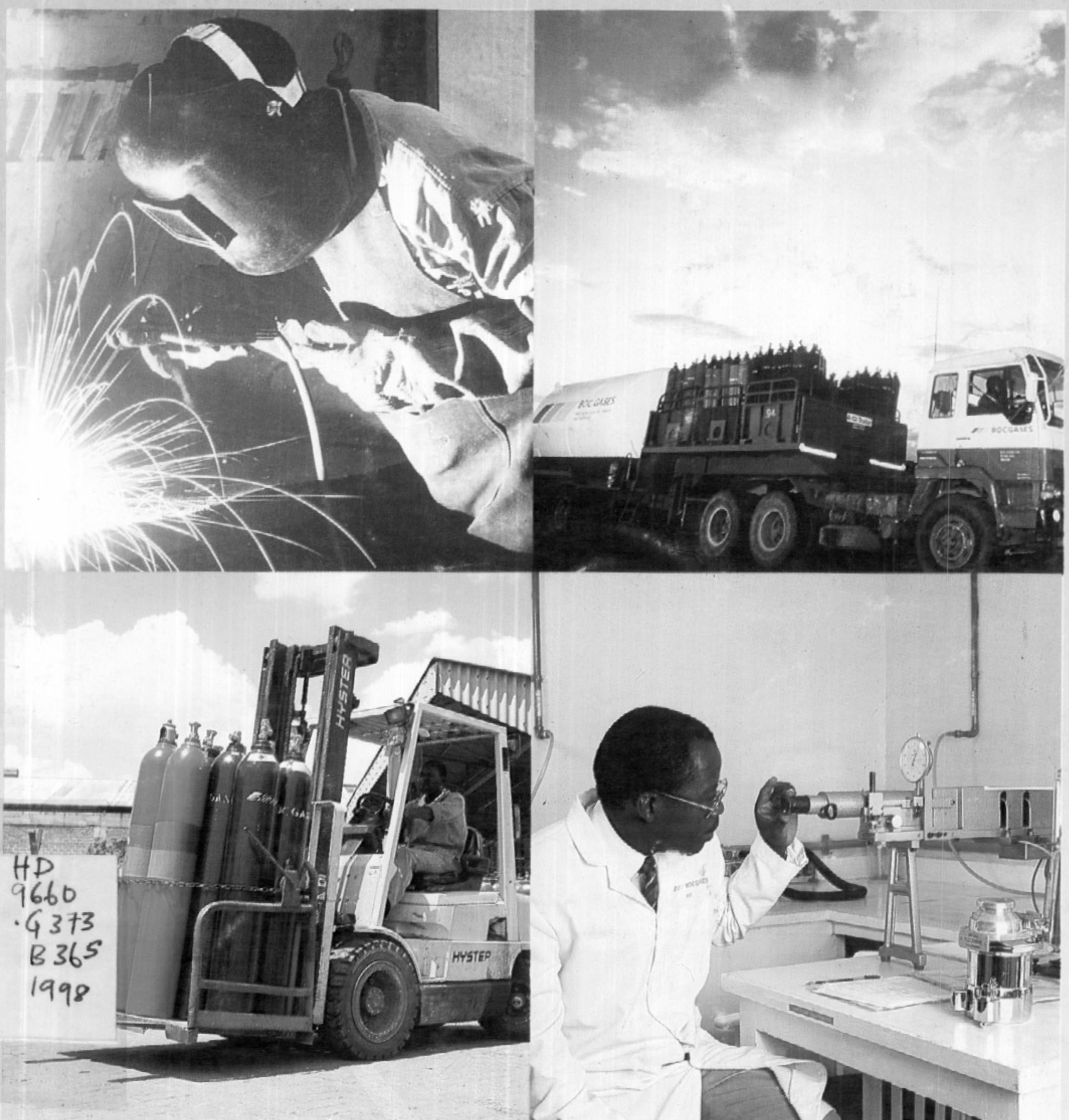
BOC GASES

BOC KENYA LIMITED

ANNUAL REPORT AND ACCOUNTS 1998



Contents

Board of Directors

A.N. Ngugi (Chairman and Managing Director)
J.P. Fredericks*
A.C. Juma
J.G. Kibe
Ngugi Kiuna
R.T. Vice* (Alternate I.S.K. Bonynge**)
S. C. Viljoen*

