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2005 ANNUAL REPORT AND FINANCIAL STATEMENTS

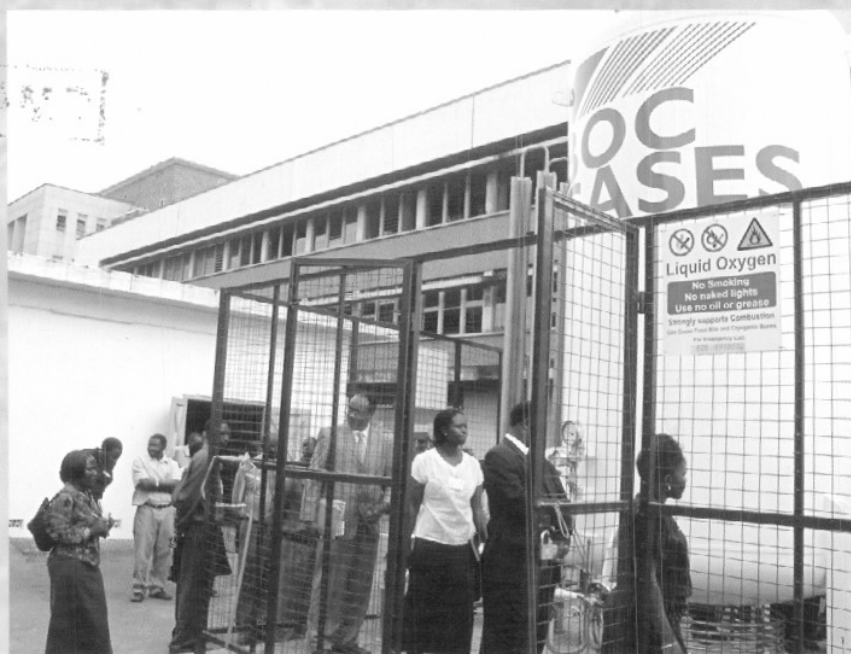
 **BOC GASES**
BOC KENYA LIMITED

Delivering today, building for tomorrow

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Mulago Hospital (Uganda) medical oxygen tank launch

NOTICE OF ANNUAL GENERAL MEETING 2006

Notice is hereby given that the Sixty Fifth Annual General Meeting of BOC Kenya Limited will be held at Nairobi Serena Hotel, Ballroom, on Thursday, 19 January 2006 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

- (a) To receive and adopt the Audited Financial Statements for the year ended 30 September 2005 together with the Directors' and Auditors' Reports therein.
- (b) To declare a dividend.
- (c) Directors

Elections

- (i) Mr J G Kibe who attained the age of 70 years in the course of the year retires as a director in line with section 186 (5) of the Companies Act at the next Annual General Meeting, and being eligible, offers himself for re-election.
- (ii) To re-elect Mr R D Clarke who retires by rotation under clause 93 of the Company's Articles and Memorandum of Association and being eligible, offers himself for re-election.
- (iii) To re-elect Mr A Jones who retires by rotation under clause 93 of the Company's Articles and Memorandum of Association and being eligible, offers himself for re-election.
- (d) To authorise the Directors to fix the remuneration of the auditors for the year ended 30 September 2005.
- (e) To approve the remuneration of the directors for the year ended 30 September 2005.
- (f) Any other business, which may legally be transacted at an Annual General Meeting.

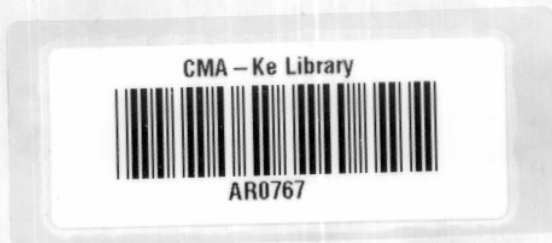


BY ORDER OF THE BOARD

Ms J N Ongegu
Secretary

Kitui Road
PO Box 18010
NAIROBI

6 December 2005



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1. BOC Kenya limited - periodicals

BOARD OF DIRECTORS



MICHAEL GUY ROWELL



JOSEPH GILBERT KIBE
CHAIRMAN



JOHN MUNGAI KARIUKI
MANAGING DIRECTOR



ALFRED CHARLES JUMA

2007/0767



ALAN JONES



NGUGI KIUNA



ROBERT DUNCAN CLARKE

JOSEPH GILBERT KIBE - CHAIRMAN

Joe Kibe is a BA graduate of London University through Makerere College. He has had a career spanning 17 years in the Kenya Government. 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.

JOHN MUNGAI KARIUKI - MANAGING DIRECTOR

John Kariuki was appointed Managing Director on 2 October 2003 and previously held the positions of Internal Audit Manager, Company Secretary and General Manager - Finance & Administration.

He also has insight of operations of African Oxygen Limited, having served on secondments during his career with the BOC Group. He trained as an accountant with Coopers & Lybrand, now part of PricewaterhouseCoopers, and is a member of the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya.

He is also a Board member of the Petroleum Institute of East Africa.

NGUGI KIUNA

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

ROBERT DUNCAN CLARKE

Rob Clarke is a Chartered Accountant (S.A) and has 20 years experience in African Oxygen Limited (Afrox), predominantly in the Finance field. He joined Afrox in 1994 as Administration Manager in the then Natal Region. Prior to this he held the position of Finance Director in Van Dyck Carpets, a subsidiary of the Barlow's group.

He was transferred to the position of Administration Manager, Wits, in 1990 and in 1995 was promoted to the position of Regional Manager-Kwa Zulu Natal. He then spent two years period in the industrial business, leading this Region.

In 1997 he was promoted to the position of General Manager - Finance of Afrox, a position that he held for 6_ years. He was educated at Michaelhouse and subsequently Durban University where he obtained his B.Comm degree and Diploma in Accountancy, prior to qualifying as a Chartered Accountant. He holds a number of directorships in other African Operations of The BOC Group.

ALFRED C JUMA

Alfred Juma is a BA (Hons) graduate of London University through Makerere College. He was previously the Managing Director of Avon Rubber Company (Kenya) Limited and 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 Energy Company Limited, an Energy Service Company (ESCO) and also the Chairman of Automobile Association of Kenya and Vice Chairman, National Bank of Kenya Limited. He was appointed a non-executive director of BOC Kenya Limited in May 1994. He was recently appointed as Chairman to the Kenya Roads Board.

ALAN JONES

Alan Jones joined The BOC Group in Nairobi, Kenya in 1958 as a Trainee and has served in Kenya, Uganda, Zimbabwe and South Africa. At the time of his retirement, Alan was the General Manager of the Northern Region of African Oxygen Limited (Afrox), based in Germiston, South Africa.

Alan was educated in Kongwa, Tanzania. In his 45 years of service in The BOC Group, he has held senior and executive management positions in Kenya, Zimbabwe and South Africa.

MICHAEL GUY ROWELL

Michael Rowell is a Chartered Secretary and holds governance and investment management diplomas. He joined The BOC Group (BOC) in South Africa in February 2000 as Company Secretarial Manager for African Oxygen Limited (Afrox) and subsequently was appointed Company Secretary. He is currently the Financial & Administration Manager of BOC's African Operations and holds a number of directorships in other BOC and Afrox African Operations. He was previously employed at BTR Dunlop and the Alexander Forbes Group.

REPORT OF THE DIRECTORS

for the year ended 30 September 2005

The directors submit their report together with the audited financial statements for the year ended 30 September 2005, which disclose the state of affairs of the company and the group.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net profit for the year of Shs 207,446,000 (2004: Shs 160,117,000) has been added to retained earnings. During the year an interim dividend of Shs 24,406,000 (2004: Shs 19,525,000) was paid. The directors recommend the approval of a final dividend of Shs 82,982,000 (2004: Shs 68,340,000).

DIRECTORS

The directors who held office during the year and to the date of this report were:

J G Kibe	Chairman
J M Kariuki	Managing Director
R D Clarke	
A Jones	
A C Juma	
N Kiuna	
M G Rowell	

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AUDITORS

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

By order of the Board

J Ongegu
SECRETARY
2 November 2005

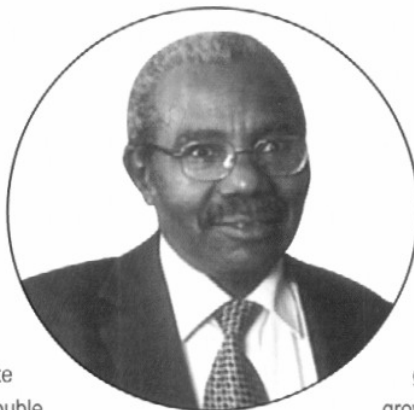
CHAIRMAN'S REPORT

Business Environment Overview

The current financial year was marked by a better than expected GDP growth of 4.3% despite the continued uncertain political environment, double digit inflation prevailing in the country and the spiral effects of increased fuel prices in the world market. The GDP growth was higher than the earlier projected 3.5%. The average lending rates have been stable at about 13% despite the high inflation rate compared to the last financial period.

