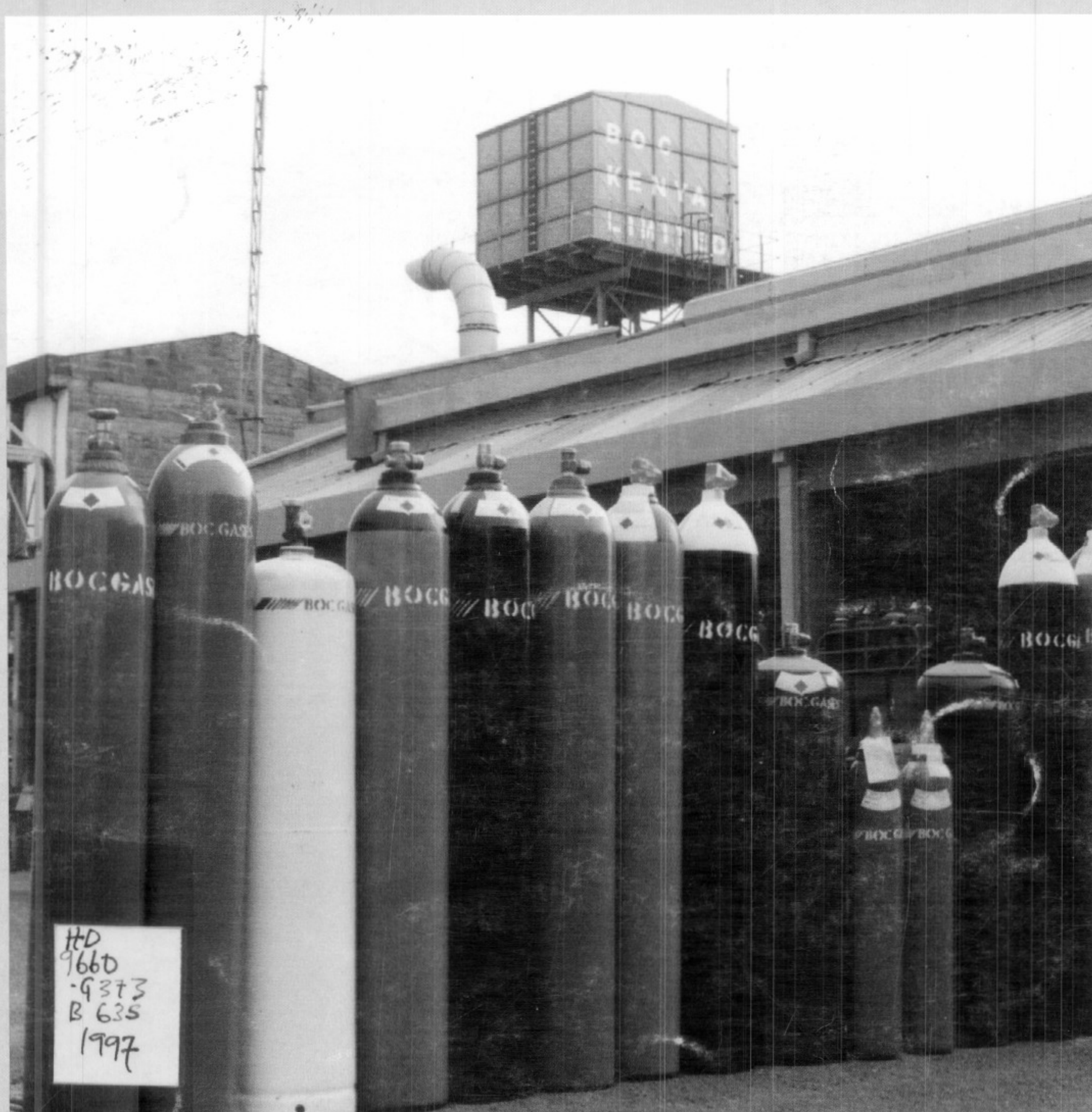
BOC GASES

BOC KENYA LIMITED

ANNUAL REPORT AND ACCOUNTS 1997



MISSION AND VISION STATEMENT

MISSION

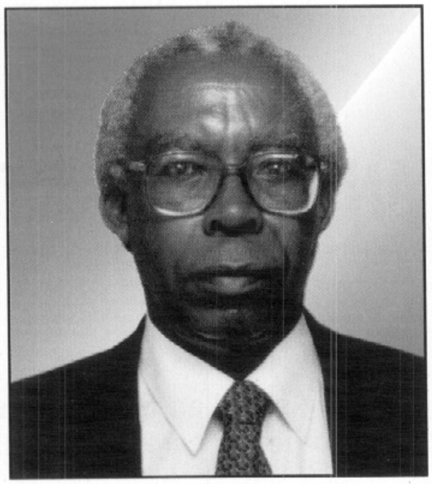
BOC Kenya Limited will be the leading supplier in Kenya and Eastern Africa of industrial, medical and other gases, welding and health care products and related services.

