

2009 ANNUAL REPORT

AFRICAN OXYGEN LIMITED

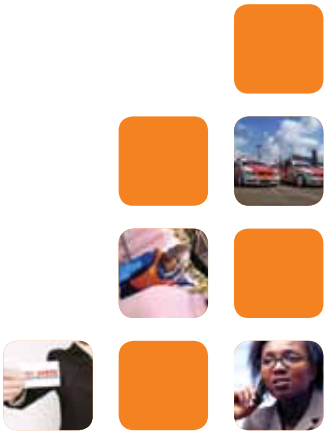
AFROX








Company profile



AFROX
A Member of The Linde Group

African Oxygen Limited (Afrox) is listed on the Johannesburg and the Namibian Stock Exchanges. With 3 439 permanent employees, the Company is sub-Saharan Africa's market leader in gases and welding products. Afrox was founded in 1927, listed on the JSE in 1963, and has prospered by constantly meeting the needs of customers and developing solutions that add value to our customers. The Company operates in South Africa and has interests in 12 other African countries, manage operations in five others on behalf of its parent company, The Linde Group. Afrox remains committed to achieving above average growth for its shareholders, built on the back of the industry's strongest brand and national distribution network. The Company is structured and managed in accordance with The Linde Group best practice globally. Our four major areas of business are Merchant and Packaged Gases, LPG, Healthcare and Tonnage, which are the focus of our core operating structures of MPG Operations, Sales, the national Customer Service Centre, Safety, Health, Environment & Quality (SHEQ) and African Operations. All are supported by the enabling functions of Finance, Information Systems, and Human Resources. Product offers include the full range of large-volume on-site and bulk gases, cylinder gases, scientific gases, refrigerants, packaged chemicals and helium, medical gases and products, hospitality gases, gas equipment, welding products and ancillary safety products.

Key company data

Full name: African Oxygen Limited
Registration number: 1927/000089/06
Year-end: 31 December
JSE abbreviated or common usage name: Afrox
JSE code: AFX
NSX code: AOX

ISIN: ZAE000067120
Sector: Chemicals
Index: Socially Responsible Investment (SRI) Index
Formed: 1927
Listed JSE: 1963
Listed NSX: 1995

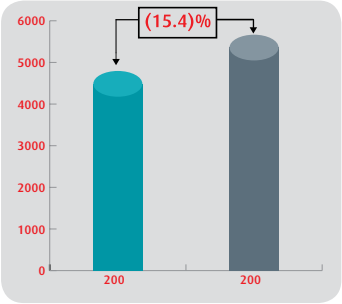
Shares in issue: 342 852 910
No of shareholders: 5 619
Market capitalisation: R7 543 million
Employees: 3 439
Website: www.afrox.co.za/www.afrox.com

The Linde Group is a world leading gases and engineering company with almost 48 000 employees working in around 100 countries worldwide. In the 2008 financial year it achieved sales of 12 billion Euro. 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. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment. Linde is committed to technologies and products that unite the goals of customer value and sustainable development. For more information, visit The Linde Group online at http://www.linde.com

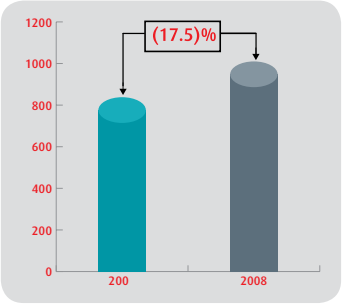
THE LINDE GROUP

Financial highlights

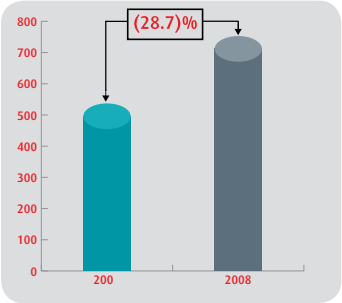
Revenue (R'm)



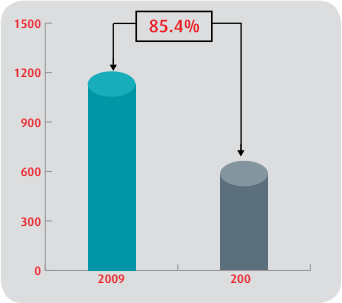
EBITDA (R'm)



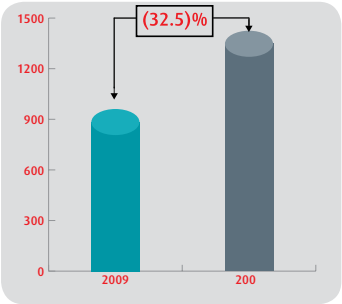
Operating profit (R'm)



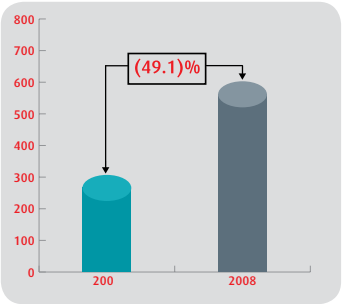
Cash generated from operations (R'm)



Trading working capital (R'm)



Capex (R'm)



Cash dividends for the period	2009	2008
Interim (cents)	19	42
Final (cents)*	19	25
Total dividends for the period (cents)	38	67

**The final dividend was declared subsequent to 31 December 2009 and is presented for information purposes.*

Contents

Board of directors

Our 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 for which all can be proud to work and in which everyone can find fulfilment.

From top left to right: Kent Masters, Tjaart Kruger, David Lawrence, Morongwe Malebye, Dr Khotso Mokhele and Jonathan Narayadoo

Kent Masters: (49), non-executive, appointed chairman of Afrox in April 2005. Board committees: Governance and management resources, transformation.

> Kent Masters is a member of the Executive Board of The Linde Group. Within The Linde Group, he has responsibility for businesses in Africa, North America, South America and the South Pacific as well as global Business Areas Bulk and Packaged Gases and the global Business Unit Healthcare.

Tjaart Kruger: (49), executive, appointed managing director of African Oxygen Limited in April 2007. The managing director attends all Board committees by invitation.

> Tjaart Kruger joined Afrox on 1 March 2007 and his appointment as Managing Director was effective from 1 April 2007. He has held various executive positions at Tiger Brands Limited, including the positions of Managing Executive for AdcockIngram Pharmaceuticals Division and Managing Executive of the Grains Division. He is a chartered accountant (SA) and a commerce graduate from the University of Johannesburg and participated in the Harvard Business School management development programme in 1995.

David Lawrence: (58), independent non-executive, appointed to the Board in December 2005. Board committees: Governance and management resources (chair), audit.

> 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.

Morongwe Malebye: (37), independent non-executive director, appointed to the Board in December 2007. Board committees: Audit committee.

> Morongwe Malebye is Managing Director, Babcock Ntuthuko (Pty) Ltd. She joined Babcock Ntuthuko in 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, Women of Tomorrow and Student Sponsorship Programme. She also serves on the Board of Howden Africa, a JSE listed company.

Dr Khotso Mokhele: (54), independent non-executive, appointed to the Board in December 2005. Board committees: SHEQ (Chair), Governance and nomination, transformation.

> 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.

Jonathan Narayadoo: (51), executive director and general manager MPG Operations, appointed to the Board in December 2009. Board committees: No appointment as yet.

> 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.



From top left to right: Cor van Zyl, Karen Oliver, Jürgen Nowicki, Alan Watkins, Sipho Pityana and Louis van Niekerk



Cor van Zyl: (62), executive director and financial director, appointed to the Board in February 2004. Attends all Board committees by invitation.

> Cor van Zyl is a chartered accountant (SA) and was a partner at Coopers and Lybrand for 21 years before joining PresMed in 1996 as joint managing director. With the merger of PresMed and Afrox Healthcare, he was appointed a director of Afrox Healthcare Limited.

Karen Oliver: (46), non-executive director, appointed to the Board in December 2007. Board committees: No appointment as yet.

> Karen Oliver is head of Business Development, Global Tonnage Business, with Linde Gas. She joined Afrox in 1988 and held a number of engineering posts until joining BOC in 1995. While at BOC Process Systems she held a number of senior positions including finance manager, commercial director and vice president Project Development. She holds a BSc in chemical engineering from the University of Cape Town.

Jürgen Nowicki: (46), non-executive director, appointed to the Board in April 2007. Board committees: Audit.

> Jürgen Nowicki is head of Operational Finance and Control/Capex, The Linde Group, based in Germany. He joined Linde in 1991 as Linde AG Financial and Operational staff auditor. Since then he has held a number of senior positions with including head of Operational Finance for Linde Gas, CFO, Linde Gas North America, CFO, Linde Lift Truck in the US and head of Finance, JULI Motorenwerke, in the Czech Republic. He holds a Masters degree in Economics and Mechanical Engineering, University of Karlsruhe, Germany.

Alan Watkins: (44), non-executive, appointed to the Board in April 2007. Board committees: SHEQ.

> Alan Watkins is global head of Merchant and Packaged Gases for The Linde Group. He joined BOC in 1997 and held senior marketing and general management positions in the UK before assuming global responsibility for Industrial Products and LPG in 2002. He was appointed managing director – Industrial & Special Products, South Pacific in 2006 just prior to BOC's acquisition by The Linde Group. He holds a Masters degree in Engineering Science from Oxford University and a Masters in Business Administration from INSEAD, France.

Sipho Pityana: (50), independent non-executive, appointed to the Board in December 2005. Board committees: Chair: Transformation.

> Sipho Pityana has an MSc (London) and a BA Hons (Essex). He is a high profile South African with excellent political credentials and a successful track record in running large government departments. He chairs the Izingwe Capital (Pty) Limited Board and is a non-executive director of Aberdare Cables, Bytes Technology Group, Onelogix Group Limited and Munich Reinsurance company of Africa Limited, AngloGold Ashanti Limited and Scaw South Africa (Pty) Limited.

Louis van Niekerk: (60), independent non-executive, appointed to the Board in February 2005. Board committees: Audit (chair), governance and management resources, SHEQ.

> Louis van Niekerk, who retired from Iscor (now ArcelorMittal 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, including being deputy chairman of MSCSA Investments. He is currently a Board member of Ndonsa (Pty) Limited and IMBS - Iron Mineral Beneficiation Services (Pty) Limited. Louis van Niekerk is a chartered accountant (SA).

Our Foundational principles

Over time our core principles and values will be incorporated into all our processes. The foundational principles by which Afrox does business are:

Safety	Sustainability
> We don't want to harm people or the environment	> We are preoccupied with today's success, but accept our responsibility for future generations
Integrity	**Respect**
> Our actions are honest, fair and ethical	> Every human being deserves to be treated with respect

Chairman and Managing director's statement

Dear shareholder

Our mandate in these extraordinary times is to ensure the survival of Afrox, ensure it is fit for purpose now and into the future. In 2009, that meant making tough, unpalatable but necessary decisions to keep the Company profitable and cash flow positive. In this respect your Board and executive have succeeded and your company will emerge stronger for it, prepared for whatever challenges lay in wait in the years ahead.

Key elements

As we pointed out in last year's annual report, evolving into a high performance organisation (HPO) is a journey to develop a culture with the mindset of continuous improvement, efficient work ethics, co-operation and collaboration, being accountable and taking responsibility for, while sharing in, the success of Team Afrox.

We have taken the first steps and the business is responding with enthusiasm. This is especially encouraging in view of the shocks the Company has endured in recent times, the most demoralising of which was the need to retrench some of our colleagues this year. Such drastic change management action was unheard of in Afrox until now but it was imperative to ensure the long-term survival of your Company.

Our journey to become an HPO has necessitated that we adopt, reform and implement processes and structures that enable and encourage the delivery of exceptional performance. Change management measures to drive HPO in the business, identified in the 2008 annual report, have been completed. The target of R200m annual saving has been met on a sustainable basis.

Identification of productivity gains, cost reduction and margin improvement capacity are the results of our high performance commitment and are now inherent in the way we conduct day-to-day business. In these times of uncertainty and with no clear line of sight on the direction of the economy, we maintain a flexible approach to the business. When change management action is called for – be it organisational, strategic or otherwise – it will be implemented with speed and efficiency. Afrox remains committed to seeking every competitive advantage and while the Company retains its leadership position in the market, we are far from complacent. The executive is acutely aware that our sizeable footprint in South Africa makes us vulnerable to

Kent Masters, chairman

market share erosion in a deflated business environment where price attrition is the order of the day. In spite of this, notable business wins in 2009 were achieved in the mining and soft drinks sectors, supply contracts with the largest dissolved acetylene installation in the southern hemisphere, Transnet's new 520km pipeline as well as Eskom's Kusile and Medupi power station projects, to name a few.

What has become clear is that vulnerabilities in the business remain despite the solid progress made to date. In this respect, we have flattened management structures to promote communication, clarify responsibilities and accountability and we are already starting to see the benefits working through in terms of flexibility in response to market trends, identification and speedy rectification of choke points, be it internal or external related issues.

The national Customer Service Centre (CSC), with its vital cash flow and customer interface functions, has a pivotal role. Jan Storm, a highly competent and experienced manager who has served Afrox for 25 years in various roles in Africa, now has the CSC in his portfolio and is pressing ahead with identified reform to enhance the all-round customer experience.

Gerhardt Schnackenberg, another experienced Afrox stalwart of 20 years, has been charged with focusing and energising Sales. Leveraging off the day-to-day capabilities of the CSC has allowed the unfettering of Sales from non-core responsibilities, the introduction of a greater level

Tjaart Kruger, managing director

of training and product knowledge going into 2010, and enables our six sales regions to fixate on customers in order to capitalise on every opportunity to secure new and organic-growth business.

To realise efficiencies and streamline operations in line with our high performance goals, manufacturing and distribution have been concentrated in Merchant and Packaged Gases (MPG) Operations, which Afrox veteran of nearly three decades, Jonathan Narayadoo, takes over. Jonathan moves across from his highly successful stewardship of African Operations. The realignment of this important pillar of the Company adds fuel to our high performance drive and is in sync with Sales, the CSC and our three business areas.

Another welcome addition to the executive management team is Jaco Wiese, who now leads our MPG business area. Jaco has hands-on experience in bulk, LPG and in key accounts and sales development with Afrox, all of which will serve MPG well as this area drives our product business and market channel strategies and is a bedrock component of our service offering.

Karen Swatton remains in charge of SHEQ, ensuring the Company complies with regulatory requirements and that we minimise harm to people and the environment. Long-serving Donal McKinnon now heads up our Tonnage operations, the engineering nuts and bolts of the business, while African Operations, which is of increasing importance to us, is in the capable hands of Willie Coetzee. Our strategic Healthcare business area remains under the charge of Lerato Mosiah and LPG with Herbert Ngwenya, both of whom have a solid breadth of knowledge of the business.

This change management action has created a dynamic and cohesive customer focus between operations, business areas and their highly experienced management teams, ably supported by the important functions of finance, information systems and human resources. We expect this combination of general managers to deliver on and drive our high performance business goals in these areas vital to our success going forward. We are also fortunate to have a strong depth of senior and middle managers, administrative, sales and marketing, logistics and shop-floor people, all highly motivated and focused. Couple this to our ability to leverage off Linde Group global best practice, the flexibility to make appropriate decisions locally, and we have a company that we consider is fit for its purpose.

Trading and financial overview

Our results for the year ended 31 December 2009 are a reflection of the financial crisis that engulfed the world in the second half of 2008. It heralded the end of the longest period of growth in South Africa's history, with the economy entering its first recession since 1992. Nearly one million jobs lost, with labour-intensive businesses bearing the brunt; consumer spending the worst in over two decades; the automotive, mining and manufacturing sectors – our key markets – being the hardest hit. South Africa emerged from recession in the third quarter of 2009. The recovery is slow and off a low base. As a result, this reporting period was characterised by decisive change management action in response to diminished returns and extreme pressure on sales, volumes and margins as competitors entered most of our traditional markets, further exacerbating already tough trading conditions. Our African Operations continued to shine in these depressed times, contributing a record 25% to the Group's EBITDA this year, up from 19% in 2008. While in many ways this is a reflection of the wider economic decline in our South African markets coupled to the effects of the downturn impacting late in many sub-Saharan states, our people in African Operations have worked hard and nothing should be taken away from their achievement.

Chairman and Managing director's statement

The Group's revenue decreased by 15% to R4 795 million and profit before interest and tax reduced 29% to R537 million. Return on capital employed fell to 11.7% from 16.6%. Net profit of R243 million. Earnings per share were 75.2 cents for the year, down 44%. Afrox continued to invest in modernisation, capacity and efficiency enhancements but in line with prevailing economic conditions, spending R307 million compared to R603 million in 2008. Cash generated as a percentage of EBITDA was 147% and cash generated from working capital was R422 million. Afrox ended the year with net borrowings of R914 million, a significant reduction.

Dividends to shareholders

The Board has declared a final dividend of 19 cents per share and together with an interim dividend of 19 cents per share, a total of 38 cents per share is paid for the year, covered 2,0 times by earnings. This compares with 67 cents per share paid for the 2008 period.

Black economic empowerment

Afrox has been rated a level 4 value adding company, in line with the DTI generic scorecard, by Empowerdex, one of the few agencies accredited by the South African National Accreditation System. This is an accurate reflection of our commitment to transformation and broad-based black economic empowerment (BBBEE). Further information on www.afrox.com.

Governance

Good governance and sustainability has been the bedrock of the Group's success for the past eight decades and is one of the non-negotiables to conducting business. Once again, we were very pleased that Afrox was selected as one of the 67 companies which qualified for 2009 JSE's Socially Responsible Index (SRI). SRI Index operates as a means of helping to focus the debate on triple bottom line practices and to recognise the strides listed companies are making in this regard, through measuring the performance of participating companies in relation to economic, environmental and social sustainability as well as corporate governance.

The safety, health, environment and quality (SHEQ) portfolio remains a priority. Significant progress was made in streamlining the certification process. Due to change management activities, many certifications were altered, amalgamated or became redundant. The regional sales structure has resulted in there now being six regional ISO 9001 certificates and a single certificate for supply chain, with the aim of combining all ISO 9001 certifications under one umbrella certificate. More information is available on pages 19 to 21 in the SHEQ section and on pages 22 to 30 in the Corporate Governance section of this report.

Board of directors

Jonathan Narayadoo was appointed to the Board effective 1 December 2009. Jonathan, general manager MPG Operations, will strengthen the Board's knowledge and understanding of the business and is a very welcome addition.

Cor van Zyl retires as finance director at the end of February 2010 after many years of loyal service to Afrox. We would take this opportunity to extend our thanks and wish Cor all the best for the future. Alan Watkins, a non-executive Linde representative, resigned effective end of February 2010. Alan has been a member of the Board since April 2007, serving on the SHEQ committee, and we thank him for his valuable contribution in recent years.

At the time of this report your Board is therefore composed of three operational directors, four non-executive Linde representatives and five independent non-executives.

Outlook

Focal points for 2010 remain our high performance drive, preservation of liquidity, management of working capital and reducing the cost of doing business. There is every indication that any recovery will be off a low base and slow. Therefore we have to stay close to our customers and alert to competitive threats.

While African Operations turned in a solid performance during the year, we are acutely aware of increased competitor activity, economic variances and pressures in local geographic markets, which may indicate a certain volatility in returns as we progress through 2010.

The coming year will be challenging and as such we maintain a cautious outlook but optimistic that the Company's 2009 high performance cost reduction and productivity initiatives, coupled to decisive change management action, will strengthen the Group's ability to optimise its market position and service offerings in 2010.

Acknowledgements

Afrox exists to serve our markets and we extend our sincere thanks to customers for their ongoing loyalty and understanding – we have all felt the very real pain of this global economic downturn and assure you that Afrox will continue to be a dependable and committed partner in both good times and bad.

Thank you to the members of the Board for their unwavering support of the executive and for their continued guidance.

Finally, to our Afrox colleagues who have endured unprecedented change in 2009 and remained focused on the tasks at hand, congratulations. We are now well positioned, have the right people in the right places and through our high performance aspirations Team Afrox will prosper.

Kent Masters
Chairman

18 February 2010

Tjaart Kruger
Managing director

Executive management

Our 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 to comply to BBBEE requirements. We will achieve operational excellence by working as one team in a cross-functional matrix driven organisation. This will be recognised 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.







From top left to right:

Tjaart Kruger: managing director

Cor van Zyl: financial director

Jonathan Narayadoo: general manager MPG Operations

Lerato Mosiah: general manager Healthcare

Gerhardt Schnackenberg: general manager Sales

Jenni Beard: general manager Information Services

Jan Storm: general manager Customer Service Centre







From top left to right:

Herbert Ngwenya: general manager Liquefied Petroleum Gas (LPG)

Karen Swatton: general manager SHEQ

Jaco Wiese: general manager Merchant and Packaged Gas

Donal Mackinnon: general manager Tonnage

Willie Coetzee: general manager African Operations

Patrick Dunseith: general manager Human Resources

Ay'esha Meer-Seedat: acting company secretary and general counsel

Our Vision

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

Our 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.

Financial director's review

This review is to provide additional insight into the operating performance and financial position of the Group and should be read in conjunction with the annual financial statements.

Overview

During the financial year Afrox faced challenging trading conditions as a result of the economic downturn. This was marked by a reduction in volumes, decreases in commodity prices and pressure on margins that led to less favourable financial results against the previous reporting period. Afrox implemented a number of efficiency initiatives to mitigate against the impact of the economic downturn. The business focused aggressively on cost reduction initiatives and working capital management and will continue to do so.

Operating performance

Compared to 2008 Afrox's revenue decreased by 15%, earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 17%, and basic earnings per share reduced by 44%. The EBITDA margin remained flat at 17.5% even with the reduced revenue, an indication of the efficiency initiatives.

Revenue

Group revenue declined by R871 million (15%) from R5 666 million in 2008 to R4 795 million in 2009.

Lower international commodity prices and drastically lower output from the motor, mining and manufacturing sectors, contributed to the decline in revenue.

> Our Group sales volumes declined between 3% and 18% for the different business units.

> The average sales invoice prices of LPG, welding equipment and welding consumables business units decreased between 16% and 20%, resulting from the lower international prices for oil and steel.

> Revenue was also lower due to the impact of our product range rationalisation programme, the closure of part of the Afrox Safety business and the partial loss of the State healthcare contract.

Revenue showed improvement in the following areas:

> Revenue from our tonnage business increased by 8% on the previous year.

> Cylinder and facility rentals increased by 1% from the previous year.

Operating costs

To mitigate the impact of market conditions we engaged in the following restructuring, cost containment and cost reduction initiatives:

> Organisational restructure to right-size the business.

> Implementation of the high performance organisation (HPO) philosophy.

> Rationalisation of retail outlets, production facilities and products.

> Reduction of electricity consumption through energy task team initiatives.

> Procurement pricing initiatives.

> Successful implementation of SAP at the welding equipment, welding consumables and speciality consumables factories.

> Improvement of 4.1% in productivity.

The full impact of these initiatives will be realised only in the 2010 financial year, although the cost to give effect to the initiatives has been incurred in 2009. The 2009 financial year operating results were negatively impacted by:

> Electricity price increases of over 30%, full price recovery not possible on certain tonnage contracts.

> Additional trade debtors impairment provisions and inventory impairment provisions resulting from product range rationalisation due to economic downturn.

> Impairments following the decision to close down part of the Afrox Safety business (R11 million).

> Realised losses resulting from forward exchange contracts amounting to R24 million (2008 gains of R48 million).

Sustainable results

Certain non-recurring items are considered material by nature or amount to the operating results and require separate disclosure.

> Cost associated with the right-sizing of the business in line with lower demand levels. Employee and contractor saving will realise an annualised saving of R94.5 million.

> Operations reviewed and decision taken to discontinue certain non–core activities.

> Devaluation of stock as a result of lower commodity prices.

Comparison of income statement	2009 R'm	2008 R'm	%
EBITDA	**838**	1 010	(17)
Net restructuring cost	**22**	15	
Other	**42**	(9)	
Sustainable EBITDA	**902**	1 016	(11)

After taking these items into account, the sustainable EBITDA margin for the year is 19% against the 18% of the previous year.

Segmental results

South Africa: Sales volumes declined between 5% and 13% for the different business units.

Revenue from operations within South Africa decreased by 16% from R4 869 million to R4 070 million, while EBITDA reduced by 23% from R817 million to R632 million. The EBITDA margin reduced from 18% in the previous year to 17% in 2009. All the adjustments above under sustainable results relate to South Africa. If the adjustments are made the sustainable EBITDA margin will be 19%, which is on par with the previous year.

Rest of Africa: This region has been affected by the economic downturn only during the second half of 2009. Sales volumes declined between 3% and 18% for the different business units. Revenue from operations within Africa decreased by 9%, while EBITDA increased 7%. Our Africa operations continued to perform and maintained margins, despite the global economic slowdown. Contributions to the Group EBITDA increased to 25% (2008: 19%). The biggest contribution to EBITDA was from Namibia with 6%, (up 2%) followed by a 5% contribution from Zambia. Botswana, Malawi, Lesotho and Swaziland all contributed 3%.

Finance expense: The net finance cost is R171 million compared with R121 million for the previous year, a 41% increase. Interest capitalised was R3 million (2008: R25 million), substantially lower than the previous year as the major capital expansion programme was completed during 2008.

Income tax expense: Total direct income tax was R125 million compared to R207 million last year. The effective tax rate is 34.0% (2008: 32.6%). The higher than statutory tax rate was attributable mainly to higher statutory rates in the rest of Africa. Taxation paid amounted to R90 million normal taxation and R14 million secondary tax on companies, compared with R146 million and R27 million respectively in 2008.

Earnings per share: Basic earnings per share is 75.2 cents for the year, 44% down on the 133.7 cents of the previous year. Headline earnings is 74.6 cents (2008: 133.5 cents). Core headline earnings declined by 33% from the 135.2 cents in 2008 to 90.2 cents for the current year.

Reconciliation between earnings and headline earnings	2009 R'm	2008 R'm
Profit for the period	**232**	412
Adjustments for:		
– Profit on disposal of property, plant and equipment	**(9)**	(1)
– Net impairment of intangibles	**8**	—
Headline earnings	**231**	411
Reconciliation between headline earnings and core headline earnings		
Adjustments for:		
– Net restructuring cost	**16**	11
– Other	**31**	(5)
Core headline earnings	**278**	417

Cash flows: As alluded to above, a concerted effort was made to improve working capital. Capital expenditure was R307 million, down by R296 million on 2008, as the capacity expansion programme embarked on in 2005 reached its conclusion during 2008. During 2009, expenditure was restricted mainly to 'maintenance' capital expenditure. As a result of the above, borrowing reduced by R618 million from 2008. Cash generated increased 85% mainly in line with working capital inflows. Africa Operations generated cash from operations to the value of R207 million (2008: R137 million). Cash generated from operations as a percentage to EBITDA has improved to 147.1% from 65.8% reported in the previous year.

Free cash flow	2009 R'm	2008 R'm
Profit after taxation	**243**	427
Add: Depreciation and amortisation	**301**	257
Less: Investment in tangible and intangible assets (maintenance)	**(230)**	(276)
Add/Less: Changes in working capital	**422**	(337)
Free cash flow	**736**	71

Positive free cash flow due to improved working capital changes

Dividends: Afrox policy is to pay a dividend twice a year, interim and final, which should be covered twice by our earnings. An interim dividend of 19 cents was paid and a final dividend of 19 cents was declared.

Statement of financial position

Current assets: Optimising the levels of trade working capital was a key management focus area. The initiatives put in place during financial year 2008 to significantly reduce trade working capital have delivered the benefits in financial year 2009. Trade working capital (current assets, excluding cash and cash equivalents; and current liabilities excluding interest-bearing borrowings) is down R414 million (41%) from R1 000 million in 2008 to R586 million in 2009.