South African *
Irish**

AUDIT COMMITTEE

I.S.K. Bonynge - Chairman
Ngugi Kiuna

SECRETARY

J.M. Kariuki

BANKERS

Barclays Bank of Kenya Limited
Standard Chartered Bank Kenya Limited

AUDITORS

Coopers & Lybrand

REGISTERED OFFICE

Kitui Road
P.O. Box 18010
NAIROBI

REGISTRARS

Specialist Corporate Consultants
P.O. Box 30633
NAIROBI

NOTICE OF MEETING

Notice is hereby given that the Fifty Eighth Annual General Meeting of BOC Kenya Limited will be held at Nairobi Serena Hotel, Ballroom on Thursday, 11 February 1999 at 11:00 a.m.

ORDINARY BUSINESS

(a) To receive and consider the Statement of Accounts for the year ended 30 September 1998 and the Reports of the Directors and Auditors thereon.

(b) To declare a dividend as recommended by the Directors.

(c) To elect directors

(d) To authorise the Directors to fix the remuneration of the auditors.

(e) To approve the payment of fees to the Directors for the year ended 30 September 1998.

(f) Any other business which may be legally transacted at an Annual General Meeting.

BY ORDER OF THE BOARD
J.M. Kariuki
Secretary

Kitui Road
P.O. Box 18010
NAIROBI

8 January, 1999

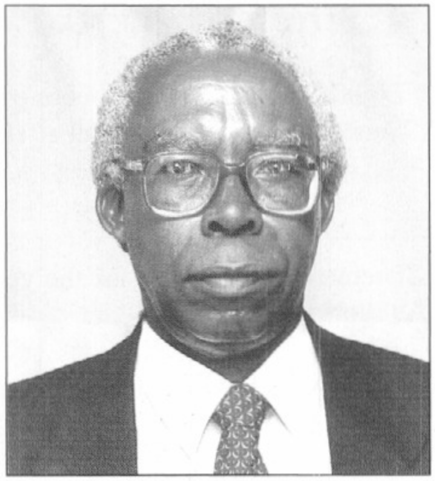
Notes: A member of the Company entitled to vote at the meeting may appoint a proxy who need not be a member, to attend instead of him.

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

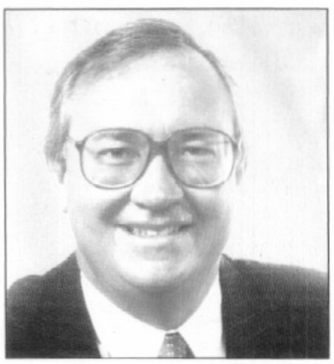
A representative of a corporation may vote on a show of hands.

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

BOARD OF DIRECTORS

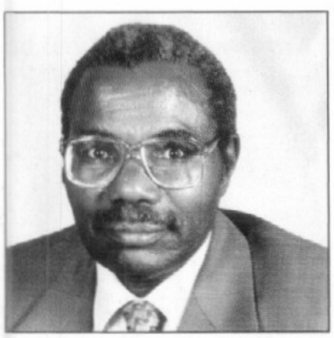


Allan N. Ngugi

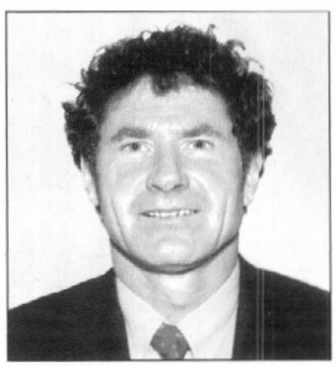


Royden T. Vice

John P. Fredericks

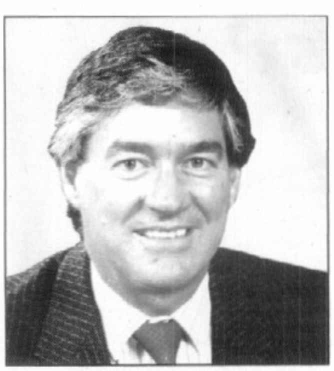


Joseph G. Kibe



Stephen C. Viljoen

Ngugi Kiuna



I.S.K. Bonynge

Alfred C. Juma

BOARD OF DIRECTORS

Allan N. Ngugi

Chairman and Managing Director

Now 61 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, 51, is BOC Group Chief Executive, Industrial and Special Products since December 1997 and is also the Regional Director, Africa and Chairman and Managing Director of African Oxygen Limited (Afrox). He joined BOC Group in 1975 and after 11 years in South Africa, where he held positions of General Manager, Finance and Administration and General Manager, Health Care, he was transferred to head Bulk gases business in US and had a responsibility for BOC's Latin America operations. He returned to South Africa in 1993 to take up the position of Managing Director and was appointed Chairman in February 1994. He was appointed to the Board of BOC Kenya Limited in February 1995.