VISION

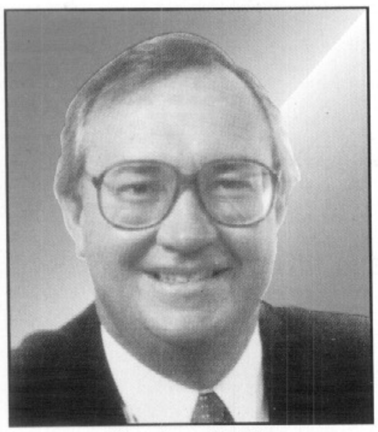
Our vision is to:

- Be the most customer focussed Company in the businesses we are in.
- Meet and exceed customers' expectations in terms of the services provided.
- Focus on cost effectiveness.
- Provide a pleasant and safe working environment for our people for continued commitment and business success.
- Provide a reasonable return for our shareholders' capital.
- Utilise the vast and growing BOC Group technology for the benefit of our customers.

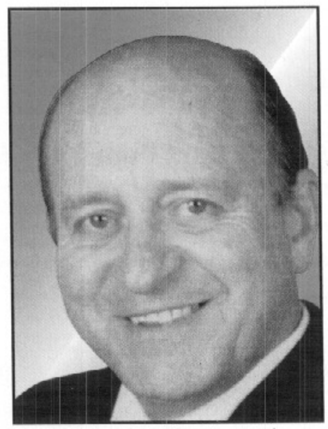
BOARD OF DIRECTORS



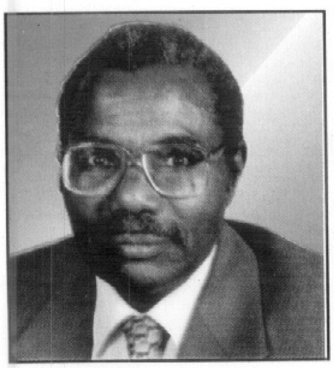
Allan N. Ngugi



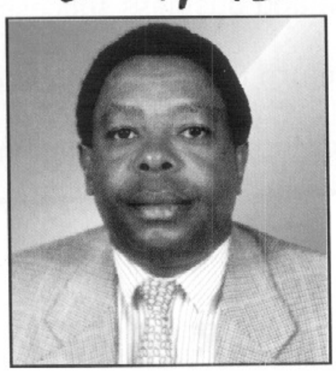
Royden T. Vice



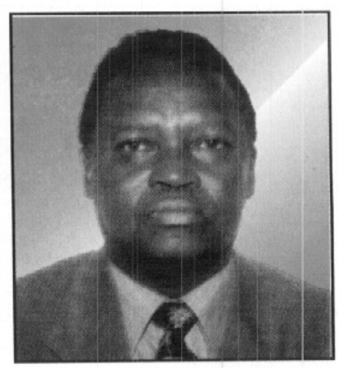
John P. Fredericks



Joseph G. Kibe



Ngugi Kiuna



Alfred C. Juma

I.S.K. Bonynge

BOARD OF DIRECTORS

Allan N. Ngugi
Chairman and Managing Director

Now 60 years of age, Allan graduated with a University of London BA (Hons) degree from Makerere College and started his career with The East African Power and Lighting Company Limited in 1963. He joined BOC Kenya Limited in February 1976 as Managing Director (Designate), becoming a full member of the Board in June 1976. He was appointed Chairman of the Board in 1991.

Royden T. Vice
Director

A BCom. Graduate and Chartered Accountant, Royden Vice, 50 , is Chairman and Managing Director of African Oxygen Limited (Afrox). He has 22 years service with that Company. During his tenure with the company, he has held the positions of General Manager Finance and Administration and General Manager Healthcare. He was transferred to an American sister company in 1986 where he held the position of President. He was appointed Managing Director of Afrox in January 1993 and Chairman in February 1994. He was appointed a Director of BOC Kenya Limited in February 1995.

John P. Fredricks
Director

John Fredericks, 58, has 36 years service with the African Oxygen Limited and has held the positions of General Manager Welding and General Manager Inland before assuming the role of General Manager Kwazulu-Natal in 1982. He is Chairman of BOC Zimbabwe (Pvt) Limited, Chairman of BOC Malawi Limited and a Director of Lasey Seychelles. He has been a Director of Afrox Limited since 1977. He was appointed a Director of BOC Kenya Limited in February 1995.

Joseph G. Kibe
Director

A BA graduate of London University through Makerere College, Joe Kibe, 62, has had a long career in the Kenya Government where he served as Permanent Secretary in six Ministries. He is currently a businessman and farmer. He was appointed a non-executive director of BOC Kenya Limited in August 1991.

Ngugi Kiuna
Director

A holder of BSc. (Hons) degree in Mechanical engineering from Portsmouth Polytechnic, England, Ngugi Kiuna, 48, is the Managing Director of DiverseyLever East Africa Limited. He was appointed a non-executive Director of BOC Kenya Limited in October 1993.

