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ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 30 September 2000



1975-1976

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BOC Kenya Limited - Periodicals

NOTICE OF MEETING

Notice is hereby given that the Sixtieth Annual General Meeting of BOC Kenya Limited will be held at Nairobi Serena Hotel on Thursday, 8 February 2001 at 11.00 a.m.

ORDINARY BUSINESS

- a) To receive and consider the Financial Statements for the year ended 30th September 2000 and the Reports of the Directors and Auditors thereon.
- b) To declare a dividend.
- c) To elect directors.
- d) To authorise the directors to fix the remuneration of the auditors. The auditors, PricewaterhouseCoopers continue in office in accordance with the provisions of section 159(2) of the Companies Act.
- e) To approve the payment of fees to the Directors for the year ended 30th September 2000.
- f) Any other business which may be legally transacted at an Annual General Meeting.

BY THE ORDER OF THE BOARD

J M Kariuki
Secretary

Kitui Road
P O Box 18010
Nairobi

2 January 2001

2007/0754

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/her.

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.

DIRECTORS AND OFFICIALS

DIRECTORS

J G Kibe - Chairman

S C Viljoen* - Managing Director

A C Juma

N Kiuna

J M Marriott*

Ivor M Matthee*

**South African*

SECRETARY

J M Kariuki

BANKERS

Barclays Bank of Kenya Limited

Standard Chartered Bank Kenya Limited

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

Kitui Road

P O Box 18010

Nairobi

REGISTRARS

Specialist Corporate Consultants

P O Box 30633

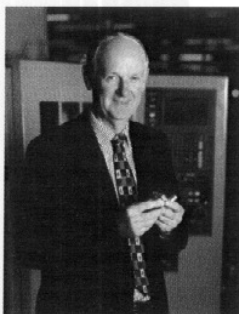
Nairobi



Local directors (from right to left):

Stephen C Viljoen, Joseph G Kibe, Alfred C Juma and Ngugi Kiuna.

Directors based in South Africa:



James Marriott



Ivor M Matthee

BOARD OF DIRECTORS (CONTINUED)

Joseph Gilbert Kibe - *Chairman*

A BA graduate of London University through Makerere College, Joe Kibe, 65, has had a long career in the Kenya Government (17 years from 1962) where he served as Permanent Secretary in six Ministries: Commerce & Industry, Economical Planning, Agriculture & Animal Husbandry, Water Development, Lands & Settlement, Tourism & Wildlife. He is a director of fifteen companies. He is also a businessman and farmer. He was appointed a non-executive director of BOC Kenya Limited in August 1991 and in February 2000 he was appointed Chairman of the BOC Kenya Limited Board.

Stephen C Viljoen - *Managing Director*

Stephen Viljoen, 43, has a Bachelor of Science degree in Chemical Engineering and an Honours degree in Economics. He has 17 years of service with the BOC Group and has gained valuable exposure to the range of value-adding processes from production through to marketing and strategy formulation. He was appointed Managing Director in May 1999.

James M Marriott

Jimmy has had 25 years of service with Afrox. He started his career in marketing and business management before running, firstly, the Northern Region and, later, the Afrox Cape/Namibian operation.

In 1995, Jimmy established the Fabrication Division in Afrox by combining the cylinder and welding businesses. He joined the Board of African Oxygen Limited in the same year. He was appointed Managing Director of Afrox this year and in addition has specific responsibility for the Industrial and Special Products line of business, both in South Africa and ten other countries in Africa, in which the Group has operations. Last year, he joined the board of the newly formed Afrox Healthcare Company and was appointed to the BOC Kenya Limited board on 2nd September 1999.

Alfred C Juma

A BA (Hons) graduate of London University through Makerere College, Alfred Juma, 62 was previously the Managing Director of Avon Rubber Company (Kenya) Limited. He has held the Chairmanships of the Federation of Kenya Employers, Kenya Ports Authority and Kenya Association of Manufacturers. He is currently the Managing Director of Collins Mercantile Services Limited, and Energy Service Company (ESCO). He was appointed a non-executive director of BOC Kenya Limited in May 1994.

Ngugi Kiuna

With a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England, Ngugi Kiuna, 51, is the Managing Director of Diversey Lever East Africa Limited. He was appointed a non-executive Director of BOC Kenya Limited in October 1993.

Ivor M Matthee

Ivor Matthee was appointed to the board of BOC Kenya Limited on 2nd September 1999. He is a Chartered Accountant and holder of a masters degree in Business Administration. He joined the BOC Group in South Africa in January 1982 and has held various senior management positions. He is currently Company Secretary of the Afrox Group of Companies and is also responsible for BOC's African Operations outside of South Africa. He holds a number of directorships both in Africa and South Africa. Previously with Atlas Copco and Barclays Bank, he served his articles at Deloitte & Touche in South Africa.

DIRECTORS' REPORT

The directors are pleased to submit their report and the accounts for the year ended 30 September 2000.