Net borrowings	2009 R'm	2008 R'm
Interest-bearing borrowings	**(1 127)**	(890)
Current portion of long-term borrowings	**(363)**	(500)
Bank overdraft	**(33)**	(285)
Gross debt	**(1 523)**	(1 675)
Cash and cash equivalents	**609**	143
Net borrowings	**(914)**	(1 532)

Gearing showed a pleasing improvement to 21.1% (2008: 31.7%) as net borrowing levels declined. During 2009 Afrox refinanced debt that had matured. It was replaced by three term loans, two bullet repayment loans maturing in one and three years, and another with annual part repayment over four years. This refinancing took place during the liquidity crisis and a conservative approach was taken. The Group met all its borrowings covenants at measurement dates. The Global Credit Rating agency accorded the Group a long-term credit rating of A+ and a short-term rating of A1, which is very positive in the current economic climate.

Conclusion

Although the current financial year has been challenging for Afrox, we are confident that our company is structured to ensure a sustainable future.

Cor van Zyl
Financial director

18 February 2010

Group overview

Trading conditions in 2009 were extremely tough. The substantial collapse in demand experienced in the last quarter of 2008 continued in the first half of 2009, bottoming out marginally in the second half of the year as supply levels to the key automotive, manufacturing and mining sectors remained subdued.

For the 12 months, volumes, production and labour costs, generally, were subjected to negative market forces. Sales and volumes across the full product range were down while commodity prices, continued major customer capex containment and increased competition exerted extreme pressure on the bottom line.

As a company with exposure across the economic spectrum Afrox is a reasonable barometer of the health of the South African economy and there is little doubt trading conditions will continue to be challenging for the foreseeable future. African Operations continue to perform well and hold out the prospect of growth and sustained future returns especially in the marine engineering, petrochemical and mining sectors.

Operational highlights of 2009

> Commissioning of a new special gases filling facility
> Improved operational efficiency of Tonnage plants
> Introduction of new burner technology and products
> CO_2 plant successfully commissioned
> Additional business wins in the face of fierce competition
> Retention of the bulk of SA government's Central State Tender.
> Improvement of productivity 4.1%.

Operational lowlights of 2009

> Deflation of business due to recession.
> Uncertainty in LPG market pending regulation
> Safety incidents remain unacceptable
> Increasingly aggressive competitor activity
> Reduced State medical gases contract
> Continued supply constraints and plant reliability concerns.

During the year, a number of necessary structural adjustments were made to reflect the fluid landscape in which we do business today. The reality of the global economic collapse necessitated a sharp reduction in headcount of more than 1 000 across the Group.

This was supported by a reduction in filling sites to boost efficiencies through more centralised operations and distribution network; the elimination of slow moving and minimally-profitable product lines; closure of unprofitable branches and introduction of a minimum delivery order value to drive further distribution efficiencies and improve service levels. In line with these measures, the business is focusing on centralising all filling, LPG and distribution operations in KwaZulu-Natal by 2013 when the current leases expire.

In the second half of 2009, continued flat demand across shrinking markets, with no upturn in prospect and increasingly determined competition, compelled a strategic operational refocus to enable the sales force, manufacturing and customer services the flexibility for rapid response to shifts in the market.

Training on product knowledge and customer service has been stepped up to support the introduction of new products and services into

2010. A renewed focus on safety was launched in view of the stress and strain the business was experiencing and the few recorded incidents during the year remain unacceptable.

The South African Government's Central State Tender (CST) was awarded in 2009 and covered the full range of gases required by government users – medical, industrial, special gases and LPG – in both bulk and cylinders. Afrox retained the bulk of the CST as the Treasury looked to expand its supplier base and drive down prices. Government users include, among others, the Departments of Health, Transport, Labour, Education, Public Works, SANDF and SA Police Services.

Tonnage operations migrated to SAP for scheduling and maintenance planning and progress is ongoing to have all plants remotely monitored to ensure greater all-round efficiency, with Kuilsriver, Lydenberg and Mondi online in early 2010. The components business went live on SAP and this concludes the rollout of SAP, which was implemented in 2008.

The move will enhance production planning and quality management capabilities and efficiencies at the welding consumables factory at Brits, the gas equipment factory at Germiston, the specialty electrode factory in Spartan and the Safety Rescue Division in Benoni. The components factories produce various welding products e.g. regulators, torches and wire, while the Safety Rescue Division produces self-rescue products for the mining industry. The manufactured products are supplied across Africa and also to various parts of The Linde Group worldwide.

Ongoing efficiency measures have cut the cost base of the business in excess of an annualised R200 million, which will reduce the cost of doing business.

Performance and prospects

Liquefied petroleum gas (LPG) volumes were down year-on-year reflecting the decrease in demand from key industries. Bulk LPG was down 20% compared to a nine per cent drop in cylinder volumes. These declines were slightly offset through organic growth and new customer gains in Richards Bay, the Western Cape, Cape Town and Lesotho, totalling nearly 2 000 tonnes. The LPG market continues to be impaired by rogue distributors, illegal filling and increased price sensitivity among domestic consumers and industrial customers. As a major supplier to the hospitality industry, this sector has seen a decline in volumes and rise in bad debt as consumers beat a spending retreat in 2009, although the FIFA World Cup in 2010 may provide some short-term relief to hard-pressed customers. This is against a backdrop of lower LPG prices as a result of the cost of crude oil and a strong Rand compared to the US Dollar. Further, the ready availability of product in South Africa through the course of 2009, with no increase in national consumption, sparked increased competition at the low-end bulk and in the cylinder market, leading to sales volumes attrition based solely on price. Expansion of the filling operations at Roodekop boosted LPG storage capacity to 600 tonnes to support more centralised and efficient distribution following the strategic closures of filling sites in other parts of the country. The third quarter saw the Department of Energy gazette working rules for legislation on setting the maximum price of LPG sold for domestic use, the impact of which is being assessed in terms of profitability. Afrox is considering all options in the run up to legislation being enacted.

Tonnage volume sales, generally, declined across the board in 2009 slightly offset by customers in the iron and steel sectors ramping up production

towards year-end. CO_2 availability continued to improve through 2009. The upgrade of the Sasol Benfield Column in early 2010 will result in an additional 100 tonnes per day available to the CO_2 market. A large contract was won within the mining sector for gold recovery, expected to boost oxygen volumes into 2010 and the business added two new bulk CO_2 customers in the soft drinks sector. An energy management initiative conducted in 2009 resulted in a 14% reduction in electricity usage, lower production costs through increased operational efficiency and a reduced carbon footprint. Electricity costs currently make up more than 50% of the ASU production costs. Substantial opportunities still exist for more energy efficiencies and to achieve even greater cost savings. Plant reliability remains a key focus.

As the market leader in medical gases and related products, Afrox continued to come under increased pressure from competitors. As a result, medical gases volumes were down 10% year-on-year, mainly on the back of the loss of the Free State, Limpopo, Mpumalanga and North West provinces in the government's Central State Tender. Focus on the private healthcare and homecare sectors continue. Additional resources were allocated as the Company redoubled efforts in customer-focused product sales, services and new applications. Exports of the integrated valve regulator are growing and Afrox is now a supplier to Linde Group companies worldwide.

Compressed gases volumes continued to track well below 2008 levels. Dissolved acetylene, refrigerants, scientific gases, helium, oxygen, nitrogen, argon and packaged chemicals were down 20%. Cylinder rental revenue proved only marginally more resilient. The re-engineering of the gases operations centre (GOC) in Germiston has brought industrial gases, helium and medical gases facilities to international standards. The site now caters for the supply of up to 6 000 cylinders to customers per day and the production of acetylene and nitrous oxide on site. GOC has the only acetylene massing plant in Africa and is the largest automated cylinder-filling hub on the continent. The fourth quarter also saw the commissioning of a new special gases filling facility at GOC and is expected to positively impact this market segment in 2010 with production of gas mixtures previously imported and online analytical capabilities slashing lead times. The new plant will also see the introduction of The Linde Group's speciality gases and speciality equipment brand, HiQ, into the African market. During the year new burner technology was successfully introduced into South Africa which resulted in a contract to supply the biggest dissolved acetylene installation in the southern hemisphere. Afrox also won a contract to supply Transnet's new multi-products 520km pipeline from Durban to Heidelberg due for completion in August 2010.

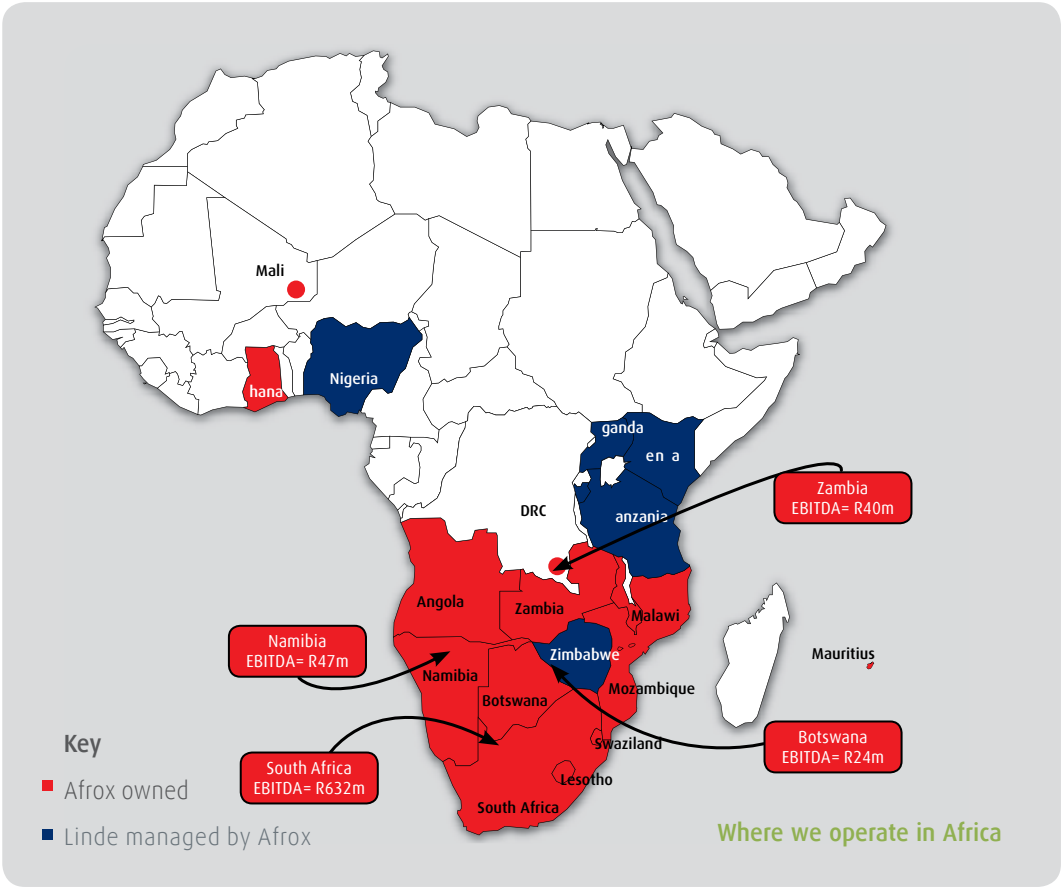
Gas equipment and welding consumable sales came under severe pressure, down 30% and 11% respectively, in the face of cheaper imports versus local manufacturing costs and continued supply constraints at the Brits factory; this despite improved service levels and record output of MIG6000 and MIG3000 in September. This market has been a particular challenge amid strong competition, with many customers delaying capital purchasing decisions pending an upturn in the economy. This was particularly the case for the fabrication and automotive sectors. Following a major rationalisation project in early 2009, a large number of redundant, non-profitable and slow-moving hard goods were phased out while the range of made to order products were fully optimised; leading to improved working capital, reduced stock levels and efficiencies in the cost to serve customers. It has also allowed the business as a whole, manufacturing and sales in particular, to focus efforts and improve service levels. Other significant business in 2009 include contracts to supply consumables to Eskom's Kusile and Medupi coal-fired power station projects and gases and welding products for the infrastructure construction for the Gautrain project to support the 2010 FIFA World Cup, with ongoing supply prospects up to completion.

With added recessionary pressure on debt collection and driving focus on improved customer service, the national Customer Service Centre (CSC) in Germiston successfully tightened operations in 2009 in line with its vital cash flow responsibility. With a staff complement of more than 200 people the CSC is justifiably one of the most advanced and complex units within Afrox. It has evolved into the focal point for the business/customer interface, handling debt collection, statements, credit control, general queries and processing orders. In response, this key operation has cut call-handling time for orders by 50%, making and receiving more than two million customer interactions in 2009, processing 80 000 customer receipts and, on average, 1 000 credit notes each month. In 2009, the CSC collected approximately R400 million every month from over 40 000 active customers and

23 000 orders. Current projects being rolled out into 2010 to further enhance the customer experience include self-service, e-shop, direct debits, e-billing, first-contact query resolution, credit card payments and auto-allocation of payments to invoices.

Rest of Africa

Africa, generally, is considered an engine for growth attracting major inward investment in the oil, mining and telecoms sectors and related services with additional spin-offs in infrastructure spend and consumer related markets. Afrox is now well positioned to take advantage of growth opportunities in these key sectors. Despite the real impact of the global economic downturn, Afrox's African Operations faced challenging conditions in the second half but continued to achieve very good results, contributing 25% to



Where we operate in Africa

the Group's EBITDA. In this reporting period revenue was 9% down while EBITDA inceased 7% in the main due to a concerted management effort to streamline local enterprises, the full and timely benefit of which was felt in 2009.

Overview, performance and prospects

Namibia: Operating out of the capital city Windhoek, Afrox supplies the full range of gas equipment and welding products, enjoys a large share in the medical gases and the domestic LPG markets. In 2009 the business also won a multi-million rand contract to support local mining operations in the Erongo region. On the telecoms front, Afrox has linked up with UK-based Diverse Energy to conduct field trials of a new hi-tech power plant that utilises ordinary ammonia to extract hydrogen as a fuel source to efficiently power cell phone towers that have no access to main grid electricity. The first field trials are taking place in a remote area of Namibia in 2010 and hold the promise of a low-cost, environmentally friendly solution for power in rural areas that will significantly expand Afrox's customer base and lower the cost of ammonia in the emerging African markets, where it is traditionally used in fertilisers and refrigeration.

Economy: Mining accounts for about 8% of GDP but provides more than 50% of foreign exchange earnings. Rich alluvial diamond deposits make Namibia a primary source for gem-quality diamonds. The country is the fourth-largest exporter of non-fuel minerals in Africa, and the world's fifth-largest producer of uranium, as well as large quantities of zinc, lead, silver, tungsten and tin.

Malawi: Afrox is based in the capital city of Blantrye and in the main derived revenues from the major sugar and tobacco growing sectors. The business is also looking to expand its LPG offer for domestic use in view of the energy constraints facing the country.

Economy: A landlocked country Malawi is among the world's most densely populated and least developed countries. The economy is predominantly agricultural with about 85% of the population living in rural areas. Agriculture accounts for more than one-third of GDP and 90% of export revenues.

Mozambique: In 2009 our former operations of Afrox Mozambique and Petrogas were amalgamated under the Afrox brand. Based in Maputo, operations focus on current government infrastructure projects, roads, port upgrades and an emerging manufacturing base. Sugar, fisheries and tourism also provide opportunities.

Economy: The situation is such that the government is largely dependent upon foreign assistance for much of its annual budget and the majority of the population remain below the poverty line. Subsistence farming continues to employ the vast majority of the country's work force, but more recently displaced farmers from Zimbabwe have begun to develop a sustainable agriculture base, creating new opportunities for our local business in the years ahead. A substantial trade imbalance persists although the opening of the Mozal aluminium smelter and Sasol's investment in the Temane and Pande gas fields and pipeline to Secunda in South Africa, have increased export earnings.

Zambia: The performance of our business mirrored the economic crisis in that country following the collapse and year-end recovery in the price of copper during 2009. Afrox Zambia is a key supply chain provider to our businesses in Malawi and the DRC. Operating out of Lusaka, primary markets include sugar, mining, domestic LPG and the smelting sector.

Economy: The economy has experienced strong growth in recent years, with real GDP growth in 2005 – 08 about 6% per year. Privatisation of copper mines in the 1990s provided the government with relief from covering huge losses generated by the industry and greatly improved the chances for copper mining to return to profitability and spur economic growth. However, the decline in world commodity prices and demand hurt GDP growth in 2009, and elections and campaign promises weaken Zambia's improved fiscal stance.

Angola: Our fledgling business in Angola continues to make steady progress despite inflationary pressure impacting on operating costs. Based in the capital city of Luanda, Afrox Angola nearly doubled turnover and profits in 2009, albeit off a low base. Expectations are strong for future earnings as the Angolan authorities continue to invest and diversify the economy. Infrastructure development and rebuilding of the country's assets are still ongoing despite the global economic downturn. Major projects and investments present numerous business opportunities. Among these are a US$10 billion LNG plant in northern Angola, a new

US$6.5 billion oil refinery south of Luanda and new sugar mills in the central region valued at US$250 million. Infrastructure projects include a US$2.5 billion bridge and road network over the Congo River, three new dams with hydroelectric power stations set for completion in 2016, a new international airport in Luanda and numerous projects in the education and healthcare sectors. Angola's push to boost tourism also holds out the promise of real growth in the hospitality sector.

Economy: The country's high growth rate is driven by its oil sector, which has taken advantage of high international oil prices. Oil production and its supporting activities account for about 90% of GDP. To take full advantage of its rich national resources gold, diamonds, extensive forests, Atlantic fisheries and large oil deposits – the Angola government is actively seeking to implement reforms, increase transparency and reduce corruption.

Air separation units are core to our business

Air Waste nitrogen Nitrogen Oxygen

Air is a mixture of nitrogen and oxygen. This accounts for 99%. The remainder is argon, carbon dioxide and other rare gases of neon, xenon and krypton. Oxygen, nitrogen, argon, as well as the rare gases are obtained from the air by the method of low temperature rectification.

Before the air is separated into its gaseous components, it must be filtered to remove impurities. The compressed air is then cooled to a temperature of minus 180°C. As it expands in the separation columns, it is cooled down further and starts to liquefy.

Safety, health, environment and quality

Afrox's SHEQ policy

In Afrox we value the health and safety of our employees and all who come into contact with our business. We do not want to harm or damage the environment and are committed to supply high quality and safe products to our customers.

SHEQ is an integral part of how Afrox does business. The Linde Group and Afrox SHEQ policy, as well as the Afrox Spirit, commits to these principals and covers all operational aspects and activities that could influence the safety and health of our people and the environment in which we operate.

To achieve the vision of being the leading gases and welding company in sub-Saharan Africa, Afrox personnel are required to take personal responsibility for SHEQ and apply the policy in their day-to-day behaviour and decisions.

Business priorities and key strategies are defined and understood by all personnel. Detailed goals and targets are defined and articulated in a business scorecard. The scorecard includes SHEQ roles and, in line with the aspirations of a high performance organisation (HPO), is cascaded down the business to unit, plant, factory, site and individual level.

Afrox strives to become truly leading in SHEQ by developing action plans and improvement programmes at all sites annually. Local SHEQ plans consider company policy and business objectives as well as The Linde Group's SHEQ strategy so that the plans are in line with key risks. SHEQ considerations are integrated into business plans for all current and future operations and developments.

Management system

Afrox has a well developed and integrated SHEQ management system based on the principles of OHSAS 18001, ISO 9001 and ISO 14001 and incorporates the requirements of other standards such as the Railway Safety Regulator, SANAS, ISO 17020 and EN 13485. The system allows for SHEQ audits, risk assessments and management reviews and also facilitates employee involvement in SHEQ risk management, compliance with industry requirements, compliance with local and national legislation and for the implementation of operational best practice in all areas of SHEQ. The management system also aims to respect the right of all people as well as Company stakeholders to a healthy environment. By managing the environmental impacts of daily operations, the Company contributes towards the preservation of the environment and to sustainable development. Our standards are documented in the Company's integrated management system standards (IMSS).

Certifications

Significant progress was made during the year with regards to streamlining the certification process within the Company. Due to restructuring activities within the Company, many certifications have been altered, amalgamated or become redundant. The regional sales structure has resulted in there now being six regional ISO 9001 certificates and a single certificate for Supply Chain. The aim is to ultimately combine all ISO 9001 certifications under one umbrella certificate. Similarly for ISO 14001 and OHASAS 18001, the certificates have been modified to accommodate the revised structure.

During 2009, the Afrox African Operations with ISO 9001 certification were able to retain these certificates. These countries are Malawi and Zambia.

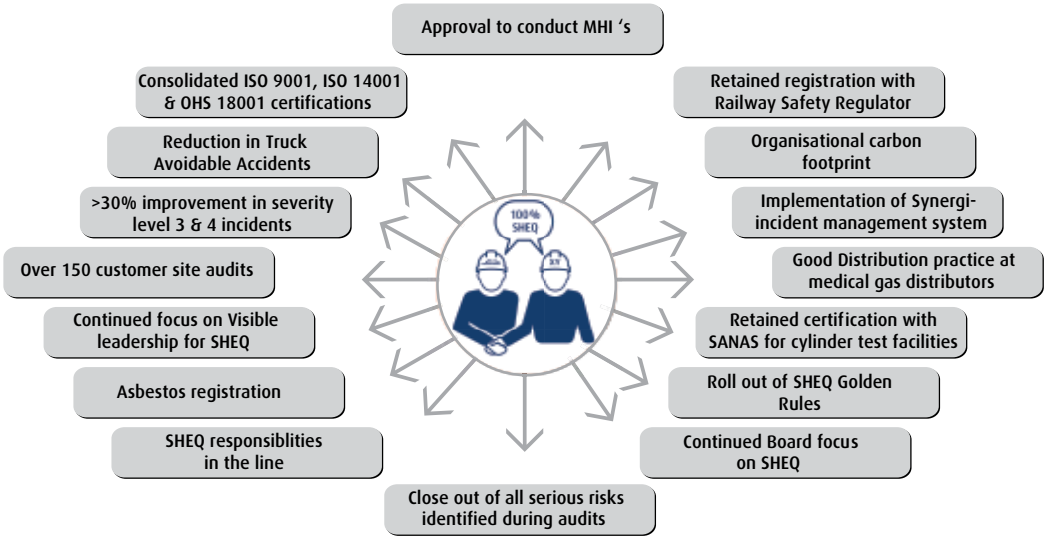
Medicines Control Council (MCC) and SANAS certifications for the supply of medical gases and cylinder testing, respectively, were also retained during 2009. Good Distribution Practice (GDP) was implemented at distributors supplying medical gases on Afrox's behalf during the year.

The supply of food-grade carbon dioxide to the beverage industry requires compliance with the HACCP (Hazard Analysis and Critical Control Points) standard. During 2009, Afrox carried out initial risk assessments to this standard and established a project plan to implement the standard in 2010.

Afrox has successfully retained the Railway Safety Regulator permit for sites with private railway sidings. Each of these sites have implemented standards as per the Railway Safety Regulator standards, including risk assessments, safe operating procedures, emergency plans and preventative maintenance programmes, ensuring the safe operation of railway sidings.

Performance measurement

Critical SHEQ interventions are tracked and measured by means of eleven leading indicators. Performance targets are agreed with the business



and set at the beginning of the financial year and then monitored and reported to the executive committee monthly. Five new leading indicators were introduced in 2009 in order to track performance with regards to visible leadership, compliance relating to flammable liquid licences and MHI approvals as well as customer site risk assessments and transport route analyses.

Four lagging indicators measure events that have taken place and indicate the past safety performance. During 2009 there was a significant deterioration in all the lagging indicators, with the exception of the truck avoidable accident rate (TAAR), which improved from the previous year.

Audit Manager, one of the pillars of IMSS is a database to capture and manage internal and external audit findings and to manage non-conformances. Afrox auditors use this to assess site processes and activities as well as the effectiveness of the implementation of the Company's management systems.

In January 2009, an incident management data base (Synergi) was implemented within the Company. This data base allows incidents to be logged, managed and trended electronically.

Behavioural SHEQ

Afrox's behavioural safety programme aims to improve SHEQ performance and to assist with achieving the company vision, "We do not want to harm people or the environment". The programme entrenches an interdependent behavioural approach to SHEQ. It also assists managers, supervisors and employees to understand the total integration of all our SHEQ systems and standards and to implement them effectively.

The LeadSafe behavioural assessment tool as well as the visible leadership matrix is used by leaders to demonstrate their visible leadership for SHEQ, and their care and concern for the well being of employees. Through this approach leaders recognise and support safe behaviours, address and change unsafe behaviours, and motivate employees at all levels in the organisation.

The SHEQ RoadMap is used to identify Afrox's current status in terms of the effective implementation of various SHEQ components from a behavioural perspective. This strategic SHEQ tool helps the business units visualise world-class, high SHEQ performance and what it means to be "Leading" in SHEQ.

Legal compliance

Afrox personnel have access to legal requirements applicable to Afrox's activities via the Company SHE Legal Register, a SHE legal compliance checklist and the Afrox information centre's subscription to legislatory updates and SANS Standards. A SHE legal compliance checklist is maintained, based on external environmental, safety and health legal audits conducted at selected Afrox sites annually. Sites use this SHEQ legal compliance checklist to monitor and verify legal compliance at site level.

During the year, Afrox obtained registration to continue to supply acetylene cylinders containing

asbestos mass in accordance with a phase out plan submitted to the Department of Environmental Affairs.

Environmental management

Afrox's environmental management system is well developed and fully integrated into the Company SHEQ system. Environmental standards have been developed and the requirements thereof implemented in order to ensure that specific risks applicable to water, waste, industrial effluent and hazardous chemicals are responsibly managed.

All sites monitor the consumption of water, electricity and raw materials monthly and keep an inventory of both hazardous and non-hazardous waste types generated and quantities disposed of. The development of an organisational and product greenhouse gas emissions assessment or carbon footprint was undertaken during 2009.

SHEQ sustainability

Sustainable development is an essential part of the Afrox values system. The Company supports care and respect for people, planet and prosperity and deem each of these three pillars of sustainable development of equal importance. A comprehensive SHEQ Sustainability Report has been prepared and can be accessed by the following link: www.afrox.com.

Corporate governance

Introduction

This report sets out the key governance principles and practices within African Oxygen Limited and its subsidiaries (the Group), one of which is fair, honest and understandable disclosure to both our internal and external stakeholders.

The Group and its directors remain fully committed to ensuring that sound corporate governance is a way of life within the Group and best practices are followed. Governance principles are incorporated into all the Group structures, systems and policies. These are constantly reviewed and where required, adapted or augmented to progress with internal and external developments. The Group fully endorses the principles of openness, integrity and accountability advocated by the Code of Corporate Practices and Conduct set out in the King II (the code) report.

A corporate culture of compliance with applicable laws, regulations, internal policies and procedures is a non-negotiable and fundamental component of good corporate governance within the Group. The culture of responsible corporate citizenship established in each jurisdiction where we operate has played a key role in securing sustainable returns and provides all stakeholders with the assurance that the Group's business are being managed appropriately.

Developments in corporate governance

As part of the Group's commitment to good corporate governance, the Board has approved the establishment of a special executive committee in light of the publication of King III and the enactment of the new Company's Act No 71 of 2008, both of which will be effective in 2010. The main purpose of the committee is to:

> Review the new requirements

> Advise the Board of the steps or changes required to ensure full compliance.

Statement of compliance

The Listing Requirements of the JSE require that companies report on the extent to which they comply with the principles incorporated in King II. Based on the information set out in this corporate governance statement, the Board believes that throughout the accounting period under review, the Group, except as otherwise provided herein, has applied the principles of King II and complied with the provisions set out in the Listing Requirements of the JSE.