Alfred C. Juma
Director

A BA (Hons) graduate of London University through Makerere College, Alfred Juma, 59, was the Managing Director of Avon Rubber Company (Kenya) Limited until the end of 1995. He has held positions of Chairman of Federation of Kenya Employers, Chairman of Kenya Ports Authority and Chairman of Kenya National Assurance Company. He was appointed a non-executive director of BOC Kenya Limited in May 1994.

I.S.K. Bonynge
Alternate Director

A BCom. graduate and Chartered Accountant, Keith Bonynge, 49, has 17 years service with Afrox where he held the position of General Manager Finance and Administration from 1985 to June 1997, when he was appointed General Manager, Handigas. He was appointed an alternate director to R.T. Vice on 16 May 1996.

REPORT OF THE DIRECTORS

The directors are pleased to submit their report and the accounts for the year ended 30 September 1997.

PROFIT AND APPROPRIATIONS	Note	KShs'000
Profit from ordinary activities before exceptional items		219,241
Exceptional items	4	4,848
Profit before taxation		224,089
Taxation	5	(87,774)
Profit after taxation		136,315
Transfer from reserves		34,120
		170,435
Dividends		(65,410)
Retained profit for the year		105,025

DIVIDENDS

An interim dividend of 18%, equal to Kshs.17,572,901 was declared in June 1997 and paid in July 1997. The directors recommend that a final dividend of 49%, equal to KShs.47,837,343 be paid on 27 February 1998 to shareholders on the register at the close of business on 30 January 1998.

DIRECTORS

The names of the directors as at 30 September 1997 are set out on page 2.

Mr. J.P. Fredericks retires by rotation and being eligible offers himself for re-election.

SECRETARY

Mr. H.R. Chege retired as secretary on 31 December 1996 and Mr. J.M. Kariuki was appointed in his place on 1 January 1997.

AUDITORS

The auditors, Coopers & Lybrand, will continue in office in accordance with the provisions of Section 159(2) of the Companies Act (Cap.486).

BY ORDER OF THE BOARD

J.M. KARIUKI
Secretary

2007/0751

12 November 1997

CHAIRMAN'S REPORT

BUSINESS ENVIRONMENT

The year ended 30th September, 1997, was characterised by reduced economic activity in all industrial sectors which have a significant bearing on our own performance, such as iron and steel, metal fabrication, building and construction. The sugar and textile industrial sectors, to which we sell both gases and welding products, operated well below their normal capacities due to competition from imported sugar, textile and finished cloth. Additional unfavourable circumstances included power rationing at the beginning of the year and an infrastructure that continues to break up, adversely affecting operating costs.

The steep depreciation of the Kenya shilling against the US dollar in July, attributed to the lapse of ESAF negotiations with IMF, exacerbated by the pro-constitutional reform disturbances and ethnic clashes in the coastal region, considerably increased the cost of our imported inputs. Some of the cost escalation could not be immediately passed on to our customers, and margins suffered accordingly.

The lending interest rates continued to be relatively high when compared to the level of inflation. However, the recent salary increases for the police, teachers and other civil service cadres, coming in the wake of high wage settlements in some sectors of the private industry, could result in inflationary pressures - all of which is not conducive to productive investment.

Competition in local gas production intensified during the year as an Air Separation plant was commissioned at the Coast, while another was under installation in Nairobi. Appropriate strategies to blunt competition were successfully put into operation and the industrial gases results for the year were not significantly effected by competition activities.

PRODUCTION

The performance of the Air Separation Unit was adversely affected by numerous power supply interruptions, and lack of a "Top Gas" compression facility. An 11A compressor was successfully installed in the course of the fourth quarter and the resultant benefits have been immediate.

The capacity limitation of the plant for Crude Argon, combined with the increased demand for Argoshield and High Purity Argon resulted in occasional product run outs in the early part of the year. An alternative source of Argon was secured, and the ordering process streamlined so as to ensure that customer requirements were fully met.

The Dissolved Acetylene Plants in Nairobi and Mombasa continued to perform well, and achieved carbide yields well above budget.

The Nitrous Oxide Plant achieved a good Ammonium Nitrate yield at budgeted unit cost.

The Hydrogen Plant produced only 23.8% of the budgeted volume due to the termination of a customer supply contract in January 1997. Due compensation was paid for the termination of the contract without appropriate notice.

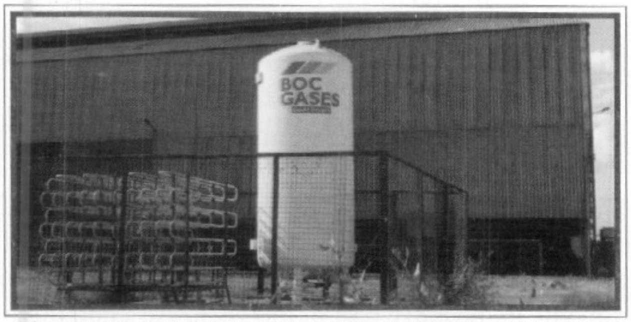
The electrode production plant underwent major maintenance during the first quarter of the year while the Manufacturing Engineer in charge of the electrodes factory underwent on-the-job training with BOC Bangladesh in September. The benefits of these investments are expected in the coming year in the form of reduced unit cost and higher production volumes.