John P Fredericks

Director

John Fredericks, 59, has 37 years service with 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 Director of Lasey Seychelles. He has been a Director of Afrox Limited since 1977. He was appointed Director of BOC Kenya Limited in February 1995.

Joseph G. Kibe

Director

A BA graduate of London University through Makerere College, Joe Kibe, 63, has had a long career in the Kenya Government where he served as Permanent Secretary in six Ministries. He is currently a businessman and a 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, 49, is the Managing Director of DiverseyLever East Africa Limited. He was appointed non-executive Director of BOC Kenya Limited in October 1993.

Alfred Juma

Director

A BA (Hons) graduate of London University through Makerere College, Alfred Juma, 60, was previously the Managing Director of Avon Rubber Company (Kenya) Limited. He has held positions of Chairman of the 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, 50, has 18 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.

Stephen C. Viljoen

Business Operations Director

Stephen Viljoen, 41, has a Bachelor of Science degree in chemical engineering and an honours degree in economics. He has 15 years service with the BOC Group and has held a number of positions in this period. His BOC career has given him hands on exposure to the range of value adding processes from production through to marketing and strategy formulation. He was appointed the Business Operations Director in March 1998.

REPORT OF THE DIRECTORS

The directors are pleased to submit their report and the accounts for the year ended 30 September 1998.

PROFIT AND APPROPRIATIONS	1998 KShs'000	1997 KShs'000
Profit from ordinary activities before taxation	249,682	224,089
Taxation	(97,127)	(87,774)
Profit after taxation	152,555	136,315
Dividends	(68,339)	(65,410)
Retained profit for the year	84,216	70,905

DIVIDENDS

An interim dividend of 20%, equal to KShs. 19,525,446 was declared in May 1998 and paid in July 1998. The directors recommend that a final dividend of 50%, equal to KShs. 48,813,615 be paid on 27 March 1999 to shareholders on the register at close of business on 26 February 1999.

DIRECTORS

The names of directors as at 30 September 1998 are set out on page 2.

Mr. S.C. Viljoen was appointed a director on 5 March 1998 and, in accordance with Article 98 of the company's Articles of Association retires and, being eligible, offers himself for re-election. Mr. R.T. Vice retires by rotation and being eligible offers himself for re-election.

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

3 December 1998

CHAIRMAN'S REPORT 1997/98

BUSINESS ENVIRONMENT

In my report last year, I listed some of the factors which adversely affected our business performance. For the year ended 30th September 1998, the adverse circumstances were even more challenging. The high cost of borrowing, driven by high interest rates, continued to hit manufacturers. Tight liquidity in all Government institutions with which we do business persisted, while the crumbling road infrastructure was dealt a final blow by the devastating rains and floods associated with El Nino phenomenon. All these factors increased the cost of doing business in this country.

The manufacturing sector, which is of particular importance to the industrial gases business, has been badly hit and many of our customers have cut back production volumes dramatically, with concomitant fall in their demand for our gas products.

In the short term, Kenyan manufacturers will face sustained resistance to price increases, thus being forced to absorb the inevitable cost push in an already high cost environment. There are signs that Kenyan manufacturers are adapting to the new circumstances and are responding appropriately to the margin squeeze, but activity at key customers is still very much reduced.

The bright spots were projects won by Kenyan contractors in neighbouring countries and acceptance of bulk liquid supply systems by a number of hospitals, which will enhance efficiencies and security of medical oxygen supplies to these institutions.

Competition in both welding and gases increased with all players having to content themselves with a smaller section of a declining market.

PRODUCTION:
AIR SEPARATION UNIT

The lower volume production dictated by declining demand means that the plant is operated in a far from optimal mode. The plant however continues to perform well and the large investment involved in the overhaul of major equipment and upgrading during the year has resulted in improved efficiency. This improvement has reduced the negative impact of falling volumes.

