patient requires oxygen.

Homecare is growing in South Africa and Afrox is well placed to service this market. Afrox's Homecare stream is focused on providing gas therapies to chronically ill, homebound patients, suffering from respiratory chronic diseases. Homecare provides concentrators, medical devices, to home patients suffering from Chronic Obstructive Pulmonary Disease.

Afrox Medispeed is also committed to providing a comprehensive range of products and services to respiratory therapy patients in the home. Afrox Medispeed provides a complete Domiciliary Respiratory Service package to suit the requirements of medical practitioners, medical aids and, most importantly, the patient.

The introduction of Afrox developed innovative systems and delivery mechanisms continue to be a focus. The latest product to emerge from development is an integrated valve regulator that makes delivery of oxygen predictable and easy to manage.

The valve regulator, which has been patented and has export potential, received an innovation award for locally-manufactured products. The required registration process for this unique medical product is presently underway.

As reported in 2010, new registration applications were submitted for Heliox 21 and a new indication for the use of oxygen in the treatment of cluster headaches. Approval was granted by the Medical Control Council for this new indication.

Heliox 21 is used to ease breathing in patients during medical procedures and also has applications for patients with severe airway obstructions. Final registration with the Medicines Control Council could take up to three years to be processed.

Opportunities for future growth lie mainly in the state sector where increased attention is being paid to the introduction of a National Health Insurance (NHI) scheme. One of the cornerstones of the NHI will be the state's focus on improvement and increasing healthcare facilities and infrastructure. This will create major opportunities for Afrox's engineering department with regards to installations and maintenance. Increased demand for medical gases will follow the infrastructure development programme.

The outlook for 2012 is positive, with new opportunities being examined and marketing opportunities explored. With its focus on healthcare products and services, Afrox is largely spared from the impact of economic downturns will assist future growth.

LPG

The year under review saw LPG volumes decrease by 3% on the back of a 5.2% decrease in bulk sales. Cylinder volumes remained flat on 2010.

2011 was characterised by labour strikes and unscheduled refinery closures leading to shortages of LPG. As a result, South African refineries combined delivered 6% less LPG volumes to Afrox compared to 2010. The limited availability of import storage capacity in the country added to the problems.

As one of the nation's leading distributors, Afrox was placed under considerable pressure as it sought to balance the requirements of customers against the dwindling supplies of the gas available from local oil refineries. Through concerted action and sourcing initiatives, Afrox was able to ensure that key industries, such as the nationally important automotive industry in the Eastern Cape, continued to receive product.

Resorting to imports helped alleviate the situation somewhat, but led to increased costs to customers through the levying of

import surcharges due to LPG's higher landed price and the need for additional trunking.

Supplies to smaller users and the public could not be guaranteed. In some cases, particularly in the Western Cape, restaurants reliant on LPG for cooking had to reduce opening hours or close down due to the shortage.

It has to be expected, however, that for the immediate future South Africa will have to rely on international sources to 'top-up' local LPG production, as there is no expectation of a marked increase in capacity at local oil refineries.

Looking ahead to 2012, Afrox is considering several strategic initiatives to smooth LPG supply and these will be finalised in the coming months. Actions included production level discussions with refineries, examining options for product imports, assessing needs of bulk users and projecting profitability levels.

Investment in new cylinders is also being made to avoid a situation in which shortages of cylinders could occur during winter.

Afrox, as a member of various industry bodies, will continue to be part of the consultation process with government to resolve issues surrounding the LPG situation in South Africa.

Hard goods

Volumes in the welding consumables (hard goods) market, which is traditionally linked to infrastructure development, continued to be under pressure but managed a 3% growth in 2011. Conditions have been tough in this arena with high levels of competitor activity, both at the small-end of the market and high-end competition from own equipment manufacturers. A focused strategy was developed to counter this, which resulted in increased performance.

The manufacture of welding electrodes at various production facilities is continuing and further investment was made during the year to ensure that sufficient volumes of these electrodes, a South African brand leader, could be produced.

The automotive industry, to which Afrox is a major supplier, has recovered well. This was reflected in supplies of product to the industry and the industry's supply chain of manufacturers.

Infrastructure development, which reduced markedly with the completion of 2010 World Cup projects, the Gautrain and road projects, appears to be gaining traction, holding some promise for the future.

The ability of Afrox to offer technical support across all its products, a feature that differentiates it from other suppliers, will continue to be a factor in its selection as a supplier. An example of this has been at Eskom's flagship power station development sites at Kusile and Medupi, where high levels of customer support were required. To meet this need, on-site facilities were established to assist contractors undertaking various tasks.

The Afrox PortaPak is an ideal welding and cutting set for those difficult-to-get-to-jobs.

Rest of Africa

Operations outside South Africa once again improved revenue to R815 million, being 26% of the Group's EBITDA of R203 million.

Providing the backing for this continued growth is not only demand for commodities and infrastructure, but a regional population that is characterised by the rapid growth of the middle class.

This has created demand for consumer products, beverages and healthcare, all areas served by Afrox. This growth can be seen particularly in countries such as Mozambique and Zambia, where South African businesses of all types are increasingly represented and are playing a vital part in creating sustainable growth.

Major economic drivers, however, continue to be mining and energy. Copper, diamonds, gold, coal, iron ore, uranium and platinum, among other commodities, are driving expansion and are expected to provide the base for growth for at least the next five years.

Massive growth in mining operations extends from Zambia, where major investments are being made in copper mines, through to the DRC and Mozambique, where significant deposits of coal will drive growth. Angola has a rapidly growing economy, with prosperity being driven by oil, and natural gas in Mozambique.

During the year, Namibia reinforced its status as the largest contributor to revenue from the rest of Africa. A PSA, installed in the country at a cost of about R27 million, was completed within budget and is running as planned. A cylinder management programme was also introduced, while the upgrading of administrative functions was successfully completed.

Namibia and Zambia contributed 6% each to EBITDA with Botswana, Malawi, Swaziland and Mozambique each contributing 3% to EBITDA of the Group.

Operations in Kenya, which encompass those in neighbouring Uganda and Tanzania, as well as Nigeria and Zimbabwe are not reflected in Afrox's consolidated results, as they are owned by The Linde Group and managed on its behalf by Afrox.

Along with growth have come the challenges posed by the lack of suitably skilled people, especially in the technical sphere. During the year, major staff changes were implemented in several centres to improve and stabilise management structures.

These changes were reinforced by a move towards the standardisation of information technology systems, regarded as a key element in developing and maintaining sustainable business practices, in a region where logistics and communication still offer major challenges.

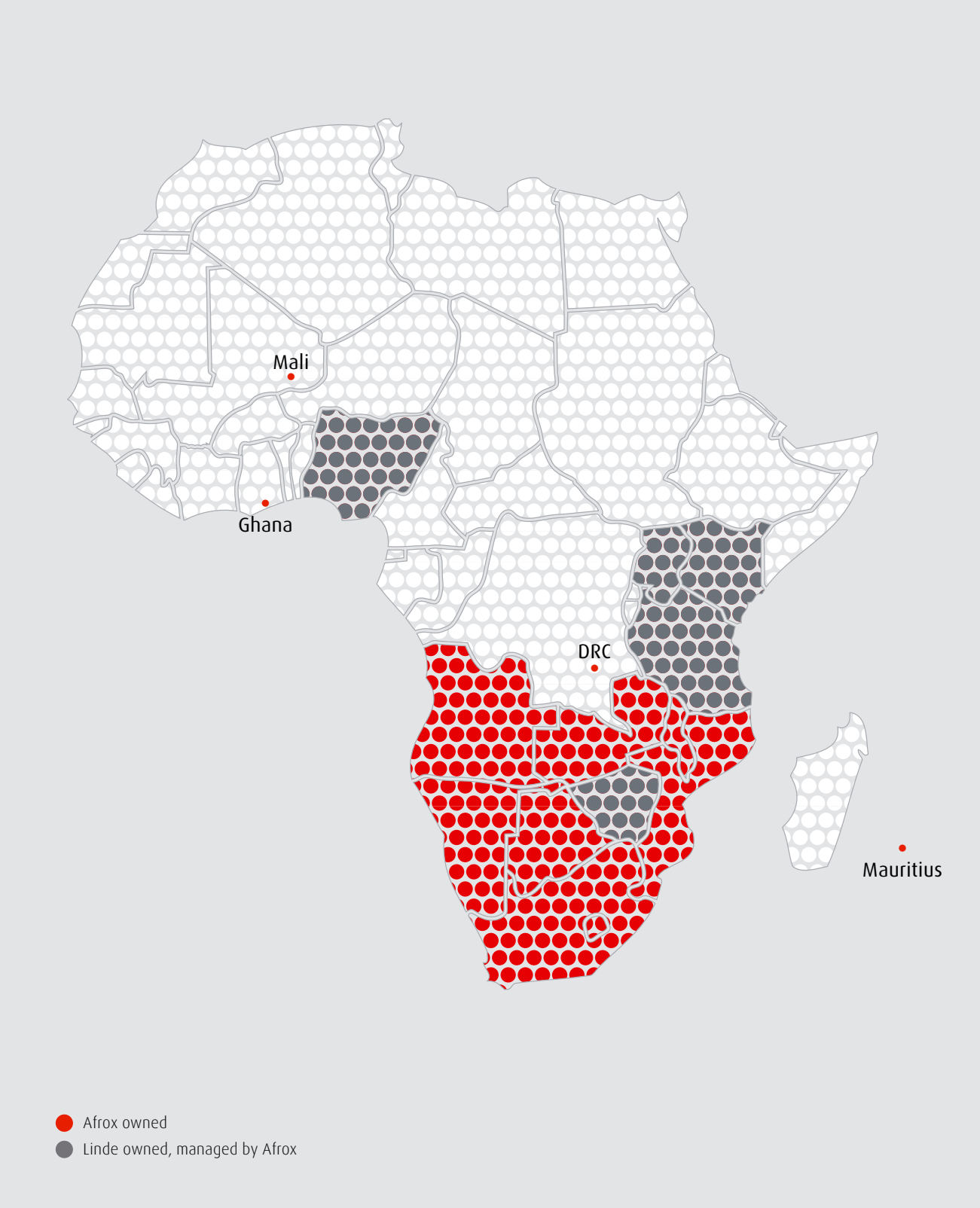
As part of Afrox's connectivity project, systems went live in the majority of countries. It is expected that all countries will be connected by the end of February 2012. This represents a quantum leap for the business, as until recently the reliability of networking in Africa was prohibitive.

This strategic investment will aid centralisation and standardisation of servers, platforms, hardware and software. This will enable the extended footprint to be rolled out across Africa and lead to long-term cost savings. From a business perspective the 'switch-over' will enhance control, visibility and governance in all countries beyond South Africa's borders.

In addition, the integration of operations into Afrox and Linde will continue in line with global best practices. This will ensure that operations are strengthened, expertise is shared and capital expenditure is allocated effectively to the benefit of the sub-Saharan region as a whole.

Safety, health, environment and quality programmes play a key role in ensuring that, no matter where operations are conducted, a uniform approach is maintained. These processes are based on The Linde Group standards and also mirror the functional approach to safety taken in South Africa by Afrox.

Environmental impact assessments are standard when new facilities are planned. Any SHEQ incidents are fully reported and investigated in a manner reflective of all operations in The Linde Group.


Mali
Ghana
DRC
Mauritius
Afrox owned
Linde owned, managed by Afrox

Overview of Afrox products

Integrated Valve Regulator (IVR) is a specially designed all-in-one device that specifically addresses the needs of respiratory practitioners and nurses for the administration of medical oxygen using ready-to-use, lightweight portable cylinders.

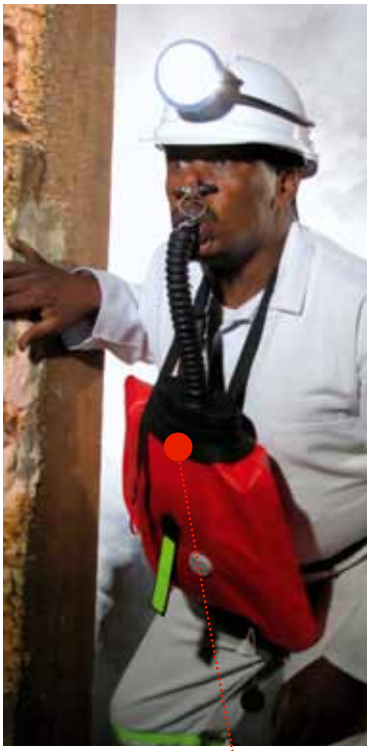
C_2H_2

Acetylene is a cost-effective and versatile fuel gas. Among many other applications it can be used for cutting, welding, brazing, gouging and thermal spraying.

O_2

Oxygen is used together with a fuel gas for many flame processes.

The Transarc MMA range of equipment is mainly used in the DIY environment for general maintenance and projects.



AfroxPac 35i: Afrox offers a range of safety and protective equipments to ensure that our customers can work safely.

N_2O

Medical Nitrous Oxide: A ready to use medical gas comprised of 50% medical oxygen and 50% medical nitrous oxide. Used exclusively for pain relief in a controlled setting by a healthcare professional.

Power generation and construction of power plants is among the key infrastructural projects that are currently undertaken in South Africa. Afrox is supplying a range of creep resistant consumables for the building programme.

Ar

Argon: Most applications of argon are related to the production, processing and fabrication of metal. The role of Argon is nearly always to exclude atmospheric air from contact with metal alloys.

HIQ This range consists of pure gases, made for purpose mixtures, calibration mixtures and gas distribution equipment.

O_2

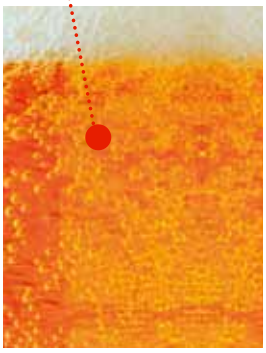
Medical O_2 provides life support by restoring tissue levels when oxygen circulation is impaired.

LPG

LPG: Effective instantaneous heat source for cooking, recommended by most chefs.

Liquid CO_2 is used for carbonation, of beverages. Other applications include: PH Control and freezing or chilling of food products.

CO_2



MIG Welding equipment and consumables is used in the automotive sector. Afrox welding equipment and consumables are widely used to weld exhaust systems, chassis' as well as catalytic converters.

N_2

Nitrogen is an unreactive gas generally used for purging of explosive/ combustable systems.

He

Helium gas is inert, and used extensively in shielding, cooling, and high pressure applications.

Human resources review

Human Resources (HR) is committed to ensuring the environment, in which the 3,500 employees of the company work, is aligned with the business objectives of the organisation and its aspirations to become a High Performance Organisation.

HR achieves this strategic requirement by understanding the risks facing the business and identifying what the 'pressure points' regarding skills requirements within the business are.

HR also ensures that the company has a 'licence to trade' within the greater South African context, by addressing issues such as

The company is presently a level three B-BBEE contributor and stands for equal opportunity and fair treatment of all employees.

employment equity, Broad-Based Black Economic Empowerment (B-BBEE) requirements and complying with legislative demands.

The company is presently a level three B-BBEE contributor in South Africa and stands for equal opportunity and fair treatment of all employees.

Supporting these ideals, Afrox's HR strategy covers recruitment, employee development, performance management, retention and cultural diversity.

Providing the appropriate support for the business requires that these strategic areas are thoroughly addressed.

The first area of focus is on strong performance management processes. The second focuses on a sound succession planning programme to identify potential skills gaps and counter this through the creation of strategies to create a pipeline of skilled people to ensure opportunity for employment growth and business continuity. The third is the development of leadership programmes as part of an HR roadmap.

TALENT MANAGEMENT

Afrox's talent management model is centered on The Linde Group's leadership competencies, which provide the base for 'people excellence' practices. These leadership competencies clearly define the qualities that Afrox leaders embrace and provide clear direction for the expectations the business has of its leaders.

The competencies are firmly anchored in the Afrox values that guide day-to-day actions and decisions, drive transformation towards a High Performance Organisation, and challenge Afrox's people to become part of a leading company.

The values are:

- A passion to excel
- Innovating for customers
- Empowering people; and
- Thriving through diversity.

These in turn, reaffirm a commitment to Afrox's foundation principles of safety, integrity, sustainability, and respect.

Values	Behaviours	Competencies
Passion to excel	Self-motivation and drive Decision execution Performance culture	Personal development Decision making and execution Employee development and empowerment Change leadership
Innovating for customers	Strategic innovation Customer needs Customer offerings	Strategic thinking Customer focus Customer focus Functional and technical competence
Empowering people	Strategic innovation People engagement and performance Employee development Employee recognition	Strategic thinking Visible leadership Employee development and empowerment Employee development and empowerment
Thriving through diversity	Cultural sensitivity High performance teams Conflict resolution	Cross-cultural communication and collaboration Cross-cultural communication and collaboration Negotiation and conflict resolution
Foundational principles	Exemplary leadership	Visible leadership

PERFORMANCE MANAGEMENT

Performance management aims to unlock employees' potential and enable them to perform at their best and is applied to all employees as a formal process and a daily managerial practice.

Line managers and their 'direct reports' work together, regularly exchange performance feedback and together identify areas for improvement. Included the performance management process are personal targets, role responsibilities, leadership competencies, and personal development planning; a results driven approach to manage the performance of people to attain company goals. The programme seeks to ensure that:

- Department/business unit goals are achieved
- Employee performance outputs are discussed and agreed
- Employee performance is measured and the consequences managed
- Employee development (IDP) supports department/ business unit goals
- Constructive and helpful feedback and coaching; and
- Joint performance management is consistent, fair and objective across all business units.

To achieve the above, all line managers are required to undergo training in the performance management process.

RECRUITMENT AND SELECTION

Afrox has launched a state-of-the-art e-Recruitment system that will streamline recruitment and selection processes and reduce future costs. The new system, accessed via **www.afrox.com**, allows prospective applicants to view all available vacancies.

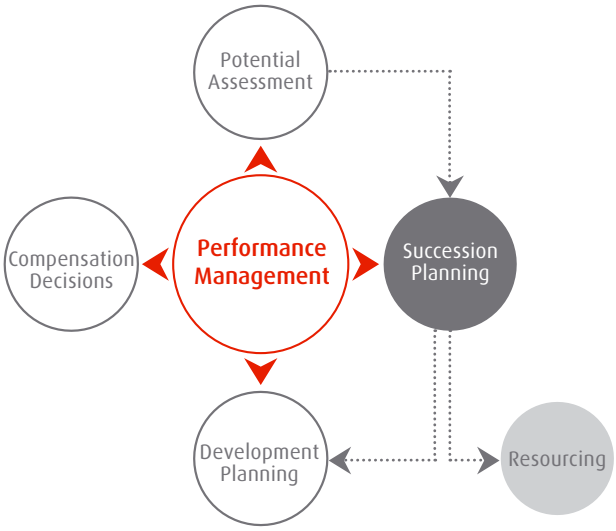
In addition, job seekers can register on the system and be notified of future vacancies. They can also 'build a CV online' to a format that creates uniform documents for HR and managers for screening potential employees.

The system provides several benefits for line managers by enabling them to reach deeply into the recruitment market and save costs. The process also provides line managers with access to a valuable base of pre-screened potential candidates. This results in improved reporting and reduced hiring times.

Good progress has been made in recruiting people from designated groups, with 72% of new recruits in 2011 being sourced from these identified groups.

SUCCESSION PLANNING

As part of the talent management process, Afrox strives to ensure that specifically identified jobs have qualified successors available so that current and future business goals can be achieved. Afrox succession planning is one of the processes used to satisfy this need.



The succession planning process assists managers to:

- Identify critical jobs at executive, management and lower levels
- Confirm selected employees as potential successors to critical jobs
- Initiate individual development plans for identified successors; and
- Review successor readiness against job requirements.

Within Afrox, key positions have been identified as critical across the business and successors have been established in less than two years. This is a positive step in determining employees' career aspirations and ensuring that critical positions are catered for.

LEADERSHIP AND MANAGEMENT DEVELOPMENT

Afrox, in collaboration with the Linde University, provides a suite of leadership programmes aligned with the strategic challenges faced by its leaders.

The Global Leadership Development Circle is specifically designed to meet the development needs of senior managers. Developed with the Oxford University's business school, the programme is

delivered by leading academics who are all experts in their chosen fields.

Making the transition from individual contributor to leadership is one of the most critical milestones in an employee's career. Line manager programmes are designed to help managers through this most challenging transition by equipping them with the knowledge, skills and confidence to lead teams more effectively.

Middle and junior managers are required to attend 'first in-line' and 'second in-line' programmes. The overall programme takes seven months to complete and is based on classroom training and pre- and post-programme work, which includes the use of eLearning resources from the Harvard Business School.

More than 600 managers have attended the leadership and management training during 2010 and 2011. Many of those attending were candidates selected to advance the company's employment equity plans.

GRADUATE, IN-SERVICE AND BURSAR DEVELOPMENT

Afrox continues to operate its bursary, in-service and graduate schemes, which provide an important pipeline of talent for critical technical roles within the company. Presently, there are 19 bursars studying various engineering disciplines, and five in-service trainees placed in the company. 12 graduates are completing specialised technical rotation training schemes.

ARTISAN DEVELOPMENT

The training and development unit manages Afrox's technical training requirements. There are currently 47 learners on apprenticeship or learner programmes in Atmospheric gases and Operations, covering disciplines ranging from instrument mechanics, electricians and millwrights to chemical fitters. Training modules are being developed with the CHIETA to focus on the development of apprenticeships in line with industry needs.

LEARNERS WITH DISABILITIES

During the year, NQF Level 2 Call Centre Management and NQF Level 2 Wholesale & Retail Learners training was initiated for learners with disabilities. Seven of the eight learners on the Call Centre Management programme have completed the course. Three learners were offered permanent employment at the National Customer Service Centre. There were 12 learners on the Wholesale & Retail programme.

CULTURAL DIVERSITY

Afrox is proud of the cultural diversity of its people and stands for equal opportunity and fair treatment.

As stated in the code of ethics, Afrox encourages tolerance and sensitivity to other cultures and is committed to maintaining a workplace that is free from discrimination based on race, creed, culture, nationality, gender, sexual or marital status. Employees are selected on their ability to perform the job and physical disability is not a barrier to employment.

Afrox's transformation agenda is part of the annual B-BBEE planning process and progress is monitored at executive management meetings.

FREEDOM OF ASSOCIATION

Employees are free to join any organisation, forum or trade union they choose. Currently about 30.5% of employees belong to trade unions. Employees elect colleagues who represent them in *bona fide* consultative forums that meet regularly and provide a platform for formal worker representation in decision making.

EMPLOYEE SUPPORT

Employees are encouraged to take responsibility for their own health and wellbeing by fostering self-sufficiency and resilience. Afrox, through an independent specialised supplier, offers an employee support programme for all employees and their immediate families.

This service provides users with confidential personal support and information through experienced counsellors. Employees can opt for telephone or face-to-face sessions with counsellors who speak the employees' home language.

Advice is provided on life management, which includes legal advice, financial management, family or work issues, stress, trauma and substance abuse. Support is offered in the context of workplace productivity and performance enhancement. The annual total engagement rate is 31.4%, which is in line with industry trends.

MEETING THE HIV/AIDS CHALLENGE

Afrox's HIV/Aids policy was implemented in 2003 and 90.5% of selected employees have since undergone HIV/Aids Peer Educator training. HIV/Aids is acknowledged as a business risk that affects our employees, has an impact on our work productivity and increases costs. Our HIV/Aids policy is based on a combination of sound business principles as well as on the obligations associated with being a socially responsible employer.

New employees receive HIV/Aids awareness training as part of their induction, while line managers are trained to handle the issues they may face with members of staff who are infected or affected by the pandemic.

A number of employees are registered on the HIV disease management programme and are receiving anti-retroviral therapy. Confidentiality is assured through an externally monitored 'Aid for Aids' call centre.

REMUNERATION POLICY

Afrox recognises the need for a clear policy that underpins and guides employee compensation and benefits, while supporting the business in achieving its strategic objectives by attracting suitable employees and managing staff turnover.

These policies are published on the company intranet and are accessible to all employees. Compensation and benefits includes, but is not limited to:

- Pay review
- Allowances
- Education assistance
- Housing schemes
- 13th cheques and bonuses,
- All types of leave benefits
- Retirement funds
- Medical aid schemes; and
- Retention programme.

REMUNERATION PHILOSOPHY

Remuneration is central to attracting and retaining managers and employees of the highest calibre, so that company objectives can be achieved. The company's philosophy is to encourage sustainable long-term performance by reviewing remuneration at appropriate intervals to motivate staff to perform to required standards of excellence and quality.

The retention of their services is approached by offering and maintaining at least market related remuneration in line with their performance and outputs for a particular job.

In setting remuneration levels, the Board Nominations, Governance and Management of Resources Committee or (NGMR) considers best practices found in other JSE listed companies of similar size and complexity to Afrox.

The core remuneration philosophy is to position remuneration to attract and retain appropriate resources to meet the requirements of the business by:

- Determining an appropriate competitive market position
- Creating a balance between short- and long-term remuneration; and
- Using remuneration as a method of entrenching and driving individual performance.

The proportion that each element represents to basic remuneration varies with the seniority of the employee. All increases and rewards are performance-based.

REMUNERATION COMMITTEE

The remuneration policies of the Afrox Group covers all categories of permanent employment, including executives, but exclude independent contractors, or other categories of contract workers.

The NGMR committee is empowered by the Board to investigate and ensure alignment of the remuneration and resource management strategies and policies with the Group's business strategy aligned to industry standards.

The committee is also authorised to:

- Determine the Group's overall remuneration philosophy and general policy on executive and senior management remuneration
- Consider and recommend for approval by the Board the remuneration of the Managing Director and other executives, including bonus and other incentive schemes
- Consider and recommend to the Board the proposed fees to non-executive directors, prior to submission thereof to the shareholders for approval; and
- Approve salary increases for non-bargaining employees and mandates for negotiations with trade unions.

In addition to base salary, the NGMR committee uses incentive or variable pay as a means of meeting Afrox's strategic goals. Incentive pay schemes are available to employees at certain levels and is based on individual goals that relate to the company's objectives and overall business performance.

The committee receives regular reports on, and monitors, management and performance of the Group's retirement and other benefit funds, including medical aid, also identifies areas of risk to the Group.

REMUNERATION FRAMEWORK

The company remuneration strategy and supporting remuneration policies are aligned with Afrox's strategy, and are intended to drive and align individual behaviours and business objectives to maximise company performance and increase shareholder returns.

The total reward strategy includes:

- Base pay and benefits – Attraction and retention of talented high performing people
- Short-term incentives – Performance bonuses that support and reinforce desired behaviour and delivery at all levels
- Long-term incentives – Attraction, retention and alignment with shareholder thinking; and
- Recognition – Support and reinforcement of a culture of belonging and performance.

DETERMINING REMUNERATION – GUIDING PRINCIPLES

The company remuneration framework is guided by the need to reward executives for their contribution to the achievement of the company's strategic, operational and financial performance. A key focus is to attract, develop and retain critical skills for this purpose. The guiding principles supporting this framework are to enable:

- Alignment with business strategy
- Integration with people management initiatives
- Outcome-based rewards to direct current and future focus
- Fair and equitable diverse objectives; and
- Reinforcement of teamwork and a high commitment to company values and principles.

The key determinants of remuneration are based on:

- A job complexity measurement tool using the HAY Job Evaluation Methodology. The level of pay for an individual is based on their level of responsibility in the company and the size of the job
- The company's defined market position is the 50th percentile or the median
- Remuneration bands are determined for each job, based on prevailing market forces
- Individual performance and contribution; and
- Where market surveys indicate that a particular job is significantly out of line with market competitors, a market premium percentage may be allocated.

The company's view on remuneration is that employees who consistently perform above expectations, and who are proficient in their roles, should be rewarded at the higher-end of the remuneration range. Employees who are new to their role, or not meeting role expectations, should be paid toward the lower quartile of the pay range.

COMPARATIVE BENCHMARKING OF BENCHMARKS

Benchmarking of remuneration to market levels is generally carried out on the basis of Total Remuneration. A sample base of companies selected for the purposes of obtaining benchmark data is focused on, but not entirely restricted to, Afrox's industry sector. Discretionary elements of pay beyond benchmarked levels for scarcity, attraction or retention is recognised for appropriate job categories. External remuneration consultancies are used to provide market data to assist in remuneration decisions and annual remuneration reviews.

ANNUAL REMUNERATION REVIEWS

For Afrox to maintain appropriate remuneration competitiveness, executive and employee remuneration is reviewed annually according to the following guiding principles:

- Consideration of the overall salary history of the individual
- Active management of the salaries of good performers who are considerably underpaid
- Market comparisons, projected inflation, internal equity, external market, individual and company performance
- Giving poor performers no increases; and
- Using salary ranges as guidelines only.

EMPLOYEE BENEFITS

Afrox provides a range of benefits that go beyond those legally required by the Basic Conditions of Employment Act.

These benefits include the provision of primary care clinics and canteens at selected sites. In addition, and subject to benefit rules, employees have access to various paid leave categories, disability grants, medical aid, pension or provident funds, DIY loans through approved financial institutions.

Educational assistance is offered to employees and dependants of employees. Employees are assisted with formal education where this benefits the company. Afrox offers the following bursaries:

- Full-time bursaries
- Partial bursaries to registered educational establishments; and

- Fully-paid assistance to employees to further their education up to Bachelor Degree level.

The course of study and obtaining a formal education qualification must be in line with the employee's development plan or appropriate to a specific succession plan.

The company is also committed to assisting qualifying dependants of employees with tertiary education. Assistance takes the form of an award that converts to a bursary on successful completion of each year. Eligibility of a dependant is based on having successfully completed secondary school with results acceptable to Afrox.

VARIABLE REMUNERATION

Variable remuneration programmes support the achievement of business objectives. This success sharing flows from the achievement of a range of 'stretch' goals.

The NGMR committee considers and approves the implementation of any bonus or incentive schemes, including share incentive schemes and the rules applicable to such schemes.

Variable remuneration seeks to enable participants to retain a clear view of their remuneration opportunities. The committee may consider the use of independent external benchmarking exercises in determining incentive award levels, subject to shareholder approval where required.

Short-term incentive scheme

Key personnel, which include executive directors, senior and middle managers, participate in a global short-term incentive scheme, which is administered by The Linde Group, or a local incentive scheme administered by Afrox, depending on their grade.

The plan focuses on annual objectives. It links individual performance to business plans, with bonuses assessed on a combination of financial targets and personal objectives based on both The Linde Group and Afrox's strategic goals.

Performance is measured against key performance indicators determined during formal appraisals. The bonuses for the executive directors and senior managers are paid annually. Details for the payments to key personnel are included in the remuneration for the year on page 63.

