

## Report by the independent auditors

To the members of The BOC Group plc

We have audited the financial statements which comprise the Group profit and loss account, the Group balance sheet, the Group cash flow statement, the total recognised gains and losses, the movement in shareholders' funds, the balance sheet of The BOC Group plc, Group undertakings, accounting policies and the related notes. We have also examined the amounts disclosed relating to the remuneration, share options and long-term incentive schemes' interests of the directors which form part of the report on remuneration.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, Form 20-F and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority. This opinion has been prepared for, and only for, the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the financial highlights, chairman's statement, chief executive's review, board of directors, executive management board, Group five year record, Group profile, employees, safety, health and the environment, research, development and information technology, risk factors, performance review, finance and treasury review, responsibility of the directors, dividends, nature of trading market, analysis of shareholdings, taxation, financial calendar, key contacts information, cross reference to Form 20-F and glossary of terms.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or Group's corporate governance procedures or its risk and control procedures.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the United Kingdom Auditing Practices Board and with Auditing Standards generally accepted in the United States. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**United Kingdom opinion** In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 30 September 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.

**United States opinion** In our opinion the financial statements present fairly, in all material respects, the consolidated financial position of the Group at 30 September 2002 and 2001 and the results of its operations and its cash flows for each of the three years in the period ended 30 September 2002 in conformity with accounting principles generally accepted in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of net income expressed in sterling for each of the three years in the period ended 30 September 2002 and the determination of shareholders' equity also expressed in sterling at 30 September 2002 and 2001 to the extent summarised in note 16 to the financial statements.

As shown in note 17 to the financial statements, the Group adopted two new accounting standards, for retirement benefits and deferred tax, in 2002. The change has been accounted for by restating comparative information at 30 September 2001 and 2000 and for the years then ended.

### **PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

London, England

22 November 2002

## Group profit and loss account

Years ended 30 September

	Notes	2002			2001 (restated)			2000 (restated)		
		Before exceptional items £ million	Exceptional items £ million	After exceptional items £ million	Before exceptional items £ million	Exceptional items £ million	After exceptional items £ million	Before exceptional items £ million	Exceptional items £ million	After exceptional items £ million
<b>Turnover</b>										
Continuing operations		3,890.8	–	3,890.8	4,159.2	–	4,159.2	3,878.8	–	3,878.8
Acquisitions		127.1	–	127.1	–	–	–	–	–	–
<b>Turnover, including share of joint ventures and associates</b>	1	<b>4,017.9</b>	<b>–</b>	<b>4,017.9</b>	4,159.2	–	4,159.2	3,878.8	–	3,878.8
Less: Share of turnover of joint ventures		324.1	–	324.1	340.0	–	340.0	258.0	–	258.0
Share of turnover of associates		36.1	–	36.1	46.3	–	46.3	41.1	–	41.1
Turnover of subsidiary undertakings		3,657.7	–	3,657.7	3,772.9	–	3,772.9	3,579.7	–	3,579.7
Cost of sales	2(a)	(2,089.7)	(15.1)	(2,104.8)	(2,164.2)	(44.6)	(2,208.8)	(2,035.2)	(0.6)	(2,035.8)
Gross profit		1,568.0	(15.1)	1,552.9	1,608.7	(44.6)	1,564.1	1,544.5	(0.6)	1,543.9
Net operating expenses	2(a)	(1,142.4)	(58.9)	(1,201.3)	(1,150.3)	(61.1)	(1,211.4)	(1,104.7)	(3.8)	(1,108.5)
<b>Operating profit</b>										
Continuing operations		421.2	(67.8)	353.4	458.4	(105.7)	352.7	439.8	(4.4)	435.4
Acquisitions		4.4	(6.2)	(1.8)	–	–	–	–	–	–
<b>Operating profit of subsidiary undertakings</b>		<b>425.6</b>	<b>(74.0)</b>	<b>351.6</b>	458.4	(105.7)	352.7	439.8	(4.4)	435.4
Share of operating profit of joint ventures		63.8	(0.5)	63.3	59.0	(2.2)	56.8	48.1	–	48.1
Share of operating profit of associates		10.7	–	10.7	13.2	(0.4)	12.8	8.5	–	8.5
<b>Total operating profit including share of joint ventures and associates</b>	1	<b>500.1</b>	<b>(74.5)</b>	<b>425.6</b>	530.6	(108.3)	422.3	496.4	(4.4)	492.0
Loss on termination/disposal of businesses – continuing operations	2(b)	–	(20.2)	(20.2)	–	–	–	–	–	–
Profit on disposal of health care discontinued business	2(b)	–	–	–	–	–	–	–	12.5	12.5
Profit on disposal of fixed assets – continuing operations	2(b)	–	–	–	–	3.6	3.6	–	–	–
Profit on ordinary activities before interest		500.1	(94.7)	405.4	530.6	(104.7)	425.9	496.4	8.1	504.5
Interest on net debt	3(a)			(103.1)			(123.4)			(111.5)
Interest on pension scheme liabilities	6(e)			(106.1)			(107.2)			(100.7)
Expected return on pension scheme assets	6(e)			139.1			166.9			149.5
Net interest				(70.1)			(63.7)			(62.7)
<b>Profit on ordinary activities before tax</b>				<b>335.3</b>			<b>362.2</b>			<b>441.8</b>
Tax on profit on ordinary activities	4(a)			(106.2)			(104.6)			(135.2)
Profit on ordinary activities after tax				229.1			257.6			306.6
Minority interests – equity				(26.2)			(33.5)			(28.0)
<b>Profit for the financial year</b>				<b>202.9</b>			<b>224.1</b>			<b>278.6</b>
Dividends	12(a)			(186.6)			(180.3)			(170.2)
Retained profit for the financial year				16.3			43.8			108.4
<b>Earnings per 25p</b>										
<b>Ordinary share, basic</b>	2(d)									
– on published earnings				41.36p			46.03p			57.19p
– on exceptional items				14.58p			11.48p			(3.66)p
– before exceptional items				55.94p			57.51p			53.53p
<b>Earnings per 25p</b>										
<b>Ordinary share, diluted</b>	2(d)									
– on published earnings				41.21p			45.87p			56.90p
– on exceptional items				14.53p			11.44p			(3.64)p
– before exceptional items				55.74p			57.31p			53.26p