The Kenya Shilling strengthened against the hard currencies especially the US dollar, which has seen an appreciation of about 7%, with most of the movement being in the last quarter of our financial year.

In spite of the above challenges there are indications of a turnaround in the economic performance as reflected in the various economic indicators and the perception of business leaders in the various sectors of the economy. BOC Kenya Limited (BOC Kenya) continues to realise the benefits of the improved economic environment within the sectors we service.



Trading Results

BOC Kenya achieved an encouraging growth, with turnover and operating profits growing by 19% and 34% respectively over the previous year. This performance was as a result of focused service in growth areas and improved production efficiencies together with the stringent management of overheads.

The continued focus on our working capital has ensured that sufficient funds are generated within the Group to support the growth internally without having to unnecessarily gear the Company.

As part of its growth agenda, the Company continued investing in its subsidiaries in Uganda and Tanzania. These countries continue to provide an enabling environment in terms of faster economic growth compared to Kenya. The Company recently opened a branch in Dar es Salaam to take advantage of the growth in Tanzania and to benefit from high value customers based in that country's main economic centre.

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The Company continues to upgrade its equipment to provide quality service to its customers across the region. To support this growth the Company has invested KShs 117m in capital expenditure within its operations in the region.

In line with these encouraging results, I am pleased to report that the Board will be recommending at the Annual General Meeting to be held on 19 January 2006 that a final dividend of Kshs 4.25 per share (2004: KShs 3.50) be paid to shareholders. Inclusive of the interim dividend paid at the half year of Kshs 1.25 per share, the total recommended dividend for the year will be Kshs 5.50 per share.

Fun and games
Corporate social responsibility. Activities during the Tumaini Day in October.

CHAIRMAN'S REPORT continued

Our People

As an organisation, we continue to place great emphasis on the development of our employees who are the key drivers in our growth agenda. We are proud of the diverse skills they bring to the business.

Over the years we have been able to develop a strong human capital resource that is aligned to our business requirements. We are committed to unlocking our employees' potential by providing them with an enabling environment to utilise their skills.

Through internal and external training we have continually been able to impart the required. Our employees have access to The BOC Group's online training facility, the Integrated Management Systems and Standards (IMSS), which standardises training materials designed for specific roles within the Group.

The Company recognises the importance of rewarding the effort of our employees and is committed to maintaining remuneration policies that are market and performance driven. The Remuneration and Retirement Benefits Committee of the Board continues to address these objectives.

The Group undertook an employee survey during the year and management is currently addressing areas identified for improvement.

Looking to the future, our commitment is to continue developing our employees to match our business needs, develop their personal objectives and impart a strong performance culture in the organisation.

Corporate Governance

The Board comprises seven directors with a diverse mix of skill, experience and competencies that are required for the effective management of the Company's business. The Board and management are committed to upholding the standards of good corporate citizenship as expected of a market leader. The Board meets at least four times annually where they deliberate, amongst other things, the performance of the Company and challenge management on areas of improvement. The Board has two other committees of reporting to it, namely, the Audit Committee and the Remuneration and Retirement Benefits Committee. They discharge their duties in line with their mandates and report back to the Board on their deliberations and any recommendations for adoption.

We continue to impress on our employees the need to abide by our strong "Code of Conduct". The Code of Conduct covers various aspects of the employees' conduct and relationships both within and outside of the organisation. To "live these values" the Company introduced a whistle blowing facility to encourage employees to report unethical behaviour without fear of victimisation.

Activities during the customer open day.

CHAIRMAN'S REPORT continued

As part of a global Group, we have embraced the stringent requirements of the Sarbanes Oxley Act enacted in the USA following several corporate failures arising from improper behaviour by management.

We have reviewed our existing controls and improved them in order to ensure that the control environment meets the requirements of the Sarbanes Oxley Act.

Corporate Social Responsibility Initiatives

As part of its core values, BOC Kenya remains fully committed to the principles of transparency, integrity and accountability. As a company, we are committed to ensuring that we operate professionally in line with stakeholder expectations.

Our Future

I am pleased to inform you that the Board and management remain committed to building on its existing strengths whilst continuously developing new business strategies to capture business opportunities thus creating more value for our customers and shareholders within the region.

We continue to position ourselves as a supplier of choice for all our customers in the East African region. Expansion into Dar es Salaam is in line with this theme and we shall continue to explore new opportunities as they arise, whilst exercising commercial prudence to ensure that your investment is sound.

The Company is partnering with our established customers in the region to take advantage of projects in areas such as Southern Sudan and Ethiopia by providing them with quality products and services. We see this as another important area that will support our growth agenda in the region.

The Board is confident that the Company is well placed to take advantage of emerging opportunities in the region.

Appreciation

I would like to thank my fellow directors who have continued to provide their leadership and support towards the oversight of your company. I would also like to thank the management team and the employees for their continued delivery of impressive results and outstanding performance.

In conclusion, I thank our esteemed customers, suppliers and agents for their continued support.

J G Kibe
Chairman
2 November 2005

Corporate social responsibilities activities at the children's home.



MANAGING DIRECTOR'S REVIEW

Performance in the year

In the year to 30 September 2005, sales grew by 19% to close at Kshs 987 million, whilst operating profit, at Kshs 254 million, increased by 34% over the previous year. This exceptional performance coincided with the continued economic recovery in the sub-region in the sectors that we service but was negatively impacted by the continuing increase in the price of oil. A strong shilling to a degree mitigated the full impact of the increase in the price of oil.

To remain competitive in view of the dynamic business environment, the Company put in place cost reduction initiatives focusing on supply chain, production and distribution, which yielded positive results during the year.

In realisation of its growth agenda, the Company continues to consolidate on existing and new product portfolios.

During the year, the Company commissioned a 50-ton LPG storage facility within its premises in Nairobi.

This will enhance service levels to our customers.

The Company launched the "Miller" range of welding machines and safety products, which have been positively received by the market. A sales depot was established in Dar es Salaam in September 2005 with encouraging results.

Management has continued to focus on initiatives to achieve operational efficiencies and improve margins and cash flow management.

To continue delivering shareholder value, the Company continuously reviews its strategic initiatives.

Safety, Health, Environment and Quality Practices

Safety, health, environment and quality (SHEQ) remain the foremost priority of the Company. We continue to ensure compliance to SHEQ practices to provide assurance to our customers of safe and quality products.

To maintain and continually improve on safety, health, environmental and safety standards, the Company remains focused on systems, standards and compliance as the key to an effective safety management system. To be fully effective and sustainable, there has and will continue to be a concerted and focussed effort to shift safety towards addressing the behaviour of people.

Research has shown that the root or basic causes of 94% of all accident and incidents are unsafe acts by people and not failures of plant or equipment! Immediate causes that may be classified as unsafe or sub-standard conditions are usually created, or allowed to persist, through the act of a person, or group of people.

In light of our commitment to the highest standards of Safety, health and environmental practices, the Company has implemented a SiteSafe programme based on behavioural assessments as a tool and technique that enables managers and supervisors to engage with employees about safety, and to address unsafe acts in the workplace. The technique helps to:

- **Observe** people's behaviour in real work situations
- **Engage** people on the consequences of their unsafe behaviour
 - **Change** behaviour by mutual agreement
 - **Demonstrate** managements visible

SiteSafe:
Rob Clarke
and Cor van Zyl
discuss safety issues with
Rita Ndonye (SHEQ) Manager.

50MT LPG storage tank installed at
the plant to improve product availability to our
customers in the East African Region.

MANAGING DIRECTOR'S REVIEW continued

leadership - support for safety and concern for people's welfare

SHEQ Roadmap & SiteSafe programme

The BOC Kenya management is committed to each stage of the SHEQ Roadmap viz: Entry, Foundation, Standard, Advanced and World Class on identified elements by September 2006.

The five identified elements are:

- Visible leadership,
- Motivation,
- Recognition and Discipline,
- Effective 2-Way Communication, and
- Management of Change and Manual handling.

The Roadmap is a journey that takes us through the stages of being dependent on senior managers in ensuring high safety standards to interdependency, where employees exhibit safe behaviour at all times without being coerced. The progress on this safety journey is encouraging.

