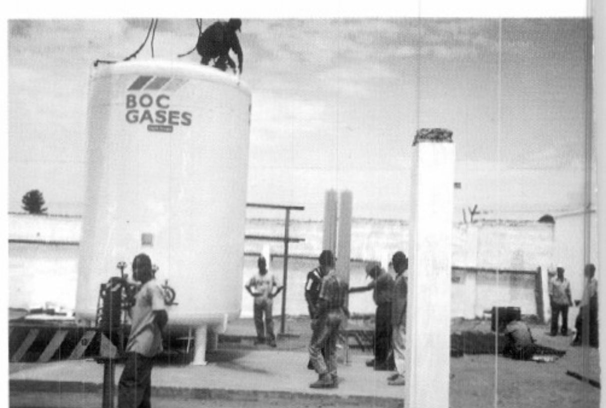
BOC GASES
BOC KENYA LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

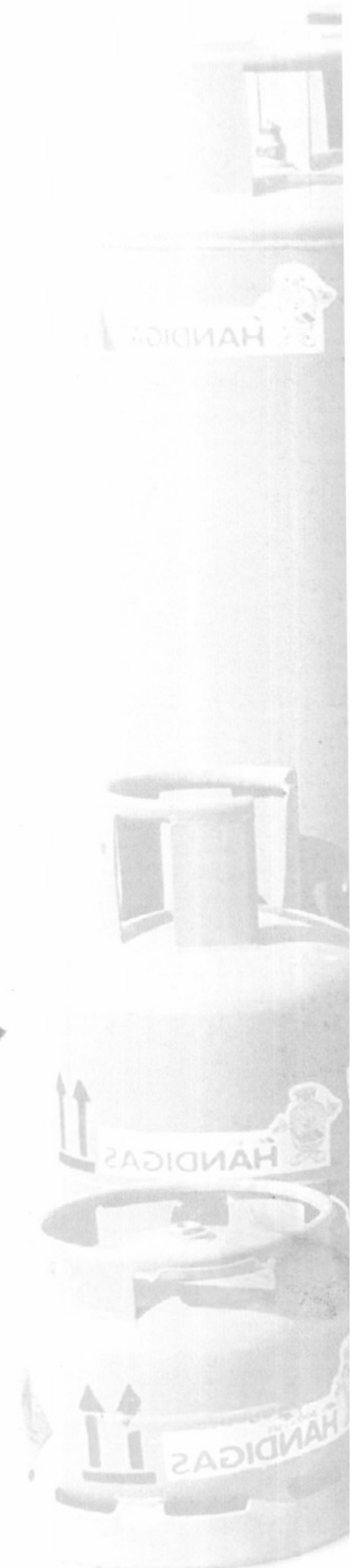
for the year ended 30 September 2001

contents

Annual report and financial statements for the year ended 30 September 2001



Liquid oxygen tank installation at Nyakato Steel Works, Mwanza, Tanzania



Notice is hereby given that the sixty first Annual General Meeting of BOC Kenya Limited will be held at the Nairobi Serena Hotel on Thursday, 7 February 2002 at 11:00 am.

ORDINARY BUSINESS

(a) To receive and consider the Financial Statements for the year ended 30 September 2001 and the Reports of the Directors and Auditors thereon.

(b) To declare a dividend.

(c) To elect directors.

(d) To authorize the directors to fix the remuneration of the auditors. The auditors, PricewaterhouseCoopers continue in office in accordance with the provision of Section 159(2) of the Companies Act.

(e) To approve the payment of fees to the Directors for the year ended 30 September 2001.

(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

4 January 2002

Notes:

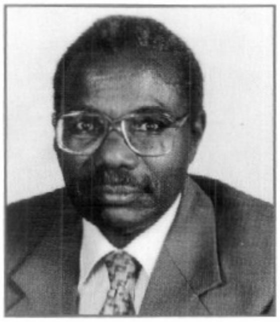
A member of the Company entitled to vote at the meeting may appoint a proxy who need not be a member, to attend instead of him/her.

A proxy shall 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

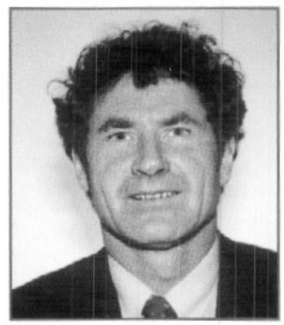
board of directors



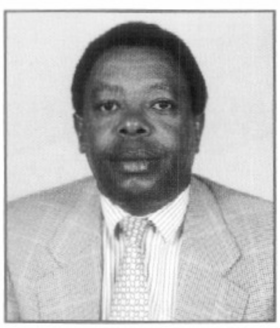
JOSEPH GILBERT KIBE - CHAIRMAN

A BA graduate of London University through Makerere College, Joe Kibe, 66, has had a career spanning 17 years in the Kenya Government where, for 12 years, he served as Permanent Secretary in the Ministries of: Commerce & Industry, Economic Planning, Agriculture & Animal Husbandry, Water Development, Lands & Settlement, Tourism & Wildlife. He holds directorship in ten companies and is also a renown businessman and farmer. He was appointed a non-executive director of BOC Kenya Limited in August 1991 and, in February 2000, was appointed Chairman of the board of BOC Kenya Limited.