BUSINESS PERFORMANCE

Industrial Gases

The industrial gases business performed well in the year, given the sluggish economic conditions. Our continuous efforts to drive costs down have proved effective and contributed substantially in the achievement of our performance targets.

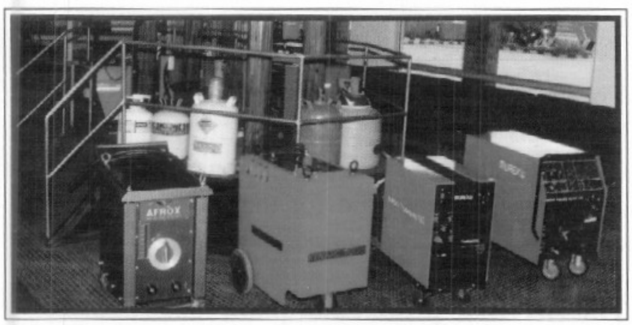
Studies were carried out on potential areas of expansion in the gases business and these have revealed prospects which could yield considerable benefits in a relatively short time. Specific investment proposals are being submitted to the Board for consideration and approval.



A liquid oxygen installation in a steel rolling establishment. Oxygen is an essential ingredient in Electric Arc Furnaces (EAF) and steel rolling mills.

Welding Products

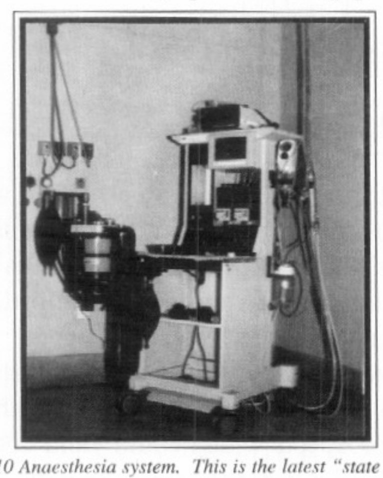
Despite price pressure from cheap imported electrodes, the business turnover reflected a small growth over last year. As the government addresses the problem of unfair competition, we are focussed on improving our production facility to reduce the cost base and improve profitability.



Some of BOC Arc welding equipment and other saleable items on display at the Nairobi sales office.

Health Care

The Health Care division performed well in the year with good results in medical gases, medical equipment sales and medical pipelines. Several hospital tenders for equipment and pipelines were won not only in Kenya but also in Uganda and Zanzibar.



Excel SE 210 Anaesthesia system. This is the latest "state of the art" in anaesthesia management for all patients. We have supplied seven such machines to hospitals in Nairobi, Mombasa and Eldoret. Patient safety is the key feature in this machine.

Although we faced some competition in medical gases in Mombasa, our high quality products and service proved beyond doubt that we are and continue to be, the preferred supplier in the coast region as in the rest of the country.

COMPUTERISATION

The management recognises that quality information management systems are vital for the company to maintain her place in the dynamic environment of liberalisation and competition. In July 1997, we commenced the installation of a PC based computer network. We have also installed new and advanced software that is fully year 2000 compliant. This should assuage the uncertainties associated with the much publicised 'millennium bug'.

The new system, which is expected to be fully operational by January 1998, will enhance the flexibility of information management and in turn, impact positively on the quality and speed of decision making.

SAFETY

The level of safety awareness in the Company continues to improve as evidenced by the decline in the number of lost work day case injuries from 3 in 1996 to 1, and lost work day case rate from 1.32 to 0.47.

HUMAN RESOURCES

Recognising that the Company's success depends primarily on the capability and attitude of its workers, the Company continues to lay emphasis on the way employees are recruited and managed. During the year, the Company provided employees with every opportunity to contribute to the success of the business, through appropriate training and development, and by arranging conferences and seminars in which ideas and individual commitments to improved performance were encouraged. The need to keep up with our customers' high expectations has been the key objective of the training programme for the year, which saw all employees exposed to TQM concepts at different times and levels.

I am also pleased to report that our training function has continued to benefit from inputs from African Oxygen Limited, in South Africa.

We have enjoyed another year of productive industrial relations, and the three-year Collective Bargaining Agreement which expired on 31 July 1997 is currently being re-negotiated for implementation for a further three years.

PROSPECTS

After a lot of heated debate over the legality and desirability of extending the life of the Seventh Parliament, the issue was brought to a decisive end when President Moi declared that the general elections would take place on 29th December, 1997. This announcement was generally welcomed by the business community as likely to remove the uncertainty currently afflicting the business environment.