All turnover and operating profit arose from continuing operations.

## Group balance sheet

At 30 September

	Notes	2002 £ million	2001 (restated) £ million
<b>Fixed assets</b>			
Intangible assets	7	150.7	48.1
Tangible assets	8	3,027.4	3,168.6
Investment in joint ventures			
– share of gross assets		616.2	615.2
– share of gross liabilities		(410.7)	(410.4)
		205.5	204.8
– loans to joint ventures		111.8	97.6
Investment in associates			
– share of net assets		57.5	47.1
– loans to associates		6.2	9.1
Investment in own shares		42.5	59.5
Other investments		45.1	31.7
Investments	9	468.6	449.8
		3,646.7	3,666.5
<b>Current assets</b>			
Stocks	10(a)	260.0	275.2
Debtors falling due within one year	10(b)	733.8	713.3
Debtors falling due after more than one year	10(c)	28.3	21.3
Investments		38.8	43.2
Cash at bank and in hand	10(d)	185.5	233.5
		1,246.4	1,286.5
<b>Current liabilities</b>			
<b>Creditors: amounts falling due within one year</b>			
Borrowings and finance leases	10(e)	(390.1)	(486.4)
Other creditors	10(f)	(857.8)	(795.3)
		(1,247.9)	(1,281.7)
<b>Net current (liabilities)/assets</b>			
		(1.5)	4.8
<b>Total assets less current liabilities</b>			
		3,645.2	3,671.3
<b>Long-term liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings and finance leases	11(a)	(1,121.0)	(1,019.9)
Other creditors		(58.0)	(59.4)
		(1,179.0)	(1,079.3)
<b>Provisions for liabilities and charges</b>			
	11(b)	(407.5)	(419.2)
<b>Total net assets excluding pension assets and liabilities</b>			
		2,058.7	2,172.8
Pension assets	6(e)	54.3	107.0
Pension liabilities	6(e)	(311.0)	(56.0)
<b>Total net assets including pension assets and liabilities</b>			
		1,802.0	2,223.8
<b>Capital and reserves</b>			
Equity called up share capital	12(b)	124.3	123.6
Share premium account	12(c)	362.1	335.8
Revaluation reserves	12(c)	27.8	47.9
Profit and loss account	12(c)	1,304.8	1,400.3
Pensions reserves	12(c)	(256.5)	47.1
Joint ventures' reserves	12(c)	88.1	98.1
Associates' reserves	12(c)	33.5	33.4
<b>Equity shareholders' funds</b>			
Minority shareholders' equity interests		1,684.1	2,086.2
		117.9	137.6
<b>Total capital and reserves</b>			
		1,802.0	2,223.8