STEPHEN C VILJOEN - MANAGING DIRECTOR



Steve 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. During 2001, his responsibility was extended to BOC subsidiaries in Nigeria, Zambia and Malawi.

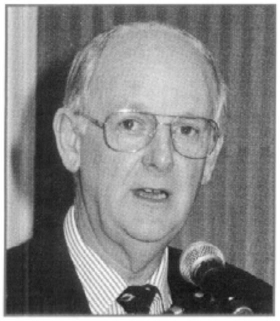


NGUGI KIUNA

With a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England, Ngugi Kiuna, 52, is the Managing Director of Diversey Lever East Africa Limited. He was appointed a non-executive Director of BOC Kenya Limited in October 1993.

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 Merchantile Services Limited, an Energy Service Company (ESCO) and also the Vice Chairman, National Bank of Kenya Limited. He was appointed a non-executive director of BOC Kenya Limited in May 1994.



JAMES M MARRIOTT

Jimmy has had 27 years of service with African Oxygen Limited (Afrox). He started his career in marketing and business management before running, firstly, the Northern Region and, later, the Cape/Namibian operation.

In 1995, Jimmy established the Fabrication Division in Afrox by combining the cylinder and welding businesses. He joined the Board of Afrox 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 which the Group has operations. Last year, he joined the board of the newly formed Afrox Healthcare Company and was appointed to the board of BOC Kenya Limited on 2nd September 1999.

IVOR M MATTHEE.

Ivor Matthee was appointed to the board of BOC Kenya Limited on 2nd September 1999. He is a Chartered Secretary, 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 some of BOC's African Operations outside of South Africa. He holds a number of directorships in both 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 submit their report together with the audited financial statements for the year ended 30 September 2001 which disclose the state of affairs of the company and the group.

INCORPORATION AND REGISTERED OFFICE

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is:

Kitui Road, P.O. Box 18010, Nairobi

PRINCIPAL ACTIVITIES

The principal activities of the group are manufacturing and sale of industrial and medical gases and welding products.

RESULTS AND DIVIDEND

The net profit for the year was Shs 75,050,000. During the year an interim dividend of Shs 19,525,000 (2000: Shs 19,525,000) was paid. The directors recommend the approval of a final dividend of Shs 49,790,000 (2000: Shs 49,790,000).

The net profit for the year of Shs 75,050,000 has been added to retained earnings.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks, including credit risk, the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the limited options available in Kenya to hedge against such risks.

The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

DIRECTORS

The names of the Directors during the year are set out on pages 3 and 4.

Mr A.C. Juma 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
1st November 2001

chairman's statement

Trading Environment

Kenya

The year under review was, once again, extremely difficult, particularly for the manufacturing and sugar processing sectors in Kenya. Economic activity was at low levels and very little infrastructural project work was undertaken in the year. The steady reduction of formal sector job opportunities also meant that most households had less disposable income than in the preceding year. The overall impact of the above factors was declining demand across a wide range of customers and very little opportunity to increase volumes or adjust prices in line with the increase in input costs. The strong shilling continues to put pressure on the competitiveness of our high quality locally manufactured electrodes.

Tanzania

Northwestern Tanzania remains the bright spot in East Africa. Although three large mines have been brought to production and the construction phase is now over, the on-going maintenance requirements are obviously less than the frenzied activity in the construction phase.

The Tanzanian economy was the most robust in East Africa and the current optimism means that there is likely to be further investment in other non-mining sectors.

BOC palletised delivery truck. Palletised delivery ensures safety of both user and products.

chairman's statement cont'd

The BOC Uganda Area Manager presents certificates for safe and economic use of medical gases at Mulago Hospital, Kampala

Uganda

The economy continues to improve steadily but the manufacturing sector remains very small and hence the growth is on a small base. The anticipated hydroelectric projects did not materialize in the year. This had a major impact on our results. The potential remains moderate in the short term.

Safety

In line with BOC Group objectives BOC Kenya Ltd invested significant time and effort in various safety initiatives during the year.

The company's safety programme has steadily matured and the benefits are evident in a number of areas. The obvious measures, such as disabling injury rate, have improved, and in the year, we did not have a single disabling injury. Our record of equipment damage shows a steady decline, as the safety programme has become a way of life to all employees. An independent review from NOSA found our compliance rate to deserve a five star rating and this, taken with the complete absence of disabling incidents in the year, makes BOC Kenya world class in terms of safety management.

BOC Kenya Managing Director Mr. Stephen Viljoen together with staff celebrate the Kenya Institute of Management Company of the year award (COYA) for 2001

Environmental Protection

The BOC Group has established itself as a leader in this field through expenditure on Research and Development on technologies for environmental protection. These include Burner Design, Water treatment systems, Effluent treatment and the use of Ozone in various applications. In addition we have raised the internal standards of Environmental impact assessment. During the year, BOC Kenya was presented with company of the year award (COYA) for the best environmental programme in Kenya.