It is expected that the election results will usher in a stable political climate, conducive to economic recovery and growth . With the private sector now generally accepted as the engine of growth, the need for political stability and peace right across the country cannot be over-emphasized. Without these fundamentals, private investment will be limited at best and the economy will not flourish. Yet, a flourishing economy is what we need to increase employment opportunities and Government revenue, reconstruct our infrastructure, particularly road communication, and reduce the level of poverty and general insecurity.

The current heavy rains associated with the El Nino weather phenomenon have wreaked havoc not only on our roads and bridges, but also on houses and crops in many areas of the country. It is also suggested that this weather pattern could result in less than normal "long rains" which should start in April. This could adversely affect food production and the economy at all levels. Against the possibility that economic growth in the coming year will be anything but robust, your Company is taking vigorous steps to extend the portfolio of its gas products as one way of maintaining its profitability.

BOARD OF DIRECTORS

There were no changes in the composition of the Board during the year. The Audit Committee, referred to in my last report met two times and has been active in discharging its mandate of ensuring best practice in corporate governance. I wish to thank my fellow Directors for their support and wise counsel.

APPRECIATION

BOC Kenya Limited has remained successful, even in difficult circumstances, because of the quality of our employees, who continue to perform their duties with eminent skill, commitment and team spirit. I want to express my gratitude to each one of them for their enthusiastic cooperation.

During the year I visited a number of our customers in Nairobi, Coast and Western Kenya areas. In every case, I was received with courtesy and enthusiasm. I was also most gratified by the positive view of the company by practically all of our major customers. To all of them, I wish to express our thanks for their loyalty and support.

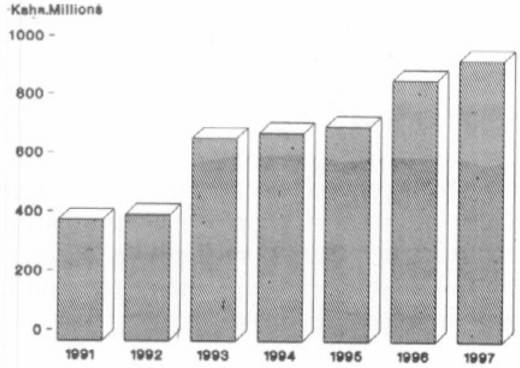
Lastly but by no means least, my thanks go to all our Agents, stockists and suppliers of products and services, without whom our objective of regularly meeting our customers' requirements would have been infinitely more difficult.

ALLAN N. NGUGI
CHAIRMAN

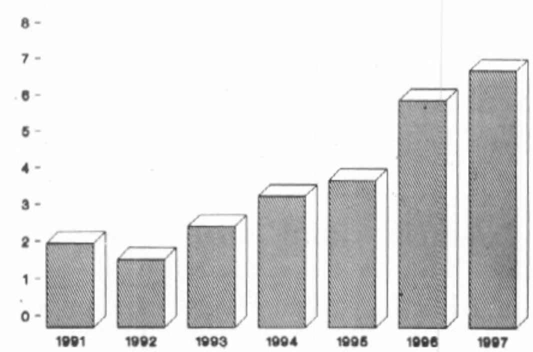
12 November 1997.

COMPARATIVE RESULTS

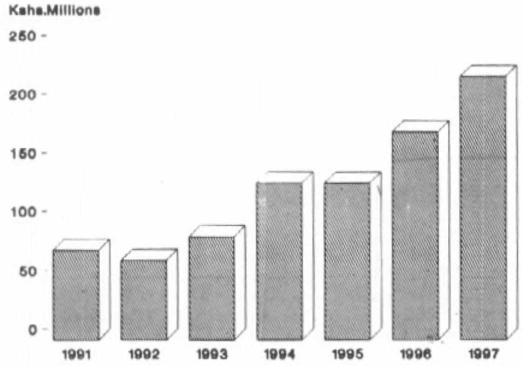
	1997 Kshs'000	1996 Kshs'000	1995 Kshs'000	1994 Kshs'000	1993 Ksh'000	1992 Kshs'000	1991 Kshs'000
Issued share capital	97,627	97,627	97,326	80,805	53,601	53,374	53,374
Reserves	858,658	787,753	630,636	623,309	632,570	371,877	355,305
Net assets	956,285	885,380	727,962	704,114	686,171	425,251	408,679
Transfer from Reserves	(34,120)	(39,573)	(40,495)	(46,944)	(16,336)	(19,210)	(17,673)
Dividends	65,410	65,410	54,623	51,972	31,089	19,215	17,080
Taxation	87,774	56,161	55,387	64,164	34,756	32,094	32,461
Retained profits	105,025	94,721	63,645	64,154	38,215	35,781	44,604
Profit before taxation	224,089	176,719	133,160	133,346	87,724	67,880	76,472



Shareholders funds.