NEMA Audit

According to the new environmental legislation based on Environmental Management Coordination Act (EMCA) 1999, it has become mandatory that organisations undertake an annual audit. A report thereon being must be submitted to the National

Environmental Management Authority (NEMA). I am happy to confirm that the audit report submitted in 2004 did not identify any negative environmental impacts arising from BOC Kenya's operations on all of its sites.

BOC Kenya is in full compliance with the law and continues to monitor any new developments arising from national legislation.

ISO 14001

The Company is reviewing its environmental management systems and focussing on a waste management programme. The Company is focused on achieving an ISO 14001 listing in 2007. A lot of time and effort has gone into ensuring that the Company remains focussed on environmental issues.

ISO 9001:2000

The Company is progressing well in the implementation of ISO 9001:2000 quality programmes and will target to receive accreditation by mid 2006. The accreditation will be a milestone in guaranteeing our customers of consistently high quality standards of processes, products and services.

Customer Services

The Gas and Gear concept has taken root since its inception in 2004 within the BOC Group. The concept is meant to provide retailing services to our esteemed customers. Plans are underway to construct a Gas and Gear centre in Mombasa and an additional outlet in Nairobi.

To continuously meet our customer delivery needs on a consistent basis, the Company has invested in its distribution infrastructure through the acquisition of additional cylinders and distribution vehicles.

Activities during the Miller welding equipment launch.

MANAGING DIRECTOR'S REVIEW continued

The Company continues to provide training and development tools to employees to enable them to go beyond the BOC Kenya promise of excellence and reliability in delivering products and services to meet customer expectations. The Company analyses feedback from customers through the Customer Service Improvement (CSI) programme that forms the basis of the ongoing system reviews for effectiveness.

Operational Efficiency

The Company incorporates the best operating practices from The BOC Group and African Oxygen Limited in its production, distribution and supply chain processes. These initiatives continue to deliver operational efficiencies, thereby mitigating the impact of rising input costs in its operations.

Community Involvement Programme (CIP)

BOC Kenya's unique community involvement programme is an initiative driven by employees through dedicating their time and effort to supporting sustainable projects of their choice with the support of the identified communities. In addition to the on going projects at each home, once a year, Tumaini Day is celebrated as a day of quality time with these homes. The ongoing projects cover 5 children's homes in Kenya with a total population of 360 under-privileged children.

Corporate governance recognition

The Financial Reporting (FiRe) Award is a competition for excellence in financial reporting, sound corporate governance practices, and corporate social responsibility. The competition involves the evaluation of voluntarily submitted annual reports and financial statements from listed and non-listed companies for their compliance with international financial reporting standards and financial reporting requirements of the Companies Act and other relevant legislation.

This year's competition attracted 85 companies, most of which are quoted on the Nairobi Stock Exchange. We are proud to report that BOC Kenya entered its 2004 financial statements, which received three awards in the following categories:

- 2nd Runner Up – Overall Award
- 2nd Runner Up – Listed Companies Category
- 2nd Runner Up – Non - Financial Companies Category

Appreciation

I would like to thank the Board for its guidance, the executive management and staff for their commitment and hard work, our customers and suppliers for their continued support and loyalty.

J M Kariuki
Managing Director
2 November 2005

Power generator at Ubungo Power Plant constructed by Renco Spa using argon supplied by BOC Tanzania in Dar es Salaam.

The logo for Songas, featuring a stylized 'S' inside a circle followed by the word 'ongas' in a sans-serif font.

CORPORATE GOVERNANCE

Introduction

BOC Kenya Limited's operating principles are based on behavioural competencies focused on our values, emphasizing: Accountability, Collaboration, Transparency and Stretch (ACTS).

The directors are ultimately accountable to all stakeholders for ensuring that the Company's business is conducted in accordance with high standards of corporate governance. The role of the Board is to assist in determining the Company's direction and strategy, monitor the achievement of the business objectives, ensure the Company meets its responsibilities to its shareholders and that the control environment mitigates against risk exposures.

Below are the key features of corporate governance structures and internal control systems put in place and in operation during the year.

Board of Directors

The Board meets at least four times a year, with additional meetings when necessary. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Managing Director. The Board nonetheless retains responsibility for establishing and maintaining the Group's overall internal control and compliance issues. The Board has a collective responsibility to provide effective corporate governance, which involves relationships between management and the Company, its Board, shareholders and other stakeholders.

Six of the seven members of the Board are non-executive directors including the Chairman of the Board. Non-executive directors are encouraged to stay fully informed of the Company's business through site and customer visits and regular meetings with senior management.

Audit Committee

The Audit Committee meets bi-annually with internal and external auditors as well as management. Its membership

comprises Ngugi Kiuna (Chairman) and Michael Rowell, who are non-executive directors. Its responsibilities include the review of financial information, in particular half year and annual financial statements, compliance with accounting standards, liaison with external auditors, remuneration of external auditors and maintaining an oversight on internal controls systems.

The Audit Committee also reviews biannually the authority, resources and scope of the internal audit. The Audit Committee is committed to upholding the standards of good corporate citizenship as expected of a market leader.

Retirement and Remuneration Benefits Committee

The Retirement and Remuneration Benefits Committee was constituted in the previous financial year. It has been mandated to determine and make recommendations to the Board on matters relating to the remuneration policies of the Company and the terms and conditions of employment of the executive director and senior management to maintain a competitive and equitable compensation policy. Its membership comprises Alfred Juma (Chairman) and Rob Clarke, who are non-executive directors.

Communication with Shareholders

The Company is committed to ensuring that shareholders, relevant authorities, such as the Nairobi Stock Exchange and the Capital Markets Authority, and financial markets are provided with timely information about its overall performance. This is usually done through investor briefings at its half year-end and year-end results announcements and through the circulation of the annual financial statements before the annual general meeting.

Director Emoluments and Loans

The aggregate emoluments paid to the directors for the services rendered during the financial year ended 30 September 2005, are disclosed in the notes to the financial statements.

CORPORATE GOVERNANCE continued

Executive Committee

The Managing Director chairs an executive committee, which comprises senior management. This committee meets on a monthly basis and is mandated to deal with company performance, operational issues, and critical staff matters and to ensure effective communication within the Company.

Risk Management and Internal Controls

The Board recognizes that managing risks to ensure an optimal mix between risk and return is an integral part of achieving corporate goals. A risk management programme is in place to assist the Board in understanding business risk issues and key performance indicators affecting the ability of the Group to achieve its objectives.

The Board is satisfied that the risk management programme is adequate and able to effectively mitigate the significant risks faced by the Company to an acceptable level. An annual three-year strategic plan is prepared and approved by the Board. The risk assessment process is an annual process, which assists the Board and management to appreciate any new business risks that may have arisen during the year and to update the risk matrix profile and develop adequate plans to mitigate the risks.

The directors have also defined procedures and financial controls to ensure that the Company's system of internal controls provide reasonable assurance that the assets are safeguarded, transactions are authorized and recorded properly and that material errors and irregularities are either prevented or detected within a reasonable period of time.

There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by defined procedures, financial controls and information systems controls.

The internal audit department performs various activities in the evaluation of the risk management and control and governance processes. Significant business risks and weaknesses in the

systems of operating and financial controls are highlighted and brought to the attention of the Audit Committee, senior management and external auditors. Areas accorded high-risk profiles are given urgent attention by management.

BOC Kenya has fully adopted the presentation and disclosures of the International Financial Reporting Standards (IFRS) in line with the requirements of the Institute of Certified Public Accountants of Kenya. This enhances the comprehension of the financial statements by the shareholders and other users in line with local and international accounting trends.

As the disclosures and requirements of the International Financial Reporting Standards are very dynamic, as an organisation, the Company is well set to embrace new developments and changes. Users of the financial statements stand to benefit more from these disclosures.

Employment Equity

The Company is committed to the creation of an organisation that supports the equality of all employees and is committed to the elimination of any form of discrimination in the work place.

Code of Conduct

The BOC Group is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders. All directors and employees of the Group subscribe to a corporate culture that requires them to maintain the highest personal and ethical standards and to act in good faith and in the interests of the Group.