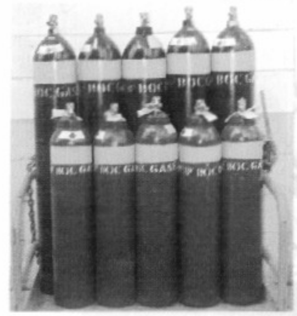
New Products

During the year, we successfully introduced the Afrox range of gas equipment. This initiative arose out of the Group objective to deliver safety to the customers' premises. The Afrox range is an in-house product and BOC Kenya now provides the user with the entire package, which includes gas, regulators, torches, nozzles and safety equipment.

The objective is to prevent improper selection of a single weak unit, which could endanger the user. By taking responsibility for providing all the components in the process, BOC Kenya avoids compromising the safety built into each individual component.

Human Resources

The Competency Based Learning programme was an area of focus with particular emphasis on supervisory training. During the year, an International Human Resources Survey was carried out and the report was very positive, rating the African operations favourably against our developed world counterparts.



Jua kali sector yellow - banded cylinders

Growth opportunity - LPG Handigas

BOC continues to grow its position in this market. The overall market suffered from poor demand arising from low disposable income.
However, the opportunities to align the Handigas (BOC's LPG brand) marketing with environmental protection efforts are significant.

BOC is busy educating users on the benefits of Handigas over charcoal and electricity.

Growth opportunity - Tanzania

During the year, we enjoyed good business in the construction and commissioning of two mines in and around Geita. The mines require our package of products and services particularly since they lay great emphasis on Safety Management. This allows us to enjoy a fair return on all the safety features built into our products and manufacturing processes.

At the end of the year, we established an Oxygen compression facility in Mwanza, which will significantly reduce our costs of serving this area.

Prospects

The Board and Management do not expect much growth out of the Kenyan market in the next 18 months. We anticipate that the weaker prices for our products experienced in the past 18 months will continue and that the overall volume demand will further decline by between 4 - 7%.

However, the new range of products, combined with the opportunities in Tanzania, Uganda and Ethiopia are likely to maintain and possibly improve performance in 2002.

Several years of focus on cost control have born fruit and we believe there are still opportunities in this area that we can exploit in 2002.

Appreciation

My thanks go to the staff and directors for their dedication and valuable contribution to the growth of the company, and to our suppliers and customers for their continued support.

J.G. Kibe
1st November 2001

report of the auditors

to the members of Boc Kenya Limited

We have audited the financial statements set out on pages 11 to 29. 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 company's balance sheet on page 13 is 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 state of affairs of the group and the company and the profit or loss of the group. 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

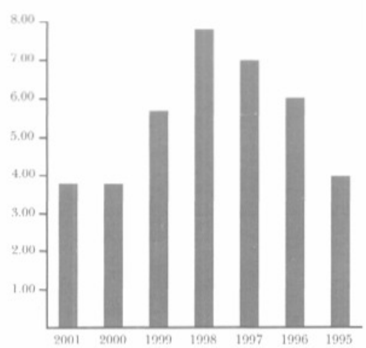
In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and the company at 30 September 2001 and of the profit and cash flows of the group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

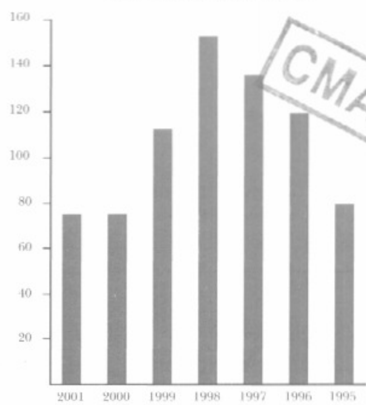
Certified Public Accountants
20th November 2001
Nairobi

	2001 Shs'000	2000 Shs'000	1999 Shs'000	1998 Shs'000	1997 Shs'000	1996 Shs'000	1995 Shs'000
Issued share capital	97,627	97,627	97,627	97,627	97,627	97,627	97,326
Reserves	936,767	930,790	924,352	1,022,034	858,658	787,753	630,636
Net Assets	1,034,394	1,028,417	1,021,979	1,119,661	956,285	885,380	727,962
Dividends	69,315	69,315	69,315	68,339	65,410	65,410	54,623
Taxation	43,125	35,444	68,504	97,127	87,774	56,161	55,387
Retained profits	5,735	5,400	42,872	84,216	70,905	55,148	23,150
Profit before tax	118,175	110,159	180,691	249,682	224,089	176,719	133,160
Shareholders funds	1,034	1,028	1,022	1,120	956	885	728
Profit after tax	75	75	112	153	136	121	78
Dividend per share	3.55	3.55	3.55	3.50	3.35	3.35	2.81
Earnings per share	3.84	3.83	5.75	7.81	6.98	6.17	3.98

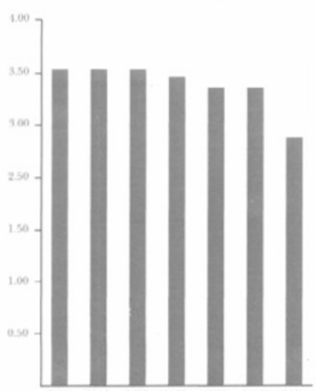
Earnings Per Share (Kshs.)