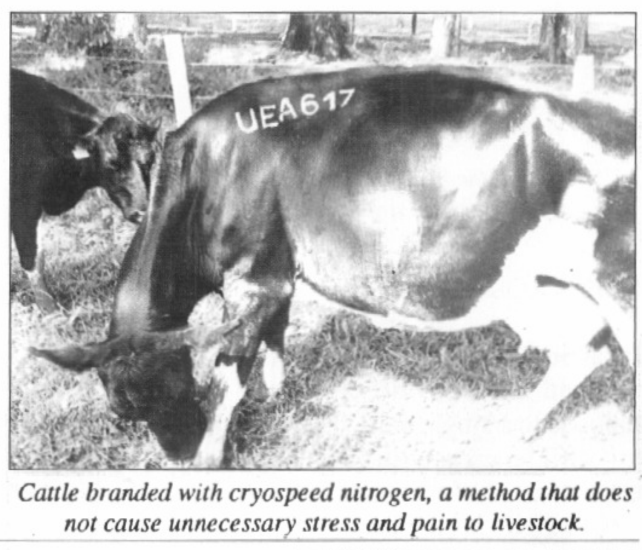
DISSOLVED ACETYLENE:

In line with declining demand for Oxygen, Dissolved Acetylene production volumes reduced significantly, with adverse effects on unit costs. The focus on yields and gas losses continues, with mitigating effects on cost increases.

Checking cylinders at the filling plant to ensure compliance with our quality and safety standards.

OTHER GASES:

The introduction of Heat Shrink seals closes the loop on our quality control procedure ensuring that during



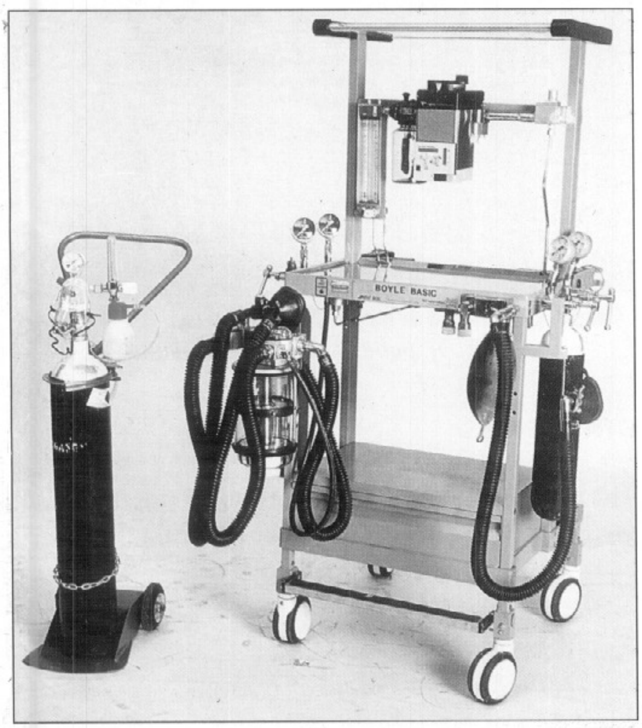
Cattle branded with cryospeed nitrogen, a method that does not cause unnecessary stress and pain to livestock.

the distribution and usage cycle, there is a clear distinction between full and empty cylinders. The introduction of numbered seals will ensure that the quality control process is enhanced even further since it will facilitate the tracing of any individual cylinder in the unlikely event that a problem arises.

HEALTH CARE:

The gases side of this business performed well, with major hospitals increasingly opting for our bulk delivery system.

Lacklustre performance in equipment sales and repairs, however, adversely affected the overall sales and profits. We expect improved results in the coming year, with two major pipeline projects in Nairobi and possibly one in a neighbouring country.



Some of the health care products at display in our stores; oxy-therapy set and boyle basic machine.

ELECTRODES:

In a period of turbulent market conditions and reduced demand the electrode factory has been reduced to a single shift. The focus has been directed to efficiencies with particular emphasis on the management of raw materials, work in progress and finished goods stocks.

Arc welding in a steel fabrication industry using BOC Kenya products.

SAFETY:

Safety remains a top management priority in line with BOC Group's global thrust to be world class in terms of safety. In this context the award to BOC Kenya Limited of the Group's absolute safety award for lost work day case rate for 1997 indicates that our initiatives and leadership are showing results that are comparable to the best in the BOC Group, world-wide.

