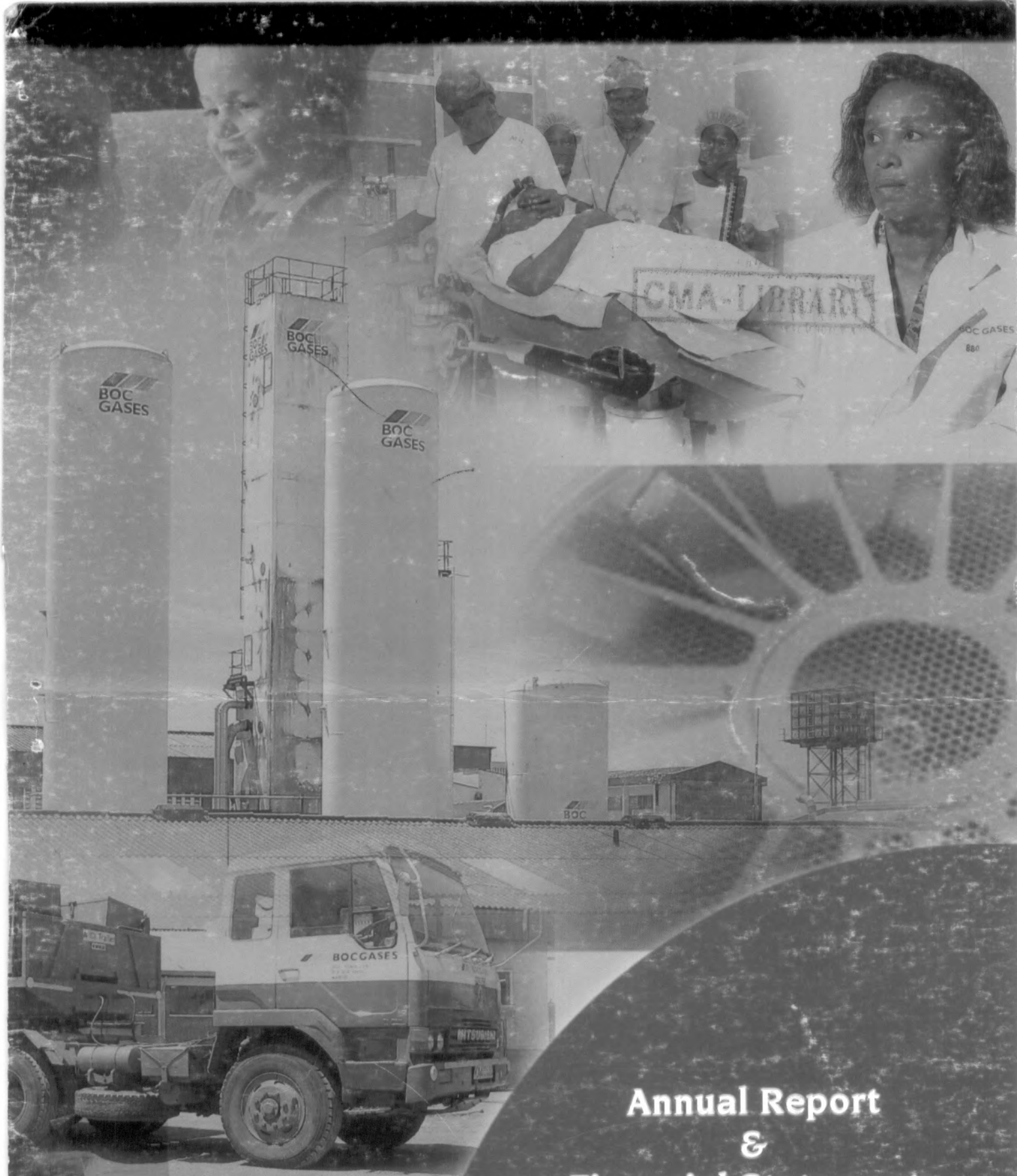

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Annual Report & Financial Statements

for the year ended 30th September 1999

BOC GASES

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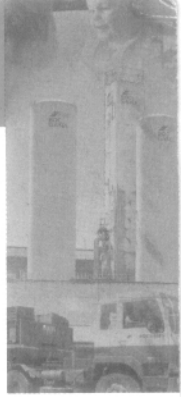
Contents



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BOC Kenya limited -- Periodicals

Notice of Meeting

Notice is hereby given that the Fifty Ninth Annual General Meeting of BOC Kenya Limited will be held at Nairobi Serena Hotel on Thursday, 10th February 2000 at 11.00 a.m.

ORDINARY BUSINESS

a) To receive and consider the Financial Statements for the year ended 30th September 1999 and the Reports of the Directors and Auditors thereon.

b) To declare a dividend.

c) To elect directors

d) To authorise the Directors to fix the remuneration of the auditors. The auditors, PricewaterhouseCoopers continue in office in accordance with the provisions of section 159(2) of the Companies Act.

e) To approve the payment of fees to the Directors for the year ended 30th September 1999.

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

BY ORDER OF THE BOARD
J.M. Kariuki
Secretary

Kitui Road
P.O. Box 18010
NAIROBI

10th January 2000

Notes:

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

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

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

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

2007/0753

Board of Directors

Allan N. Ngugi

James M. Marriott

Joseph G. Kibe

Ivor M. Matthee

Stephen C. Viljoen

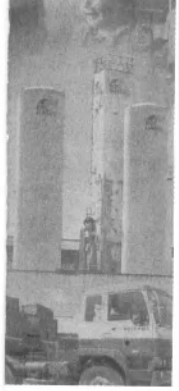
Alfred C. Juma

Ngugi Kiuna

- A N Ngugi
  (Chairman)
- S C Viljoen*
  (Managing)
- J M Marriott*
- A C Juma
- J G Kibe
- Ngugi Kiuna
- Ivor M Matthee*