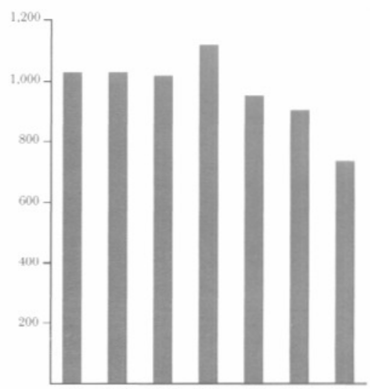
Profit After Tax (Kshs. mns.)



Dividend Per Share (Kshs.)



Shareholders Funds (Kshs. mns.)



consolidated profit & loss account

for the year ended 30 September 2001

		Notes	2001 Shs'000	2000 Shs'000
Sales		1	624,986	561,941
Cost of sales			(318,627)	(284,264)
Gross profit			306,359	277,677
Other operating income			15,193	5,154
Distribution costs			(30,830)	(35,612)
Administrative expenses			(181,332)	(165,589)
Other operating expenses			(12,613)	(8,217)
Operating profit		2	96,777	73,413
Finance income/(costs)		4	21,398	36,746
Profit before tax			118,175	110,159
Tax		5	(43,125)	(35,444)
Net profit			75,050	74,715
Earnings per share (Shs per share)				
	- basic	6	3.84	3.83
	- diluted	6	3.84	3.83
Dividends:				
Interim dividends - paid in the year		7	19,525	19,525
Proposed final dividend for the year		7	49,790	49,790
			69,315	69,315

consolidated balance sheet

at 30 September 2001

	Notes	2001 Shs'000	2000 Shs'000
CAPITAL EMPLOYED			
Share capital	8	97,627	97,627
Share premium	8	2,554	2,554
Revaluation reserves	9	138,924	140,871
Retained earnings	-	697,511	689,829
Proposed dividends	7	49,790	49,790
Shareholders' funds		986,406	980,671
Non-current liabilities			
Deferred tax	10	38,210	35,634
Provisions for liabilities and charges	11	4,829	5,894
Retirement benefit obligations	19	4,949	6,218
		47,988	47,746
		1,034,394	1,028,417
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12 (a)	538,204	520,635
Investments	13	33,621	33,621
		571,825	554,256
Current assets			
Inventories	14	151,057	158,870
Trade and other receivables	15	243,234	214,467
Cash and cash equivalents	16	332,270	309,953
		726,561	683,290
Current liabilities			
Trade and other payables	17	263,992	207,041
Borrowings	18	-	2,088
		263,992	209,129
Net current assets		462,569	474,161
		1,034,394	1,028,417

The financial statements on pages 11 to 29 were approved by the board of directors on 1st November 2001 for issue and signed on its behalf by:

J.G. Kibe
Director

S.C. Viljoen
Director

company balance sheet

at 30 September 2001

	Notes	2001 Shs'000	2000 Shs'000
CAPITAL EMPLOYED			
Share capital	8	97,627	97,627
Share premium	8	2,554	2,554
Revaluation reserves	9	138,924	140,871
Retained earnings		702,521	693,938
Proposed dividends	7	49,790	49,790
Shareholders' funds		991,416	984,780
Non-current liabilities			
Deferred tax	10	37,915	35,634
Provisions for liabilities and charges	11	4,829	5,894
Retirement benefit obligations	19	4,949	6,218
		47,693	47,746
		1,039,109	1,032,526
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	12(b)	519,046	514,177
Investments	13	33,681	33,671
		552,727	547,848
Current assets			
Inventories	14	145,439	154,141
Trade and other receivables	15	276,379	231,995
Cash and cash equivalents	16	322,934	306,084
		744,752	692,220
Current liabilities			
Trade and other payables	17	258,370	205,454
Borrowings	18	-	2,088
		258,370	207,542
Net current assets		486,382	484,678
		1,039,109	1,032,526

The financial statements on pages 11 to 29 were approved by the board of directors on 1st November 2001 for issue and signed on its behalf by:

J.G. Kibe
Director

S.C. Viljoen
Director

consolidated statement of changes in equity

for the year ended 30 September 2001

	Notes	Share capital Shs'000	Share Premium Shs'000	Revaluation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 30 September 2000							
At start of year		97,627	2,554	143,507	681,793	-	925,481
Net (losses)/gains not recognised in income statement	9	-	-	(2,636)	2,636	-	-
Net profit		-	-	-	74,715	-	74,715
Dividends:							
- Interim for 2000 (paid)		-	-	-	(19,525)	-	(19,525)
- Proposed final for 2000		-	-	-	(49,790)	49,790	-
At end of year		97,627	2,554	140,871	689,829	49,790	980,671
Year ended 30 September 2001							
At start of year		97,627	2,554	140,871	689,829	49,790	980,671
Net (losses)/gains not recognised in income statement	9	-	-	(1,947)	1,947	-	-
Net profit		-	-	-	75,050	-	75,050
Dividends:							
- Final for 2000 (paid)		-	-	-	-	(49,790)	(49,790)
- Interim for 2001 (paid)	7	-	-	-	(19,525)	-	(19,525)
- Proposed final for 2001	7	-	-	-	(49,790)	49,790	-
At end of year		97,627	2,554	138,924	697,511	49,790	986,406