PRINCIPAL ACTIVITIES

The principal activity of the group is the manufacture and sale of gases and welding products in East Africa.

PROFIT AND APPROPRIATIONS

The results for the year are shown on page 11.

DIVIDENDS

An interim dividend of 20%, equal to KShs 19,525,446, was declared in May 2000 and paid in July 2000. The directors recommend that a final dividend of 51%, equal to KShs 49,789,887, be paid on 9 March 2001 to shareholders on the register at the close of business on 23 February 2001.

DIRECTORS

The names of the directors during the year are set out on page 3.

Mr N Kiuna retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

The company auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159(2) of the Companies Act.

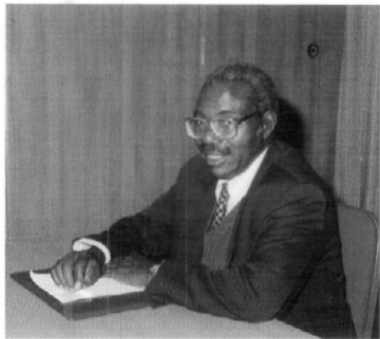
BY ORDER OF THE BOARD

J M Kariuki
Secretary

26 October 2000

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CHAIRMAN'S STATEMENT



I wish, as a start, to record my sincere thanks to the Board for their confidence in appointing me Chairman of the Board following the resignation of our long serving Chairman, Mr Allan N Ngugi on 10 February 2000. My report for the year ended 30 September 2000 is set out below:

Business Environment

There was little positive in Kenyan manufacturing and Agriculture during the 12 months under review. The year started with low levels of activity in manufacturing and after the first 6 months it appeared as if the low levels would stabilize and not deteriorate. This, however, was not how things turned out. The power crisis emerged in the second half of the year and had a major

impact on our business: firstly, by reducing overall demand for our products and, secondly, by pushing up our production costs significantly due to more than 50% rise in the cost of electricity. The Sugar Industry is an intensive user of our products and the crisis that developed in the second half of 2000 had a further negative impact on our sales. The tight liquidity experienced in most enterprises continued and many previously credit-worthy customers were battling to maintain reasonable payment terms.

The inflationary pressures brought about by the increases in electricity tariffs, fuel costs, and the weaker shilling have been mitigated to only a limited extent by cost savings initiatives. The limits to such initiatives are reached sooner or later and Kenya manufacturers have been unable to pass through price increases because of general oversupply. This has meant that attempts to pass on price adjustments have been fiercely resisted.

Growth Opportunity - Regional Growth

BOC Kenya has the resources and competencies to forge an East African Gas Company extending beyond the three nations, which traditionally make up East Africa, to Ethiopia, Burundi and Rwanda. BOC's existing investment in Plant and Gas cylinders would allow us to move into all these countries with confidence and limited risk.

During the year, we celebrated our first year of operation in Uganda and also established Depots in Moshi and Arusha. Our agent in Mwanza opened early in 1998 and continues to develop the business in the newly emerging mining sector. In addition, we enjoyed good sales in Ethiopia.

Growth Opportunity - Liquefied Petroleum Gas (LPG)

During the year, we entered the LPG market with our branded product, Handigas. The first year was encouraging in that we made in-roads into a market that is currently shrinking because of a number of short-term factors. The reduced disposable income of the lower and middle income households, meant that fewer people could make the transition to LPG from wood and charcoal. The consumers have welcomed the approach we have adopted and we are looking forward to a steady improvement in this business.



Handigas resellers are now a common sight

The potential for growth in the longer term becomes obvious when one benchmarks annual consumption per capita in Kenya against other African countries of similar socio-economic standing. The benefits to Kenya would be enormous, not only from the utility enjoyed by the households who would use LPG for the bulk of their cooking and heating requirements but also for the nation, in terms of protecting the declining forests of Kenya.

In fact, deforestation has been halted and reversed elsewhere, whenever Governments have facilitated the conversion of domestic households from wood and charcoal to LPG.

The lack of Governmental encouragement as manifested by the high taxes on the product and the falling disposable income of consumers, means that the long term growth pattern is unlikely to be established in 2001.

Growth opportunity - Welding products

Over the past year, we have introduced a range of specialised welding wires which enhance quality and productivity in manufacturing and maintenance. The market has been receptive and several customers have already embraced the products and we anticipate good progress in the coming year.

Safety

During the year, we further improved our Safety Programme and were awarded an internationally recognised Five Star Award. The BOC Group considers the safety record as one of the primary indicators of management competence. The Safety Programme ensures that all our staff are suitably trained and mindful of all the risks that might occur in an Industrial setting. The high level of safety consciousness is extended to the distribution of our products. All our products meet the highest international standards of safety and quality and we offer safety training to our customers to ensure the chain of safety is unbroken from manufacture to application.

Production

The lower activity and reduced volumes resulted in increased unit costs. The higher electricity tariff compounded the problem, leaving little hope for cost reduction. All our production facilities are operating well below rated output but our principal plant is well maintained and will be able to meet any expansion in the region for the foreseeable future.