INFORMATION TECHNOLOGY:

Implementation of our ACCPAC for Windows business system will be finalised by January 1999. This system will have the double benefit of improving the quality, relevance and timeliness of our accounting and decision-making information, as well as ensuring year 2000 compliance in a major activity of our Company.

Our computer steering committee continues to address all other areas that might be susceptible to the millennium problem, and full compliance in all internal areas is targeted for end of March 1999.

HUMAN RESOURCES:

The Company's commitment to the training and development of its employees has been sustained throughout the year. Our objective is to ensure improved skills on an ongoing basis, to enable us to deliver a level of service that is in line with changing customer expectations. Since learning is a continuous process, the Company, with regional support from African Oxygen Limited in South Africa, is implementing a learning system that is based on standards of competence which ensure greater focus on our customers and our performance.

INDUSTRIAL RELATIONS:

I am also pleased to report that constructive industrial relations were maintained during the year in which a three year Collective Bargaining Agreement effective from 1 August 1997 was signed. With the depressed state of our economy now and in the medium term, all employees have accepted the challenge to improve productivity at all levels for enhanced profitability.

PROSPECTS:

There are no indications that the economic recession has bottomed out. The focus will therefore be on maintaining our market share in selected areas with a strong emphasis on cost control and distribution efficiency.

There are areas where we should grow market share and the rationalisation of our production and marketing activities should result in a greater impetus for the key products in our portfolio.

There are growth opportunities in selected new products and with the growing cross border trade we should obtain additional export sales through both direct and indirect routes.

Provided the economy does not experience the same series of shocks which it experienced in the financial year just completed, we believe the resilience and energy of the private sector indicates a limited recovery within the next 12 months.

BOARD OF DIRECTORS:

Mr. Stephen C. Viljoen who was seconded to BOC Kenya Limited from Afox, South Africa, was appointed to the Board on 5 March 1998, as Business Operations Director. I am pleased to welcome Mr. Viljoen to the Board as I believe he will make a significant contribution to the affairs of the Company.

Regular meetings by the Audit Committee of the Board were held during the year to deal with various issues relating to good corporate governance.

APPRECIATION:

I shall be stepping down as Managing Director of the Company at the end of this month. During the twenty two years I have held that position, I have received invaluable support from all our employees, guidance and wise counsel from my fellow Directors both local and external; nor would I have been able to discharge my responsibilities without the full confidence of my Regional Directors from the BOC Group in the UK and more recently, Afrox, in South Africa. I owe all of them a great debt of gratitude.

Our valued customers, agents and suppliers continue to be a great source of strength to the Company even as we face increasing difficulties in our economic and business endeavours. I thank them all.

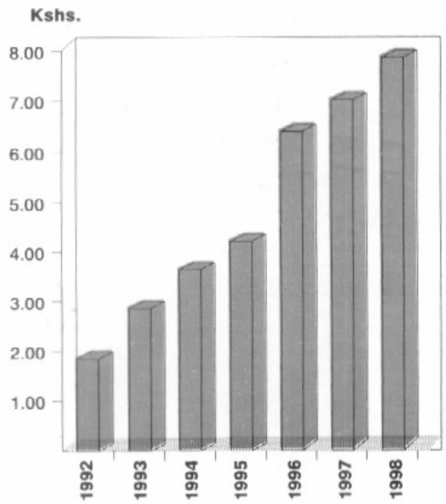
ALLAN N. NGUGI
CHAIRMAN

3rd December 1998.