Board

Structure of the Board

Afrox has a unitary Board structure. It comprises of non-executive directors, the majority of which are independent, and executive directors.

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 II, 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 from time to time to keep up with best practice and will be amended to take into account the changes brought about by King III and the new legislation.

Board of directors

The Board of directors is responsible to shareholders for setting the direction of the Group by establishing strategic objectives and key policies. The Board monitors compliance with the approved policies and achievement against objectives through quarterly performance reporting and budget updates.

The Board meets formally four times a year and holds ad hoc meetings whenever necessary. Where directors are unable to attend Board meetings, they communicate comments they may have regarding the agenda and general items.

The agenda and relevant supporting documents are distributed to the directors well before each Board meeting. During the meeting, the appropriate executive director 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 26.

Composition of the Board

The Board comprises 12 directors, and is constituted as follows:

> *Three executive directors*
- Managing director – Mr TN Kruger
- Financial director – Mr CJPG van Zyl
- MPG Operations GM – Mr J Narayadoo

> *Four non-executive directors*
- Mr JK Masters – Chairman
- Mr J Nowicki
- Mr AM Watkins
- Ms KJ Oliver

> *Five independent non-executive directors*
- Mr LL van Niekerk
- Dr KDK Mokhele
- Mr SM Pityana
- Mr DM Lawrence
- Ms M Malebye

The chairman and managing director

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.

The chairman has no executive functions, but provides overall leadership of the Board and its committees. He, in conjunction with the Nomination, Governance and Management Resources Committee (NGMRC), monitors and evaluates the performance of the managing director to ensure that the strategic and operational objectives of the Company are achieved.

The Chairman is an executive of the controlling shareholder, Linde AG. Therefore in line with King II and III the Board appointed Mr LL van Niekerk, an independent non-executive director, as the lead independent director.

Rotation of directors and confirmation of new appointments

At the annual general meeting to be held on 20 May 2010, shareholders will be asked to confirm the reappointment of Mr D Lawrence, Mr J Nowicki, Ms K Oliver and Ms M Malebye who will retire in accordance with the company's articles of association but who, being eligible, have offered themselves for re-election.

Selection and succession planning

The NGMRC 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 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.

Following the resignation of Mr MM Manjingolo as the company secretary effective 31 January 2010, Ms A Meer-Seedat has been appointed as the acting company secretary.

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 at yearly intervals. The chairman is required to assess the performance of individual Board members and the Board is required to evaluate the chairman, based on several factors including expertise, enquiring attitude, objectivity and independence, judgement, understanding of the Group's businesses and commitment.

The independent Board assessment conducted in 2009 was generally positive. The following areas were identified as requiring improvement:

> The tact and chairing skills of the chairman was commended and a recommendation that a succession plan be implemented in the event of his retirement to ensure continuity in respect of board meetings.

> Strategic issues are dealt with at each board meeting; however, a recommendation was put forward for additional meetings to be held dedicated to strategy alone.

The company secretary

The Board 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 secretary to all Board committees.

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. 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 31.		
Governance and MRC D Lawrence (Chair) L van Niekerk K Masters Dr K Mokhele	**Part I – Management resources** > To determine and make recommendations to the Board on the framework, policy and costs of executive and senior management remuneration. Determines and recommends the remuneration strategy to ensure that executive directors and other senior employees are adequately remunerated. > Refers specific recommendations for independent director remuneration to the Board for deliberation. No person is involved in any decision as to his or her own remuneration. > Reviews and advises on the general principles under which compensation, pension, training, succession plans and performance management are applied to senior employees of the Group. > Review the rules of any share option, share appreciation rights or share rewards scheme operated by the Company. > Monitors and reviews the Company's retirement funds to ensure compliance with current best practice standards, industry practices and legislation.	Four non-executive directors, the majority of whom are independent	Meets twice a year (this will increase to three times a year from 2010)
Governance and MRC	**Part II – Nomination and corporate governance** > Monitors and reviews the Company's policies, practices and compliance with corporate governance principles and regulations. > It serves as a nomination 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 director 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; and · 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.		Three times a year

Committee	Purpose	Composition	Meetings
SHEQ Dr K Mokhele (Chair) L van Niekerk A Watkins	> Ensure 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. > Review the policies and performance of Afrox and the implementation of safety, health, environment and quality policies. > Consider and provide guidance to the Board on major safety, health, environmental and quality projects. > Ensure that the Board is informed about all significant impacts on the Company in the safety, health, environment and quality field and how these processes and activities are managed. > Consider substantive national and international regulatory and technical developments in the field of safety, health, environment and quality. > Monitor the Company's safety, health, environment and quality performance, progress continuous improvement.	Three non-executive directors, the majority of whom are independent	Meets three to four times a year
Transfor-mation S Pityana (Chair) Dr K Mokhele K Masters	> 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	Meets four times a year

Employee relations

Encouragement of employee participation is a high priority. The Company has adopted several participating structures on issues that affect employees. Licence to work ensures every employee is competent in his/her job within specific timeframes. Learning needs are identified through the development of competency profiles for specific jobs.

Afrox's HIV/Aids policy was implemented in 2003 and to date 58% of employees have undergone HIV/Aids awareness training. Further information on Afrox policies are available on www.afrox.com.

Employment equity

Afrox stands for equal opportunity and fair treatment and strives for a workforce composition that reflects the demographics of South Africa. Its employment equity strategy forms part of the annual strategic planning process and is reported on and reviewed at monthly executive management meetings, chaired by the managing director. Employment equity issues, legislative compliance and numerical target levels are set in consultation with the transformation committee and consultative forums. Consultation and dialogue are used to address the results of employment equity audits and progress towards targets. Afrox's HR strategy covers recruitment, employee development, performance management, retention and cultural diversity. Managers and consultative forums are well versed in the Employment Equity Act. Senior managers are held accountable and are responsible for reaching employment equity goals.

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

Board attendance	Board	Audit committee	Governance and management resources committee	SHEQ committee	Trans-formation committee
Number of meetings held during the financial period	**4**	**3**	**2**	**3**	**4**
Tjaart N Kruger+ *Appointed 1 April 2007*	4	3	2	3	4
David M Lawrence** *Appointed 1 December 2005*	4	1	2		
Morongwe Malebye** *Appointed 20 December 2007*	3	3			
Kent Masters* *Appointed April 2005*	4	3	2		4
Dr Khotso Mokhele** *Appointed December 2005*	4		2	3	3
Jürgen Nowicki* *Appointed 4 April 2007*	3	2			
Karen Oliver* *Appointed 28 December 2007*	3				
Sipho Pityana** *Appointed 1 December 2005*	4				4
Louis L van Niekerk** *Appointed 24 February 2005*	3	3	2	3	
Cor van Zyl+ *Appointed 27 February 2004*	4	2			3
Alan Watkins* *Appointed 4 April 2007*	3			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 conduct regular roadshows and presentations and maintain contact with fund managers and institutional investor representative bodies on socially responsible investment and triple bottomline issues, and initiate one-on-one interactions and briefings with interested investors, both locally and from overseas.

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 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 39 to 43 and 52 to 110 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.

Social responsibility

The Company has a strong culture of social responsibility. The objective is to assist wisely and constructively by building our people and our projects, thereby making a sustainable difference to society. A more detailed report appears under corporate responsibility on page 32.

Risk Management Report

The Company is in the final stages of embedding risk management into the business processes in line with our Risk Management Framework as approved by the Board in 2008 and remains committed to mitigating significant risks facing the business to ensure that business objectives are met.

During the year 2009 the following key milestones were achieved in respect of embedding risk management into the business:

> Identification of 2009 business significant risks which involved identifying significant risks at both strategic and operational levels across all business units and then assessing the significance of the risks in terms of their impact/effect on the achievement of business objectives and the likelihood of their occurrence.

> Reporting and reviewing of significant business risks by all risk governance structures, (i.e. Executive Committee, Audit Committee and the Board)
> Reviewing of the progress and effectiveness of risk mitigation plans to mitigate business significant risks identified as part of the respective risk owners' business operational reviews

Significant risks and mitigation plans identified for 2010 which may, have potentially either a negative or positive impact on the achievement of the Company's objectives are listed in table 1.

Insurable and risks of a hazardous nature:

Comprehensive insurance to cover insurable risks remains in place in line with our insurance strategy which encompasses:

> Being part of The Linde Group global insurance programme which provides ability to access wider insurance coverage at competitive rates;
> Absorbing low level and predictable losses at business unit level, in any one underwriting period. Only major/catastrophic losses are insured with third parties through The Linde Group Global insurance programme;
> Using the contingency policy (self-funding) to absorb high deductibles in the global insurance programme and;
> Using a competent local broker to provide insurance consultancy and claims handling services.

Conclusion

Based on the various risk management initiatives in 2009 the Group is on track in identifying and mitigating significant business risks, aligning risk appetite with strategy, enhancing risk response decisions, reducing operational surprises and losses, seizing opportunities presented by the business environment in which we operate as well as improving deployment of capital in line with significant risks identified. This assessment is based on formal workshops conducted by the business to identify risks, self-assessments conducted on our risk management maturity level and reviews performed by internal audit.

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 19 to 21.

Internal controls

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

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

A controls template has been developed for the key financial and operational processes. Responsibilities for controls in the processes have been clearly defined and agreed with the appropriate senior managers. Compliance is

Table 1: Risks and mitigation plans

Risks description	Key risk mitigation initiatives
Downward or upward movement of the global economy and industrial output	> Focus on reducing cost base to mirror the reduced volumes > Continue monitoring the situation to be prepared for a further decline or sudden recovery > Ensure focused sales force and marketing team in place to exploit opportunities > Continue protecting liquidity by managing cash proactively
Plant reliability and capacity	> Continue with plant maintenance programme > Investments in new plants to improve capacity in line with demand
Scarcity of skills	> Implement a staff retention scheme which amongst other things includes competitive remuneration practices > Ensure succession planning is in place > Continue with robust individual development plans and training
Competitor activity and changing customer preferences	> Understand competitor activity and consumer trends > Ensure appropriate strategies are in place to respond to threats from competition and changing consumer preferences in line with competition legislation

tested by management self-assessments, internal audit and external audit reviews.

As part of management's continued commitment towards establishing an effective system of internal control, we have a refocused initiative to holistically review all business controls. The aim is to ensure that business controls are in place to facilitate the orderly and efficient conduct of the business, the adherence to internal policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

The key output from this ongoing initiative is the development of business control scorecards that are updated and reviewed on a continuous basis and lays the foundation for the timely identification of areas where controls are not operating as intended and where immediate corrective actions are required.

Internal audit

The internal audit department is an independent function with an operational reporting line into The Linde internal audit department. It examines and evaluates the Group's activities for its appropriateness, adequacy and efficiency of the systems of internal control and resultant business risks. Relating to the audit committee charter, the head of internal audit is responsible for reporting to the audit committee and has unrestricted access to its chairman and the managing director of the Company.

Audit plans are formulated based on the assessment of the key risks within the organisation. Every assignment is followed by a comprehensive report to management, which indicates the associated risks per finding and includes recommendations for improvement. Examples of the type of audits performed are:

> baseline control reviews;
> process control reviews;
> follow-up reviews;
> management requests; and
> special projects.

Significant business risks and weaknesses in the operating and financial control systems are

highlighted and brought to the attention of the senior management, audit committee and the external auditors. The audit work plan is presented in advance to the audit committee for review and progress against the plan is monitored at the meeting.

Employees and associates are able to report suspected irregularities anonymously via the Group's Integrity Line, a 24-hour helpline that is managed by an independent service provider. The internal audit team is responsible for managing the investigation of reported incidents independently and informing the audit committee of the results.

Ms A Meer-Seedat

Acting Company Secretary

18 February 2010

Audit committee report

Introduction

The Audit Committee has pleasure in submitting this report, as required by the new section 270A of the Companies Act (introduced by Corporate Laws Amendments Act 2006).

Functions of the Audit Committee

In line with its terms of reference approved by the Board of Directors and as required by the Companies Act, the Audit Committee performed the following functions during the year under review:

> reviewed the interim and year-end financial statements, culminating with a recommendation to the Board;

> reviewed the external auditors reports, after year-end financial audit;

> reviewed internal audit and risk management reports, and made recommendations to the Board;

> 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, makes recommendations on effectiveness of internal controls;
- authorising the audit fees;
- evaluating the effectiveness of risk management, controls and the governance processes;
- acting as the Audit Committee of all its subsidiaries;
- reviewed the terms of reference of the committee as part of an annual exercise;
- dealt with concerns or complaints relating to:
  - Accounting policies
  - Internal audit
  - The audit or content of Annual financial statements
  - Internal controls.

Members of the Audit Committee

The membership of the Audit Committee consists of three independent non-executive directors: Ms M Malebye; Mr D Lawrence, and Mr L van Niekerk, who chairs the Audit Committee.

Frequency of meetings

The members of the Audit Committee met three times in the financial year under review. Provision is made for additional meetings to be held, when and if necessary.

Persons "in attendance" and "by invitation"

The internal and external auditors, in their capacity as auditors to the Company, attended and reported at the meetings of the Audit Committee. The risk management function was also represented. The chairman of the Board and executive directors attended meetings of the Audit Committee on a "by invitation" basis.

Closed meetings

The Audit Committee has had closed meetings with the internal and external auditors at the end of each Audit Committee meeting.

Independence of auditors

During the year under review the Audit Committee reviewed a report by the external auditor and, after conducting its own review, confirmed that it was satisfied that the Auditor was independent of the Company.

Expertise and experience of the financial director

As required by the JSE Listing Requirements 3.84(h), the Audit Committee has satisfied itself that the financial director has the appropriate expertise and experience.

Mr LL van Niekerk

Chairman of the Audit Committee

18 February 2010

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 one of 67 companies in 2009 to be included in 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 CSI strategy is aligned to long-term business objectives.

Donations

Afrox donates 1% of the previous year after-tax earnings. In this financial year donations amounted to R4.2 million. 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	R
Educational institutions & bursaries	554 428
Maths & Science programmes	1 740 000
Welding Schools	92 179
Environment	218 648
Product donations	76 791
Big projects	116 800
General requests	69 171
Community involvement programme	991 980
Corporate donations	382 944
Total	**4 242 941**

Community involvement programme

This is a comprehensive hands-on CSI programme based on empowerment, consultation and partnerships with financial support from the Company. Employees volunteer their time and talents to help their local communities. The CIP is an employee-driven initiative which now supports and manages 74 projects offering help to 8 000 disadvantaged children throughout South Africa and in 12 other African countries.

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.

Projects 2009	Number
Orphanage/place of safety/care centre for orphaned, abandoned, abused or destitute children, many of whom are living with HIV/Aids	41
School/crèche/aftercare facility	18
Centre for physically and/or mentally disabled children	7
Youth sports club	2
Drug rehabilitation centre for teenagers	3
Children's feeding scheme	3
Total	**74**

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

Contents

Shareholders' profile *for the year ended 31 December 2009*

Group of shares	Number of shareholders	% of shareholders	Holdings	% of issued share capital
Profile at year-end:				
Individuals and deceased estates	4 026	71.65	9 225 060	2.69
Corporate bodies	93	1.66	145 296	0.04
Banks and nominee companies	1 042	18.54	59 940 241	17.48
Insurance, investment and trust companies	96	1.71	16 289 342	4.75
Pension, provident funds and trusts	209	3.72	47 939 648	13.98
Private companies	142	2.52	1 859 687	0.54
Public companies	11	0.20	207 453 636	60.52
	5 619	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 2009 were:

Beneficial 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) Limited (held as treasury shares)	34 285 308	10.00
Investec Asset Management	31 772 182	9.27
Allan Gray Investment Council	27 285 597	7.96
Oasis Asset Management	11 954 121	3.49
Coronation Fund Managers	7 919 848	2.31
Government Employees Pension Fund (previous Public Investment Corporation)	7 483 250	2.18
	293 746 719	85.68
Other shareholders	49 106 191	14.32
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 2009, as defined in the Listing Requirements of the JSE Limited, was as follows:

	Number of shareholders	% of total	Number of shares held	% of total
Shares held outside the Group	5 604	99.73	135 517 430	39.53
Shares held within the Group	15	0.27	207 335 480	60.47
Strategic holdings (more than 10%)	1	0.02	173 046 413	50.47
Directors' holdings	11	0.20	1 552	0.00
Own holdings and share trusts	3	0.05	34 287 515	10.00
	5 619	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	2009 Amount per share (cents)	2008 Amount per share (cents)
164	21 August 2008	17 October 2008	20 October 2008	24 October 2008	27 October 2008		42.0
165	26 February 2009	16 April 2009	17 April 2009	24 April 2009	28 April 2009		25.0
166	27 August 2009	16 October 2009	19 October 2009	23 October 2009	26 October 2009	**19.0**	
167	18 February 2010	16 April 2010	19 April 2010	23 April 2010	26 April 2010	**19.0**	
						38.0	67.0

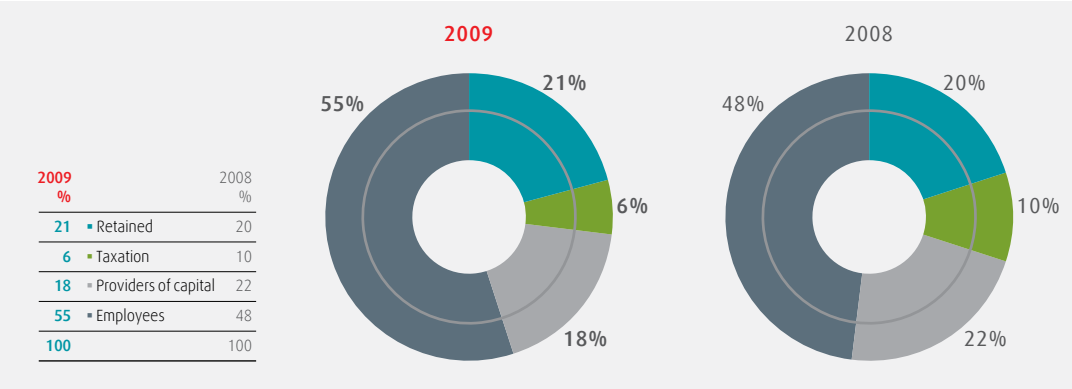
Statistics	December 2009	December 2008	December 2007	December 2006	December 2005
Share price (cents)					
– Closing	**2 200**	2 425	3 221	2 950	2 330
Ordinary shares in issue at financial period end ('000)	**342 853**	342 853	342 853	342 853	342 853
Number of shares traded ('000)	**64 360**	69 911	84 221	45 268	59 266
Value of shares traded (R'000)	**1 424 366**	1 827 744	2 081 844	1 292 307	1 378 245
Number of shares traded as a percentage of shares issued	**18.8**	20.4	24.6	13.2	17.3
Earnings yield (%)	**3.1**	5.0	5.8	9.4	17.3
Ordinary dividend yield (%)	**1.7**	2.8	3.1	3.0	3.4
Price: Basic earnings ratio	**32.5**	20.2	19.1	10.6	5.8

Value added statement *for the year ended 31 December 2009*

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 and, how it was distributed and retained.

	2009 R'm	%	2008 R'm	%
Wealth created				
Revenue	**4 795**		5 666	
Cost of goods and services	**(2 892)**		(3 674)	
Value added	**1 903**		1 992	
Finance income	**27**		36	
Income from investments	**2**		2	
Wealth created	**1 932**		2 030	
Wealth distributed and retained				
Employees				
Salaries and benefits	**1 065**	**55**	982	48
Providers of capital	**345**	**18**	444	22
Finance costs	**198**	**10**	157	8
Minority interest	**11**	**1**	15	1
Ordinary dividends	**136**	**7**	272	13
Taxation	**125**	**6**	207	10
Retained in Group activities	**397**	**21**	397	20
Depreciation and amortisation	**301**	**16**	257	13
Retained income	**96**	**5**	140	7
	1 932	**100**	2 030	100
Value added ratios				
Number of employees	**3 558**		4 438	
Permanent	**3 439**		4 124	
Short-term and contractors	**119**		314	
Revenue per average permanent employee (R'000)	**1 268**		1 421	
Value added per average permanent employee (R'000)	**503**		500	

>Wealth distributed and retained



Five-year financial review *for the year ended 31 December 2009*

	2009 R'm	2008 R'm	2007 *** R'm	2006 ** R'm	2005 * R'm
STATEMENT OF FINANCIAL POSITION SUMMARY					
Non-current assets					
Property, plant and equipment	**2 729**	2 817	2 459	1 928	1 616
Other non-current assets	**357**	417	408	226	535
Retirement benefit assets	**653**	591	771	177	64
Deferred tax asset	**10**	6	3	2	3
Current assets (excluding cash and cash equivalents)	**1 438**	2 023	1 626	1 182	899
Total assets	**5 187**	5 854	5 267	3 515	3 117
Equity and liabilities					
Total equity	**2 827**	2 741	2 741	2 282	1 660
Non-controlling interest	**32**	39	27	23	12
Borrowings (including cash and cash equivalents)	**914**	1 532	1 025	83	362
Deferred tax liabilities	**562**	519	465	167	144
Current liabilities (excluding interest-bearing borrowings)	**852**	1 023	1 009	960	939
Total equity and liabilities	**5 187**	5 854	5 267	3 515	3 117
Net assets – excluding deferred taxation and retirement benefit assets	**3 672**	4 234	3 484	2 376	2 111
INCOME SUMMARY					
Revenue	**4 795**	5 666	5 849	3 914	5 754
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**838**	1 010	1 271	839	1 184
Depreciation and amortisation	**(301)**	(257)	(254)	(204)	(261)
Profit on sale of investment	**—**	—	—	362	1 085
Exceptional items	**—**	—	—	(5)	—
Operating profit	**537**	753	1 017	992	2 008
Finance (expense)/income	**(171)**	(121)	(89)	(22)	1
Income from associate	**2**	2	1	100	60
Profit before taxation	**368**	634	929	1 070	2 069
Income tax expense	**(125)**	(207)	(341)	(284)	(623)
Profit for the period	**243**	427	588	786	1 446
Non-controlling interest	**(11)**	(15)	(10)	(7)	(96)
Net profit for the financial period	**232**	412	578	779	1 350
Dividends declared (note 25)	**(136)**	(272)	(475)	(272)	(1 652)
Retained income	**96**	140	103	507	(302)
Cash flow summary					
Operating profit (before other operating income)	**537**	753	1 017	630	923
Cash generated from operations	**1 233**	665	994	734	954
Total capital expenditure (tangible and intangible assets)	**(307)**	(603)	(987)	(549)	(492)
Change in funding requirements	**(618)**	507	942	(279)	548

Restatements:

* *Disposal of major shareholding in Afrox Healthcare Limited.*

** *Disposal of remaining minority shareholding in Life Healthcare Group (Pty) Limited (which purchased Afrox Healthcare Limited)*

*** *15 months*

Five-year financial review *for the year ended 31 December 2009*

	2009	2008	2007 ***	2006 **	2005 *
	R'm	R'm	R'm	R'm	R'm
STATISTICS					
Total shares (excluding treasury shares)	**309**	309	309	309	309
Weighted shares	**309**	309	309	309	336
Ordinary share performance					
Basic earnings per share (cents)	**75.2**	133.7	187.5	252.5	403.6
Headline earnings per share (cents)	**74.6**	133.5	188.9	165.9	127.9
Dividends declared per share (cents) (note 25)	**38.0**	67.0	100.0	148.0	495.0
Dividend cover	**2.0**	2.0	1.9	1.7	0.8
Net asset value per share (cents)	**804**	782	730	713	538
Profitability and asset management					
EBITDA margin (%)	**17.5**	17.8	21.7	21.4	20.6
Return on net assets (%)	**13.6**	19.5	34.7	44.2	70.3
Net asset turn (times)	**1.2**	1.5	2.0	1.7	2.0
Return on shareholders' equity (%)	**8.3**	15.0	23.0	39.5	62.5
Return on capital employed (%)	**11.7**	16.6	29.9	41.9	68.2
Effective rate of taxation (%)	**34.0**	32.6	36.7	26.6	30.1
Liquidity and leverage					
Interest cover (times)	**3.1**	6.2	11.4	33.1	>(100)
Liability ratio	**0.7**	0.8	0.7	0.4	0.7
Current ratio	**1.7**	2.0	1.6	1.2	1.0
Gearing	**21.1**	31.7	24.1	3.3	16.9
Value added					
Number of permanent employees	**3 439**	4 124	3 848	3 200	2 983
Revenue per average permanent employee (R'000)	**1 268**	1 421	1 660	1 266	600
Profit before taxation per average permanent employee (R'000)	**97**	159	264	346	216

DEFINITIONS OF RATIOS AND TERMS UTILISED FOR RATIOS AND STATISTICS

Basic earnings per share: net profit for the financial period (net of tax) / weighted average number of ordinary shares in issue during the period

Headline earnings per share: net profit for the financial period (net of tax), goodwill impaired and profit and loss on disposal of property, plant and equipment, / weighted average number of ordinary shares in issue during the period

Dividend cover: net profit for the financial period / 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: capital and reserves, excluding actuarial gains/losses / number of ordinary shares in issue at period end

EBITDA margin: EBITDA / revenue

Return on net assets: operating profit / average net assets

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

Net asset turn: revenue / average net assets

Return on shareholders' equity: net profit for the financial period / average capital and reserves

Return on capital employed: operating profit / average capital employed

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

Borrowings: net interest-bearing debt

Effective rate of taxation: income tax expense / profit before taxation

Interest cover: operating profit / net finance (expense)/ income

Liability ratio: gross borrowings and current liabilities / total equity and liabilities (excluding borrowings and current liabilities)

Current ratio: current assets to current liabilities

Gearing: borrowings / total capital employed

Revenue per employee: revenue for the financial period / average number of permanent employees

Profit before taxation per employee: profit before taxation / average number of permanent employees

Report of the directors *for the year ended 31 December 2009*

The directors have pleasure in submitting their report and the Group annual financial statements for the year ended 31 December 2009.

In the context of the financial statements, the term "Group" refers to African Oxygen Limited (Afrox) as the Company, its subsidiaries and its interests in the associate.

The names of the subsidiaries and associate appear on page 109 to 110.

NATURE OF BUSINESS

Afrox is an integrated, full-spectrum gases and welding products business, operating in sub-Saharan Africa. It provides 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 JSE Limited (JSE) and its secondary listing on the Namibian Stock Exchange (NSX). The abbreviated name under which the company is listed on the JSE is "AFX" and on the NSX is "AOX". The Company's JSE clearing code is ISIN: ZAE000067120.

AUDIT COMMITTEE REPORT

In line with its terms of reference approved by the Board of directors and requirements of section 270A of the Companies Act (introduced by the Corporate Laws Amendments Act 2006), the Audit Committee confirms that it has discharged all of its responsibilities contained therein (refer to page 31 for details of functions performed by the audit committee).

FINANCIAL RESULTS

The results of operations for the year are set out in the income statement on page 62.

A five-year summary of the Group statement of financial positions, income statement and cash flow statements is presented on pages 37 to 38.

The results for the year ended 31 December 2009 show revenue of R4 795 million with operating profit at R537 million and net profit attributable to the equity holders of the Company at R232 million.

Basic and diluted earnings per share were 75.2 cents and headline earnings per share were 74.6 cents.

The statement of financial position remains strong with operating cash flow for the period at R1 233 million. Gearing is at a very acceptable 21.1%.

SHARE CAPITAL

The Company's authorised share capital remained unchanged. As at 31 December 2009, the Company's issued share capital was reflected in Table 1 as follows:

For the year ended 31 December 2009

Table 1	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 25 to the financial statements. An interim dividend of 19.0 cents per ordinary share was paid on 26 October 2009.

