

4. Tax

a) Tax on profit on ordinary activities

	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
Current tax:			
<i>Payable in the UK</i>			
Corporation tax at 30% (2001: 30%, 2000: 30%)	51.7	60.4	54.8
Double tax relief	(19.7)	(17.0)	(16.3)
	32.0	43.4	38.5
<i>Payable overseas</i>			
US – Federal tax at 35% (2001: 35%, 2000: 35%)	(1.0)	–	2.1
– State and local taxes	0.6	1.3	1.6
– Prior year tax	–	(2.2)	(1.1)
Australia at 30% (2001: 34%, 2000: 36%)	14.6	14.0	18.2
South Africa at 30% (2001: 30%, 2000: 30%)	18.0	15.2	14.5
Japan at 42% (2001: 42%, 2000: 48%)	8.3	12.7	11.2
Other countries	30.9	27.3	20.3
	71.4	68.3	66.8
Total current tax	103.4	111.7	105.3
Deferred tax:			
Origination and reversal of timing differences	3.4	(7.1)	29.9
Effect of change in tax rate on opening liability	(0.6)	–	–
Total deferred tax	2.8	(7.1)	29.9
Tax on profit on ordinary activities	106.2	104.6	135.2
<i>Analysis of charge in the period by entity type</i>			
Subsidiary undertakings	100.3	97.6	121.6
Share of joint ventures	3.6	4.3	11.5
Share of associates	2.3	2.7	2.1
Tax on profit on ordinary activities	106.2	104.6	135.2

The tax charge includes a credit of £15.3 million for the operating exceptional charges (2001: £48.8 million, 2000: £12.4 million) and a credit of £7.5 million for the non-operating exceptional charges (2001: £1.9 million charge, 2000: £2.7 million charge). The effective rate of tax excluding exceptional items was 30.0 per cent (2001: 32.5 per cent, 2000: 33.4 per cent).

b) Deferred tax

	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
<i>i) Deferred tax – UK GAAP</i>			
<i>Analysis</i>			
Arising from accelerated depreciation allowances	362.1	344.8	326.5
Other timing differences	(53.5)	(32.5)	(20.7)
Tax losses and other credits available	(24.7)	(26.4)	(18.5)
	283.9	285.9	287.3
<i>Movement during the year</i>			
At 1 October 2001	285.9	287.3	256.8
Exchange adjustment	(8.6)	(7.3)	10.6
Arising during the year ¹	9.5	(3.1)	23.7
Transfers to current tax	0.8	3.3	2.3
Other movements	(3.7)	5.7	(6.1)
At 30 September 2002 ²	283.9	285.9	287.3

1. Subsidiary undertakings only.

2. The balance at 30 September 2002 represents deferred tax assets of £7.9 million (2001: £8.4 million, 2000: £8.5 million) and deferred tax liabilities of £291.8 million (2001: £294.3 million, 2000: £295.8 million).

4. Tax continued

ii) Deferred tax – US GAAP

For US GAAP reporting, the Group follows SFAS109, Accounting for Income Taxes, in respect of deferred taxation. SFAS109 requires deferred tax to be fully provided on all temporary differences.

The table below provides a reconciliation of deferred taxes from a UK GAAP basis to a US GAAP basis at 30 September 2002.

	UK GAAP £ million	Adjustments to US GAAP £ million	US GAAP £ million
Accelerated capital allowances	362.1	–	362.1
Other temporary differences	(53.5)	72.7	19.2
Tax losses and other credits available	(24.7)	–	(24.7)
	283.9¹	72.7	356.6

1. The UK deferred tax balance of £283.9 million does not include the deferred tax asset of £106.4 million relating to the Group's net pension liabilities. As required by the applicable UK GAAP accounting standard, FRS17, this asset is set against the relevant retirement benefit liability to show the net position (see note 6 e)). If it was included above, it would be wholly reversed in the adjustments to US GAAP.

	US GAAP £ million
<i>Movement during the year</i>	
At 1 October 2001	333.8
Exchange adjustment	(7.2)
Arising during the year	37.5
Transfers from current tax	0.8
Other movements	(8.3)
At 30 September 2002	356.6

The components of deferred tax assets/(liabilities) at 30 September 2002 were:

	2002 £ million	2001 £ million
<i>Long-term</i>		
Asset	130.4	44.8
Liability	(507.0)	(399.3)
Net liability	(376.6)	(354.5)
<i>Short-term</i>		
Asset	25.5	22.8
Liability	(5.5)	(2.1)
Net asset	20.0	20.7
Total deferred tax assets	155.9	67.6
Total deferred tax liabilities	(512.5)	(401.4)
	(356.6)	(333.8)

4. Tax continued

c) Factors affecting the current and Group effective tax charge for the period

The table set out below provides a reconciliation between the UK corporation tax rate and the Group's effective tax rate, excluding exceptional items, computed by taking the various elements of the tax reconciliation as a percentage of the profit before tax, excluding exceptional items.