Earnings per share



Profit after tax

REPORT OF THE AUDITORS TO THE MEMBERS OF BOC KENYA LIMITED

1. We have audited the accounts set out on pages 10 to 18. The accounts are in agreement with the books of account. We obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

2. **Respective Responsibilities of Directors and Auditors**

Under the provisions of the Companies Act, the directors are responsible for the preparation of accounts which give a true and fair view of the company's state of affairs and its profit or loss. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

3. **Basis of Opinion**

We conducted our audit in accordance with Kenyan Auditing Standards. These standards require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosure in the accounts. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the accounts.

4. **Opinion**

In our opinion proper books of account have been kept and the accounts give a true and fair view of the state of affairs of the company at 30 September 1997 and of its profit and cash flows for the year then ended and comply with the Companies Act (Cap 486).

Coopers & Lybrand
Certified Public Accountants of Kenya

Nairobi,

21 November 1997.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1997

	Note	1997 KShs'000	1996 KShs'000
Operating profit		175,932	138,867
Interest income		43,309	4,225
Profit from ordinary activities	2	219,241	163,092
Exceptional items	4	4,848	13,627
Profit before taxation		224,089	176,719
Taxation	5	(87,774)	(56,161)
Profit after taxation		136,315	120,558
Transfer from reserves		34,120	39,573
Profit attributable to shareholders		170,435	160,131
Dividends	6	(65,410)	(65,410)
Retained profit for the year		105,025	94,721
Earnings per ordinary share	7	Shs.7.00	Shs.6.20

STATEMENT OF RETAINED PROFITS

	Note	1997	1996
1ST OCTOBER		416,363	321,642
Transfer from capital reserve	12	34,120	39,573
Transfer to profit and loss account		(34,120)	(39,573)
Retained profit for the year		105,025	94,721
Adjustment for plant disposal		(1,394)	-
30TH SEPTEMBER		519,994	416,363

Report of the auditors - page 9.
The notes on pages 13 to 18 form part of these accounts

BALANCE SHEET - 30 SEPTEMBER 1997

	Note	1997 KShs'000	1996 KShs'000
FIXED ASSETS	8	609,457	645,254
CURRENT ASSETS			
Stocks	10	153,698	152,116
Debtors		119,125	123,678
Cash and bank balances		9,593	16,556
Short term deposits		312,790	148,059
		595,206	440,409
CURRENT LIABILITIES			
Creditors		142,795	134,350
BOC Group companies		17,590	2,850
Taxation		25,212	3,117
Dividends		60,082	59,966
Bank Overdraft		2,699	-
		248,378	200,283
NET CURRENT ASSETS		346,828	240,126
NET ASSETS		956,285	885,380
Financed by:-			
SHARE CAPITAL	11	97,627	97,627
RESERVES	12	858,658	787,753
		956,285	885,380

A.N. Ngugi - Director

J.G. Kibe - Director

The accounts were approved by the Board of Directors on 12 November 1997.

Report of the auditors - page 9

The notes on pages 13 to 18 form part of these accounts.

CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 1997

	1997 KShs'000	1996 KShs'000
Cashflow from operating activities		
Profit before taxation	224,089	176,719
Adjustments for:-		
Recovery on Dissolved Acetylene plant insurance claim	(4,848)	(24,527)
Provision for deposits with Kenya Finance Bank Limited	-	10,900
Depreciation	62,277	61,257
Profit on sale of fixed assets	(1,565)	(2,188)
Foreign exchange gains	(350)	(1,748)
Gross interest income from short term deposits	(43,668)	(25,183)
Interest paid	359	958
Operating cashflow before working capital changes	236,294	196,188
Decrease/(Increase) in trade and other debtors	4,553	(28,341)
(Increase)/Decrease in stocks	(1,582)	12,979
Increase in trade creditors	8,445	17,601
Increase/(Decrease) in Group Company current accounts	14,740	(1,961)
Cash generated from operations	262,450	196,466
Income taxes paid	(65,679)	(54,273)
Insurance claim settlement	4,848	34,974
Net cash inflow from operating activities	201,619	177,167
Return on investments and servicing of finance		
Interest received and receivable	43,668	25,183
Dividends paid	(65,294)	(55,334)
Interest paid	(359)	(958)
Provision for deposits with Kenya Finance Bank Limited	-	(10,900)
Net cash outflow from investments and servicing of finance	(21,985)	(42,009)
Cash flows from investing activities		
Purchase of fixed assets	(31,029)	(60,867)
Proceeds from sale of fixed assets	6,114	5,038
Net cash outflow from investing activities	(24,915)	(55,829)
Cash flows from financing activities		
Proceeds from issue of share capital	-	823
Net cash inflow from financing activities	-	823
Net increase in cash and cash equivalents	154,719	80,152
Cash and cash equivalents at beginning of year (Note 16)	164,615	82,715
Effect of exchange rate changes	350	1,748
Cash and cash equivalents at end of year (Note 16)	319,684	164,615

Report of the auditors - Page 9
The notes on pages 13 to 18 form part of these accounts.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997

1. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared in accordance with the historical cost convention. This convention permits the inclusion of certain assets at a valuation and attention is drawn to the assets referred to in Note 8. The following is a summary of the more important accounting policies used.