Jua Kali

BOC Kenya Limited has over the years recognised the importance of the Jua Kali. The Jua Kali, more than any other sector, has been rocked by the series of shocks going through the economy. During the year, we have spent many hours promoting welding products in this sector through road shows. We also listened to their advice about our products. This dialogue has resulted in our making a number of changes to our production techniques and the subsequent feedback has been very encouraging.

In a further development, we have introduced special package sizes for the Jua Kali. These are better suited to the practicalities and the cash flow realities experienced by the informal sector. Delivering smaller cylinders results in less capital tied up on the part of the BOC and less cash tied up on the part of the small-scale businessman. We are inspired by the tenacious spirit and entrepreneurial energy that we see every day in this sector.



Providing economical solutions to the Jua Kali

Human Resources

The renewal programme that started in 1998 and focused on growth, cost reductions and enhanced customer service, continues to bear fruit. The benefits have, however, been eroded significantly by the rising operating costs. As we search and exploit growth opportunities, productivity improvements will remain our focus point.

The implementation of our Outcomes Based Learning (OBL) programme is on-going. The programme focuses on the development of competencies in key performance areas. Our programme is being implemented in Sales, Distribution, Stores and LPG processes.

Local and overseas training was offered to a number of employees as part of their development. The areas of training covered were: Safety, Human Resources, Supply Chain Management, Marketing and general management development programmes.

CHAIRMAN'S STATEMENT (CONTINUED)

The Company continues to enjoy productive working relations. Areas of improvements, as identified by an Industrial Relations Survey undertaken during the year, are being addressed. The BOC Group has also undertaken a global organisational survey with the objective of measuring performance at local and global levels, on people and organisational issues. The results of the survey are expected early in the New Year.

Acquisition of the BOC Group

The proposed joint bid for our parent company, the BOC Group by Air Products of America and Air Liquide of France, that was announced on 13 July 1999 lapsed on 12 May 2000 as the necessary approval from the Federal Trade Commission in the USA was not obtained. With the failed bid, the BOC Group and BOC Kenya Limited have retained their identity.

I wish to commend the employees for maintaining their focus on the business during the ten anxious months of the failed bid.

Board of Directors

On behalf of the Board, I wish to congratulate Mr Jimmy A Marriott, a Board member, on his recent appointment as the Managing Director of African Oxygen Limited (Afrox) of South Africa. Our Company will continue to benefit from Mr Marriott's wealth of experience in industrial gases and welding product businesses.

The Board supports the highest standards in corporate governance. In this regard, I am pleased to report that the Audit Committee of the Board held regular meetings during the year.

Prospects

Industrial activity will remain depressed during the coming year. There are no major projects in Kenya and manufacturing will be negatively impacted by the high power costs.

Growth in Kenya will be limited to that derived from new products and by increased market share of existing products. This will mean lower margins but will ensure that in the medium term, BOC Kenya Limited will be in a position to re-establish the growth trend enjoyed over many years.

The operations in Uganda and Tanzania will continue to replace some of the lost demand in Kenya but the higher costs will also result in some margin attrition. The longer term prospects in these two countries is very promising and they will have a positive impact on the bottom line during 2001.

Appreciation

As predicted, the year under review has been a challenging one and I wish to thank all the employees for responding strongly to the challenges and their commitment to strengthen the Company's position as the leading gas company in the East African region.

I would also like to thank my fellow Directors, Shareholders, Customers, Suppliers and Agents for their continued support. With your unfailing support, I am confident that the Company is well placed for future growth and profitability.



*The senior management team (from right to left):
James Muchene, Duncan Machiri, Stephen Viljoen,
Sam Muchogu, John Kariuki, Sam Njenga*