A final dividend of 19 cents per ordinary share has been declared. The secondary tax on companies on the final dividend will be 1.9 cents per ordinary share. The final dividend will be paid on Monday, 26 April 2010. 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, four non-executive directors and five independent non-executive directors. Their names are as follows:

Executive directors

Tjaart Kruger (Managing director and chief executive)
Cor van Zyl (Financial director)
Jonathan Narayadoo (MPG operations director)
(appointed 1 December 2009)

Non-executive directors

Kent Masters (American) (Chairman)
Alan Watkins (British)
Jürgen Nowicki (German)
Karen Oliver

Independent non-executive directors

David Lawrence
Sipho Pityana
Louis van Niekerk
Dr Khotso Mokhele
Morongwe Malebye

INTERESTS OF DIRECTORS

Details of the interests of directors are provided on pages 41 and 42 of the annual report.

No other material change in the aforegoing interests has taken place between 31 December 2009 and the date of this report. There were no contracts of significance during, or at the end of, the financial year in which any directors of the Company were personally materially interested.

SIGNIFICANT SHAREHOLDERS

Details of significant shareholders appear on page 34 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 in excess of three months' salary.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION

The fees payable to the independent non-executive directors are reflected in Table 2 below.

Table 2

Category	Role	Current payment		Proposed 2010 payment		% Total fee increase
Committee		Retainer fee	Fee per meeting	Retainer fee	Fee per meeting	
Independent lead director		—	—	R120 000	—	100
Board	Director	R65 870	R9 880	R50 000	R25 000	(1)
Audit	Chairperson	R65 870	R39 152	R120 000	R40 000	52
Audit	Member	—	R9 880	—	R20 000	102
– Governance and management resources – SHEQ	Chairperson	R65 870	R19 760	R50 000	R40 000	5
– Transformation	Member	—	R9 880	—	R20 000	102

SHARE APPRECIATION RIGHTS SCHEME (SARS)

A summary of shares subject to exercise in terms of SARS, follows in accordance with the provisions of the Company's SARS Scheme.

Number of SARS at 31 December 2008	10 381 903
Add: SARS allocated during the year	3 524 350
Less: SARS redeemed, terminated and expired	(398 825)
Number of SARS at 31 December 2009	**13 507 428**
Number of vested SARS at 31 December 2009	**4 131 415**
Number of unvested SARS at 31 December 2009	**9 376 013**

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 2009 had a direct interest in 1 042 200 share appreciation rights in the Company granted at an average price of R27.13 per share. At the date of this report, there have been no changes to the above SARS holdings (refer to page 107).

SECRETARY

Ms A Meer-Seedat is the acting Company Secretary. Her business and postal addresses appear on page 123 of this annual report.

ADMINISTRATION

Computershare Investor Services (Pty) Limited is the share transfer secretary of the Company. The JSE sponsor is Barnard Jacobs Mellet Corporate Finance (Pty) Limited and the NSX sponsoring broker is Namibia Equity Brokers (Pty) Limited.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Information regarding the interest in subsidiaries is set out on page 109 and of interest in associate on page 110.

Subsidiary companies' profit after tax R138 million (2008: R203 million); subsidiary companies' aggregate amount of losses after tax R21 million (2008: R1 million); and share of associate company profit after tax R2 million (2008: R2 million).

INDEPENDENT AUDITORS

The independent auditors, KPMG Inc. will continue in office for the ensuing period in accordance with section 270(2) of the Companies Act, 1973, as amended.

BORROWING FACILITIES

The Group's net debt at 31 December 2009 amounted to R914 million (2008: R1 532 million). Details of the long-term borrowings are set out in note 16. No restrictions on borrowings is set in the articles of association.

LITIGATION STATEMENT

Sago mine litigation

On 19 December 2007 Afrox was named as an additional defendant in several lawsuits arising from an explosion at the Sago coal mine in West Virginia USA on 2 January 2006. Afrox entered into a tolling agreement with plaintiffs attorneys which required them to withdraw any action against Afrox however allowing them to institute action up to 1 February 2010. This date has passed and no action has been instituted against Afrox. This means that plaintiff's claims against Afrox are now prescribed.

GENERAL

To the best of our knowledge no major formal litigation has been instituted against the Company.

MATERIAL EVENTS AFTER ACCOUNTING DATE

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

Remuneration report *for the year ended 31 December 2009*

Directors' emoluments (R'000)

Name	Months paid 2009	Fees	Remune-ration	Pension payments	Performance bonus	Benefits, allowances and gains on share incentives	Total 2009	Total 2008
Non-executive directors:								
Current								
M Malebye	12	168	—	—	—	—	168	146
K Mokhele	12	217	—	—	—	—	217	190
D Lawrence	12	198	—	—	—	—	198	153
S Pityana	12	198	—	—	—	—	198	212
L van Niekerk	12	236	—	—	—	—	236	267
Former								
HP de Villiers	—	—	—	—	—	—	—	6
IG Halliday	—	—	—	—	—	—	—	2
CB Strauss	—	—	—	138	—	—	138	138
		1 017	—	138	—	—	1 155	1 114
Executive directors:								
TN Kruger	12	—	2 353	343	1 703	755	5 154	4 742
CJPG van Zyl	12	—	1 349	196	885	451	2 881	2 387
J Narayadoo	1	—	102	26	—	34	162	—
		—	3 804	565	2 588	1 240	8 197	7 129
Total emoluments		1 017	3 804	703	2 588	1 240	9 352	8 243

The following executive directors have share appreciation rights:

	2009			2008		
	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	**148**	**—**	**582 800**	424	—	468 000
CJPG van Zyl	**91**	**1 000**	**237 850**	171	—	195 050
J Narayadoo	**105**	**66 750**	**153 800**	—	—	—
	344	**67 750**	**974 450**	595	—	663 050

	2009		2008	
Shares – options	**Rand value R'000**	**Non-vested number of shares**	Rand value R'000	Non-vested number of shares
TN Kruger	**338**	**16 250**	252	16 250

The Company has recognised a liability on the difference between the issue price and the actual exercise price.
Non-executive directors do not participate in the Group's incentive programmes, nor is their remuneration pensionable.
The directors are not entitled to any other post-retirement benefits, except those disclosed above.

Shareholding of directors (number of shares)

	2009		2008	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
Executive directors				
TN Kruger	**—**	**100**	—	100
CJPG van Zyl	**126**	**—**	126	—
J Narayadoo	**—**	**—**	—	—
Non-executive independent directors				
M Malebye*	**—**	**100**	—	100
K Mokhele>~	**—**	**100**	—	100
D Lawrence*~	**500**	**—**	500	—
L van Niekerk*~>	**126**	**—**	126	—
S Pityana+	**—**	**100**	—	100
Non-executive directors				
JK Masters~+	**—**	**100**	—	100
J Nowicki	**—**	**100**	—	100
K Oliver	**—**	**100**	—	100
A Watkins>	**—**	**100**	—	100

**Audit Committee member*
+Transformation Committee
~Governance and Management Resources Committee
>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 exists. There were no changes in directors' interests in contracts in the period after financial year-end and date of signature of this report.

Certificate of the company secretary *for the year ended 31 December 2009*

In my capacity as the Company Secretary, I hereby confirm, in terms of the South African Companies Act, 1973, that for the year ended 31 December 2009 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.

Ms A Meer-Seedat
Acting Company Secretary

Johannesburg
18 February 2010

Approval of annual financial statements *for the year ended 31 December 2009*

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 statement of financial position at 31 December 2009, and the income statement, the statement of comprehensive income, the statement of changes in equity and statement 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 in the manner required by the Companies Act of South Africa.

In discharging this responsibility, the Group maintains suitable internal control systems designed to provide reasonable assurance that the assets are safeguarded and that the transactions are executed and recorded in accordance with Group policies.

The directors, supported by the audit committee, are satisfied that such controls, systems and procedures are in place to minimise the possibility of material loss or misstatement.

The directors believe that the Group has adequate resources to continue its operations for the foreseeable future and the financial statements on pages 39 to 42 and 52 to 110 have, therefore, been prepared on a going-concern basis.

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 18 February 2010 and are signed on their behalf by:

TN Kruger
Managing director

CJPG van Zyl
Financial director

Johannesburg
18 February 2010

Independent auditors' report

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 2009, 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 pages 39 to 42 and 52 to 110.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, that due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant 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 2009, and 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

NH Southon
Chartered Accountant (SA)
Registered auditor
Director
18 February 2010

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 (the Company) as at 31 December 2009 and for the year ended 31 December 2009 comprise those of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in 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 entities.

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 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.

Acquisition date

The date on which control in subsidiaries and special purpose entities, joint control in joint ventures and significant influence in associates commence.

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.

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.

Borrowing costs

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

Glossary of financial reporting terms

Carrying amount

The amount at which an asset is recognised after deducting any accumulated depreciation or amortisation and accumulated impairment losses.

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

Consolidated Group financial statements

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

Contingent asset

A possible asset that arises from past events, the existence of which 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, the existence of which 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 where the amount of the obligation cannot be measured with sufficient reliability.

Control

The ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. When assessing he ability to control an entity, the existence and effect of potential voting rights that are presently exercisable or convertible are taken into account.

Core headline earnings

Core headline earnings is calculated as headline earnings adjusted for non-trading income and expenses, non-recurring and non-operational income and expenditure. Core headline earnings represents the sustainable earnings for the Group.

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.

Development and research cost

Research costs, being the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognised in profit or loss, as they are incurred.

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, are capitalised only when and if they meet criteria for capitalisation. Otherwise they are recognised in profit or loss.

Discontinued operations

A component 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 subsidiary acquired exclusively with a view to resale.

Discount rate

The rate that is used for purposes of determining discounted cash flows. The pre-taxation interest rate reflects the current market assessment of the time value of money. In determing the cash flows, the risks specific to the asset or liability are taken into account and are not included in determining the discount rate.

Disposal date

The date on which control in subsidiaries and special purpose entities, joint control in joint ventures and significant influence in associates cease.

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, liability or firm commitment.

Finance lease

A finance lease transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Title to the asset may or may not eventually be transferred.

Financial instrument

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

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 one or more than one specified interest rate, financial instrument price, commodity price or rates, 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.

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.

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.

Hedging instrument

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

Glossary of financial reporting terms

Held-for-trading financial asset or liability

One that is acquired or incurred principally for the purpose of selling or repurchasing in the near term or as 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).

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. The directors qualify as key management personnel of the Group.

Legal obligation

An obligation that derives from 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.

Long term

A period longer than 12 months from the reporting date.

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, together with any amounts guaranteed by the lessee or by a 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 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 the income statement and includes the effect of translation of foreign operations, cash flow hedges, available-for-sale financial assets and changes in revaluation reserves.

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 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 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 arrangement 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 service 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 new accounting policy to transactions, other events and conditions occurring after the date the policy changed, or recognising the effect of the accounting policy change 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. In determining the value-in-use, expected future cash flows are discounted to their present values using the discount rate.

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 timeframe established by regulation or convention in the marketplace concerned.

Related party

Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of Afrox.

Residual value

The estimated amount that entity would currently obtain from disposal of an asset, after deducting the estimated costs of disposal, if the asset was already of 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

Comprises revenue generated by operating activities and includes sales of products, services rendered, rebates and trade discounts.

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 accounts payable and accrued liabilities. Segment assets and liabilities do not include deferred tax and income tax.

Segment revenue and expenses

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

Share-based payment

A transaction in which an entity issues shares or share options to employees in exchange for services rendered.

Significant influence

The ability, directly or indirectly, 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 is 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 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.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or liability, i.e. those costs that would not have been incurred had the asset or liability not been acquired.

Treasury shares

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

Glossary of financial reporting terms

Transaction date

The date an entity commits itself to purchase or sell a financial instrument.

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 or the number of production or similar units expected to be obtained from the asset.

Value-in-use

The present value of the future cash flows expected to be derived from an asset or cash-generating unit.

FINANCIAL INSTRUMENT TERMS

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:

> the value of which changes in response to movements in a specified interest rate, commodity price, foreign exchange rate or similar variable;

> that requires minimal initial net investment; and

> the terms of which require or permit settlement at a future date.

Effective interest rate

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

Equity instrument

Any financial instrument (including investments) 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 or a right to exchange a financial instrument under favourable conditions.

Financial assets available-for-sale

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

> a loan or receivable;

> a held-to-maturity investment; or

> a financial asset at fair value through profit or loss.

Financial liability

A contractual obligation to pay cash or transfer other benefits or an obligation to exchange financial instrument under unfavourable conditions. This includes debt.

Financial instruments classified as held-for-trading

Derivatives or instruments that are held principally with the intention of short-term disposal.

Financial instruments issued by the Group classified as equity

Financial instruments issued by the Group are classified as equity where they confer on the holder a residual interest in the net assets of the Group.

Financial instruments issued by the Group classified as financial liabilities

Financial instruments issued by the Group are classified as liabilities if they contain a contractual obligation to transfer cash or another financial asset or to exchange financial assets or liabilities under potentially unfavourable conditions.

Financial liability at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that is classified as held-for-trading or is designated as such on initial recognition. A financial liability held-for-trading is one that is incurred principally for the purpose of selling or repurchasing in the near term, as 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).

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.

Such a financial asset is classified as a non-current asset, except when it has a maturity within 12 months from the reporting date, in which case it is classified as a current asset.

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, and which are classified as available-for-sale.

Monetary assets

An asset that will be settled in a fixed or determinable amount of money.

Monetary liability

A liability that 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 2009 comprise of the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associate.

Statement of compliance

The consolidated financial statements of African Oxygen Limited and its subsidiaries have been prepared in compliance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board and the requirements of the South African Companies Act.

Changes in accounting policies

The Group has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee 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.

> IAS 1. "*Presentation of Financial Statements*":

The Group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as at 1 January 2009. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been restated so that it also is in conformity with the revised standard. Since the change in accounting policy impacts only presentation aspects, there is no impact on earnings per share.

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

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial results

The consolidated annual financial statements are presented in South African Rand, which is the Group's functional currency. All financial information presented in South African Rands has been rounded to the nearest million (R'm) except where 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 as 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. All financial results are consolidated with similar items on a line-by-line basis except for investments in associates, which are included in the Group's results as set out below.

Intercompany transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the profit or loss.

In respect of the associate, unrealised gains and losses are eliminated to the extent of the Group's interest in this entity. Unrealised gains and losses arising from transactions with the associate are eliminated against the investment in the associate.

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, or up to, the date control commences or ceases. The financial statements of the Company recognise the interests in subsidiaries at cost.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured at the fair value of the assets given, other comprehensive income instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of minority interest. 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 its fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

The results of subsidiaries acquired or disposed of during the period are included in profit or loss from the date of acquisition or up to the date of disposal.

Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting dates of subsidiaries have been changed to the financial year-end of 31 December to align with the reporting date of the Group.

2.2 Associate

The consolidated financial statements incorporate investments in the associate, as well as income and expenses of the associate using the other comprehensive income method of accounting from the acquisition date up to the disposal date, being the date that significant influence commenced up to the date that significant influence ceased. Significant influence is presumed to exist when the Group holds between 20 and 50% 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. Profit and loss includes the share of the profit or loss of the associate.

The financial statements of the Company recognise the interests in the associate at cost.

The carrying amounts are reduced where necessary to recognise any impairment losses.

Where a Group entity transacts with the associate within the Group of companies, unrealised profits and losses are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 income or loss of the associate up to the Group's reporting date.

Where the Group's share of losses of an associated company exceeds the carrying amount, the investment is carried at nil.

Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. Foreign currency

3.1 Foreign currency transactions

The consolidated financial statements are presented in Rands, which is the Company's functional and presentation currency.

The functional currency of each entity within the Group is determined based on the currency of the primary economic environment in which the entity operates.

Transactions in currencies other than the entity's functional currency are recognised at the exchange rates ruling on the dates of the transactions, i.e. dates on which the transactions first qualify for recognition. Gains and losses arising on exchange differences are recognised in profit or loss.

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

Translation differences on non-monetary items, such as equities held at fair-value through profit and 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 from the Group's presentation currency, are translated as follows:

(a) Assets, including goodwill, and liabilities: at the closing exchange rates for each statement of financial position date presented. (b) Income and expense items: At the exchange rates at the dates of the transactions, or suitable averages.
(c) Other comprehensive income 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. On disposal of a foreign operation, the related amount in other comprehensive income is recognised in profit or loss as part of the gain or loss on sale.

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.

4. Comparative figures

Comparative figures are reclassified as necessary to afford a proper and more meaningful comparison of results, as set out in the notes to the financial statements, in the event of a change in accounting policy or prior period error.

5. 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 comprise mainly factories and offices.

Items of property, plant and equipment, other than land, are stated at cost less accumulated depreciation and accumulated impairment losses.

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 other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

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

Depreciation is charged to profit or loss so as to write off the depreciable amount of the assets, other than land, 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 (straight line).

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.

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

Freehold properties	40 years
Other cylinders	15 – 25 years
Plant and equipment	5 – 25 years
Vehicles	7 – 25 years
Furniture and fittings	5 years

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

6. 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 when there is an indication of impairment, 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 whenever there is an indication that they may be impaired.

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.

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 and are included in the cost of software development.

Development expenditure is capitalised only if development cost can be measured reliably, the product or process is technically and commercially feasible, and future economic benefits are probable.

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

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

> Computer software development costs recognised as assets – not exceeding eight years.

> Restraint of trade payments are capitalised and amortised over the period of the restraint on a straight-line basis – not exceeding 10 years.

> Computer software – over five years using the straight-line method.

> Trademarks, patents and licences – not exceeding 20 years.

7. Goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing. It is not amortised but is tested for impairment annually and whenever there is an indication of impairment, impaired if necessary. It is recognised as an asset and is measured at cost less impairment losses. Goodwill on acquisition of associates is included in the carrying amount of the associates.

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 netted against the cost.

If, on a business combination, the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised in profit or loss immediately.

On disposal of a subsidiary, associate or business unit to which goodwill was allocated on acquisition, the amount attributable to such goodwill is derecognised and included in the determination of the profit or loss on disposal.

8. Inventories

Inventories are stated 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.

9. 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 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.

Individual significantly financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

Financial assets are recognised when the Group becomes a party to the contractual provisions of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, the date that the Group commits itself to purchase or sell the asset.

The Group classifies its financial assets into the following categories:

> Fair value through profit and loss;

> Held for trading;

> Loans and other receivables;

> Held to maturity; and

> Available-for-sale financial assets.

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

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

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.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal.

10. 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 12 months after the reporting period.

Other financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs on the date that they are originated. 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 and loss are measured at amortised cost using the effective interest method.

Derivative liabilities are measured at fair value, with changes in fair value being recognised in profit or loss other than those designated as cash flow hedges. Financial liabilities are derecognised when the relevant obligation has been discharged or cancelled, or has expired.

11. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statements of cash flow 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 shown within borrowings in current liabilities on the statement of financial position.

12. Deferred tax

Deferred tax is provided in full 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 recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is measured at the tax rates that have been enacted or substantively enacted at the statement of financial position date or are expected to apply when the related deferred tax asset is realised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax arising on asset revaluations or reserve accounted fair value adjustments is charged against the reserve to which the asset revaluation or fair value adjustment is recognised.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and joint ventures to the extent it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

13. Post-employment benefit obligations

Contributions to defined contribution plans are recognised in profit or loss as an employer benefit expense as they accrue.

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, and 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.

Some Group companies have obligations to provide certain post-retirement medical aid benefits to their eligible employees and pensioners. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age and completing a minimum service period. The Group recognises all actuarial gains and losses arising from defined-benefit plans directly in other comprehensive income.

14. 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.

15. Equity

Ordinary shares are classified as equity.

Transactions relating to the acquisition and sale of shares in the Company, together with the associated costs, are accounted for in equity. Other transactions are accounted for directly in other comprehensive income only if permitted by IFRS. Other 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, reissued or disposed off. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Company's other equity holders. Dividends received on treasury shares are eliminated on consolidation.

16. Provisions

Provisions are recognised for environmental restoration, restructuring costs and legal claims when the Group or Company 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 the present value of management's best estimate of the expenditure required to settle the present obligation at statement of financial position 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.

Restructuring provisions comprises lease termination penalties and employee termination payments. A provision for restructuring is recognised after the Group has prepared a detailed and formal plan or if the restructuring has commenced or has been announced publicly.

Provisions are not recognised for future operating losses.

17. Revenue

Revenue comprises the fair value of the sale of goods and services. It is measured at the amount received or receivable net of VAT, cash discounts and rebates and after eliminating sales within the Group.

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 and when there is no continuing management involvement with the goods, and when it is probable that the debtor will pay for the goods.

18. Cost of sales

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

19. Employee benefit costs

The cost of providing employee benefits is recognised in profit or loss in the period they are earned by employees. 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.

20. Borrowing costs

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

21. 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 that are applicable to the taxable income as well as any adjustment to tax payable in respect of previous years.

22. Derivative financial instruments and hedging activities

A derivative is a financial instrument whose value changes in response to an underlying instrument, requires no initial or little net investment in relation to other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

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 directly in other comprehensive income 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 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 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 are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are recognised in profit and loss.

23. Impairment of non-financial assets

At each reporting date the carrying amount of the tangible and intangible 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 of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less cost to sell and value-in-use. 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 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. 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 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. Whenever there is an indication of impairment, they are impaired, if necessary. Impairment losses on goodwill are not reversed.

24. Leases

Leases arise from assets that have been leased by the entity from lessors in the form of operating leases and finance leases.

The entity also has assets that it leases to its customers which arise as a result of the application of IFRIC 4: *Determining whether an arrangement contains a lease.*

Operating leases are not capitalised. The rentals arising from operating leases are expensed and recorded in profit or loss in the period the expense is incurred.

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 on the finance balance outstanding. The corresponding rental obligations, net of finance charges 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 are depreciated over the shorter of the asset's useful life and the 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 lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Contingent rentals are charged to profit or loss as they accrue.

Where the Group is the lessor

When assets are leased out under a finance lease or embedded 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 using the net investment method, 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 accrue.

25. Share-based payments

Shares and options issued or granted to employees for services rendered or to be rendered are 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.

Share appreciation rights, which are settled in cash, granted to employees for services rendered or to be rendered are raised as a liability and 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. Contingent assets and contingent liabilities

Contingent assets and liabilities are not recognised as assets and liabilities respectively.

27. Segment 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. Operating 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 Board of Directors, in order to allocate resources to the segment and assess its performance. This basis is geographical.

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

28. Earnings per share

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

The calculation of headline earnings per share is based on the net profit attributable to ordinary shareholders, after excluding all items of a non-trading nature, divided by the weighted average number of 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.

29. Sources of estimation, uncertainty and judgements made by management

The key assumptions made concerning the future and other key sources of estimation and uncertainty at the statement of financial position date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial period are:

Post-employment benefits

Pension accounting requires certain assumptions to be made in order to value the Group's obligations and to determine the charges to be made to profit or loss and statement of financial position. Details of the assumptions used are set out in note 9 in the notes to the financial statements. By changing the assumptions the value of the actuarial liability for the defined benefit fund can be adjusted.

Deferred tax assets

These are recognised to the extent it is probable that future taxable income will be available against which they can be utilised. Three-year profit forecasting and cash flows are utilised to access the recoverability of the deferred tax assets.

30. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are detailed in the notes to the financial statements, where applicable.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. In line with the Group accounting policy the residual values of property, plant and equipment were reviewed in accordance with IAS 16. Refer to note 34 for detail of judgements made.

31. Future changes in accounting policies

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these financial statements. Refer to page 60.

31. Future changes in accounting policies *(continued)*

Standards and interpretations	Details of amendment
IFRS 2: *Revised accounting for Group cash-settled share based payment transactions*	(applicable for financial periods beginning on or after 1 January 2010) addresses amendments relating to group cash-settled share-based payment transactions – clarity of the definition of the term "Group" and where in a group share based payments must be accounted for.
IFRS 5: *Non-current Assets Held-for-Sale and Discontinued Operations*	(applicable for financial periods beginning on or after 1 January 2010) clarifies disclosures of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations.
IFRS 8: *Operating Segments*	(applicable for financial periods beginning on or after 1 January 2010) clarifies the requirements for disclosure about segment assets.
IFRS 9: *Financial Instruments*	(applicable for financial periods beginning on or after 1 January 2013), introduces a new standard that forms the first part of a three-part project to replace IAS 39: *Financial Instruments: Recognition and Measurement*.
IAS 1: *Presentation of Financial Statements*	(applicable for financial periods beginning on or after 1 January 2010) addresses current/non-current classification of convertible instruments.
IAS 7: *Statement of Cash Flows*	(applicable for financial periods beginning on or after 1 January 2010) addresses the classification of expenditures on unrecognised assets.
IAS 17: *Leases*	(applicable for financial periods beginning on or after 1 January 2010) addresses the classification of leases of land and buildings.
IAS 24: *Related Party Disclosures*	(applicable for financial periods beginning on or after 1 January 2011) simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.
IAS 32: *Financial Instruments: Presentation*	(applicable for financial periods beginning on or after 1 February 2010) addresses the accounting for rights issues (including rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.
IAS 36: *Impairment of Assets*	(applicable for financial periods beginning on or after 1 January 2010) states the unit of accounting for goodwill impairment test.
IAS 39: *Financial Instruments: Recognition and Measurement*	(applicable for financial periods beginning on or after 1 January 2011) addresses the amendments relating to the recognition as assets of some voluntary prepayments for minimum funding contributions. Applicable effective interest rate on cessation of fair value hedge accounting.
IFRIC 14 IAS 19: *The Limit on a Defined Benefit Asset Minimum Funding Requirements and their interaction*	(applicable for financial periods beginning on or after 1 January 2011) addresses the amendments relating to the recognition as assets of some voluntary prepayments for minimum funding contributions.
IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	(applicable for financial periods beginning on or after 1 July 2010).