(a) **Depreciation**

Depreciation is calculated to write off the cost or valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The annual rates used for this purpose are:-

Freehold buildings	2%
Long leasehold land and buildings	2%
Plant and machinery	5 -20%
Cylinders	4%
Motor vehicles	10 - 25%
Furniture and fixtures	10 - 20%

No depreciation is charged on freehold land. Short leasehold land and buildings are amortised over the period of the lease.

(b) **Revaluation reserve**

Transfers are made to retained profits in order to amortise the reserve arising from fixed assets revaluation over the remaining useful lives of the assets concerned and to eliminate amounts attributable to disposals. An equal amount is released to the profit and loss account.

(c) **Stocks**

Stocks, including work in progress, are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and where appropriate, includes a proportion of overhead expenses. Specific provision is made for obsolete, slow moving and defective stocks.

(d) **Bad and doubtful debts**

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success.

(e) **Exchange rates**

Assets and liabilities denominated in foreign currency are translated at the rates of exchange ruling at the end of the financial year. Exchange differences arising from currency conversion in normal course of trading, are dealt with through the profit and loss account.

(f) **Retirement benefits**

Contributions to the retirement funds operated for employees are charged against income as incurred. The cost of improving benefit funds and any deficits arising from time to time on the defined benefit funds are charged against income as and when funded.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (Continued)

2. PROFIT FROM ORDINARY ACTIVITIES

	1997 KShs'000	1996 KShs'000
This is stated after charging:		
Depreciation	62,277	61,257
Auditors' remuneration	760	676

3. DIRECTORS' EMOLUMENTS

The emoluments of directors are as follows:-		
For services rendered:		
As directors	249	216
As management	8,972	6,299
	9,221	6,515

4. EXCEPTIONAL ITEMS

These comprise:-		
Recovery on Dissolved Acetylene plant insurance claim	4,848	24,527
Provision for deposits with Kenya Finance Bank Limited	-	(10,900)
	4,848	13,627

5. TAXATION

Current tax at 35% (1996 : 35%) on the taxable profit for the year	88,397	55,996
(Overprovision)/Underprovision in prior years	(623)	165
	87,774	56,161

The increase in the effective tax rate from 32% in 1996 to 39% in 1997 is due to non-taxable capital gains arising from insurance proceeds received in 1996 following the fire at the Dissolved Acetylene Plant and the investment allowances arising from the reconstruction of the plant.

6. DIVIDENDS

1997: 49% Proposed - final	47,837	-
18% Interim - paid	17,573	-
1996: 49% Proposed - final	-	47,837
18% Interim - paid	-	17,573
	65,410	65,410

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (Continued)

7. EARNINGS PER SHARE

The earnings per ordinary shares of Shs.7.00 (1996: Shs.6.20) each are calculated by reference to the profit from the ordinary activities and the 19,525,446 shares in issue at the end of the year.

8. FIXED ASSETS

	Freehold, Leasehold land and properties KShs'000	Plant and machinery and motor vehicles KShs'000	Cylinders KShs'000	Furniture and fittings KShs'000	Capital work in progress KShs'000	TOTAL KShs'000
Cost or Valuation:						
1st October 1996	198,734	951,771	259,100	24,215	299	1,434,119
Additions	945	11,367	5,827	1,828	11,062	31,029
Disposals	-	(33,978)	(1,030)	-	-	(35,008)
30th September 1997	199,679	929,160	263,897	26,043	11,361	1,430,140
Depreciation:						
1st October 1996	1,245	607,781	164,580	15,259	-	788,865
Charge for the year	4,397	47,377	6,855	3,648	-	62,277
Disposals	-	(29,574)	(885)	-	-	(30,459)
30th September 1997	5,642	625,584	170,550	18,907	-	820,683
Net book value:						
30th September 1997	194,037	303,576	93,347	7,136	11,361	609,457
30th September 1996	197,489	343,990	94,520	8,956	299	645,254

(a) Land and buildings were revalued on 30 September 1996. Plant and machinery were revalued on 30 September 1993. Cylinders were revalued on 30 September 1990. They are all stated in these accounts at their revalued amounts less accumulated depreciation. The valuation of land and buildings was carried out by professional valuers while that of cylinders and plant and machinery was carried out by the directors. The basis for valuation of land and buildings was open market with existing use. The basis for the valuation of cylinders, plant and machinery was replacement cost. Cylinders acquired after 30 September 1990 are included at cost.

(b) The remaining assets, namely motor vehicles, furniture and fittings are included at cost less accumulated depreciation.