Long-term incentive scheme

In anticipation of their efforts in furthering Afrox's objectives, employees participate in the future growth of the company through a Share Appreciation Rights Scheme (SARS). Afrox believes that share ownership, or acceptable variations of such ownership, enhances employee identification with the objectives, strategies and long-term success of Afrox.

In creating value for employees, SARS, governed by rules relating to performance and remuneration, enables individuals to participate in Afrox's long-term growth. Performance contracts are used to measure and assess employee performance, innovation, service excellence and the attainment of long- and short-term strategic and operational goals. The scheme enhances employee alignment with the objectives, strategies and long-term success of Afrox, and also applies to high potential and previously disadvantaged employees as part of the overall retention strategy.

The SARS allocations are subject to the achievement of performance conditions set by the NGMR committee. No SARS can be exercised unless the committee is satisfied that performance conditions for the allocation have been met.

The long-term incentive plans currently offered by the company are under review in an effort to determine suitable arrangements going forward to meet Afrox's objectives.

REWARD AND RECOGNITION

Afrox views employee recognition as one of the most effective ways of energising and motivating people to give of their best. As a critical factor in employee engagement and retention, employee recognition has been directly linked to improvements in individual, team and organisational performance.

Developing a culture that encourages managers to recognise individual and team contributions is important to achieving the company aspirations of becoming a High Performance Organisation (HPO).

Managers use employee recognition as a tool to help acknowledge the achievements and contributions of employees. Employee recognition is included as an important topic in training programmes for first and second line managers.

Afrox also recognise employees' continuous and extended long service. Long service awards, which include allocation of SARS, are provided for completed years of service of 5, 10, 15, 21, 25, 30 and 40 with no performance conditions.

RETENTION

The company is committed to providing a retention scheme for those employees who are deemed to have scarce skills which are essential to the ongoing success of the company. The retention initiatives include identifying, developing and rewarding employees with scarce skills that are not readily obtainable in

the job market, thereby reducing the risk of key employees leaving the company at inopportune times in the business cycle. The programme also ensures that those employees identified are assigned a mentor and that their growth in the organisation is tracked and managed as part of the succession planning and performance management processes.

HIGH PERFORMANCE

For the past three years, Afrox has been focusing on becoming a High Performance Organisation (HPO). This strategy focuses on people and process excellence, customer service and the ability to execute.

In 2010, the assessment of Afrox's maturity in these areas, which form the basis for our strategy to become a leading organisation, showed the company, in some areas, was still at 'foundation' level. A 2011 re-assessment of the same process showed real improvements and by 2012 all processes are on track to achieve a 'standard' level rating.

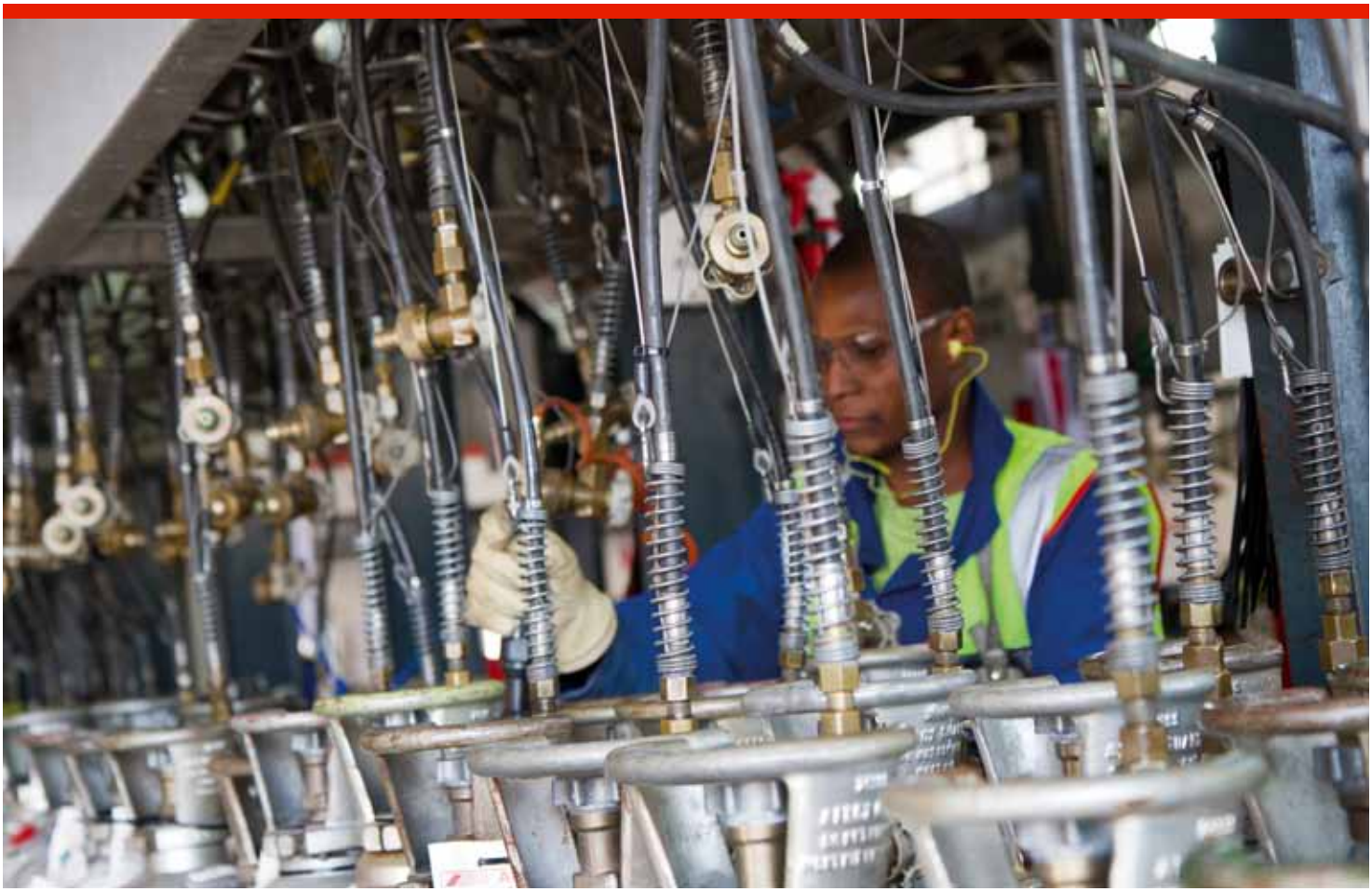
To become a HPO, problem-solving skills, effective leadership development, change management and a continuous improvement culture, are essential. These elements drove Afrox's people excellence agenda in 2011. Eighty-three people were trained in Lean Six Sigma methodology and our Six Sigma resources this year delivered 31 projects.

Ability to execute is critical to any organisational success and Afrox is no different. In 2011, 92% of our key projects were on schedule. Among projects executed in 2011, the order-to-cash team successfully reduced the debtor days to 45 days. They also managed to successfully introduce an on-line credit application system thereby improving the customer's experience.

Other projects successfully delivered in 2011 include Succession Planning and the Global Employee Survey.

MIG 6000 is a premium quality wire, which is precision layer wound to provide positive uninterrupted feeding in semi-automatic and automated systems.

Safety, health, environment and quality



A comprehensive SHEQ policy, which is aligned with that of The Linde Group, governs all actions at Afrox sites. This policy provides guidelines for Afrox staff who are required to assume responsibility for all operational activities that could impact on the health and safety of all, the environment and the quality of products and services we supply.

To achieve the desired SHEQ standards, goals and targets are clearly defined in the Afrox SHEQ strategy and plan. SHEQ therefore becomes integral to all company operations and plans, and address key risks for all current and future operations and developments.

Leaders use the LeadSafe behavioural assessment tool to demonstrate their visible leadership of SHEQ and their care for the wellbeing of employees.

Certification of quality standards through the globally recognised ISO rating system is applied throughout the organisation. During the year, all ISO 9001 accreditations were maintained. The accreditation for National Sales, which covers all sales regions, was awarded during the year.

Sites producing and supplying food and beverage grade carbon dioxide continue to operate in accordance with the Hazard Analysis and Critical Control Points requirements. Good progress has been made towards complying with the Global Food Safety (FSSC 22000 standard) requirements.

The production, cylinder filling and distribution of medical gases comply with the Good Manufacturing Practice and Good Distribution Practice and are produced at sites that are licensed by the Medicines Control Council.

Afrox's cylinder tests shops maintained their SANAS certifications during 2011, and the company was successful in retaining their Railway Safety Regulator Certificate for sites with active railways sidings.

BEHAVIOURAL SHEQ

Instrumental in promoting and encouraging internalisation of Afrox's SHEQ objectives, is the behavioural SHEQ programme that, during 2011, continued to be a key activity in building a world-class SHEQ culture and safe behaviours within the company. Focused on improving performance, the programme is based on creating an inter-dependent behavioural approach towards all SHEQ issues. It also creates an environment in which individuals take responsibility for their own safety and that of their colleagues.

Work continued on developing and rolling out behavioural programmes for various areas of the business. It is anticipated that a programme specifically for cylinder fillers, tonnage personnel and factory operators will be introduced during 2012.

The 'Leading in SHEQ Roadmap' is a vital tool in the journey to world-class SHEQ performance and behaviours. The roadmap identifies what the company has achieved and provides guidance to achieve milestones as we progress towards achieving world-class SHEQ standards.

Leaders use the LeadSafe behavioural assessment tool to demonstrate their visible leadership of SHEQ and their care for the wellbeing of employees. Through this approach leaders recognise and support safe behaviours, and motivate employees at all levels in the company.

LEGAL COMPLIANCE

Afrox complies with all SHEQ related legislative requirements. All staff can access these requirements through the SHE Legal Register and sites are monitored to ensure legal compliance. The further development of internal processes continues with all sites compelled to use a compliance checklist. Checklists, taking account of country-specific legislation, continue to be developed for use by all African operations.

TRANSPORT SAFETY

This area remains a concern to Afrox as a major road transport fleet operator. Distribution and driver safety is a major focus and specific tools, such as the ActSafe behavioural programme, are used to assist drivers identify and assess potential road hazards, and reduce the number of road traffic incidents.

It is regretful, therefore, to report that there was an unacceptable level of road accidents involving Afrox vehicles during the year. Eight incidents of truck rollovers were reported – fortunately, no lives were lost. The causes of these accidents have been investigated, and resulted in the implementation of a Transport Safety Plan which included additional management and supervision, the development of a training unit and additional driver and supervisory training, implementation of technology, e.g. on board drive cams and lane assist, curfews on certain routes, improved transport operational process, e.g. route analysis, driver debriefs and communication. Other areas of focus include improved scheduling and the roll out of a 'We Care' programme.

ENVIRONMENTAL MANAGEMENT

Internal environment standards meet the ISO 14000 standard requirements. Although all sites are required to operate within these standards, only the major sites, such as those involved with production and manufacturing, are working towards accreditation.

As part of the integrated management of SHEQ standards, all sites are subjected to an internal audit process on a regular basis in order to monitor compliance and identify further opportunities to improve.

Opportunities to reduce the use of natural resources in the production of gases are constantly sought and, where feasible, are introduced within the company. Sites are encouraged to monitor their water and electricity consumption and identify ways of proactively reducing requirements of both commodities.

Environmental Impact Assessments are conducted where required. Where Afrox facilities are to be installed on a customer site, the obligation of meeting EIA requirements is vested in the customer.

Environmental data is reported annually using a Linde Group global reporting tool. This allows The Linde Group to make annual submissions on carbon disclosure projects.

QUALITY MANAGEMENT

During the year, Afrox retained all its ISO 9000 certifications. The emphasis on certification moved from obtaining certification for each site, to single certifications covering various business groups. Single accreditations now cover plants, cylinder production sites, supply chain sites, sales regions and CES and technical business. A major achievement during the year was the authorisation from Coca-Cola bottlers to assume preferred supplier status.

PROCESS SAFETY

Afrox has process safety management principles in place to ensure the control of hazards with high risk that could cause serious incidents. Process safety procedures minimise the possibility of events involving the release of hazardous materials, energy, fire or explosions taking place at production plants.

In developing its management approach Afrox utilised the internal Major Hazard Review Programme to help identify and assess site hazards that could pose risks to Afrox sites and neighbouring businesses and communities. Controls cover all safety disciplines, but are mainly managed through process safety, and include elimination, monitoring, management and risk prevention.

Afrox is a SANAS Approved Inspection Authority (AIA) and is licensed to conduct major risk assessments in terms of the Major Hazard Installation regulations of the Occupational Health and Safety Act. This enables the company to conduct inspections of its own installations and assist customers with assessments for Afrox installations on customer sites.

PERFORMANCE MANAGEMENT

Compared to 2010, there has been a 27% decrease in the number of employee and contractor injuries in 2011, however, the number of vehicle related incidents is a concern and this area of the business has the full attention and focus of management. Various SHEQ interventions to improve our SHEQ performance are measured through the tracking of key leading indicators. This process involves selecting indicators and agreeing performance targets against these criteria with the business. These leading indicators included:

- Overdue audit findings
- Incident investigations
- Further development of transport standards
- Roll out of the driver behavioural safety programme
- Visible leadership; and
- Progress of the Leading in SHEQ RoadMap.

Agreed at the beginning of each financial year, these indicators are then monitored and reported on each month to the Afrox Executive Committee.

In addition to leading indicator monitoring, the 'Audit Manager' database also records internal and external audit findings, which gives a holistic view of the management of any non-conformances within business. 'SYNERGi', an incident management database, is used to log, monitor investigation progress and trend incidents. Competence is measured through the use of the 'TRACCESS' database. A new version, TRACCESS CI, was introduced during the year.

SHEQ SUSTAINABILITY

SHEQ is a major component of the Afrox value system and is regarded as a major contributor towards guaranteeing a sustainable future for the company, its people, suppliers and customers. A comprehensive SHEQ Sustainability Report can be accessed electronically through **www.afrox.com.**

Corporate governance

INTRODUCTION

The Board of directors of African Oxygen Limited, as well as the boards of its subsidiaries, recognises that principles of good corporate governance together with fair, honest and comprehensive business practices, are essential to protect the interests of all stakeholders. These principles are integrated into the organisational culture to ensure that they become a way of life within the Group. Governance principles are incorporated into all the Group structures, systems and policies and these structures, systems and policies are constantly reassessed and reviewed to ensure that continuous compliance and best practice is applied and practiced.

The Board of directors of African Oxygen Limited, as well as the boards of its subsidiaries, recognises that principles of good corporate governance together with fair, honest and comprehensive business practices, are essential to protect the interests of all stakeholders.

The King III Report on Governance for South Africa, 2009 (King III or King III Report) has focused the Group efforts to ensure that sound leadership, sustainability and corporate citizenship are included in its business structures and policies.

STATEMENT OF COMPLIANCE

The Listings Requirements of the JSE require listed companies to report on the extent to which they comply with the principles incorporated in the King III Report. The Board of directors believes that the Group applies the King III Report and the JSE's Listings Requirements save in the following instances detailed below:

The agenda and relevant supporting documents are distributed to the directors before each Board meeting, and during the meeting, and the appropriate executive director explains and motivates business items where decisions are required. The directors have unrestricted access to all company information and records. Where directors are based abroad and are not able to attend, video or teleconferencing facilities allow them to participate in the debate and conclusions reached.

The attendance schedule for the year is on page 45.

King III Recommendation	Explanation
The Chairman of the board is an independent non-executive director	Afrox's current Chairman, Michael Stewart Huggon, as well as its outgoing Chairman, Kent Masters, were both non-executive chairpersons given that they are representative of Afrox's majority shareholder. While both were not independent non-executives, as per the recommendations of King III, Afrox has appointed a lead independent director to compensate for the lack of an independent non-executive chairman. Further, as recommended, the composition of non-executive directors on its Board exceeds the number of executive directors.
A combined assurance model is applied to improve efficiency in assurance activities	Processes are being put into place, but have not been completed, to ensure fully integrated reporting, IT governance and integrated risk management. (Refer to page 1 for note regarding integrated reporting).

BOARD

Changes during the year

In the year under review, Kent Masters resigned as Chairman of the Board, Karen Oliver resigned as non-executive director and Jürgen Nowicki resigned as non-executive director. Tjaart Kruger resigned as Managing Director effective 31 August 2011 and Sipho Pityana resigned as independent non-executive director, effective 31 December 2011.

Michael Stewart Huggon was appointed as a member of the Board with effect from 20 April 2011 and as Chairman of the Board with effect from 20 May 2011. Matthias von Plotho was appointed as a non-executive director with effect from 20 May 2011 and Brett Dixon Kimber was appointed as the Managing Director with effect from 1 January 2012.

Board of directors

Board meetings are held formally four times a year and ad hoc meetings are arranged whenever necessary. Where directors are unable to attend any particular Board or committee meeting, they communicate their comments regarding the agenda and general items to the committee chairperson to be raised at the relevant meeting.

Composition of the Board

The Board for the financial year under review comprised 11 members from 31 March 2011 after Ms Karen Oliver resigned, and is constituted as follows:

Three executive directors

BD Kimber – Managing director *(effective 1 January 2012)*
TN Kruger – Managing director *(resigned 31 August 2011)*
FT Kotzee – Financial director
J Narayadoo – MPG Operations General Manager

Three non-executive directors

K Masters – Chairman *(resigned 20 May 2011)*
MS Huggon – Chairman *(effective 20 May 2011)*
M von Plotho *(effective 20 May 2011)*
DM Woodrow
K Oliver *(resigned 31 March 2011)*

Five independent non-executive directors

LL van Niekerk
Dr KDK Mokhele
SM Pityana *(resigned 31 December 2011)*
DM Lawrence
M Malebye

The chairman and managing director

The Chairman is an executive of the controlling shareholder of the company, Linde AG. While the Chairman normally has no executive functions and provides overall leadership of the Board and its committees, Michael Huggon acted in the role of Managing Director for a period of four months from 1 September 2011 until 31 December 2011 prior to the new Managing Director joining the company.

The Chairman would in conjunction with the Nomination, Governance and Management Resources Committee (NGMR), monitor and evaluate the performance of the Managing Director to ensure that the strategic and operational objectives of the company are achieved. The roles of the Chairman and the Managing Director are separate to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

Rotation of directors and confirmation of new appointments

At the annual general meeting to be held on 17 May 2012, shareholders will be asked to confirm the reappointment of Morongwe Malebye and David Lawrence, both of whom will retire in accordance with the company's articles of association but who, being eligible, have offered themselves for re-election, as well as the appointment of the new Managing Director, Brett Kimber. The appointments of Michael Huggon, Frederick Kotzee, Dynes Woodrow and Matthais von Plotho appointments will also be confirmed.

Selection and succession planning

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

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

The Board charter

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

Performance assessment

Directors are required to dedicate sufficient time to be able to monitor, evaluate and comment effectively to the Board and management on the financial and operational information supplied to the Board. The Board conducts an independent Board assessment or evaluation every three years; these are conducted by a qualified and experienced independent third party, the last being conducted in 2009. Self-assessments, or self-evaluations, are also conducted periodically.

The Company Secretary

The Company Secretary provides the Board with guidance in respect of the discharge of their duties and responsibilities as well as in respect of legislation, regulatory and governance procedures and requirements. The Board has full access to and is fully aware of the responsibilities and duties of the Company Secretary and has committed itself to ensure that the Company Secretary is afforded the support required in order to perform his/her duties. The Company Secretary is among others, responsible for the following:

- Providing assistance and advice to the Board on matters of good governance and ethics
- Providing advice to directors on their duties and responsibilities to the company
- Induction of directors
- Updating the Board on new developments in applicable laws, regulations and standards; and
- Overseeing shareholder relations in respect of company notices, correspondence, shareholder meetings and ensuring that the company complies with the relevant legislation. The Company Secretary acts as the secretary to all Board Committees.

Dealing in securities

The Group has a policy in place to ensure compliance with all legislation and regulations governing insider trading and prohibited periods. This policy complies with the JSE Listings Requirements and restricts director, prescribed officers and employees from dealing in company securities prior to any announcement in respect of its financial results or during any period surrounding the disclosure of any price sensitive information.

In terms of the policy, the Chairman approves all transactions in company securities prior to any such transactions and the policy is reviewed from time to time to ensure continued compliance with legislation.

Board committees

While the Board remains accountable and responsible for the performance and affairs of the company, it delegates to management and Board committees certain functions to assist it to discharge its duties properly. Each Board committee acts within agreed, written terms of reference. The chairman of each Board committee reports and provides minutes of committee meetings at scheduled Board meetings. Most of the Board committees' members are independent non-executive directors and the chairman of each Board committee is an independent non-executive director. The executive directors attend Board committee meetings by invitation. The established Board committees are as follows:

Committee	Purpose	Composition	Meetings
Audit			
L van Niekerk *(Chair)* M Malebye D Lawrence	Details of the committee are contained in the Audit Committee Report on page 48.	Three independent non-executive directors	Meet three times a year
Nominations, Governance and Management of Resources Committee	This committee has various functions the details of which are set out below: Part I – Management of resources		
D Lawrence *(Chair)* L van Niekerk K Masters *(up to 20 May 2011)* M Huggon *(from 20 May 2011)* Dr K Mokhele	• To determine and make recommendations to the Board on the framework, policy and costs of executive and senior management remuneration. Determines and recommends the remuneration strategy to ensure that executive directors and other senior employees are adequately remunerated. • Refers specific recommendations for independent director remuneration to the Board for deliberation. No person is involved in any decision as to his or her own remuneration. • Reviews and advises on the general principles under which compensation, pension, training, succession plans and performance management are applied to senior employees of the Group. • Reviews the rules of any share option, share appreciation rights or share rewards scheme operated by the company. • Monitors and reviews the company's benefit funds to ensure compliance with current best practice standards, industry practices and legislation.	Four non-executive directors, the majority of whom are independent	Meet three times a year
	Part II – Nominations and corporate governance		
	• Monitors and reviews the company's policies, practices and compliance with corporate governance principles and regulations. • It serves as a nominations committee and as part of its function is: – prior to the annual general meeting, the committee reviews and makes recommendations on the retirement and re-election of directors by rotation – 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 – reviews the size of the Board, committee structures, and director assignments; – once every three years an independent assessor evaluates the Board's effectiveness, and its performance as a whole. However, at certain intervals the Board, through the committee conducts self-performance evaluations; and • Monitors and reviews corporate governance including King III compliance.	Four non-executive directors, the majority of whom are independent	Meet three times a year

Committee	Purpose	Composition	Meetings
SHEQ			
Dr K Mokhele *(Chair)* L van Niekerk D Woodrow	• Ensures that the management of safety, health, environment and quality within Afrox is aligned with the overall business strategy of the company and is geared towards compliance and fulfilment of its commitments and obligations in these fields. • Reviews the policies and performance of Afrox and the implementation of safety, health, environment and quality policies. • Considers and provide guidance to the Board on major safety, health, environmental and quality projects. • Ensures that the Board is informed about all significant impacts on the company in the safety, health, environment and quality aspects and how these processes and activities are managed. • Considers substantive national and international regulatory and technical developments in the field of safety, health, environment and quality. • Monitors the company's safety, health, environment and quality performance and assess continuous improvement.	Three non-executive directors, the majority of whom are independent	Meet three times a year
Transformation			
S Pityana (Chair) Dr K Mokhele K Masters *(up to 20 May 2011)* M Huggon *(from 20 May 2011)*	To formulate and monitor a range of strategies to ensure the successful transformation of Afrox, in the areas of black economic empowerment, sustainable development and good corporate citizenship, by assessing the company's performance against the following criteria: • black equity participation • employment equity • management transformation • skills development • affirmative procurement • enterprise development; and • corporate social responsibility.	Three non-executive directors, the majority of whom are independent	Meet three times a year

Details of the directors' attendance at Board and committee meetings are set out below:

Board attendance *(inclusive of special meetings)*	Board	Audit committee	Governance and management resources committee	SHEQ committee	Trans-formation committee
Number of meetings held during the reported financial period	6	4	3	3	3
Tjaart N Kruger+ *Resigned 31 August 2011*	5	3	2	2	2
David M Lawrence** *Appointed 1 December 2005*	5	4	3	–	–
Morongwe Malebye** *Appointed 20 December 2007*	6	3	–	–	–
Kent Masters* *Resigned 20 May 2011*	2	1	1	1	1
Khotso DK Mokhele** *Appointed December 2005*	6	–	2	3	3
Jürgen Nowicki* *Resigned 20 May 2011*	2	1	–	–	–
Karen Oliver* *Resigned 31 March 2011*	–	–	–	–	–
Sipho Pityana** *Resigned 31 December 2011*	6	–	–	–	3
Louis L van Niekerk** *Appointed 24 February 2005*	5	4	3	2	–
Jonathan Narayadoo+ *Appointed 1 December 2009*	6	–	–	1	–
Frederick T Kotzee+ *Appointed 1 April 2010*	6	4	3	–	3
Dynes M Woodrow* *Appointed 20 May 2010*	6	–	–	3	–
Michael S Huggon* *Appointed 20 May 2010*	6	3	1	1	3
Matthias von Plotho* *Appointed 20 May 2010*	5	3	–	–	–

+Executive **Non-executive* ***Independent*

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. It is the company's policy to present to investors, fund managers and analysts twice a year after the release of company results. The executive directors endeavour to conduct regular roadshows and presentations and maintain contact with fund managers and institutional investor representative bodies on socially responsible investment and triple bottom line issues and initiate one–on–one interactions and briefings with interested investors.

The Board encourages shareholders to attend its forthcoming annual general meeting, notice of which is contained in this annual report. This meeting provides an opportunity for shareholders to question the Board, including the chairmen of the various Board committees. Shareholders have an opportunity to cast their votes at the annual general meeting.

GOING CONCERN

The directors, having considered all relevant factors, are of the opinion that the annual financial statements set out on pages 55 to 132 have been prepared on a going-concern basis. They believe that the Group has adequate resources in place to continue in operation for the foreseeable future.

CODE OF ETHICS

Inextricably linked to good corporate governance is the company's code of ethics. The Group has always espoused the highest ethical standards of business conduct and full compliance with applicable laws, regulations and industry standards.

The Group aims to earn the trust of customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. The Group expects people to respect confidential information, company time and assets. The Group believes in open and honest communication, fair treatment and equal opportunities, and supports the fundamental principles of human rights.

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

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

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

Allegiance to the code of ethics is the starting point from which employees draw inspiration and guidance for behaviour within a group, society or the organisation. An integrity line has been established to enable employees to report contraventions of the code of ethics.

ETHICS AND SOCIAL COMMITTEE

In line with the provisions of the Companies Act 71 of 2008 the Board resolved in December 2011 to form an Ethics and Social Committee which will be formally constituted at the Board meeting to be held in February 2012.

RISK MANAGEMENT REPORT

The Board is ultimately responsible for risk management and is assisted in its responsibilities by the Risk and Audit Committee. The day-to-day responsibilities for the design and implementation of risk management processes and systems are the responsibility of management.

A Risk Management Policy, an enterprise-wide Risk Management Framework and Risk Management Plan are in place and periodically reviewed. The company risks are updated quarterly into the Active Risk Manager database. This requires that risks are assessed in terms of impact and probability against a defined criteria set by the Board. This allows for more informed decisions on resource allocation against risk tolerance of the company.

A risk owner is assigned who is responsible for implementing and tracking progress on the mitigation plans. Key risks are escalated to senior management and reviewed by the Audit Committee and the Board.

Risk management continues to form an integral part of the organisation's daily activities. Improvements in risk management processes, implemented in 2011, included the establishment of an Integrated Risk Assurance forum and further embedding risk identification and assessment processes and standards in subsidiaries and in countries outside South Africa.

The following table summarises the key risks currently being faced by the company and the mitigation strategy adopted:

Risk description	Mitigation
Human resource capacity: Skills and experience levels of employees: Inability to attract/retain key skills to ensure sustainability of current operations and realise growth opportunities in South Africa and the rest of Africa.	• Training and development of employees continues to be a priority • Employee remuneration and recognition policy continuously benchmarked against industry best practice • Retention policy under review
Global economy and impact on industrial output in South Africa: A reduction in industrial production in South Africa, due to the fall out from a decline in demand for South African manufactured goods by our main trading partners could lead to pressure on volume demand.	Increase the company's resilience to economic downturns • Continued focus on improved efficiencies and to increase cost competitiveness of product offerings together with expected customer service levels. For example, the re-engineering of equipment manufacturing facilities started in 2010 • Continue to manage cash flow to protect liquidity. Maintaining credit risk rating • Diversify by focusing on expansion in other African countries as well as new products and markets
Sustainability of supply position	• **Atmospheric Gases:** Good progress is being made on a project to bring a new GOX 6000 air separation unit on line by the end of 2012 for reliable supply of oxygen, nitrogen and argon • **LPG:** Importation process optimised during 2011 as only viable alternate to local supply. Additional storage options being evaluated to reduce supply chain risks
Leveraging existing African footprint: Inability to efficiently and effectively grow current position in a number of African countries increasing risk to growth ambitions and leadership position.	• Recently revised strategic plans for Africa are being rolled out • Focus in 2011/12 includes ensuring strong corporate governance base and integration of IT, financial and SHEQ systems and standards • Business cases for further investment in sub-Saharan geographies are well advanced

The company's assessment of business opportunities increasingly considers not only the technical and commercial risks but also developing geo-political, economic trends and customer trends. Risks are now being classified as either pure or speculative allowing for refinement of the mitigation strategy and for improved decision making on risks that previously might not have been viewed as within the company's risk tolerance.

Comprehensive insurance remains in place and is reviewed annually with assistance of an insurance broker.

The company participates in audits performed by KPMG, Germany, on behalf of Linde AG Germany, to assess effectiveness of risk management. In addition, internal audit reviews risk management practices as part of the audit cycle. An independent assessment carried out in 2010 also confirmed compliance with King III chapter on Risk Management.

MANAGEMENT OF SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) RISK

The Board has the ultimate responsibility for monitoring the effectiveness and efficiency of the SHEQ process. SHEQ performance is governed through self-regulation, communicating and encouraging adherence to safe practices. A dedicated SHEQ department ensures that the Group has a deliverable policy, is proactive in its risk-assessment and professional in its remediation.

Executive managers review the SHEQ policy regularly, which is a key part of overall company strategy and operating policy. The policy states that the company will develop its SHEQ capabilities to world-class standards by manufacturing, marketing and supplying quality products that are safe and do not pose a risk to people or to the environment. In addition, the Group is committed to compliance with all external regulations as well as ISO 9001, ISO 14001 and OHS 18001.

In 2008, the Board established a SHEQ Committee to give strategic direction on all SHEQ related matters. For more information on SHEQ refer to the safety, health, environment and quality section on pages 38 to 40.