** South African*

- ***Audit Committee***
  Ivor M Matthee - Chairman
  Ngugi Kiuna
- ***Secretary***
  J M Kariuki
- ***Bankers***
  Barclays Bank of Kenya Limited
  Standard Chartered Bank Kenya Limited
- ***Auditors***
  PRICEWATERHOUSECOOPERS
- ***Registered Office***
  Kitui Road
  P O Box 18010
  Nairobi
- ***Registrars***
  Specialist Corporate Consultants
  P O Box 30633
  Nairobi



Board of Directors - Continued

Allan N. Ngugi
Chairman

Now 62 years of age, Allan graduated with a University of London BA (Hons) degree from Makerere College and started his career with East African Power and Lighting Company Limited in 1963. He joined BOC Kenya Limited in February 1976 as Managing Director (Designate), becoming a full member of the Board in June 1976. He was appointed Chairman of the Board in 1991. He is currently the Chief Executive Officer of the Kenya Association of Manufacturers.

Stephen C. Viljoen
Managing Director

Stephen Viljoen, 42, has a Bachelor of Science degree in chemical engineering and an honours degree in economics. He has 16 years of service with the BOC Group and has gained valuable exposure to the range of value- adding processes from production through to marketing and strategy formulation. He was appointed Managing Director in May 1999.

James M. Marriott
Director

Jimmy has had 24 years of service with Afrox. He started his career in marketing and business management before running, firstly, the Northern Region and, later, the Afrox Cape/Namibian operation.

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

Alfred C. Juma
Director

A BA (Hons) graduate of London University through Makerere College, Alfred Juma, 61 was previously the Managing Director of Avon Rubber Company (Kenya) Limited. He has held positions of Chairman of the Federation of Kenya Employers, Chairman of Kenya Ports Authority and Chairman of Kenya National Assurance Company. He was appointed a non-executive director of BOC Kenya Limited in May 1994.

Joseph G. Kibe
Director

A BA graduate of London University through Makerere College, Joe Kibe, 64, has had a long career in the Kenya Government where he served as Permanent Secretary in six Ministries. He is currently a businessman and farmer. He was appointed a non-executive director of BOC Kenya Limited in August 1991.

Ngugi Kiuna
Director

With a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England, Ngugi Kiuna, 50, is the Managing Director of Diversey Lever East Africa Limited. He was appointed non-executive Director of BOC Kenya Limited in October 1993.

Ivor M. Matthee
Director

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

Report of the Directors

for the year ended 30th September 1999

The directors are pleased to submit their report and the accounts for the year ended 30 September 1999.

PRINCIPAL ACTIVITIES

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

PROFIT AND APPROPRIATIONS

The results for the year are shown on page 11.

DIVIDENDS

An interim dividend of 20%, equal to Shs 19,525,446, was declared in May 1999 and paid in July 1999. The directors recommend that a final dividend of 51%, equal to Shs 49,789,887, be paid on 17 March 2000 to shareholders on the register at the close of business on 26 February 2000.

DIRECTORS

The names of the directors as at 30 September 1999 are set out on page 3.

Messrs R. T. Vice and J. P. Fredericks resigned as directors on 2 September 1999 and messrs J. M. Marriott and I. M. Matthee were appointed directors on 2 September 1999 and, in accordance with Article 98 of the company's Articles of Association they retire and, being eligible, offer themselves for re-election. Mr J.G. Kibe retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

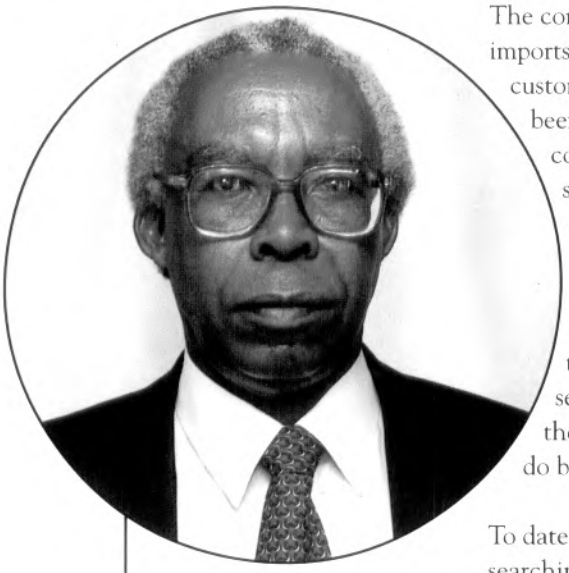
PricewaterhouseCoopers were appointed as auditors during the year following the merger of the former auditors Coopers & Lybrand with PriceWaterhouse and continue in office in accordance with Section 159(2) of the Companies Act.

BY ORDER OF THE BOARD

J M Kariuki
Secretary

10th November 1999

Chairman's Statement



A. N. Ngugi

BUSINESS ENVIRONMENT

The Kenyan economy remains in the doldrums and, without exception, the markets that we service experienced reduced activity and strained liquidity.

The continuing flood of cheap imports has hurt most of our customers and as a result they have been under pressure to reduce costs. This, of course, has led to strong resistance against price increases.

It is clear that most Kenyan manufacturers are going through a period of intense self-analysis and the best of them are redefining the way they do business.

To date, the results of this soul-searching show leaner, more focused companies which should be able to compete strongly into the future and be in a position to lead an East African manufacturing renaissance.

To achieve this goal, however, manufacturers need urgent government assistance, specifically in zero-rating import duties on basic raw materials imported from outside the COMESA region. Without this relief, many manufacturers will either fold up or relocate as they cannot defend their local market against competing finished products coming in from COMESA countries at 2% import duty.

PRODUCTION

The lower activity and reduced volumes put pressure on unit costs. To counter this, all production processes were reviewed and several cost saving innovations were introduced. The BOC Air Separation Unit is still in good condition and is well positioned to serve an expanding East African Market for a number of years. The use of heat shrink seals on all gases has been well received as it makes a clear distinction between full and empty cylinders. It also allows our customers better control of inventories and extends the quality control program.