The financial statements were approved by the board of directors on 22 November 2002 and are signed on its behalf by:

**A E Isaac** Director **R Médori** Director

## Group cash flow statement

Years ended 30 September

	Notes	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
<b>Net cash inflow from operating activities</b>	14(a)	<b>759.3</b>	787.8	705.0
<b>Dividends from joint ventures and associates</b>				
Dividends from joint ventures		30.5	19.4	20.0
Dividends from associates		3.4	4.1	2.1
<b>Dividends from joint ventures and associates</b>		<b>33.9</b>	23.5	22.1
<b>Returns on investments and servicing of finance</b>				
Interest paid		(89.6)	(95.4)	(124.9)
Interest received		18.5	23.1	27.2
Dividends paid to minorities in subsidiaries		(13.9)	(7.7)	(6.1)
Interest element of finance lease rental payments		(5.7)	(7.2)	(1.4)
<b>Returns on investments and servicing of finance</b>		<b>(90.7)</b>	(87.2)	(105.2)
<b>Tax paid</b>		<b>(96.2)</b>	(100.6)	(62.8)
<b>Capital expenditure and financial investment</b>				
Purchases of tangible fixed assets		(352.1)	(349.8)	(405.8)
Sales of tangible fixed assets		31.6	47.1	24.2
Purchases of intangible fixed assets		(0.1)	(0.3)	(0.4)
Net sales/(purchases) of current asset investments		4.3	(6.5)	0.9
Purchases of trade and other investments		(19.7)	(10.2)	(29.8)
Sales of trade and other investments		11.5	7.8	2.6
<b>Capital expenditure and financial investment</b>		<b>(324.5)</b>	(311.9)	(408.3)
<b>Acquisitions and disposals</b>				
Acquisitions of businesses	15(a)	(207.3)	(145.9)	(32.1)
Net overdrafts acquired with subsidiaries		(7.4)	–	–
Disposals of businesses	15(a)	10.6	2.7	0.4
Investments in joint ventures		(12.6)	–	(33.6)
Divestments/repayments from joint ventures		–	10.8	3.0
Investments in associates		(0.5)	(2.7)	(0.7)
Divestments/repayments from associates		1.7	1.5	1.0
<b>Acquisitions and disposals</b>		<b>(215.5)</b>	(133.6)	(62.0)
<b>Equity dividends paid</b>		<b>(186.6)</b>	(180.3)	(170.2)
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(120.3)</b>	(2.3)	(81.4)
<b>Management of liquid resources</b>				
Net sales of short-term investments		52.6	102.8	9.6
<b>Financing</b>				
Issue of shares		25.0	16.9	10.1
Increase/(decrease) in debt	14(d)	64.1	(51.3)	64.9
<b>Net cash inflow/(outflow) from financing</b>		<b>89.1</b>	(34.4)	75.0
<b>Increase in cash</b>		<b>21.4</b>	66.1	3.2

A reconciliation of the increase in cash to the movement in net debt in the year is given in note 14 b).

Liquid resources are defined as short-term deposits.