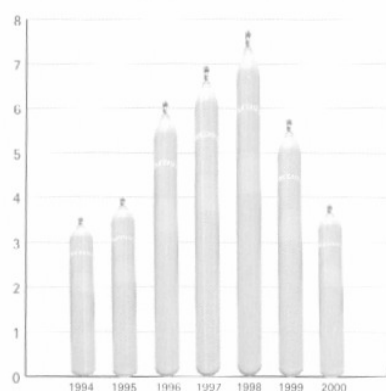
J G Kibe

26 October 2000

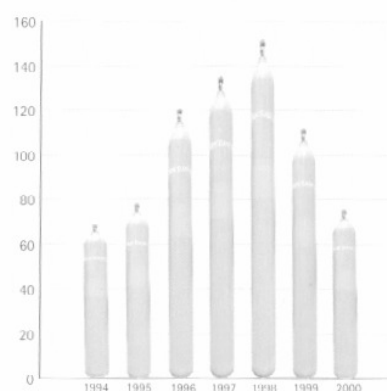
COMPARATIVE RESULTS

	1994	1995	1996	1997	1998	1999	2000
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Issued share capital	80,805	97,326	97,627	97,627	97,627	97,627	97,627
Reserves	623,309	630,636	787,753	858,658	1,022,034	924,352	930,790
Net Assets	704,114	727,962	885,380	956,285	1,119,661	1,021,979	1,028,417
Transfer from reserves							
Dividends	51,972	54,623	65,410	65,410	68,339	69,315	69,315
Taxation	64,164	55,387	56,161	87,774	97,127	68,504	35,444
Retained profits	17,210	23,150	55,148	70,905	84,216	42,872	5,400
Profit before tax	133,346	133,160	176,719	224,089	249,682	180,691	110,159
Dividends per share	3.22	2.81	3.35	3.35	3.50	3.55	3.55
Shareholders funds	704	728	885	956	1,120	1,022	1,028
Earnings per share	3.54	3.98	6.17	6.98	7.81	5.75	3.83
Profit after tax	69	78	121	136	153	112	75

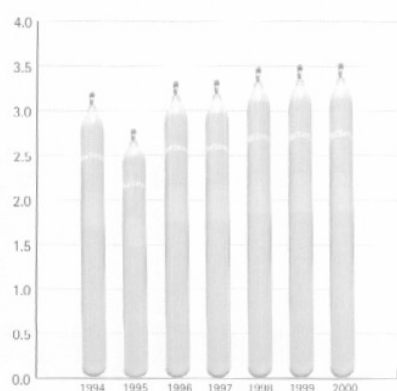
Earnings per share (KShs)



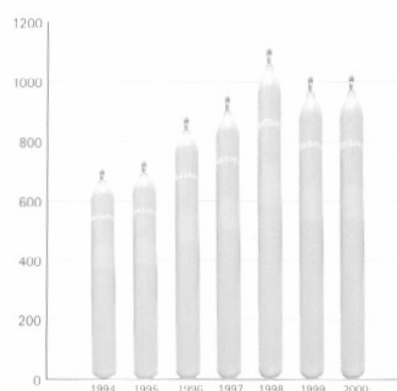
Profit after tax (KShs mns)



Dividends per share (KShs)



Shareholders funds (KShs mns)



REPORT OF THE AUDITORS TO THE MEMBERS OF BOC KENYA LIMITED

We have audited the financial statements set out on pages 11 to 30. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The financial statements of the company are in agreement with the books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view of the group's and company's state of affairs and the group's profit or loss. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. 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 financial statements.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the group's and company's financial affairs at 30 September 2000 and of the group's profit and cash flows for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants

15 November 2000

Nairobi

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2000

	Notes	2000 Shs'000	1999 Shs'000
Sales	1	561,941	575,473
Cost of sales		(284,264)	(286,728)
Gross profit		277,677	288,745
Distribution costs		(35,612)	(22,880)
Administration costs		(168,652)	(148,261)
Operating profit	2	73,413	117,604
Finance income	4	36,746	63,087
Profit before tax		110,159	180,691
Tax	5	(35,444)	(68,504)
Net profit		74,715	112,187
Earnings per share	7	3.83	5.74
Dividends			
Interim		19,525	19,525
Proposed final		49,790	49,790
		69,315	69,315

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2000

	Notes	2000 Shs'000	1999 Shs'000
CAPITAL EMPLOYED			
Share capital	8	97,627	97,627
Share premium	8	2,554	2,554
Revaluation reserves	9	140,871	143,507
Retained earnings		689,829	681,793
Proposed dividends	6	49,790	49,790
Shareholders' funds		980,671	975,271
Non-current liabilities			
Deferred tax	11	35,634	35,489
Provision for liabilities and charges	12	5,894	5,094
Retirement benefit obligations	24	6,218	6,125
		47,746	46,708
		1,028,417	1,021,979
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13	520,635	522,814
Current assets			
Inventories	15	158,870	165,729
Trade and other receivables	16	248,088	213,093
Cash and cash equivalents	17	309,953	351,157
		716,911	729,979
Current liabilities			
Trade and other payables	18	207,041	218,612
Borrowings	10	2,088	12,202
		209,129	230,814
Net current assets		507,782	499,165
		1,028,417	1,021,979

The financial statements on pages 4 to 25 were approved by the Board of Directors on 26 October 2000 and signed on its behalf by:

DIRECTOR: J G Kibe

DIRECTOR: S C Viljoen

COMPANY BALANCE SHEET AT 30 SEPTEMBER 2000

	Notes	2000 Shs'000	1999 Shs'000
CAPITAL EMPLOYED			
Share capital	8	97,627	97,627
Share premium	8	2,554	2,554
Revaluation reserves	9	140,871	143,507
Retained earnings		693,938	683,122
Proposed dividends	6	49,790	49,790
Shareholders' funds		984,780	976,600
Non-current liabilities			
Deferred tax	11	35,634	35,489
Provision for liabilities and charges	12	5,894	5,094
Retirement benefit obligations	24	6,218	6,125
		47,746	46,708
		1,032,526	1,023,308
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13	514,177	512,689
Investments in subsidiary companies	14	50	50
		514,227	512,739
Current assets			
Inventories	15	154,141	162,492
Trade and other receivables	16	265,616	227,953
Cash and cash equivalents	17	306,084	350,584
		725,841	741,029
Current liabilities			
Trade and other payables	18	205,454	218,258
Borrowings	10	2,088	12,202
		207,542	230,460
Net current assets		518,299	510,569
		1,032,526	1,023,308