MARKETING AND SALES

The demand for our core products was weak. The steel and fabrication sectors were particularly hard hit by the economic down-turn. Further afield, the sugar mills struggled with liquidity and depressed selling prices.

The cheap importation of equipment and welding consumables meant that both lower volumes and lower prices were obtained.

Competition was fierce in all sectors, with new players entering the market and competing aggressively for market share. There are signs that several of the competing firms are finding it increasingly difficult to survive in the tough trading conditions and that some of the smaller producers may exit the market.

Highlights in the year were the opening of a branch in Kampala and encouraging sales to the mining industries in Tanzania.

In terms of new product development, we have established the infrastructure to import and handle LPG. This business fits in well with our existing cylinder business and we are optimistic that once the Kenyan economy turns around, this product will provide strong revenue growth.

SAFETY

Safety remains a top priority at BOC Kenya Limited. During the year, we reached two significant milestones. The first and most important was attaining the Group Disabling Injury Target and the only injury experienced in this category was relatively minor. Secondly, our safety system was

audited according to the NOSA Safety System and we achieved a four-star rating at all of our three sites. Our Safety and Quality Controller attended a four-week course in Sweden and carried out valuable benchmarking at top Swedish companies.

Y2K PREPAREDNESS

Our Y2K preparedness was assessed in September, by an independent consultant hired by the Group to evaluate the millennium risk in the Africa region. I am happy to report that the measures taken by BOC Kenya Limited in this regard were deemed adequate, and a certificate issued to this effect. However, it is not intended that this good news should lead to complacency on the part of the directors and management. Planning for contingencies is therefore a process that will continue until all possible risks associated with the transition are deemed well behind us.

HUMAN RESOURCES

During the year, the Company embarked on an extensive productivity and restructuring programme with the twin objectives of enhanced customer focus and the reduction of costs.

An annualized saving of Kshs. 17 million will be achieved from the productivity initiatives and the restructured company has an improved ability to address customer needs and systematically improve the quality of our customer service.

The implementation of our Outcome Based Learning programme progressed with encouraging results during the year. This initiative is based on systematically assessing staff against a defined competency based upon an international benchmark. The benefits are better value delivery to the customer, improved efficiency and enhanced practice in terms of safety.

The Company also continues to implement its policy on recruitment, training and development of staff that aims at ensuring the availability of a strong and continuing supply of the skills that are necessary for the future success of the business.

PROSPECTS

The customer-base that we serve is locked in a vice of limited liquidity and stalled demand.

It is not clear that this situation will change much in the immediate future. In the absence of major projects the demand for our equipment and gases is unlikely to change. In order to address the problems that this poses to BOC, we must review all costs. Several initiatives are under way and some are already showing positive results.

We will also need to utilise opportunities in the neighbouring countries. We have had a number of successes to date but need to extend and entrench this activity.

Finally, we are reviewing a number of synergistic products such as LPG to re-establish growth in a dull market.

BOARD OF DIRECTORS

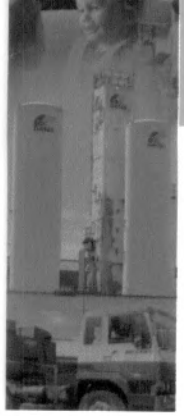
This year, I am pleased to welcome two new directors, who joined the Board with effect from 2nd September 1999:

- Mr James Murray Marriott, Chief Executive, Industrial and Special Products, BOC Gases, Africa.

- Mr Ivor Michael Matthee, currently responsible for BOC's African Operations and Company Secretary, African Oxygen Limited.

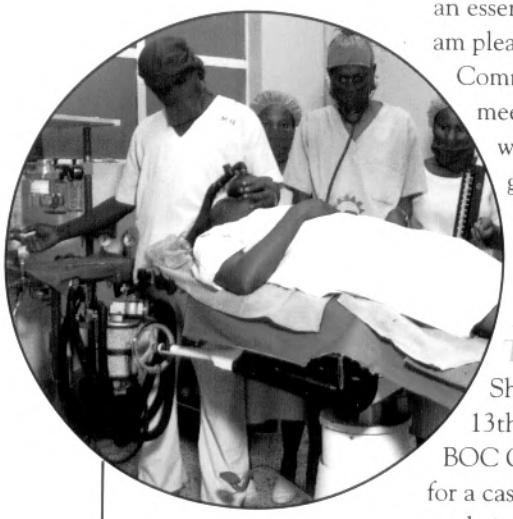
I look forward to their contribution to the affairs of the Company. I am also pleased to report that, Mr Stephen C.

HANDIGAS is the brand name of our recently introduced LPG product range.



Viljoen, who was previously serving the company in the position of Business Operations Director, was appointed Managing Director in May 1999 following my retirement as an Executive Director at the end of 1998.

The Board supports the highest standards in corporate governance. As an essential part of this commitment, I am pleased to report that the Audit Committee of the Board held regular meetings during the year to deal with various issues relating to good corporate governance.



For healthcare gases and equipment, BOC Gases is a market leader

ACQUISITION OF THE BOC GROUP

Shareholders are aware that on 13th July 1999, the Board of The BOC Group announced agreed terms for a cash offer for the Company to be made jointly by Air Liquide and Air Products.

While the regulatory approval process on the acquisition is being pursued, I would like to assure our stakeholders of BOC Kenya's commitment to provide its customers with the highest level of service into the millennium.

Mother and child care using BOC Gases products

APPRECIATION

The year under review has been a challenging one and exceptional demands were placed on all our people. I would like to thank each and every employee for their commitment to the success of the company.