## Total recognised gains and losses

Years ended 30 September

	Notes	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
Parent <sup>1</sup>		26.2	12.1	129.7
Subsidiary undertakings		170.1	199.8	141.1
Joint ventures		4.5	10.3	6.5
Associates		2.1	1.9	1.3
<b>Profit for the financial year</b>		<b>202.9</b>	<b>224.1</b>	<b>278.6</b>
Actuarial (loss)/gain recognised on the pension schemes		(431.2)	(464.9)	114.2
Movement on deferred tax relating to actuarial loss/(gain) on pensions		134.0	154.5	(35.2)
Unrecognised loss on write down of revaluation reserve		(11.5)	–	–
Exchange translation effect on:				
– results for the year of subsidiaries		(5.2)	(3.9)	(2.2)
– results for the year of joint ventures		(2.6)	(1.5)	0.8
– results for the year of associates		(0.3)	(0.1)	0.2
– foreign currency net investments in subsidiaries		(114.6)	(55.8)	95.1
– foreign currency net investments in joint ventures		(11.9)	(1.6)	7.9
– foreign currency net investments in associates		(1.7)	0.4	6.8
<b>Total recognised gains and losses for the financial year</b>	12(c)	<b>(242.1)</b>	<b>(148.8)</b>	<b>466.2</b>
Prior year adjustment		(220.1)		
<b>Total recognised gains and losses since last annual report</b>		<b>(462.2)</b>		

- In accordance with the concession granted under the Companies Act 1985, the profit and loss account of The BOC Group plc has not been presented separately in these financial statements.
- There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax for 2002, 2001 and 2000.
- Profit attributable to the parent company includes dividends received from subsidiaries, joint ventures and associates, often through intermediate holding companies. These dividends may include the distribution of earnings of previous periods. As a result, the relationship of profit between parent, subsidiaries, joint ventures and associates may show fluctuations from year to year.
- A current tax charge of £13.5 million (2001: £nil, 2000: £nil) has been recognised directly in the Group reserves.

## Movement in shareholders' funds

Years ended 30 September

	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
Profit for the financial year	202.9	224.1	278.6
Dividends	(186.6)	(180.3)	(170.2)
Other recognised gains and losses	16.3	43.8	108.4
Shares issued	(445.0)	(372.9)	187.6
Credit in relation to share options	24.6	16.9	8.9
	2.0	4.4	3.6
<b>Net (decrease)/increase in shareholders' funds for the financial year</b>	<b>(402.1)</b>	<b>(307.8)</b>	<b>308.5</b>
Shareholders' funds at 1 October – previously reported	2,306.3	2,273.6	2,013.1
Prior year adjustment	(220.1)	120.4	72.4
Shareholders' funds at 1 October – restated	2,086.2	2,394.0	2,085.5
Shareholders' funds at 30 September	1,684.1	2,086.2	2,394.0

## Balance sheet of The BOC Group plc

At 30 September

	Notes	2002 £ million	2001 (restated) £ million
<b>Fixed assets</b>			
Tangible assets	8(e)	14.0	18.8
Investments	9(d)	2,844.4	2,702.0
		<b>2,858.4</b>	<b>2,720.8</b>
<b>Current assets</b>			
Debtors falling due within one year	10(b)	515.6	408.6
Cash at bank and in hand	10(d)	–	51.7
		<b>515.6</b>	<b>460.3</b>
<b>Current liabilities</b>			
<b>Creditors: amounts falling due within one year</b>			
Borrowings and finance leases	10(e)	(178.9)	(315.6)
Other creditors	10(f)	(953.8)	(717.3)
		<b>(1,132.7)</b>	<b>(1,032.9)</b>
<b>Net current liabilities</b>			
		<b>(617.1)</b>	<b>(572.6)</b>
<b>Total assets less current liabilities</b>			
		<b>2,241.3</b>	<b>2,148.2</b>
<b>Long-term liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>			
Borrowings and finance leases	11(a)	(801.0)	(570.4)
Other creditors		(13.0)	(16.5)
		<b>(814.0)</b>	<b>(586.9)</b>
<b>Total net assets</b>			
		<b>1,427.3</b>	<b>1,561.3</b>
<b>Capital and reserves</b>			
Equity called up share capital	12(b)	124.3	123.6
Share premium account	12(d)	362.1	335.8
Other reserves	12(d)	113.7	111.7
Profit and loss account	12(d)	827.2	990.2
<b>Total capital and reserves</b>			
		<b>1,427.3</b>	<b>1,561.3</b>

The financial statements were approved by the board of directors on 22 November 2002 and are signed on its behalf by:

**A E Isaac** Director **R Médori** Director

## Accounting policies

### General

- **Basis of preparation** These accounts are based on the historical cost accounting convention and comply with all applicable UK accounting standards.  
UK accounting standards differ in certain respects from those generally accepted in the US and the major effects of these differences in the determination of profit before tax and shareholders' funds are shown in note 16 to the financial statements. Disclosure requirements of both the UK and US are incorporated throughout the notes to these financial statements.
- **Basis of consolidation** The Group accounts include the accounts of the parent undertaking and of all subsidiaries, joint ventures and associates.  
The results of businesses acquired during the year are included from the effective date of acquisition. The results of businesses disposed of during the year are included up to the date of relinquishing control. Material, separately identifiable business segments disposed of are analysed as discontinued operations and prior years' analyses are restated to reflect those businesses as discontinued.
- **New accounting policies** This year, the Group has fully adopted the following two new accounting standards issued by the UK Accounting Standards Board:  
FRS17 – Retirement benefits  
FRS19 – Deferred tax  
For the year ended 30 September 2001, the Group followed the transitional arrangements permitted by FRS17 under which disclosure on retirement benefits was given in the notes to the financial statements. For the year ended 30 September 2002, the standard has been fully adopted and the accounting impact reflected throughout the financial statements. The impact of FRS19 is also reflected throughout the financial statements. The impact is explained further in note 17 to the financial statements.  
Comparative figures have been restated for both FRS17 and FRS19. Changes to existing policies as a result of adopting these new standards are described, where appropriate, below.
- **Exchange** Profit and loss and other period statements of the Group's overseas operations are translated at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial year end. Assets or liabilities swapped into other currencies are accounted for in those currencies. Exchange differences are dealt with as a movement in reserves where they arise from:
  - i) the translation of the opening net assets of overseas operations;
  - ii) the retranslation of retained earnings of overseas operations from average to closing rates of exchange; and
  - iii) the translation or conversion of foreign currency borrowings taken to hedge overseas assets.All other exchange differences are taken to the profit and loss account. The principal exchange rates affecting the Group are shown on page 49.

### Revenue recognition

Turnover is based on the invoiced value of the sale of goods and services, and includes the sales value of long-term contracts appropriate to the state of completion. It excludes sales between Group undertakings, VAT and similar sales-based taxes. Turnover for goods and services is recognised when delivery has occurred, title of the goods has passed to the purchaser, and where the price is fixed or determinable and reflects the commercial substance of the transaction.

Profit on contracts is only recognised close to contract completion and when profits can be reasonably determined. Provision is made for all losses incurred together with any foreseeable future losses.

### Retirement benefits

Following the full adoption of FRS17, the regular service cost of providing retirement benefits to employees during the year is charged to operating profit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the year.

A credit representing the expected return on the assets of the retirement benefit schemes during the year is included within net interest. This is based on the market value of the assets of the schemes at the start of the financial year.

A charge representing the expected increase in the liabilities of the retirement benefit schemes during the year is included within net interest. This arises from the liabilities of the schemes being one year closer to payment.

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions.

### Research and development

Revenue expenditure on research and development is written off when incurred.

### Operating leases

The cost of operating leases is written off on the straight line basis over the period of the lease.

## Accounting policies

### Intangible fixed assets

- **Goodwill** Goodwill arising on the acquisition of a business, being the excess of the fair value of the purchase price over the fair value of the net assets acquired, is capitalised and amortised on a straight line basis over its useful economic life, generally up to a maximum period of 20 years. An impairment review is carried out at the end of the first full financial year following acquisition. Any impairment in the value of goodwill, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period in which it arises. Negative goodwill, being the excess of the fair value of the net assets acquired over the fair value of the purchase price, is capitalised and amortised on a straight line basis, generally over a period equivalent to the realisation of the non-monetary assets acquired.

Goodwill, both positive and negative, arising on acquisitions before 30 September 1998 was taken to reserves and has not been reinstated on the balance sheet. This is in line with the relevant accounting standard on goodwill, FRS10. This goodwill will remain in reserves until such time as it becomes impaired or the business or businesses to which it relates are disposed of, at which time it will be taken to the profit and loss account.

- **Intangibles** Other material intangible assets acquired, such as patents and trademarks, are capitalised and written off on the straight line basis over their effective economic lives.