The Code emphasises living our values, which are based on good governance principles of:

- Ethics and integrity
- Safety of all our stakeholders
- Customer focus
- Performance excellence
- Care for our environment
- Commitment to our community
- Our people make the difference

CORPORATE GOVERNANCE continued

Shareholders' profile for the year ended 30 September 2004

Ownreship structure

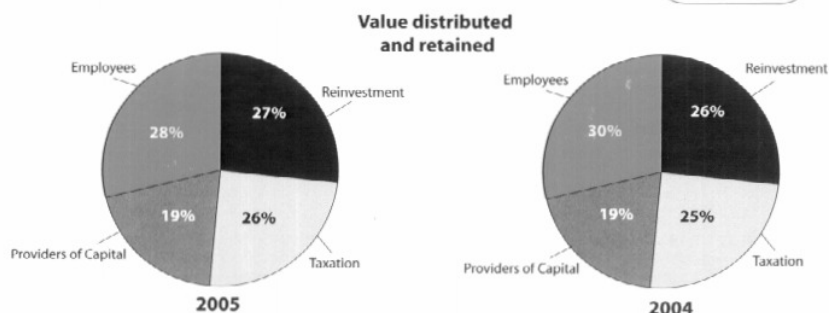
	Number of shareholders	Number of shares held	% of issued shares capital
Foreign investors	10	12,919,048	66.17
Local individual investors	517	1,849,168	9.47
Local institutional investors	188	4,744,723	24.30
East African individual investors	5	9,507	0.05
East African institutional investors	1	3,000	0.01
	721	19,525,446	100.00

Ten largest shareholders

	Number of shares held	% of issued shares capital
BOC Holdings	12,765,578	65.38
UAP Provincial Insurance Company Limited	986,967	5.05
Insurance Company of East Africa	455,812	2.33
Old Mutual Life Assurance Company Limited	288,456	1.48
Barclays (Kenya) Nominees Limited 'Account 1256'	209,900	1.08
Kenya Commercial Bank Nominees 'Account 744'	200,000	1.02
Stanbic Nominees Kenya Limited 'A/C SCKPF'	163,855	0.84
Barclays (Kenya) Nominees Limited 'Account 1853'	155,307	0.80
Kenya Commercial Bank Nominees 'Account 769G'	147,000	0.75
Barclays (Kenya) Nominees Limited 'Account 9230'	130,200	0.67
	15,503,075	79.40

Value distributed and retained

	2005	2004
Sales	987,138	830,675
Cost of materials, supplies and services	(431,055)	(368,108)
Value added	556,083	462,567
Employees (excluding PAYE)	157,961	138,021
Providers of capital	107,388	87,865
Taxation	144,355	114,566
Reinvestment (Retained profit + depreciation)	146,379	122,114
	556,083	462,567



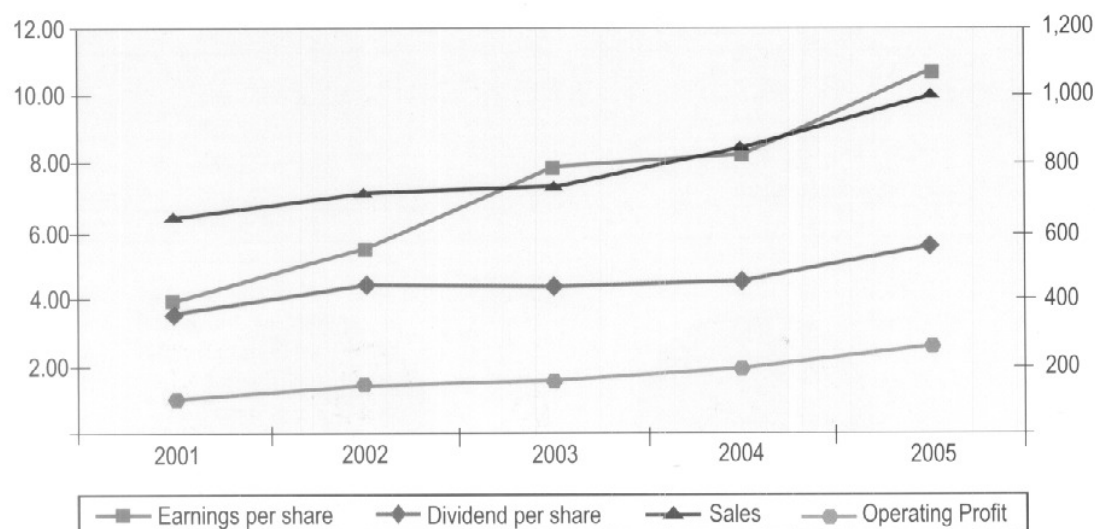
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COMPARATIVE RESULTS

Financial Review

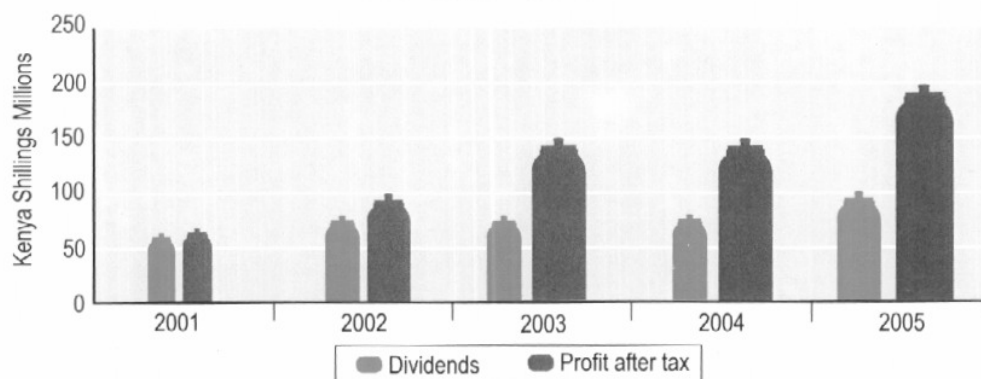
	2001 KShs'000	2002 KShs'000	2003 KShs'000	2004 KShs'000	2005 KShs'000
Sale of goods	551,103	608,672	637,786	687,095	816,328
Revenue from services	73,883	88,833	90,934	143,580	170,810
Total income	624,986	697,505	728,720	830,675	987,138
Operating profit	96,777	136,535	148,675	189,324	253,800
Profit before tax	118,175	154,990	210,720	220,980	291,257
Net profit	75,050	105,491	152,619	160,117	207,446
Cash generated	118,810	95,703	168,985	313,010	305,424
Earnings per share	3.84	5.40	7.82	8.20	10.62
Dividend per share	3.55	4.35	4.35	4.50	5.50
Shareholders' funds	986,406	1,006,873	1,009,479	1,076,803	1,266,661
Net assets	1,034,394	1,050,525	1,124,441	1,199,479	1,324,141
Capital expenditure	55,723	37,132	47,915	112,959	114,857
Contingent liabilities	10,411	9,050	9,918	18,411	19,734