consolidated cash flow statement

for the year ended 30 September 2001

	Notes	2001 Shs'000	2000 Shs'000
Operating activities			
Cash generated from operations	21	118,810	69,457
Interest received		18,527	26,705
Interest paid		(421)	(353)
Tax paid		(49,354)	(34,048)
Net cash from operating activities		87,562	61,761
Investing activities			
Purchase of property, plant and equipment	12	(55,723)	(42,691)
Proceeds from disposal of property, plant and equipment		8,799	7,868
Net cash used in investing activities		(46,924)	(34,823)
Financing activities			
Dividends paid		(19,525)	(68,422)
Net cash used in financing activities		(19,525)	(68,422)
Increase/(decrease) in cash and cash equivalents		21,113	(41,484)
Movement in cash and cash equivalents			
At start of year	16	307,865	338,955
Increase/(decrease)		21,113	(41,484)
Effects of exchange rate changes on cash and cash equivalents		3,292	10,394
At end of year	16	332,270	307,865

Stephen Viljoen, the Managing Director, confers with Messrs Arthur Namu and Frank Kirigia of Shah Munge & Co. after an investor briefing in November 2001, at a Nairobi Hotel

accounting policies

for the year ended 30 September 2001

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

(a) 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 in Kenya Shillings (Shs).

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

(b) Consolidation

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. The activities of the group's special purpose entity have been consolidated. All inter-company transactions, balances and unrealised profits and losses on transactions between group companies have been eliminated.

(c) 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.

(d) Property, plant and equipment

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.

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.

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 at the following annual rates:

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) Property, plant and equipment (cont'd)

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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.

(e) Investments

Investments in subsidiaries and other non-current investments are carried at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

(f) 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.

(g) 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.

(h) Trade receivables

Trade receivables are carried at original invoiced amount less an estimate 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.

(i) Employee entitlements

Employee entitlements to gratuity and long service awards are recognised when they accrue to employers. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

(j) Retirement benefit obligations

The group operates a defined contribution retirement benefit scheme and a defined benefit scheme. The assets of both schemes are held in separate trustee administered funds that are funded by contributions from both the company and employees, taking account of the recommendations of independent qualified actuaries

The company's contributions to the defined contribution retirement benefit scheme are charged to the profit and loss account in the year to which they relate.

For the defined benefit scheme, the pension costs 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 actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of employees.

(k) 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. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilised.

(l) 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 shown as borrowings under current liabilities.

(m) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(n) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	2001 Shs'000	2000 Shs'000
1 Sales		
Sales of goods	551,103	504,923
Revenue from services	73,883	57,018
	624,986	561,941
2 Operating profit		
The following items have been charged in arriving at operating profit:		
Depreciation on property, plant and equipment (Note 12)	37,782	38,884
Staff costs (Note 3)	105,629	103,238
Auditors' remuneration	1,500	1,200
Directors' remuneration		
- fees	1,061	811
- other	13,722	11,462
3 Staff costs		
The following items are included within staff costs:		
Retirement benefits costs :		
- Defined contribution scheme	1,075	904
- Defined benefit scheme (Note 19)	3,846	4,223
The number of persons employed by the company at the year end was:	166	170
4 Finance income/(costs)		
Interest income	18,527	26,705
Net foreign exchange gains	3,292	10,394
Interest expense on bank borrowings	(421)	(353)
Net finance income	21,398	36,746

5 Tax

	2001 Shs'000	2000 Shs'000
Current tax	37,616	36,169
Deferred tax (Note 10)	2,576	145
	40,192	36,314
Under/(over) provision in prior year	2,933	(870)
	43,125	35,444

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

	2001 Shs'000	2000 Shs'000
Profit before tax	118,175	110,159
Tax calculated at a tax rate of 30% (2000 - 30%)	35,453	33,048
Tax effect of:		
Income not subject to tax	(563)	(29)
Expenses not deductible for tax purposes	5,302	3,295
Under/(over) provision in the prior year	2,933	(870)
Tax charge	43,125	35,444

6 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 75,050,000 (2000: Shs 74,715,000) and on the weighted average number of ordinary shares outstanding during the period.

	2001	2000
Net profit attributable to shareholders (Shs thousands)	75,050	74,715
Adjusted weighted average number of ordinary Shares in issue (thousands)	19,525	19,525
Basic earnings per share (Shs)	3.84	3.83

There were no potentially dilutive shares outstanding at 30 September 2001 or 2000.

7 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. At the annual general meeting on 7 February 2002, a final dividend in respect of the year ended 30 September 2001 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 1.00 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 (2000: Shs 3.55), amounting to a total of Shs 69,315,333 (2000: Shs 69,315,333).

Payment of dividends is subject to withholding tax at a rate of between 5% and 15%, depending on the residence of the respective shareholders.