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The financial statements on pages 4 to 25 were approved by the Board of Directors on 26 October 2000 and signed on its behalf by:

DIRECTOR: J G Kibe

DIRECTOR: S C Viljoen

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2000

	Notes	Share Capital	Share Premium	Revaluation Reserves Reserves	Retained Earnings	Proposed Dividends	Total Equity
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Balance at 1 October 1998							
As previously reported		97,627	2,554	169,525	487,161	-	756,867
Prior year adjustment (IAS 12)	11	-	-	(5,332)	125,074	-	119,742
Prior year adjustment (IAS 19)	24	-	-	-	(6,125)	-	(6,125)
As restated		97,627	2,554	164,193	606,110	-	870,484
Revaluation of fixed assets		-	-	12,125	-	-	12,125
Depreciation transfer		-	-	(32,811)	32,811	-	-
Profit after tax		-	-	-	112,187	-	112,187
Interim dividends		-	-	-	(19,525)	-	(19,525)
Final proposed dividends		-	-	-	(49,790)	49,790	-
Balance at 30 September 1999		97,627	2,554	143,507	681,793	49,790	975,271
Balance at 1 October 1999							
As previously reported		97,627	2,554	148,839	562,844	-	811,864
Prior year adjustment (IAS 12)	11	-	-	(5,332)	125,074	-	119,742
Prior year adjustment (IAS 19)	24	-	-	-	(6,125)	-	(6,125)
As restated		97,627	2,554	143,507	681,793	-	925,481
Depreciation transfer		-	-	(2,841)	2,841	-	-
Deferred tax on depreciation transfer		-	-	205	(205)	-	-
Profit after tax		-	-	-	74,715	-	74,715
Interim dividends		-	-	-	(19,525)	-	(19,525)
Final proposed dividends		-	-	-	(49,790)	49,790	-
Balance at 30 September 2000		97,627	2,554	140,871	689,829	49,790	980,671

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2000

	Notes	2000 Shs'000	1999 Shs'000
Cashflows from operating activities			
Cash generated from operations	21	69,457	176,809
Net interest received		26,352	38,313
Income taxes paid		(34,048)	(79,131)
Net cash from operating activities		61,761	135,991
Cashflows from investing activities			
Purchase of property, plant and equipment	13	(42,691)	(117,729)
Proceeds from disposal of property, plant & equipment		7,868	6,551
Net cash used in investing activities		(34,823)	(111,178)
Cashflows from financing activities			
Dividends paid	6	(68,422)	(66,899)
Net cash used in financing activities		(68,422)	(66,899)
Decrease in cash and cash equivalents		(41,484)	(42,086)
Movement in cash and cash equivalents:			
At 1 October 1999	17	338,955	356,267
Decrease		(41,484)	(42,086)
Effects of exchange rate changes		10,394	24,774
At 30 September 2000	17	307,865	338,955

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

1 Basis of Preparation

The consolidated financial statements are prepared in accordance with and comply with the International Accounting Standards (IAS).

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

2 Consolidation

The company has three wholly owned subsidiaries – East African Oxygen Limited, BOC Tanzania Limited and BOC Uganda Limited. Subsidiary undertakings in which the company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. All Intercompany transactions, balances and unrealised profits and losses on transactions between group companies have been eliminated.

3 Revenue recognition

Sales are recognised upon delivery of products and performance of services, and are stated net of VAT and discounts. Interest income is recognised as it accrues, unless collectibility is in doubt.

4 Property, plant and equipment

a) All property, plant and equipment is initially recorded at cost. Land and buildings are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

b) Revaluation

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and the depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

c) Depreciation

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life as follows:

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

Freehold land is not depreciated as it is deemed to have an indefinite life.

d) Gains or losses on disposals

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to such assets are transferred to retained earnings.

5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other related direct costs and production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

6 Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at the rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at the rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

Income statements of foreign subsidiaries are translated in the group's reporting currency at average exchange rates for the year and the balance sheets are translated at the rates ruling at the end of the year.

7 Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off in the year in which they are identified.

8 Provisions

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

9 Retirement benefits

The group operates a defined benefit plan and a defined contribution plan. The assets of these plans are held in a separate trustee-administered fund. The pension plans are funded by payments from group companies, taking account of the recommendations of independent qualified actuaries.

The pension accounting costs for the defined benefit plan are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who value the plan once every three years. The pension obligation is measured at the present value of estimated future cash outflows using interest rates of government securities.

The group's contributions to the defined contribution plan is charged to the income statement in the year to which it relates.