Performance Profile

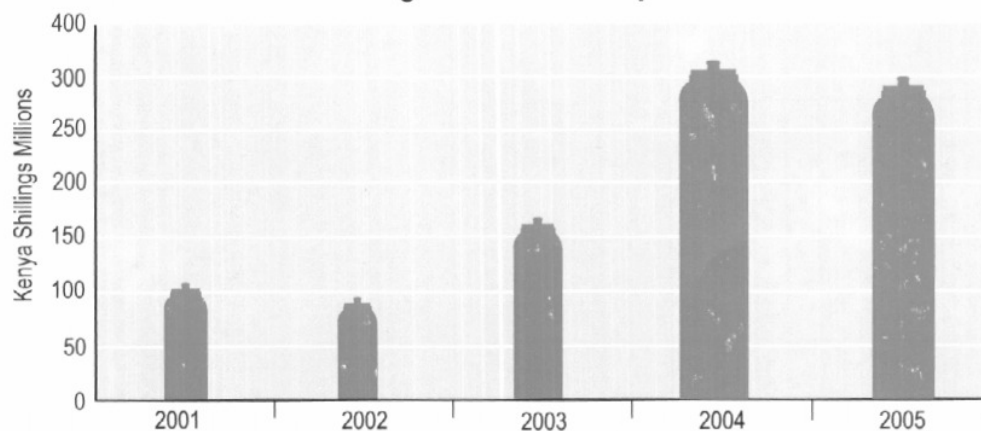


COMPARATIVE RESULTS continued

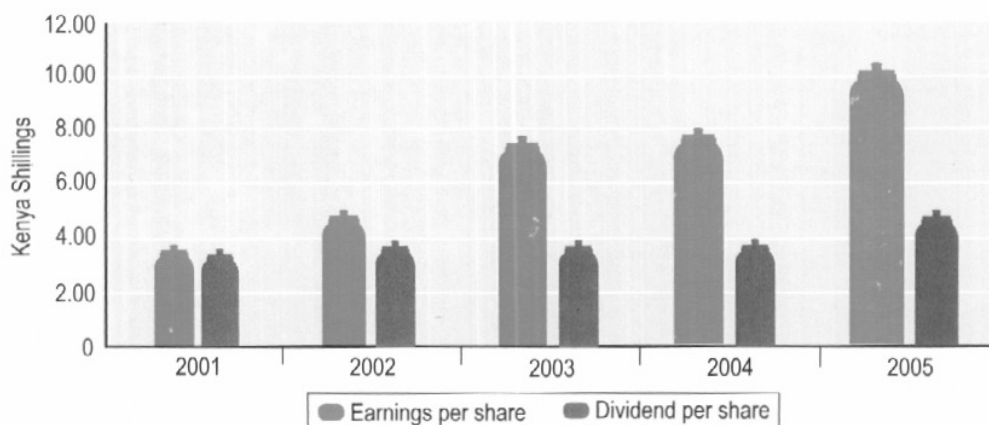
Profit after tax & dividend



Cash generated from operations

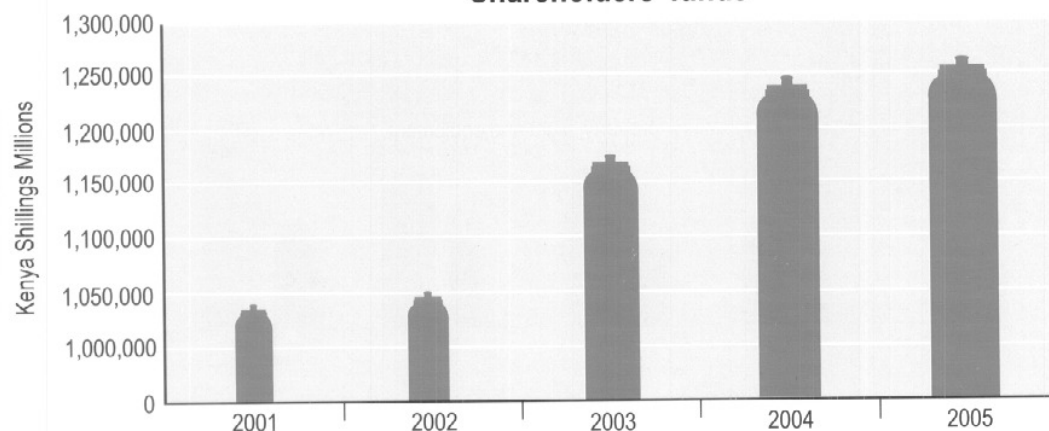


Earnings per share & dividend per share

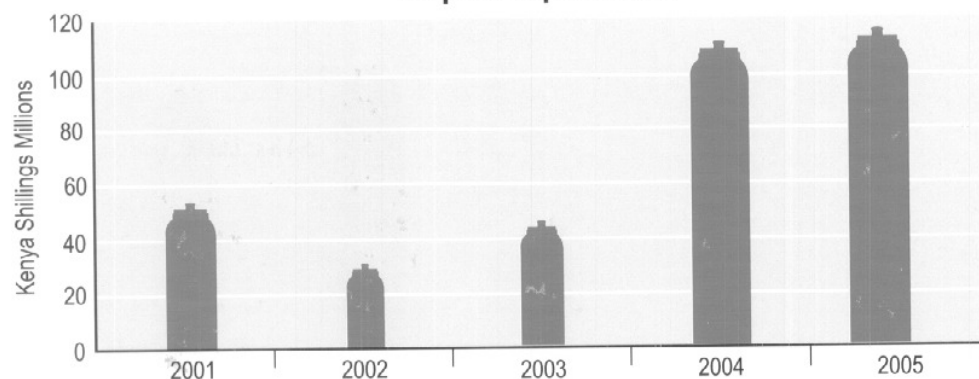


COMPARATIVE RESULTS continued

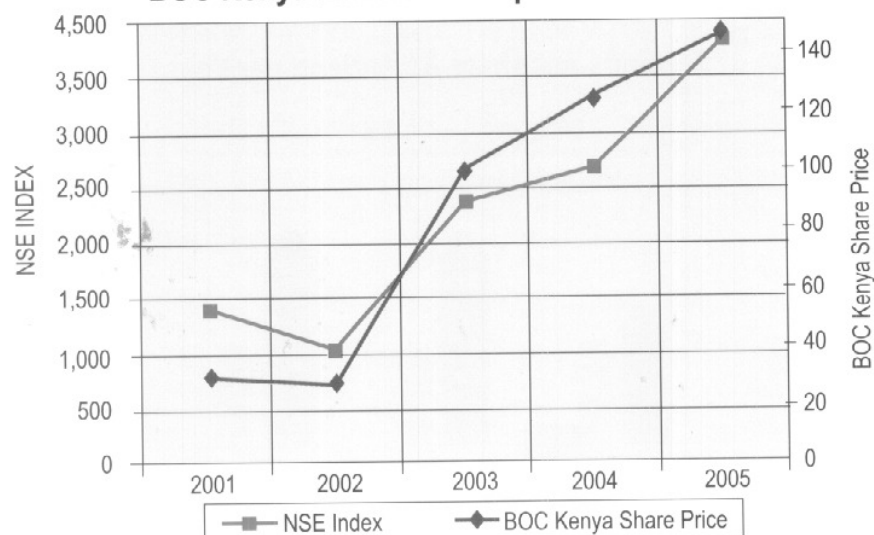
Shareholders' funds



Capital expenditure



BOC Kenya Limited share price vs NSE Index



Statement of Directors' Responsibility

for the year ended 30 September 2005

The Kenyan Companies Act requires the directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement.

JG Kibe

Director

2 November 2005

JM Kariuki

Director

Report of the Independent Auditors to the members of BOC Kenya Limited

We have audited the financial statements of BOC Kenya Limited for the year ended 30 September 2005 set out on pages 19 to 44.

Respective responsibilities of directors and auditors.

The directors are responsible for the preparation of financial statements as set out on page 17. Our responsibility is to express an independent opinion on the financial statements based on our audit.

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.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and we believe our audit provides a reasonable basis for our opinion.

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 of the company as at 30 September 2005 and of the profit and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants

Nairobi

2 November 2005

Consolidated profit and loss account

for the year ended 30 September 2005

	Notes	2005 Shs'000	2004 Shs'000
Sales			
Cost of sales	5	987,138 (425,866)	830,675 (348,173)
Gross profit		561,272	482,502
Other operating income		2,858	3,548
Distribution costs		(101,897)	(87,128)
Administrative expenses		(193,588)	(201,129)
Other operating expenses		(14,845)	(8,469)
Group operating profit	6	253,800	189,324
Finance income	8	26,067	11,653
Dividend income	9	2,810	2,513
Fair value gain on investments	19	8,580	17,490
Operating profit before income tax		291,257	220,980
Income tax expense	10	(83,811)	(60,863)
Net profit		207,446	160,117
Earnings per share (Shs per share)			
- basic and diluted	11	10.62 ✓	8.20
Dividends			
Interim dividends – paid in the year	12	24,406	19,525
Proposed final dividends for the year	12	82,982	68,340
		107,388	87,865

Consolidated balance sheet

for the year ended 30 September 2005

	Notes	2005 Shs'000	2004 Shs'000
CAPITAL EMPLOYED			
Share capital	13	97,627	97,627
Share premium	13	2,554	2,554
Revaluation surplus	14	119,920	121,993
Translation reserve		(4,098)	3,626
Retained earnings		967,676	859,223 *
Proposed dividends	12	82,982	68,340 #
Shareholders' funds		* 1,266,661	1,153,363
Non-current liabilities			
Deferred income tax	15	57,480	46,116
		1,324,141	1,199,479
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	17 (a)	648,887	587,974
Available-for-sale financial assets	19	87,120	78,540
Prepaid operating leases	20	4,346	4,441
Retirement benefit assets	16	5,187	1,309
		745,540	672,264
Current assets			
Inventories	21	135,620	157,377
Receivables and prepayments	22	272,104	218,774
Current tax		18,914	-
Held-to-maturity investments	23	314,031	367,493
Cash and bank balances	23	126,958	50,382
		867,627	794,026
Current liabilities			
Payables and accrued expenses	24	289,026	256,146
Current tax		-	10,665
		289,026	266,811
Net current assets		578,601	527,215
		1,324,141	1,199,479

The financial statements on pages 19 to 44 were approved for issue by the board of directors on 2 November 2005 and signed on its behalf by:

JG Kibe
Director

JM Kariuki
Director

Company balance sheet

for the year ended 30 September 2005

	Notes	2005 Shs'000	2004 Shs'000
CAPITAL EMPLOYED			
Share capital	13	97,627	97,627
Share premium	13	2,554	2,554
Revaluation surplus	14	119,920	121,993
Retained earnings		948,609	851,608
Proposed dividends	12	82,982	68,340
Shareholders' funds		1,251,692	1,142,122
Non-current liabilities			
Deferred tax	15	57,845	46,481
		57,845	46,481
		1,309,537	1,188,603
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	17(b)	612,482	543,198
Investment in subsidiaries	18	60	60
Prepaid operating leases	20	4,346	4,441
Retirement benefit assets	16	5,187	1,309
		622,075	549,008
Current assets			
Inventories	21	115,096	127,201
Receivables and prepayments	22	410,413	408,583
Current tax		10,174	-
Held-to-maturity investments	23	314,031	323,930
Cash and bank balances	23	116,242	39,533
		965,956	899,247
Current liabilities			
Payables and accrued expenses	24	278,494	250,761
Current tax		-	8,891
		278,494	259,652
Net current assets		687,462	639,595
		1,309,537	1,188,603

The financial statements on pages 19 to 44 were approved for issue by the board of directors on 2 November 2005 and signed on its behalf by:

JG Kibe
Director

JM Kariuki
Director

Consolidated statement of changes in equity

for the year ended 30 September 2005

	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Translation reserve Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 30 September 2004							
At start of year	97,627	2,554	124,001	-	784,963	65,411	1,074,556
Transfer of excess depreciation	-	-	(2,868)	-	2,868	-	-
Deferred tax on transfer	-	-	860	-	(860)	-	-
Net gains/(losses) not recognised in the profit and loss account	-	-	(2,008)	-	2,008	-	-
Currency translation differences	-	-	-	3,626	-	-	3,626
Net profit	-	-	-	-	160,117	-	160,117
Dividends:							
- Final for 2003 (paid)	-	-	-	-	-	(65,411)	(65,411)
- Interim for 2004 (paid)	-	-	-	-	(19,525)	-	(19,525)
- Proposed final for 2004	-	-	-	-	(68,340)	68,340	-
At end of year	97,627	2,554	121,993	3,626	859,223	68,340	1,153,363
Year ended 30 September 2005							
At start of year	97,627	2,554	121,993	3,626	859,223	68,340	1,153,363
Transfer of excess depreciation	-	-	(2,961)	-	2,961	-	-
Deferred tax on transfer	-	-	888	-	(888)	-	-
Net gains/(losses) not recognised in the profit and loss account	-	-	(2,073)	-	2,073	-	-
Currency translation differences	-	-	-	(7,724)	6,322	-	(1,402)
Net profit	-	-	-	-	207,446	-	207,446
Dividends:							
- Final for 2004 (paid)	-	-	-	-	-	(68,340)	(68,340)
- Interim for 2005 (paid)	-	-	-	-	(24,406)	-	(24,406)
- Proposed final for 2005	-	-	-	-	(82,982)	82,982	-
At end of year	97,627	2,554	119,920	(4,098)	967,676	82,982	1,266,661

Proxy

The Secretary

BOC Kenya Limited

P O Box 18010 - 00500

Nairobi

I/We _____

of _____

being a member/members of the above named company 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 company to be held on Thursday, 19 January 2006 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

Company statement of changes in equity

for the year ended 30 September 2005

	Share capital Shs'000	Share premium Shs'000	Revaluation surplus Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 30 September 2004						
At start of year	97,627	2,554	124,001	787,210	65,411	1,076,803
Transfer of excess depreciation	-	-	(2,868)	2,868	-	-
Deferred tax on transfer	-	-	860	(860)	-	-
Net gains/(losses) not recognised in the profit and loss account	-	-	(2,008)	2,008	-	-
Net profit	-	-	-	150,255	-	150,255
Dividends:						
- Final for 2003 (paid)	-	-	-	-	(65,411)	(65,411)
- Interim for 2004 (paid)	-	-	-	(19,525)	-	(19,525)
- Proposed final for 2004	-	-	-	(68,340)	68,340	-
At end of year	97,627	2,554	121,993	851,608	68,340	1,142,122
Year ended 30 September 2005						
At start of year	97,627	2,554	121,993	851,608	68,340	1,142,122
Transfer of excess depreciation	-	-	(2,961)	2,961	-	-
Deferred tax on transfer	-	-	888	(888)	-	-
Net gains/(losses) not recognised in the profit and loss account	-	-	(2,073)	2,073	-	-
Net profit	-	-	-	202,316	-	202,316
Dividends:						
- Final for 2004 (paid)	-	-	-	-	(68,340)	(68,340)
- Interim for 2005 (paid)	-	-	-	(24,406)	-	(24,406)
- Proposed final for 2005	-	-	-	(82,982)	82,982	-
At end of year	97,627	2,554	119,920	948,609	82,982	1,251,692

CMA-LIBRARY

Consolidated cash flow statement

for the year ended 30 September 2005

	Notes	2005 Shs'000	2004 Shs'000
Operating activities			
Cash generated from operations	27	305,424	313,010
Interest paid		(11)	(8)
Tax paid		(102,026)	(53,976)
Net cash generated from operating activities		203,387	259,026
Investing activities			
Purchase of property, plant and equipment		(114,857)	(100,450)
Proceeds from disposal of property, plant and equipment		3,984	1,563
Interest received		20,536	7,994
Dividends received		2,810	2,513
Net cash used in investing activities		(87,527)	(88,380)
Financing activities			
Dividends paid		(92,746)	(84,936)
Net cash used in financing activities		(92,746)	(84,936)
Increase in cash and cash equivalents		23,114	85,710
Movement in cash and cash equivalents			
At start of year		417,875	332,165
Increase		23,114	85,710
At end of year	23	440,989	417,875

Notes forming part of the financial statements

for the year ended 30 September 2005

1 Incorporation and registered office

INCORPORATION AND REGISTERED OFFICE

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

Kitui Road
PO Box 18010
NAIROBI 00500

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of BOC Kenya Limited have been prepared in accordance and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements are presented in the functional currency Kenya Shillings (Shs), rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of buildings and the carrying of available-for-sale financial assets at fair values.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Group accounting

Subsidiaries, which are those entities (including Special Purpose Entities) in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Investments in subsidiaries 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

2 Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue is recognised as follows:

Sale of goods and services

Sales are recognised upon delivery of products to customers and performance of services, and are stated net of VAT and discounts.

Interest income

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset, unless collectibility is in doubt.

Dividend income

Dividends are recognised as income in the period in which the right to receive payment is established.

(d) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(e) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into the relevant reporting currencies of the group entities at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currencies, are translated into the relevant reporting currencies of the group entities at 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.

The profit and loss accounts 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. The resulting differences from the conversion and translations are recognised as a separate component of equity.

(f) Accounting for leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The carrying value of prepaid operating leases represents the un-amortised historical cost of leasehold land.

(g) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

2 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

Revaluations are made with sufficient regularity such that carrying amount does not differ materially from that which would be the fair value at the balance sheet date. 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 a straight line basis to write down the cost of each asset to residual values over their estimated useful life as follows:

Buildings	50 years
Plant and machinery	5 - 20 years
Cylinders	25 years
Motor vehicles	5 - 10 years
Furniture and fixtures	4 - 10 years

Property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Capital work in progress represents assets that are under construction or that are not immediately available for use.

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.

(h) Investments

The Group classifies its investments into the following categories:

- i) held-to-maturity investments; and
- ii) available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. They are included in non-current assets, except for those with maturities less than 12 months from the balance sheet, which are classified as current assets.

Held-to-maturity investments are carried at amortised cost using the effective interest method and are included in the profit and loss account in the year in which they arise.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

2 Summary of significant accounting policies (continued)

(h) Investments (continued)

Available-for-sale financial assets

Other investments, comprising shares in a listed company, are classified as available-for-sale. These investments are to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates. These investments are included in non-current assets unless the directors have the express intention of holding investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

Purchases and sales of investments are recognised on the trade date, which is the date the group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Available-for-sale investments are subsequently carried at fair value and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the profit and loss account statements in the year in which they arise.

(i) 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.

(j) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. The amount of provision is recognised in the profit & loss account.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(l) Employee entitlements

Retirement benefit obligations

The company operates a defined contribution retirement benefit scheme for its unionised employees and a defined benefit scheme for non-unionised employees. The assets of both schemes are held in separate trustee administered funds, which are funded by contributions from both the company and employees.

The company's contributions to the defined contribution and state security schemes 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.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

2 Summary of significant accounting policies (continued)

(l) Employee entitlements

Other post-employment obligations

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees. 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.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(m) Income tax

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act. Deferred income tax is provided in full, 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 it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(n) 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.

(o) Comparatives

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

3 Financial risk management objectives and policies

The group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in equity market prices, 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 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.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

Retirement benefit obligations

Critical assumptions are made by the actuary in determining the present value of funded obligations. These are set out in Note 16.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

4 Critical accounting estimates and judgements (continued)

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(g) above.