8 Share capital	**Number of shares (Thousands)**	**Ordinary shares Shs'000**	**Share premium Shs'000**
Balance at 1 October 2000 and at 30 September 2001	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 (company and group)	**2001 Shs'000**	**2000 Shs'000**
Land and buildings	138,924	140,871
The movements in reserves was as follows:		
Land and buildings		
At start of year	140,871	143,507
Transfer of excess depreciation	(2,781)	(2,841)
Deferred tax on transfer (Note 10)	834	205
Net gains not recognised in income statement	(1,947)	(2,636)
At end of year	138,924	140,871

The revaluation reserves are non-distributable.

10 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2000: 30%). The movement on the deferred tax account is as follows:

	Company		Group	
	2001 Shs'000	2000 Shs'000	2001 Shs'000	2000 Shs'000
At start of year	35,634	35,489	35,634	35,489
Income statement charge (Note 5)	2,281	145	2,576	145
At end of year	37,915	35,634	38,210	35,634

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:

Group	1.10.2000 Shs'000	Charged/ (credited) to P/L Shs'000	30.09.2001 Shs'000
Deferred tax liabilities			
Accelerated tax depreciation	35,497	3,527	39,024
Unrealised exchange gains	1,773	(1,578)	195
	37,270	1,949	39,219
Deferred tax assets			
Provisions	(1,636)	1,380	(256)
Tax losses carried forward	-	(753)	(753)
	(1,636)	627	(1,009)
Net deferred tax liability	35,634	2,576	38,210

Deferred tax of Shs 834,422 was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred tax on the difference between the actual depreciation on the property and the equivalent depreciation based on the historical cost of the property.

10 Deferred Tax (continued)

Company	**1.10.2000 Shs'000**	**Charged/ (credited) to P/L Shs'000**	**30.09.2001 Shs'000**
Deferred tax liabilities			
Accelerated tax depreciation	35,497	2,479	37,976
Unrealised exchange gains	1,773	(1,578)	195
	37,270	901	38,171
Deferred tax assets			
Provisions	(1,636)	1,380	(256)
Net deferred tax liability	35,634	2,281	37,915

11 Provisions for liabilities and charges	Company and group Annual leave Shs'000	Restructuring Shs'000	Total Shs'000
At start of year	5,453	441	5,894
Unused amounts reversed	(1,065)	-	(1,065)
At end of year	4,388	441	4,829

The full amount of the costs estimated to be incurred has been recognised in the current period.

Participants of a BOC Strategy Workshop held in July 2001.

12 Property, plant and equipment

(a) Group

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Total Shs'000
Cost or valuation				
At start of year	213,579	322,184	248,875	784,638
Additions	3,352	11,671	40,700	55,723
Disposals	-	(690)	(17,474)	(18,164)
At end of year	216,931	333,165	272,101	822,197
Depreciation				
At start of year	(4,045)	(176,392)	(83,566)	(264,003)
Charge for the year	(4,098)	(10,068)	(23,616)	(37,782)
On disposals	-	659	17,133	17,792
At end of year	(8,143)	(185,801)	(90,049)	(283,993)
Net book amount				
At 30 September 2001	208,788	147,364	182,052	538,204
At 30 September 2000	209,534	145,792	165,309	520,635

(b) Company

	Land & buildings Shs'000	Plant & machinery Shs'000	Vehicles & equipment Shs'000	Total Shs'000
Cost or valuation				
At start of year	213,579	322,184	242,038	777,801
Additions	1,859	2,605	38,231	42,695
Disposals	-	(690)	(17,474)	(18,164)
At end of year	215,438	324,099	262,795	802,332
Depreciation				
At start of year	(4,045)	(176,392)	(83,187)	(263,624)
Charge for the year	(4,098)	(10,068)	(23,288)	(37,454)
On disposals		659	17,133	17,792
At end of year	(8,143)	(185,801)	(89,342)	(283,286)
Net book amount				
At 30 September 2001	207,295	138,298	173,453	519,046
At 31 September 2000	209,534	145,792	158,851	514,177

In the opinion of the directors, there is no impairment of property, plant and equipment.

12 Property, plant and equipment (cont'd)

Land and buildings were last revalued during 1999, by Ngotho Wahome Company Limited, independent valuers. Valuations were made on the basis of the open market value. 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 the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2001 Shs'000	2000 Shs'000
Cost	68,092	64,739
Accumulated depreciation	(2,527)	(1,210)
Net book amount	65,565	63,529

13 Investments

	Company		Group	
	2001 Shs'000	2000 Shs'000	2001 Shs'000	2000 Shs'000
Investments in subsidiaries	60	50	-	-
Other non-current investments	33,621	33,621	33,621	33,621
	33,681	33,671	33,621	33,621

Investment in subsidiaries	**Percentage Shareholding**	**2001 Shs'000**	**2000 Shs'000**
East African Oxygen Limited	100%	-	-
BOC Tanzania Limited	100%	10	-
BOC Uganda Limited	100%	50	50
		60	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.

Other non-current investments

This represents the group's investment in the shares of a quoted company. The market value of these shares as at 30 September 2001 was Shs 23,100,000. In the opinion of the directors there is no permanent diminution in value of the shares.