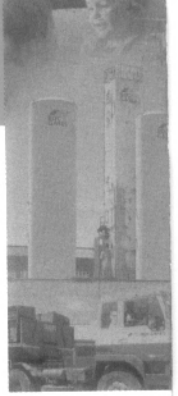
In doing so, I also wish to announce my intention to step down as a director and chairman of the Board of Directors after the next Annual General Meeting scheduled for 10th February 2000. By then, I shall have been associated with the company as a member of the Board for twenty-four years.

I wish to thank my fellow directors, shareholders, customers, agents, suppliers, management and staff for their unfailing support. I am confident that, with the current Board and the underlying strength of BOC Kenya Limited, particularly in the quality of its employees, the company will take full advantage of opportunities for growth and profitability into the future.

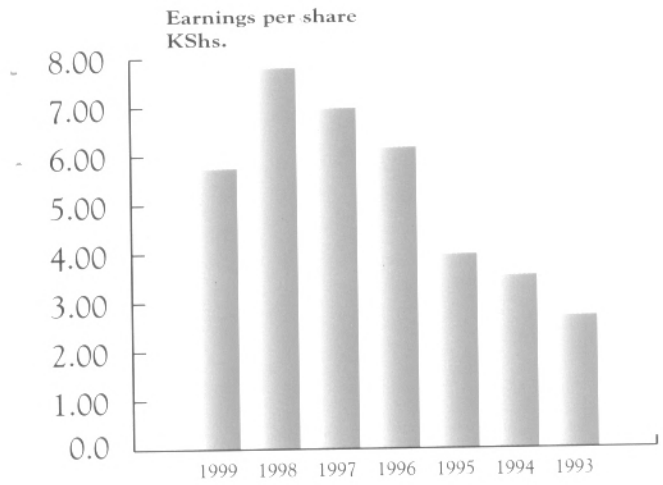
A. N. NGUGI

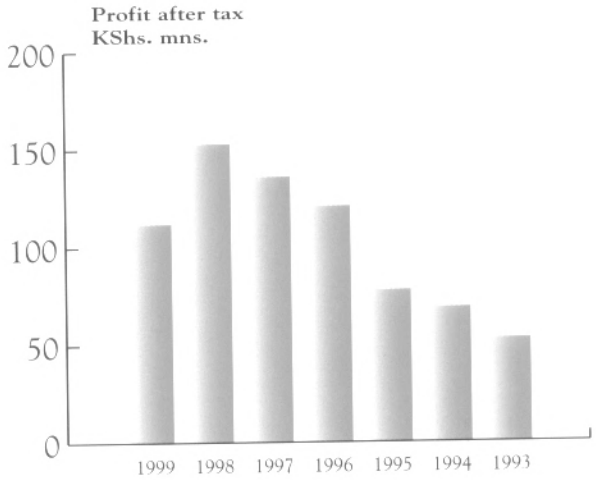
10th November 1999.

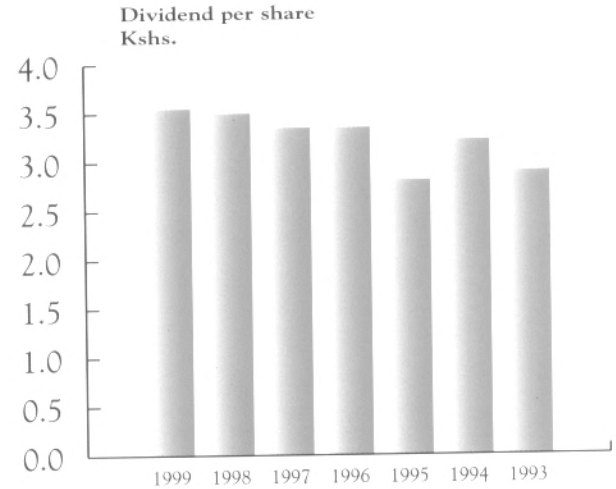
Comparative Results

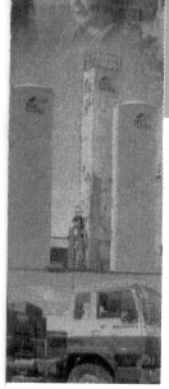


	1999 Kshs'000	1998 Kshs'000	1997 Kshs'000	1996 Kshs'000	1995 Kshs'000	1994 Kshs'000	1993 Kshs'000
Issued share capital	97,627	97,627	97,627	97,627	97,326	80,805	53,601
Reserves	1,156,141	1,022,034	858,658	787,753	630,636	623,309	632,570
Net Assets	1,253,768	1,119,661	956,285	885,380	727,962	704,114	686,171
Trans from reserves							
Dividends	69,315	68,339	65,410	65,410	54,623	51,972	31,089
Taxation	68,504	97,127	87,774	56,161	55,387	64,164	34,756
Retained profits	42,872	84,216	70,905	55,148	23,150	17,210	21,879
Profit before tax	180,691	249,682	224,089	176,719	133,160	133,346	87,724
Dividend per share	3.55	3.50	3.35	3.35	2.81	3.22	2.90
Shareholders funds	1,254	1,120	956	885	728	704	686
Earnings per share	5.75	7.81	6.98	6.17	3.98	3.54	2.71
Profit after tax	112	153	136	121	78	69	53









Report of the Auditors

We have audited the financial statements set out on pages 11 to 27. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The financial statements of the company are in agreement with the books of account.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

Opinion

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the group's and company's financial affairs at 30 September 1999, and of the group's profit and cash flows for the year then ended, and comply with International Accounting Standards and the Kenyan Companies Act.