(ii) Critical judgements in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgements in determining:

- the classification of financial assets and leases
- whether assets are impaired.

5 Segment information

Primary reporting format – Geographical segments

Year ended 30 September 2005

	Kenya Shs'000	Region Shs'000	Group Shs'000
Sale of goods	783,551	92,402	875,953
Revenue from services	166,627	4,183	170,810
Total sales	950,178	96,585	1,046,763
Inter-segment sales	(59,625)	-	(59,625)
Net sales	890,553	96,585	987,138
Profit before tax	276,422	14,835	291,257
Non-current assets	702,638	42,902	745,540
Current assets	791,052	47,909	838,961
Total segment assets	1,493,690	90,811	1,584,501
Segment liabilities	267,101	10,532	277,633

Notes forming part of the financial statements continued

for the year ended 30 September 2005

5 Segment information (continued)

Year ended 30 September 2004

	Kenya Shs'000	Region Shs'000	Group Shs'000
Sale of goods	660,288	79,412	739,700
Revenue from services	143,580	-	143,580
Total sales	803,868	79,412	883,280
Inter-segment sales	(52,605)	-	(52,605)
Net sales	751,263	79,412	830,675
Profit before tax	209,447	11,533	220,980
Non-current assets	627,548	44,716	672,264
Current assets	675,958	118,068	794,026
Total segment assets	1,303,506	162,784	1,466,290
Segment liabilities	259,662	7,149	266,811

Sales revenue is based on the country in which the sale took place. Total assets are shown by the geographical area in which the assets are located. Both geographical segments are involved in the sale of industrial and medical gases, and welding products. BOC Kenya Limited is involved in manufacture of the industrial and medical gases.

The following items have been charged/(credited) in arriving at operating profit:

Year ended 30 September 2005

	Kenya Shs'000	Region Shs'000	Group Shs'000
Depreciation on property, plant and equipment	44,025	2,296	46,321
Amortisation of operating leases	95	-	95
Impairment of trade receivables	6,300	1,362	7,662
Impairment of inventory	-	268	268

Notes forming part of the financial statements continued

for the year ended 30 September 2005

5 Segment information (continued)

Year ended 30 September 2004

	Kenya Shs'000	Region Shs'000	Group Shs'000
Depreciation on property, plant and equipment	46,790	3,072	49,862
Amortisation of operating leases	95	-	95
Impairment of trade receivables	10,295	6,863	17,158
Impairment of inventory	11,161	-	11,161

Secondary segment - 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 8% (2004: 4%) of the total results of the group.

6 Group operating profit

	2005 Shs'000	2004 Shs'000
Other items that have been charged / (credited) in arriving at group operating profit:		
Repairs and maintenance expenditure on property, plant and equipment	14,161	13,582
Profit on disposal of property, plant and equipment	(2,858)	(1,513)
Staff costs (Note 7)	157,961	138,021
Auditors' remuneration - Group	2,431	2,290
- Company	1,631	1,483

7 Staff costs

The following items are included within staff costs:

Social security benefits	380	387
Retirement benefits costs:		
- defined contribution scheme	1,083	1,285
- defined benefit scheme (Note 16)	4,144	4,963

The number of persons employed by the company at the end of the year was 161 (2004: 168):

Notes forming part of the financial statements continued

for the year ended 30 September 2005

8 Finance income

	2005 Shs'000	2004 Shs'000
Interest expense on bank overdrafts	(11)	(8)
Interest income	20,536	7,994
Net foreign currency exchange gain	5,542	3,667
	26,067	11,653

9 Dividend income

	2005 Shs'000	2004 Shs'000
Dividend income	2,810	2,513

Dividend income represents an interim dividend from investment in the shares of a company that is quoted on the Nairobi Stock Exchange (Note 19).

10 Income tax expense

	2005 Shs'000	2004 Shs'000
Current income tax	72,447	67,610
Deferred income tax (Note 15)	6,109	(3,235)
Overprovision of current income tax in prior years	-	(3,512)
Underprovision of deferred income tax in prior years	5,255	-
	83,811	60,863

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

	2005 Shs'000	2004 Shs'000
Profit before tax	291,257	220,980
Tax calculated at a tax rate of 30% (2004 - 30%)	87,377	66,294
Tax effect of:		
Income not subject to tax	(11,368)	(6,667)
Expenses not deductible for tax purposes	2,547	4,748
Overprovision of current tax in prior years	-	(3,512)
Underprovision of deferred income tax in prior years	5,255	-
Tax charge	83,811	60,863

Notes forming part of the financial statements continued

for the year ended 30 September 2005

11 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders with the weighted average number of ordinary shares outstanding during the period.

	2005 Shs '000	2004 Shs '000
Net profit attributable to shareholders	207,446	160,117
Weighted average number of ordinary shares in issue	19,525	19,525
Basic earnings per share (Shs)	10.62	8.20

There were no potentially dilutive shares outstanding at 30 September 2005 or 30 September 2004.

12 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 next annual general meeting a final dividend in respect of the year ended 30 September 2005 of Shs 4.25 per share (2004: Shs 3.50 per share), amounting to a total of Shs 82,982,000 (2004: Shs 68,340,000) is to be proposed. During the year, an interim dividend of Shs 1.25 per share (2004: Shs 1.00 per share), amounting to a total of Shs 24,406,000 (2004: Shs 19,525,000) was paid. The total dividend for the year is therefore Shs 5.50 per share (2004: Shs 4.50), amounting to a total of Shs 107,388,000 (2004: Shs 87,865,000).

Payment of dividends is subject to withholding tax at a rate of between 5% and 10%, depending on the residence of the respective shareholders.

13 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000	Share premium Shs'000
Balance at 30 September 2004 and 2005	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 up.

14 Revaluation reserves

Revaluation reserves relate to surplus arising on revaluation of the company's buildings and are non-distributable.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

15 Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2004: 30%). The movement on the deferred income tax account is as follows:

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
At start of year	46,116	49,351	46,481	48,057
(Credit)/ charge to profit and loss account (Note 10)	11,364	(3,235)	11,364	(1,576)
At end of year	57,480	46,116	57,845	46,481

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

(a) Group

	1.10.2004 Shs'000	Charged/ (credited) to P/L Shs'000	30.09.2005 Shs'000
Deferred income tax liabilities			
Accelerated tax depreciation			
- on historical cost	11,702	13,031	24,733
- on revaluation	36,340	(888)	35,452
Unrealised exchange gains	244	(522)	(278)
	48,286	11,621	59,907
Deferred income tax assets			
Accrued expenses	(2,170)	(257)	(2,427)
Net deferred tax liability	46,116	11,364	57,480

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Notes forming part of the financial statements continued

for the year ended 30 September 2005

15 Deferred income tax (continued)

(b) Company

	1.10.2004 Shs'000	Charged/ (credited) to P/L Shs'000	30.09.2005 Shs'000
Deferred income tax liabilities			
Accelerated tax depreciation			
- on historical cost	11,838	12,097	23,935
- on revaluation	36,340	(888)	35,452
Unrealised exchange gains	1,407	(522)	885
	49,585	10,687	60,272
Deferred income tax assets			
Accrued expenses	(3,104)	677	(2,427)
Net deferred income tax liability	46,481	11,364	57,845

Deferred income tax of Shs 888,000 (2004: Shs 860,000) for both the group and the company was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the buildings and the equivalent depreciation based on the historical cost of the buildings.

16 Retirement benefit obligations – Group and Company

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

	2005 Shs'000	2004 Shs'000
Present value of funded obligations	200,866	169,894
Fair value of scheme assets	214,998	183,434
Present value of over funded obligations	(14,132)	(13,540)
Unrecognised actuarial gains	8,945	12,231
Asset in the balance sheet	(5,187)	(1,309)

The actual return on scheme assets was Shs 26,935,000 (2004: Shs 21,142,000).

Notes forming part of the financial statements continued

for the year ended 30 September 2005

16 Retirement benefit obligations - Group and Company (continued)

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

	2005 Shs'000	2004 Shs'000
Current service cost	5,477	5,107
Interest cost	15,384	14,400
Expected return on plan assets	(16,717)	(14,544)
Net charge for the year included in staff costs	4,144	4,963
The movement on the asset recognised in the balance sheet is as follows:		
At start of year	1,309	(534)
Net charge for the year included in staff costs	(4,144)	(4,963)
Contributions paid	8,022	6,806
	5,187	1,309
The principal actuarial assumptions used were as follows:		
	2005	2004
Discount rate	9%	9%
Expected return on scheme assets	9%	9%
Future salary increases	7%	7%
Future pension increases	0%	0%

The asset arising from the valuation of the scheme has been recognised as the directors are of the opinion that future economic benefits arising from the assets will flow into the group.