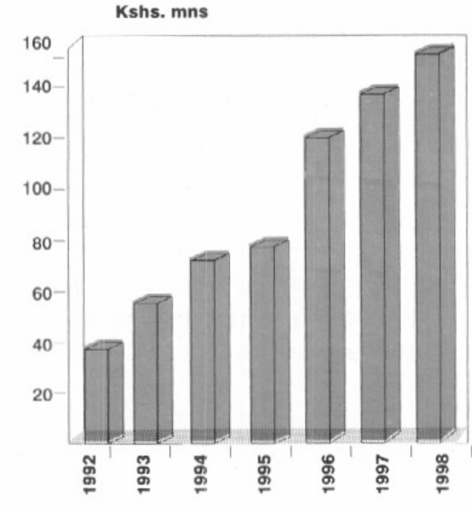
COMPARATIVE RESULTS

	1998	1997	1996	1995	1994	1993	1992
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Issued Share Capital	97,627	97,627	97,627	97,326	80,805	53,601	53,374
Reserves	942,874	858,658	787,753	630,636	623,309	632,570	371,877
Net Assets	1,040,501	956,285	885,380	727,962	704,114	686,171	425,251
Dividends	68,339	65,410	65,410	54,623	51,972	31,089	19,215
Taxation	97,127	87,774	56,161	55,387	64,164	34,756	32,094
Retained Profits	84,216	70,905	55,148	23,150	17,210	21,879	16,571
Profit before Taxation	249,682	224,089	176,719	133,160	133,346	87,724	67,880

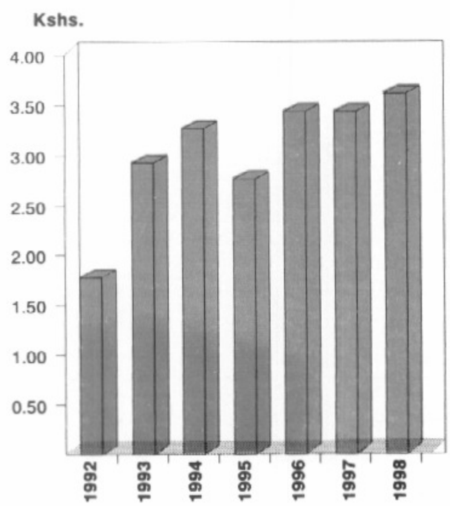
Earnings per share



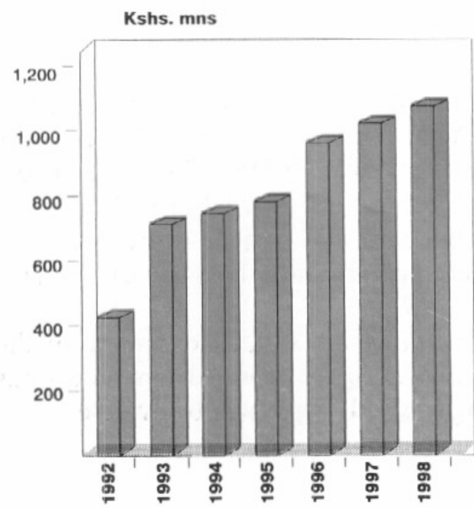
Profit after tax



Dividend per share



Shareholders funds



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 Kenya 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 disclosures 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 1998 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,

10 December 1998.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1998

	Note	1998 KShs'000	1997 KShs'000
Operating profit		167,846	175,932
Interest income		81,836	43,309
Profit from ordinary activities	2	249,682	219,241
Exceptional item	4	-	4,848
Profit before taxation		249,682	224,089
Taxation	5	(97,127)	(87,774)
Profit after taxation		152,555	136,315
Dividends	6	(68,339)	(65,410)
Retained profit for the year		84,216	70,905
Earnings per ordinary share	7	Shs. 7.80	Shs. 7.00

STATEMENT OF RETAINED PROFITS

	Note	1998	1997
1ST OCTOBER		519,994	416,363
Transfer from capital reserve	12	32,786	34,120
Retained profit for the year		84,216	70,905
Adjustment for plant disposal		7	(1,394)
30TH SEPTEMBER		637,003	519,994

Report of auditors – page 9.

BALANCE SHEET - 30 SEPTEMBER 1998

	Note	1998 KShs'000	1997 KShs'000
FIXED ASSETS	8	601,675	609,457
CURRENT ASSETS			
Stocks	10	127,676	153,698
Debtors		192,599	119,125
Due from BOC Group companies	17	111	–
Short term deposits		352,847	312,790
Cash and bank balances		8,351	9,593
		681,584	595,206
CURRENT LIABILITIES			
Creditors		162,348	142,795
Due to BOC Group companies	17	11,808	17,590
Taxation		2,117	25,212
Dividends		61,554	60,082
Bank Overdraft		4,931	2,699
		242,758	248,378
NET CURRENT ASSETS		438,826	346,828
NET ASSETS		1,040,501	956,285
Financed by:-			
SHARE CAPITAL	11	97,627	97,627
RESERVES	12	942,874	858,658
SHAREHOLDERS' FUNDS		1,040,501	956,285

The accounts on pages 10 to 18 were approved by the Board of Directors on 3 December 1998, and signed on its behalf by A.N. Ngugi and J.G. Kibe.