Ms Carnita Low
Company Secretary
23 February 2012

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 December 2011.

The Audit Committee is an independent statutory committee appointed by the shareholders and further duties are delegated to the Audit Committee by the Board of directors of the company. In addition to having specific statutory duties to the shareholders in terms of the Companies Act, 2008, we assist the Board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions, and statutory and regulatory compliance of the company. The role of the committee and how it achieved its responsibilities is described in section 4 of this report.

1. AUDIT COMMITTEE TERMS OF REFERENCE

During the course of 2011, the committee amended its terms of reference to ensure the following:

- It takes into consideration current responsibilities practiced by the committee
- It contains industry practices as researched from other publicly available terms of references; and
- It includes the requirements of King III.

At its August 2011 meeting, the Audit Committee adopted this enhanced terms of reference that has been subsequently approved by the Board of directors. As members of the committee, we have conducted committee affairs in compliance with its applicable terms of reference and have discharged the responsibilities contained therein. As a standing agenda item, we review the terms of reference annually to ensure it remains current and to identify areas where we may be lacking.

2. COMPOSITION OF AUDIT COMMITTEE

The Audit Committee has maintained its composition for the last four years which consists of three independent members who are non-executive directors of the company: Ms M Malebye; Mr D Lawrence, and Mr LL van Niekerk, who chairs the Audit Committee. Profiles of these directors can be found on pages 4 and 5.

3. MEETING ATTENDANCE

The Audit Committee is required to meet at least three times a year as per its terms of reference. For the financial year under review, we met on four occasions in 2011 at meetings held on 15 February, 19 July, 2 August and 6 December. The July meeting was a special sitting held specifically to review the impairment of assets. Attendance statistics of the members can be found on page 45.

The Chairman of the Board, Managing Director, Financial Director, Head of Internal Audit, External Auditor and other assurance providers attend meetings by invitation only. Other members of the Executive Management Committee were invited to be present at some of the meetings. The Audit Committee has had closed sessions with the internal and external auditors at the end of each meeting, without management being present.

Further to the formal meetings, as Chairman of the Audit Committee, I have met with the External Auditor and the Head of Internal Audit on a regular basis, independently of each other and management. In addition, I have had meetings with the Financial Director regarding matters concerning the company.

4. ROLE AND DUTIES

The Audit Committee's role and duties include statutory duties per the Companies Act, 2008, and further responsibilities assigned to it by the Board. In execution of its duties during the past financial year, the committee performed the following functions during the year under review:

- Reviewed the year-end financial statements, culminating in a recommendation to the Board
- Reviewed the External Auditor's reports
- Reviewed the Internal Audit and risk management reports, and made recommendations to the Board
- Reviewed the updated Levels of Authority for the company and its subsidiaries; and
- Reviews included the following:
  - taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS);
  - considering and, when appropriate, making recommendations on the effectiveness of internal controls;
  - authorising the audit fees in respect of both the interim and year-end audits;
  - evaluating the effectiveness of risk management, controls and the governance processes;
  - acting as the Audit Committee of the company and all its subsidiaries although, some subsidiaries also have local Audit Committees; and
  - dealt with concerns or complaints relating to:
    - Accounting policies,
    - Internal and External Audit,
    - The audit or content of Annual Financial Statements,
    - Internal Controls; and
    - Related matters.

External Auditor appointment and independence

We are satisfied that the External Auditor appointed has remained independent of the company. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The Audit Committee further believes that the appointment of KPMG Inc. complied with the relevant provisions of the Companies Act, 2008. The committee, in consultation with executive management, agreed to the terms of engagement, audit plan and budgeted audit fees relating to the 2011 financial year-end audit. Details of the external auditor's fees are set out per note 21 on page 110.

As per the terms of reference the Audit Committee governs the process whereby the auditor is considered for non-audit services. For all non-audit services above R500k these need to be pre-approved by the Audit Committee. For the year under review, the External Auditors continued to provide non-audit services in the form of an Export and Import undertakings certificate. This was assessed and approved by the committee.

The committee has nominated, for election at the annual general meeting, KPMG Inc. as the external audit firm, for the 2012 year.

Financial statements, accounting practice and internal financial controls

The Audit Committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. With regards to any concerns and complaints received from management, Internal Audit and External Audit relating to the accounting reporting practices and internal audit of the company, the content or auditing of its financial statements and internal financial controls of the company, no matters of significance have been raised in the past financial year to the Audit Committee. Based on the processes and assurances obtained, the Audit Committee found no reason to believe that significant internal controls are ineffective.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management, of the going concern status of the company and has made recommendations to the Board in accordance. We concur that the adoption of the going concern premise, in the preparation of the financial statements, is appropriate.

Internal audit

The members of the Audit Committee are satisfied that the company's Internal Audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees co-operation between the Internal and External Auditors, and serves as a link between the Board of directors and these functions.

The committee has approved the Internal Audit Charter at its December 2011 meeting which is well supported by a comprehensive Internal Audit manual already in place over the past four years. The Internal Audit function's annual audit plan was approved by the Audit Committee.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Audit Committee. We fulfil this role as an integral component of the company's enterprise-wide risk management process as described in our terms of reference. The committee has reviewed the company's top risks and evaluated the status of implementing the associated mitigation actions.

Preventing and detecting fraud

The Audit Committee received an overview regarding forensic investigations conducted by the Manager for Loss Control, Security & Investigations and by Internal Audit. The committee recognises management's effort in adopting a zero tolerance in the fight against fraud.

Finance function

As required by the JSE Listings Requirements 3.84(i), we are satisfied that the Financial Director has appropriate expertise and experience to meet his responsibilities in the position. The evaluation also considered the appropriateness of the expertise and adequacy of resources of the finance function.

Regulatory compliance

The Audit Committee, with another Board committee focusing on governance, has already begun implementing the requirements of King III where gaps have been identified. For example, IT governance has been delegated by the Board to the Audit Committee, which is now an annual standing agenda item. The IT governance report is enhanced annually to ensure it contains relevant information for the committee.

Mr LL van Niekerk
Chairman of the Audit Committee
23 February 2012

Information services report

The Afrox Board is ultimately responsible for the governance of information technology within the company. Their responsibilities and those responsibilities delegated into the organisation are defined within the Information Technology Charter as adopted by the Board in 2011. Information Technology is acknowledged within the Executive Management as a business-wide responsibility to ensure that its power is harnessed to maximise returns and efficiency in the business. Management of the Information Services (I.S.) function is delegated to the General Manager – Information Services, and the I.S. Regional Management Team (RMT). I.S. management attends meetings of, and regularly reports back to, the Executive Committee, the Audit and Risk Committee, and the Project Review Board.

Local governance policies as well as The Linde Group governance policies are reviewed on an ongoing basis and are suitably implemented into the Afrox I.S. environment. Various audits throughout 2011 have been performed against I.S. systems and processes, our outsource partners , I.S. security policies and King III Chapter 5 requirements without significant findings being reported. Feedback from all audits is presented into the Audit and Risk Committee as per Group governance requirements.

I.S. ALIGNMENT WITH THE PERFORMANCE AND SUSTAINABILITY OBJECTIVES

Within Afrox, I.S. continues to support and enable the High Performance Organisation (HPO) initiative to drive best operating processes across the business. As part of The Linde Group, Afrox derives benefits through leveraging synergy savings in design, development, risk mitigation and learnings on our global systems and processes. Project activities and I.S. resource priorities are now determined collaboratively by the Project Review Board forum to ensure alignment with core business objectives and deliverables. Significant business enabling projects have been delivered by the I.S. Project Services team in 2011 in support of the business objectives. These include, but are not limited to:

- Implementation of SAP-APO (Advanced Planning Optimisation) to drive greater planning efficiencies resulting in greater stock availability to meet customer demands while reducing our overall stock holdings and therefore our cost and risk of stock obsolescence
- Implementation of SAP-SRM (Supplier Relationship Management) to support the initiative to streamline our procurement processes with focus on preferred suppliers and on-line purchasing catalogues
- Deployment of single provider network infrastructure into our African operations countries, providing the reliability, and latency to enable scaleable growth, support, and governance. This initiative delivers the platform to enable ERP centralisation and standardisation of processes, masterdata, training and reporting into the African countries – a significant milestone in the systems evolution of our African operations
- Ongoing E-channel evolution, including EDI customer on-boarding, myaccount enhancements, online customer application forms, and Optilife development for our Home-care business; and
- Delivery of The Linde Group single harmonised messaging platform into Africa. This messaging platform offers a suite of collaboration and internal social networking tools to increase the speed of communication and collaboration across the Group.

APPROVAL AND EVALUATION OF SIGNIFICANT INVESTMENTS AND EXPENDITURE

I.S. budgets are consolidated into Afrox budgets on an annual basis, and performance against budget is reported on throughout the year. All I.S. projects are subject to standard Afrox investment appraisal and approval levels of authority, with significant I.S. projects requiring Board approval and The Linde Group Investment Committee approval prior to commencement. Prioritisation of project resources is aligned with business objectives through the Project Review Board. The Project Review Board will periodically report project progress into the Board. This feedback loop ensures Board accountability on project delivery and benefits realisation as well as project approval. Delta II project methodology is applied to all I.S. enabled projects to ensure robust project management. Project status reporting is provided on a monthly basis to the Afrox Project Review Board as well as Global I.S. for

Information Technology is acknowledged within the Executive Management as a business-wide responsibility to ensure that its power is harnessed to maximise returns and efficiency in the business.

awareness and action if required. All business projects are assigned a business project sponsor, who has responsibility to ensure business requirements are met in the delivery of the project. Project best practice governence is incorporated into all projects as dictated through Delta II methodology. Post-implementation reviews are performed against all completed projects to leverage learnings for future projects. Within I.S. the strategic drive is on continual optimisation and minimisation of support time, to enable greater time and effort on value-add project delivery and enhancement work to complement business strategy.

I.S. FORM AN INTEGRAL PART OF RISK MANAGEMENT

Risk and risk mitigation is a key area of focus within the I.S. function. As well as reporting into the Audit Committee, which assists the Board in executing their duties in governance of I.S., risk mitigation measures have been implemented to protect the systems integrity, and availability for the Afrox business:

- Full disaster recovery (DR) plans, procedures and facilities are in place for all business identified critical systems hosted locally with two full DR tests performed annually
- Globally delivered Linde systems and applications, including our Global SAP template, are hosted, monitored, supported and controlled in our Munich datacentre. Full DR and database mirroring risk mitigation processes are implemented to protect core data, system integrity and business continuity
- Full implementation of development life cycle for all production system changes, culminating in positive approval from the Change Advisory Board prior to moving into production
- Systems security policies are in place to protect the business from external and internal abuse and access violations
- Automated anti-virus and software patch distribution is managed centrally through enterprise level applications significantly increasing speed of response for known risks and virus threats reaching out to all servers and workstations on our network automatically
- Risk workshops, evaluation and mitigation plans are incorporated into all major I.S. investment projects as part of the initial project evaluation and subsequently as part of the detailed deployment planning; and
- Information is perceived as an integral company asset. The ownership of data, and its accuracy and integrity resides with the relevant business managers, but the security of the systems storing this data remains the ownership and responsibility of I.S., through the implementation of relevant I.S. security measures. Data protection and information privacy is a critical requirement within Afrox, ensuring alignment and adherence with all regulatory requirements in all countries in which we operate.

Governance within Afrox I.S. will remain a core priority in 2012 in order to protect the business from unneccessary risk while harnessing the power of technological advancements. Process optimisation in the delivery of an HPO organisation is core to the future growth of the organisation, and I.S. will continue to perform a key facilitation role in this initiative.

Corporate responsibility

Afrox takes seriously the influence and impact its business has on society, the economy and the environment. This is reflected by the company's selection as part the JSE's Socially Responsible Investment (SRI) index.

Corporate social investment (CSI) is an inherent part of how Afrox does business. Economically and socially strong communities enhance Afrox's success, and its evolving strategy is aligned to long-term business objectives.

DONATIONS

Afrox endeavours to donate 1% of the previous year after-tax earnings. In this financial year donations amounted to R2.7 million. Currently, donations are governed by a formal policy that has as its theme 'investing in the future' with emphasis on our children, their education and their environment. Afrox's Managing Director chairs a committee that meets quarterly to allocate funds to charitable institutions. As in previous years, no donations were made to any political party either in South Africa or the African countries in which we operate.

Total donations in South Africa	R
Education and bursaries	970 000
Maths and science programmes	1 200 000
Welding schools	150 000
Environment	225 000
Product donations	100 000
General requests	80 000
Total	2 725 000

COMMUNITY INVOLVEMENT PROGRAMME

The community involvement programme is an employee-driven social responsibility programme focusing on disadvantaged children from local communities and represents hands-on involvement as opposed to 'cheque-book charity'.

We currently have 70 Afrox projects in South Africa and our African operations. Our objectives are to make a meaningful and lasting difference in the lives of disadvantaged children and to enable Afrox employees to experience the personal sense of reward from helping those less fortunate.

BUMBANANI DAY

Afrox employees celebrate annually with the community homes they support through the community involvement programme. This one-day event is known as Bumbanani Day – meaning 'let's build together'. Functions are held throughout sub-Saharan Africa.

2011 marks the 17th year that Afrox employees have devoted their time and energy to making life better for over 3,000 under-privileged children in the local communities surrounding Afrox operations throughout Africa – efforts that are underpinned by millions of rand in corporate financial backing each year.

This year, Bumbanani Day on 15 October involved 2,214 children from disadvantaged backgrounds in South Africa and 945 in other parts of Africa, treating them to a special fun-filled day at various venues around the region.

Projects 2011	Number
Orphanage/place of safety/care centre for orphaned, abandoned, abused or destitute children, many of whom are living with HIV/Aids	39
School/crèche/aftercare facility	18
Centre for physically and/or mentally disabled children	7
Youth sports club	1
Drug rehabilitation centre for teenagers	2
Children's feeding scheme	3
Total	70

Afrox endeavours to donate 1% of the previous year after-tax earnings. In this financial year donations amounted to R2.7 million.

Corporate responsibility policy

PHILOSOPHY

Positioned as a leading industrial gases and welding company, Afrox has built its business on the following four cornerstones:

- Passion to excel
- Innovating for customers
- Empowering people; and
- Thriving through diversity.

We see these values at the heart of our competitive abilities and long-term success. They underpin and contextualise our role within society, guiding our actions wherever our business takes us.

Every Afrox employee undertakes to acknowledge and implement the guidelines set out in our Corporate Responsibility policy.

PRINCIPLES

Afrox undertakes to behave responsibly towards its shareholders, business partners, employees, society and the environment – in every one of its business areas, regions and locations.

Afrox is committed to technologies and products that unite the goals of customer value and sustainable development.

Afrox secures its future by investing in staff, research and development and by tackling the problems and challenges facing the world today.

GUIDELINES

Markets

- We believe in a value-driven management style, with business policies that are aligned with the interests of our company, its shareholders and its stakeholders
- We promote good corporate governance, constantly strengthening the sense of responsibility that governs our management and supervisory activities
- Our activities revolve around the best interests of our customers
- We offer in-depth, end-to-end technical solutions; and
- We are firmly committed to free and fair competition and we deal with our competitors and business partners in accordance with the Afrox code of ethics.

Employees and society

- We maintain an atmosphere of respect and openness both within our company and in our business interactions
- We believe in personal development and ongoing learning, offering our employees a wide variety of opportunities to achieve their personal potential
- We make our knowledge and expertise available to society as a whole and secure our success through a willingness to co-operate with other organisations
- We are open to other cultures and lifestyles and welcome different experiences and perspectives
- Equal opportunities are hardwired into all aspects of our work; and
- We promote education and research projects that are closely linked to our core business.

SHEQ – Safety, Health, Environment and Quality

All our activities are guided by a clear umbrella principle:

> "At Afrox we do not want to harm people or the environment"

Our activities align with the Afrox SHEQ Policy. This commits us to ensuring that all of our business operations are executed in accordance with strict safety, health, environment and quality standards.

- We all take a personal responsibility for SHEQ
- Managers at all levels demonstrate visible leadership
- We apply this policy in our day-to-day behaviour; and
- Safety, health, care for the environment and quality are a prerequisite to any business we undertake.

Obligation

We fulfil our duty of accountability towards our shareholders, employees, customers, business partners and the general public through regular and accurate reporting.

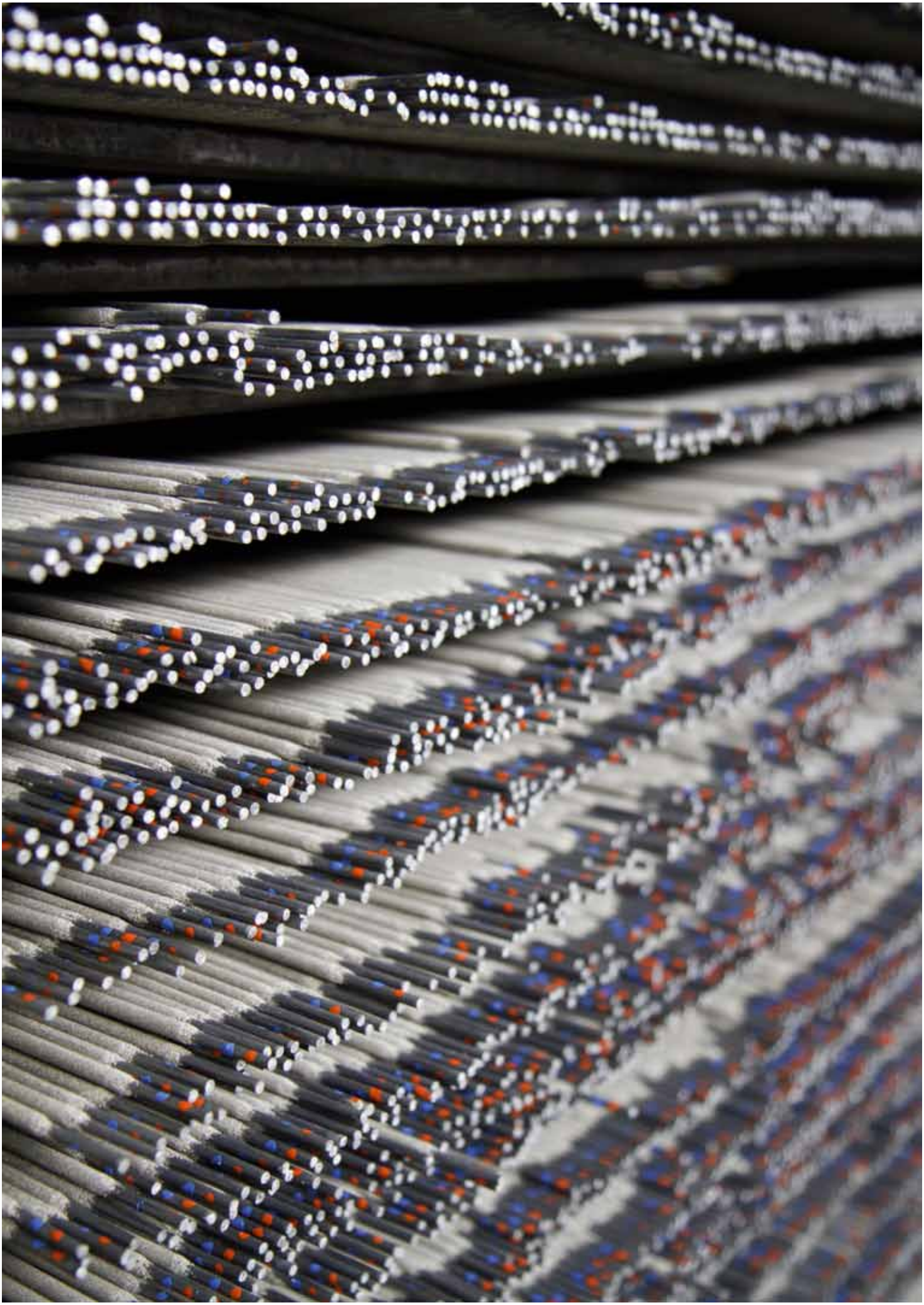
All our company guidelines are in harmony with our Corporate Responsibility policy.

On behalf of the Afrox Board and the Executive Management.

Mike Huggon
Chairman

Frederick Kotzee
Financial Director

Johannesburg
23 February 2012



Financial results

for the year ended 31 December 2011

These annual financial statements have been prepared under the supervision of the Financial Director; Frederick Kotzee (CA)SA.

These annual financial statements, as set out on page 56, pages 61 to 66 and pages 73 to 132 have been audited by KPMG Inc.

Shareholders' profile

for the year ended 31 December 2011

Group of shares	Number of shareholders	% of holders	Holdings	% of issued share capital
Profile at year end				
Individuals and deceased estates	3 161	76.68	6 770 855	1.97
Corporate bodies	114	2.76	2 094 906	0.61
Banks and nominee companies	62	1.50	26 880 272	7.84
Insurance, investment and trust companies	151	3.66	52 513 713	15.34
Pension, provident funds and trusts	551	13.36	46 506 471	13.56
Private companies	78	1.89	725 765	0.21
Public companies	6	0.15	207 360 928	60.47
	4 123	100.00	342 852 910	100.00

MAJOR SHAREHOLDERS

The shareholders registered as holding 1% or more of the share capital of the company at 31 December 2011 were:

Shareholders holding of 1% or more	Number of shares held	% of total
BOC Holdings (wholly owned subsidiary of Linde AG)	173 046 413	50.47
Afrox African Investments (Pty) Ltd (held as treasury shares)	34 285 308	10.00
Allan Gray Investment Council	31 334 434	9.14
Investec Asset Management	25 075 445	7.31
Government Employees Pension Fund (previously Public Investment Corporation)	16 866 576	4.92
Oasis Asset Management	8 547 339	2.49
Regarding Capital Management	3 678 426	1.07
	292 833 941	85.40
Other shareholders	50 018 969	14.60
Total	342 852 910	100.00

SHAREHOLDER SPREAD

To the best knowledge of management and after reasonable enquiry, the spread of shareholders at 31 December 2011 (as defined in the Listings Requirements of the JSE Limited), was as follows:

	Number of shareholders	% of holders	Number of shares held	% of total
Shares held outside the Group	4 107	99.62	135 516 995	39.53
Shares held within the Group	16	0.38	207 335 915	60.47
Strategic holdings (more than 10%)	1	0.02	173 046 413	50.47
Directors' holdings	12	0.29	1 987	0.00
Own holdings and share trusts	3	0.07	34 287 515	10.00
	4 123	100.00	342 852 910	100.00
Public shareholders				39.53
Non-public shareholders				60.47

Dividends

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

Number	Declaration date	Last date to trade (LDT) ordinary shares cum dividend	Ordinary shares trade ex dividend	Record date (RD)	Payment date	**2011 Amount per share (cents)**	2010 Amount per share (cents)
168	26 August 2010	15 October 2010	18 October 2010	22 October 2010	25 October 2010		19.0
169	16 February 2011	14 April 2011	15 April 2011	21 April 2011	26 April 2011		8.0
170	19 July 2011	14 October 2011	17 October 2011	21 October 2011	24 October 2011	**22.0**	
171	23 February 2012	13 April 2012	16 April 2012	20 April 2012	23 April 2012	**23.0**	
						45.0	27.0

Statistics	**December 2011**	December 2010	December 2009	December 2008	December 2007
Share price (cents)					
– Closing	**1 620**	2 063	2 200	2 425	3 221
Ordinary shares in issue at financial period end ('000)	**342 853**	342 853	342 853	342 853	342 853
Number of shares traded ('000)	**49 885**	65 495	64 360	69 911	84 221
Value of shares traded (R'000)	**934 810**	1 418 693	1 424 366	1 827 744	2 081 844
Number of shares traded as a percentage of shares issued	**14.5**	19.1	18.8	20.4	24.6
Earnings yield (%)	**3.7**	1.5	3.4	5.5	5.8
Ordinary dividend yield (%)	**2.8**	1.3	1.7	2.8	3.1
Price: basic earnings ratio	**27.4**	67.7	29.3	18.1	17.2
Price: headline earnings ratio	**17.7**	37.2	29.5	18.2	17.1

Definitions of ratios and terms utilised for statistics

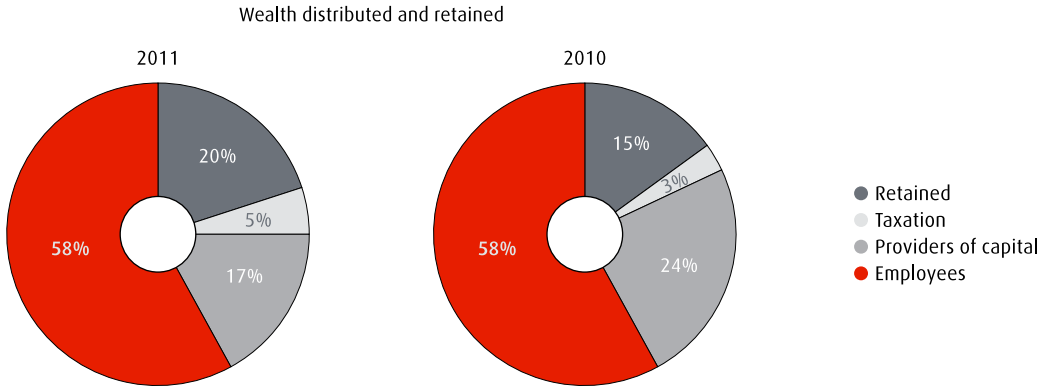
Earnings yield	Basic earnings divided by closing share price
Ordinary dividend yield	Dividends declared per share divided by closing share price
Price: basic earnings ratio	Closing share price divided by basic earnings
Price: headline earnings ratio	Closing share price divided by headline earnings

Value added statement

for the year ended 31 December 2011

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

	2011		2010	
	R'm	%	R'm	%
Wealth created				
Revenue	5 246		4 721	
Cost of goods and services	(3 516)		(3 176)	
Value added	1 730		1 545	
Net finance income	168		228	
Income from investments	3		6	
Wealth created	1 901		1 779	
Wealth distributed and retained				
Employees				
Salaries and benefits	1 109	58	1 043	58
Providers of capital	319	17	420	24
Finance costs	214	11	291	16
Non-controlling interest	12	1	12	1
Ordinary dividends	93	5	117	7
Taxation	100	5	56	3
Retained in Group activities	373	20	260	15
Depreciation and amortisation	283	15	283	16
Retained income/(loss)	90	5	(23)	(1)
	1 901	100	1 779	100
Value added ratios				
Number of employees	3 324		3 434	
Permanent	3 288		3 388	
Short-term and contractors	36		46	
Revenue per average permanent employee (R'000)	1 572		1 383	
Value added per average permanent employee (R'000)	518		453	



Five-year financial review

for the year ended 31 December 2011

Group	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007* R'm
STATEMENT OF FINANCIAL POSITION SUMMARY					
Non-current assets					
Property, plant and equipment	2 657	2 637	2 729	2 817	2 459
Other non-current assets	273	304	357	417	408
Retirement benefit assets	601	544	653	591	771
Deferred tax assets	6	11	10	6	3
Current assets (excluding cash and cash equivalents)	1 574	1 463	1 438	2 023	1 626
Total assets	5 111	4 959	5 187	5 854	5 267
Equity and liabilities					
Total equity	2 827	2 695	2 827	2 741	2 741
Non-controlling interest	38	32	32	39	27
Borrowings (including cash and cash equivalents)	716	842	914	1 532	1 025
Deferred tax liabilities	524	514	562	519	465
Current liabilities (excluding interest-bearing borrowings)	1 006	876	852	1 023	1 009
Total equity and liabilities	5 111	4 959	5 187	5 854	5 267
Net assets – excluding deferred taxation and retirement benefit assets	3 498	3 528	3 672	4 234	3 484
INCOME STATEMENT SUMMARY					
Revenue	5 246	4 721	4 795	5 666	5 849
Earnings before interest, tax, depreciation, amortisation and impairments (EBITDA)	774	606	801	943	1 195
Depreciation and amortisation	(283)	(283)	(301)	(257)	(254)
Impairments	(153)	(104)	(18)	—	—
Earnings before interest and tax (EBIT)	338	219	482	686	941
Net finance expense	(46)	(63)	(116)	(54)	(13)
Income from associate	3	6	2	2	1
Profit before taxation	295	162	368	634	929
Income tax expense	(100)	(56)	(125)	(207)	(341)
Profit for the period	195	106	243	427	588
Non-controlling interest	(12)	(12)	(11)	(15)	(10)
Net profit for the financial period	183	94	232	412	578
Dividends declared (Note 26)	(93)	(117)	(136)	(272)	(475)
Retained income/(loss)	90	(23)	96	140	103
Cash flow summary					
Earnings before interest and tax (EBIT)	338	219	482	686	941
Cash generated from operations	844	606	1 233	665	994
Total capital expenditure (tangible)	416	294	293	540	781
Acquisition of intangible assets	5	–	14	63	206
Change in funding requirements	(126)	(72)	(618)	507	942

Restatements

**15 months*

Five-year financial review

for the year ended 31 December 2011

	2011	2010	2009	2008	2007*
STATISTICS					
Total shares (excluding treasury shares) (millions)	309	309	309	309	309
Weighted shares (millions)	309	309	309	309	309
Ordinary share performance					
Basic earnings per share (cents)	59.2	30.5	75.2	133.7	187.5
Headline earnings per share (cents)	91.6	55.5	74.6	133.5	188.9
Dividends declared per share (cents) (Note 26)	45.0	27.0	38.0	67.0	100.0
Dividend cover – basic earnings	1.3	1.1	2.0	2.0	1.9
Dividend cover – headline earnings	2.0	2.1	2.0	2.0	1.9
Net asset value per share (cents)	823	784	804	782	730
Profitability and asset management					
EBITDA margin (%)	14.8	12.8	16.7	16.6	20.4
EBIT margin (%)	6.4	4.6	10.1	12.1	16.1
Return on net assets (%)	9.6	6.1	12.2	17.8	32.1
Net asset turn (times)	1.5	1.3	1.2	1.5	2.0
Return on shareholders' equity (%)	6.6	3.4	8.3	15.0	23.0
Return on capital employed (%)	8.3	5.2	10.5	15.1	27.6
Effective rate of taxation (%)	33.9	34.6	34.0	32.6	36.7
Liquidity and leverage					
Interest cover (times)	7.3	3.5	4.2	12.7	72.4
Liability ratio	0.6	0.6	0.7	0.8	0.7
Current ratio	1.6	1.7	1.7	2.0	1.6
Gearing (%)	17.4	20.6	21.1	31.7	24.1
Value added					
Number of permanent employees	3 288	3 388	3 439	4 124	3 848
Revenue per average permanent employee (R'000)	1 572	1 383	1 268	1 421	1 660
Profit before taxation per average permanent employee (R'000)	88	47	97	159	264

DEFINITIONS OF RATIOS AND TERMS UTILISED FOR RATIOS AND STATISTICS

Basic earnings per share
$\frac{\text{net profit for the financial period (net of tax)}}{\text{weighted average number of ordinary shares in issue during the period}}$

Headline earnings per share
$\frac{\text{net profit for the financial period (net of tax), impairments and profit and loss on disposal of property, plant and equipment}}{\text{weighted average number of ordinary shares in issue during the period}}$

Dividend cover
$\frac{\text{net profit for the financial period}}{\text{current period's declared dividend}}$

Dividend declared per share
interim dividend per share paid plus final dividend per share declared

Net asset value per share
$\frac{\text{net assets}}{\text{number of ordinary shares in issue at period end}}$

EBITDA margin
$\frac{\text{EBITDA}}{\text{revenue}}$

EBIT margin
$\frac{\text{EBIT}}{\text{revenue}}$

Return on net assets
$\frac{\text{EBIT}}{\text{average net assets}}$

Net assets
total assets less non-interest bearing liabilities, excluding deferred taxation and retirement benefit assets

Net asset turn
$\frac{\text{revenue}}{\text{average net assets}}$

Return on shareholders' equity
$\frac{\text{net profit for the financial period}}{\text{average capital and reserves}}$

Return on capital employed
$\frac{\text{EBIT}}{\text{average capital employed}}$

Capital employed
capital and reserves, total interest-bearing borrowings and deferred tax

Borrowings
net interest-bearing debt

Effective rate of taxation
$\frac{\text{income tax expense}}{\text{profit before taxation}}$

Interest cover
$\frac{\text{EBIT}}{\text{net finance (expense)/income}}$

Liability ratio
$\frac{\text{gross borrowings and current liabilities}}{\text{total equity and liabilities (excluding borrowings and current liabilities)}}$

Current ratio
$\frac{\text{current assets}}{\text{current liabilities}}$

Gearing
$\frac{\text{borrowings}}{\text{total capital employed}}$

Revenue per employee
$\frac{\text{revenue for the financial period}}{\text{average number of permanent employees}}$

Profit before taxation per employee
$\frac{\text{profit before taxation}}{\text{average number of permanent employees}}$

Report of the directors

for the year ended 31 December 2011

The directors have pleasure in submitting the Group annual financial statements for the year ended 31 December 2011.