14 Inventories

	Company		Group	
	2001 Shs'000	2000 Shs'000	2001 Shs'000	2000 Shs'000
Raw materials (at net realisable value)	7,226	2,567	7,226	2,567
Saleable stock (at net realisable value)	79,432	71,162	85,050	75,891
Plant spares (at net realisable value)	43,105	56,376	43,105	56,376
Goods in transit at cost	14,608	20,639	14,608	20,639
Work in progress at cost	1,068	3,397	1,068	3,397
	145,439	154,141	151,057	158,870

15 Trade and other receivables

	Company 2001 Shs'000	Company 2000 Shs'000	Group 2001 Shs'000	Group 2000 Shs'000
Trade receivables	180,862	182,486	200,159	188,004
Prepayments	24,831	13,815	36,999	13,815
Receivables from related companies (Note 23)	65,055	23,046	-	-
Tax recoverable	5,631	12,648	6,076	12,648
	276,379	231,995	243,234	214,467

16 Cash and cash equivalents

	Company 2001 Shs'000	Company 2000 Shs'000	Group 2001 Shs'000	Group 2000 Shs'000
Cash at bank and in hand	43,785	5,995	53,121	9,864
Short term bank deposits	279,149	300,089	279,149	300,089
	322,934	306,084	332,270	309,953

The weighted average effective interest rate on short-term bank deposits at year-end was 6.2 % (2000: 8.8 %).

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	Company		Group	
	2001 Shs'000	2000 Shs'000	2001 Shs'000	2000 Shs'000
Cash and bank balances as above	322,934	306,084	332,270	309,953
Bank overdrafts (Note 19)	-	(2,088)	-	(2,088)
	322,934	303,996	332,270	307,865

17 Trade and other payable

	Company		Group	
	2001	**2000**	**2001**	**2000**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Trade payables	31,860	34,812	34,664	36,449
Amounts due to related companies (Note 23)	90,787	36,543	90,787	36,543
VAT payable / (recoverable)	5,887	(2,930)	6,204	(2,930)
Accrued expenses	5,658	5,236	5,758	5,236
Other payables	124,178	131,793	126,579	131,743
	258,370	205,454	263,992	207,041

18 Borrowings

	Company & Group	
	2001	**2000**
	Shs'000	**Shs'000**
The borrowings are made up as follows:		
Current		
Bank overdraft	-	2,088
Weighted average effective interest rates at the year end were:		
Bank overdrafts (%)	-	16%

19 Retirement benefit obligations

The amounts recognised in the balance sheet are determined as follows:

	Company & Group	
	2001	**2000**
	Shs'000	**Shs'000**
Present value of funded obligations	113,123	106,000
Fair value of scheme assets	113,879	102,067
Present value of unfunded obligations/(over-funding)	(756)	3,933
Unrecognised actuarial gains/(losses)	5,705	2,285
Liability in the balance sheet	4,949	6,218

19 Retirement benefit obligations (cont'd)

The amounts recognised in the profit and loss account for the year are as follows:

	Company & Group	
	2001	2000
	Shs'000	Shs'000
Current service cost	3,794	3,635
Interest cost	10,398	9,890
Expected return on plan assets	(10,346)	(9,302)
Net charge for the year included in staff costs	3,846	4,223
Contributions paid	(5,115)	(4,130)
Movement in the liability recognised in the balance sheet	(1,269)	93

The principal actuarial assumptions used were as follows:		
- discount rate	10.0	10.0
- expected return on scheme assets	10.0	10.0
- future salary increases	8.0	8.0
- future pension increases	0	0

20 Contingent liabilities

At 30 September 2001 the company had given guarantees amounting to Shs 10,411,000 (2000: Shs 6,717,000) on behalf of third parties.

21 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	Group	
	2001	2000
	Shs'000	Shs'000
Profit before tax	118,175	110,159
Adjustments for:		
Depreciation (Note 12)	37,782	38,884
(Profit)/ loss on sale of property, plant & equipment	(8,429)	(1,882)
Foreign exchange gain	(3,292)	(10,394)
Interest income (Note 4)	(18,527)	(26,705)
Interest expense (Note 4)	421	353
Changes in working capital		
- trade and other receivables	(28,767)	(36,246)
- inventories	7,813	6,859
- trade and other payables	15,968	(10,678)
- provision for liabilities and charges	(2,334)	(893)
Cash generated from operations	118,810	69,457

22 Business segments

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

23 Related party transactions

The ultimate parent of the group is BOC Group plc incorporated in the United Kingdom. There are other companies which are related to BOC Kenya Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i) Sale of goods and services

	2001 Shs'000	2000 Shs'000
Other related parties	38,587	8,768

ii) Purchase of goods and services

	2001 Shs'000	2000 Shs'000
BOC Group plc	21,104	19,648
Other related parties	53,460	100,895
	74,564	120,543

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

(iii) Outstanding balances arising from sale and purchase of goods/services

	2001 Shs'000	2000 Shs'000
Receivables from other related parties	65,055	23,046
Payables to BOC Group plc	69,107	18,383
Payables to other related companies	21,680	18,160
	90,787	36,543

The Secretary
BOC Kenya Limited
P O Box 18010
NAIROBI

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 7th February 2002 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.