### Tangible fixed assets

No depreciation is charged on freehold land or construction in progress. Depreciation is charged on all other fixed assets on the straight line basis over the effective lives. Straight line depreciation rates vary according to the class of asset, but are typically:

	per annum
Freehold property	2% – 4%
Leasehold property (or at higher rates based on the life of the lease)	2% – 4%
Plant and machinery	3% – 10%
Cylinders	4% – 10%
Motor vehicles	7% – 20%
Computer hardware and major software	15% – 25%

- Until 30 September 1999, land and buildings were revalued periodically. Following the adoption of FRS15, land and buildings are no longer revalued. At 1 October 1999, the net book value of assets previously revalued is regarded as the historical cost.
- Interest costs on major fixed asset additions are capitalised during the construction period and written off as part of the total cost.
- Where finance leases have been entered into, the obligations to the lessor are shown as part of borrowings and the rights in the corresponding assets are treated in the same way as owned fixed assets.
- Any impairment in the value of fixed assets, calculated by discounting estimated future cash flows, is dealt with in the profit and loss account in the period in which it arises.

### Investments

Investments which are held for the long term and in which the Group has a participating interest and exercises joint control with one or more other parties are treated as joint ventures and accounted for on the gross equity method. Investments which are held for the long term and in which the Group has a participating interest and exercises significant influence are treated as associates and accounted for on the equity method. In both cases, the Group's share of the results of the investment is included in the profit and loss account, and the Group's share of the net assets is included in investments in the balance sheet. Other investments are shown on the balance sheet at cost less any provision for impairment.

### Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost where appropriate includes a proportion of overhead expenses. Work in progress is stated at cost less progress payments received or receivable. Cost is arrived at principally on the average and 'first-in, first-out' (FIFO) basis. The amount of long-term contracts, net of amounts transferred to cost of sales and after deducting foreseeable losses and payments on account, is included in stocks as long-term contract amounts.



### Deferred tax

Following the adoption of FRS19, the Group provides for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. Deferred tax assets are only recognised where it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

### Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

### Financial instruments

The Group uses financial instruments, including interest rate and currency swaps, to raise finance for its operations and to manage the risks arising from those operations. All transactions are undertaken only to manage interest and currency risk associated with the Group's underlying business activities and the financing of those activities. The Group does not undertake any trading activity in financial instruments.

- **Foreign exchange transaction exposures** The Group generally hedges actual and forecast foreign exchange exposures up to two years ahead. Forward contracts are used to hedge the forecast exposure and any gains or losses resulting from changes in exchange rates on contracts designated as hedges of forecast foreign exchange are deferred until the financial period in which they are realised. If the contract ceases to be a hedge, any subsequent gains and losses are recognised through the profit and loss account.
- **Balance sheet translation exposures** A large proportion of the Group's net assets are denominated in currencies other than sterling. Where practicable and cost effective the Group hedges these balance sheet translation exposures by borrowing in relevant currencies and markets and by the use of currency swaps. Currency swaps are used only as balance sheet hedging instruments, and the Group does not hedge the currency translation of its profit and loss account. Exchange gains and losses arising on the notional principal of these currency swaps during their life and at termination or maturity are dealt with as a movement in reserves. If the swap ceases to be a hedge of the underlying transaction, any subsequent gains or losses are recognised in the profit and loss account.
- **Interest rate risk exposures** The Group hedges its exposure to movements in interest rates associated with its borrowings primarily by means of interest rate swaps and forward rate agreements. Interest payments and receipts on these agreements are included with net interest payable. They are not revalued to fair value or shown on the Group balance sheet at the balance sheet date.