In the context of the financial statements, the term "Group" refers to African Oxygen Limited (Afrox) as the company, its subsidiaries and its interest in associate. A list of the subsidiaries and associate appears on pages 131 and 132.

NATURE OF BUSINESS

Afrox is an integrated, full spectrum gases and welding products business, operating in sub-Saharan Africa. We provide solutions and services to meet the needs of customers, and package product service offerings to targeted market segments. The business comprises large gas supply schemes, cylinder gases and welding products, liquefied petroleum gas, medical gases and products, scientific gases, refrigerants, packaged chemicals and helium, gases and services and safety products and services.

LISTINGS

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

AUDIT COMMITTEE REPORT

In line with its terms of reference approved by the Board of Directors and the requirements of Section 94 of the Companies Act 2008, the Audit Committee confirms that it has discharged all of its responsibilities contained therein (refer to page 48 for details of functions performed by the Audit Committee).

FINANCIAL RESULTS

The results of operations for the year are set out in the income statements on page 83.

A five-year summary of the Group statement of financial position, income statement and cash flow summary are presented on pages 59 to 60.

The results for the year ended 31 December 2011 show revenue of R5 246 million with earnings before interest and tax at R338 million and net profit attributable to the equity holders of the company at R183 million. Basic and diluted earnings per share were 59.2 cents and headline earnings per share were 91.6 cents. The statements of financial position remain strong with operating cash flows for the period at R844 million. Gearing is at a very acceptable 17.4%.

SHARE CAPITAL

The company's authorised share capital remained unchanged. As at 31 December 2011, the company's issued share capital is reflected in the following table:

For the year ended 31 December 2011

	2011 and 2010	
	Number	R
Authorised ordinary	350 000 000	17 500 000
Issued	342 852 910	17 142 646
Unissued	7 147 090	357 354
Treasury shares	34 285 308	1 714 265

DISTRIBUTION TO SHAREHOLDERS

Details of dividends are set out in note 26 to the financial statements. An interim dividend of 22 cents per ordinary share was paid on 24 October 2011.

A final dividend of 23 cents per ordinary share has been declared. The final dividend will be paid on Monday, 23 April 2012. The Board is satisfied that the capital remaining after the payment of the final dividend will be sufficient to support the current operations and to facilitate future development of the business.

PARENT COMPANY

The parent company of Afrox is BOC Holdings and the ultimate parent company is Linde AG. Afrox is incorporated in the Republic of South Africa. The Linde Group is incorporated in Germany and is listed on all the German Stock Exchanges (DAX 30 share index) as well as in the SWX in Zurich.

BOARD OF DIRECTORS

The Board currently comprises three executive directors, three non-executive directors and five independent non-executive directors. Their names are as follows:

Executive directors:
Brett Kimber (Managing director and Chief executive officer) (appointed 1 January 2012)
Tjaart Kruger (resigned 31 August 2011)
Frederick Kotzee (Financial director)
Jonathan Narayadoo (General manager MPG Operations)

Non-executive directors:
Mike Huggon (British) (Chairman)
Dynes Woodrow (British)
Matthias von Plotho (German)

Independent non-executive directors:
David Lawrence
Sipho Pityana (resigned 31 December 2011)
Louis van Niekerk
Dr Khotso Mokhele
Morongwe Malebye

INTERESTS OF DIRECTORS

No other material change in the foregoing interests has taken place between 31 December 2011 and the date of this report. There were no contracts of significance during, or at the end of, the financial period in which any directors of the company were personally materially interested.

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders appear on page 56 of this annual report.

SERVICE CONTRACTS

No service contracts exist between the company and any of its directors having a notice period exceeding three months or providing for compensation and benefits (excluding share linked benefits vesting in normal course) in excess of three months' salary.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees payable to the independent non-executive directors are reflected below. Note: All fees stated are per meeting. The principle of double payment for the chairperson has been retained with the exception of the retainer fee which is to be paid twice per annum.

Category	Role	Current practice		Proposed 2012 payment		% Total fee increase
Committee		Retainer fee	Fee per meeting	Retainer fee	Fee per meeting	
Independent Lead director		R128 400		R137 388		7
Board	Director	R53 500	R26 750	R57 245	R28 622	7
Audit	Chairperson	–	R42 800	–	R45 796	7
	Member	–	R21 400	–	R22 898	7
– Nominations, governance and management of resources – Safety, health, environment and quality – Transformation	Chairperson	–	R42 800	–	R45 796	7
	Member	–	R21 400	–	R22 898	7

SHARE APPRECIATION RIGHTS SCHEME (SARS)

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

Number of SARS at 31 December 2010	16 105 964
Add: SARS allocated during the period	3 476 197
Less: SARS redeemed, terminated and expired	(1 507 901)
Number of SARS at 31 December 2011	18 074 260
Number of vested SARS at 31 December 2011	7 522 764
Number of unvested SARS at 31 December 2011	10 551 496

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.

The executive directors who held office on 31 December 2011, had a direct interest in 321 642 share appreciation rights in the company granted at an average price of R24,04 per share. At the date of this report, there have been no changes to the above SARS holdings (refer to page 64).

SECRETARY

Ms C Low is the company secretary and her business and postal addresses appear on page 141 of this annual report.

ADMINISTRATION

Computershare Investor Services (Pty) Limited is the share transfer secretary of the company. The JSE sponsor is One Capital and the NSX sponsoring broker is Namibia Equity Brokers (Pty) Limited.

SUBSIDIARIES AND ASSOCIATE

Information regarding the interest in subsidiaries is set out on page 131 and of interest in associate on page 132.

Subsidiary companies' profit after tax R162 million (2010: R160 million), subsidiary companies' aggregate amount of losses after tax R32 million (2010: R27 million) and share of associate profit after tax R3 million (2010: R6 million).

INDEPENDENT AUDITORS

The independent auditors, KPMG Inc. will continue in office for the ensuing period in accordance with Section 84(4)(b) of the Companies Act, 2008, as amended.

BORROWING FACILITIES

The Group's net debt at December 2011 amounted to R716 million (2010: R842 million). Details of the long-term borrowings are set out in note 18. No restrictions on borrowings are set in the articles of association.

LITIGATION STATEMENT

A claim of R207 million has been made by a customer against the Group. This claim refers to supply disruptions, predominantly as a result of power outages and equipment failures. The Group has sought legal advice and the Board of directors is of the opinion that various robust defences exist in respect of this claim and material success in the matter by the claimant is improbable.

GENERAL

To the best of our knowledge no other significant formal litigation has been instigated against the company.

EVENTS AFTER REPORTING DATE

No material event occurred between the accounting date and the date of this report.

Remuneration report

for the year ended 31 December 2011

Directors' emoluments (R'000s)

Name	Months paid	Fees	Remune-ration	Pension payment/ contribu-tions	Perfor-mance bonus	Benefits, allowances and gains on share incentives	**Total December 2011**	Total December 2010
Non-executive directors								
Current								
M Malebye	12	328	–	–	–	–	**328**	195
K Mokhele	12	619	–	–	–	–	**619**	335
D Lawrence	12	531	–	–	–	–	**531**	250
S Pityana	12	412	–	–	–	–	**412**	255
L van Niekerk	12	717	–	–	–	–	**717**	409
Former								
CB Strauss	–	–	–	138	–	–	**138**	138
		2 607	–	138	–	–	**2 745**	1 582
Executive directors								
FT Kotzee	12	–	1 820	290	1 103	1 957	**5 170**	2 848*
TN Kruger	8	–	1 752	236	4 521	558	**7 067**	7 451
J Narayadoo	12	–	1 590	403	789	515	**3 297**	2 909
CJPG van Zyl	–	–	–	–	–	–	**–**	2 733
		–	5 162	929	6 413	3 030	**15 534**	15 941
Executive management								
J Cilliers	12		881	149	195	297	**1 522**	
W Coetzee	12		1 091	167	461	371	**2 090**	
F Graham	12		965	224	420	320	**1 929**	
C Low	12		1 111	161	369	388	**2 029**	
D Mackinnon	12		1 103	174	422	364	**2 063**	
L Mosiah	12		831	149	174	279	**1 433**	
H Ngwenya	12		1 078	167	438	328	**2 011**	
J Poulter	12		1 038	164	137	1 113	**2 452**	
G Schnackenberg	12		1 183	289	309	388	**2 169**	
J Storm	12		979	235	426	311	**1 951**	
J Wiese	12		966	154	383	824	**2 327**	
		–	11 226	2 033	3 734	4 983	**21 976**	
Total emoluments		2 607	16 388	3 100	10 147	8 013	**40 255**	17 523

**Included a once-off sign-on bonus*
Performance bonuses are deemed short-term employee benefits

The following executive directors have share appreciation rights:

	December 2011			December 2010		
	Rand value R'000	Vested number of rights (exercisable)	Non-vested number of rights (not yet exercisable)	Rand value R'000	Vested number of rights (exercisable)	Non-vested number of rights (not yet exercisable)
TN Kruger	–	–	–	293	340 000	300 200
FT Kotzee	12	–	22 320	–	–	–
J Narayadoo	67	165 750	133 572	154	129 750	129 100
Executive management						
J Cilliers	34	15 000	101 511			
W Coetzee	46	111 250	93 899			
F Graham	37	42 750	72 199			
C Low	17	–	31 199			
D Mackinnon	50	142 500	101 172			
L Mosiah	41	26 000	83 511			
H Ngwenya	49	46 000	100 599			
J Poulter	14	500	24 927			
G Schnackenberg	49	124 000	100 511			
J Storm	44	64 000	91 999			
J Wiese	40	40 275	83 227			
	500	778 025	1 040 646	447	469 750	429 300

In the current year a decision was made that Executive management is the key decision makers, therefore no comparative disclosure for their remuneration is disclosed.

Non-executive directors do not participate in the Group's incentive programmes, nor is their remuneration pensionable. The directors are not entitled to any other post-retirement benefits except those disclosed above.

Shareholding of directors (number of shares)	December 2011		December 2010	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Executive directors				
TN Kruger	–	–	–	100
FT Kotzee	–	100	–	–
J Narayadoo	241	200	241	200
Executive management				
JW Storm	220	–		
Non-executive independent directors				
M Malebye*	–	100	–	100
Dr. KDK Mokhele~+>	–	100	–	100
DM Lawrence*~	500	–	500	–
LL van Niekerk*~>	126	–	126	–
SM Pityana+	–	100	–	100
Non-executive directors				
MS Huggon	–	100	–	–
M von Plotho	–	100	–	–
JK Masters~+	–	–	–	100
J Nowicki*	–	–	–	100
KJ Oliver	–	–	–	100
D Woodrow	–	100	–	–

**Audit Committee member*
+Transformation Committee
~Governance and Management Resources Committee member.
>SHEQ Committee

Interest of directors in contracts

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

During the year there have been transactions with Investec Bank Limited in the normal course of business. David Lawrence is a director of Investec Bank Limited.

Certificate of the Company Secretary

for the year ended 31 December 2011

In my capacity as the Company Secretary, I hereby confirm, in terms of the South African Companies Act, 2008, that for the year ended 31 December 2011 the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

C Low
Company Secretary

Johannesburg
23 February 2012

Approval of financial statements

for the year ended 31 December 2011

The directors are responsible for the preparation and fair presentation of the Group annual financial statements and annual financial statements of African Oxygen Limited, comprising the statements of financial position at 31 December 2011, and the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and AC 500 Standards as issued by the Accounting Practices Board and in the manner required by the Companies Act 2008 of South Africa.

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

The directors' have made an assessment of the ability of the company and it subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

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

The Group annual financial statements and annual financial statements of African Oxygen Limited, were approved by the Board of Directors on 23 February 2012 and are signed on their behalf by:

MS Huggon
Chairman and acting Managing Director

FT Kotzee
Financial Director

Johannesburg
23 February 2012

Independent auditors' report

for the year ended 31 December 2011

TO THE MEMBERS OF AFRICAN OXYGEN LIMITED

We have audited the Group annual financial statements and the annual financial statements of African Oxygen Limited, which comprise the statements of financial position at 31 December 2011, the income statements, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on page 56, pages 61 to 66 and pages 73 to 132.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of African Oxygen Limited at 31 December 2011, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per NH Southon
Chartered Accountant (SA)
Registered Auditor
Director
23 February 2012

KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193

Glossary of financial reporting terms

GROUP STRUCTURES

Reporting entity
African Oxygen Limited is a company domiciled in South Africa. The address of the company's registered office is 23 Webber Street, Selby, Johannesburg, South Africa. Its parent company is BOC Holdings Limited (registered in the United Kingdom) a wholly owned subsidiary of Linde AG. The ultimate holding company is Linde AG (registered in Germany). The consolidated financial statements of African Oxygen Limited, as at 31 December 2011 and for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as the Group) and the Group's interest in an associate. The Group is primarily involved in the manufacture and distribution of gases and welding products.

Associate
An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associate but with no control or joint control over these policies.

Company
A legal business entity registered in terms of the applicable legislation of that country.

Equity method
A method in which the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the share of net assets of the investee. Profit or loss includes the share of the profit or loss of the investee.

Foreign operation
An entity whose activities are based or conducted in a country or currency other than those of the reporting entity.

Group
The Group comprises African Oxygen Limited, its subsidiaries, its interest in an associate and special purpose entity.

Special purpose entity
An entity established to accomplish a narrow and well defined objective (at this stage limited to the ISAS Trust).

Subsidiary
A subsidiary is an entity controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls the other entity.

GENERAL ACCOUNTING TERMS

Accounting policies
The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

Accrual basis of accounting
The effects of transactions and other events are recognised when they occur rather than when the cash is received or paid.

Acquisition date
The date on which control in subsidiaries, special purpose entities and significant influence in the associate commenced.

Actuarial gains and losses
The effects of differences between the previous actuarial assumptions and what has actually occurred, as well as changes in actuarial assumptions.

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Asset
A resource controlled by the entity as a result of a past event from which future economic benefits are expected to flow to the entity.

Borrowing costs
Finance and other costs incurred in connection with the borrowing of funds.

Carrying amount
The amount at which an asset or liability is recognised in the statement of financial position.

Cash flow hedge
A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset, or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss.

Cash-generating unit
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Change in accounting estimate
An adjustment to an asset or a liability or the amount of the periodic consumption of an asset as a result of new information or developments.

Constructive obligation
An obligation that derives from an established pattern of past practice, published policies or a sufficiently specific current statement such

that it creates a valid expectation on the part of other parties that the obligation will be met.

Consolidated financial statements
The financial results of the Group which comprise the financial results of African Oxygen Limited and its subsidiaries, special purpose entities and its interest in the associate.

Control
The power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Contingent asset
A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liability
A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Costs to sell
The incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Date of transaction
The date on which a transaction first qualifies for recognition in accordance with IFRS.

Depreciation or amortisation
The systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of the asset, or other amount substituted for cost, less its residual value.

Derecognition
The removal of a previously recognised asset or liability from the statement of financial position.

Discontinued operation
A component of the entity that has either been disposed of or is classified as held-for-sale and represents a separate major line of business or geographical operational area or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation or a subsidiary acquired exclusively with a view to resell.

Employee benefits
All forms of consideration given in exchange for services rendered by employees.

Expenses
The decreases in economic benefits in the form of outflows or depletion of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Fair value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable and willing partners in an arm's length transaction.

Fair value hedge
A hedge of exposure to changes in fair value of a recognised asset, recognised liability or unrecognised firm commitment.

Financial instrument
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Finance lease
A lease that transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee.

Financial results
Comprise the financial position (assets, liabilities and equity), financial performance (revenue and expenses) and cash flows of the Group or an entity within the Group.

Financial risk
The risk of a possible future change in a specified interest rate, financial instrument price, commodity price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Firm commitment
A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Functional currency
The currency of the primary economic environment in which the entity operates.

Going-concern basis
The assumption that the entity will continue in operation for the foreseeable future.

Gross investment in lease
The aggregate of the minimum lease payments receivable by the lessor under a finance lease and any unguaranteed residual value accruing to the lessor.

Headline earnings
Earnings excluding "separately identifiable remeasurements", net of related tax and related non-controlling interest, other than remeasurements specifically included in headline earnings.

Hedged item
An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that exposes the entity to risk of changes in fair value or future cash flows and is designated as being hedged.

Hedging instrument
A designated derivative or non-derivative financial asset or liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedge effectiveness
The degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Held-for-trading financial asset or financial liability
Financial asset or financial liability that is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or as a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or a derivative (except for a derivative that is a designated and effective hedging instrument or a financial guarantee contract).

Impairment loss
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

Income
Increase in economic benefits in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Key management personnel
Those persons having authority and responsibility for planning, directing and controlling the activities of the entity including any director.

Legal obligation
An obligation that derives from a contract, legislation or other operation of law.

Liability
A present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

Minimum lease payments
Payments over the lease term that the lessee is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, including, in the case of a lessee, any amounts guaranteed by the lessee or by the party related to the lessee or, in the case of a lessor, any residual value guaranteed to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.

Net investment in the lease
The gross investment in the lease discounted at the interest rate implicit in the lease.

Onerous contract
A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to accrue under it.

Operating lease
A lease other than a finance lease.

Other comprehensive income
Comprises items of income and expenditure (including reclassification adjustments) that are not recognised in profit or loss and includes the effect of translation of foreign operations, cash flow hedges, available-for-sale financial assets, changes in revaluation reserves and actuarial gains or losses.

Owner-occupied property
Property held by the owner or by the lessee under a finance lease for use in the production or supply of goods or services or for administrative purposes.

Past service cost
The increase or decrease in the present value of the defined obligation for employee service in prior periods resulting, in the current period, from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Post-employment benefits
Employee benefits (other than termination benefits) that are payable after the completion of employment.

Post-employment benefit plans
Formal or informal arrangements under which an entity provides post-employment benefits to employees. Defined contribution benefit plans are plans where there are no legal or constructive obligations for the employer to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Presentation currency
The currency in which the financial statements are presented.

Prospective application
Applying a change in accounting policy to transactions, other events and conditions occurring after the date the policy changed, or recognising the effect of a change in accounting estimate in the current and future periods.

Recoverable amount
The amount that reflects the greater of the fair value less costs to sell and value in use that can be attributed to the asset as a result of its ongoing use by the entity.

Regular way purchase or sale
A purchase or sale of a financial asset under a contract, the terms of which require delivery of the asset within the time frame established by regulation or convention in the marketplace concerned.

Related party
A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity; another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries; or another entity that is under common control with the reporting entity through having: common controlling ownership; owners who are close family members; or common key management.

Research and development cost
Research costs, being the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development costs, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before starting commercial production or use.

Residual value
The estimated amount that an entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Retrospective application
Applying a new accounting standard to transactions, other events and conditions as if the policy had always been applied.

Revenue
Gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.

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. Segment liabilities include all operating liabilities and consist principally of trade payable and accrued liabilities. Segment assets and liabilities do not include deferred tax, income tax and post employment assets and liabilities.

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

Significant influence
The power, to participate in, but not exercise control over, the financial and operating policy decisions of an entity so as to obtain economic benefit from its activities.

Tax base
The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible for tax purposes in respect of that liability in future periods.

Temporary differences
The differences between the carrying amount of an asset or liability and its tax base.

Treasury shares
An entity's own equity instruments held by the entity or other members of the consolidated Group.

Transaction costs
Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Unearned finance income
The difference between the gross investment in the lease and the net investment in the lease.

Useful life
The period over which an asset is expected to be available for use by the entity or the number of production or similar units expected to be obtained from the asset by the entity.

Value in use
The present value of the future cash flows, expected to be derived from the continuing use and disposal at the end of its useful life of an asset or cash generating unit and the continuing use and disposal thereof, at the end of its useful life.

FINANCIAL INSTRUMENT TERMS

Available-for-sale financial assets
A non-derivative financial asset that is so designated or is not classified as:

- a loan and receivable;
- a held-to-maturity investment; or
- a financial asset at fair value through profit or loss.

Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Derivative
A financial instrument:

- whose value changes in response to movements in a specified interest rate, commodity price, foreign exchange rate or similar variable;
- that requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to change in market factor; and
- whose terms require or permit settlement at a future date.

Effective interest rate
The derived rate that discounts the expected future cash flows over the expected life of the financial instrument to the current net carrying amount of the financial asset or financial liability.

Equity instrument
Any financial instrument that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial asset
Cash or cash equivalents, a right to receive cash, an equity instrument of another entity or a right to exchange financial instruments under favourable conditions.

Financial liability
A contractual obligation to pay cash or cash equivalents or transfer other benefits or an obligation to exchange financial instruments under unfavourable conditions.

Financial instruments classified as held for trading
Acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liability at fair value through profit or loss
Financial liability that meets either of the following conditions: It meets the definition of held-for-trading, or upon initial recognition it is designated by the entity at fair value through profit or loss.

Held-to-maturity investment
A financial asset with a fixed maturity and fixed or determinable future payments, that management has the positive intent and ability to hold to maturity.

Loans and receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and exclude:

- those that the Group intends to trade in, which are classified as held-for-trading, and those that the Group designates as at fair value through profit or loss;
- those that the Group designates as available-for-sale; and
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Monetary assets
An asset which will be received in a fixed or determinable amount of money.

Monetary liability
A liability which will be settled in a fixed or determinable amount of money.

Accounting policies

BASIS OF PREPARATION

Corporate information

African Oxygen Limited (the company) is a South African registered company. The registered address of the company is 23 Webber Street, Selby. The consolidated financial statements of the company for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as "the Group") and the Group's interest in an associate.

Statement of compliance

The consolidated financial statements for African Oxygen Limited and its subsidiaries have been prepared in compliance with International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board, and the requirements of the South African Companies Act 71 of 2008.

Changes in accounting policies and adoption of new and revised Standards

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did, however, give rise to additional disclosures, including in some cases, revisions to accounting policies or adjustments to the financial statements on an entity level.

The adoption of the standards or interpretations is described below:

- IAS 32 *(Amendment): Financial Instruments: presentation – Classification of Rights Issues*

  The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

  No impact on the annual financial statements.

- IAS 24 *(Revised); Related Party Disclosures*

  It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

  Additional disclosure in the annual financial statements.

- IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*

  This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. It clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit or loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

  No impact on the annual financial statements.

- IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

  No impact on the annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as detailed above and have been applied by all the Group entities.

SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation of financial results

The consolidated annual financial statements are presented in South African Rands ("Rands"), which is the company's functional and presentation currency. All financial information presented in South African Rands has been rounded to the nearest million (R'm) except for when otherwise indicated.

The consolidated financial statements are prepared using the historical cost basis, except derivative financial instruments that have been measured at fair value and liabilities for cash settled share-based payment arrangements that are required to be measured at fair value.

The consolidated financial statements are prepared on the going concern basis.

2 Basis of consolidation of financial results

The consolidated financial statements reflect the financial results of the Group and the Group's interest in an associate. All financial results are consolidated with similar items on a line by line basis except for the investment in the associate, which is included in the Group's results as set out below.

Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. In respect of the associate, unrealised gains and losses are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.1 Subsidiaries

The Group financial statements include the financial statements of the company and its subsidiaries. Where an investment in a subsidiary is acquired or disposed of during the financial year its results are included from the date control commences to date control ceases. In the financial statements of the company, the interests in subsidiaries are measured at cost less impairments.

The cost of acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the individual net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Non-controlling interest is measured at their share of the fair value of the identifiable assets and liabilities.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the subsidiaries.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2 Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.3 Associate

The consolidated financial statements incorporates investments in the associate, income and expenses of the associate using the equity method of accounting from the acquisition date to the disposal date, being the date that significant influence commenced to the date that significant influence ceased. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. In this method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the share of net assets of the associate. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investee.

In the financial statements of the company, the interests in the associate is measured at cost less impairments.

Associate accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of the associate are not aligned to the reporting dates of the Group. The Group recognises its share of the net profit or loss of the associate up to the Group's reporting date.

If the Group's share of losses of the associated company exceeds the carrying amount the investment would be carried at nil. Additional losses would only be recognised to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

3 Foreign currency

3.1 Foreign currency transactions

Transactions in currencies other than the entity's functional currency are recognised at the exchange rates ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the reporting date. Gains and losses arising on these exchange differences are recognised in profit or loss.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on equities classified as available-for-sale financial assets, are included in other comprehensive income.

3.2 Foreign operations

The financial statements of entities (none of which has the currency of a hyperinflationary economy) whose functional currencies are different to the Group's presentation currency are translated on consolidation:

- Assets, including goodwill, and liabilities: At the closing exchange rates for each reporting date presented,
- Income and expense items: At the exchange rates at the dates of the transactions, and
- Equity items: At the exchange rates ruling when they arose.

Resulting exchange differences are classified as a foreign currency translation reserve and recognised in other comprehensive income. If the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interest.

On disposal of a foreign operation the related amount in equity is reclassified to profit or loss as part of the gain or loss on sale. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interest.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign company and translated at the closing rate at the reporting date.

4 Property, plant and equipment

Property, plant and equipment comprise tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one accounting period. Land and buildings are factories and offices.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Land is measured at cost less any accumulated impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is based on cost less residual value, and is recognised in profit or loss so as to write off the depreciable amount of the assets, over their estimated useful lives using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Where significant parts of an item have different useful lives or patterns in which future economic benefits are expected to be consumed to the item itself, these parts are depreciated over their estimated useful lives.

The methods of depreciation, useful lives and residual values are reviewed annually and adjusted if appropriate.

The expected useful lives were as follows for current and prior years:

freehold properties	40 years
cylinders	15 – 20 years
plant and equipment	5 – 25 years
vehicles	7 – 25 years
furniture and fittings	5 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

5 Intangible assets

Intangible assets are initially recognised at cost if acquired separately or internally generated or at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, they are not amortised but are tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, they are amortised over the estimated useful lives using a straight line basis and assessed for impairment at each reporting date.

Trademarks and licences are recognised initially at cost. They have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to amortise the cost of trademarks and licences over their estimated useful lives, from the date that they are available for use.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives or the licence period, whichever is shorter.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable software products controlled by the Group, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. Directly attributable costs include employee costs and an appropriate portion of relevant overheads are included in the cost of software development.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if the cost can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable. Other development expenditure is recognised in profit or loss as incurred.

Capitalised computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

The methods of depreciation, useful lives and residual values are reviewed annually and adjusted if appropriate.

The expected useful lives of intangible assets are as follows for current and prior years:

- Computer software development costs – not exceeding 8 years, using the straight line method.
- Computer software – over 5 years using the straight line method,
- Trademarks, patents and licences, using the straight line method – not exceeding 8 years

6 Goodwill

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each cash-generating unit to which goodwill is so allocated, shall not be larger than any operating segment as defined in IFRS 8 before aggregation. It is not amortised but is tested for impairment annually and impaired if necessary. It is recognised as an asset and is measured at cost less impairment losses.

Goodwill on acquisition of associate is included in the carrying amount of the associate.

For goodwill acquired in a business combination for which the agreement date was before 30 September 2004 and was previously amortised on a systematic basis over its estimated useful life, the accumulated amortisation prior to that date was set-off against the cost.

7 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

The first-in-first-out method is used to arrive at the cost of items that are interchangeable.

8 Financial assets

Financial assets are recognised initially at fair value plus transaction costs. However, transaction costs in respect of financial assets classified as at fair value through profit and loss are expensed. Financial assets other than those at fair value through profit or loss or available-for-sale are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Impairment losses on these financial assets are established when there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably. The amount of the impairment loss for loans and receivables is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. An impairment in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

The amount of the impairment loss is recognised in profit or loss. At each reporting period the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics (including those tested individually and not impaired).

Financial assets are recognised as assets when the entity becomes a party to the contract and has a legal right to receive cash.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets into the following categories:

- Fair value through profit or loss (measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss).
- Loans and other receivables (initial recognition at fair value plus any directly attributable transaction costs. Subsequently measured at amortised cost using the effective interest method, less any impairment losses).

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets or parts thereof are derecognised, by removing them from the statement of financial position, when the contractual rights to receive the cash flows have been transferred or have expired or if substantially all the risks and rewards of ownership have passed. Where substantially all the risks and rewards of ownership have not been transferred or retained, the financial assets are derecognised if they are no longer controlled. However, if control in this situation is retained, the financial assets are recognised only to the extent of the continuing involvement in those assets.

9 Financial liabilities

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred on the date that they are originated. Borrowings are subsequently measured at amortised cost using the effective interest method; any difference between the proceeds (net of transaction costs) and redemption value is recognised over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Other financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs on the date that the Group becomes a party to the contract. Transaction costs in respect of financial liabilities classified as at fair value through profit or loss are expensed.