10 Deferred tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

11 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000

1	Sales	2000 Shs'000	1999 Shs'000
	Product sales	504,923	520,146
	Services	57,018	55,327
		561,941	575,473

2 Operating profit

The following items have been charged in arriving at operating profit:

Staff costs (Note 3)	103,238	106,178
Depreciation on property, plant and equipment.(Note 13)	38,884	70,080
Auditors' remuneration	1,200	950
Directors' emoluments	12,273	13,915
- fees	811	972
- others	11,462	12,943

3 Staff costs

The following items are included within staff costs:

Wages and salaries	98,111	92,728
Pension costs - defined contribution plans	904	1,047
Pension costs - defined benefit plans	4,223	3,742
Retrenchment and termination benefits	-	8,661
	103,238	106,178

The average number of employees during the year was 170 (1999: 177).

4 Finance income/(costs)

Interest income	26,705	38,623
Net foreign exchange gains	10,394	24,774
Interest expense	(353)	(310)
	36,746	63,087

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000 (CONTINUED)

5	Tax	2000 Shs'000	1999 Shs'000
	Current tax	36,169	63,340
	Deferred tax charge (Note 11)	145	5,389
		36,314	68,729
	Overprovision in prior year	(870)	(225)
		35,444	68,504

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2000 Shs'000	1999 Shs'000
Profit before tax	110,159	180,691
Tax calculated at a tax rate of 30% (1999: 32.5%)	33,048	58,725
Expenses not deductible for tax purposes	3,295	8,416
Income not subject to tax	(29)	(556)
Others	-	2,144
Tax charge	36,314	68,729
6 Dividends		
Interim	19,525	19,525
Final proposed	49,790	49,790
Total	69,315	69,315
Dividends per share (Shs)	3.55	3.55

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting. At the annual general meeting on 8 February 2001, a dividend in respect of the year ended 30 September 2000 of Shs 2.55 per share, amounting to a total of Shs 49,789,887, is to be proposed. During the year, an interim dividend of Shs 1 per share, amounting to a total of Shs 19,525,446, was paid. The total dividend for the year is therefore Shs 3.55 per share (1999: Shs 3.55), amounting to a total of Shs 69,315,333 (1999: Shs 69,315,333). The financial statements do not reflect the proposed final dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 September 2000.

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents.

7 Earnings per Share

Earnings per share are calculated on the profit attributable to shareholders and the weighted average number of ordinary shares outstanding during the period. There were no potentially dilutive shares outstanding at 30 September 2000 or 1999.

	2000 Shs'000	1999 Shs'000
Net profit attributable to the shareholders (Shs'000)	74,715	112,187
Weighted average number of ordinary shares in issue (thousands)	19,525	19,525
Earnings per share (Shs)	3.83	5.74

8 Share Capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 October 1999 and at 30 September 2000	19,525	97,627	2,554

The total authorised number of ordinary shares is 19,525,446 with a par value of Shs 5 per share.
All issued shares are fully paid.

9 Revaluation Reserves

	2000 Shs'000	1999 Shs'000
Land and buildings	140,871	143,507
Movement in the reserves was as follows:		
At beginning of year	143,507	169,525
Revaluation surplus	-	12,125
Deferred tax on revaluation	-	(5,332)
Transfer of depreciation to retained earnings	(2,841)	(32,811)
Deferred tax on depreciation transfer	205	-
At end of year	140,871	143,507

The revaluation reserves are non-distributable.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000 (CONTINUED)

10	Borrowings	2000 Shs'000	1999 Shs'000
	Total borrowings	2,088	12,202
	Less: current portion (bank overdraft)	(2,088)	(12,202)
	Non-current portion	-	-
	Current		
	Weighted average effective interest rate for bank overdraft is:	20.6%	19.7%

11 Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (1999: 32.5%). The movement on the deferred tax account is as follows:

	2000 Shs'000	1999 Shs'000
At beginning of year		
- as previously stated	155,231	149,842
- prior year adjustment	(119,742)	(119,742)
- as restated	35,489	30,100
Income statement charge (Note 5)	145	5,389
At end of year	35,634	35,489

The prior year adjustment results from an adjustment to the deferred tax as a result of reversal of the revaluation reserve in the prior year in respect of certain plant and equipment restated to cost.

Deferred tax assets and liabilities, deferred tax charge/(credit) in the profit and loss account, and deferred tax charge/(credit) in equity are attributable to the following items:

	1.10.99	Charged/ (credited) to P/L	Charged/ (credited) to equity	30.09.00
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax liabilities				
Accelerated tax depreciation	155,231	1,775	(119,742)	37,264

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2000 (CONTINUED)

11 Deferred tax (continued)

	1.10.99	Charged/ (credited) to P/L	Charged/ (credited) to equity	30.09.00
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred tax assets				
Provisions	-	(541)	-	(541)
Other deductible temporary differences	-	(1,089)	-	(1,089)
	-	(1,630)	-	(1,630)
Net deferred tax liability	155,231	145	(119,742)	35,634

Deferred tax of Shs 205,000 was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred tax on the difference between the actual depreciation on property and the equivalent depreciation on the historical cost of the property.