## Notes to the financial statements

### I. Segmental information

#### a) Turnover (including share of joint ventures and associates)

	Continuing operations						
	Process Gas Solutions £ million	Industrial and Special Products £ million	BOC Edwards £ million	Afrox hospitals £ million	Gist £ million	Total Group by origin £ million	Total Group by destination £ million
<b>2002</b>							
Europe	257.1	399.3	150.0	–	263.2	1,069.6	1,055.3
Americas	528.1	464.8	298.9	–	–	1,291.8	1,240.1
Africa	23.6	158.4	–	259.0	–	441.0	443.3
Asia/Pacific	391.8	582.8	239.3	–	1.6	1,215.5	1,279.2
<b>Turnover</b>	<b>1,200.6</b>	<b>1,605.3</b>	<b>688.2</b>	<b>259.0</b>	<b>264.8</b>	<b>4,017.9</b>	<b>4,017.9</b>
<b>2001</b>							
Europe	240.2	375.3	157.4	–	229.6	1,002.5	979.6
Americas	529.7	464.5	393.3	–	–	1,387.5	1,326.1
Africa	25.6	192.2	–	287.8	–	505.6	504.9
Asia/Pacific	397.5	541.9	322.4	–	1.8	1,263.6	1,348.6
<b>Turnover</b>	<b>1,193.0</b>	<b>1,573.9</b>	<b>873.1</b>	<b>287.8</b>	<b>231.4</b>	<b>4,159.2</b>	<b>4,159.2</b>
<b>2000</b>							
Europe	226.6	357.3	171.3	–	225.3	980.5	948.9
Americas	433.3	428.5	378.1	–	–	1,239.9	1,160.6
Africa	26.7	181.3	–	292.8	–	500.8	499.9
Asia/Pacific	358.6	548.3	249.6	–	1.1	1,157.6	1,269.4
<b>Turnover</b>	<b>1,045.2</b>	<b>1,515.4</b>	<b>799.0</b>	<b>292.8</b>	<b>226.4</b>	<b>3,878.8</b>	<b>3,878.8</b>

#### b) Business analysis

	Continuing operations						
	Process Gas Solutions £ million	Industrial and Special Products £ million	BOC Edwards £ million	Afrox hospitals £ million	Gist £ million	Corporate £ million	Total Group £ million
<b>2002</b>							
Total operating profit before exceptional items <sup>1</sup>	185.2	248.0	26.1	29.7	25.5	(14.4)	500.1
Operating exceptional items <sup>1</sup>	(24.0)	(18.7)	(27.5)	–	–	(4.3)	(74.5)
(Loss)/profit on termination/disposal of businesses <sup>1</sup>	(21.3)	–	1.1	–	–	–	(20.2)
Capital employed <sup>2</sup>	1,831.3	1,058.1	595.3	105.0	22.8	(19.4)	3,593.1
Capital expenditure <sup>3</sup>	157.3	123.6	42.0	9.2	19.0	3.2	354.3
Depreciation and amortisation <sup>3</sup>	167.7	96.8	41.1	7.2	16.1	2.0	330.9
<b>2001 (restated)</b>							
Total operating profit before exceptional items <sup>1</sup>	156.5	248.8	78.8	32.3	21.3	(7.1)	530.6
Operating exceptional items <sup>1</sup>	(52.8)	(21.8)	(16.1)	–	(0.7)	(16.9)	(108.3)
(Loss)/profit on disposal of fixed assets <sup>1</sup>	(0.3)	(3.1)	(1.3)	0.9	–	7.4	3.6
Capital employed <sup>2</sup>	2,004.9	1,152.7	589.9	98.5	81.4	47.1	3,974.5
Capital expenditure <sup>3</sup>	170.6	95.5	53.8	10.3	17.9	4.5	352.6
Depreciation and amortisation <sup>3</sup>	169.4	97.4	37.2	6.7	15.6	3.2	329.5
<b>2000 (restated)</b>							
Total operating profit before exceptional items <sup>1</sup>	127.2	254.6	71.1	27.2	18.6	(2.3)	496.4
Operating exceptional items <sup>1</sup>	(5.5)	(15.8)	(4.5)	–	1.5	19.9	(4.4)
Capital employed <sup>2</sup>	2,120.8	1,374.7	640.5	120.5	128.0	68.7	4,453.2
Capital expenditure <sup>3</sup>	222.2	99.1	59.1	15.5	16.8	1.0	413.7
Depreciation and amortisation <sup>3</sup>	157.9	93.8	33.3	7.2	17.1	4.0	313.3

1. Including share of joint ventures and associates.

2. Capital employed comprises the capital and reserves of the Group, its long-term liabilities and all current borrowings net of cash and deposits.

3. Subsidiary undertakings only.