Financial liabilities that are not classified as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the relevant obligation has been discharged, cancelled or has expired.

10 Cash and cash equivalents

Cash and cash equivalents for the purposes of the statements of cash flows include cash on hand, deposits held on call with banks, other short-term highly liquid investments with maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position. Cash and cash equivalents are measured at amortised cost.

11 Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax loses and tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that they will realise.

Deferred tax is measured at the tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the related temporary difference reverse.

The Group recognises a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, except to the extent that both of the following conditions are satisfied: the Group is able to control the timing of the reversal of the temporary difference; taxable temporary differences arising on the initial recognition of goodwill; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

12 Post-employment benefit obligations

Contributions to defined contribution plans are recognised in profit or loss as an employee benefit expense as they accrue when the services are rendered by the employee.

The cost of providing defined benefits is determined using the projected unit credit method. Valuations are usually conducted every three years and interim adjustments to those valuations are made annually.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the Group is demonstrably committed to the curtailment or settlement.

Past service costs are increased or decreased in the present value of the defined benefit obligation for employee service in prior periods resulting from the introduction of, or changes to, post-employment benefits or other long-term employee benefits, are recognised immediately in profit or loss to the extent that the benefits have already vested. Otherwise they are amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and reduced by the fair value of plan assets. Any asset is limited to the cumulative unrecognised past service cost plus the present value of available refunds and reductions in future contributions to the plan.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

13 Shareholders for dividends

Dividends to equity holders are only recognised as a liability when declared. Secondary tax on companies in respect of such dividends is recognised as a liability when the dividends are recognised as a liability and are included in the tax charge in profit and loss.

14 Equity

Ordinary shares are classified as equity

Transactions relating to the acquisition and sale of treasury shares in the company, together with the associated costs, are accounted for in equity.

Equity shares in the company held by any Group company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, re-issued or disposed of. When such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the company's equity holders. Dividends received on treasury shares are eliminated on consolidation.

15 Provisions

Provisions are recognised for environmental restoration, restructuring costs and legal claims when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at reporting period date. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

16 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of VAT, cash discounts, rebates and settlement discounts.

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed, and is recognised when the amount of the revenue, the related costs and the stage of completion can be measured reliably, and when it is probable that the debtor will pay for the services.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, when the amount of the revenue and the related costs can be reliably measured, no continuing management involvement with the goods and when it is probable that the debtor will pay for the goods.

17 Cost of sales

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

18 Employee benefit costs

The cost of short-term employee benefits is recognised in profit or loss in the period in which the service is rendered and is not discounted. The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation as a result of a past practice to make such payments as a result of past performance and the amounts can be reliably measured.

19 Borrowing costs

Borrowing costs are capitalised only for qualifying assets where the construction period will be in excess of one year. The capitalisation of the borrowing cost will cease as soon as the plant has been commissioned and it produces 25% of its capacity.

20 Taxation

The charge for current tax is based on the results for the period as adjusted for income that is exempt and expenses that are not deductible using tax rates enacted or substantively enacted that are applicable to the taxable income as well as any adjustment to tax payable in respect of previous years.

21 Derivative financial instruments and hedging activities

If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in profit or loss.

If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and presented in a hedging reserve in equity, and the ineffective portion is recognised in profit or loss.

Hedges of foreign exchange risk on firm commitments are recognised as cash flow hedges.

If an effective hedge of a highly probable forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses recognised in other comprehensive income and accumulated equity are recognised in profit or loss in the same period in which the asset or liability affects profit or loss.

If a hedge of a highly probable forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses recognised in other comprehensive income and accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), for cash flow hedges, when the forecast transaction is no longer expected to occur, when the hedge designation is revoked or when the hedge instrument is sold, terminated or exercised.

Derivatives, not designated in a hedge relationship that qualifies for hedge accounting, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair value changes are recognised in profit or loss.

22 Impairment of non-financial assets

At each reporting date the carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets, are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount (greater of fair value less costs to sell and value in use) of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected useful lives of the assets.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. The loss is first allocated to reduce the carrying amount of goodwill and then to the other assets of the cash generating unit on a pro rata basis. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Goodwill and intangible assets with indefinite useful lives and the cash generating units to which these assets have been allocated are tested for impairment annually even if there is no indication of impairment, and whenever there is an indication of impairment, and impaired if necessary. Impairment losses on goodwill are not reversed.

23 Leases

Where the Group is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequently, the asset is accounted for in accordance with the accounting policy appropriate to the assets. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges and short-term portion are included in other long-term payables.

The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that lessee obtains ownership by end of lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessee) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rentals are recognised to profit or loss as they are incurred.

Where the Group is the lessor

When assets are leased under a finance lease the present value of the minimum lease payments is recognised as the receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Finance income is recognised over the term of the lease on the lessor's net investment in the lease, which reflects a constant periodic rate of return.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Contingent rentals are recognised in profit or loss as they are received.

24 Equity settled share based payments

The grant date fair value of shares and options issued or granted to employees for services rendered or to be rendered is recognised in profit or loss when the services have been rendered or, if vesting requirements are applicable, over the vesting period, and are measured at the fair value of the share at grant date.

25 Cash settled share based payments

Share appreciation rights, which are settled in cash, granted to employees for services rendered or to be rendered are recognised as a liability and a corresponding expense is recognised in profit or loss immediately or, if vesting requirements are applicable, over the vesting period. The liability is measured annually at fair value until settled and any changes in value are recognised in profit or loss.

26 Segment reporting

The principal segments of the Group have been identified as business segments. This basis is representative of the internal structure used for management reporting.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Business segments are identified on the basis of internal reports that are regularly reviewed by the Group's and company's chief decision making body, the Executive Committee (EXCO), in order to allocate resources to the segment and assess its performance. Inter-segment transfers: Segment revenue, segment expenses and segment results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. These transfers are eliminated on consolidation.

27 Earnings per share

Basic earnings per share represent the profit on ordinary activities after taxation attributable to the ordinary equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year, adjusted for own shares held.

The calculation of headline earnings per share is based on the net profit attributable to ordinary shareholders; after excluding separately identifiable re-measurements net of related tax and related non-controlling interests, divided by the weighted average number of shares in issue during the financial period. An itemised reconciliation of the adjustment to earnings attributable to ordinary shareholders is provided in the notes to the financial statements.

28 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Impairment of trade receivable – Note 12

Accounting for arrangements containing a lease – Note 8

Deferred tax assets – Note 10

Asset lives, depreciation and amortisation methods and residual values – Note 1

Impairments of non-financial assets and intangibles – Note 1 & 2

Post-employment benefit obligations – Note 9

Valuation of financial instruments – Note 30

29 Future changes in accounting policies

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the period ended 31 December 2011 and have not been applied in preparing these financial statements.

Standards and interpretations	Details of amendment
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	The amendments introduce an exception to the general measurement requirements of IAS 12 Income Taxes in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. Effective for financial periods beginning on or after 1 January 2012
Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	The amendments: ▪ require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; ▪ do not change the existing option to present profit or loss and other comprehensive income in two statements; and ▪ change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. Effective for financial periods beginning on or after 1 July 2012
IFRS 9 Financial Instruments	Standard issued in November 2009 (IFRS 9 (2009)) IFRS 9 (2009) is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. Effective for financial periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments	Standard issued in October 2010 (IFRS 9 (2010)) IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. Effective for financial periods beginning on or after 1 January 2013
IFRS 10 Consolidated Financial Statements	IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: ▪ it is exposed or has rights to variable returns from its involvement with that investee; ▪ it has the ability to affect those returns through its power over that investee; and ▪ there is a link between power and returns. Control is re-assessed as facts and circumstances change. IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation – Special Purpose Entities. Effective for financial periods beginning on or after 1 January 2013

Standards and interpretations	Details of amendment
IFRS 11 Joint Arrangements	IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: ▰ distinguishes joint arrangements between joint operations and joint ventures; and ▰ always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation. IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities – Non Monetary Contributions by Ventures. Effective for financial periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: ▰ the nature of, and risks associated with, an entity's interests in other entities; and ▰ the effects of those interests on the entity's financial position, financial performance and cash flows. Effective for financial periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. Effective for financial periods beginning on or after 1 January 2013
IAS 19 Employee Benefits (amended 2011)	The amended IAS 19 includes the following requirements: ▰ actuarial gains and losses are recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and ▰ expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Effective for financial periods beginning on or after 1 January 2013
IAS 27 Separate Financial Statements (2011)	IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. Effective for financial periods beginning on or after 1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments: ▰ IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and ▰ on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest. Effective for financial periods beginning on or after 1 January 2013
These amendments are not expected to have a significant impact on the consolidated financial statements.	

Statements of financial position

as at 31 December 2011

	Notes	Group 2011 R'm	Group 2010 R'm	Company 2011 R'm	Company 2010 R'm
ASSETS					
Non-current assets		**3 537**	3 496	**3 973**	3 947
Property, plant and equipment	1	**2 657**	2 637	**2 265**	2 240
Intangible assets	2	**110**	136	**108**	133
Goodwill	3	**19**	19	**11**	11
Investments in subsidiaries	4			**888**	898
Investment in associate	5	**19**	17	**1**	1
Long-term derivative financial instruments	6	**–**	10	**–**	10
Other investments	7	**11**	11	**11**	11
Non-current lease receivables	8	**114**	111	**88**	99
Retirement benefit assets	9	**601**	544	**601**	544
Deferred tax assets	10	**6**	11	**–**	–
Current assets		**1 817**	1 790	**1 403**	1 392
Inventories	11	**678**	663	**588**	574
Trade and other receivables	12	**830**	750	**676**	620
Receivables from Group companies	31	**7**	7	**7**	7
Short-term portion of non-current lease receivables	8	**9**	23	**8**	12
Taxation receivable		**50**	20	**41**	14
Cash and cash equivalents	14	**243**	327	**83**	165
Total assets		**5 354**	5 286	**5 376**	5 339
EQUITY AND LIABILITIES					
Equity		**2 865**	2 727	**3 068**	2 935
Share capital	15	**15**	15	**17**	17
Share premium	15	**537**	537	**537**	537
Reserves	16	**234**	191	**280**	265
Retained earnings		**2 041**	1 952	**2 234**	2 116
Total attributable to equity holders of the company		**2 827**	2 695	**3 068**	2 935
Non-controlling interest		**38**	32		
Non-current liabilities		**970**	1 385	**927**	1 354
Long-term borrowings	17	**446**	871	**433**	865
Deferred tax liabilities	10	**524**	514	**494**	489
Current liabilities		**1 519**	1 174	**1 381**	1 050
Trade and other payables	18	**770**	654	**668**	564
Other short-term financial liabilities	19	**194**	167	**164**	141
Derivative financial instruments	13	**5**	16	**5**	16
Payables to Group companies	31	**12**	11	**31**	31
Short-term portion of long-term borrowings	17	**502**	263	**502**	263
Taxation payable		**25**	28	**–**	–
Bank overdrafts	14	**11**	35	**11**	35
Total equity and liabilities		**5 354**	5 286	**5 376**	5 339

Income statements

for the year ended 31 December 2011

	Notes	Group 2011 R'm	Group 2010 R'm	Company 2011 R'm	Company 2010 R'm
Revenue	20	**5 246**	4 721	**4 225**	3 800
Operating expenses		**(4 472)**	(4 115)	**(3 522)**	(3 293)
Earnings before interest, tax, depreciation, amortisation and impairments (EBITDA)		**774**	606	**703**	507
Depreciation and amortisation		**(283)**	(283)	**(260)**	(252)
Impairments		**(153)**	(104)	**(124)**	(104)
Earnings before interest and tax (EBIT)	21	**338**	219	**319**	151
Finance expense	23	**(214)**	(291)	**(214)**	(291)
Finance income	23	**168**	228	**163**	222
Income from associate		**3**	6		
Profit before taxation		**295**	162	**268**	82
Income tax expense	24	**(100)**	(56)	**(47)**	5
Profit for the period		**195**	106	**221**	87
Attributable to:					
Equity holders of the company		**183**	94	**221**	87
Non-controlling interests		**12**	12		
Profit for the period		**195**	106	**221**	87
Earnings per share					
Basic and diluted earnings per ordinary share (cents)	25	**59.2**	30.5		

Statements of comprehensive income

for the year ended 31 December 2011

	Notes	Group 2011 R'm	Group 2010 R'm	Company 2011 R'm	Company 2010 R'm
Profit for the period		**195**	106	**221**	87
Other comprehensive income/(loss) after tax:		**48**	(117)	**15**	(82)
Translation differences for foreign operations		**23**	(27)	**–**	–
Translation differences relating to non-controlling interest		**5**	(8)	**–**	–
Changes in fair value of cash flow hedges		**9**	(12)	**4**	(12)
Deferred tax relating to cash flow hedges		**1**	–	**1**	–
Actuarial gains/(losses) on defined benefit funds		**13**	(97)	**13**	(97)
Deferred tax relating to actuarial (gains)/losses	24	**(3)**	27	**(3)**	27
Total comprehensive income/(loss) for the period		**243**	(11)	**236**	5
Total comprehensive income/(loss) attributable to:					
Equity holders of the company		**226**	(15)	**236**	5
Non-controlling interests		**17**	4		
Total comprehensive income/(loss) for the period		**243**	(11)	**236**	5

Statements of changes in equity

for the year ended 31 December 2011

	Group								
	Share capital R'm	Share premium R'm	Hedging reserve R'm	Actuarial gains/ (losses) on defined benefit funds R'm	Foreign currency trans-lation reserve R'm	Retained earnings R'm	Total R'm	Non-controlling interests R'm	Total equity R'm
Balance at 31 December 2009	15	537	2	347	(49)	1 975	2 827	32	2 859
Recognised in comprehensive income	–	–	(12)	(70)	(27)	–	(109)	(8)	(117)
Cash flow hedges, net of tax	–	–	(12)	–	–	–	(12)	–	(12)
Actuarial losses recognised in equity, net of tax	–	–	–	(70)	–	–	(70)	–	(70)
Translation differences	–	–	–	–	(27)	–	(27)	(8)	(35)
Profit for the period	–	–	–	–	–	94	94	12	106
Transactions with shareholders									
Dividends paid	–	–	–	–	–	(117)	(117)	(4)	(121)
Balance at 31 December 2010	15	537	(10)	277	(76)	1 952	2 695	32	2 727
Recognised in comprehensive income	–	–	10	10	23	–	43	5	48
Cash flow hedges, net of tax	–	–	10	–	–	–	10	–	10
Actuarial gains recognised in equity, net of tax	–	–	–	10	–	–	10	–	10
Translation differences	–	–	–	–	23	–	23	5	28
Profit for the period	–	–	–	–	–	183	183	12	195
Change in subsidiary shareholding	–	–	–	–	–	(1)	(1)	(1)	(2)
Transactions with shareholders									
Dividends paid	–	–	–	–	–	(93)	(93)	(10)	(103)
Balance at 31 December 2011	**15**	**537**	**–**	**287**	**(53)**	**2 041**	**2 827**	**38**	**2 865**

	Company					
	Share capital R'm	Share premium R'm	Hedging reserve R'm	Actuarial gains/ (losses) on defined benefit funds R'm	Retained earnings R'm	Total equity R'm
Balance at 31 December 2009	17	537	–	347	2 159	3 060
Recognised in comprehensive income	–	–	(12)	(70)	–	(82)
Cash flow hedges, net of tax	–	–	(12)	–	–	(12)
Actuarial losses recognised in equity, net of tax	–	–	–	(70)	–	(70)
Profit for the period	–	–	–	–	87	87
Transactions with shareholders						
Dividends paid	–	–	–	–	(130)	(130)
Balance at 31 December 2010	17	537	(12)	277	2 116	2 935
Recognised in comprehensive income	–	–	5	10	–	15
Cash flow hedges, net of tax	–	–	5	–	–	5
Actuarial gains recognised in equity, net of tax	–	–	–	10	–	10
Profit for the period	–	–	–	–	221	221
Transactions with shareholders						
Dividends paid	–	–	–	–	(103)	(103)
Balance at 31 December 2011	**17**	**537**	**(7)**	**287**	**2 234**	**3 068**

Statements of cash flows

for the year ended 31 December 2011

	Notes	Group 2011 R'm	Group 2010 R'm	Company 2011 R'm	Company 2010 R'm
Cash flows from operating activities					
Cash receipts from customers		5 980	5 382	4 817	4 332
Cash paid to suppliers and employees		(5 136)	(4 776)	(4 201)	(3 965)
Cash generated from operations	27	844	606	616	367
Interest received		10	6	5	3
Interest paid		(104)	(140)	(103)	(140)
Dividends received		–	–	133	130
Contributions to defined benefit funds		–	(3)	–	(3)
Normal taxation (paid)/refunded	28	(118)	(52)	(63)	20
Secondary taxation on companies paid	28	(9)	(11)	(9)	(12)
Cash available from operating activities		623	406	579	365
Dividends paid to owners of the parent	29	(93)	(117)	(103)	(130)
Dividends to non-controlling interest		(10)	(4)		
Net cash inflow from operating activities		520	285	476	235
Cash flows from investing activities					
Additions to property, plant and equipment	1	(416)	(294)	(380)	(264)
Replacement of property, plant and equipment		(286)	(233)	(250)	(210)
Expansion of property, plant and equipment		(130)	(61)	(130)	(54)
Expenditure on assets subject to embedded finance leases		(26)	–	–	–
Proceeds from disposal of property, plant and equipment		17	10	16	8
Acquisition of additional interest in subsidiary		(1)	–	(1)	–
Acquisition of derivative financial instruments	6	–	(16)	–	(16)
Disposal/(acquisition) of other investments		2	(5)	2	(6)
Refund received from benefit fund		–	53	–	53
Intangible assets acquired		(5)	–	(5)	–
Decrease in non-current lease receivables		35	39	27	24
Net cash outflow from investing activities		(394)	(213)	(341)	(201)
Cash flows from financing activities					
Borrowings raised		77	6	70	–
Borrowings repaid		(263)	(362)	(263)	(362)
Net cash outflow from financing activities		(186)	(356)	(193)	(362)
Net decrease in cash and cash equivalents		(60)	(284)	(58)	(328)
Cash and cash equivalents at beginning of period		292	576	130	458
Cash and cash equivalents at end of period	14	232	292	72	130
Comprising:					
Cash and cash equivalents		243	327	83	165
Bank overdrafts		(11)	(35)	(11)	(35)
		232	292	72	130

Segmental reporting

for the year ended 31 December 2011

BUSINESS SEGMENTS FOR THE GROUP

The business segments are based on internal reports which are regularly utilised by the Executive Committee (EXCO) to assess the Group's performance and allocate resources to the segments.

Segments have been determined based on business segments: Atmospheric gases, LPG, Hard goods and Rest of Africa.

Atmospheric gases – air gases seperated into its main components.

LPG – Liquid Petroleum Gas.

Hard goods segment comprises electrodes and welding equipment.

Rest of Africa – Afrox operates in 11 countries outside of South Africa. The countries in which we operate include: Angola, Botswana, Ghana, Lesotho, Malawi, Mali, Mauritius, Mozambique, Namibia, Swaziland and Zambia.

Business segment performance is measured based on gross profit after distribution expenses (GPADE), whilst the segment "Rest of Africa" is measured on earnings before interest and tax (EBIT).

Inter-segment pricing is determined on an arm's length basis.

Finance expenses and taxes are not allocated to theses segments as they are managed on a Group basis.

Other operating expenses include the following: marketing and selling expenses, corporate and support functions and other non-trading income and expenses. These costs are not included in GPADE and managed by support function.

BUSINESS SEGMENT REVENUE AND EXPENSES

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

	Group	
	2011 R'm	2010 R'm
Revenues	5 246	4 721
Atmospheric gases	1 696	1 593
LPG	1 913	1 645
Hard goods	822	752
Rest of Africa	815	731
Gross profit after distribution (GPADE)	1 133	1 012
Atmospheric gases	513	436
LPG	378	364
Hard goods	242	212
Reconciliation of GPADE to EBIT		
GPADE for business segments	1 133	1 012
Other operating expenses	(831)	(882)
Impairments	(153)	(104)
EBIT: Rest of Africa	189	193
Earnings before interest and taxation (EBIT)	338	219

Notes to the financial statements

for the year ended 31 December 2011

1. PROPERTY, PLANT AND EQUIPMENT

Summary	2011 R'm	2010 R'm
Group		
Owned	2 657	2 637
Company		
Owned	2 265	2 240

	Group			
Owned	Cost R'm	Accumulated depreciation R'm	Accumulated impairment R'm	Carrying amount R'm
2011				
Freehold properties	339	(65)	–	274
Plant and equipment	2 972	(1 474)	(248)	1 250
Cylinders	1 577	(677)	–	900
Vehicles	349	(170)	–	179
Furniture and fittings	165	(111)	–	54
	5 402	(2 497)	(248)	2 657
2010				
Freehold properties	334	(57)	–	277
Plant and equipment	2 850	(1 458)	(96)	1 296
Cylinders	1 477	(603)	–	874
Vehicles	304	(158)	–	146
Furniture and fittings	141	(97)	–	44
	5 106	(2 373)	(96)	2 637

	Group					
Owned	Freehold properties R'm	Plant and equipment R'm	Cylinders R'm	Vehicles R'm	Furniture and fittings R'm	Total R'm
2011						
Carrying amount at 1 January 2011	277	1 296	874	146	44	2 637
Additions	3	244	96	49	24	416
Impairments	–	(152)	–	–	–	(152)
Foreign exchange differences	1	4	5	2	–	12
Disposals	–	(1)	–	(2)	–	(3)
Depreciation	(7)	(141)	(75)	(16)	(14)	(253)
Carrying amount at 31 December 2011	274	1 250	900	179	54	2 657
2010						
Carrying amount at 1 January 2010	288	1 317	929	158	37	2 729
Additions	8	231	23	13	19	294
Impairments	–	(96)	–	–	–	(96)
Foreign exchange differences	(12)	(4)	(5)	(3)	–	(24)
Disposals	(2)	(5)	(1)	(5)	(1)	(14)
Depreciation	(5)	(147)	(72)	(17)	(11)	(252)
Carrying amount at 31 December 2010	277	1 296	874	146	44	2 637

1. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Company			
Owned	Cost R'm	Accumulated depreciation R'm	Accumulated impairment R'm	Carrying amount R'm
2011				
Freehold properties	29	(6)	–	23
Plant and equipment	2 546	(1 132)	(220)	1 194
Cylinders	1 506	(651)	–	855
Vehicles	288	(146)	–	142
Furniture and fittings	151	(100)	–	51
	4 520	(2 035)	(220)	2 265
2010				
Freehold properties	30	(5)	–	25
Plant and equipment	2 440	(1 130)	(96)	1 214
Cylinders	1 421	(579)	–	842
Vehicles	256	(139)	–	117
Furniture and fittings	131	(89)	–	42
	4 278	(1 942)	(96)	2 240

	Company					
Owned	Freehold properties R'm	Plant and equipment R'm	Cylinders R'm	Vehicles R'm	Furniture and fittings R'm	Total R'm
2011						
Carrying amount at 1 January 2011	25	1 214	842	117	42	2 240
Additions	–	235	85	38	22	380
Impairments	–	(124)	–	–	–	(124)
Disposals	–	–	–	(1)	–	(1)
Depreciation	(2)	(131)	(72)	(12)	(13)	(230)
Carrying amount at 31 December 2011	23	1 194	855	142	51	2 265
2010						
Carrying amount at 1 January 2010	25	1 225	890	130	35	2 305
Additions	2	216	22	6	18	264
Impairments	–	(96)	–	–	–	(96)
Disposals	–	(4)	–	(6)	(1)	(11)
Depreciation	(2)	(127)	(70)	(13)	(10)	(222)
Carrying amount at 31 December 2010	25	1 214	842	117	42	2 240

1. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Capitalised leased assets

The Group has no capitalised leased assets.

Encumberance

No property, plant and equipment is encumbered – the Group's borrowings are unsecured (see note 17).

Impairment testing

Property, plant and equipment is assessed for impairment at each reporting date to determine whether there is any objective evidence that it is impaired. Property, plant and equipment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Afrox performed impairment tests on individually significant items of property, plant and equipment at 31 December 2011 by discounting the estimated future pre-tax cash flows to their present value using a pre-tax discount rate that reflected the current market assessment of the time value of money and the risks specific to the asset. An average sales growth of 10,2% was assumed with the gross margin percentage, based on actual results to date, being applied to the calculation and discounted at a rate of 7,7%. The value in use was compared to the fair value less cost to sell.

Impairment write-down

During the current year plant and equipment to the value of R152 million was impaired. This impairment was as a result of the termination of the Highveld supply contract.

The impairment of R96 million in 2010 represented the write-down of property, plant and equipment of the carbon steel MIG wire plant in Brits and part of the Gas Equipment Factory in Germiston. Afrox discontinued production of MIG wire as costs made it unviable. No recoverable amount for the plant was expected.

Fully depreciated assets

Cost of assets fully depreciated but still in use amounted to R1 161 million (2010: R909 million).

Residual values

It is the Group's accounting policy to assess residual values on an annual basis. The Group estimates residual values on plant and equipment to be nil, as the assets are of a specialised nature and there is no history of recoveries on these assets when their economic life is completed and they are scrapped. Residual values are assigned to LPG cylinders.

Assets under construction

Property, plant and equipment includes assets under construction detailed below:

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Freehold properties	**4**	6	**4**	6
Plant and equipment	**196**	108	**179**	97
Cylinders	**43**	20	**43**	20
Vehicles	**33**	11	**33**	11
Furniture and fittings	**9**	1	**9**	1
Total	**285**	146	**268**	135

Borrowing costs of R5 million (2010: nil) were capitalised during the year at an effective rate used in 2011: 12.53%.

2. INTANGIBLE ASSETS

	Group			
	Cost R'm	Accumulated amortisation R'm	Accumulated impairment R'm	Carrying amount R'm
2011				
Trademarks	12	(6)	(4)	2
Computer software	223	(115)	–	108
	235	(121)	(4)	110
2010				
Trademarks	12	(5)	(4)	3
Computer software	220	(87)	–	133
	232	(92)	(4)	136

	Group		
	Trademarks R'm	Computer software R'm	Total R'm
2011			
Carrying amount at 1 January 2011	3	133	136
Additions	–	4	4
Amortisation charge	(1)	(29)	(30)
Carrying amount at 31 December 2011	2	108	110
2010			
Carrying amount at 1 January 2010	8	163	171
Impairments	(4)	–	(4)
Amortisation charge	(1)	(30)	(31)
Carrying amount at 31 December 2010	3	133	136

	Company			
	Cost R'm	Accumulated amortisation R'm	Accumulated impairment R'm	Carrying amount R'm
2011				
Trademarks	5	(1)	(4)	–
Computer software	223	(115)	–	108
	228	(116)	(4)	108
2010				
Trademarks	5	(1)	(4)	–
Computer software	218	(85)	–	133
	223	(86)	(4)	133

2. INTANGIBLE ASSETS *(continued)*

	Company		
	Trademarks R'm	Computer software R'm	Total R'm
2011			
Carrying amount at 1 January 2011	–	133	133
Additions	–	5	5
Amortisation charge	–	(30)	(30)
Carrying amount at 31 December 2011	–	108	108
2010			
Carrying amount at 1 January 2010	4	163	167
Impairments	(4)	–	(4)
Amortisation charge	–	(30)	(30)
Carrying amount at 31 December 2010	–	133	133

Trademarks
Trademarks comprise well-established growing brands.

Impairment testing
Management forecasts typically cover a three year period and thereafter a reasonable rate of growth is applied based on market conditions. These impairment tests are performed using a discounted cash flow model. Discount rates used in the discounted cash flow models are based on a weighted average cost of capital of similar businesses in the same sector and of similar size.

The key assumptions applied in determining the recoverable amount of the intangibles were:

	Group and Company	
Assumptions applied	**2011**	2010
Average annual revenue growth (%)	**6.00**	6.00
Discount rate applied to projected cash flows (%)	**7.70**	8.00
Risk-free rate (%)	**3.80**	3.50
Market risk premium (%)	**5.00**	5.00
Beta rate (:1)	**0.96**	0.97

Computer software
Computer software comprises of SAP and other minor systems which are considered to be corporate assets and therefore do not generate cash inflows independently of other assets or groups of assets. At the reporting date there was no indication of the possible impairment of computer software.

3. GOODWILL

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Carrying amount at beginning of the period	19	25	11	15
Impairments	(1)	(4)	–	(4)
Foreign exchange differences	1	(2)	–	–
Carrying amount at end of the period	19	19	11	11
Gross cost (net of foreign exchange differences)	57	56	15	15
Accumulated impairment	(38)	(37)	(4)	(4)
Carrying amount at end of the period	19	19	11	11
Cash generating units containing goodwill (net of foregin exchange differences)				
The following units have carrying amounts of goodwill:				
Electrogas	4	4	4	4
IGD Midlands	5	5	5	5
Drury operations	2	2	2	2
Heat Engineering – Botswana	2	2		
Chemoxy – Malawi	6	6		
	19	19	11	11

Description of impairment test and key assumptions

Impairment tests are conducted on an annual basis using a discounted cash flow valuation model to determine the value-in-use.

The impairment tests are prepared on the basis of forecast profits generated by the cash-generating unit. Management forecasts typically cover a three-year period and thereafter a reasonable rate of growth is applied based on current market conditions. In assessing future cash flows management has used assumptions relating to the growth in the units market potential, new market opportunities as well as changes in manufacturing costs based on business plans. Discount rates used in the discounted cash flow models are based on price-earnings ratios of similar businesses in the same sector and of generally similar size.

Assumptions applied	Group and Company 2011	Group and Company 2010
Average annual revenue growth (%)	6.00	6.00
Discount rate applied to projected cash flows (%)	7.70	8.00
Risk-free rate (%)	3.80	3.50
Market risk premium (%)	5.00	5.00
Beta rate (:1)	0.96	0.97

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 R'm	2010 R'm
Ordinary shares	98	104
Changes in investments in subsidiaries	(5)	(6)
Net loans due by subsidiaries	795	800
Loans owing by subsidiaries	814	824
Impairment of Afrox Mozambique Limitada	(19)	(24)
	888	898

Loans payable to subsidiaries of R19 million are reported as part of payables to Group companies (2010: R20 million).

There are no fixed terms for repayment. No interest is charged on loans. Recoverability is assessed at each reporting date.

Details of subsidiaries are presented on page 131.