12 Provisions for liabilities and charges

	Annual leave Shs'000	Company and group Restructuring Shs'000	Total Shs'000
At 1 October 1999	3,648	1,446	5,094
Charged to profit and loss account	1,805	-	1,805
	5,453	1,446	6,899
Utilised during year	-	(1,005)	(1,005)
At 30 September 2000	5,453	441	5,894

The full amount of restructuring costs are recognised in the periods when they arise. Provisions for bonuses and annual leave are based on services rendered by employees up to 30 September 2000.

13 Property, plant and equipment

(a) Group	Freehold & leasehold land & buildings Shs'000	Plant & machinery & motor vehicles Shs'000	Cylinders Shs'000	Furniture & fittings Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost or valuation						
At 1 October 1999	210,000	315,921	158,133	45,188	25,128	754,370
Additions	729	11,667	3,711	1,663	24,921	42,691
Disposals	-	(6398)	(6,112)	(460)	547	(12,423)
Transfers	2,850	994	20,796	4,118	(28,758)	-
At 30 September 2000	213,579	322,184	176,528	50,509	21,838	784,638
Depreciation						
At 1 October 1999	-	(161,288)	(39,183)	(31,085)	-	(231,556)
Charge for the year	(4,052)	(21,051)	(6,107)	(7,674)	-	(38,884)
On disposals	7	5,947	465	18	-	6,437
At 30 September 2000	(4,045)	(176,392)	(44,825)	(38,741)	-	(264,003)
Net book amount						
At 30 September 2000	209,534	145,792	131,703	11,768	21,838	520,635
At 30 September 1999	210,000	154,633	118,950	14,103	25,128	522,814

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13 Property, plant and equipment (continued)

(b) Company	Freehold & leasehold land & buildings Shs'000	Plant & machinery & motor vehicles Shs'000	Cylinders Shs'000	Furniture & fittings Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost or valuation						
At 1 October 1999	210,000	315,921	148,008	45,188	25,128	744,245
Additions	729	11,667	3,711	1,585	24,921	42,613
Disposals	-	(6,398)	(2,746)	(460)	547	(9,057)
Transfers	2,850	994	20,796	4,118	(28,758)	-
At 30 September 2000	213,579	322,184	169,769	50,431	21,838	777,801
Depreciation						
At 1 October 1999	-	(161,288)	(39,183)	(31,085)	-	(231,556)
Charge for the year	(4,052)	(21,051)	(5,728)	(7,674)	-	(38,505)
On disposals	7	5,947	465	18	-	6,437
At 30 September 2000	(4,045)	(176,392)	(44,446)	(38,741)	-	(263,624)
Net book amount						
At 30 September 2000	209,534	145,792	125,323	11,690	21,838	514,177
At 31 September 1999	210,000	154,633	108,825	14,103	25,128	512,689

Land and buildings were revalued on 30 September 1999 by Ngotho Wahome Company Limited, professional valuers. The valuations were made on the basis of the market value for existing use. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to revaluation and other reserves in shareholders' equity (Note 9).

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2000 Shs'000	1999 Shs'000
Cost	64,739	61,160
Accumulated depreciation	(1,210)	-
Net book amount	63,529	61,160

Bank borrowings are secured on a lien over the assets of the company.

Fully depreciated assets amounting to Shs 82,438,208 (1999: Shs 60,550,720) are still in use. Notional annual depreciation on these assets amounts to Shs 7,304,685 (1999: Shs 3,887,960).

14 Investments in subsidiary companies

	Percentage Shareholding	2000 Shs'000	Company 1999 Shs'000
East African Oxygen Limited	100%	-	-
BOC Tanzania Limited	100%	-	-
BOC Uganda Limited	100%	50	50

East African Oxygen Limited is incorporated in Kenya and is a dormant company. BOC Tanzania Limited and BOC Uganda Limited are incorporated in Tanzania and Uganda respectively.

15 Inventories

	Company		Group	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Raw materials (at cost)	2,567	6,288	2,567	6,288
Saleable stocks (at net realisable value)	54,608	68,444	59,337	69,305
Plant spares (at cost)	56,376	44,168	56,376	44,168
Goods in transit (at cost)	20,639	36,830	20,639	36,830
Work in progress(at cost)	3,397	1,574	3,397	1,574
Others (at cost)	16,554	5,188	16,554	7,564
	154,141	162,492	158,870	165,729

16 Trade and other receivables

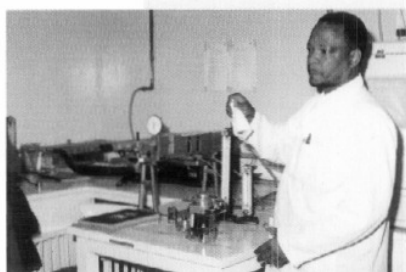
Trade debtors	182,486	178,658	188,004	183,504
Prepayments	47,436	15,690	47,436	15,690
Receivables from related companies	23,046	19,706	-	-
Tax recoverable	12,648	13,899	12,648	13,899
	265,616	227,953	248,088	213,093