Statements of financial position *as at 31 December 2009*

	Notes	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
ASSETS					
Non-current assets		**3 749**	3 831	**4 176**	4 230
Property, plant and equipment	1	**2 729**	2 817	**2 305**	2 337
Intangible assets	2	**171**	193	**167**	182
Goodwill	3	**25**	37	**15**	15
Investments in subsidiaries	4	**—**	—	**912**	966
Investments in associate	5	**13**	14	**1**	1
Long-term derivative financial instruments	6	**8**	12	**8**	12
Other investments	7	**4**	4	**4**	4
Non-current receivables	8	**136**	157	**111**	122
Retirement benefit assets	9	**653**	591	**653**	591
Deferred tax assets	10	**10**	6	**—**	—
Current assets		**2 047**	2 166	**1 704**	1 597
Inventories	11	**573**	845	**484**	607
Trade and other receivables	12	**830**	1 119	**675**	922
Receivables from Group companies		**14**	10	**14**	10
Short-term portion of non-current receivables	8	**21**	18	**11**	10
Taxation receivable		**—**	27	**29**	27
Derivative financial instruments	13	**—**	4	**—**	4
Cash and cash equivalents	14	**609**	143	**491**	17
Total assets		**5 796**	5 997	**5 880**	5 827
EQUITY AND LIABILITIES					
Equity		**2 859**	2 780	**3 060**	2 848
Share capital	15	**15**	15	**17**	17
Share premium	15	**537**	537	**537**	537
Reserves	15	**300**	310	**347**	330
Retained earnings		**1 975**	1 879	**2 159**	1 964
Total attributable to equity holders of the Company		**2 827**	2 741	**3 060**	2 848
Non-controlling interest		**32**	39		
Non-current liabilities		**1 689**	1 409	**1 656**	1 374
Long-term borrowings	16	**1 127**	890	**1 127**	890
Deferred tax liabilities	10	**562**	519	**529**	484
Current liabilities		**1 248**	1 808	**1 164**	1 605
Trade and other payables	17	**677**	789	**598**	664
Other short-term financial liabilities	18	**156**	167	**133**	140
Derivative financial instruments	13	**3**	—	**3**	—
Payables to Group companies		**7**	19	**34**	25
Current portion of long-term borrowings	16	**363**	500	**363**	500
Taxation payable		**9**	48	**—**	—
Bank overdrafts	14	**33**	285	**33**	276
Total equity and liabilities		**5 796**	5 997	**5 880**	5 827

Income statements *for the year ended 31 December 2009*

	Notes	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Revenue	19	**4 795**	5 666	**3 742**	4 611
Operating cost		**(3 957)**	(4 656)	**(2 887)**	(3 784)
Earnings before interest, tax, depreciation and amortisation		**838**	1 010	**855**	827
Depreciation and amortisation		**(301)**	(257)	**(262)**	(225)
Operating profit	20	**537**	753	**593**	602
Finance expense	22	**(198)**	(157)	**(197)**	(158)
Finance income	22	**27**	36	**19**	23
Income from associate		**2**	2	**—**	—
Profit before taxation		**368**	634	**415**	467
Income tax expense	23	**(125)**	(207)	**(70)**	(129)
Profit for the period		**243**	427	**345**	338
Attributable to:					
Equity holders of the company		**232**	412	**345**	338
Non-controlling interest		**11**	15	**—**	—
Profit for the period		**243**	427	**345**	338
Earnings per share					
Basic and diluted earnings per ordinary share (cents)	24	**75.2**	133.7		

Statements of comprehensive income *for the year ended 31 December 2009*

	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Profit for the period	**243**	427	**345**	338
Other comprehensive income after tax:	**(14)**	(137)	**17**	(157)
Exchange differences for foreign operations	**(27)**	17	**—**	—
Exchange differences relating to non-controlling interest	**(4)**	3	**—**	—
Changes in fair value of cash flow hedges	**(2)**	—	**(2)**	—
Actuarial gains/(losses) on defined-benefit funds	**26**	(226)	**26**	(226)
Deferred tax relating to actuarial gains/losses	**(7)**	69	**(7)**	69
Total comprehensive income for the period	**229**	290	**362**	181
Total comprehensive income attributable to:				
Equity holders of the Company	**222**	272	**362**	181
Non-controlling interest	**7**	18	**—**	—
Total comprehensive income for the period	**229**	290	**362**	181

Statements of changes in equity *for the year ended 31 December 2009*

	Group								
	Share capital R'm	Share premium R'm	Hedging reserve R'm	Actuarial gains on defined benefit funds R'm	Foreign currency translation reserve R'm	Retained earnings R'm	Share-holders' equity R'm	Non-controlling interest R'm	Total equity R'm
Balance at 31 December 2007	15	537	4	485	(39)	1 739	2 741	27	2 768
Recognised in comprehensive income	—	—	—	(157)	17	412	272	18	290
Tax rate change	—	—	—	4	—	—	4	—	4
Actuarial losses recognised in equity, net of tax	—	—	—	(161)	—	—	(161)	—	(161)
Currency translation difference	—	—	—	—	17	—	17	3	20
Profit for the period	—	—	—	—	—	412	412	15	427
Transactions with shareholders									
Dividends paid	—	—	—	—	—	(272)	(272)	(6)	(278)
Balance at 31 December 2008	15	537	4	328	(22)	1 879	2 741	39	2 780
Recognised in comprehensive income	—	—	(2)	19	(27)	232	222	7	229
Cash flow hedges, net of tax	—	—	(2)	—	—	—	(2)	—	(2)
Actuarial gains recognised in equity, net of tax	—	—	—	19	—	—	19	—	19
Currency translation difference	—	—	—	—	(27)	—	(27)	(4)	(31)
Profit for the period	—	—	—	—	—	232	232	11	243
Transactions with shareholders									
Dividends paid	—	—	—	—	—	(136)	(136)	(14)	(150)
Balance at 31 December 2009	**15**	**537**	**2**	**347**	**(49)**	**1 975**	**2 827**	**32**	**2 859**

Statements of changes in equity *for the year ended 31 December 2009*

	Company					
	Share capital R'm	Share premium R'm	Hedging reserve R'm	Actuarial gains on defined benefit funds R'm	Retained earnings R'm	Total equity R'm
Balance at 31 December 2007	17	537	2	485	1 927	2 968
Recognised in comprehensive income	—	—	—	(157)	338	181
Tax rate change	—	—	—	4	—	4
Actuarial losses recognised in equity, net of tax	—	—	—	(161)	—	(161)
Profit for the period	—	—	—	—	338	338
Transactions with shareholders						
Dividends paid	—	—	—	—	(301)	(301)
Balance at 31 December 2008	17	537	2	328	1 964	2 848
Recognised in comprehensive income	—	—	(2)	19	345	362
Cash flow hedges, net of tax	—	—	(2)	—	—	(2)
Actuarial gains recognised in equity, net of tax	—	—	—	19	—	19
Profit for the period	—	—	—	—	345	345
Transactions with shareholders						
Dividends paid	—	—	—	—	(150)	(150)
Balance at 31 December 2009	**17**	**537**	**—**	**347**	**2 159**	**3 060**

Statements of cash flows *for the year ended 31 December 2009*

	Notes	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Cash flows from operating activities					
Cash receipts from customers		**5 466**	6 459	**4 266**	5 257
Cash paid to suppliers and employees		**(4 233)**	(5 794)	**(3 328)**	(4 839)
Cash generated from operations	26	**1 233**	665	**938**	418
Interest received		**10**	12	**6**	8
Interest paid		**(194)**	(148)	**(192)**	(149)
Dividends received		**—**	—	**228**	107
Contributions to defined benefit funds		**(3)**	(1)	**(3)**	(1)
Normal taxation paid	27	**(90)**	(146)	**(15)**	(81)
Secondary taxation on companies paid	27	**(14)**	(27)	**(14)**	(27)
Cash available from operating activities		**942**	355	**948**	275
Dividends paid	28	**(136)**	(272)	**(150)**	(301)
Net cash inflow/(outflow) from operating activities		**806**	83	**798**	(26)
Cash flows from investing activities					
Additions to property, plant and equipment	1	**(293)**	(540)	**(278)**	(483)
— Replacement of property, plant and equipment		**(216)**	(213)	**(201)**	(156)
— Expansion of property, plant and equipment		**(77)**	(327)	**(77)**	(327)
Proceeds from disposal of property, plant and equipment		**91**	3	**86**	1
Acquisition of derivative financial instruments	6	**—**	(23)	**—**	(23)
Other investments		**3**	(3)	**—**	(3)
Intangibles acquired		**(14)**	(63)	**(14)**	(60)
Non-current receivables		**39**	42	**25**	27
Net cash outflow from investing activities		**(174)**	(584)	**(181)**	(541)
Cash flows from financing activities					
Dividends to non-controlling interest		**(14)**	(6)		
Borrowings raised		**600**	900	**600**	900
Borrowings repaid		**(500)**	(300)	**(500)**	(300)
Net cash inflow from financing activities		**86**	594	**100**	600
Net increase in cash and cash equivalents		**718**	93	**717**	33
Cash and cash equivalents at the beginning of the period		**(142)**	(235)	**(259)**	(292)
Cash and cash equivalents at the end of the period	14	**576**	(142)	**458**	(259)
Comprising:					
Cash and cash equivalents		**609**	143	**491**	17
Bank overdrafts		**(33)**	(285)	**(33)**	(276)
		576	(142)	**458**	(259)

Segmental reporting *for the year ended 31 December 2009*

OPERATING SEGMENTS FOR THE GROUP

The operating segments are based on internal reports that are regularly utilised by the Board of directors to assess the Group's performance and allocate resources to the segments. The Group's strategic business units are based on geographic split – South Africa and the rest of Africa. The strategic units differ in their main business lines and are managed separately, as they are subject to different operational risks and marketing strategies.

Segment performance is measured on segment profit before interest, tax, depreciation and amortisation. Segment profit is measured as the directors and management believe that such information is useful in evaluating the results of certain segments relative to other entities that operate within the industry. Intersegment pricing is determined on an arm's length basis.

Information regarding the operations of each reportable segment is included below. The revenues from external customers for each category of products and services is not disclosed, as the necessary information is not available and the cost to develop it would be excessive.

	South Africa		Rest of Africa		Total	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm	**2009 R'm**	2008 R'm
REVENUE						
Revenue from external customers	**4 070**	4 869	**725**	797	**4 795**	5 666
Intersegment revenue	**302**	394	**—**	—	**302**	394
Total revenue	**4 372**	5 263	**725**	797	**5 097**	6 060
RESULT						
EBITDA	**632**	817	**206**	193	**838**	1 010
Depreciation and amortisation	**(285)**	(240)	**(16)**	(17)	**(301)**	(257)
Operating profit	**347**	577	**190**	176	**537**	753
Other material items:						
Finance income	**23**	24	**4**	12	**27**	36
Finance expense	**(198)**	(156)	**—**	(1)	**(198)**	(157)
Income from associate	**—**	—	**2**	2	**2**	2
Reportable segment profit before taxation	**172**	445	**196**	189	**368**	634
OTHER INFORMATION						
Reportable segment assets	**5 273**	5 480	**510**	503	**5 783**	5 983
Investment in associate	**—**	—	**13**	14	**13**	14
Consolidated total assets	**5 273**	5 480	**523**	517	**5 796**	5 997
Reportable segment liabilities	**2 807**	3 059	**130**	158	**2 937**	3 217
Capital expenditure (tangible and intangible)	**294**	566	**13**	37	**307**	603
Depreciation	**255**	214	**16**	17	**271**	231
Amortisation of intangible assets	**30**	26	**—**	—	**30**	26
Number of permanent employees	**3 052**	3 692	**387**	432	**3 439**	4 124

REST OF AFRICA

Afrox operates in 12 countries outside of South Africa and is continuing to expand its footprint in sub-Saharan Africa. The countries in which Afrox operates include: Angola, Botswana, Ghana, Lesotho, Malawi, Mauritius, Mali, Mozambique, Namibia, Southern DRC, Swaziland, and Zambia.

RECONCILIATION OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES

	2009 R'm	2008 R'm
REVENUES		
Total revenues from reportable segments	**5 097**	6 060
Elimination of intersegment revenue	**(302)**	(394)
Consolidated revenue	**4 795**	5 666
PROFIT OR LOSS		
Total profit for reportable segments	**838**	1 010
EBITDA	**838**	1 010
ASSETS		
Total assets for reportable segments	**5 480**	5 437
Additions to property, plant and equipment	**293**	540
Investment in associate	**13**	14
Deferred tax assets	**10**	6
Consolidated total assets	**5 796**	5 997
LIABILITIES		
Total liabilities for reportable segments	**2 366**	2 650
Other unallocated amounts:		
– Deferred tax liabilities	**562**	519
– Taxation payable	**9**	48
Consolidated total liabilities	**2 937**	3 217

SEGMENT REVENUE AND EXPENSES

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

SEGMENT ASSETS AND LIABILITIES

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

Segment liabilities include all operating liabilities and consist principally of trade payables, wages, taxes currently payable and accruals. Segment assets and liabilities do not include deferred tax assets and liabilities.

MAJOR CUSTOMERS

The Group or other reporting segment has no single customer which it derives 5% or more of its revenue.

1. PROPERTY, PLANT AND EQUIPMENT

Summary	2009 R'm	2008 R'm
Group		
Owned	2 729	2 817
Company		
Owned	2 305	2 337

Owned	Cost R'm	Group Accumulated depreciation R'm	Carrying amount R'm
2009			
Freehold properties	340	(52)	288
Plant and equipment	2 636	(1 319)	1 317
Cylinders	1 467	(538)	929
Vehicles	310	(152)	158
Furniture and fittings	131	(94)	37
	4 884	(2 155)	2 729
2008			
Freehold properties	339	(47)	292
Plant and equipment	2 483	(1 180)	1 303
Cylinders	1 418	(484)	934
Vehicles	427	(184)	243
Furniture and fittings	132	(87)	45
	4 799	(1 982)	2 817

	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
2009						
Carrying amount at 1 January 2009	292	1 303	934	243	45	2 817
Additions	9	184	68	24	8	293
Foreign exchange differences	(5)	(7)	(10)	(4)	(1)	(27)
Disposals	(1)	(4)	(1)	(76)	(1)	(83)
Depreciation	(7)	(159)	(62)	(29)	(14)	(271)
Carrying amount at 31 December 2009	288	1 317	929	158	37	2 729
2008						
Carrying amount at 1 January 2008	260	1 143	814	207	35	2 459
Additions	30	274	158	59	19	540
Foreign exchange differences	3	9	2	5	3	22
Addition on EFL termination	—	29	—	—	—	29
Transfers	5	(18)	12	—	1	—
Disposals	—	(1)	(1)	—	—	(2)
Depreciation	(6)	(133)	(51)	(28)	(13)	(231)
Carrying amount at 31 December 2008	292	1 303	934	243	45	2 817

1. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Owned	Cost R'm	Company Accumulated depreciation R'm	Carrying amount R'm
2009			
Freehold properties	28	(3)	25
Plant and equipment	2 232	(1 007)	1 225
Cylinders	1 404	(514)	890
Vehicles	263	(133)	130
Furniture and fittings	119	(84)	35
	4 046	(1 741)	2 305
2008			
Freehold properties	23	(2)	21
Plant and equipment	2 058	(876)	1 182
Cylinders	1 346	(460)	886
Vehicles	371	(161)	210
Furniture and fittings	113	(75)	38
	3 911	(1 574)	2 337

	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
2009						
Carrying amount at 1 January 2009	21	1 182	886	210	38	2 337
Additions	5	183	63	19	8	278
Disposals	—	(2)	(1)	(74)	—	(77)
Depreciation	(1)	(138)	(58)	(25)	(11)	(233)
Carrying amount at 31 December 2009	25	1 225	890	130	35	2 305
2008						
Carrying amount at 1 January 2008	21	994	789	184	30	2 018
Additions	—	268	147	50	18	483
Disposals	—	(1)	(1)	—	—	(2)
Addition on EFL termination	—	29	—	—	—	29
Depreciation	—	(108)	(49)	(24)	(10)	(191)
Carrying amount at 31 December 2008	21	1 182	886	210	38	2 337

A register of land and buildings is maintained in terms of paragraph 22(3) of Schedule 4 of the South African Companies Act. The register is available for inspection at the registered office of African Oxygen Limited.

Capitalised leased assets

The Group has no capitalised leased assets.

Deemed cost

The Group's freehold properties were independently valued to deemed cost on 1 October 2001. The valuation was carried out in accordance with the Property Valuers Professional Act of 2000 by registered Associated Valuers, Garth MacFarlane and Peter Parfitt, who were qualified to express an opinion thereon. In terms of IFRS 1 deemed cost exemption, these values were used as opening balances regarding freehold property. No property, plant and equipment is encumbered – the Group's borrowings are unsecured (see note 16).

Impairment testing

The impairment of property, plant and equipment is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Property, plant and equipment are 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 the asset.

1. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment testing *(continued)*

Afrox performed impairment tests on individually significant items of property, plant and equipment at 31 December 2009 by discounting the estimated future 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 9% was assumed with the gross margin percentage, based on actual results to date, being applied to the calculation and discounted at a rate of 8%.

Sale and lease-back of vehicles

During this financial year Afrox decided to sell its fleet of cylinder vehicles. These vehicles have been leased back on an operating lease basis.

Fully depreciated assets

Assets fully depreciated but still in use amounted to R785 million (2008: R661 million).

Residual values

It is the Group's accounting policy to assess residual values on an annual basis. The Group assumes 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 include assets under construction as detailed below:

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Freehold properties	**4**	5	**4**	5
Plant and equipment	**206**	260	**197**	250
Cylinders	**46**	41	**46**	41
Other	**20**	27	**20**	26
Total	**276**	333	**267**	322

Borrowing costs of R3 million (2008: R25 million) were capitalised during the year at an effective rate of 12.8% (2008: 11.9%).

2. INTANGIBLE ASSETS

	Cost R'm	Group Accumulated amortisation R'm	Carrying amount R'm
2009			
Trademarks	**12**	**(4)**	**8**
Computer software	**220**	**(57)**	**163**
Restraint of trade	**1**	**(1)**	**—**
Patents	**1**	**(1)**	**—**
	234	**(63)**	**171**
2008			
Trademarks	12	(2)	10
Computer software	213	(32)	181
Restraint of trade	1	—	1
Patents	1	—	1
	227	(34)	193

2. INTANGIBLE ASSETS *(continued)*

	Trademarks R'm	Computer software R'm	Group Restraint of trade R'm	Patents R'm	Total R'm
2009					
Carrying amount at 1 January 2009	10	181	1	1	193
Additions	—	14	—	—	14
Foreign exchange differences	—	(1)	—	—	(1)
Impairments	—	(4)	—	(1)	(5)
Amortisation charge	(2)	(27)	(1)	—	(30)
Carrying amount at 31 December 2009	8	163	—	—	171
2008					
Carrying amount at 1 January 2008	12	142	1	1	156
Additions	—	63	—	—	63
Amortisation charge	(2)	(24)	—	—	(26)
Carrying amount at 31 December 2008	10	181	1	1	193

	Cost R'm	Company Accumulated amortisation R'm	Carrying amount R'm
2009			
Trademarks	5	(1)	4
Computer software	218	(55)	163
Restraint of trade	1	(1)	—
Patents	2	(2)	—
	226	(59)	167
2008			
Trademarks	5	—	5
Computer software	204	(30)	174
Restraint of trade	1	—	1
Patents	2	—	2
	212	(30)	182

	Trademarks R'm	Computer software R'm	Company Restraint of trade R'm	Patents R'm	Total R'm
2009					
Carrying amount at 1 January 2009	5	174	1	2	182
Additions	—	14	—	—	14
Amortisation charge	(1)	(25)	(1)	(2)	(29)
Carrying amount at 31 December 2009	4	163	—	—	167
2008					
Carrying amount at 1 January 2008	5	136	1	2	144
Additions	—	60	—	—	60
Amortisation charge	—	(22)	—	—	(22)
Carrying amount at 31 December 2008	5	174	1	2	182

2. INTANGIBLE ASSETS *(continued)*

Trademarks

Trademarks comprise well-established growing brands.

Impairment testing

The carrying amounts of intangible assets with an indefinite useful life are reviewed at least annually on the basis of forecast profits of the cash generating units and forecast sales of products. 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	
	2009	2008
Assumptions applied		
Average annual revenue growth (%)	**9.00**	9.00
Discount rate applied to projected cash flows (%)	**8.00**	11.80
Risk-free rate (%)	**4.00**	9.78
Market risk premium (%)	**5.00**	8.33
Beta rate	**0.86**	0.43

Computer software comprises SAP and other minor systems that 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. Given that there were no indicators of impairment and the fact that both the Group and Company continue to be profitable and are expected to continue being profitable on a going forward basis it was not considered necessary to recognise any impairment loss in respect of computer software.

3. GOODWILL

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Carrying amount at beginning of the financial period	**37**	35	**15**	15
Impairment	**(11)**	—	**—**	—
Foreign exchange differences	**(1)**	2	**—**	—
Carrying amount at end of the period	**25**	37	**15**	15
Gross cost	**57**	58	**15**	15
Accumulated impairment loss	**(32)**	(21)	**—**	—
Carrying amount at end of the period	**25**	37	**15**	15
Cash-generating units containing goodwill				
The following units have carrying amounts of goodwill:				
Reco	**4**	4	**4**	4
Electrogas	**4**	4	**4**	4
IGD Midlands	**5**	5	**5**	5
Drury Welding	**2**	2	**2**	2
Heat Engineering – Botswana	**2**	2		
Chemoxy – Malawi	**8**	9		
Twinco – Afrox Safety	**—**	11		
	25	37	**15**	15

3. GOODWILL *(continued)*

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 and 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.

	Group and Company	
	2009	2008
Assumptions applied		
Average annual revenue growth (%)	**9.00**	9.00
Discount rate applied to projected cash flows (%)	**8.00**	11.80
Risk-free rate (%)	**4.00**	9.78
Market risk premium (%)	**5.00**	8.33
Beta rate	**0.86**	0.43

4. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 R'm	2008 R'm
Ordinary shares	**104**	104
Net loans due by subsidiaries	**808**	862
– Loans due by subsidiaries	**832**	886
– Impairment of Petrogas	**(24)**	(24)
	912	966

Loans payable to subsidiaries of R27 million are reported as part of payables to Group companies (2008: R6 million).

Details of subsidiaries are presented on page 109.

5. INVESTMENT IN ASSOCIATE

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Unlisted ordinary shares				
Investment at cost	**1**	1	**1**	1
Share of accumulated profits since acquisition	**12**	13	**—**	—
Share of opening accumulated profits	**13**	13	**—**	—
Dividends received from associate	**(3)**	(2)	**—**	—
Share of current profit for the year	**2**	2	**—**	—
Carrying amount at end of the period	**13**	14	**1**	1
Directors' valuation of shares	**13**	14	**1**	1
The total aggregate assets, liabilities and results of operations of associate company are summarised as follows:				
Statement of comprehensive income				
Revenue	**11**	31		
Profit before taxation	**4**	8		
Income tax expense	**(1)**	(1)		
Net profit for the year	**3**	7		
Statement of financial position				
Non-current assets	**31**	33		
Current assets	**21**	22		
Total assets	**52**	55		
Capital and reserves	**36**	40		
Non-current liabilities	**4**	5		
Current liabilities	**12**	10		
Total equity and liabilities	**52**	55		
Cash flow				
Net cash flow from operating activities	**4**	10		
Net cash flow from investing activities	**(2)**	(2)		
Net cash flow from financing activities	**(1)**	(7)		
Net movement in cash and cash equivalents	**1**	1		

Details of the associate are presented on page 110.

The Group's 38% share of profits is determined by reference to the audited financial statements for the year ended 30 June 2009 and unaudited management accounts for the period 1 July 2009 to 31 December 2009.

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	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Carrying amount at the beginning of the period	12	—	12	—
Financial instruments acquired during the period	—	23	—	23
Fair value adjustment for the year	(4)	(11)	(4)	(11)
Total derivative financial instruments at the end of the period	8	12	8	12

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.

Number of call options	3 000 000
Strike price	26.50; 28.50; 30.50
Maturity date	17 February 2012

The fair value of the financial instruments at the end of the period was determined by way of valuations performed by the financial institute concerned using the Black-Scholes option pricing model.

The inputs into the valuation model are as follows:

Weighted average exercise price of derivative financial instruments (Rands)	28.50	28.50	28.50	28.50
Expected life of derivative financial instruments (years)	2.13	3.12	2.13	3.12
Company share price at period-end (Rands)	22.00	24.25	22.00	24.25
Expected share price volatility (%)*	35.92	32.00	35.92	32.00
Expected dividend yield (%)	6.17	4.80	6.17	4.80
Risk-free interest rate (%)**	9.04	9.30	9.04	9.30

**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 29 for further information relating to financial risk management.

7. OTHER INVESTMENTS

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Other investments	4	4	4	4

Investment in unlisted company.

8. NON-CURRENT RECEIVABLES

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Long-term lease receivables	**157**	175	**122**	132
Short-term portion of non-current receivables	**(21)**	(18)	**(11)**	(10)
	136	157	**111**	122

Group

	2009			2008		
Long-term lease receivables	**Future minimum lease payments R'm**	**Interest R'm**	**Present value of minimum lease payments R'm**	Future minimum lease payments R'm	Interest R'm	Present value of minimum lease payments R'm
Receivable in less than one year	**37**	**(16)**	**21**	36	(18)	18
Between one and five years	**112**	**(42)**	**70**	129	(50)	79
More than five years	**90**	**(24)**	**66**	110	(32)	78
Long-term lease receivables	**202**	**(66)**	**136**	239	(82)	157
Total	**239**	**(82)**	**157**	275	(100)	175

Company

	2009			2008		
Long-term lease receivables	**Future minimum lease payments R'm**	**Interest R'm**	**Present value of minimum lease payments R'm**	Future minimum lease payments R'm	Interest R'm	Present value of minimum lease payments R'm
Receivable in less than one year	**24**	**(13)**	**11**	24	(14)	10
Between one and five years	**85**	**(39)**	**46**	90	(44)	46
More than five years	**89**	**(24)**	**65**	108	(32)	76
Long-term lease receivables	**174**	**(63)**	**111**	198	(76)	122
Total	**198**	**(76)**	**122**	222	(90)	132

Long-term lease receivables

Long-term lease receivables are embedded finance leases.

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. The Group could not estimate reliably the relative future values of the lease element and other elements of the required payments. Therefore, 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% (2008: 11%).

9. RETIREMENT BENEFIT ASSETS

	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Summary				
Pension fund	**583**	571	**583**	571
Post-retirement medical benefit fund	**70**	20	**70**	20
	653	591	**653**	591
Current actuarial gains/(losses) recognised in other comprehensive income	**26**	(226)	**26**	(226)
– Pension fund	**(20)**	(202)	**(20)**	(202)
– Post-retirement medical benefit fund	**46**	(24)	**46**	(24)

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 Fund 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 2009.

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 its 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 2009 %	Group and Company 2008 %
Discount rate	**9.50**	9.25
Consumer price inflation	**6.00**	6.00
Expected return on assets	**9.25**	9.25
Compensation increase rate	**7.00**	7.00
Pension increase rate	**6.00**	6.00

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 (2008: 19 years) for males and 23 years (2008: 23 years) for females.

The overall expected long-term rate of return on assets is 9.25% (2008: 9.25%). 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 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 2009 Quarter percentage point increase R'm	Group and Company 2009 Quarter percentage point decrease R'm
Effect on the aggregate service and interest cost	**3**	**3**
Effect on defined benefit obligation	**29**	**29**

9. RETIREMENT BENEFIT ASSETS *(continued)*

	Group and Company	
Fund status	**2009 R'm**	2008 R'm
Fair value of plan assets	**2 012**	1 937
Benefit obligations	**(1 429)**	(1 366)
Pension asset recognised at end of period	**583**	571
Movements in the plan assets recognised in the statement of financial position are as follows:		
Fair value of plan assets at the beginning of period	**1 937**	2 081
Contributions paid into the plan	**8**	9
Benefits paid by the plan	**(157)**	(155)
Risk premiums	**(1)**	(1)
Expected return on plan assets	**170**	170
Actuarial gain/(loss)	**55**	(167)
Fair value of plan assets at the end of period	**2 012**	1 937
Movements in the net liability recognised in the statement of financial position are as follows:		
Liability for defined benefit obligations at the beginning of period	**1 366**	1 349
Members' contributions	**7**	8
Benefits paid by plan	**(157)**	(155)
Current service costs	**17**	21
Past service costs	**1**	1
Risk premiums	**(1)**	(1)
Interest costs	**121**	108
Actuarial loss	**75**	35
Liability for defined benefits obligation at the end of period	**1 429**	1 366
Amounts recognised in the income statement are as follows:		
Current service cost	**17**	21
Interest on obligation	**121**	108
Expected return on plan assets	**(170)**	(170)
Past service costs	**1**	1
Total included in staff costs	**(31)**	(40)

9. RETIREMENT BENEFIT ASSETS *(continued)*

	Group and Company	
	2009 R'm	2008 R'm
The expense is recognised in the following line items in the income statement:		
Operating cost	(31)	(40)
Return on plan assets		
Actual return on plan assets	225	3
Actuarial gains recognised directly in other comprehensive income		
Net cumulative amount at the beginning of period	344	485
Recognised during the period	(20)	(202)
Deferred tax rate adjustment	—	4
Deferred tax thereon	6	57
Net cumulative amount at the end of period	330	344
Percentage of fair value of assets:	%	%
Equity instruments	19	31
Debt instruments	65	52
Property	1	3
Other assets	15	14
	100	100
Percentage of the Company's shares held by the defined benefit fund is	0.03	0.03

	Group and Company				
Historical information	2009 R'm	2008 R'm	2007 R'm	2006 R'm	2005 R'm
Fair value of plan assets	2 012	1 937	2 081	1 744	1 470
Present value of the defined benefit obligations	(1 429)	(1 366)	(1 349)	(1 289)	(1 143)
Surplus in the plan	583	571	732	455	327
Unrecognised actuarial gain due to paragraph 59 limit	—	—	—	—	(327)
Defined benefit asset recognised at the end of the period	583	571	732	455	—

The Group expects to pay no contributions to the defined benefit plan in the 2010 financial period.