5. INVESTMENT IN ASSOCIATE

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Unlisted ordinary shares				
Investment at cost	1	1	1	1
Share of accumulated profits since acquisition	18	16		
Share of opening accumulated profits	16	12		
Dividends received from associate	(1)	(2)		
Share of current profit for the period	3	6		
Carrying amount at end of the period	19	17	1	1
Directors' valuation of shares	19	17	1	1
The information below illustrates summarised financial information of Les Gaz Industriels Limited.				
Statement of comprehensive income				
Revenue	61	52		
Profit before taxation	10	19		
Income tax expense	(2)	(3)		
Net profit for the year	8	16		
Statement of financial position				
Non-current assets	42	28		
Current assets	27	35		
Total assets	69	63		
Equity	52	45		
Non-current liabilities	5	4		
Current liabilities	12	14		
Total equity and liabilities	69	63		
Cash flow				
Net cash flow from operating activities	7	5		
Net cash flow from investing activities	(1)	(1)		
Net cash flow from financing activities	–	(1)		
Net movement in cash and cash equivalents	6	3		

Details of the associate are presented on page 132.

The Group has a 38% interest in Les Gaz Industriels Limited, which is domiciled in Mauritius.

The principal activities of the company is the manufacture of medical and industrial oxygen gas, nitrogen, nitrous oxide and welding electrodes. The Group's 38% share of profits is determined by reference to the audited financial statements for the year ended 30 June 2011 and unaudited management accounts for the period 1 July 2011 to 31 December 2011.

There are no significant restrictions on the ability of the associate to transfer funds to Afrox in the form of cash dividends or repayment of loans or advances.

6. LONG-TERM DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Carrying amount at beginning of the period	10	8	10	8
Financial instruments acquired during the period	–	16	–	16
Fair value adjustment for the year	(10)	(14)	(10)	(14)
Total derivative financial instruments at end of the period	–	10	–	10

The Group acquired derivative financial instruments (being cash-settled call options) from a financial institution to be utilised as hedging instruments to settle the hedged item, being the related financial obligation under the cash-settled Share Appreciation Rights Scheme. The cash-settled call options have been designed specifically to hedge a portion of the fluctuation in the cash settlement amount payable in terms of the scheme. The exercise dates of both the hedged item and the derivative financial instruments coincide, ensuring that the cost to the Group of the Share Appreciation Rights Scheme (SARS) benefits is known and fixed at the outset.

	Outright	Capped
Number of call options	3 000 000	2 502 600
Strike price	26.50 & 28.50 & 30.50	R20 capped at R40
Maturity date	17 February 2012	25 trading days from 1 October 2012

The fair value of the financial instruments at the end of the period was determined by way of valuations performed by the financial institution concerned using the Black-Scholes option pricing model.

	Group and Company			
	2011	2010	2011	2010
	Outright		Capped	
The inputs into the valuation model are as follows:				
Weighted average exercise price of derivative financial instruments	28.50	R28.50	R20 – R40	R20 – R40
Expected life of derivative financial instruments (years)	0.13	1.13	0.79	1.80
Company share price at period-end	16.20	R20.69	16.20	R20.69
Expected share price volatility (%)*	27.80	27.23	30.04	33.76
Expected dividend yield (%)	–	6.44	4.93	4.03
Risk-free interest rate (%)**	5.62	5.71	5.69	6.01

**The expected share price volatility is based on the volatility expected to be realised over the life of the derivative.*
***The risk-free interest rate has been extracted from the yield curve furnished by the financial institution from which the financial instruments have been acquired.*

Refer to note 30 for further information relating to financial risk management.

7. OTHER INVESTMENTS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Carrying amount at 1 January 2010	11	4	11	4
Additions	2	5	2	5
Disposals	(2)	–	(2)	–
Fair value adjustment of equity shares	–	2	–	2
	11	11	11	11

Investment in unlisted company at cost of R6 million (2010: R4 million).

The Group has an investment in listed equity to the value of R5 million (2010: R7 million). The fair value of the quoted equity shares are determined by reference to published prices quoted on the JSE Limited.

At each reporting date the Group assesses whether there is objective evidence that the investments have been impaired.

8. NON-CURRENT LEASE RECEIVABLES

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Long-term lease receivables	123	134	96	111
Short-term portion of non-current lease receivables	(9)	(23)	(8)	(12)
	114	111	88	99

	Group 2011			Group 2010		
Long-term lease receivables	Gross investment in lease R'm	Unearned finance income R'm	Present value of minimum lease payments R'm	Gross investment in lease R'm	Unearned finance income R'm	Present value of minimum lease payments R'm
Receivables in less than one year	25	(16)	9	37	(14)	23
Between one and five years	92	(60)	32	94	(34)	60
More than five years	120	(38)	82	69	(18)	51
Long-term lease receivables	212	(98)	114	163	(52)	111
Total	237	(114)	123	200	(66)	134

	Company 2011			Company 2010		
Long-term lease receivables	Gross investment in lease R'm	Unearned finance income R'm	Present value of minimum lease payments R'm	Gross investment in lease R'm	Unearned finance income R'm	Present value of minimum lease payments R'm
Receivables in less than one year	18	(10)	8	24	(12)	12
Between one and five years	68	(39)	29	82	(34)	48
More than five years	83	(24)	59	69	(18)	51
Long-term lease receivables	151	(63)	88	151	(52)	99
Total	169	(73)	96	175	(64)	111

Long-term lease receivables

Long-term lease receivables are deemed finance leases as per IFRIC 4 Determining Whether an Arrangement Contains a Lease.

In the current financial year a new plant was commissioned in Namibia which is deemed a finance lease. The value of the plant was R27 million.

During the previous financial periods the Group incurred expenditure on assets, being plant and technical equipment, installed on customer sites. The Group utilises these assets to provide gas to customers, which the customers use in their manufacturing processes. The Group has entered into arrangements with these customers, that have maturities of up to 15 years, whereby the customers pay fixed monthly fees over the term of the arrangements, plus variable charges based on the quantity of the gas used above the fixed minimum amounts.

Although the arrangements are not in the legal form of leases, the Group concluded that the arrangements contained a lease of assets because fulfilment is economically dependent on the use of the plant and technical equipment and it is unlikely that any parties other than the customers will receive a significant part of the output. The leases were therefore classified as finance leases. At inception of the leases, the Group recognised receivables at amounts equal to the estimated fair value of the equipment.

The interest income on the lease receivables was determined based on the borrowing rate of 11% (2010: 11%).

9. RETIREMENT BENEFIT ASSETS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Summary				
Pension fund	585	513	585	513
Post-retirement medical benefit fund	16	31	16	31
	601	544	601	544
Current actuarial gains/(losses) recognised in other comprehensive income	13	(97)	13	(97)
Pension fund	24	(102)	24	(102)
Post-retirement medical benefit fund	(11)	5	(11)	5

Pension and provident funds

The Group and Company have one pension fund which is a defined benefit fund and one provident fund which is a defined contribution fund.

All employees are required to belong to either the defined benefit fund or the defined contribution fund. The funds are administered on behalf of the Group by external financial service companies and trustees and are governed by the Pension Funds Act of 1956. The assets of the schemes are held in administered funds separate from the Group's assets.

Actuarial valuations are made for the defined benefit fund in accordance with the respective pension fund rules, using the projected unit credit method. The defined benefit fund is closed to new members.

The latest actuarial calculation of the African Oxygen Limited Pension Fund was made on 31 December 2011.

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

	Group and Company	
	2011 %	2010 %
Discount rate	8.25	8.25
Consumer price inflation	5.25	5.00
Expected return on plan assets	9.25	8.25
Compensation increase rate	6.25	6.00
Pension increase rate	5.25	5.00

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 18 years (2010: 18 years) for males and 22 years (2010: 22 years) for females.

The overall expected long-term rate of return on assets is 9.25% (2010: 8.25%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns without adjustments.

During the current financial year the pensioners portfolio of the pension fund was annuitised to an insurance company, which resulted in a settlement gain of R20 million.

The Group recognises gains and losses on the curtailment of settlement of defined benefit plans when there is a commitment to the curtailment or settlement. The gain or loss on curtailment or settlement compromises any resulting difference between the fair value of plan assets and the present value of the defined obligation related to the curtailment or settlement. The Group has elected to take the profit or loss on the curtailment or settlement of the defined benefit plans through profit and loss.

9. RETIREMENT BENEFIT ASSETS *(continued)*

Sensitivity analysis

Assumed pension cost trend rates have a significant effect on the amounts recognised in profit or loss. A quarter percentage point change in assumed pension cost trends would have the following effects:

	Group and Company 2011	
	Quarter percentage point increase R'm	Quarter percentage point decrease R'm
Effect on the aggregate service and interest cost	2	2
Effect on defined benefit obligation	11	11

Fund status	2011 R'm	2010 R'm
Fair value of plan assets	1 107	2 025
Present value of defined benefit obligations	(522)	(1 512)
Pension fund asset recognised at end of period	585	513
Movements in the plan assets recognised in the statements of financial position are as follows:		
Fair value of plan assets at the beginning of period	2 025	2 012
Contributions paid into the plan	5	6
Benefits paid by the plan	(128)	(188)
Assets transferred	(933)	–
Expected return on plan assets	138	184
Actuarial gain	–	11
Fair value of plan assets at end of period	1 107	2 025
Movements in the net liability recognised in the statements of financial position are as follows:		
Liability for defined benefit obligations at beginning of period	1 512	1 429
Members' contributions	5	6
Benefits paid by the plan	(128)	(188)
Current service costs	16	17
Past service costs	–	–
Liabilities transferred	(953)	–
Interest costs	94	135
Actuarial (gain)/loss	(24)	113
Liability for defined benefits obligation at end of period	522	1 512
Amounts recognised in profit or loss are as follows:		
Current service cost	16	17
Interest on obligation	94	135
Expected return on plan assets	(138)	(184)
Settlement gain on net liabilities transferred	(20)	–
Total included in profit or loss	(48)	(32)
The expenses are recognised in the following line items in the income statement:		
Administrative expenses	(4)	17
Finance costs	(44)	(49)
Return on plan assets		
Actual return on plan assets	138	195

9. RETIREMENT BENEFIT ASSETS *(continued)*

	Group and Company	
Fund status	2011 R'm	2010 R'm
Actuarial gains recognised directly in other comprehensive income		
Net cumulative amount at beginning of period	256	330
Recognised during the period	24	(102)
Deferred tax thereon	(6)	28
Net cumulative amount at end of period	274	256
Percentage of fair value of assets:	%	%
Equity instruments	35	21
Debt instruments	55	72
Property	4	2
Cash	6	5
	100	100
Percentage of the company's shares held by the defined benefit fund is	0.06	0.07

	Group and Company				
Historical information	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
Fair value of plan assets	1 107	2 025	2 012	1 937	2 081
Present value of defined benefit obligations	(522)	(1 512)	(1 429)	(1 366)	(1 349)
Defined benefit asset recognised at end of period	585	513	583	571	732

The Group expects to pay no contributions to the defined benefit plan in the 2012 financial period.

Afrox has obtained a cash flow benefit of R13.7 million (2010: R14.3 million) representing the contribution saving for the year ended 31 December 2011.

Post-retirement medical benefits

Group and Company

The Group and Company have a liability arising as a result of a post-employment subsidy of healthcare benefits. Members of the medical aid plan, who joined the Group or Company before 1 November 1996 and remain in the employment of the Group or Company until retirement, are eligible for a post-retirement subsidy of their medical aid contributions.

The benefit fund meets the definition of a defined benefit plan and has been disclosed in accordance with IAS 19.

The defined benefit fund is actuarially valued using the projected unit credit method. The benefit fund is closed to new members.

The latest actuarial calculations of the African Oxygen Limited post-retirement medical fund was made on 31 December 2011.

9. RETIREMENT BENEFIT ASSETS *(continued)*

At the time of the valuation, the fund was certified by the reporting actuaries as being in a sound financial position. In arriving at their conclusions, the actuaries took into account the following assumptions at the date of the valuation:

	Group and Company	
	2011 R'm	2010 R'm
Discount rate	8.25	8.25
Consumer price inflation	5.25	5.00
Expected return on plan assets	6.75	7.25
Healthcare cost inflation	7.25	7.00

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 63 is 19 years (2010: 18 years) for males and 24 years (2010: 22 years) for females.

The overall expected long-term rate of return on assets is 6.75% (2010: 7.25%). The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns without adjustments.

Sensitivity analysis

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trends would have the following effects:

	Group and Company	
	One percentage point increase R'm	One percentage point decrease R'm
Effect on the aggregate current service and interest cost	2	1
Effect on defined benefit obligations	16	13

Fund status

The Group's and Company's obligation in respect of this post-retirement medical aid benefit as measured in terms of IAS 19 is tabled below:

	Group and Company	
	2011 R'm	2010 R'm
Fair value of plan assets	142	175
Benefit obligations	(126)	(144)
Post retirement medical benefit fund asset recognised at end of period	16	31
Movements in the net asset recognised in the statement of financial position are as follows:		
Fund assets at beginning of period	175	208
Expected return on plan assets	9	21
Refund to employer	–	(53)
Assets transferred	(33)	–
Benefits paid	(8)	(10)
Actuarial (loss)/gain	(1)	9
Fair value of plan assets at end of period	142	175

9. RETIREMENT BENEFIT ASSETS *(continued)*

	Group and Company	
	2011 R'm	2010 R'm
Movements in the net liability recognised in the statement of financial position are as follows:		
Projected benefit obligations at beginning of period	144	138
Current service cost	1	2
Interest cost	9	13
Benefits paid	(8)	(9)
Effect of curtailment	–	(3)
Assets transferred	(30)	–
Actuarial loss	10	3
Benefit obligations at end of period	126	144
Current service cost	1	2
Interest on obligation	9	13
Expected return on plan assets	(9)	(21)
Curtailment loss/(gain)	3	(3)
Total included in profit or loss	4	(9)
The expenses are recognised in the following line items in the income statement:		
Administrative expenses	4	(1)
Finance costs	–	(8)
Actuarial gains recognised directly in other comprehensive income		
Net cumulative amount at beginning of period	21	17
(Loss)/gain recognised during the period	(11)	5
Deferred tax thereon	3	(1)
Net cumulative amount at end of period	13	21

	2011 %	2010 %
Percentage of fair value of assets:		
Cash	100	100
	100	100

None of the company's shares are held by the defined benefit fund.

	Group and Company				
Historical information	2011 R'm	2010 R'm	2009 R'm	2008 R'm	2007 R'm
Fair value of plan assets	142	175	208	192	199
Present value of defined benefit obligations	(126)	(144)	(138)	(172)	(160)
Surplus in the plan	16	31	70	20	39

The Group expects to pay no contributions to the defined benefit medical plan in the 2012 financial period.

10. DEFERRED TAX

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Deferred tax assets	(6)	(11)	–	–
Deferred tax liabilities	524	514	494	489
	518	503	494	489
The net deferred tax comprises:				
Accelerated capital allowances	481	436	428	408
Provisions and other	37	71	66	82
Assessed losses	–	(4)	–	(1)
	518	503	494	489
Reconciliation of deferred tax				
Opening balance	503	552	489	529
Recognised in profit or loss				
– current year temporary differences	14	(9)	4	(10)
– prior year overprovision	(3)	(5)	(1)	(4)
Other	2	(8)	–	–
Recognised in other comprehensive income				
– current year temporary differences	2	(27)	2	(26)
Closing balance	518	503	494	489
Deferred tax is calculated at the following rates:				
South African operations – 28% (2010: 28%)	494	493	494	489
Foreign operations at average rate – 35.17% (2010: 29.89%)	24	10	–	–
	518	503	494	489

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances is as follows:

	Group		
	Accelerated capital allowances R'm	Provisions and other R'm	Total R'm
At 31 December 2009	432	120	552
Recognised in profit or loss			
– current year temporary differences	9	(18)	(9)
– prior year underprovision	(5)	–	(5)
Realignment of currencies recognised directly in other comprehensive income	–	(8)	(8)
Recognised to other comprehensive income			
– current year temporary differences	–	(27)	(27)
At 31 December 2010	436	67	503
Recognised in profit or loss			
– current year temporary differences	45	(31)	14
– prior year overprovision	–	(3)	(3)
Other	–	2	2
Recognised to other comprehensive income			
– current year temporary differences	–	2	2
At 31 December 2011	481	37	518

10. DEFERRED TAX *(continued)*

	Company		
	Accelerated capital allowances R'm	Provisions and other R'm	Total R'm
At 31 December 2009	402	127	529
Recognised in profit or loss			
– current year temporary differences	10	(20)	(10)
– prior year underprovision	(4)	–	(4)
Recognised to other comprehensive income			
– current year temporary differences	–	(26)	(26)
At 31 December 2010	408	81	489
Recognised in profit or loss			
– current year temporary differences	20	(16)	4
– prior year overprovision	–	(1)	(1)
Recognised to other comprehensive income			
– current year temporary differences	–	2	2
At 31 December 2011	428	66	494

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
The deferred tax charged to other comprehensive income during the year is as follows:				
Tax effect on actuarial gains on defined benefit funds	2	(27)	2	(27)
The estimated losses which are available for the reduction of future taxable income which are taken into account in calculating deferred taxation	–	16	–	2

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is no intention to settle the balances on a net basis or to realise assets and settle payables simultaneously. The deferred tax assets arise due to taxable temporary differences and unused tax losses. Given both recent and forecast trading, the directors are of the opinion that the level of profits in the foreseeable future is more likely than not to be sufficient to recover these assets.

11. INVENTORIES

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Raw materials	90	77	75	61
Work in progress	7	16	5	14
Finished goods	581	570	508	499
	678	663	588	574
Inventory obsolescence (taken into account in the carrying value of inventories above)				
Finished goods	49	35	46	29
Balance at end of period	49	35	46	29

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Trade receivables	883	822	721	690
Impairment allowance	(110)	(111)	(86)	(92)
Net trade receivables	773	711	635	598
Other receivables	36	21	25	8
Centriq insurance receivable	–	4	–	4
Prepayments	14	2	11	–
Deposits	1	1	–	–
Accrued income	1	4	1	4
Staff loans	5	7	4	6
	830	750	676	620

The net carrying values of trade and other receivables are considered a close approximation of their fair values.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines limits by customer. Limits and scoring are reviewed annually and upon request from a customer. Due to the nature of the business, there is no customer that represents more than 5% of the total balance of trade receivables.

	Group		Company	
	December 2011 R'm	December 2010 R'm	December 2011 R'm	December 2010 R'm
The carrying amounts of gross trade receivables are denominated in the following currencies:				
SA Rand	820	765	710	678
US Dollars	7	3	7	3
Euro	1	–	1	–
British Pounds	3	4	3	4
Australian Dollars	–	5	–	5
Other	52	45	–	–
	883	822	721	690

12. TRADE AND OTHER RECEIVABLES *(continued)*

Credit quality of trade receivables

As at 31 December 2011 trade receivables of R171 million (2010: R230 million) were past due but not impaired. These relate to customers of whom there is no recent history of default. The aging of the trade receivables is shown below:

	Group 2011		Group 2010	
	Carrying value R'm	Impairment R'm	Carrying value R'm	Impairment R'm
Not past due date	640	29	522	41
Past due within 30 days from statement	42	1	49	3
Past due within 30 – 60 days from statement	30	–	20	2
Past due within 60 – 90 days from statement	16	1	18	2
Past due within 90 – 120 days from statement	9	1	15	2
Past due within 120 – 150 days from statement	4	1	10	1
Past due in excess of 150 days from statement	142	77	188	60
	883	110	822	111

	Company 2011		Company 2010	
	Carrying value R'm	Impairment R'm	Carrying value R'm	Impairment R'm
Not past due date	543	22	453	34
Past due within 30 days from statement	27	1	32	3
Past due within 30 – 60 days from statement	21	–	14	1
Past due within 60 – 90 days from statement	12	1	14	2
Past due within 90 – 120 days from statement	7	1	9	1
Past due within 120 – 150 days from statement	3	1	8	1
Past due in excess of 150 days from statement	108	60	160	50
	721	86	690	92

Listings of overdue customer balances are reviewed monthly and compared against their credit terms/limits. Any customer exceeding their credit terms/limits must settle their overdue balances before any further credit is extended. Appropriate action is taken to recover long overdue debts. Overdue accounts are put on hold until payments are received to return them within limits. Trade receivables are not committed as security for debt.

The amount of the impairment allowance at 31 December 2011 was R110 million (2010: R111 million) and reflects trade receivables from customers who are considered to be experiencing difficult economic situations. It was assessed that a portion of these receivables is expected to be recovered.

	Group		Company	
	December 2011 R'm	December 2010 R'm	December 2011 R'm	December 2010 R'm
Movement in the impairment allowance				
Balance at beginning of period	(111)	(103)	(92)	(76)
Raised during the period	(9)	(18)	–	(18)
Utilised during the period	10	10	6	2
Balance at end of period	(110)	(111)	(86)	(92)

The creation and release of the impairment allowance has been included in net operating expenses in the income statement.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange contracts

The Group has entered into certain foreign exchange contracts which do not relate to specific items on the statement of financial position, but were entered into to cover foreign commitments not yet due.

Foreign exchange contracts are entered into mainly to cover import purchases and fair values are determined using foreign exchange market rates. Foreign exchange contracts entered into as at 31 December:

	Group and Company		Group and Company	
	2011 m foreign currency	2011 R'm ZAR	2010 m foreign currency	2010 R'm ZAR
Australian Dollars	–	–	1	5
Danish Krone	–	–	1	1
Japanese Yen	1	–	2	–
Swiss Francs	–	–	–	1
British Pounds	–	5	–	3
US Dollars	5	38	7	48
Euro	9	102	22	201
		145		259
Mark-to-market value				
Foreign exchange contracts liability		5		16

Actual foreign carrying amounts were used and not rounded rates as disclosed above.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
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 statements of cash flows comprise the following statements of financial position amounts:				
Cash on hand and favourable balances with banks	243	327	83	165
Bank overdrafts	(11)	(35)	(11)	(35)
	232	292	72	130
Cash and cash equivalents consist of the following:				
South African Rand	72	131	72	130
Foreign currencies	160	161		
	232	292	72	130

The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial instruments.

Credit risk

The Group limits its credit risk exposure by investing only with financial institutions that have a minimum long-term rating of AA (zaf) by Fitch.

The Group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group's credit exposure to individual counterparties.

Management does not expect any counterparty to fail to meet its obligations.

15. EQUITY

15.1 Share capital and share premium

	Number of shares	Ordinary shares R'm	Share premium R'm	Total R'm
Group				
Issued				
Total shares in issue	342 852 910	17	537	554
Treasury shares held by subsidiary	(34 285 308)	(2)	–	(2)
At 31 December 2011	**308 567 602**	**15**	**537**	**552**
Company				
Issued				
At 31 December 2010	342 852 910	17	537	554
At 31 December 2011	**342 852 910**	**17**	**537**	**554**

Authorised share capital comprises 350 000 000 ordinary shares at 5 cents each.

The company's wholly-owned subsidiary, Afrox African Investments (Pty) Limited holds 34 285 308 ordinary shares of African Oxygen Limited. These shares are being held as treasury shares.

BOC Holdings owns 50.47% of the company, but from a Group perspective, BOC Holdings owns 56.08% of the Group's shares. The ultimate beneficial shareholder is Linde AG.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

16. RESERVES

	Group		Company	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Hedging reserve	–	(10)	**(7)**	(12)
Foreign currency translation reserve	**(53)**	(76)	–	–
Actuarial gains on defined benefit funds	**287**	277	**287**	277
	234	191	**280**	265

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve
The foreign currency translation reserve relates to the cumulative net movement in the net value of the foreign assets and liabilities held by foreign subsidiaries since acquisition due to fluctuations in exchange rates.

Actuarial gains/losses on defined benefit funds
These relate to actuarial gains or losses on defined benefit funds recognised in other comprehensive income in terms of IAS 19.

17. LONG-TERM BORROWINGS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Unsecured loans	948	1 134	935	1 128
Less: short-term portion of long-term borrowings	(502)	(263)	(502)	(263)
	446	871	433	865

				Group		Company	
Terms of repayment	Date of final repayment	Interest rate	Term	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Unsecured loans							
Ivuzi	05/2011	9.71%	fixed	–	100	–	100
Citibank	08/2011	10.80%	fixed	–	100	–	100
Ivuzi	06/2012	14.19%	fixed	100	100	100	100
Ivuzi	07/2012	11.54%	fixed	150	150	150	150
Citibank	08/2012	6.33%	variable	100	100	100	100
Ivuzi	12/2012	11.32%	fixed	90	90	90	90
Ivuzi	04/2013	12.39%	fixed	100	100	100	100
ABSA Capital	07/2013	12.70%	fixed	100	100	100	100
Standard Chartered*	08/2013	9.78%	variable	125	188	125	188
Nedbank	08/2013	12.75%	variable	100	100	100	100
FNB Namibia	01/2015	8.25%	variable	13	6	–	–
Ivuzi	02/2016	7.78%	variable	70	–	70	–
				948	1 134	935	1 128
Less: short-term portion of long-term borrowings				(502)	(263)	(502)	(263)
				446	871	433	865
Minimum repayments of unsecured borrowings:							
One year – capital				502	263	502	263
One year – interest				90	115	90	115
				592	378	592	378
Two to five years – capital				446	871	433	865
Two to five years – interest				49	114	49	114
				495	985	482	979
				1 087	1 363	1 074	1 357

The fair value of current borrowings equals their carrying amount. Currency analysis: All long-term borrowings are Rand denominated.

Cash flow sensitivity for variable rate instruments: A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by R3 million (2010: R2 million) for a period of one year compounded monthly. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 2010. Loans are repayable in full on maturity date, interest payable quarterly in arrears.

**Loan repayable in equal annual instalments, interest payable quarterly in arrears.*

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Trade payables	470	391	398	338
Value added taxation	13	20	9	18
Interest accrual	18	26	18	26
Employee benefit in respect of share appreciation rights	10	20	10	20
Employee benefits including leave pay, bonuses and other costs	137	102	129	98
Deferred rentals	28	20	26	18
Other payables	94	75	78	46
	770	654	668	564

Other payables include sundry accruals.

The fair value of trade and other payables approximates the carrying amount.

The Group has no material exposure to interest risk as there are no suppliers that charge interest.

No individual vendor represents more than 10% of the total balance of trade payables.

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
The carrying amounts of trade payables are denominated in the following currencies:				
SA Rand	401	352	382	329
Euro	12	9	12	9
US Dollars	4	–	4	–
Other	53	30	–	–
	470	391	398	338
Age analysis of trade payables				
Not past due date	430	247	371	244
Past due within 30 days from statement	20	102	13	67
Past due within 30 – 60 days from statement	6	11	4	7
Past due within 60 – 90 days from statement	4	8	3	5
Past due within 90 – 120 days from statement	5	1	3	1
Past due within 120 – 150 days from statement	5	16	4	10
Past due in excess of 150 days from statement	–	6	–	4
	470	391	398	338

19. OTHER SHORT-TERM FINANCIAL LIABILITIES

Cylinder deposits				
HP cylinder deposits	34	30	6	6
LPG cylinder deposits	160	137	158	135
Total	194	167	164	141

20. REVENUE

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Revenue				
Sale of goods	4 689	4 229	3 668	3 308
Rentals	557	492	557	492
Total revenue for the period	5 246	4 721	4 225	3 800

21. EARNINGS BEFORE INTEREST AND TAX (EBIT)

EBIT is shown after taking the following into account:

Cost of sales	2 780	2 566	2 507	2 136
Income				
Dividends received from subsidiaries – unlisted			133	130
Management fees from subsidiaries			32	31
Expenses				
Auditors' remuneration	5	5	5	5
Fees for audit – current year	5	4	5	4
– prior year	–	1	–	1
Amortisation of intangibles (note 2)	30	31	30	30
Depreciation of property, plant and equipment (note 1)	253	252	230	222
Freehold properties	7	5	2	2
Plant and equipment	141	147	131	127
Cylinders	75	72	72	70
Vehicles	16	17	12	13
Furniture and fittings	14	11	13	10
(Profit)/loss on disposal of property, plant and equipment	(14)	3	(15)	3
Operating lease charges	277	233	281	239
Property	29	26	35	33
Vehicles and equipment	248	207	246	206
(Profit)/loss on foreign currency transactions	(15)	21	(11)	21
(Profit)/loss on fair value hedges	(2)	1	(2)	1
Loss on fair value adjustment of long-term derivative financial instruments	10	14	10	14
Impairments	153	104	124	104
Plant and equipment	152	96	124	96
Goodwill and intangible assets	1	8	–	8
EBITDA	774	606		
– Rest of Africa	203	206		
– South Africa	571	400		

22. EMPLOYEE AND KEY MANAGEMENT COMPENSATION COSTS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Directors' emoluments	40	18	40	18
Executives – for services as directors	15	16	15	16
Non-executives – fees	3	2	3	2
Executive management (Exco)	22		22	
For a detailed breakdown of the directors' emoluments see page 63.				
Employee costs	1 109	1 043	1 002	947
Salaries and wages	957	908	862	820
Pension costs – defined benefit plan	16	17	16	17
Pension costs – provident fund	64	61	60	57
Retrenchment costs	–	6	–	6
Other salary costs	7	7	7	6
Share appreciation rights costs	19	6	19	6
Post-retirement defined benefit plan costs/(income)	1	(1)	1	(1)
Medical aid current contribution for employees	45	39	37	36

23. FINANCE (EXPENSE)/INCOME

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Finance income				
Loans and receivables	9	7	5	4
Expected return on plan assets	147	205	147	205
Lease receivables from finance leases	12	16	11	13
Total finance income	168	228	163	222
Finance expense				
Loans and payables	(116)	(142)	(114)	(141)
Interest paid by subsidiaries			(1)	(1)
Interest cost of pension obligations	(103)	(148)	(103)	(148)
Net change in fair value of financial assets at fair value through profit or loss	–	(1)	–	(1)
Less: Interest capitalised on property, plant and equipment	5	–	4	–
Total finance expense	(214)	(291)	(214)	(291)
Net finance expense	(46)	(63)	(51)	(69)
Analysed per category:				
Net loans and payables	(58)	(78)	(62)	(81)
Fair value through profit or loss	–	(1)	–	(1)
Other	12	16	11	13
	(46)	(63)	(51)	(69)

24. INCOME TAX EXPENSE

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Normal taxation	71	49	23	(1)
Current	74	44	25	–
Prior year (over)/underprovision	(3)	5	(2)	(1)
Deferred tax	11	(14)	3	(14)
Current year temporary differences	14	(9)	4	(10)
Prior year overprovision	(3)	(5)	(1)	(4)
Foreign taxes	9	9	12	12
Secondary taxation on companies	9	12	9	12
Net receipt from participation in vesting ISAS Trust	–	–	–	(14)
	100	56	47	(5)
Reconciliation of taxation charge				
Profit before taxation	295	162	268	82
Taxation calculated at a statutory tax rate of 28% (2009: 28%)	83	45	75	23
Income not subject to taxation	(8)	(20)	(48)	(37)
Prior year adjustments	(6)	–	(3)	(5)
Expenses not deductible for taxation purposes	8	4	1	4
Foreign tax rate differential	5	6	–	–
Effect of non-resident shareholders' taxation	9	9	13	12
Secondary taxation on companies	9	12	9	12
Net receipt from participation in vesting ISAS Trust	–	–	–	(14)
Income tax expense	100	56	47	(5)
Effective tax rate (%)	33.9	34.6	17.5	(6.1)

25. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share and Group diluted earnings per share are calculated on earnings of R183 million (2010: R94 million) and a weighted average number of ordinary shares of 308 567 602 (2010: 308 567 602) in issue during the period. Group headline earnings per share are calculated on headline earnings of R283 million (2010: R171 million) and a weighted average number of ordinary shares of 308 567 602 (2010: 308 567 602) in issue during the period.