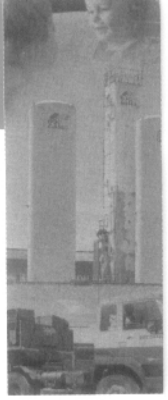
PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

3rd December 1999.
Nairobi

Consolidated Profit and Loss Account

for the year ended 30 September 1999



	Notes	1999 Shs'000	As restated 1998 Shs'000
Sales		575,473	628,040
Cost of sales		(286,728)	(299,412)
Gross profit		288,745	328,628
Distribution costs		(22,880)	(21,032)
Administration costs		(123,487)	(139,750)
Operating profit	1	142,378	167,846
Net interest income		38,313	81,836
Profit before tax		180,691	249,682
Tax	4	(68,504)	(91,250)
Profit after tax		112,187	158,432
Earnings per share	6	Shs 5.74	Shs 8.11

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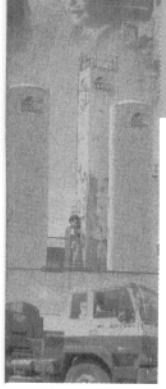


Consolidated Balance Sheet

at 30th September 1999

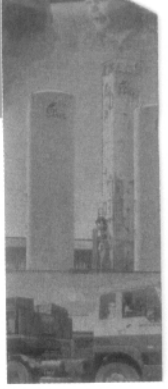
	Notes	1999 Shs'000	As restated 1998 Shs'000
ASSETS			
FIXED ASSETS	7	522,814	438,077
CURRENT ASSETS			
Stocks	9	165,729	127,676
Receivables and prepayments	10	199,194	192,710
Tax recoverable		13,899	-
Cash and bank balances	11	351,157	361,198
		729,979	681,584
TOTAL ASSETS		1,252,793	1,119,661
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	17	97,627	97,627
Share premium		2,554	2,554
Revaluation and other reserves		148,839	139,719
Retained earnings	12	562,844	487,161
		811,864	727,061
Deferred tax	13	155,231	149,842
CURRENT LIABILITIES			
Trade and other payables	14	209,526	174,156
Tax payable		-	2,117
Dividends		63,970	61,554
Bank overdraft	15	12,202	4,931
TOTAL LIABILITIES		440,929	392,600
TOTAL EQUITY AND LIABILITIES		1,252,793	1,119,661

The financial statements on pages 11 to 27 were approved by the Board of Directors on 10th November 1999 and signed on its behalf by:

A.N. NGUGI (CHAIRMAN)
S .C. VILJOEN (MANAGING DIRECTOR)

Company Balance Sheet

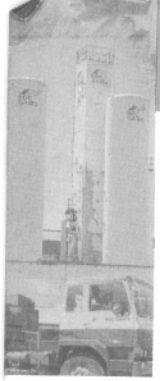
at 30 September 1999



	Notes	1999 Shs'000	As restated 1998 Shs'000
ASSETS			
FIXED ASSETS	7	512,689	438,077
INVESTMENTS IN SUBSIDIARIES	8	50	-
CURRENT ASSETS			
Stocks	9	162,492	127,676
Amount due from subsidiaries		19,706	-
Receivables and prepayments	10	194,348	192,710
Tax recoverable		13,899	-
Cash and bank balances	11	350,584	361,198
		741,029	681,584
TOTAL ASSETS		1,253,768	1,119,661
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	17	97,627	97,627
Share premium		2,554	2,554
Revaluation and other reserves		148,839	139,719
Retained earnings	12	564,173	487,161
		813,193	727,061
Deferred tax	13	155,231	149,842
CURRENT LIABILITIES			
Trade and other payables	14	209,172	174,156
Tax payable		-	2,117
Dividends		63,970	61,554
Bank overdraft	15	12,202	4,931
TOTAL LIABILITIES		440,575	392,600
TOTAL EQUITY AND LIABILITIES		1,253,768	1,119,661

The financial statements on pages 11 to 27 were approved by the Board of Directors on 10th November 1999 and signed on its behalf by:

A.N. NGUGI (CHAIRMAN)
S .C. VILJOEN (MANAGING DIRECTOR)



Consolidated Cashflow Statement

for the year ended 30 September 1999

	Notes	1999 Shs'000	As restated 1998 Shs'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	16	176,809	191,625
Net interest received		38,313	81,836
Income taxes paid		(79,131)	(120,222)
Net cash inflow from operating activities		135,991	153,239
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(117,729)	(56,915)
Proceeds from sale of fixed assets		6,551	2,919
Net cash outflow from investing activities		(111,178)	(53,996)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(66,899)	(66,867)
Net cash flow from financing activities		(66,899)	(66,867)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(42,086)	32,376
Cash and cash equivalents at the beginning of the year	18	356,267	319,684
(Decrease)/increase in cash and cash equivalents		(42,086)	32,376
Effect of exchange rate changes		24,774	4,207
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	338,955	356,267

Consolidated Statement of Changes in Equity

for the year ended 30 September 1999

	Share Capital Shs'000	Share Premium Shs'000	Revaluation Reserve Shs'000	Revenue Reserve Shs'000	Total Equity Shs'000
Balance at 1 October 1997					
As previously reported	97,627	2,554	336,110	519,994	956,285
Prior year adjustment (Note 13)	-	-	-	(155,719)	(155,719)
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Depreciation transfer	-	-	(32,793)	32,793	-
Profit after tax	-	-	-	158,432	158,432
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Balance at 30 September 1998	97,627	2,554	139,719	487,161	727,061
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Revaluation of fixed assets			12,125	-	12,125
Depreciation transfer	-	-	(32,811)	32,811	-
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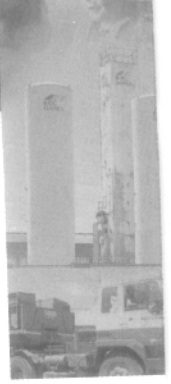
Consolidated Statement of Changes in Equity

for the year ended 30 September 1999



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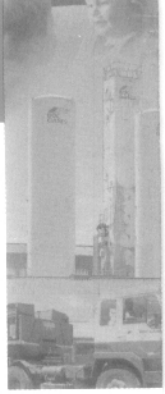

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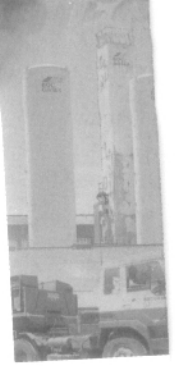

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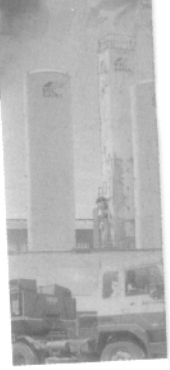

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Accounting Policies

for the year ended 30 September 1999

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

1. BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with and comply with the International Accounting Standards (IAS) which have been adopted from 1 October 1998. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings.