Afrox has obtained a cash flow benefit of R23.9 million (2008: R18.6 million), representing the contribution saving for the year ended 31 December 2009.

9. RETIREMENT BENEFIT ASSETS *(continued)*

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 certain medical aid plans, 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 activated calculation of the African Oxygen Limited post-retirement medical fund was made on 31 December 2009. At the time of the calculation, 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	
	2009 %	2008 %
Discount rate	**9.50**	9.25
Consumer price inflation	**6.00**	6.00
Expected return on plan assets	**10.50**	10.25
Healthcare cost inflation	**8.00**	8.00

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 (2008: 19 years) for males and 23 years (2008: 23 years) for females.

The overall expected long-term rate of return on assets is 10.50% (2008: 10.25%). 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**	**2**
Effect on defined benefit obligations	**17**	**14**

9. RETIREMENT BENEFIT ASSETS *(continued)*

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 are tabled below:

	Group and Company	
	2009 R'm	2008 R'm
Fair value of plan assets	**208**	192
Benefit obligations	**(138)**	(172)
Funded status	**70**	20
Movements in the net asset recognised in the statement of financial position are as follows:		
Fund assets at the beginning of period	**192**	199
Expected return on plan assets	**17**	19
Benefits paid	**(8)**	(9)
Actuarial gain/(loss)	**7**	(17)
Market value of plan assets at the end of period	**208**	192
Movements in the net liability recognised in the statement of financial position are as follows:		
Projected benefit obligation at the beginning of period	**172**	160
Current service cost	**3**	3
Interest cost	**13**	11
Benefits paid	**(8)**	(9)
Effect of curtailment	**(3)**	—
Actuarial (loss)/gain	**(39)**	7
Benefit obligations at the end of period	**138**	172
Amounts recognised in the income statement are as follows:		
Current service cost	**3**	3
Interest on obligation	**13**	11
Expected return on plan assets	**(17)**	(19)
Curtailment due to retrenchments	**(3)**	—
Total included in staff costs	**(4)**	(5)
Actuarial gains recognised directly in other comprehensive income		
Net cumulative amount at the beginning of period	**(16)**	—
Recognised during the period	**46**	(24)
Deferred tax thereon	**(13)**	8
Net cumulative amount at the end of period	**17**	(16)
Percentage of fair value of assets:	**%**	%
Equity instruments	**45**	60
Debt instruments	**49**	30
Property	**4**	—
Other assets	**2**	10
	100	100

9. RETIREMENT BENEFIT ASSETS *(continued)*

	Group and Company				
Historical information	**2009 R'm**	2008 R'm	2007 R'm	2006 R'm	2005 R'm
Fair value of plan assets	**208**	192	199	222	280
Present value of the defined benefit obligation	**(138)**	(172)	(160)	(159)	(217)
Surplus in the plan	**70**	20	39	63	63

The Group expects to pay no contributions to the defined benefit medical plan in the 2010 financial period.

10. DEFERRED TAX

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Deferred tax assets	**(10)**	(6)	**—**	—
Deferred tax liabilities	**562**	519	**529**	484
	552	513	**529**	484
The net deferred tax comprises:				
Accelerated capital allowances	**432**	408	**402**	381
Provisions and other	**123**	105	**130**	103
Assessable loss	**(3)**	—	**(3)**	—
	552	513	**529**	484
Reconciliation of deferred tax				
Opening balance	**513**	462	**484**	434
Charged to income statement:				
– current year temporary differences	**39**	80	**45**	84
– prior year (over)/underprovision	**(4)**	50	**(7)**	46
– change in tax rate	**—**	(11)	**—**	(11)
Realignment of currencies recognised directly in equity	**(3)**	1	**—**	—
Charged to other comprehensive income:				
– current year temporary differences	**7**	(65)	**7**	(65)
– change in tax rate	**—**	(4)	**—**	(4)
Closing balance	**552**	513	**529**	484
Deferred tax is comprised at the following rates:				
South African operations – 28% (2008: 28%)	**532**	491	**529**	484
Foreign operations at average rate – 32.82% (2008: 33.89%)	**20**	22	**—**	—
	552	513	**529**	484

10. DEFERRED TAX *(continued)*

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 2007	337	125	462
Charged to the income statement:			
– current year temporary differences	35	45	80
– prior year underprovision	46	4	50
– change in tax rate	(10)	(1)	(11)
Realignment of currencies recognised directly in equity	—	1	1
Charged to other comprehensive income:			
– current year temporary differences	—	(65)	(65)
– change in tax rate	—	(4)	(4)
At 31 December 2008	**408**	**105**	**513**
Charged to the income statement:			
– current year temporary differences	**28**	**11**	**39**
– prior year overprovision	**(4)**	**—**	**(4)**
Realignment of currencies recognised directly in equity	**—**	**(3)**	**(3)**
Charged to other comprehensive income:			
– current year temporary differences	**—**	**7**	**7**
At 31 December 2009	**432**	**120**	**552**

	Company		
	Accelerated capital allowances R'm	Provisions and other R'm	Total R'm
At 31 December 2007	306	128	434
Charged to the income statement:			
– current year temporary differences	39	45	84
– prior year underprovision	46	—	46
– change in tax rate	(10)	(1)	(11)
Charged to other comprehensive income:			
– current year temporary differences	—	(65)	(65)
– change in tax rate	—	(4)	(4)
At 31 December 2008	**381**	**103**	**484**
Charged to the income statement			
– current year temporary differences	**28**	**17**	**45**
– prior year overprovision	**(7)**	**—**	**(7)**
Charged to other comprehensive income:			
– current year temporary differences	**—**	**7**	**7**
At 31 December 2009	**402**	**127**	**529**

10. DEFERRED TAX *(continued)*

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 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	7	(69)	7	(69)
	7	(69)	7	(69)
The estimated losses which are available for the reduction of future taxable income which are taken into account in calculating deferred taxation	10	—	10	—
Shareholders' interest in the estimated tax losses not yet utilised	29	—	10	—

Deferred tax assets and liabilities are offset only 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.

The deferred tax assets arise due to temporary differences. 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	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Raw materials	63	20	54	5
Work in progress	16	29	13	19
Finished goods	494	796	417	583
	573	845	484	607
Inventory obsolescence (taken into account in the carrying value of inventories above)				
Finished goods	41	31	24	23
Raw materials	5	1	—	—
Balance at the end of the period	46	32	24	23
Inventories stated at cost:	573	845	484	607

12. TRADE AND OTHER RECEIVABLES

Trade receivables	886	1 156	735	903
Impairment allowance	(103)	(103)	(76)	(48)
Net trade receivables	783	1 053	659	855
Other receivables	26	33	—	39
Prepayments	2	3	—	2
Centriq insurance receivable	5	18	5	18
Deposits	1	1	—	—
Accrued income	2	2	2	—
Staff loans	11	9	9	8
	830	1 119	675	922
Trade and other receivables to turnover (%)	17	20	18	20

12. TRADE AND OTHER RECEIVABLES *(continued)*

The net carrying values of trade and other receivables are considered a close approximation of their fair values.
Before accepting new customers, the Group uses an internal credit scoring system to assess the potential customers' credit quality and defines limits by customers. Limits and scoring are reviewed annually and upon request from a customer. Due to the nature of the business, there are no customers that forms more than 5% of the total balance of trade receivables.

Centriq insurance receivable

Afrox entered into a short-term insurance policy with Centriq Insurance Company Limited (Centriq) in terms of which they insured Afrox against any losses incurred in respect of motor vehicles, assets and business interruptions and fidelity and computer crime. The policy concluded entitled Afrox to maintain an experience account for the purpose of recording any over-or under- recoveries under the policy. In accordance with the policy the experience account can be utilised by Afrox through the offsetting of future insurance premiums, claims being paid under the policy and the payment of fees to the insurers, Centriq.

The carrying amounts of gross trade receivables are denominated in the following currencies:

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
SA Rand	**831**	1 083	**716**	877
US Dollars	**4**	10	**4**	10
Euro	**—**	1	**—**	1
Sterling	**3**	10	**3**	10
Australian Dollars	**12**	5	**12**	5
Other	**36**	47	**—**	—
	886	1 156	**735**	903

Credit quality of trade receivables

As at 31 December 2009 trade receivables of R234 million (2008: R433 million) were past due but not impaired. These relate to customers where there is no recent history of default. The ageing of these trade receivables is shown below:

	Group			
	2009		2008	
	Carry value R'm	**Impairment R'm**	Carry value R'm	Impairment R'm
Not past due date	**550**	**1**	620	—
Past due within 30 days from statement	**59**	**1**	110	1
Past due within 30 – 60 days from statement	**66**	**1**	86	—
Past due within 60 – 90 days from statement	**5**	**1**	62	4
Past due within 90 – 120 days from statement	**29**	**1**	55	5
Past due within 120 – 150 days from statement	**10**	**10**	35	10
Past due in excess of 150 days from statement	**167**	**88**	188	83
	886	**103**	1 156	103

	Company			
	2009		2008	
	Carry value R'm	**Impairment R'm**	Carry value R'm	Impairment R'm
Not past due date	**456**	**1**	526	—
Past due within 30 days from statement	**44**	**1**	100	1
Past due within 30 – 60 days from statement	**52**	**1**	60	—
Past due within 60 – 90 days from statement	**4**	**1**	35	3
Past due within 90 – 120 days from statement	**17**	**1**	20	3
Past due within 120 – 150 days from statement	**10**	**7**	25	6
Past due in excess of 150 days from statement	**152**	**64**	137	35
	735	**76**	903	48

12. TRADE AND OTHER RECEIVABLES *(continued)*

Listings of overdue customer balances are reviewed monthly and compared against their credit term/limits. Any customers 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. The Group holds no collateral over trade receivables. Trade receivables are not committed as security for debt. As at 31 December 2009, trade receivables of R103 million (2008: R103 million) were determined to be specifically impaired and provided for. The amount of the impairment allowance at 31 December 2009 was R103 million (2008: R103 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	
Movement in the impairment allowance	**2009 R'm**	2008 R'm	**2009 R'm**	2008 R'm
Balance at the beginning of the period	**(103)**	(92)	**(48)**	(24)
Raised during period	**(5)**	(32)	**(35)**	(24)
Utilised during period	**5**	21	**7**	—
Balance at the end of the period	**(103)**	(103)	**(76)**	(48)

The creation and release of the impairment allowance has been included in net operating expenses in the income statement (note 20).

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into certain foreign exchange contracts which do not relate to specific items on the balance sheet, but were entered into to cover foreign commitments not yet due.

Foreign exchange contracts

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			
	Currency	**2009 million foreign currency**	**2009 R'm South Africa**	2008 million foreign currency	2008 R'm South Africa
Australia	AUD	**2**	**10**	1	4
Denmark	DKK	**—**	**1**	—	—
Japan	JPY	**2**	**—**	1	—
Singapore	SGD	**—**	**—**	—	1
British Sterling	GBP	**—**	**4**	1	9
US Dollars	US$	**6**	**45**	5	51
Euro	EUR	**4**	**42**	8	105
			102		170
Mark-to-market value					
Foreign exchange contracts (liability)/asset			**(3)**		4

Actual foreign currency amounts were used and not rounded amounts as disclosed above.

14. CASH AND CASH EQUIVALENTS

	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 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 cash flow statement comprise the following balance sheet amounts:				
Cash on hand and favourable balances with banks	**609**	143	**491**	17
Bank overdrafts	**(33)**	(285)	**(33)**	(276)
	576	(142)	**458**	(259)
Cash and cash equivalents consist of the following:				
South African Rand	**456**	(267)	**455**	(260)
Foreign currencies	**120**	125	**3**	1
	576	(142)	**458**	(259)

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 permit 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 obligation.

15. EQUITY

	Number of shares	Ordinary shares R'm	Share premium R'm	Total R'm
15.1 Share capital and share premium				
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 2009	**308 567 602**	**15**	**537**	**552**
Company				
Issued				
At 31 December 2008	342 852 910	17	537	554
At 31 December 2009	**342 852 910**	**17**	**537**	**554**

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. The unissued shares remain under the control of the directors until the next annual general meeting, subject to the provisions of sections 221 and 222 of the Companies Act of 1973, as amended, and the rules and directives of the JSE Limited respectively. All issued shares are fully paid. BOC Holdings owns 50.47% of 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.

15. EQUITY *(continued)*

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
15.2 Reserve				
Hedging reserve	**2**	4	**—**	2
Foreign currency translation reserve	**(49)**	(22)	**—**	—
Actuarial gains on defined benefit funds	**347**	328	**347**	328
	300	310	**347**	330

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 on defined benefit funds

These relate to actuarial gains and losses on defined benefit funds taken directly to equity in terms of the allowed alternative in IAS 19.

16. LONG-TERM BORROWINGS

	Group		Company	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Unsecured loans denominated in South African Rand	**1 490**	1 390	**1 490**	1 390
Less: Current portion of interest-bearing borrowings	**(363)**	(500)	**(363)**	(500)
	1 127	890	**1 127**	890

16. LONG-TERM BORROWINGS *(continued)*

Terms of repayment	Date of final repayment	Interest rate	Terms	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Unsecured loans							
Unsecured bank loan	07/2009	13.95%	fixed	—	60	—	60
Unsecured bank loan	07/2009	14.40%	fixed	—	150	—	150
Unsecured bank loan	07/2009	14.50%	fixed	—	290	—	290
Unsecured bank loan	05/2010	8.05%	variable	**100**	100	**100**	100
Unsecured bank loan	08/2010	9.63%	variable	**200**	—	**200**	—
Unsecured bank loan	05/2011	9.71%	fixed	**100**	100	**100**	100
Unsecured bank loan	08/2011	10.80%	fixed	**100**	100	**100**	100
Unsecured bank loan	06/2012	14.19%	fixed	**100**	100	**100**	100
Unsecured bank loan	07/2012	11.54%	fixed	**150**	—	**150**	—
Unsecured bank loan	08/2012	7.88%	variable	**100**	100	**100**	100
Unsecured bank loan	12/2012	11.32%	fixed	**90**	90	**90**	90
Unsecured bank loan	04/2013	12.39%	fixed	**100**	100	**100**	100
Unsecured bank loan	07/2013	12.70%	fixed	**100**	100	**100**	100
Unsecured bank loan*	08/2013	11.33%	variable	**250**	—	**250**	—
Unsecured bank loan	08/2013	12.75%	fixed	**100**	100	**100**	100
				1 490	1 390	**1 490**	1 390
Less: Current portion of interest-bearing borrowings				**(363)**	(500)	**(363)**	(500)
				1 127	890	**1 127**	890
Minimum repayments of unsecured borrowings:							
One year – capital				**363**	500	**363**	500
One year – interest				**152**	161	**152**	161
				515	661	**515**	661
Two to five years – capital				**1 127**	890	**1 127**	890
Two to five years – interest				**238**	276	**238**	276
				1 365	1 166	**1 365**	1 166
				1 880	1 827	**1 880**	1 827

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 R4 million (2008: 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 as that for 2008. Loans are repayable in full on maturity date, interest payable quarterly in arrears.

* *Loan repayable in equal annual instalments, interest payable quarterly in arrears.*

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Trade payables	**394**	472	**349**	388
Value added taxation	**28**	7	**22**	6
Interest accrual	**29**	34	**29**	34
Employee benefit in respect of share appreciation rights	**22**	30	**22**	30
Employee benefits including leave pay and bonuses	**82**	55	**78**	49
Deferred rentals	**7**	78	**4**	76
Other payables	**115**	113	**94**	81
	677	789	**598**	664

Other payables include employee related costs and 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 Group's trade payables.

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
The carrying amounts of trade payables are denominated in the following currencies:				
SA Rand	**346**	431	**323**	373
US Dollars	**—**	4	**—**	4
Euro	**24**	9	**24**	9
Sterling	**2**	1	**2**	1
Other	**22**	27	**—**	1
	394	472	**349**	388
Age analysis of trade payables				
Not past due date	**301**	297	**287**	245
Past due within 30 days from statement	**38**	20	**25**	16
Past due within 30 – 60 days from statement	**25**	83	**16**	68
Past due within 60 – 90 days from statement	**8**	13	**6**	10
Past due within 90 – 120 days from statement	**12**	13	**8**	11
Past due within 120 – 150 days from statement	**9**	8	**6**	7
Past due in excess of 150 days from statement	**1**	38	**1**	31
	394	472	**349**	388

18. OTHER SHORT-TERM FINANCIAL LIABILITIES

Cylinder deposits				
HP cylinder deposits	**30**	31	**8**	7
LPG cylinder deposits	**126**	136	**125**	133
Total	**156**	167	**133**	140

19. REVENUE

	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Revenue:				
Sale of goods	**4 217**	5 156	**3 164**	4 101
Rentals	**578**	510	**578**	510
Total revenue for the period	**4 795**	5 666	**3 742**	4 611

20. OPERATING PROFIT

	Group 2009 R'm	Group 2008 R'm	Company 2009 R'm	Company 2008 R'm
Profit from operations is shown after taking the following into account:				
Income				
Dividends received from subsidiaries – unlisted			**228**	107
Management fees from subsidiaries			**29**	24
Expenses				
Auditors' remuneration	**8**	8	**5**	5
Fees for audit – current year	**7**	7	**4**	4
– prior years	**1**	1	**1**	1
Amortisation of intangibles (note 2)	**30**	26	**29**	22
Depreciation of property, plant and equipment (note 1)	**271**	231	**233**	191
Freehold properties	**7**	6	**1**	—
Plant and equipment	**159**	133	**138**	108
Cylinders	**62**	51	**58**	49
Vehicles	**29**	28	**25**	24
Furniture and fittings	**14**	13	**11**	10
(Profit)/loss on disposal of property, plant and equipment	**(13)**	(1)	**(10)**	1
Operating lease charges	**181**	167	**184**	168
Property	**26**	25	**31**	29
Vehicles and equipment	**155**	142	**153**	139
Loss/(gain) on foreign currency transactions	**24**	(48)	**20**	(38)

21. EMPLOYEE AND KEY MANAGEMENT COMPENSATION COSTS

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Directors' emoluments	**9**	8	**9**	8
Executives – for services as directors	**8**	7	**8**	7
Non-executives – fees	**1**	1	**1**	1
For a detailed breakdown of the directors' emoluments (see page 41).				
Employee costs	**1 065**	982	**947**	858
Salaries and wages	**938**	941	**836**	829
Pension costs – defined benefit plan income	**(31)**	(40)	**(31)**	(40)
Pension costs – provident fund	**62**	55	**56**	51
Retrenchment cost	**65**	15	**63**	15
Other salary costs	**1**	7	**—**	6
Share appreciation rights costs	**(7)**	(28)	**(7)**	(28)
Post-retirement defined benefit plan income	**(4)**	(5)	**(4)**	(5)
Medical aid current contribution for employees	**41**	37	**34**	30

22. FINANCE (EXPENSE)/INCOME

Finance income				
Loans and receivables	**9**	10	**4**	—
Interest received from subsidiaries			**1**	6
Lease receivables from embedded finance leases	**18**	24	**14**	15
Net change in fair value of financial assets at fair value through profit or loss	**—**	2	**—**	2
Total finance income	**27**	36	**19**	23
Finance expense				
Loans and payables	**(196)**	(182)	**(193)**	(180)
Interest paid by subsidiaries			**(2)**	(3)
Net change in fair value of financial assets at fair value through profit or loss	**(5)**	—	**(5)**	—
Less: Interest capitalised on property, plant and equipment	**3**	25	**3**	25
Total finance expense	**(198)**	(157)	**(197)**	(158)
Net finance expense	**(171)**	(121)	**(178)**	(135)
Analysed per category				
Net loans and payables	**(184)**	(147)	**(187)**	(152)
Held-to-maturity investments	**13**	26	**9**	17
	(171)	(121)	**(178)**	(135)

23. INCOME TAX EXPENSE

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
SA normal taxation	**64**	49	—	(22)
Current	**68**	95	—	19
Prior year underprovision	**(4)**	(46)	—	(41)
Deferred tax	**33**	119	**35**	119
Current year temporary differences	**37**	80	**43**	84
Prior year (over)/underprovision	**(4)**	50	**(8)**	46
Tax rate change	—	(11)	—	(11)
Foreign taxes	**14**	12	**14**	12
Secondary taxation on companies	**14**	27	**14**	27
Net charge/(receipt) from participation in vesting ISAS Trust	—	—	**7**	(7)
	125	207	**70**	129
Reconciliation of taxation charge				
Profit before taxation	**368**	634	**415**	467
Taxation calculated at a statutory tax rate of 28% (2008: 28%)	**103**	178	**116**	131
Income not subject to taxation	**(9)**	(12)	**(74)**	(37)
Prior year adjustments	**(4)**	4	**(8)**	5
Expenses not deductible for taxation purposes	**1**	1	**1**	9
Foreign tax rate deferential	**6**	8	—	—
Change in tax rate	—	(11)	—	(11)
Effect of non-resident shareholders' taxation	**14**	12	**14**	12
Secondary taxation on companies	**14**	27	**14**	27
Net charge/(receipt) from participation in vesting ISAS Trust	—	—	**7**	(7)
Income tax expense	**125**	207	**70**	129
Effective tax rate (%)	**34.0**	32.6	**16.9**	27.6

Secondary taxation on companies' credits at year-end amounted to Rnil (2008: Rnil).

The Group has tax losses of R29 million (2008: Rnil) available for offset against future taxable income.

24. EARNINGS AND HEADLINE EARNINGS PER SHARE

Group earnings per share and Group diluted earnings per share are calculated on earnings of R232 million (2008: R412 million) and a weighted average number of ordinary shares of 308 567 602 (2008: 308 567 602) in issue during the period. Group headline earnings per share are calculated on headline earnings of R231 million (2008: R411 million) and a weighted average number of ordinary shares of 308 567 602 (2008: 308 567 602) in issue during the period.

	Group 2009			Group 2008		
	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	232		232	412		412
Adjustments for:						
– Profit on disposal of property, plant and equipment	(13)	4	(9)	(1)	—	(1)
– Net impairment of intangibles	11	(3)	8	—	—	—
Headline earnings	230	1	231	411	—	411
Reconciliation between headline earnings and core headline earnings						
Headline earnings	230	1	231	411	—	411
Adjustments for:						
– Net restructuring costs	22	(6)	16	15	(4)	11
– Other	44	(13)	31	(8)	3	(5)
Core headline earnings	296	(18)	278	418	(1)	417
Basic and diluted earnings per ordinary share (cents)			75.2			133.7
Headline earnings per ordinary share (cents)			74.6			133.5
Core headline earnings per ordinary share (cents)			90.2			135.2

For the definition of core headline earnings refer to page 46.

25. DIVIDENDS

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Final dividend number 163 paid on 28 April 2008: 46 cents per share		142		157
Interim dividend number 164 paid on 27 October 2008: 42 cents per share		130		144
Interim dividend number 165 paid on 28 April 2009: 25 cents per share	77		85	
Interim dividend number 166 paid on 26 October 2009: 19 cents per share	59		65	
	136	272	150	301
Dividends proposed				
Final dividend number 167 payable on 26 April 2010: 19 cents per share				
Dividends declared per share (cents)	38.0	67.0		
Interim	19.0	42.0		
Final*	19.0	25.0		

A dividend was declared subsequent to 31 December 2009 and is presented for information purposes.

26. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Profit before taxation	**368**	634	**415**	467
Adjustments for:				
Depreciation	**271**	231	**233**	191
Dividends received	**—**	—	**(228)**	(107)
Foreign exchange adjustments	**(2)**	(3)	**—**	—
Revaluation loss on derivative financial instruments	**5**	11	**5**	11
Short-term financial liability	**—**	27	**—**	26
Reversal of income from associate	**(2)**	(2)	**—**	—
(Profit)/loss on disposal of property, plant and equipment	**(13)**	(1)	**(10)**	1
Other non-cash movements	**(17)**	(42)	**—**	(50)
Amortisation of intangibles	**30**	26	**29**	22
Investment income	**(27)**	(36)	**(19)**	(23)
Finance expenses	**198**	157	**197**	158
Operating profit before working capital adjustments	**811**	1 002	**622**	696
Working capital adjustments	**422**	(337)	**316**	(278)
Decrease/(increase) in inventories	**272**	(161)	**124**	(114)
Decrease/(increase) in trade and other receivables	**293**	(264)	**211**	(199)
(Decrease)/increase in net Group company receivables	**(16)**	37	**59**	(24)
(Decrease)/increase in trade and other payables	**(126)**	62	**(77)**	76
Decrease in other short-term financial liabilities	**(1)**	(11)	**(1)**	(17)
Cash generated from operations	**1 233**	665	**938**	418

27. NORMAL AND SECONDARY TAXATION PAID

Taxation (liability)/asset at beginning of financial period	**(21)**	(106)	**27**	(64)
Income statement charge (excluding deferred tax)	**(92)**	(88)	**(27)**	(17)
Taxation liability/(asset) at end of financial period	**9**	21	**(29)**	(27)
	(104)	(173)	**(29)**	(108)
Normal taxation paid	**(78)**	(134)	**—**	(69)
Foreign taxation paid	**(12)**	(12)	**(15)**	(12)
Secondary taxation paid	**(14)**	(27)	**(14)**	(27)
	(104)	(173)	**(29)**	(108)

28. DIVIDENDS PAID

Ordinary dividends	**(136)**	(272)	**(150)**	(301)

29. FINANCIAL RISK MANAGEMENT

29.1 Overview

In the normal course of business, the Group is exposed to the following financial risks:

> Treasury cash and capital management
> Credit risk
> Liquidity risk
> Currency risk
> Commodity risk
> Interest rate risk

Exposure to treasury cash and capital management, credit, liquidity, currency, commodity and interest rate risk arises in the normal course of the Group's business. This note explains the Group's exposure to each of the above risks, and it summarises the policies and processes that are in place to measure and manage the risks arising, including those related to the management of capital.

The directors are ultimately responsible for the establishment and oversight of the Group's risk management framework. An essential part of this framework is the role undertaken by the Audit Committee of the Board, supported by the Executive Risk Committee, and an independent internal audit function.

The Audit Committee meets three times a year and, among other duties, it reviews the internal control environment and risk management systems within the Group, with one Audit Committee meeting specifically dedicated to the review of risk management, including progress on mitigation actions. The Audit Committee reports on its activities to the Board.

29.2 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; and
> 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 forward 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.

29.3 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 A+ by Global Credit Ratings (short term A1) (2008: AA- 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 throughout the year.

29.4 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.

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

Derivative financial instruments

Cash-settled call options are acquired only 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 that there will be any significant concentration of credit risk related to derivative financial instruments. Refer to note 6 for more detail.

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 permit net settlement of assets and liabilities in certain circumstances, thereby reducing the Group's credit exposure to individual counterparties.