	Group 2011			Group 2010		
	Gross R'm	Tax R'm	Net R'm	Gross R'm	Tax R'm	Net R'm
Reconciliation between earnings and headline earnings						
Profit for the period	183		183	94		94
Adjustments for:						
– (Profit)/loss on disposal of property, plant and equipment	(14)	4	(10)	3	(1)	2
– Impairment of plant, goodwill and intangibles	153	(43)	110	104	(29)	75
Headline earnings	322	(39)	283	201	(30)	171
Basic and diluted earnings per ordinary share (cents)			59.2			30.5
Headline earnings per ordinary share (cents)			91.6			55.5

26. DIVIDENDS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Final dividend number 167 paid on 26 April 2010: 19 cents per share		58		65
Interim dividend number 168 paid on 25 October 2010: 19 cents per share		59		65
Final dividend number 169 paid on 26 April 2011: 8 cents per share	25		28	
Interim dividend number 170 paid on 24 October 2011: 22 cents per share	68		75	
	93	117	103	130

	Group and Company	
	2011	2010
Final dividend number 171 payable on 23 April 2012: 23 cents per share		
Dividends declared per share (cents)	45.0	27.0
Interim	22.0	19.0
Final*	23.0	8.0

Dividend was declared subsequent to 31 December 2011 and is presented for information purposes.

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Profit before taxation	295	162	268	82
Adjustments for:				
Depreciation	253	252	230	222
Dividends received	–	–	(133)	(130)
Foreign exchange adjustments	30	(15)	–	–
Revaluation loss on derivative financial instruments	10	14	10	14
Impairment of tangible and intangible assets	153	104	124	104
Reversal of income from associate	(3)	(6)	–	–
(Profit)/loss on disposal of property, plant and equipment	(14)	3	(15)	3
Other non-cash movements	(7)	34	(1)	49
Amortisation of intangibles	30	31	30	30
Finance income	(168)	(228)	(163)	(222)
Finance expenses	214	291	214	291
EBIT before working capital adjustments	793	642	564	443
Working capital adjustments	51	(36)	52	(76)
Increase in inventories	(16)	(90)	(13)	(90)
(Increase)/decrease in trade and other receivables	(65)	72	(50)	45
Decrease in net Group company payables	1	11	1	12
Increase/(decrease) in trade and other payables	131	(29)	114	(43)
Cash generated from operations	844	606	616	367

28. NORMAL AND SECONDARY TAXATION PAID

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Taxation (liability)/asset at beginning of the period	(8)	(9)	14	29
Income statement charge (excluding deferred tax)	(89)	(70)	(44)	(9)
Interest received	–	2	(1)	2
Translation difference	(5)	6	–	–
Taxation (asset)/liability at end of the period	(25)	8	(41)	(14)
	(127)	(63)	(72)	8
Normal South African taxation paid	(51)	12	(49)	30
Interest received	–	2	–	2
Foreign taxation paid	(67)	(65)	(14)	(12)
Secondary taxation paid	(9)	(12)	(9)	(12)
	(127)	(63)	(72)	8

29. DIVIDENDS PAID

Ordinary dividends	(93)	(117)	(103)	(130)
	(93)	(117)	(103)	(130)

30. FINANCIAL RISK MANAGEMENT

30.1 Overview

The Group was exposed to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherance to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and objectives

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

30.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, and derivative financial instruments.

Derivative financial instruments

Cash-settled call options are only acquired from approved F1 rated financial institutions in order to comply with the Group's treasury policy and to limit the Group's exposure to credit risk arising from the use of derivative financial instruments. The Group does not consider there to be any significant concentration of credit risk related to derivative financial instruments. Refer to note 6 for more detail.

30. FINANCIAL RISK MANAGEMENT *(continued)*

Non-current lease receivables

Long term lease receivables are deemed finance leases as per IFRIC 4 Determining whether an Arrangement contains a Lease. The gross investment in the lease is discounted at the interest rate implicit in the lease.

Cash and cash equivalents

The Group limits its exposure to financial institutions by dealing with institutions with a Fitch long term rating of AA (zaf) or better. The Group has International Swap and Derivatives Master Agreements with most of its counterparties for financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group's credit exposure to individual counterparties.

Trade and other receivables

There is no significant concentration of credit risk with respect to trade receivables as the Group has a large customer base spread across various geographical areas and industries. The Group has credit policies that require appropriate credit checks on potential customers before sales commence, with ongoing reviews at regular intervals. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowances are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The Group considers its maximum credit risk to be R1 196 million (2010: R1 221 million) which is the total of the Group's financial assets. At 31 December 2011 the Group did not consider there to be a significant concentration of credit risk for which an impairment allowance had not adequately been made.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group Carrying amount		Company Carrying amount	
	2011 R'm	2010 R'm	**2011 R'm**	2010 R'm
Long-term derivative financial instruments	–	10	–	10
Non-current lease receivables	**114**	111	**88**	99
Trade and other receivables	**830**	750	**676**	620
Short-term portion of non-current lease receivables	**9**	23	**8**	12
Cash and cash equivalents	**243**	327	**83**	165
	1 196	1 221	**855**	906

30.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due that are settled by delivering cash or any other financial asset. The Group manages liquidity risk by utilising a central treasury function and monitoring forecasted cash flows. The Group's borrowing powers are determined by the articles of association of the company.

The Group finances its operations through cash generated by the business and a mixture of short-term, medium-term and long-term bank credit facilities and bank loans with a range of maturity dates. In this way, the Group ensures that it is not overly reliant on any particular liquidity source and that maturities of borrowings sourced in this way are not overly concentrated.

Subsidiaries have access to local bank credit facilities, but are principally funded by the Group.

The Group has the following core lines of credit that are available for general corporate purposes and which are maintained by Afrox:

- R1 079 million committed facility maturing over the next four years
- R1 525 million uncommitted facility with no maturity date

Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised banking facilities and reserve borrowing capacity, as indicated by the level of uncommitted facilities.

Unutilised borrowing capacity under uncommitted bank facilities amounted to R1 501 million.

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.3 Liquidity risk *(continued)*

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Non-derivative financial liabilities

	Group 2011			Company 2011		
	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm
Borrowings	592	385	110	592	385	97
Trade and other payables	770	–	–	668	–	–
Other short-term financial liabilities	194	–	–	164	–	–
Payables to Group companies	12	–	–	31	–	–
Bank overdrafts	11	–	–	11	–	–

	Group 2010			Company 2010		
	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm
Borrowings	378	586	399	378	586	393
Trade and other payables	654	–	–	564	–	–
Other short-term financial liabilities	167	–	–	141	–	–
Payables to Group companies	11	–	–	31	–	–
Bank overdrafts	35	–	–	35	–	–

The table below analyses the Group's derivative financial liabilities which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group and Company 2011		
	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm
Derivative financial liabilities			
Foreign currency contracts			
Outflow	(145)	–	–

	Group and Company 2010		
	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm
Derivative financial liabilities			
Foreign currency contracts			
Outflow	(259)	–	–

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys foreign currency derivatives in order to manage foreign exchange risks. Such transactions are carried out within the guidelines set by the Group treasury. Generally the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

Foreign currency risk

The Group will engage in foreign currency dealing only to the extent necessary to conduct the business and to protect the Group's interests with respect to foreseen needs in accordance with prudent practice. Accordingly, only actual foreign commitments arising from contractual obligations that have currency risk on imports or exports may be hedged with foreign currency contracts. The company will not engage in currency transactions for the purpose of speculative profit.

The Group faces a number of risks from currency rate movements as discussed below:

Transaction exposure

Transaction exposure, where the functional currency value of contracted or known foreign currency payments or receipts (such as debtor or creditor payments) varies due to currency rate movements.

This risk is managed through the use of foreign currency contracts. Currency transaction risk can only be hedged up to a maximum period of one year in advance unless permission is obtained from the SA Reserve Bank. Subject to this limitation, at least 95% of all foreign currency risk on transaction exposure should be hedged at all times. Treasury will first seek to net off matching foreign cash inflows against foreign cash outflows on a currency for currency basis, where practical, before entering into foreign currency contracts to hedge the residual exposure with banks.

The Group's policy with respect to translation exposure is that the Group does not specifically hedge 'earnings' beyond the point covered by economic risk hedging. As far as is practical investment into foreign countries should be funded by borrowings in the currency of the investment country after considering local banking, investment, taxation and currency control legislation.

Some hedging of reported earnings will result from hedging economic exposure through borrowing in the currency of investment, (and so incurring an interest charge in that currency). The extent of hedging depends on the interest cover in that currency and availability of banking facilities in that particular country.

Group treasury's currency funding objective is to hedge all foreign investments by borrowing in the currency of investment revenues where practicable and cost-effective.

Economic exposure

Economic exposure, where the Rand present value of all future Afrox cash flows (and Afrox's market capitalisation) is affected by currency rate movements.

Economic exposure relates to longer-term cash flows from a business, and can include exposure to movements in the currency of competitors in internationally traded goods (e.g. welding products). Primary management of this exposure is through the choice of procurement, investment or manufacturing location, which forms part of the capital expenditure authorisation process, and pricing and other commercial policies.

Foreign currency exposure

Loans

In terms of the Group's policy, all significant foreign currency loans are covered under foreign currency contracts.

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

Trade exposure

The Group has entered into certain foreign currency contracts, which do not relate to specific items in the statements of financial position, 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 commitments during 2012.

Details of significant contracts are as follows:

	Group and Company 2011		
	Foreign amount million	Average currency rate	Rand amount R'm
Liabilities			
US Dollars	5	8.45	38
British Pounds	–	12.15	5
Japanese Yen	1	0.11	–
Euro	9	11.39	102
			145

	Group and Company 2010		
	Foreign amount million	Average currency rate	Rand amount R'm
Liabilities			
US Dollars	7	6.70	48
British Pounds	–	10.40	3
Australian Dollars	1	6.70	5
Denmark Kroner	1	1.20	1
Swiss Francs	–	7.10	1
Japanese Yen	2	0.08	–
Euro	22	9.20	201
			259

The fair values of foreign currency contracts are determined using the relevant market forward currency rates.

Actual foreign currency amounts were used and not rounded amounts as disclosed above.

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

Sensitivity analysis

The tables below set out the Group's currency exposures from financial assets and financial liabilities held by Group companies in currencies other than their functional currencies and resulting in currency movements in the statement of comprehensive income and statement of financial position. The potential impact on earnings is based on a 10% change in foreign currency rate.

Foreign currency sensitivity analysis

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature.

	Group				Company			
	2011		2010		2011		2010	
	Amount	Potential impact on earnings	Amount	Potential impact on earnings	Amount	Potential impact on earnings	Amount	Potential impact on earnings
Financial assets – trade and other receivables								
US Dollars	7	1	3	–	7	1	3	–
British Pounds	3	–	4	–	3	–	4	–
Euro	1	–	–	–	1	–	–	–
Australian Dollar	–	–	5	–	–	–	5	–
Other	52	5	45	4	–	–	–	–
Total	63	6	57	4	11	1	12	–
Financial liabilities – trade and other payables								
US Dollar	4	–	–	–	4	–	–	–
Euro	12	1	9	1	12	1	9	1
Other	53	5	30	3	–	–	–	–
Total	69	6	39	4	16	1	9	1

There are no foreign denominated borrowings.

The following significant exchange rates applied during the year:

	Group and Company	
	2011	2010
Exchange rates to South African Rand		
Year-end rates:		
US Dollar	8.09	6.62
British Pound	12.56	10.33
Euro	10.48	8.86
Botswana Pula	1.08	1.03
Zambian Kwacha (000's)	1.58	1.38
Average rates for the period:		
US Dollar	7.24	7.31
British Pound	11.62	11.31
Euro	10.09	9.71
Botswana Pula	1.06	1.08
Zambian Kwacha (000's)	1.49	1.53

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

Interest rate risk

The Group's interest rate exposure is the risk that all future cash flows (operational as well as financial) will vary adversely due to interest rate movements. Thus the Group's income may vary when interest rates move, due to the effect of interest rate changes on customer demand, supplier costs and the wider economy.

There are two opposing considerations in establishing the Group's interest rate hedging policy, i.e. the proportion of the Group's net debt financed at fixed and variable interest rates. Fixed interest rate debt tends to reduce earnings volatility and variable rate debt tends to reduce interest cost depending on the uncertainty in the market. The Group's policy is geared towards striking a balance between the two with at least 35% of the Group's net debt at fixed interest rates.

As at 31 December 2011 the Group had net exposure of R337 million (2010: R389 million) to variable interest rates. Based on the Group's year-end composition of debt a change in average interest rates of 1% per annum would result in a change in future earnings before tax of R3 million (2010: R2 million).

Fair value sensitivity analysis for fixed rate instruments

Changes in the market interest rates of non-derivative financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed rates of interest that are accounted for at amortised cost or on fair value amounts are not subject to fair value interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have impacted profit or loss by the amounts shown on page 120. This analysis assumes all other variables, in particular foreign currency rates, remain constant.

The analysis is performed on the same basis as 2010.

Interest rate profiles of financial assets and financial liabilities

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.

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

The Group's exposure to interest rate risk and the effective interest rate on financial assets and liabilities at the reporting date are :

	Group						Group	
	Weighted average effective interest rate %	Floating interest rate R'm	Fixed interest rate maturing 1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest bearing R'm	Total carrying amount 2011 R'm	2010 R'm
Assets								
Available-for-sale financial assets								
Long-term derivative financial instruments	–	–	–	–	–	–	–	10
Loans and receivable								
Trade and other receivables		–	–	–	–	830	830	750
Receivables from Group companies		–				7	7	7
Cash and cash equivalents	1.3	82	–	–	–	161	243	327
Total loans and receivables		82	–	–	–	998	1 080	1 084
Total financial assets		82	–	–	–	998	1 080	1 094
Liabilities								
Other financial liabilities at amortised cost								
Long-term borrowings	12.2	246	–	200	–	–	446	871
Trade and other payables		–	–	–	–	770	770	654
Other short-term financial liabilities		–	–	–	–	194	194	167
Derivative financial instruments		–	–	–	–	5	5	16
Payables to Group companies		–	–	–	–	12	12	11
Short-term portion of long-term borrowings	11.7	162	340	–	–	–	502	263
Bank overdrafts	8.7	11	–	–	–	–	11	35
Total financial liabilities		419	340	200	–	981	1 940	2 017
Net financial assets/(liabilities)		(337)	(340)	(200)	–	17	(860)	(923)

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

	Company						Company	
	Weighted average effective interest rate %	Floating interest rate R'm	Fixed interest rate maturing 1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest bearing R'm	Total carrying amount 2011 R'm	2010 R'm
Assets								
Available-for-sale financial assets								
Long-term derivative financial instruments	–	–	–	–	–	–	–	10
Loans and receivable								
Trade and other receivables		–	–	–	–	676	676	620
Receivables from Group companies		–	–	–	–	7	7	7
Cash and cash equivalents	1.3	82	–	–	–	1	83	165
Total loans and receivables		82	–	–	–	684	766	792
Total financial assets		82	–	–	–	684	766	802
Liabilities								
Other financial liabilities								
Long-term borrowings	12.2	233	–	200	–	–	433	865
Trade and other payables		–	–	–	–	668	668	564
Other shor-term financial liabilities		–	–	–	–	164	164	141
Derivative financial instruments		–	–	–	–	5	5	16
Payables to Group companies		–	–	–	–	31	31	31
Short-term portion of long-term borrowings	11.7	162	340	–	–	–	502	263
Bank overdrafts	8.7	11	–	–	–	–	11	35
Total financial liabilities		406	340	200	–	868	1 814	1 915
Net financial liabilities		(324)	(340)	(200)	–	(184)	(1 048)	(1 113)

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

Fair values

The table sets out the Group and Company classification of each class of financial assets and liabilities, and a comparison of the fair values with their carrying amounts.

	Group						
	as at 31 December 2011			as at 31 December 2010			
	Fair value	Carrying amount		Fair value	Carrying amount		
	R'm	Loans and receivables R'm	Fair value through profit or loss R'm	R'm	Loans and receivables R'm	Fair value through profit or loss R'm	Level
Assets							
Non-current assets	11	6	5	21	4	17	
Long term derivative financial instruments	–	–	–	10	–	10	2
Other investments	11	6	5	11	4	7	2
Current assets	1 080	1 080	–	1 084	1 084	–	
Trade and other receivables	830	830	–	750	750	–	–
Receivables from Group companies	7	7	–	7	7	–	–
Cash and cash equivalents	243	243	–	327	327	–	–

	Fair value	Carrying amount		Fair value	Carrying amount		
	R'm	Amortised cost R'm	Through profit or loss R'm	R'm	Amortised cost R'm	Through profit or loss R'm	Level
Liabilities							
Non-current liabilities							
Interest-bearing borrowings	446	446	–	871	871	–	–
Current liabilities	1 494	1 489	5	1 146	1 130	16	
Trade and other payables	770	770	–	654	654	–	–
Other short-term financial liabilities	194	194	–	167	167	–	–
Derivative financial instruments	5	–	5	16	–	16	2
Payables to Group companies	12	12	–	11	11	–	–
Short-term portion of long-term borrowings	502	502	–	263	263	–	–
Bank overdrafts	11	11	–	35	35	–	–

30. FINANCIAL RISK MANAGEMENT *(continued)*

30.4 Market risk *(continued)*

	Company						
	as at 31 December 2011			as at 31 December 2010			
	Fair value	Carrying amount		Fair value	Carrying amount		
		Loans and receivables	Fair value through profit or loss		Loans and receivables	Fair value through profit or loss	
	R'm	R'm	R'm	R'm	R'm	R'm	Level
Assets							
Non-current assets	11	6	5	21	4	17	
Long term derivative financial instruments	–	–	–	10	–	10	2
Other investments	11	6	5	11	4	7	2
Current assets	766	766	–	792	792	–	
Trade and other receivables	676	676	–	620	620	–	–
Receivables from Group companies	7	7	–	7	7	–	–
Cash and cash equivalents	83	83	–	165	165	–	–

	Fair value	Carrying amount		Fair value	Carrying amount		
		Amortised cost	Through profit or loss		Amortised cost	Through profit or loss	
	R'm	R'm	R'm	R'm	R'm	R'm	Level
Liabilities							
Non-current liabilities							
Interest-bearing borrowings	433	433	–	865	865	–	–
Current liabilities	1 381	1 381	5	1 050	1 034	16	
Trade and other payables	668	668	–	564	564	–	–
Other short-term financial liabilities	164	164	–	141	141	–	–
Derivative financial instruments	5	–	5	16	–	16	2
Payables to Group companies	31	31	–	31	31	–	–
Short-term portion of long-term borrowings	502	502	–	263	263	–	–
Bank overdrafts	11	11	–	35	35	–	–

30. FINANCIAL RISK MANAGEMENT *(continued)*

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Fair values

The carrying values of cash resources, trade receivables, trade payables, accrued expenses and short-term borrowings approximates fair value because of the short-term maturity of these instruments.

The fair values of other long-term financial assets and long-term financial liabilities are not significantly different to their carrying values, as they are carried at amortised cost.

Accounting classifications

The Group's assets and liabilities that subsequently were measured at fair value at 31 December 2011.

The different levels have been defined as follows:

Level 1 – Quoted prices in active markets for identical financial assets or liabilities.

Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability.

Level 3 – Input for the assets or liabilities that are not based on observable market data.

Refer to the values identified in the fair value note on page 123.

Hedging

Cash Flow hedges

Cash flow hedges have been entered into in order to minimise the risk of currency rate fluctuations on the purchase of large components for the capital expenditure projects. The financial instruments are forward currency contracts.

These hedges are accounted for as cash flow hedges in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The effective portion of the gain or loss on the transaction being hedged is recognised directly in other comprehensive income and released to the income statement when the hedged cash flows are also recognised in the income statement or if a hedged transaction is no longer expected to occur. No amounts were recognised in profit or loss in 2011 or in 2010 as a result of ineffectiveness in cash flow hedges.

Cash flows from hedged transactions are expected to be as follows:

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur.

They are expected to impact profit or loss in the same period.

	Group and Company					
	as at 31 December 2011			as at 31 December 2010		
		Contractual cash flows			Contractual cash flows	
	Amount	6 months or less	6 – 12 months	Amount	6 months or less	6 – 12 months
Cash flows from hedged transactions	(90)	(25)	(65)	(170)	(64)	(106)
Net losses recognised in other comprehensive income	(4)	(1)	(3)	(12)	(4)	(8)

The following table presents a reconciliation of the reserve for cash flow hedges:

	Group		Company	
Gains/(losses)	2011 R'm	2010 R'm	2011 R'm	2010 R'm
At 1 January	(10)	2	(12)	–
Gains recognised in other comprehensive income (net of tax)	–	(12)	–	(12)
Losses recognised in other comprehensive income (net of tax)	10	–	5	–
At 31 December	–	(10)	(7)	(12)

30. FINANCIAL RISK MANAGEMENT *(continued)*

Fair value hedges

The Afrox Group hedge the exposure to commodity price risks which arise in the normal course of business from its procurement transactions (e.g. raw material and finished goods purchased) and results in open risk positions. The hedging relationship of this type of transaction is designated as fair value hedging. As it is fair value hedges all gains or losses are recognised in profit or loss.

Changes in underlying transactions in fair value hedging relationships recognised in profit or loss.

	Group and Company					
	as at 31 December 2011			as at 31 December 2010		
		Contractual cash flows			Contractual cash flows	
	Amount	6 months or less	6 – 12 months	Amount	6 months or less	6 – 12 months
Cash flows from hedged transactions	(50)	(50)	–	(89)	(89)	–
Net losses recognised in profit or loss	(2)	(2)	–	(4)	(4)	–

30.5 Treasury cash management

The board also receives a report on treasury activities, including confirmation of compliance with treasury risk management policies.

The main objectives of the treasury function are:

- To fund the Group at the lowest net cost (after taking account of tax costs, fees and currency and interest rate movements).
- To manage the Group's currency and interest rate risk in order to maximise net Group cash inflows at acceptable levels of risk, and with the flexibility needed to achieve the Group's commercial objectives.
- To invest the Group's surplus funds in order to maximise returns consistent with adequate security and liquidity.
- To manage and maintain the Group's relationships with banks, financial institutions and credit rating agencies to safeguard the Group's access to debt capital and associated expertise.

Treasury risk management strategies include the use of derivatives, principally in the form of foreign currency contracts and interest rate swaps in order to manage the currency and interest rate exposures arising from the Group's operations.

The Group's treasury policies are established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor exposures and adherence to limits.

30.6 Capital management

The capital structure of the Group consists of net borrowings and shareholders' equity. Besides the statutory minimum capitalisation rules that may apply to subsidiaries in different countries, the Group is not subject to any externally imposed capital requirements.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Group's long term credit outlook is currently rated Global Credit Ratings (short-term A2) (2010: A+ and A1).

Key credit metrics that underpin the Group's rating are reviewed on a quarterly basis. Financial covenants included in the Group's core bank facilities were complied with.

31. RELATED PARTY TRANSACTIONS

Various transactions are entered into by the company and its subsidiaries during the period between related parties. Unless specifically disclosed, these transactions occurred under terms that are no less favourable than those entered into with third parties.

Related party transactions

Shareholders

Details on the shareholders of the company are disclosed on page 56 and 57 (shareholders' profile).

Holding company

The parent company of African Oxygen Limited is BOC Holdings Limited, incorporated in the United Kingdom. The ultimate holding company is Linde AG, incorporated in Germany.

31. RELATED PARTY TRANSACTIONS *(continued)*

Directors' and key management emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity. Details on the remuneration of the directors and senior management are disclosed on page 63 to 65. (Remuneration report). No loans were made to or received from any director or key manager.

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Holding company				
Cash dividends to holding company	52	66	52	66
Technical aid fee	13	14	13	14
Fellow subsidiaries of holding company				
Revenue from sale of goods:				
BOC UK	9	7	9	7
BOC Kenya	4	6	4	6
BOC Nigeria	1	–	1	–
BOC Zimbabwe	6	1	6	1
BOC Australia	12	16	12	16
BOC New Zealand	–	1	–	1
Turnkey projects:				
Linde Engineering	61	6	61	6
Amounts outstanding on receivables:				
BOC Kenya	3	2	3	2
BOC Nigeria	4	5	4	5
Amounts outstanding on payables:				
Linde Gas division	4	3	4	3
BOC Group Limited	8	3	8	3
BOC UK	–	3	–	2
BOC Cryostar	–	1	–	1
Linde Global Helium	–	1	–	1
African Oxygen Investments				
Investments in subsidiaries and associated companies are detailed on page 131 and 132.				
Subsidiaries and associate				
Revenue from sale of goods:				
Les Gaz Industriels Limited			2	3
Afrox Zambia Limited			34	25
Afrox Malawi Limited			15	14
IGL (Pty) Limited			29	–
Swazi Oxygen (Pty) Limited			16	–
Botswana Oxygen Company (Pty) Limited			21	30
Amounts outstanding on trade receivables:				
Botswana Oxygen Company (Pty) Limited			10	–
Swazi Oxygen (Pty) Limited			2	–
Afrox Zambia Limited			8	3
IGL (Pty) Limited			3	13
Afrox Malawi Limited			2	1
Dividends received			133	130

Amounts outstanding on trade receivables and payables are to be settled in cash within the 30-day credit terms offered to third parties. The amounts due by related parties will be settled in cash with the normal 30-day credit period. No debts of related parties have been impaired. There was no expense for bad debt of related parties. All outstanding amounts from related parties are unsecured.

32. COMMITMENTS AND GUARANTEES

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Capital commitments				
Capital expenditure				
Authorised and contracted	173	59	173	59
Authorised by the directors, but not yet contracted for	290	231	290	231
Total future capital expenditure	463	290	463	290
Allocated to:				
Property, plant and equipment	463	290	463	290

Afrox intends to finance capital expenditure from surpluses generated and borrowing facilities available.

Leases

Operating leases

The Group leases certain of its property, plant and equipment in terms of operating leases.

Total future minimum lease payments under non-cancellable operating leases:

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Not later than 1 year	53	58	53	58
Between 1 and 5 years	103	131	103	131
Longer than 5 years	16	16	16	16
	172	205	172	205

Leases of vehicles are for periods between 12 months to 117 months and are not subject to annual increases or other contingent rental changes. Interest rates are floating and linked to the prime lending rate.

Leases of buildings are of varying lengths. Contingent rentals take the form of variable increases in monthly fees linked to various indices depending on the contract signed with the building landlord.

Sale and lease-back

During the previous financial year Afrox disposed of its fleet of cylinder vehicles. These vehicles are leased back on an operating lease basis.

Deemed finance leases

These assets are recognised as lease receivables. The following income and expenses are shown as finance lease income:

	Group		Company	
	2011 R'm	2010 R'm	2011 R'm	2010 R'm
Other expenses from lease payments	(28)	(37)	(20)	(24)
Finance income	12	14	11	12
	(16)	(23)	(9)	(12)

33. SHARE APPRECIATION RIGHTS

The company has issued Share Appreciation Rights (SARS) to various employees as a performance incentive and as long service awards. These rights are issued at the prevailing market price at the date of issue. The rights are valid for ten years and become vested after three/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. There are no other share linked incentive schemes at the subsidiary level. Employees of subsidiaries participate in the abovementioned Share Appreciation Rights Scheme.

No SARS (except for long term service SARS) shall be capable of exercise unless the committee is satisfied that earnings before interest, taxation, depreciation and amortisation for the period from the financial year end immediately preceding the commencement date until the financial year end immediately preceding the date on which the SARS is intended to be exercised has grown by no less than GDP adjusted by inflation over the same period. SARS granted after 2006 to a participant who ceases to be an employee as a result of a retrenchment or retirement will vest immediately, but must exercise their SARS within 24 months of the date on which they cease to be an employee. SARS issued after 2006, in the case of the death of a participant the beneficiary must exercise within 24 months.

The following SARS are in issue: (number of rights)

	Group		Company	
	2011	2010	**2011**	2010
Number of SARS allocated at beginning of period	**16 105 964**	13 507 428	**15 772 926**	13 288 140
Allocations during the financial period – granted	**3 476 197**	3 470 400	**3 420 003**	3 384 400
SARS exercised	**(61 000)**	(362 251)	**(60 000)**	(362 251)
SARS terminations	**(1 446 901)**	(509 613)	**(1 435 828)**	(489 613)
SARS transferred	**–**	–	**(98 072)**	(47 750)
No of SARS issued at end of period	**18 074 260**	16 105 964	**17 599 029**	15 772 926
Number of vested SARS at end of period	**7 522 764**	7 234 051	**7 316 351**	7 070 888
Number of unvested SARS at end of period	**10 551 496**	8 871 913	**10 282 678**	8 702 038
Total SARS issued at end of period	**18 074 260**	16 105 964	**17 599 029**	15 772 926

The following expiry dates applied to the SARS in issue at 31 December 2011:

	Group		Company	
Expiry date	Number of SARS	Accrual on exercise of SARS R'm	Number of SARS	Accrual on exercise of SARS R'm
2012	274 750	2	257 750	2
2013	272 000	2	262 000	2
2014	357 439	1	353 939	1
2015	869 875	–	849 375	–
2016	3 568 787	–	3 487 624	–
2017	367 000	–	334 500	–
2018	2 831 813	–	2 764 188	–
2019	2 932 150	2	2 829 150	1
2020	3 124 250	1	3 040 500	1
2021	3 476 196	2	3 420 003	2
	18 074 260	10	17 599 029	9

33. SHARE APPRECIATION RIGHTS *(continued)*

The range of issuing prices of these SARS is as follows:

	Group 2011	Company 2011
Price range	Number of SARS	Number of SARS
7.60 – 14.99	883 189	853 189
15.00 – 19.99	1 248 625	1 215 625
20.00 – 20.99	5 970 846	5 841 653
21.00 – 27.99	3 473 000	3 350 250
28.00 – 28.99	2 065 537	2 031 499
29.00 – 29.99	3 970 063	3 886 313
30.00 – 36.99	463 000	420 500
	18 074 260	17 599 029

	Group 2011	Group 2010
The following Share Appreciation Rights were issued during the financial period:		
Number of SARS issued	3 476 196	3 470 400
Average issue price	R20.13	R21.63
The following Share Appreciation Rights were redeemed during the financial period:		
Number of SARS redeemed	61 000	362 251
Total gain on encashing of SARS	R479k	R3.9m
Weighted average share price at the date of exercise of option	R19.18	R22.17
Fair value of Share Appreciation Rights and assumptions:		
Share linked incentives granted to employees have been valued using the Black-Scholes model		
Share price	R16.50	R20.63
Expected volatility	27%	27%
Dividend yield	2.3%	1.8%
Risk free interest rate	7.6%	7.6%

The expected volatility is based on the historic volatility, adjusted for once-off events in the historic volatility and for any changes to expected future volatility due to publicly available information.