With the exception of IAS 12, income taxes, there are no changes in accounting policy that affect operating profit resulting from the adoption of IAS.

2. CONSOLIDATION

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

3. REVENUE RECOGNITION

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

4. FIXED ASSETS

a) Land and buildings are recorded at market value less depreciation based on revaluation values. Properties are valued periodically by external valuers. All other assets are valued at historical cost less depreciation.

b) Revaluation reserve

Transfers are made from the fixed assets revaluation reserve to retained profits in order to amortise the reserve arising from fixed assets revaluation over the remaining useful lives of the assets concerned and to eliminate amounts attributable to disposals.

c) Depreciation

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

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

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

1 OPERATING PROFIT

	1999 Shs'000	1998 Shs'000
The following items have been charged/(credited) in arriving at operating profit:		
Staff costs (Note 2)	106,178	108,768
Depreciation	70,080	63,965
Auditors' remuneration	950	874
Directors' emoluments (Note 3)	13,915	18,215

2 STAFF COSTS

Wages and salaries	92,728	103,493
Pension costs - defined contribution plans	1,047	1,405
Pension costs - defined benefit plans	3,742	3,870
Retrenchment and termination benefits	8,661	-
	106,178	108,768

The average number of employees during the year was 177 (1998: 183).

3 DIRECTORS' EMOLUMENTS

The emoluments of directors are as follows:-		
For services rendered:		
As directors	972	504
As management	12,943	17,711
	13,915	18,215

4 TAX

Current tax at 32.5% (1998: 32.5%) on taxable profit for the year	63,340	94,336
(Over)/under provision in prior years	(225)	2,791
	63,115	97,127
Deferred tax charge/(credit) (Note 13)	5,389	(5,877)
	68,504	91,250

The tax on profits before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	180,691	249,682
Tax calculated at a tax rate of 32.5%	58,725	81,147
(Over)/underprovision for prior year	(225)	2,791
Expenses not deductible for tax purposes	249	16
Income not subject to tax	(556)	(711)
Effect on capital work in progress	8,167	9,289
Others	2,144	(1,282)
	68,504	91,250

5. INVENTORIES

Inventories, including work in progress, are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and where appropriate, includes a proportion of production overhead expenses. Net realisable value is the expected sales proceeds of stocks after deducting costs of disposal. Specific provision is made for obsolete, slow moving and defective stocks.

6. FOREIGN CURRENCIES

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

7. TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. Specific provision is made for all known doubtful debts and bad debts are written off when all reasonable steps to recover them have failed.

8. RETIREMENT BENEFITS

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

The pension accounting costs are assessed using the attained age normal method. Under this method, current service costs are determined using the aggregate method, but applied only to retirement benefits in respect of service in the future in accordance with the advice of qualified actuaries who value the plans once every three years. The group's contributions to the pension plans are charged to the income statement in the year to which they relate.

9. DEFERRED INCOME TAX

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

The principal temporary differences arise from depreciation on fixed assets.

10. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted to take into account the requirements of International Accounting Standards.

CMA-LIBRARY

5 DIVIDENDS

	1999 Shs'000	1998 Shs'000
Interim	19,525	19,525
Final- proposed	49,790	48,814
Total	69,315	68,339
Dividends per share (Shs)	3.55	3.50

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

6 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. Basic earnings per share equal diluted earnings per share.

	1999 Shs'000	1998 Shs'000
Net profit attributable to the shareholders (Shs'000)	112,187	158,432
Weighted average number of ordinary shares in issue (thousands)	19,525	19,525
Earnings per share	5.74	8.11

Notes forming part of the financial statements - Continued

for the year ended 30 September 1999

FIXED ASSETS

CONSOLIDATED	Freehold and leasehold land and buildings Shs'000	Plant and machinery and motor vehicles Shs'000	Cylinders Shs'000	Furniture and fittings Shs'000	Capital work in progress Shs'000	TOTAL Shs'000
Cost or valuation						
At 1 October 1998						
As previously reported	200,572	949,084	272,939	28,518	28,583	1,479,696
Prior year adjustment	-	(672,021)	(161,137)	-	-	(833,158)
As restated	200,572	277,063	111,802	28,518	28,583	646,538
Additions	2,358	26,568	10,489	1,031	77,283	117,729
Disposals	-	(6,443)	(891)	-	-	(7,334)
Revaluation	(2,563)	-	-	-	-	(2,563)
Transfers	9,633	18,733	36,733	15,639	(80,738)	-
At 30 September 1999	210,000	315,921	158,133	45,188	25,128	754,370
Depreciation						
At 1 October 1998						
As previously reported	(10,060)	(667,975)	(175,750)	(24,236)	-	(878,021)
Prior year adjustment	-	556,082	143,284	-	-	699,366
	(10,060)	(111,893)	(32,466)	(24,236)	-	(178,655)
Charge for the year	(4,628)	(51,085)	(7,518)	(6,849)	-	(70,080)
On disposals	-	1,690	801	-	-	2,491
Revaluation	14,688	-	-	-	-	14,688
At 30 September 1999	-	(161,288)	(39,183)	(31,085)	-	(231,556)
Net book amount						
At 30 September 1999	**210,000**	**154,633**	**118,950**	**14,103**	**25,128**	**522,814**
At 30 September 1998	190,512	138,984	75,716	4,282	28,583	438,077