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.4 Credit risk *(continued)*

Trade and other receivables

There is no 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 considers its maximum credit risk to be R1 618 million (2008: R1 490 million) which is the total of the Group's financial assets. At 31 December 2009 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 as follows:

	Group Carrying amount		Company Carrying amount	
	2009 R'm	2008 R'm	**2009 R'm**	2008 R'm
Long-term derivative financial instruments	**8**	12	**8**	12
Non-current receivables	**136**	157	**111**	122
Trade and other receivables	**830**	1 119	**675**	922
Group loans receivable	**14**	10	**14**	10
Taxation receivable	**—**	27	**29**	27
Short-term portion of non-current receivables	**21**	18	**11**	10
Derivative financial instruments	**—**	4	**—**	4
Cash and cash equivalents	**609**	143	**491**	17
	1 618	1 490	**1 339**	1 124

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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 that are maintained by Afrox:

> R1 490 million committed facility maturing over the next four years; and
> R1 481 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 448 million.

The following table 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 balance sheet 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.

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.5 Liquidity risk *(continued)*

	Group 2009			Company 2009		
	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	515	382	983	515	382	983
Trade and other payables	677	—	—	598	—	—

	Group 2008			Company 2008		
	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	661	202	964	661	202	964
Trade and other payables	789	—	—	664	—	—

The table below analyses the Group's derivative financial assets which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group and Company 2009		
	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm
Foreign currency contracts			
Outflow	(102)	—	—

	Group and Company 2008		
	Less than 1 year R'm	Between 1 and 2 years R'm	Between 2 and 5 years R'm
Foreign currency contracts			
Outflow	(170)	—	—

29.6 Currency risk

Foreign currency risk

The Group will engage in foreign currency dealing only to the extent necessary to conduct 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 forward currency contracts. The Company will not engage in currency transactions for the purpose of speculative profit.

The Group faces three broad types of risk from currency rate movements:

> 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.

> Economic exposure, where the Rand present value of all future Afrox cash flows (and Afrox's market capitalisation) is affected by currency rate movements.

> Translation or "accounting" exposure, where currency rate movements cause the reported accounting profit or net worth to vary on translation of financial balances but which it is not intended to convert to Rands. An example is earnings not represented by a cash dividend.

29. FINANCIAL RISK MANAGEMENT

29.6 Currency risk *(continued)*

Transaction exposure

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 forward currency contracts to hedge the residual exposure with banks.

Economic exposure

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.

Translation exposure

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.

Foreign currency exposure

Loans

In terms of the Group's policy, all significant foreign currency loans are covered under forward currency contracts.

Trade exposure

The Group has entered into certain forward currency contracts, which do not relate to specific items in the balance sheet, but which were entered into to cover foreign commitments not yet due and proceeds which are not yet receivable.

The contracts will be utilised for purposes of trade and interest commitments on loans detailed above during 2010.
Details of significant contracts are as follows:

	Group and Company 2009		
	Foreign amount million	Average currency rate	Rand amount R'm
Assets			
US Dollars	6	7.6	45
British Pounds	—	12.1	4
Australian Dollars	2	6.9	10
Euro	4	11.3	42
Other	—	—	1
			102

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.6 Currency risk *(continued)*

	Group and Company 2008		
	Foreign amount million	**Average currency rate**	**Rand amount** R'm
Assets			
US Dollars	5	9.7	51
British Pounds	1	15.6	9
Australian Dollars	1	7.0	4
Euro	8	12.8	105
Other	—	—	1
			170

The fair values of forward currency contracts are determined using the relevant market forward currency rates.
Actual foreign currency amounts were used and not rounded amounts as above.

Sensitivity analysis

The tables below set out the Group's currency exposures from financial assets and 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.

	Group 2009		Group 2008		Company 2009		Company 2008	
	Amount million	**Potential impact on earnings** R'm	**Amount** million	**Potential impact on earnings** R'm	**Amount** million	**Potential impact on earnings** R'm	**Amount** million	**Potential impact on earnings** R'm
Financial assets – Trade and other receivables								
US Dollars	**4**	**1**	10	1	**4**	**1**	10	1
British Pounds	**3**	**—**	10	1	**3**	**—**	10	1
Australian Dollars	**12**	**2**	5	1	**12**	**2**	5	1
Euro	**—**	**—**	1	—	**—**	**—**	1	—
Other	**36**	**3**	47	5	**—**	**—**	—	—
	55	**6**	73	8	**19**	**3**	26	3
Financial liabilities – Trade and other payables								
US Dollars	**—**	**—**	4	—	**—**	**—**	4	—
British Pounds	**2**	**—**	1	—	**2**	**—**	1	—
Euro	**24**	**3**	9	1	**24**	**3**	9	1
Other	**22**	**2**	27	3	**—**	**—**	1	—
	48	**5**	41	4	**26**	**3**	15	1

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.

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.6 Currency risk *(continued)*

The following significant exchange rates applied during the year:

	2009	2008
Exchange rates to South African Rand		
Year-end rates:		
US Dollar	**7.41**	9.50
British Pound	**11.97**	13.89
Euro	**10.61**	13.28
Pula	**1.11**	1.26
Kwacha (000s)	**0.02**	0.02
Average rates for the period:		
US Dollar	**8.36**	8.21
British Pound	**13.08**	15.15
Euro	**11.66**	12.07
Pula	**1.18**	1.21
Kwacha (000s)	**0.02**	0.02

29.7 Commodity risk

The Group makes use of derivative instruments of short duration as a means of mitigating exchange rates and timing risks on imports. In effecting these transactions, the company operates within procedures and policies designed to ensure that risks are minimised.

29.8 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 even if all its interest payments are fixed, 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 2009 the Group had net exposure of R586 million (2008: R274 million) to variable interest rates. Based on the Group's year-end composition of debt an increase in average interest rates of 1% per annum would result in a decrease in future earnings before tax of R6 million (2008: R3 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 are not subject to interest rate risk as defined in IFRS 7: *Financial Instruments: Presentation.* The Group holds derivative contracts with a nominal value of R102 million as at 31 December 2009 (2008: R170 million) which are designated as fair value hedges. In the case of these instruments and the underlying fixed rate bonds, changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements net of almost completely in the income statement in the same period. As a result, these instruments are also not exposed to 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 on other comprehensive income by the amounts shown on page 100. This analysis assumes all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.8 Interest rate risk *(continued)*

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.

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

	Group							
			Fixed interest rate maturing					
	Weighted average effective interest rate %	Floating interest rate R'm	1 year or less R'm	1 to 5 years R'm	Over 5 years R'm	Non-interest-bearing R'm	Total book value 2009 R'm	Total book value 2008 R'm
Assets								
Available for sale financial assets								
Long-term derivative financial instruments	9.0	8	—	—	—	—	**8**	12
Loans and receivables								
Trade and other receivables		—	—	—	—	830	**830**	1 119
Non-current receivables	9.8	653	21	136	—	—	**810**	766
Total loans and receivables		653	21	136	—	830	**1 640**	1 885
Derivatives								
Foreign currency contracts – hedging		—	—	—	—	—	**—**	4
Cash and cash equivalents	5.4	608	—	—	—	1	**609**	143
Total financial assets		1 269	21	136	—	831	**2 257**	2 044
Liabilities								
Other financial liabilities								
Bank overdraft	9.0	33	—	—	—	—	**33**	285
Trade and other payables		—	—	—	—	677	**677**	789
Current portion of interest-bearing borrowings	9.1	363	—	—	—	—	**363**	500
Interest-bearing borrowings	11.5	287	—	840	—	—	**1 127**	890
Total financial liabilities		683	—	840	—	677	**2 200**	2 464
Net financial assets/(liabilities)		586	21	(704)	—	154	**57**	(420)

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.8 Interest rate risk *(continued)*

	Company							
	Weighted average effective interest rate	Floating interest rate	Fixed interest rate maturing			Non-interest-bearing	Total book value	
			1 year or less	1 to 5 years	Over 5 years		2009	2008
	%	R'm	R'm	R'm	R'm	R'm	R'm	R'm
Assets								
Available for sale financial assets								
Long-term derivative financial instruments	9.0	8	—	—	—	—	**8**	12
Loans and receivables								
Trade and other receivables		—	—	—	—	675	**675**	922
Non-current receivables	9.7	653	11	111	—	—	**775**	723
Total loans and receivables		653	11	111	—	675	**1 450**	1 645
Derivatives								
Foreign currency contracts – hedging		—	—	—	—	—	**—**	4
Cash and cash equivalents	5.4	490	—	—	—	1	**491**	17
Total financial assets		1 151	11	111	—	676	**1 949**	1 678
Liabilities								
Other financial liabilities								
Bank overdraft	9.0	33	—	—	—	—	**33**	276
Trade and other payables		—	—	—	—	598	**598**	664
Current portion of interest-bearing borrowings	9.1	363	—	—	—	—	**363**	500
Interest-bearing borrowings	11.5	287	—	840	—	—	**1 127**	890
Total financial liabilities		683	—	840	—	598	**2 121**	2 330
Net financial assets/(liabilities)		468	11	(729)	—	78	**(172)**	(652)

29. FINANCIAL RISK MANAGEMENT *(continued)*

29.9 Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	Group				Company			
	2009		2008		2009		2008	
	Carrying amount R'm	**Fair value R'm**	Carrying amount R'm	Fair value R'm	**Carrying amount R'm**	**Fair value R'm**	Carrying amount R'm	Fair value R'm
Assets								
Non-current assets	**797**	**797**	760	760	**772**	**772**	725	725
Long-term derivative financial instruments	**8**	**8**	12	12	**8**	**8**	12	12
Retirement benefit assets	**653**	**653**	591	591	**653**	**653**	591	591
Non-current receivables	**136**	**136**	157	157	**111**	**111**	122	122
Current assets	**1 474**	**1 474**	1 294	1 294	**1 191**	**1 191**	963	963
Trade and other receivables	**830**	**830**	1 119	1 119	**675**	**675**	922	922
Receivables from Group companies	**14**	**14**	10	10	**14**	**14**	10	10
Short-term portion of non-current receivables	**21**	**21**	18	18	**11**	**11**	10	10
Derivative financial instruments	**—**	**—**	4	4	**—**	**—**	4	4
Cash and cash equivalents	**609**	**609**	143	143	**491**	**491**	17	17
Liabilities								
Non-current liabilities								
Interest-bearing borrowings	**1 127**	**1 127**	890	890	**1 127**	**1 127**	890	890
Current liabilities	**1 239**	**1 239**	1 760	1 760	**1 164**	**1 164**	1 605	1 605
Trade, other payables and liabilities	**836**	**836**	956	956	**734**	**734**	804	804
Payables to Group companies	**7**	**7**	19	19	**34**	**34**	25	25
Current portion of interest-bearing borrowings	**363**	**363**	500	500	**363**	**363**	500	500
Bank overdrafts	**33**	**33**	285	285	**33**	**33**	276	276

The following methods and assumptions were used to estimate the fair value of each class of financial instrument 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 approximate fair value because of the short-term maturity of these instruments. The fair values of other long-term financial assets and long-term liabilities are not significantly different to their carrying values, as they are carried at amortised cost.

Hedging

Cash flow hedges

The cash flow hedges as per page 99 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. The cash flows on these instruments are expected to occur within the next financial period.

Gains and losses in other comprehensive income

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
The following amounts have been recognised in other comprehensive income during the period	(2)	—	(2)	—

30. 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 pages 34 and 35 (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.

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Holding company				
Cash dividends to holding company	76	152	76	152
Technical aid fee	14	14	14	14
Fellow subsidiaries of holding company				
Revenue from sale of goods:				
BOC UK	14	22	14	22
BOC Kenya	8	8	8	8
BOC Nigeria	3	1	3	1
BOC Zimbabwe	18	4	18	4
BOC Australia	28	40	28	40
BOC New Zealand	1	2	1	2
Amounts outstanding on trade receivables:				
BOC Nevada	1	—	1	—
BOC Kenya	3	2	3	2
BOC Zimbabwe	1	2	1	2
BOC Nigeria	9	6	9	6
Amounts outstanding on trade payables:				
BOC Windlesham	—	16	—	16
BOC USA	—	1	—	1
BOC UK	3	2	3	2
Linde Global Helium	2	—	2	—
BOC Cryostar	2	—	2	—
African Oxygen investments				
Investments in subsidiaries and associated companies are detailed on pages 109 and 110.				
Subsidiaries and associates				
Revenue from sale of goods:				
Les Gaz Industriels Limited			4	3
BOC Gases Zambia plc			17	29
BOC Malawi Limited			16	10
IGL (Pty) Limited			34	—
Amounts outstanding on trade receivables:				
Les Gaz Industriels Limited			2	—
BOC Gases Zambia plc			6	4
IGL (Pty) Limited			6	4
BOC Malawi Limited			5	6
Dividends received			228	107

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.

Key management personnel

Key management is defined as executive directors and non-executive directors.

Directors and their emoluments are shown on page 41. No loans were made to or received from any director.

31. COMMITMENTS, CONTINGENCIES AND GUARANTEES

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Capital commitments				
Capital expenditure				
Contracted	**33**	47	**33**	47
Authorised by the directors, but not yet contracted for	**62**	—	**62**	—
Total future capital expenditure	**95**	47	**95**	47
Allocated to:				
Property, plant and equipment	**95**	47	**95**	47

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	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Not later than 1 year	**55**	21	**55**	21
Between 1 and 5 years	**145**	28	**145**	28
Longer than 5 years	**17**	3	**17**	3
	217	52	**217**	52

Leases of vehicles are for periods between 12 months and 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 this financial year Afrox disposed of its fleet of cylinder vehicles. These vehicles are leased back on an operating lease basis.

Embedded finance leases

These assets are recognised as lease receivables. The following income and expenses shown as finance lease income.

	Group		Company	
	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Other expenses from lease payments	**(37)**	(40)	**(24)**	(29)
Finance income	**18**	24	**14**	15
	(19)	(16)	**(10)**	(14)

32. SHARE APPRECIATION RIGHTS

The Company has issued share appreciation rights (SARS) to some of its employees as a performance incentive and as long-service awards. These rights are issued at the prevailing market price at the date of issue. The rights are valid for 10 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 SAR 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 SAR is intended to be exercised, has grown by no less than GDP adjusted by inflation over the same period. SARS granted after 2008 to a participant who ceases to be an employee as a result of 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 2008, 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	
	2009	2008	**2009**	2008
Number of SARS allocated at beginning of the period	**10 381 903**	7 948 379	**10 109 452**	7 749 878
Allocations during the financial period - granted	**3 524 350**	3 344 501	**3 429 350**	3 255 376
SARS exercised	**(64 850)**	(339 613)	**(64 100)**	(325 488)
SARS terminated	**(333 975)**	(571 364)	**(310 475)**	(549 139)
SARS transferred	**—**	—	**123 913**	(21 175)
Number of SARS issued at end of the period	**13 507 428**	10 381 903	**13 288 140**	10 109 452
Number of vested SARS at end of the period	**4 131 415**	2 616 640	**4 040 915**	2 496 327
Number of unvested SARS at end of the period	**9 376 013**	7 765 263	**9 247 225**	7 613 125
Total SARS issued at the end of the period	**13 507 428**	10 381 903	**13 288 140**	10 109 452

The following expiry dates applied to the SARS in issue at 31 December 2009:

	Group		Company	
Expiry date	**Number of SARS**	**Accrual on exercise of SARS R'm**	**Number of SARS**	**Accrual on exercise of SARS R'm**
2010	10 750	0	10 750	0
2011	88 500	1	88 000	1
2012	486 850	7	484 350	7
2013	346 000	4	341 000	4
2014	451 940	3	448 940	3
2015	2 747 375	3	2 667 875	3
2016	3 333 387	0	3 289 224	0
2017	956 126	0	949 501	0
2018	1 928 250	2	1 900 250	2
2019	3 158 250	1	3 108 250	1
	13 507 428	21	13 288 140	21

32. SHARE APPRECIATION RIGHTS *(continued)*

The range of issuing prices of these SARS is as follows:

	2009	
	Group	Company
Price range	Number of SARS	Number of SARS
7.00 – 12.99	925 600	917 600
13.00 – 19.99	1 509 065	1 487 065
20.00 – 27.99	3 656 500	3 576 500
28.00 – 28.99	3 396 137	3 345 974
29.00 – 29.99	3 198 626	3 162 501
30.00 – 36.99	821 500	798 500
	13 507 428	13 288 140

	Group	
	2009	2008
The following Share Appreciation Rights were issued during the financial period:		
Number of SARS issued	3 524 350	3 344 501
Average issue price	R20.11	R28.30
The following Share Appreciation Rights were redeemed during the financial period:		
Number of SARS redeemed	64 850	339 613
Total gain on encashing of SARS	R0.8m	R4.5m
Weighted average share price at the date of exercise of option	R19.76	R26.88
Fair value of Share Appreciation Rights and assumptions		
Share linked incentives granted to employees have been valued using the Black-Scholes model		
Share price	R22.00	R24.25
Expected volatility	21%	21%
Dividend yield	2.0%	3.6%
Risk-free interest rate	9.9%	9.9%

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.

33. JUDGEMENTS MADE BY MANAGEMENT

In preparing financial statements in conforming with IFRS, estimates and assumptions that affect the reported amounts and related disclosures are as follows:

Deferred tax assets

Deferred tax assets have been raised at year-end on temporary differences.

Asset lives and residual values

The useful lives and residual values of property, plant, equipment and intangible assets are reassessed annually based on current utilisation, prospects and market conditions.

Impairment of assets

The impairment of goodwill is tested at least annually. Property, plant and equipment, as well as intangible assets, are considered for impairment when conditions indicate that impairment may be necessary. These conditions include the economic conditions of the operating unit as well as the viability of the asset itself.

The discounted cash flow method is used, taking into account future expected cash flows, market conditions and the expected useful lives of the assets.

Post-employment benefit obligations

Post-retirement defined benefits are provided for certain existing and former employees (see note 9).
The actuarial valuation method used to value the obligations is the projected unit method. The assumptions used include a discount rate, inflation rate, salary increase rate, expected rate of return on assets and a pension increase allowance.

Valuation of financial instruments

Refer to note 29 for a detailed analysis of the fair value methodologies applied.

34. SUBSIDIARIES

Name of company	Nature of business+	Issued share capital 2009	Effective holding 2009 %	Effective holding 2008 %	Book value of company's interest: Shares at cost 2009 R'm	Shares at cost 2008 R'm	Due by/(to) subsidiaries 2009 R'm	Due by/(to) subsidiaries 2008 R'm
Subsidiaries incorporated in South Africa								
Unlisted								
Afrox African Investments (Pty) Limited	F	R10	100	100	—	—	536	551
Afrox Properties (Pty) Limited	P	R4 000	100	100	—	—	197	118
Afrox Safety (Pty) Limited	E	R1 000 000	100	100	4	4	11	84
Industrial Research and Development (Pty) Limited	E	R6 000	100	100	—	—	7	12
Isas Trust	G	—	100	100	68	68	4	(2)
Amalgamated Welding and Cutting (Pty) Limited	G	R2 500 000	100	100	20	20	(9)	21
Subsidiaries incorporated in Botswana								
Botswana Oxygen Company (Pty) Limited	G	P200	100	100	—	—	(4)	(2)
KIDDO Investments (Pty) Limited	G	P2	100	100	—	—	7	9
Subsidiary incorporated in Lesotho								
Afrox Lesotho (Pty) Limited	G	M2	100	100	—	—	2	2
Subsidiary incorporated in Malawi								
Afrox Malawi Limited	G	K4.4m	76	76	1	1	—	2
Subsidiaries incorporated in Mozambique								
BOC Gases Mozambique Limited	G	MZM1 100	100	100	1	1	9	9
Petrogas Limitada	G	MZM2 350	100	100	4	4	35	35
Subsidiary incorporated in Namibia								
IGL (Pty) Limited	G	N$2	100	100	—	—	8	20
Subsidiary incorporated in Swaziland								
Swazi Oxygen (Pty) Limited	G	E8	100	100	—	—	(14)	4
Subsidiary incorporated in Zambia								
Afrox Zambia Limited	G	ZK86.5m	70	70	5	5	—	—
Subsidiary incorporated in Angola								
Afrox Angola LDA	G	KA1.6m	100	100	—	—	15	17
Subtotal					103	103	804	880
Non-trading and other companies					1	1	1	—
Total					104	104	805	880
Impairment of Petrogas							(24)	(24)
							781	856
Payables to Group companies							(27)	(6)
Loans due by subsidiaries (note 4)							808	862
							781	856

+Nature of business

E – Engineering merchants, contractors and manufacturers

F – Finance

G – Gas and welding equipment

P – Property holdings

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 Angolian Kwanza; US$ United States Dollar

35. ASSOCIATED COMPANY

					Book value of company's interest			
		Issued share capital	Effective holding		Shares		Indebtedness	
Name of company	Nature of business+	2009	2009 %	2008 %	2009 R'm	2008 R'm	2009 R'm	2008 R'm
Group and Company								
Unlisted associated company								
Les Gaz Industriels Limited	G	**RS13.1m**	**38**	38	**1**	1	—	—
					1	1	—	—

** Associate with June financial year-end*

+ Nature of business

G – *Gas and welding equipment*

Currency

RS Mauritian Rupee

Global Reporting Initiative

This report has been prepared using the Global Reporting Initiatives Guidelines (GRI) as a framework. The GRI is an international framework for providing comprehensive information to stakeholders on a company's economic, social and environmental performance – the triple bottomline. The initiative was founded in 1997 and is endorsed by the United Nations.
Its goal is to enhance the quality, rigor and utility of sustainability reporting. A cross-reference index to the GRI framework is set herewith.

General performance indicators			Page numbers
1.	**Vision and strategy**		
1.1	Vision, mission, purpose and strategy	Well defined	9
1.2	Statement from CEO describing key elements of the report	Refer managing director's review	4
2.	**Profile**		
2.1	Name of the reporting organisation	African Oxygen Limited	123
2.2	Major products and derives	Manufacture and supply of industrial, medical and special gases: cutting and welding equipment and consumables.	Inside back cover
2.3	Operational structure of the organisation	The bulk tonnage and merchant business supplies large volumes of gas meeting the needs of bulk customers. In addition, Afrox supplies cylinder and liquid fabrication services, medical gases, handigas, hospitality gases, and manufactures and sells gas equipment and welding products.	13
2.4	Description of major divisions, operating companies, subsidiaries and associates	Full reporting of the operations of the organisation's major units.	109 – 110
2.5	Countries in which operations are located	In South Africa and 12 other African countries with main being: Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, DRC, Swaziland and Zambia.	66
2.6	Nature of ownership – legal form	Afrox is a public company listed on the JSE with 5 619 shareholders.	34
2.7	Nature of markets served	Covered in business reviews.	13
2.8	Scale of reporting organisation Number of employees		66
	Products and services offered	Refer to our top brands and business review.	Inside back cover
	Net sales	Refer to income statement.	62
	Capitalisation by debt and equity	Refer note on financial risk management.	96
	Value added	Refer to value added statement.	36
	Segmental reporting	Refer segmental results.	66

Global Reporting Initiative

General performance indicators			Page numbers
2.9	List of stakeholders	Shareholders and providers of capital, employees, customers, suppliers, and the community.	22
2.10	Contact information	Refer to administration.	123
2.11	Reporting period	Twelve months ended 31 December 2009.	123
2.12	Date of most recent previous reports	Interim results – 30 June 2009.	123
2.13	Scope of report	Report covers activities of Afrox in sub-Saharan Africa.	66
2.14	Significant changes in size, structure, ownership since previous reports	Refer to corporate governance.	22
2.15	Basis for reporting subsidiaries and associates, etc	Comprehensive disclosed in the business review – GRI principals applied throughout.	
2.16	Explanation regarding restatement of information	Refer to changes in accounting policies.	N/A
2.17	Decisions not to apply GRI principals	GRI principals applied throughout.	
2.18	Criteria/definitions used in accounting statements	Refer accounting policies.	52
2.19	Significant changes in measurement	Refer to changes in accounting policies.	52
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness and internal reliability of the report	Statement of responsibility and approval of the financial statements by the Board of directors.	43
2.21	Policies and current practices with regard to providing independent assurance about the report	Independent auditors' report.	44
2.22	Additional information and reports on sustainability	Contact corporate.communication@afrox.linde.com Phone +27 11 490 0466 or view www.afrox.co.za	123
3.	**Governance structure and management systems**		
3.1	Governance structure of the organisation	Refer to corporate governance.	22
3.2	Percentage of the Board of directors that are independent, non-executive directors	Refer to corporate governance.	22
3.3	Board member expertise	Refer to Board of directors.	2
3.4	Board level processes	Refer to corporate governance.	22
3.5	Linkage between executive compensation and performance	Refer to directors' emoluments.	41
3.6	Organisation structure and key responsibilities	Refer to executive management.	8
3.7	Mission and value statement and code of ethics	Afrox has a well defined mission and values statement, as well as its own code of ethics by which all employees must abide.	22

General performance indicators			Page numbers
3.8	Mechanisms for shareholders to provide recommendations	Annual general meeting, formal presentations to investment community, direct communication with stakeholders and through electronic communications and media releases.	22
3.9	Basis for identification of major stakeholders	Major stakeholders are those who are critical to the success of our performance – e.g. investors, customers, employees, suppliers and communities.	22
3.10	Stakeholder consultation	Afrox uses several media to communicate with stakeholders.	22
3.11	Stakeholder consultation information	Interim and annual reports, regular presentations, meetings and interviews.	22
3.12	Use of stakeholder consultation information	Information gathered from stakeholder consultation is acted upon when deemed necessary.	22
3.13	Precautionary approach	See approach to risk management.	96
3.14	Economic, environmental and social charters	Afrox endorses several global charters: – International Financial Reporting Standards. – Code of Corporate Practices and Ethics contained in the King Report on Corporate Governance in SA. – Global Reporting Initiatives. – Sustainability Reporting. – The UN Global Compact. – Many of our business units are ISO certified.	22
3.15	Industry and business association membership	LP Gas Association, SA Fluorocarbon Association, National Business Initiatives, South African Foundation, Free Market Foundation of SA.	
3.16	Policies/systems for managing upstream and downstream impacts	A number of initiatives are in place to ensure responsible stewardship of our products. We use our own analytical services and that of The Linde Group to guarantee quality of product. We offer product training for employees and consumers. A preferential procurement policy and supply chain management initiative are in place.	19

Global Reporting Initiative

General performance indicators			Page numbers
3.17	Managing indirect economic, environmental and social impacts	Afrox has implemented policies to measure and manage indirect financial impacts. Our procurement and environmental policies require suppliers to conform to performance and environmental criteria.	19
3.18	Decision regarding location and change in operations	Our business evolves to meet market opportunities.	13
3.19	Procedures for managing and measuring economic, environmental and social performance	Comprehensively covered throughout the whole report.	
3.20	Certification status regarding economic, environmental and social management systems	Most sites are ISO accredited as ISO 14001 or ISO 18001. Afrox has retained its standing in the Socially Responsible Investment (SRI) index and is Empowerdex rated.	19
EC	**Economic performance indicators**		
EC 1	Net sales	Value added statement provides an overview of the direct impact of the company in the 2009 financial period in reference to its providers of capital, employees, customers, suppliers and public sector.	36
EC 2	Geographic breakdown of markets	Afrox operates in South Africa and 12 other African countries.	66
EC 3	Cost of goods, materials and services purchased	Refer to the value added statement.	36
EC 4	Percentage of contracts paid in accordance with agreed terms.	Refer: Accounts payable	90
EC 5	Payroll and benefits (including wages, pensions, other benefits and redundancies)	94% of the salaries, wages and other benefits paid by Afrox in the 2009 financial year were paid in South Africa.	92
EC 6	Distributions to providers of capital	Refer to value added statement.	36
EC 7	Increase/decrease in retained earnings	Refer to value added statement.	36
EC 8	Taxes paid	Afrox paid 48% of its taxes in South Africa, with the balance paid in sub-Saharan Africa.	95
EC 9	Subsidies received	Afrox did not receive any subsidies in the 2009 financial period.	
EC 10	Donations	The donation policy stipulates that donations will not exceed 1% of the previous year's attributable earnings. In 2009, R4.2 million was donated to the community and worthy Groups. In addition, Afrox provided external and internal bursaries and supports a welding school.	32