34. CONTINGENT LIABILITY

A claim of R207 million has been made by a customer against the Group. This claim refers to supply disruptions, predominantly as a result of power outages and equipment failure. The Group has sought legal advice and the Board of directors is of the opinion that various robust defenses exist in respect of the claim and material success of this matter by the claimant is improbable.

35. EVENTS AFTER THE REPORTING DATE

No material events occurred between the accounting date and the date of this report.

36. SUBSIDIARIES

Name of company	Nature of business*	Issued share capital 2011	Carrying value of Company's interest: Effective holding 2011 %	Effective holding 2010 %	Shares at cost 2011 R'm	Shares at cost 2010 R'm	Due by/(to) subsidiaries 2011 R'm	Due by/(to) subsidiaries 2010 R'm
Subsidiaries incorporated in South Africa								
Unlisted								
Afrox (Pty) Limited	D	R100	**100**	100	–	–	–	–
Afrox African Investments (Pty) Limited	F	R100	**100**	100	–	–	**513**	523
Afrox Educational Services (Pty) Limited	D	R200	**100**	100	–	–	–	–
Afrox Finance (Pty) Limited	D	R60 000	**100**	100	–	–	–	–
Afrox Properties (Pty) Limited	P	R4 000	**100**	100	–	–	**198**	196
Afrox Safety (Pty) Limited	E	R1 000 000	**100**	100	**4**	4	**(16)**	3
Amalgamated Gas and Welding (Pty) Limited	G	R100	**100**	100	–	–	–	–
Amalgamated Welding and Cutting (Pty) Limited	D	R2 500 000	**100**	100	**3**	20	**(2)**	(12)
Amalgamated Welding and Cutting Holdings (Pty) Limited	D	R20 016	**100**	100	–	–	–	–
AWCE (Pty) Limited	D	R20 000	**100**	100	–	–	–	–
Energy Medical Supplies (Pty) Limited	D	R3 000	**100**	100	–	–	**2**	2
Harris Gas Equipment (Pty) Limited	D	R2	**100**	100	–	–	–	–
Human Performance Systems (Pty) Limited	D	R200	**100**	100	–	–	–	–
Industrial Research and Development (Pty) Limited	E	R6 000	**100**	100	–	–	**12**	2
ISAS Trust	G	–	**100**	100	**62**	62	**1**	12
Nasionale Sweisware (Pty) Limited	D	R2	**100**	100	–	–	–	–
Nicoweld (Pty) Limited	D	R1 200	**100**	100	–	–	–	–
PPE-Isizo (Pty) Limited	D	R200	**100**	100	–	–	–	–
Safety Gas (Pty) Limited	D	R100	**100**	100	–	–	–	–
Subsidiaries incorporated in Botswana								
Afrox Gas & Engineering Supplies (Botswana) (Pty) Limited	D	P4 000	**100**	100	–	–	–	–
Botswana Oxygen Company (Pty) Limited	G	P 200	**100**	100	–	–	**(1)**	(2)
Botswana Steel Engineering (Pty) Limited	D	P120 000	**100**	100	–	–	–	–
Handigas (Botswana) (Pty) Limited	D	P 200	**100**	100	–	–	–	–
Heat Gas (Pty) Limited	D	P 100	**74**	74	–	–	–	–
KIDDO Investments (Pty) Limited	D	P2	**100**	100	–	–	**5**	5
Subsidiaries incorporated in Lesotho								
Afrox Lesotho (Pty) Limited	G	M2	**100**	100	–	–	–	10
Lesotho Oxygen (Pty) Limited	D	M2	**100**	100	–	–	–	–
Subsidiary incorporated in Malawi								
Afrox Malawi Limited	G	K4,4m	**79**	76	**1**	1	**2**	1
Subsidiaries incorporated in Mozambique								
Afrox Mozambique Limitada	G	MZM 2,350m	**100**	100	**17**	4	**39**	35
BOC Gases Mozambique Limitada	G	MZM 1,100	**100**	100	**1**	1	**1**	6
Subsidiaries incorporated in Namibia								
Gas & Welding Products (Pty) Limited	D	N$100	**100**	100	–	–	–	–
IGL (Pty) Limited	G	N$2	**100**	100	–	–	**18**	13
IGL Properties (Pty) Limited	P	N$280 000	**100**	100	–	–	–	–
Namox (Pty) Limited	G	N$200	**100**	100	–	–	–	–
Reptile Investment Nine (Pty) Limited	G	N$100	**100**	100	–	–	–	–
Reptile Investment Ten (Pty) Limited	G	N$100	**100**	100	–	–	–	–

36. SUBSIDIARIES *(continued)*

Name of company	Nature of business*	Issued share capital 2011	Carrying value of Company's interest: Effective holding 2011 %	Effective holding 2010 %	Shares at cost 2011 R'm	Shares at cost 2010 R'm	Due by/(to) subsidiaries 2011 R'm	Due by/(to) subsidiaries 2010 R'm
Subsidiaries incorporated in Swaziland								
Handigas Swaziland (Pty) Limited	D	E 8	**100**	100	–	–	–	–
Swazi Oxygen (Pty) Limited	G	E 8	**100**	100	–	–	**2**	(6)
Subsidiary incorporated in Zambia								
Afrox Zambia Limited	G	ZK 86,5m	**70**	70	**5**	5	**5**	3
Subsidiary incorporated in Mauritius								
Afrox International Limited	D	$7 508	**100**	100	–	–	–	–
Subsidiary incorporated in Angola								
Afrox Africa Oxigenio Limitada	G	KA 1,8m	**100**	100	–	–	**16**	14
Subtotal					**93**	97	**795**	805
Non-trading and other companies					–	1	–	(1)
Total					**93**	98	**795**	804
Impairment of Afrox Mozambique Limitada loan							**(19)**	(24)
							776	780
Subsidiary loans								
Payables to Group companies							**(19)**	(20)
Loans due by subsidiaries (note 4)							**795**	800
							776	780

**Nature of business:*
E – Engineering merchants, contractors and manufacturers
F – Finance
G – Gas and welding equipment
P – Property holdings
D – Dormant company

Currency
R South African rand
P Botswana pula
M Lesotho loti
K Malawi kwacha
MZM Mozambican metical
N$ Namibian dollar
E Swazi elangeli
ZK Zambian kwacha
KA Angolan kwanza
US$ US dollars

37. ASSOCIATED COMPANY

Name of company	Nature of business+	Issued share capital 2011 %	Carrying value of Company's interest: Effective holding 2011 %	Effective holding 2010 %	Shares 2011 R'm	Shares 2010 R'm	Indebtedness 2011 R'm	Indebtedness 2010 R'm
Group and Company								
Unlisted associated company								
Les Gaz Industriels Limited*	G	**RS26,1m**	**38**	38	**1**	1	–	–

**Associate with June financial year end*
+ Nature of business:
G – Gas and welding equipment
Currency
RS Mauritian rupee

Global reporting initiative

GRI Content index

The Global Reporting Initiative (GRI) G3 Guidelines provide a recommended framework for reporting sustainability initiatives to stakeholders.

The following table provides a detailed response to each of the G3 reporting criteria and identifies in which section of the annual report relevant information on our sustainable development performance is disclosed.

GRI G3 Element

Description		Reference	Page
STANDARD DISCLOSURES: PROFILE			
Strategy and analysis			
1.1	Statement from senior decision maker of the organisation	Statement from the chairman	6
1.2	Description of key impacts, risks and opportunities	Statement from the chairman	6
Organisational profile			
2.1	Name of the organisation	Administration	141
2.2	Primary brands and products	Top brands	
2.3	Operational structure of the organisation	Business review	20
2.4	Location of organisation's headquarters	Administration	141
2.5	Number of countries where the organisation operates	Segmental reporting	87
2.6	Nature of ownership and legal form	Shareholders' profile	56
2.7	Markets served	Business review	20
2.8	Scale of the reporting organisation	Five-year review	59
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Corporate Governance	41
2.10	Awards received in the reporting period		–
Report parameters			
3.1	Reporting period	Administration	140
3.2	Date of most recent previous report	Administration	140
3.3	Reporting cycle	Administration	140
3.4	Contact point for questions regarding the report or its contents	Administration	141
3.5	Process for defining report content		1
3.6	Boundary of the report		
3.7	State any specific limitations on the scope or boundary of the report		
3.8	Basis for reporting on subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Accounting policies	73
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Notes to the financial statements	88
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	No re-statements for the reporting period	–

Description		Reference	Page
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	No re-statements for the reporting period	–
3.12	GRI Content index	GRI Content index	–
3.13	Policy and current practice with regard to seeking external assurance for the report	External assurance is provided for financial performance only.	67
Governance, commitments and engagement			
4.1	Governance structure of the organisation	Corporate governance report	41
4.2	Indicate whether the Chair of the highest governance body is also an executive	Corporate governance report	41
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Stakeholder engagement	14
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance).	Remuneration report	63
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate governance report	41
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Corporate governance report	41
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	Corporate governance report	41
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	Corporate governance report	41
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Corporate governance report	41
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Corporate governance report	41
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Corporate governance report	41
4.13	Memberships in associations	LP Gas Association, SA Fluorocarbon Association, National Business Initiatives, South African Foundation, Free Market Foundation of SA.	–
4.14	List of stakeholder groups engaged by the organisation	Stakeholder engagement	14
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholder engagement	14

Description		Reference	Page
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder engagement	14
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting	Stakeholder engagement	14
STANDARD DISCLOSURES: PERFORMANCE INDICATORS			
Environmental			
EN1	Materials used by weight or volume	Website http://linde.credit360.com	–
EN2	Percentage of materials used that are recycled input materials	Website http://linde.credit360.com	–
EN3	Direct energy consumption by primary energy source	Website http://linde.credit360.com	–
EN4	Indirect energy consumption by primary source	Information not available	–
EN5	Energy saved due to conservation and efficiency improvements	Data analysed, but not published	–
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives	Data analysed, but not published	–
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Data analysed, but not published	–
EN8	Total water withdrawal by source	Website http://linde.credit360.com	–
EN9	Water sources significantly affected by withdrawal of water	Not applicable	–
EN10	Percentage and total volume of water recycled and re-used	Information not available	–
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Data analysed, but not published	–
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Data analysed, but not published	–
EN13	Habitats protected or restored	Not applicable	–
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Information not available	–
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Information not available	–
EN16	Total direct and indirect greenhouse gas emissions by weight	Website http://linde.credit360.com	–
EN17	Other relevant indirect greenhouse gas emissions by weight	Website http://linde.credit360.com	–
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Website http://linde.credit360.com	–
EN19	Emissions of ozone-depleting substances by weight	Website http://linde.credit360.com	–
EN20	NO, SO, and other significant air emissions by type and weight	Website http://linde.credit360.com	–
EN21	Total water discharge by quality and destination	Website http://linde.credit360.com	–
EN22	Total weight of waste by type and disposal method	Website http://linde.credit360.com	–
EN23	Total number and volume of significant spills	Website http://linde.credit360.com	–

Description		Reference	Page
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII and percentage of transported waste shipped internationally	Information not available	–
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	Information not available	–
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	Data analysed, but not published	–
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Information not available	–
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines or non-monetary sanctions incurred	–
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce	Website http://linde.credit360.com	–
EN30	Total environmental protection expenditures and investments by type	Data analysed, but not published	–
Human rights			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Human resources report	30
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	Data analysed, but not published	–
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Data analysed, but not published	–
HR4	Total number of incidents of discrimination and corrective actions taken	Data analysed, but not published	–
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Human resources report	30
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour and measures taken to contribute to the effective abolition of child labour	Data analysed, but not published	–
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Data analysed, but not published	–
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	Not available	–

Description		Reference	Page
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Data analysed, but not published	–
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	None	–
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	None	–
Labour practices and decent work			
LA1	Total workforce by employment type, employment contract and region, broken down by gender	Data analysed, but not published	–
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Data analysed, but not published	–
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Company intranet	–
LA15	Return to work and retention rates after parental leave, by gender	Data analysed, but not published	–
LA4	Percentage of employees covered by collective bargaining agreements	Union membership 31,6%	–
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Company intranet	–
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programmes	Data analysed, but not published	–
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region and by gender	Data analysed, but not published	–
LA8	Education, training, counseling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Data analysed, but not published	–
LA9	Health and safety topics covered in formal agreements with trade unions	Data analysed, but not published	–
LA10	Average hours of training per year per employee by gender, and by employee category	Data analysed, but not published	–
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Data analysed, but not published	–
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Data analysed, but not published	–
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Data analysed, but not published	–
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Data analysed, but not published	–

Description		Reference	Page
Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes	SHEQ report	38
SO9	Operations with significant potential or actual negative impacts on local communities	SHEQ report	38
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	SHEQ report	38
SO2	Percentage and total number of business units analysed for risks related to corruption	Data analysed, but not published	–
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Data analysed, but not published	–
SO4	Actions taken in response to incidents of corruption	Data analysed, but not published	–
SO5	Public policy positions and participation in public policy development and lobbying	Data analysed, but not published	–
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Data analysed, but not published	–
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust and monopoly practices and their outcomes	Data analysed, but not published	–
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant fines or non-monetary sanctions incurred	–
Product responsibility			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	Data analysed, but not published	–
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	No incidents reported for period under review	–
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Data analysed, but not published	–
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	No incidents reported for period under review	–
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Data analysed, but not published	–
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Data analysed, but not published	–

Description		Reference	Page
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	No incidents reported for period under review	–
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	No incidents reported for period under review	–
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No incidents reported for period under review	–
Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	Value added statement and Corporate reponsibility	58 and 52
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Information not available	–
EC3	Coverage of the organisation's defined benefit plan obligations	Retirement benefit asset note	97
EC4	Significant financial assistance received from Government	No significant assistance is received from Government	–
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Information not available	–
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Data analysed, but not published	–
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Information not available	–
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement	Corporate responsibility policy	53
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Value added statement	58

Shareholders' diary

SALIENT DATES

Financial year-end	31 December 2011
Posting of annual report	15 March 2012
Annual general meeting	17 May 2012
Interim announcement	30 June 2012

REPORTS AND ACCOUNTS	PUBLISHED
Audited financial results for 31 December 2011	23 February 2012
Interim results	19 July 2011

DIVIDENDS (ORDINARY SHARES)	DECLARED	PAID
Interim dividend	19 July 2011	24 October 2011
Final dividend	23 February 2012	23 April 2012

SENS announcements

The following SENS announcements were made during the past financial year:

25 January 2012	Trading update
15 December 2011	Trading update
9 December 2011	Afrox announces the appointment of Brett Kimber as its new Managing Director
18 November 2011	Change to the Board of directors
4 November 2011	Announcement relating to the installation of a 200 ton per day GOX 6000 air separation plant by Afrox
28 October 2011	Quarterly results of Linde AG
8 August 2011	Withdrawal of cautionary announcement
4 August 2011	Change to the Board of directors
21 July 2011	Afrox analyst presentation
19 July 2011	Unaudited financial results for the six months
19 July 2011	Afrox trading update
1 July 2011	Cautionary announcement
30 June 2011	Change to the Board of directors
19 May 2011	Results of annual general meeting
12 May 2011	Dealings in securities by a director
5 May 2011	Quarterly results of Linde AG
3 May 2011	Revised annual general meeting notice
11 April 2011	Change to the Board of directors
24 March 2011	Change to the Board of directors
15 March 2011	No change statement and notice of annual general meeting
16 February 2011	Audited financial results and dividend announcement for the year

DIVIDEND

A final dividend of 23 cents per ordinary share has been declared on 23 February 2012

Last day to trade ordinary shares "cum" dividend	Friday, 13 April 2012
Ordinary shares trade "ex" the dividend	Monday, 16 April 2012
Record date	Friday, 20 April 2012
Payment date	Monday, 23 April 2012

Administration

AFRICAN OXYGEN LIMITED

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

Registered office and business address

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

Auditors

KPMG Inc.

Company Secretary

C Low BA (Law), LLB, LLM (Tax) Diploma in Banking

Transfer secretaries

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

Sponsor in South Africa

One Capital
Telephone +27 (0) 11 550 5011
Fax +27 (0) 86 718 4524
17 Fricker Road, Illovo 2196

Sponsor in Namibia

Namibia Equity Brokers (Pty) Limited

Website

www.afrox.com www.afrox.co.za

Stakeholder enquiries

Stakeholder enquiries may be addressed per e-mail to:
corporate.communication@afrox.linde.com

Notice to shareholders

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

Notice is hereby given that the 83rd annual general meeting of the Company will be held in the Boardroom of the Company, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on Thursday, 17 May 2012 at 10:00 at which the resolutions set out below will be considered and, if deemed fit, passed with or without modification:

1. Ordinary Resolution Number 1:

The approval of the annual financial statements

Resolved as an Ordinary Resolution that the annual financial statements of the Group and the Company for the financial year ended 31 December 2011, including the directors' and independent auditors' report and the Audit Committee report therein, be and are hereby received and confirmed.

2. Ordinary Resolution Numbers 2.1 to 2.6:

Election of directors

These resolutions are to elect by separate resolutions, the directors of the Company in accordance with the Companies Act 71 of 2008 ("the Companies Act") and the Company's Memorandum of Incorporation which provides that:

- At least one third of the directors, being those longest in office at the time of the annual general meeting shall retire from office, but that such directors may offer themselves for re-election; and
- The appointment of directors by the Board of directors to be confirmed at the next annual general meeting.

2.1 **Ordinary Resolution Number 2.1**
Resolved that Morongwe Malebye, who retires by rotation and being eligible, and who offers herself for re-election as a director, be re-elected;

2.2 **Ordinary Resolution Number 2.2**
Resolved that David Lawrence, who retires by rotation and being eligible, and who offers himself for re-election as a director, be re-elected;

2.3 **Ordinary Resolution Number 2.3**
Resolved that the appointment of Frederick Kotzee as an executive director by the Board of directors on 20 May 2011, be confirmed;

2.4 **Ordinary Resolution Number 2.4**
Resolved that the appointment of Dynes Woodrow as a non-executive director by the Board of directors on 20 May 2011, be confirmed;

2.5 **Ordinary Resolution Number 2.5**
Resolved that the appointment of Michael Huggon as a non-executive director by the Board of directors on 20 May 2011, be confirmed; and

2.6 **Ordinary Resolution Number 2.6**
Resolved that the appointment of Matthias von Plotho as a non-executive director by the Board of directors on 20 May 2011, be confirmed.

A brief CV in respect of each director above appears on pages 4 and 5 of this annual report.

3. Ordinary Resolution Number 3:

Re-appointment of Auditors

Resolved that KPMG Inc. be re-appointed as the independent auditors of the Company and that Mr NH Southon be appointed being a director of KPMG Inc. as the individual designated auditor who will undertake the audit of the Company for the ensuing period and to authorise the Audit Committee to determine the terms of engagement and the auditors' fees and remuneration for the past period and the ensuing period.

4. Ordinary Resolution Number 4:

Appointment of Audit Committee members

Subject, where necessary to their re-appointment as directors of the Company in terms of Ordinary Resolution 2 above:

Resolved that the appointment of the following directors as members of the Audit Committee be and is hereby confirmed, being in accordance with the recommendations of the King Code on Governance, 2009 ("King III") and in terms of Section 94 of the Companies Act:

- Louis van Niekerk;
- David Lawrence; and
- Morongwe Malebye.

A brief CV in respect of each director above appears on pages 4 and 5 of this annual report.

5. Ordinary Resolution Number 5:

Resolved that 5% (five per cent) of the authorised, but unissued share capital of the Company, be and is hereby placed under the control of the directors of the Company until the next annual general meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation and the Listings Requirements of the JSE Limited where applicable, for allotment and issue to such persons as the directors in their discretion deem fit.

6. Ordinary Resolution Number 6:

Approval of remuneration policy

Resolved to approve, through a non-binding advisory vote that the remuneration policy of the Company detailed on page 34 of this annual report be approved.

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

7. Special Resolution Number 1:

To increase the independent non-executive directors' fees

Resolved that the fees paid to the independent non-executive directors serving on Board and the various committees of the Board, be as follows with effect from 1 January 2012:

	Retainer per annum	
	2011 Remuneration	Proposed for 2012
Independent Lead director	R128 400	R137 388
Board members	R53 500	R57 245
Committee	**Chairperson per meeting**	
	2011 Remuneration	Proposed for 2012
Audit	R42 800	R45 796
Nominations, governance and management of resources	R42 800	R45 796
SHEQ	R42 800	R45 796
Transformation	R42 800	R45 796
Committee	**Member per meeting**	
	2011 Remuneration	Proposed for 2012
Board	R26 750	R28 622
Audit	R21 400	R22 898
Nominations, governance and management of resources	R21 400	R22 898
SHEQ	R21 400	R22 898
Transformation	R21 400	R22 898

8. Special Resolution Number 2:

General authority to repurchase shares

Resolved, subject to compliance with the Companies Act, the Company's Memorandum of Incorporation ("MOI") and the Listings Requirements of the JSE Limited, that the directors of the Company be and is hereby authorised and granted a general authority as at their discretion and on such terms as they deem fit to procure that the Company or subsidiaries of the Company acquire by repurchase on the JSE Limited, ordinary shares issued by the Company, provided that:

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

8.2 the repurchase of shares shall be effected through the order book operated by the JSE Limited trading system and be done without any prior understanding or arrangement between the Company and the counterparty;

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

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

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

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

8.7 the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% (twenty per cent) of the Company's issued share capital as at the date of registration of this special resolution; or

8.8 10% (ten per cent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company;

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

8.10 the Company may not enter the market to proceed with the repurchase of its ordinary shares until the Company's sponsor has discharged its duties with regard to the adequacy of the Company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE Limited.

Explanation: *This Special Resolution authorises the directors of the Company, if they deem it appropriate and necessary and in the best interest of the Company, to repurchase the Company's shares by way of open market transactions on the JSE Limited. This authority is subject to the Companies Act and the Listings Requirements of the JSE Limited.*

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will be used only if they deem fit and if the circumstances are appropriate.

The directors undertake to comply fully with the limitations and controls imposed by the Listings Requirements of the JSE Limited.

Other disclosures required in terms of the Listings Requirements of the JSE Limited

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

- *Working capital statement*

  The directors shall not make any repurchases under this general authority unless they are of the opinion that after considerance the effect of the maximum repurchase permitted and the maximum general payments to shareholders, for a period of 12 (twelve) months after the date of the decision to enter into the market to proceed with the repurchase:
  - the Company and the Group will be able, in the ordinary course of business, to pay its debts;
  - the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
  - the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
  - the working capital resources of the Company and the Group will be adequate for ordinary business purposes.

- *Litigation statement*

  Other than disclosed or accounted for in this report, the directors of the Company whose names are given on pages 4 and 5 of this annual report are not aware of any other legal or arbitration proceedings, pending or threatened against the Group, which may have or have had, in the 12 months preceding the date of this notice of general meeting, a material effect on the Group's financial position.

- *Directors' responsibility statement*

  The directors, whose names are given on pages 4 and 5 of this annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required.

- *Other disclosures in terms of paragraph 11.26 of the Listings Requirements of the JSE Limited*

  The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the Listings Requirements of the JSE Limited for purposes of Special Resolution Number 2 above:
  - Directors and management (refer to pages 4 to 5 and 16 to 17)
  - Major shareholders of the Company (refer to page 56)
  - Directors' interests in the Company's shares (refer to page 65)
  - Share capital of the Company (refer to page 107)
  - Material change (refer to page 145).

9. Special Resolution Number 3:

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

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

Explanation: *The reason and effect of this Special Resolution Number 3 is to grant the directors of the Company the authority to cause the Company to provide financial assistance to any company or corporation that is related or inter-related to the Company. It does not authorise the provision of financial assistance to any director or prescribed officer of the Company.*

The directors undertake that prior to the Company providing any financial assistances as contemplated in Special Resolution Number 3 above, the Company will have satisfied the solvency and liquidity test as set out in Section 4 of the Companies Act.

10. Special Resolution 4:

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

Resolved that, as a special resolution contemplated by section 44 (3) (a) (ii) of the Companies Act, the Directors be and are hereby empowered to authorise the Company, at any time during the period of 2 years commencing on the date of this special resolution, to provide any direct or indirect financial assistance to any third-party broker or subsidiary of the Company, for the purpose of or in connection with the purchase of Company securities in the market required for settlement under the share incentive plans operated by the Company from time to time, provided that the Directors are satisfied that immediately after providing the particular financial assistance, the Company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act.

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

Material changes

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

Voting and proxies

Certificated shareholders

Shareholders wishing to attend the annual general meeting have to ensure beforehand, with the transfer secretaries of the Company, that their shares are in fact registered in their name.

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

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

Dematerialised/Uncertificated shareholders

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

Proxies

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries by no later than 10:00 on 11 May 2012. On a poll, ordinary shareholders will have one vote in respect of each share held.

Percentage of voting rights required for resolutions

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

2. Ordinary resolutions
   The percentage of voting rights that will be required for the adoption of each ordinary resolution is 50% of the voting rights exercised on the resolution.

Notice record date, voting record date and forms of proxy

The notice of the company's annual general meeting has been sent to its shareholders who were recorded as such in the company's securities register on 2 March 2012, being the notice record date used to determine which shareholders are entitled to receive notice of the annual general meeting.

The record date on which shareholders of the company must be registered as such in the company's securities register in order to attend and vote at the annual general meeting is Friday, 11 May 2012, being the voting record date used to determine which shareholders are entitled to attend and vote at the annual general meeting. The last day to trade in order to be entitled to vote at the annual general meeting will therefore be Friday, 4 May 2012.

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

Carnita Low
Company Secretary
23 February 2012

Form of proxy

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

FOR USE BY SHAREHOLDERS HOLDING SHARE CERTIFICATES AND SHAREHOLDERS WHO HAVE DEMATERIALISED THEIR SHARE CERTIFICATES AND HAVE ELECTED "OWN NAME" REGISTRATION THROUGH A CENTRAL SECURITIES DEPOSITORY PARTICIPANT ("CSDP") OR BROKER, AT THE ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT 10:00 ON 17 MAY 2012.

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

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

I/We (name in block letters) _____

of (address in block letters) _____

being a member/members of African Oxygen Limited and entitled to _____ votes, hereby appoint:

1. _____ or failing him/her

2. _____ or failing him/her

the chairman of the meeting

as my/our proxy to act for me/us at the annual general meeting, to be held at African Oxygen Limited, Afrox House, 23 Webber Street, Selby, Johannesburg, South Africa on 17 May 2012 at 10:00 and at any adjournment thereof, as follows:

	Number of Afrox shares		
	In favour of	Against	Abstain
Ordinary Resolutions:			
1. Approval of the Annual Financial Statements			
2. Re-Election of Directors & Confirmation of Appointments:			
2.1 Morongwe Malebye			
2.2 David Lawrence			
2.3 Frederick Kotzee			
2.4 Dynes Woodrow			
2.5 Michael Huggon			
2.6 Matthias von Plotho			
3. Re-appointment of Auditors			
4. Appointment of Audit Committee members			
5. Place unissued share capital under the control of directors			
6. Remuneration Policy			
Special Resolutions:			
1. Increase of independent non-executive directors' fees			
2. General Authority to repurchase shares			
3. Financial Assistance to related or inter-related companies			
4. Financial Assistance to purchase Company securities			

Signed at _____ on _____ 2012

Member _____

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

Form of proxy

Form of proxy – Instructions

1. On a poll a shareholder is entitled to one vote for each share held.
2. Forms of proxy must be lodged at, posted to or faxed to Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107, Fax +27 11 688 5238), to reach the company by no later than 10:00 on 15 May 2012.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided, with or without deleting the words "the chairman of the annual general meeting". Any such deletion must be individually initialled by the shareholder, failing which they will not have been validly affected. The person present at the annual general meeting whose name appears first on the form of proxy and has not been deleted shall be entitled to act as proxy to the exclusion of the persons whose names follow.
4. Any alterations or corrections to this form of proxy have to be initialed by the relevant signatory(ies).
5. Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder(s) of the Company) to attend, speak and vote (either on a poll or by show of hands) in place of that shareholder at the annual general meeting.
6. Voting instructions for each of the resolutions must be completed by filling the number of votes (one per ordinary share) under the "In Favour", "Against" or "Abstain" headings on the form of proxy. If no instructions are filled in on the form of proxy, the chairman of the annual general meeting, if the chairman is the authorised proxy, or any other proxy shall be authorised to vote in favour of, against or abstain from voting as he/she deems fit.
7. A shareholder or his/her proxy is entitled but not obliged to vote in respect of all the ordinary shares held by the shareholder. The total number of votes for or against the ordinary and special resolutions and in respect of which any abstention is recorded may not exceed the total number of shares held by the shareholder.
8. Documentary evidence establishing the authority of a person signing this form must be attached to this form of proxy unless previously recorded by the transfer secretaries of the Company or waived by the chairman of the annual general meeting.
9. This form of proxy is to be completed only by those shareholders who either still hold shares in a certificated form, or whose shares are recorded in their "own name" in electronic form in the subregister.
10. Shareholders whose dematerialised shares are held in the name of a nominee and wish to attend the annual general meeting must contact their Central Securities Depository Participant (CSDP) or broker who will furnish them with the necessary letter of authority to attend the annual general meeting. Alternatively, they have to instruct their CSDP or broker as to how they wish to vote. This has to be done in terms of the agreement between the shareholder and the CSDP or the broker.
11. Shareholders who wish to attend and vote at the meeting must ensure that their letters of authority from their CSDP or broker reach the transfer secretaries not later than 10:00 on 15 May 2012.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
13. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

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

STUDIO 5

African Oxygen Limited
www.afrox.com

AFROX
A Member of The Linde Group