Notes forming part of the financial statements continued

for the year ended 30 September 2005

17 Property, plant and equipment

(a) Group

	Buildings Shs'000	Plant and motor vehicles Shs'000	Furniture and Cylinders Shs'000	equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost or valuation						
At start of year	205,828	393,020	269,342	69,768	20,181	958,139
Additions	1,324	45,663	4,568	3,062	60,240	114,857
Disposals	-	-	(400)	(1,354)	-	(1,754)
Reclassification	15,092	26,238	21,302	2,615	(65,247)	-
Currency translation differences	(249)	(1,685)	(5,102)	(177)	-	(7,213)
At end of year	221,995	463,236	289,710	73,914	15,174	1,064,029
Depreciation						
At start of year	(9,924)	(229,223)	(74,813)	(56,205)	-	(370,165)
Charge for the year	(5,198)	(25,165)	(10,066)	(5,892)	-	(46,321)
On disposals	-	-	379	249	-	628
Currency translation differences	66	302	258	90	-	716
At end of year	(15,056)	(254,086)	(84,242)	(61,758)	-	(415,142)
Net book amount						
At 30 September 2005	206,939	209,150	205,468	12,156	15,174	648,887
At 30 September 2004	195,904	163,797	194,529	13,563	20,181	587,974

Notes forming part of the financial statements continued

for the year ended 30 September 2005

17 Property, plant and equipment (continued)

(b) Company

	Buildings Shs'000	Plant and motor vehicles Shs'000	Cylinders Shs'000	Furniture and equipment Shs'000	Capital work in progress Shs'000	Total Shs'000
Cost or valuation						
At start of year	208,156	378,446	232,430	68,733	18,793	906,558
Additions	1,324	45,663	4,568	3,142	59,738	114,435
Disposals	-	-	(400)	(1,354)	-	(1,754)
Reclassification	11,494	29,836	21,302	2,615	(65,247)	-
At end of year	220,974	453,945	257,900	73,136	13,284	1,019,239
Depreciation						
At start of year	(9,438)	(226,324)	(72,905)	(54,693)	-	(363,360)
Charge for the year	(5,059)	(23,495)	(8,869)	(6,602)	-	(44,025)
On disposals	-	-	379	249	-	628
At end of year	(14,497)	(249,819)	(81,395)	(61,046)	-	(406,757)
Net book amount						
At 30 September 2005	206,477	204,126	176,505	12,090	13,284	612,482
At 30 September 2004	198,718	152,122	159,525	14,040	18,793	543,198

Buildings were last valued during the year ended 30 September 2002, by Kenya Valuers & Estate Agents, 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 deficit net of deferred income tax was taken to revaluation reserves in shareholders' equity.

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

	2005 Shs'000	2004 Shs'000
Cost	93,900	81,825
Accumulated depreciation	(6,288)	(4,660)
Net book amount	87,612	77,165

Notes forming part of the financial statements continued

for the year ended 30 September 2005

18 Investment in subsidiaries

	Percentage shareholding	2005 Shs'000	2004 Shs'000
East African Oxygen Limited	100%	-	-
BOC Tanzania Limited	100%	10	10
BOC Uganda Limited	100%	50	50
		60	60

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. The principal activity of the companies is the sales of industrial and medical gases, and welding products.

Kivuli Limited is incorporated in Kenya and has been consolidated into the financial statement as it holds certain investments on behalf of BOC Kenya Limited.

19 Available-for-sale financial assets

Group	2005 Shs'000	2004 Shs'000
At start of year	78,540	61,050
Fair value gain	8,580	17,490
At end of year	87,120	78,540

Available-for-sale financial assets represent the group's investment in the shares of a quoted company with a historical cost of Shs 33,621,000.

20 Prepaid operating leases

Group and company	2005 Shs'000	2004 Shs'000
Leases expiring beyond five years		
At start of year	4,441	4,536
Amortisation for the year	(95)	(95)
At end of year	4,346	4,441

Notes forming part of the financial statements continued

for the year ended 30 September 2005

21 Inventories

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Raw materials	7,312	24,193	7,312	24,193
Finished goods and other saleable stock	101,565	65,618	83,558	38,386
Plant spares	11,770	34,788	9,253	31,855
Goods in transit	14,858	31,847	14,858	31,836
Work in progress	115	931	115	931
	135,620	157,377	115,096	127,201

22 Receivables and prepayments

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Trade receivables	232,549	196,662	271,936	251,317
Less: Provision for impairment	(36,508)	(30,018)	(30,723)	(24,158)
	196,041	166,644	241,213	227,159
Staff debtors	14,977	17,872	12,763	17,726
Prepayments	3,000	692	1,245	456
Receivables from related companies (Note 28)	3,121	2,955	127,300	129,226
Other receivables	54,965	30,611	29,137	34,016
	272,104	218,774	410,413	408,583

23 Cash and cash equivalents

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

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Cash at bank and in hand	126,958	50,382	116,242	39,533
Held-to-maturity investments	314,031	367,493	314,031	323,930
	440,989	417,875	430,273	363,463

Held-to-maturity investments relate to funds deposited in banks and other financial institutions that are due on demand or have a maturity period of less than three months.

The weighted average effective interest rate on short-term bank deposits at year-end was 8.2% (2004: 3.3%).

Notes forming part of the financial statements continued

for the year ended 30 September 2005

24 Payables and accrued expenses

	Group		Company	
	2005 Shs'000	2004 Shs'000	2005 Shs'000	2004 Shs'000
Cylinder deposits	97,884	85,859	92,243	82,765
Trade payables	99,188	84,633	98,968	82,224
Amounts due to related companies (Note 28)	22,263	35,061	22,263	35,061
Accruals and other payables	69,691	50,593	65,020	50,711
	289,026	256,146	278,494	250,761

25 Contingent liabilities

At 30 September 2005, the company had given guarantees amounting to Shs 19,734,728 (2004: Shs 18,411,000) on behalf of third parties.

There are certain pending legal claims brought against the company as at 30 September 2005 for which a provision has been made in the books. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided in these financial statements.

The company also has a contingent liability arising from a self-assessment performed on the company for compliance with various tax regulations. The potential liability arises from an interpretation of certain aspects of tax legislation, which the directors are of the opinion will not crystallize.

26 Capital commitments

At 30 September 2005 the company had no outstanding capital commitments (2004: Shs 37,000,000).

Notes forming part of the financial statements continued

for the year ended 30 September 2005

27 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2005 Shs'000	2004 Shs'000
Profit before tax	291,257	220,980
Adjustments for:		
Depreciation	46,321	49,862
Amortisation of operating leases	95	95
Profit on sale of property, plant and equipment	(2,858)	(1,513)
Fair value gain on investments	(8,580)	(17,490)
Effect of currency translations on investment in subsidiaries	5,095	3,626
Interest income (Note 8)	(20,536)	(7,994)
Interest expense (Note 8)	11	8
Dividend income (Note 9)	(2,810)	(2,513)
Changes in working capital:		
- receivables and prepayments	(53,330)	41,294
- inventories	21,757	(10,296)
- payables and accrued expenses	32,880	38,794
- retirement benefits liabilities	(3,878)	(1,843)
Cash generated from operations	305,424	313,010

28 Related party transactions

Group

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

The following transactions were carried out with related parties:

i) Services incurred on behalf of other related parties

	2005 Shs'000	2004 Shs'000
BOC Zambia Limited	2,039	1,371
BOC Nigeria Limited	-	273
	2,039	1,644

Notes forming part of the financial statements continued

for the year ended 30 September 2005

28 Related party transactions (continued)

ii) Purchase of goods and services from related parties

	2005 Shs'000	2004 Shs'000
BOC Group plc	22,300	21,747
Afrox Limited	70,229	75,341
Cryostar Limited - France	9,772	4,378
BOC Zambia Limited	-	1,237
	102,301	102,703

Expenses incurred on behalf of other related parties were recharged at actual cost. Purchases from related parties were made at normal commercial terms and conditions similar to those offered to third parties.

iii) Outstanding balances included in receivables

	2005 Shs'000	2004 Shs'000
BOC Malawi Limited	148	147
BOC Zambia Limited	924	759
BOC Nigeria Limited	2,049	2,049
	3,121	2,955

iv) Outstanding balances arising from purchase of goods and services included in payables

	2005 Shs'000	2004 Shs'000
BOC Group plc	4,373	11,984
Afrox Limited	17,890	22,155
Cryostar Limited - France	-	922
	22,263	35,061

v) Directors' remuneration

	2005 Shs'000	2004 Shs'000
- fees	1,741	1,719
- management	12,398	12,308
	14,139	14,027