Report of the auditors – page 9.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1998

	1998 KShs'000	1997 KShs'000
Cash flow from operating activities		
Profit before taxation	249,682	224,089
Adjustments for:-		
Recovery on Dissolved Acetylene plant insurance claim	–	(4,848)
Depreciation	63,965	62,277
Profit on sale of fixed assets	(2,187)	(1,565)
Foreign exchange gains	(4,207)	(350)
Gross interest income from short term deposits	(82,278)	(43,668)
Interest paid	442	359
Operating cash flow before working capital changes	225,417	236,294
(Increase)/Decrease in trade and other debtors	(73,474)	4,553
Decrease/(Increase) in stocks	26,022	(1,582)
Increase in trade creditors	19,553	8,445
(Decrease)/Increase in Group Company current accounts	(5,893)	14,740
Cash generated from operations	191,625	262,450
Income tax paid	(120,222)	(65,679)
Insurance claim	–	4,848
Net cash inflow from operating activities	71,403	201,619
Return on investments and servicing of finance		
Interest received and receivable	82,278	43,668
Dividends paid	(66,867)	(65,294)
Interest paid	(442)	(359)
Net cash inflow/(outflow) from investment and servicing of finance	14,969	(21,985)
Cash flows from investing activities		
Purchase of fixed assets	(56,915)	(31,029)
Proceeds from sale of fixed assets	2,919	6,114
Net cash outflow from investing activities	(53,996)	(24,915)
Net increase in cash and cash equivalents	32,376	154,719
Cash and cash equivalents at the beginning of the year (note 16)	319,684	164,615
Effect of exchange rate changes	4,207	350
Cash and cash equivalents at end of the year (note 16)	356,267	319,684

Report of auditors – page 9.
The notes on pages13 to 18 form part of these accounts.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998

1. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared in accordance with 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 from fixed assets revaluation reserve 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.

(c) Stocks

Socks, including work in progress, are stated at the lower of the cost and net realisable value. Cost is determined on a weighted average basis, and where appropriate, includes a proportion of production overhead expenses. Net realisable value is the expected sales proceeds of stocks after deducting costs of disposals. 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 the normal course of trading, are dealt with through the profit and loss account.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

(f) Retirement benefits

Contributions to retirement funds operated for employees are charged against income as incurred. The cost of improving defined benefit funds and any deficits arising from time to time on the defined benefit funds are charged to the profit and loss account over the periods benefiting from the employees' services.

2. PROFIT FROM ORDINARY ACTIVITIES

	1998 KShs'000	1997 KShs'000
This is stated after charging/(crediting):		
Profit on sale of fixed assets	(2,188)	(1,565)
Depreciation	63,965	62,277
Auditors' remuneration	874	760

3. DIRECTORS' EMOLUMENTS

	1998 KShs'000	1997 KShs'000
The emoluments of directors are as follows:-		
For services rendered:		
As directors	504	249
As management	17,711	8,972
	18,215	9,221

4. EXCEPTIONAL ITEM

	1998 KShs'000	1997 KShs'000
This comprises:-		
Recovery on Dissolved Acetylene plant insurance claim	–	4,848

5. TAXATION

	1998 KShs'000	1997 KShs'000
Current tax at 32.5% (1997: 35%) on the taxable profit for the year	94,336	88,397
Underprovision/(Overprovision) in prior years	2,791	(623)
	97,127	87,774

6. DIVIDENDS

	1998 KShs'000	1997 KShs'000
1998: 50% Proposed - final	48,814	–
20% Interim - paid	19,525	–
1997: 49% Proposed - final	–	47,837
18% Interim - paid	–	17,573
	68,339	65,410

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

7. EARNINGS PER SHARE

The earnings per ordinary shares of Shs. 7.80 (1997: Shs. 7.00) each are calculated by reference to the profit after taxation and the 19,525,446 shares in issue at the end of the year.