	Company		Group	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
17 Cash and cash equivalents				
Short term deposits	300,089	344,623	300,089	344,623
Cash and current account balances	5,995	5,961	9,864	6,534
	306,084	350,584	309,953	351,157

The weighted average effective rate of interest on the short term deposits was 6.8% (1999: 9.6%) For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	Company		Group	
	2000 Shs'000	1999 Shs'000	2000 Shs'000	1999 Shs'000
Cash and cash equivalents as above	306,084	350,584	309,953	351,157
Bank overdrafts (Note 10)	(2,088)	(12,202)	(2,088)	(12,202)
	303,996	338,392	307,865	338,955

18 Trade and other payables				
Trade payables	34,812	73,477	36,449	73,477
Due to related companies (Note 19)	36,543	43,220	36,543	43,220
Other payables	51,315	21,803	51,265	22,207
Cylinder deposits	82,784	79,708	82,784	79,708
Due to subsidiary	-	50	-	-
	205,454	218,258	207,041	218,612



Inside the medical equipment workshop.

19 Amounts due from/to group companies

	Company and Group	
	2000 Shs'000	1999 Shs'000
Due from: BOC Plc	-	-
Due to:		
BOC Plc		
dividends payable	14,053	14,180
for technical fees	2,707	3,175
others	1,623	9,181
	18,383	26,536
Others group companies	18,160	16,684
	36,543	43,220

20 Capital commitments

Capital expenditure at the balance sheet date not recognised in the financial statements is as follows:

	Company and Group	
	2000 Shs'000	1999 Shs'000
Contracted for	3,067	18,155
Approved but not contracted for	74,942	392,629



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BOC the first choice supplier to the
Jua Kali*

21 Cash generated from operations

	2000 Shs'000	1999 Shs'000
Profit before taxation	110,159	180,691
Adjustments for:-		
Depreciation	38,884	70,080
Profit on sale of fixed assets	(1,882)	(1,708)
Foreign exchange gains	(10,394)	(24,774)
Gross interest income from short term deposits	(26,705)	(38,623)
Interest paid	353	310
Operating cashflow before working capital changes	110,415	185,976
Increase in trade and other debtors	(36,246)	(6,484)
(Increase)/decrease in stocks	6,859	(38,053)
(Decrease)/increase in trade and other payables	(11,571)	35,370
	69,457	176,809

22 Business segments

The major part of the business of the group falls under the category of production and sale of gases, with results from other sources comprising less than 4% of the total results of the group.



BOC healthcare staff explain the finer details of medical equipment.

23 Related party transactions

The company is controlled by African Oxygen Limited incorporated in South Africa. The ultimate parent of the Group is BOC Plc, incorporated in Great Britain. There are three other companies which are related to BOC Kenya Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

	2000 Shs'000	1999 Shs'000
i) Sale of goods and services		
BOC Plc	-	-
Other related parties	8,768	3,632
	8,768	3,632
ii) Purchase of goods and services		
BOC Plc	19,648	16,752
Other related parties	100,895	61,896
	120,543	78,648

Sales and purchases to/from related parties were made at terms and conditions similar to those offered to major customers.



BOC Kenya Head Office situated along Kitui Road in Nairobi's Industrial Area.

24 Retirement benefits obligations

Description of defined benefit plan	2000 Shs'000	1999 Shs'000
Present value of funded obligations	106,000	99,701
Fair value of scheme assets	102,067	93,576
Net underfunding in funded plan	3,933	6,125
Unrecognised actuarial gain (loss)	2,285	-
Net liability in the balance sheet	6,218	6,125
Notes to the profit and loss account		
Current service cost net of employees contributions		3,635
Interest on obligation		9,889
Expected return on plan assets		(9,302)
Total included in "staff costs" in respect of scheme		4,223
Reconciliation		
Net liability at start of period (prior year adjustment)		6,125
Net expense recognised in the income statement		4,223
Employer contributions		(4,130)
Net liability at end of period		6,218
Actuarial Assumptions		
	2000	1999
	%	%
Discount rate (% pa)	10.0	10.0
Expected return on scheme assets (% pa)	10.0	10.0
Future salary increases (% pa)	8.0	8.0
Future pension increases (% pa)	0	0

25 Contingent liabilities

At 30 September 2000 the company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the company has given guarantees amounting to Shs 6,717,000 (1999: Shs 5,316,000) to third parties.

26 Incorporation

The company is incorporated in Kenya under the Companies Act. The ultimate holding company is The BOC Group plc which is incorporated in the United Kingdom.

27 Currency

The financial statements are presented in Kenya Shillings (Shs).

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/her

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 8 February 2001
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/she thinks fit.

Strike out whichever is not desired.