General performance indicators			Page numbers
EC 11	Suppliers	No supplier represented 10% or more of total purchases.	90
EC 12	Total spend on non-core business infrastructure development	No investments were made in any infrastructure outside our main business activities.	
EC 13	Indirect economic impacts	Not assessed.	
EN	**Environmental performance indicators**		
EN 1	Total material use other than water	Refer to website for information	19
EN 2	Wastes used	Afrox uses, processes and sells carbon dioxide that is obtained as a byproduct from chemical processes such as refineries, hydrogen reformers (e.g. ammonia plants) and fermentation processes (ethanol plants). The gas is refined to conform to beverage grade carbon dioxide standards. Refer to website for information.	19
EN 3	Direct energy used	Our primary source of energy is electricity. Other sources include LPG, diesel and petrol. Refer to website for information.	19
EN 4	Indirect energy used	Afrox purchases LPG from the petrochemical industry and packages the gas as bulk or in cylinders. LPG is then distributed and sold for industrial or domestic applications. Energy used for delivery of LPG is not evaluated.	19
EN 5	Total water used	Refer to website for information.	19
EN 6	Land owned, leased or managed in biodiversity	Our operations do not impact on biodiversity rich habitats. No incidents have led to negative impacts on the environment. Environmental impact assessments are performed before any new project is commissioned. No negative impacts associated with our products have been identified.	19
EN 7	Impacts on biodiversity	Our operations do not impact on biodiversity rich habitats. No incidents have led to negative impacts on the environment. Environmental impact assessments are performed before any new project is commissioned. No negative impacts associated with our products have been identified.	19
EN 8	Greenhouse gas emissions	As to date we have not accurately quantified greenhouse gas emissions.	19

Global Reporting Initiative

General performance indicators			Page numbers
EN 9	Use and emissions of ozone depleting substances	We minimise product risk by the responsible care of our products throughout their lifecycle. CFC usage has been reduced over recent years. Afrox complies with environmental legislation and replaces CFCs with interim replacement refrigerants (HCFCs) and with hydrofluorocarbons (HFCs), which contain no chlorine and have zero ozone depletion potential.	19
EN 10	Nox, Sox and other significant air emissions	We do not produce Nox and Sox as a waste product in any production process.	19
EN 11	Total amount of waste by type destination	Waste management programmes have been implemented and, improved storage facilities, more effective waste separation, recycling and disposal procedures are in place.	19
EN 12	Discharges to water by type	Process effluents are monitored by plants and discharged to municipal sewer systems via permits from local authorities. No industrial effluent is discharged to water resources.	19
EN 13	Spills of chemicals, oils and fuels	No major spills were reported.	19
EN 14	Environmental impacts of products	Atmospheric gases from our air separation units have a minimal impact on the services environment. Air separation units use water, energy and oil. We have improved energy efficiency of these units through equipment design, maintenance and efficient operating practices.	19
EN 15	Percentage of product weight reclaimable	Refer to website for information.	19
EN 16	Fines for non-compliance	No fines were levied for non-compliance with environmental issues.	19
EN 17	Initiatives to use renewable energy sources or increase energy efficiency	Our primary source of energy is electricity. Other sources of energy include gas, diesel and petrol. No initiatives to use renewable energy resources. Refer to website for information.	19
EN 18	Energy consumption of major products	Refer to the website for information	
EN 19	Other indirect energy use	Afrox purchases LPG from the petrochemical industry and packages the gas for distribution and sale for industrial or domestic applications. The energy used for the delivery of LPG is not currently evaluated.	19

General performance indicators			Page numbers
EN 20	Water sources and related ecosystems/habitats affected by water	Water is obtained from municipal or regional utilities. Water sources and related ecosystems are not affected nor is any ground or surface water withdrawn. Secondary flow metres monitor water consumption of processes like dissolved acetylene production and the hydrostatic testing of cylinders. Refer to website for information.	19
EN 21	Ground and surface water withdrawals	None withdrawn see EN 20.	
EN 22	Recycling and use of water	Some acetylene plants recirculate the water used in the generator after separation from the lime (carbide sludge). Cooling water in air separation units is recycled.	19
EN 23	Land owned, leased or managed	Location of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas.	19
EN 24	Impermeable surface land owned	Not assessed.	
EN 25	Impact on protected or sensitive areas	No negative impacts associated with our activities/products have been identified.	19
EN 26	Changes to natural habitats and percentage	Not assessed.	
EN 27	Restoring ecosystems	Not assessed.	
EN 28	IUCN red list species in operating areas	Not assessed.	
EN 29	Operations in protected or sensitive areas	Our business units are primarily located in industrial areas.	19
EN 30	Indirect greenhouse gas emissions	Refer to EN 9 and EN 8.	
EN 31	Hazardous waste	Refer to EN 11.	
EN 32	Water sources affected by discharges	Production sites are in industrial areas and have a low risk impact on ground waters below the sites and no effect on protected areas, fresh water or marine environments.	19
EN 33	Supplier performance re-environment	Environmental performance of suppliers is evaluated when contracts are negotiated using a Supplier Evaluation Selection and Performance Appraisal (SESPA) process. SESPA is The Linde Group standard worldwide for supplier selection, and includes safety and environmental performance.	19

Global Reporting Initiative

General performance indicators			Page numbers
EN 34	Environmental impacts of transportation	Our transport fleet is serviced regularly to ensure limited emissions, noise and economic fuel consumption. Fuel is supplied by Caltex and stored in Caltex underground storage tanks on some of our premises. Tyres and batteries are returned to the manufacturers for recycling.	19
EN 35	Environmental expenditures	Refer to website for information.	
LA	**Social performance indicators – Labour relations**		
LA 1	Breakdown of workforce	Refer employee report.	25
LA 2	Employment creation	See enterprise development.	25
LA 3	Trade union representation	Approximately 22% of employees are represented by registered trade unions.	25
LA 4	Policy and procedures involving information, consultation and negotiation with employees regarding company restructuring	Afrox subscribes to the Labour Relations Act in respect of all restructuring exercises that require consultation. We use Consultative Forums (representing non-unionised employees).	22
LA 5	Recording and notification of occupational accidents/ diseases	All occupational injuries are reported monthly to the industrial executive committee and quarterly to The Linde Group. Claims to the Compensation Commissioner (Department of Labour) and to the European Industrial Gas Association are recorded.	19
LA 6	Formal health and safety committees	Every unit has a health and safety committee, complying with the Occupational Health and Safety Act No 85 of 1993. Adherence to the health and safety committee programme is measured as a leading indicator. Statistics are reported monthly to the industrial executive committee and quarterly to The Linde Group.	19
LA 7	Injury, lost day and absentee rates, work related	Lost workday case rates and total recordable case rates are reported monthly to the industrial executive committee and quarterly to The Linde Group. Actual performance against set targets is monitored each month. Occupational healthcare clinics at Afrox's major production sites record absenteeism.	19
LA 8	HIV/Aids policies and programmes	Our HIV/Aids programme offers prevention, treatment and care backed by the employee support programme for employees and their families.	25

General performance indicators			Page numbers
LA 9	Average hours of training per annum	Refer employee report.	25
LA 10	Equal opportunities and monitoring systems	We have an employment equity policy and management of diversity policy. Afrox champions equal opportunities. Equity plans for each business unit are signed off by the unions/consultative forums. HR reports monthly on levels achieved against the plan. Remedial action is implemented where there are major discrepancies.	22
LA 11	Composition of senior management and corporate governance bodies	Several senior management/corporate governance bodies are in place, e.g. remuneration committee, competency steering committee. See also corporate governance which provides details on governance structures.	22
LA 12	Employee benefits beyond those legally mandated	Clinics, canteens, HIV/Aids guidance, wellness and employee support programme, paid maternity leave and disability grants, bursaries, education loans etc are some of the benefits offered.	25
LA 13	Provision for formal worker representation in decisionmaking	Workers elect colleagues to represent them in the consultative forums, which meet regularly with executive management to debate issues.	25
LA 14	Compliance with ILO guidelines for occupational health	Afrox is fully compliant with ILO conventions.	
LA 15	Agreements with trade unions covering health and safety at work	Our industry level collective agreement covers safety and health issues at work.	25
LA 16	Programmes to support continued employability and to manage career endings	See employee review and skills development.	25
LA 17	Programmes for skills management	Afrox manages the development of functional skills through the Licence to Work approach, ensuring that employees are competent in their jobs. Learning needs analyses are achieved through the development of competency profiles for specific jobs, management development programmes, a graduate development scheme, national learnerships and life skills training are in place.	25
HR	**Social performance indicators – Human rights**		
HR 1	Policies, procedures etc. on human rights	Afrox abides by the South African Constitution and the Bill of Rights.	22

Global Reporting Initiative

General performance indicators			Page numbers
HR 2	Human rights impact on investment	Afrox conducts itself in a manner that is consistent with the Bill of Rights of the Republic of South Africa in all aspects of investment.	22
HR 3	Human rights within supply chain and monitoring systems	The Company observes the Bill of Rights in dealings with customers and suppliers and has a Code of Conduct that endorses ethical conduct in customer and supplier relations.	22
HR 4	Policies preventing discrimination	The Company's Code of Conduct and the Disciplinary Code and Procedure prohibit any form of unfair discrimination. We abide by the relevant anti-discrimination sections within the South African Constitution, the Promotion of Equality and Prevention of Unfair Discrimination Act and the Employment Equity Act.	22
HR 5	Freedom of association policy	The Company will not violate the right to freedom of association nor will it compel its employees to join any trade union.	22
HR 6	Child labour	Afrox complies with section 43 of the Basic Conditions of Employment Act No 75 (BCEA) that prohibits the employment of children under the age of 15 years.	22
HR 7	Forced and compulsory labour	Fully compliant with section 48 of the BCEA that prohibits forced and compulsory labour.	22
HR 8	Employee training in human rights relevant to operations	Afrox undertakes training on employment law and employee relations. Key human rights issues and unfair discrimination are covered in this programme.	25
HR 9	Appeal practices	The Afrox Disciplinary Code and Procedure contains provision for an appeal mechanism. This is available to all employees who face disciplinary action.	22
HR 10	Non-retaliation	The Code of Conduct, Disciplinary Code and the Grievance Procedure all prohibit any form of victimisation by management. Managers who victimise employees, face disciplinary action.	22

General performance indicators			Page numbers
HR 11	Human rights training for security personnel	Although security is outsourced to an external company, Afrox ensures that security employees receive proper training, fair labour practices and there is full compliance with labour legislation.	25
HR 12	Needs of indigenous people jointly managed	Afrox takes a firm approach against racial, cultural, ethnic, language and religious discrimination. Diversity training programmes sensitise employees to respect and appreciate the needs of previously disadvantaged people.	25
HR 13	Jointly managed community grievance mechanisms	Afrox has an internal alternate dispute resolution mechanism that encourages and requires a participative and joint approach towards problem-solving. Consultative forums are working well at various levels of the organisation.	25
HR 14	Share of operating revenues redistributed to local communities	See Corporate Social Investment.	32
SO	**Social performance indicators – Society**		
SO 1	Managing community impacts	Our community involvement project is a sustainable and ongoing relationship with 74 childcare institutions providing care and support to some 8 000 disadvantaged children.	32
SO 2	Policies to manage bribery and corruption	The Code of Conduct and Disciplinary Code record the actions to be taken against bribery and corruption. A contract with Expolink manages whistle-blowing, and employee concerns of perceived corruption are routed to The Linde Group's global compliance department.	22
SO 3	Policies to manage political lobbying and contributions	Afrox is non political we do not lobby or contribute to any political party. This is set out in our Code of Conduct.	22
SO 4	Awards received for social, ethical and environmental performance	SRI Index, Good Governance Awards, United Nations recognition for community project and Empowerdex rated.	22
SO 5	Donations to political parties	As set out in our Code of Conduct, Afrox does not fund any political parties.	32
SO 6	Court decisions regarding antitrust and monopoly regulations	Afrox has not breached any antitrust or monopoly regulations.	22

Global Reporting Initiative

General performance indicators			Page numbers
SO 7	Procedures for preventing anti-competitive behaviour	Afrox abides by the rules as laid down by the Competition Commission and the rulings of the Competition Tribunal.	22
PR	**Social performance indicators – Product responsibility**		
PR 1	Customer health and safety during use of products/ services	Afrox gases are packaged in containers that meet the requirements of the Occupational Health and Safety Act, Vessels Under Pressure Regulations and the incorporated Health and Safety Standards.	19
PR 2	Product information and labelling	The packages are filled and labelled to conform to the requirements of the Trade Metrology Act in respect of product contents. Customers are assured of receiving safe gas packages, correctly filled, with labelling that provides information related to both safety and product contents.	19
PR 3	Consumer privacy	Not assessed.	
PR 4	Non-compliance concerning product information and labelling	No reports of non-compliance during the financial year.	19
PR 5	Complaints upheld regarding the health and safety of products	There were no complaints during the financial year.	19
PR 6	Voluntary code compliance or award regarding social and/or environmental responsibility	Afrox was selected by the JSE as one of 67 companies to make up the Socially Responsible Investment (SRI) index.	32
PR 7	Non-compliance regarding product information and labelling	No instances were recorded.	
PR 8	Policies relating to customer satisfaction	The Customer First initiative is part of our daily outreach to both external and internal customers. Customer satisfaction surveys are conducted regularly.	
PR 9	Adherence to standards related to advertising	Content is evaluated internally and externally to ensure that there is no breach of industrial self-regulation or of relevant legislation.	
PR 10	Breaches of advertising and marketing regulations	Content is evaluated internally and externally to ensure that there is no breach of industrial self-regulation or of relevant legislation.	
PR 11	Complaints regarding breaches of consumer privacy	No complaints during the financial year.	

Shareholders' diary

SALIENT DATES

Financial year-end	31 December 2009
Posting of annual report	15 March 2010
Annual general meeting	20 May 2010
Interim	30 June 2010

REPORTS AND ACCOUNTS — **PUBLISHED**

Audited financial results for 31 December 2009	18 February 2010
Interim results	26 August 2010

DIVIDENDS (ORDINARY SHARES)	**DECLARED**	**PAID**
Interim dividend	27 August 2009	26 October 2009
Final dividend	18 February 2010	26 April 2010

SENS announcements

The following SENS announcements were made during the past financial year:

1 February 2010	Trading statement
28 January 2010	Resignation of director and appointment of acting Company Secretary
5 January 2010	Change to the board and Company Secretary
1 December 2009	Appointment of director
27 August 2009	Unaudited financial results and dividends
4 August 2009	Trading statement
7 May 2009	Afrox to cut R200 million in costs
7 May 2009	Results of AGM
30 March 2009	No change statement and notice of AGM
26 February 2009	Audited financial results and dividend

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,
South Africa
Telephone +27 (0) 11 490 0400
Fax +27 (0) 11 493 1580

AUDITORS

KPMG Inc

COMPANY SECRETARY AS AT FINANCIAL YEAR

MM Manjingolo, BA (Law), LLB, ADL, HDip Company Law,
PMD (Harvard)

ACTING COMPANY SECRETARY

A Meer-Seedat, BA, (Honours), LLB, Advanced Company Law,
(Wits)

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
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PO Box 61051
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Telephone +27 (0) 11 370 5000
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SPONSOR IN SOUTH AFRICA

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Telephone: +27 (0) 11 750 0000
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24 Fricker Road
Illovo

SPONSOR IN NAMIBIA

Namibia Equity Brokers (Pty) Limited

Website: www.afrox.com www.afrox.co.za

STAKEHOLDER ENQUIRIES

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

Notice to shareholders

Notice is hereby given that the 81st 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, 20 May 2010 at 10:00 at which the resolutions set out below will be considered and, if deemed fit, passed with or without amendments:

1. **Ordinary Resolution Number 1: The adoption 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 2009, including the directors' report and the report of the auditors therein, be and are hereby received and confirmed.

2. **Ordinary Resolution Number 2: Re-election of directors**

   Resolved as an Ordinary Resolution that the following directors who retire in terms of the Company's articles of association and, being eligible, offer themselves for re-election, be and is hereby re-elected as a director of the company:

   a) Jürgen Nowicki;

   b) Karen Oliver;

   c) Morongwe Malebye; and

   d) David Lawrence

   An abbreviated curriculum vitae in respect of each director offering themselves for re-election is set out on pages 2 and 3 of this annual report.

3. **Ordinary Resolution Number 3: Confirmation of appointment of executive directors**

   Resolved as an Ordinary Resolution that Mr Jonathan Narayadoo's appointment as an executive director with effect from 1 December 2009 be and is hereby confirmed.

   An abbreviated curriculum vitae in respect of this director is set out on page 2 of this annual report.

4. **Ordinary Resolution Number 4: Reappointment of auditors**

   Resolved as an Ordinary Resolution that KPMG Inc be reappointed 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 directors to fix the auditors' remuneration for the past year.

5. **Ordinary resolution number 5: Appointment of Audit Committee Members**

   To confirm the appointment of the following directors as members of the audit committee:

   a) Louis van Niekerk

   b) David Lawrence

   c) Morongwe Malebye

   An abbreviated curriculum vitae in respect of each director offering themselves for re-election is set out on pages 2 and 3 of this annual report.

6. **Ordinary Resolution Number 6: The renewal of the authority that all the unissued shares be placed under the control of the directors**

   Resolved as an Ordinary Resolution that, 5% (five percent) of the authorised, but unissued share capital of the Company from time to time, be and is hereby placed under the control of the directors of the Company until the next annual general meeting, as a general authority in terms of sections 221 and 222 of the Companies Act No 61, 1973 as amended ("the Act"), subject to the provisions of the Act and the Listing Requirements of the JSE Limited, for allotment and issue to such persons as the directors in their discretion deem fit.

7. **Ordinary Resolution Number 7: To increase the independent non-executive directors' fees**

   Resolved as an Ordinary Resolution that the fees payable to the independent non-executive directors serving on various committees of the board, with effect from 1 January 2010 are as follows:

Committee	
	Retainer per annum
Independent lead director	From Rnil to R120 000
Board members	From R65 870 to R50 000
Audit chairperson	From R65 870 to R120 000
Governance and management of resources chairperson	From R65 870 to R50 000
SHEQ chairperson	From R65 870 to R50 000
Transformation chairperson	From R65 870 to R50 000
	Chairperson per meeting
Audit	From R39 152 to R40 000
Governance and management of resources	From R19 760 to R40 000
SHEQ	From R19 760 to R40 000
Transformation	From R19 760 to R40 000
	Member per meeting
Board	From R9 880 to R25 000
Audit	From R9 880 to R20 000
Governance and management of resources	From R9 880 to R20 000
SHEQ	From R9 880 to R20 000
Transformation	From R9 880 to R20 000

8. **Ordinary Resolution Number 8: General authority to enter into funding agreements**

   Resolved as an Ordinary Resolution that the Company and/or its wholly owned subsidiaries incorporated in the Republic be and is hereby granted a general authority to enter into funding agreements between any one or more of them from time to time, subject to the provisions of the Listing Requirements of the JSE Limited, for funding agreements and as the directors in their discretion deem fit.

9. Special Resolution Number 1: General authority to repurchase shares

Resolved as a Special Resolution that the Company be and is hereby granted a general approval authorising the repurchase by the Company and/or its subsidiaries of shares issued by the Company, on such terms and conditions as the Directors may deem fit, and in terms of the Companies Act No 61 of 1973, as amended ("Act"), the Company's articles of association and the Listing Requirements of the JSE Limited provided that in terms of the Listing Requirements of the JSE, general repurchases of the Company's shares can only be made subject to the following:

9.1 that the Company and its subsidiaries are enabled by their articles of association to repurchase such shares; [5.72 (b)]

9.2 that the repurchase of shares 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; [5.72 (a)]

9.3 that 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; [5.72 (c)]

9.4 that an announcement be made giving such details as may be required in terms of the Listing Requirements of the JSE when the Company has cumulatively repurchased 3% (three percent) 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 percent) in aggregate of the initial number of that class acquired thereafter; [5.79]

9.5 at any one time the Company may only appoint one agent to effect any repurchase on the Company's behalf; [5.72 (e)]

9.6 the repurchase of shares will not take place during a prohibited period (as defined in the Listing Requirements of the JSE) unless they 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;

9.7 after such repurchase the Company will still comply with the Listings Requirements of the JSE concerning shareholder spread requirements;

9.8 the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% (twenty percent) of the Company's issued share capital as at the date of registration of this special resolution or

9.9 10% (ten percent) of the Company's issued share capital in the case of an acquisition of shares in the Company by a subsidiary of the Company

9.10 the repurchase of shares may not be made at a price greater than 10% (ten percent) 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. [5.72 (d)]

9.11 the Company may not enter the market to proceed with the repurchase of its ordinary shares until the Company's Sponsor has confirmed the adequacy of the Company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE.

9.12. Reason and effect of the Special Resolution

The reason for this Special Resolution is to grant the Company and its subsidiaries a general authority to repurchase the Company's shares by way of open market transactions on the JSE Limited, subject to the Act and the Listing Requirements of the JSE.

The effect of this special resolution would be that the Company and its subsidiaries will have been authorised generally to repurchase the Company's shares on the open market, subject to the Act and the Listing Requirements of the JSE.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

9.13 Disclosures required in terms of the Listing Requirements of the JSE

In terms of the Listing Requirements of the JSE, the following disclosures are required with reference to the repurchase of the Company's shares as set out in the special resolution above.

9.14 Working capital statement

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and the maximum general payments to shareholders, for a period of 12 months after the date of this notice of annual general meeting:

> the Company and the Group will be able, in the ordinary course of business, to pay its debts;

> the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, recognised and measured in accordance with the

accounting policies used in the latest annual financial statements;

> the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and

> the working capital resources of the Company and the Group will be adequate for ordinary business purposes

Other than disclosed or accounted for in this report, the directors of the Company whose names are given on pages 2 and 3 of this 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.

9.15 Directors' responsibility statement

The directors, whose names are given on pages 2 and 3 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.

9.16 Disclosures in terms of paragraph 11.26 of the Listing Requirements of the JSE

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 JSE Listings Requirements for purposes of Special Resolution Number 1:

> Directors and management (refer to pages 2 – 3 and 8 to 9).

> Major shareholders of the Company (refer to page 34).

> Directors' interests in the Company's shares (refer to page 42).

> Share capital of the Company (refer to page 87).

10. 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.

11. Litigation statement

The Directors of the Company whose names appear on pages 2 and 3 of the annual report of which this notice forms part, are not aware of any instituted legal or arbitration proceedings that have had in the recent past (being at least the previous 12 months from the date of the annual report) a material effect on the Company's financial position.

12. VOTING AND PROXIES

12.1. Certificated shareholders

Shareholders wishing to attend the annual general meeting have to ensure beforehand with the transfer secretaries of the Company that their shares are in fact registered in their name.

Should this not be the case and the shares are 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 wherewith, containing detailed instructions in this regard.

12.2. Uncertificated shareholders

Beneficial owners of dematerialised shares who wish to attend the annual general meeting have to requires 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.

12.3. 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 09:00 on 17 May 2010. On a poll, ordinary shareholders will have one vote in respect of each share held.

By order of the Board

Ms A Meer-Seedat
Acting Company Secretary
18 February 2010

AFROX
A Member of The Linde Group

(Registration number 1927/000089/06) JSE share code: AFX
ISIN code: ZAE000067120 ("Afrox" or "the company")

Form of proxy

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 20 MAY 2010.

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

If you are a shareholder and have dematerialised your share certificate through a CSDP or broker, and have not selected own name registration in the 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 20 May 2010 at 10:00 and at any adjournment thereof, as follows:

	Number of Afrox shares		
	In favour of	**Against**	**Abstain**
1. Adoption of annual financial statements			
2. Re-election of directors			
2.1 Jürgen Nowicki			
2.2 Karen Oliver			
2.3 Morongwe Malebye			
2.4 David Lawrence			
3. Confirmation of appointment of executive director			
3.1 Mr J Narayadoo			
4. Reappointment of auditors			
5. Appointment of audit committee members			
5.1 Louis van Niekerk			
5.2 David Lawrence			
5.3 Morongwe Malebye			
6. Place unissued share capital under the control of the directors			
7. Increase of independent non-executive directors' fees			
8. General authority to enter into funding agreements			
9. Special Resolution No 1: General authority to repurchase shares			

Signed at _____ **on** _____ **2010**

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 09:00 on 17 May 2010.
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 09:00 on 17 May 2010.
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)

Top products

AfroxPac

The AfroxPac is the first self-contained self-rescuer manufactured by Afrox, and was approved in August 1992 for use by the South African mining industry. Its successor, AfroxPac 35, was launched in 2002 and is now the market leader sold throughout Africa and abroad.

MIG 6000

MIG 6000 is produced from a high quality deoxidised rod and is copper coated for increased shelf-life, which also facilitates good electrical conductivity and pick-up with reduced friction during high speed welding. MIG 6000 is a premium quality wire, which is precision layer wound to provide positive uninterrupted feeding in semi-automatic and automated systems.

PortaPak

The Afrox PortaPak is an ideal welding and cutting set for those difficult-to-get-to jobs. Light and robust, only 29 kg yet still having man-sized capabilities, it is easily moved by one person, and can be lifted through hatches or into service vehicles. Due to its portability, PortaPak is ideal for emergency vehicles or on maintenance duty in industry where portability is a must.

Handigas

Handigas is the safe, reliable energy source that can be used in all heating and cooking processes, indoors and out. With unmatched power and portability, Handigas has established itself as a major energy supplier to industrial, commercial and hospitality businesses as well as an important energy source in the domestic and agricultural markets.

Vitemax

Vitemax is a market-leading, premium quality, welding electrode. Vitemax is renowned for its smooth, quiet arc action, low spatter and good striking and restrike characteristics and excellent slag detachability. This versatile electrode, which has a rapid burn-off rate, produces smooth welds in all positions.

Homecare

Afrox Medispeed is 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.

Suremix

Suremix is southern Africa's leading beverage dispensing brand. When it comes to draught beer, soft drinks or fruit juices and wines, Suremix has the right drinks dispensing gas for your needs. Suremix is available as Suremix 30 for stouts and ales, Suremix 60 for quick pouring of lagers, Suremix 100 for soft drinks and higher carbonated lagers, and Suremix N for fruit juices and wines.

Partigas

Partigas takes every special event to new heights. Lighter than air, it's at the heart of a floating balloon fantasy and turns a bare bleak space into a beautiful banqueting hall. Partigas creates the mood that makes the moment. Ideal for mass balloon releases, Partigas creates focus with displays that enhance any event, from product launch to celebration, in clarity and colour.

Argoshield

Proven shielding gas mixtures offering the highest quality, providing optimum welding productivity, and supported by outstanding Afrox service. These products include Argoshield 5, Argoshield Light and Argoshield Universal that are indispensable to everyday welding technology.

Saffire

Saffire gas equipment comes with a best in class warranty backed by a Safety Solutions Programme to increase safety awareness in the gases industry. Afrox has won a reputation for the safest equipment available and provides training to customers to use the equipment safely and effectively.

African Oxygen Limited

www.afrox.com

AFROX
A Member of The Linde Group