8. FIXED ASSETS

	Freehold Leasehold land and buildings 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 1997	199,679	929,160	263,897	26,043	11,361	1,430,140
Additions	893	21,343	4,191	2,475	28,013	56,915
Disposals	-	(5,940)	(1,423)	-	-	(7,363)
Reclassifications	-	4,521	6,270	-	(10,791)	-
30th September 1998	200,572	949,084	272,935	28,518	28,583	1,479,692
Depreciation:						
1st October 1997	5,642	625,584	170,550	18,907	-	820,683
Charge for the year	4,418	47,664	6,554	5,329	-	63,965
Disposals	-	(5,274)	(1,357)	-	-	(6,631)
30th September 1998	10,060	667,975	175,747	24,236	-	878,017
Net book value:						
30th September 1998	190,512	281,109	97,188	4,282	28,583	601,675
30th September 1997	194,037	303,576	93,347	7,136	11,361	609,457

(a) Land and building were revalued on 30th 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 the land and building was carried out by professional valuers while that of cylinders and plants and machinery was carried out by the directors. The basis for the valuation of land and buildings was open market with existing use. The basis for the valuation of cylinders, plant and machinery was depreciated 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.

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

(c) Fully depreciated assets amounting to KShs. 230,585,000 (1997: KShs. 232,988,000) are still in use. Notional annual depreciation on these assets amounts to KShs. 11,633, 770 (1997: KShs. 12,331,000).

9. SUBSIDIARY COMPANIES

The company has three wholly owned subsidiaries - East African Oxygen Limited, BOC Tanzania Limited and BOC Uganda Limited. The subsidiaries in Uganda and Tanzania were incorporated during the year. They have not commenced trading. East African Oxygen Limited, a dormant company, is carried in the accounts as follows:-

	1998 KShs'000	1997 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 comprises:-

	1998 KShs'000	1997 KShs'000
Saleable stocks	54,034	70,312
Raw materials	16,227	27,552
Plant spares	35,967	32,450
Goods in transit	11,770	12,212
Work in progress	3,225	4,849
Others	6,453	6,323
	127,676	153,698

11. SHARE CAPITAL

	1998 Number	1998 KShs'000	1997 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 1998 (continued)

12. RESERVES

	Fixed Assets Revaluation Reserve KShs'000	Share Premium Account KShs'000	Retained Profits KShs'000	Total Reserves KShs'000
1 October 1997	336,110	2,554	519,994	858,658
Amortised and realised revaluation reserves	(32,786)	-	32,786	-
Adjustment for plant disposal	(7)	-	7	-
Retained profit of the year	-	-	84,216	84,216
30 September 1998	303,317	2,554	637,003	942,874

13. DEFERRED TAXATION

No provision is made for deferred taxation of KShs. 149,842,000 (1997: KShs. 155,719,000), 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

	1998 KShs'000	1997 KShs'000
Commitments in respect of contracts	10,441	5,424
Approved by the directors but not contracted for	370,506	359,116

15. CONTINGENT LIABILITIES

Contingent liabilities upon which no losses are anticipated comprise:-

	1998 KShs'000	1997 KShs'000
Bank guarantees	5,316	2,333

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998 (continued)

16. CASH AND CASH EQUIVALENTS

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

	1998	1997
	KShs'000	KShs'000
Cash on hand and balances with banks	8,351	9,593
Bank overdrafts	(4,931)	(2,699)
Short-term deposits	352,847	312,790
Cash and cash equivalents	356,267	319,684

17. RELATED PARTY TRANSACTIONS

During the year, the company made purchases amounting to KShs. 28,544,000 (1997: KShs. 24,556,000) from companies related to it 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 "Due to/from 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.

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 11th February 1999 and at any adjournment thereof.

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

Signature(s) ....

This form is to be used *in favour of / against the resolutions.

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

*Strike out whichever is not desired.

BOC
1997

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Contents

Board of Directors

A.N. Ngugi	(Chairman and Managing Director)
J.P. Fredericks*	
A.C. Juma	
J.G. Kibe	
Ngugi Kiuna	
R.T. Vice*	(Alternate I.S.K. Bonynge**)

South African*
Irish**

AUDIT COMMITTEE
I.S.K. Bonynge - Chairman
Ngugi Kiuna

SECRETARY

J.M. Kariuki

BANKERS

Barclays Bank of Kenya Limited
Standard Chartered Bank Kenya Limited

AUDITORS

Coopers & Lybrand

REGISTERED OFFICE

Kitui Road
P.O. Box 18010
NAIROBI

REGISTRARS

Specialist Corporate Consultants
P.O. Box 30633
NAIROBI