(c) Fully depreciated assets amounting to KShs.232,988,000 are still in use. Notional depreciation on these assets amounts to KShs.12,331,000.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (Continued)

9. SUBSIDIARY COMPANY

The company has one wholly owned subsidiary, East African Oxygen Limited, a dormant company, which is carried in the accounts as follows:-

	1997 KShs'000	1996 KShs'000
Shares at cost less provision for diminution in value	2	2
Amounts due to subsidiary	(2)	(2)
	NIL	NIL

10. STOCKS

Stocks and work in progress comprise:-

	1997	1996
Saleable stocks	70,312	75,012
Raw materials	27,552	23,363
Plant spares	32,450	30,774
Goods in transit	12,212	18,691
Work in progress	4,849	628
Others	6,323	3,648
	153,698	152,116

11. SHARE CAPITAL

	1997 Number	1997 KShs'000	1996 KShs'000
Authorised:			
20,000,000 ordinary shares of Shs.5 each	20,000,000	100,000	100,000
Issued and fully paid:			
Ordinary shares of Shs.5 each	19,525,446	97,627	97,627

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (Continued)

12. RESERVES

	Fixed Assets Revaluation Reserve KShs'000	Share Premium Account KShs'000	Retained Profits KShs'000	Total Reserves KShs'000
1 October 1996	368,836	2,554	416,363	787,753
Amortised and realised revaluation reserves	(34,120)	-	34,120	-
Transfer to profit and loss account	-	-	(34,120)	(34,120)
Adjustment for plant disposal	1,394	-	(1,394)	-
Retained profit for the year	-	-	105,025	105,025
30 September 1997	336,110	2,554	519,994	858,658

13. DEFERRED TAXATION

No provision is made for deferred taxation of KShs.155,719,000 (1996: KShs.176,895,000), which would arise if all the assets were to realise their stated values as the directors do not intend to dispose of the assets in the foreseeable future.

14. CAPITAL COMMITMENTS

	1997 KShs'000	1996 KShs'000
Commitments in respect of contracts	5,424	4,933
Approved by the directors but not contracted for	359,116	67,290
	364,540	72,223

15 CONTINGENT LIABILITIES

Contingent liabilities upon which no losses are anticipated comprise:-

	1997 Kshs'000	1996 KShs'000
Bank guarantees	2,333	4,460

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1997 (Continued)

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks, and short-term deposits. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	1997 KShs'000	1996 KShs'000
Cash on hand and balances with banks	9,593	16,556
Bank overdrafts	(2,699)	-
Short-term deposits	312,790	148,059
Cash and cash equivalents	319,684	164,615

17. RELATED PARTY TRANSACTIONS

During the year, the company made purchases amounting to KShs.24,556,000 (1996: KShs. 25,840,000) with companies related by virtue of common shareholding. These transactions were at arm's length and in the normal course of business. Amounts not settled as at the balance sheet date are included under "BOC Group companies" on the balance sheet.

18. ULTIMATE HOLDING COMPANY

The ultimate holding company is The BOC Group Plc which is incorporated in the United Kingdom.

Report of the auditors - page 9.

NOTICE OF MEETING

Notice is hereby given that the Fifty Seventh Annual General Meeting of BOC Kenya Limited will be held at the offices of the Company at Kitui Road, Nairobi on Thursday, 15 January 1998 at 10.00 a.m.

ORDINARY BUSINESS

(a) To receive and consider the statement of accounts and the reports of the directors and auditors thereon.

(b) To declare a dividend.

(c) To elect directors.

(d) To re-appoint auditors and authorise the directors to fix their renumeration.

(e) To approve the payment of fees to the directors for the year ended 30 September 1997.

BY ORDER OF THE BOARD
J.M. Kariuki
Secretary

Kitui Road
P.O. Box 18010
Nairobi

19 December 1997

Notes: A member of the Company entitled to vote at the meeting may appoint a proxy who need not be a member, to attend instead of him.

A proxy shall not vote on a show of hands but may vote on a poll.

A representative of a corporation may vote on a show of hand.

Proxies must be lodged at the registered office of the Company not later than 24 hours before the appointed time for the meeting.

THE SECRETARY,
BOC KENYA LIMITED,
P.O. BOX 18010,
NAIROBI.

PROXY

I/We ....

of ....

being a member/members of the above named company, hereby appoint ....

....

of ....

or failing him ....

of ....
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 15th January 1998 and at any adjournment thereof.

Signed by me/us this .... day of ....

Signature(s) ....

in favour of

This form is to be used ....* .... the resolutions

against

Unless otherwise instructed, the proxy will vote as he thinks fit.

* Strike out whichever is not desired.

THE SECRETARY,
BOC KENYA LIMITED,
P.O. BOX 18010,
NAIROBI.

PROXY

I/We ....

of ....

being a member/members of the above named company, hereby appoint ....

....

of ....

or failing him ....

of ....
as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 15th January 1998 and at any adjournment thereof.

Signed by me/us this .... day of ....

Signature(s) ....

in favour of

This form is to be used ....* .... the resolutions
against

Unless otherwise instructed, the proxy will vote as he thinks fit.

* Strike out whichever is not desired.