Industrial Gases

Liquid Oxygen
Compressed Oxygen
Compressed Nitrogen
Liquid Nitrogen
Whitespot Nitrogen
Argon
Argon Mixtures
Argonox
Argoshield
Anhydrous Ammonia
Lamp Gas
Pestigas
Compressed Air
Dissolved Acetylene
Freon Refrigerants
Helium/Balloon Gas
Sulphur Dioxide
Hydrogen
Special Gases Mixtures
Research Gases
Cryospeed (Liquid Nitrogen Applications + Dewar Sales)
Electronic Gases
Handigas (Domestic) LPG
Handigas (Industrial) LPG
Technical advice on:
gas applications
modified atmospheres
Industrial Pipelines

Healthcare

Medical Gases
Compressed Medical Oxygen
Liquid Medical Oxygen
Nitrous Oxide
Entonox
Medical Carbon Dioxide
Medical Air

Medical Equipment
Anaesthetic Machines
Oxygen Monitors
Cardiac Monitors
Oxygen Therapy
Resuscitation Units
Ventilators (Anaesthetic and ICU)
Incubators & Oxygen Tents
Medical Gas Pipelines
Electric & Manual Suction Pumps
Ambu Bags
Respirometers
Halothane & Ethane Vaporisers
Infusion Pumps & Syringe - Extension Lines
IV Venflon Cannula

Repairs/Service for:
All above medical equipment
Medical Pipelines
Ohmeda Centre - for vaporisers

Welding Products

Gas Welding
Regulators
Cutting Torches
Welding Torches
Gas Control Equipment
Safety Equipment & Protective Clothing
Gas Welding Rods & Fluxes
Low Temperature Brazing Alloys
Profile Cutters
Gas Equipment Repairs

Electric Welding
Manual Metal Arc Machines
MIG Semi Automatic Machines
TIG- Welding Machines & Accessories
Plasma Cutting Equipment
General Purpose Mild Steel Electrodes
VItemax
Nuweld
Superweld
Special Electrodes
Hardfacing Electrodes
MIG Wire
Arc Equipment Repairs

Repairs/Services for:
After sales services offered for all the above equipments
Training in Gas and Arc Welding
Customer Site Safety Surveys

offices and agents

Company	Town	Address	Telephone
Registered & head office	Nairobi	18010, Kitui Road	531380-91
Nairobi Branch	Nairobi	18196, Kitui Road	531380-91
Mombasa Branch	Mombasa	80960, Liwatoni	312304
Kisumu Branch	Kisumu	1757, Kibos Road	21267
BOC Kenya Limited	Nakuru	Nakuru	072-766970
BOC Kenya Limited	Thika	Thika	0151-21533
BOC Kenya Limited	Kirinyaga Rd	Nairobi	072-757156
Agents			
Central Farmers Garage	Kitale	97, Kitale	0325-20828
Rangi Enterprises Ltd.	Kisumu	82, Kisumu	035-41405
Shabana Hardware & Gen Stores Ltd.	Kisii	208, Kisii	0381-20595
Shabana Hardware & Gen Stores Ltd.	Migori	208, Kisii	0387-20326
Mohamed Moti & Sons (K) Ltd	Meru	19, Meru	0164-20718
E.K. Wachira & Sons	Nyeri	115, Nyeri	1071-30515/6
Kericho Motor Works	Kericho	62, Kericho	0361-20038
Buttsons Ltd.	Nanyuki	62, Nanyuki	0176-32109
Messrs H.M. Vaghela	Kakamega	225, Kakamega	0331-30186
New Embu Uhuru Garage	Embu	245, Embu	0161-20830
Abdulrasul Mulla & Sons	Makindi	92, Malindi	0123-200089
Akamba Timber & Hardware Ltd.	Machakos	143, Machakos	0145-21730 & 21661
Hekima Hardware	Nyahururu	317, Nyahururu	0365-32316
Kamba Hardware	Kitui	651, Kitui	0141-22084
P.K. Bhatia	Bungoma	4, Bungoma	0337-30447/447
Ideal Stores & Tools Ltd.	Eldoret	2732, Eldoret	0321-31433, 31310
Geoffrey Wanjohi Bachia	Naivasha	228, Naivasha	0311-30200
McPaul Hardware & Cement	Karatina	453, Karatina	0171-71840, 71297
Kenrai Enterprises	Mombasa	80449, Mombasa	011-316980
Murang'a Auto Spares Ltd.	Murang'a	391, Murang'a	0156-22856/22570
M/S Njiiri Hardware Ltd.	Voi	244, Voi	0147-30282/3 Fax: 2673
Romollas	Mombasa	82835, Mombasa	011-433770/1
Kariobangi Steel Section	Nairobi	33036, Nairobi	780997
Jai Hardware & Welding	Kapsabet	470, Kapsabet	-
Jamuri Investments	Kikuyu	25, Kikuyu	0154-33527
Hari Narok Enterprises	Narok	501, Narok	0305-2045
Soleca Hardware	Ongata Rongai		0300-23451
Sputnik	Ruiru	88, Ruiru	0151-54531
Ngure Waire Investment	Athi River	169, Athi River	0733-724580
Kiambu Dairy	Kiambu	268, Kiambu	0154-20201
Limco Enterprises	Limuru	341, Limuru	0154-71365
Stewa Venture	Nairobi	941. Village Mkt	072-723819