7 *FIXED ASSETS (CONTINUED)*

COMPANY	Freehold and leasehold land and buildings Shs'000	Plant and machinery and motor vehicles Shs'000	Cylinders Shs'000	Furniture and fittings Shs'000	Capital work in progress Shs'000	TOTAL Shs'000
Cost or valuation						
At 1 October 1998						
As previously reported	200,572	949,084	272,939	28,518	28,583	1,479,696
Prior year adjustment	-	(672,021)	(161,137)	-	-	(833,158)
As restated	200,572	277,063	111,802	28,518	28,583	646,538
Additions	2,358	26,568	364	1,031	77,283	107,604
Disposals	-	(6,443)	(891)	-	-	(7,334)
Revaluation	(2,563)	-	-	-	-	(2,563)
Transfers	9,633	18,733	36,733	15,639	(80,738)	-
At 30 September 1999	210,000	315,921	148,008	45,188	25,128	744,245
Depreciation						
At 1 October 1998						
As previously reported	(10,060)	(667,975)	(175,750)	(24,236)	-	(878,021)
Prior year adjustment	-	556,082	143,284	-	-	699,366
As restated	(10,060)	(111,893)	(32,466)	(24,236)	-	(178,655)
Charge for the year	(4,628)	(51,085)	(7,518)	(6,849)	-	(70,080)
On disposals	-	1,690	801	-	-	2,491
Revaluation	14,688	-	-	-	-	14,688
At 30 September 1999	-	(161,288)	(39,183)	(31,085)	-	(231,556)
Net book amount						
At 30 September 1999	**210,000**	**154,633**	**108,825**	**14,103**	**25,128**	**512,689**
At 30 September 1998	190,512	138,984	75,716	4,282	28,583	438,077

7 FIXED ASSETS (CONTINUED)

Land and buildings were revalued on 30 September 1999 by Ngotho Wahome Company Limited, professional valuers, using an open market basis.

Previously, plant and machinery and cylinders were stated at cost and at directors' valuation. The revalued assets have been restated to cost at 30 September 1999. A prior period adjustment has been passed to restate the comparatives.

Fully depreciated assets amounting to Shs 378,339,249 (1998: Shs. 230,585,000) are still in use. Notional annual depreciation on these assets amounts to Shs 19,777,392 (1998: Shs 11,633,770).

8 INVESTMENTS IN SUBSIDIARY COMPANIES

		COMPANY	
	Percentage Shareholding	1999 Shs'000	1998 Shs'000
East African Oxygen Limited	100%	-	-
BOC Tanzania Limited	100%	-	-
BOC Uganda Limited	100%	50	-

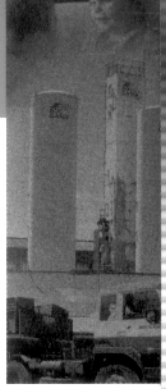
East African Oxygen Limited is incorporated in Kenya. BOC Tanzania Limited and BOC Uganda Limited are incorporated in Tanzania and Uganda respectively.

9 STOCKS

	COMPANY		GROUP	
	1999 Shs'000	1998 Shs'000	1999 Shs'000	1998 Shs'000
Raw materials	6,288	16,227	6,288	16,227
Saleable stocks	68,444	54,034	69,305	54,034
Plant spares	44,168	35,967	44,168	35,967
Goods in transit	36,830	11,770	36,830	11,770
Work in progress	1,574	3,225	1,574	3,225
Others	5,188	6,453	7,564	6,453
	162,492	127,676	165,729	127,676

10 RECEIVABLES AND PREPAYMENTS

Trade debtors	178,658	192,599	183,504	192,599
Accruals and prepayments	15,690	111	15,690	111
	194,348	192,710	199,194	192,710



	COMPANY		GROUP	
11 CASH AND BANK BALANCES	1999 Shs'000	1998 Shs'000	1999 Shs'000	1998 Shs'000
Short term deposits	344,623	352,847	344,623	352,847
Cash and current account balances	5,961	8,351	6,534	8,351
	350,584	361,198	351,157	361,198

12 RETAINED EARNINGS

At 1 October 1998	487,161	364,275	487,161	364,275
Depreciation transfer	32,811	32,793	32,811	32,793
Retained profit for the year	44,201	90,093	42,872	90,093
	564,173	487,161	562,844	487,161

13 DEFERRED TAX

	COMPANY AND GROUP	
	1999 Shs'000	1998 Shs'000
Deferred tax as previously reported	-	-
Prior year adjustment	149,842	155,719
As restated	149,842	155,719
Charge/(credit) to profit and loss account	5,389	(5,877)
	155,231	149,842

The prior year adjustment is as a result of a change in accounting policy to comply with International Accounting Standard 12. As a result of this change, deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 32.5%. Previously, deferred income taxes were not provided for.

14 TRADE AND OTHER PAYABLES

	COMPANY		GROUP	
	1999 Shs'000	1998 Shs'000	1999 Shs'000	1998 Shs'000
Trade creditors	73,477	49,216	73,477	49,216
Due to group companies	29,040	11,809	29,040	11,809
Other creditors	26,897	37,746	27,301	37,746
Cylinder deposits	79,708	75,385	79,708	75,385
Due to subsidiary	50	-	-	-
	209,172	174,156	209,526	174,156

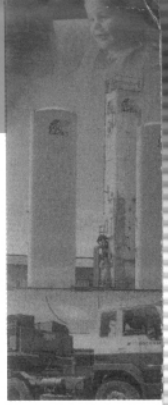
15 BANK OVERDRAFT

Bank overdraft	12,202	4,931	12,202	4,931

The bank overdraft is secured on a lien over the assets of the company.

16 CASH GENERATED FROM OPERATIONS

	1999 Shs'000	1998 Shs'000
Profit before taxation	180,691	249,682
Adjustments for:-		
Depreciation	70,080	63,965
Profit on sale of fixed assets	(1,708)	(2,187)
Foreign exchange gains	(24,774)	(4,207)
Gross interest income from short term deposits	(38,623)	(82,278)
Interest paid	310	442
Operating cashflow before working capital changes	185,976	225,417
Increase in trade and other debtors	(6,484)	(73,474)
(Increase)/decrease in stocks	(38,053)	26,022
Increase in trade creditors	35,370	13,660
	176,809	191,625



17 SHARE CAPITAL

	GROUP	
	1999 Shs'000	1998 Shs'000
Authorised:		
20,000,000 ordinary shares of Shs 5 each	100,000	100,000
Issued and fully paid:		
19,525,446 ordinary shares of Shs 5 each	97,627	97,627

18 CASH AND CASH EQUIVALENTS

Cash and bank balances	351,157	361,198
Bank overdraft	(12,202)	(4,931)
	338,955	356,267

19 AMOUNTS DUE FROM/TO GROUP COMPANIES

	COMPANY AND GROUP	
	1999 Shs'000	1998 Shs'000
Due from:		
BOC Plc	-	-
Due to:		
BOC Plc		
for technical fees	3,175	6,255
others	9,181	-
	12,356	6,255
Others group companies	16,684	5,554
	29,040	11,809

20 BUSINESS SEGMENTS

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

21 RELATED PARTY TRANSACTIONS

During the year, the company made purchases amounting to Shs 78,648,403 (1998: Shs 28,544,000) from companies related to it by virtue of common shareholding. These transactions were at arm's length and in the normal course of business. Amounts not settled as at the balance sheet dates are included under "Due to/ from group companies" on Note 19.

22 RETIREMENT BENEFFIT OBLIGATIONS

Defined benefit plan

Under the defined benefit plan, retirement benefits are determined by reference to the employees' pensionable remuneration and years of service. The payments made every year to the trust fund are determined on an actuarial basis designed to provide sufficient resources during the working life of full- time employees to pay pensions to them after their retirement. For the year ended 30 September 1999, Shs 3,742,000 (1998 Shs 3,870,000) was paid as contribution to the fund and charged to the profit and loss account.

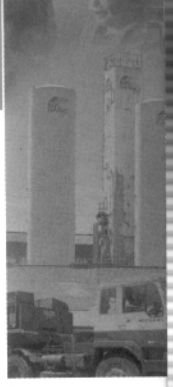
The fund is actuarially valued every three years using the Attained Age Normal Method. The last actuarial valuation on 1 October 1997 revealed a shortfall of Shs 1.7 million. The total past service liabilities at that date was Shs 76.57 million while the assessed value of the fund was Shs 75.30 million.

The principal actuarial assumptions were:

Valuation rate of interest	10%
Rate of salary escalation	8%
Allowance for future pension increases	0%

Defined contribution plans

The Group also makes contributions to a group defined contribution pension plan and to a statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the group plan are determined by the rules of the plan and totalled Shs 856,000 (1998: 1,110,000) in the year. Contributions to the statutory scheme are determined by local statute. For the year ended 30 September 1999 the group contributed Shs 191,000 (1998 Shs 305,000) to the statutory scheme.



23 CAPITAL COMMITMENTS

	1999 Shs'000	1998 Shs'000
Commitments in respect of contracts	18,155	10,441
Approved by the directors but not contracted for	392,629	370,506

24 CONTINGENT LIABILITIES

Contingent liabilities upon which no losses are anticipated comprise:-

	1999 Shs'000	1998 Shs'000
Bank guarantees	5,316	5,316

25 INCORPORATION

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

26 CURRENCY

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

Products and services

INDUSTRIAL GASES

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
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 and manual suction pumps
Ambu bags
Respirometers
Halothane and Ethane Vaporisers
Infusion pumps and syringe - extension lines
IV Venflon Cannula

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

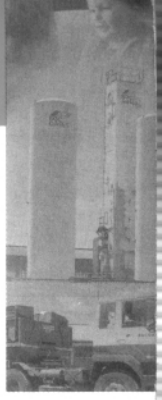
WELDING PRODUCTS

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

Power tools
Angle grinders
Die grinders
Circular saws
Jigsaws
Drills
Impact drills
Cordless drills
Rotary hammers
Grinding discs
Drill Bits
Cutting Discs

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



THE SECRETARY

BOC KENYA LIMITED

P.O. BOX 18010

NAIROBI

PROXY

I/We .....

of .....

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

.....

of .....

or failing him /her .....

of .....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 10th February 2000 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.

BOC GASES
BOCGASES
MITSUBISHI

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
Agents			
Ibrahim Karimbux Ltd.	Nakuru	15265, Nakuru	037 - 43614
Central Farmers Garage	Kitale	97, Kitale	0325 - 20828
Rangi Enterprises Ltd.	Kisumu	82, Kisumu	035 - 41405
Shabana Hardware & General Stores Ltd.	Kisii	208, Kisii	0381 - 20595
Shabana Hardware & General Stores Ltd.	Migori	208, Kisii	0387 - 20326
Mohamed Moti & Sons (K) Ltd.	Meru	19, Meru	0164 - 20718
E.K. Wachira & Sons	Nyeri	115, Nyeri	0171 - 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
Thika General Stores	Thika	172, Thika	0151 - 21882
Abdulrasul Mulla & Sons	Malindi	92, Malindi	0123 - 200089
Akamba Timber & Hardware Ltd.	Machakos	143, Machakos	0145 - 21730 & 21661
Atlas Hardware Ltd.	Nairobi	72609, Nairobi (Kirinyaga Road)	336626, 228827 & 223606
Unia & Company	Nyahururu	205, Nyahururu	0365 - 22101 & 22102
Kamba Hardware	Kitui	651, Kitui	0141 - 22084
P.K. Bhatia	Bungoma	4, Bungoma	0337 - 30447/447
Ideal Spares & 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 - 311853/4/5
Murang'a Motor 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
Conpak Limited	Kiserian	305, Kiserian	0303-25411