	2002 %	2001 (restated) %	2000 (restated) %
UK corporation tax rate	30.0	30.0	30.0
Difference in tax rates of overseas subsidiaries, joint ventures and associates	0.5	1.3	1.2
Excess of tax depreciation over book depreciation	(3.9)	(3.7)	(3.2)
Other timing differences	2.7	(1.5)	(2.0)
State and local taxes	0.5	0.7	1.0
Net utilisation of losses	(1.1)	(0.7)	(0.7)
Investment tax credits	(2.4)	(1.1)	(1.8)
Prior year tax	0.9	(0.6)	(1.3)
Permanent items and other items with less than a 5% net effect	0.1	1.1	2.5
Effective current tax rate before exceptional items	27.3	25.5	25.7
Timing differences	2.7	7.0	7.7
Effective Group tax rate before exceptional items	30.0	32.5	33.4

Profit on ordinary activities before tax (including exceptional items), as shown in the consolidated profit and loss account, is analysed over its component parts as follows:

	2002 £ million	2001 (restated) £ million	2000 (restated) £ million
UK	66.6	86.4	148.1
Overseas	268.7	275.8	293.7
	335.3	362.2	441.8

d) Factors that may affect future tax charges

The total charge in future periods will be affected by any changes to the corporation tax rates in force in the countries in which the Group operates. The current tax charges will also be affected by changes in the excess of tax depreciation over book depreciation and the use of tax credits.

e) Unused tax credits

On a consolidated basis, the Group has net operating loss carryforwards of £44.4 million. If not offset against taxable income, these losses will expire as follows:

Year	Net operating loss £ million
2003	—
2004	11.7
2005	—
2006	—
2007	—
Thereafter, or no expiry date	32.7

For US Federal tax purposes, the Group has investment tax credits and general business tax credits to carry forward of approximately £12.9 million, which are available to reduce income taxes otherwise payable. These do not expire until 2003 or thereafter.

In addition, the Group has alternative minimum tax credits for US Federal income tax purposes of approximately £27.7 million which can be carried forward to reduce regular tax liabilities of future years. There is no expiration date on these credits.

Investment tax credits are accounted for by the flow-through method whereby they reduce income taxes currently payable and the provision for income taxes in the period in which the assets giving rise to such credits are placed in service. Deferred tax assets, subject to the need for a valuation allowance, are recognised to the extent that the investment tax credits are not currently utilised.

5. Directors

Directors' remuneration and interests are given in the report on remuneration on pages 56 to 63.

6. Employees

a) Subsidiaries

	2002		2001	
	Year end	Average	Year end	Average
<i>i) Employees by business</i>				
Process Gas Solutions	5,806	5,979	6,037	6,076
Industrial and Special Products	15,266	14,681	14,369	14,201
BOC Edwards	5,367	5,186	4,830	4,916
Afrox hospitals	14,152	13,934	12,833	12,804
Gist	5,302	5,100	4,774	4,284
Corporate	387	376	328	296
	46,280	45,256	43,171	42,577
<i>ii) Employees by region</i>				
Europe	13,213	12,739	12,173	11,750
Americas	7,243	7,312	7,305	7,262
Africa	17,435	17,213	16,120	16,137
Asia/Pacific	8,389	7,992	7,573	7,428
	46,280	45,256	43,171	42,577
b) Joint ventures and associates				
Joint ventures	3,570	3,596	3,595	3,874
Associates	742	728	712	684
	4,312	4,324	4,307	4,558

c) Employment costs

	2002	2001	2000
	£ million	(restated) £ million	(restated) £ million
Wages and salaries	813.9	758.8	729.5
Social security costs	77.7	74.0	64.3
Other pension costs	66.3	76.0	54.4
	957.9	908.8	848.2

Other pension costs includes an exceptional charge of £nil (2001: £16.7 million, 2000: £nil). See also note 2 b).

6. Employees continued

d) Option and incentive schemes

BOC operates share option schemes for both executives and employees. The features of these are given in the report on remuneration and the employees report.

	Employee options			Executive options ¹			Executive share award plan ²
	Number of shares million	Range of option prices	Weighted average option price	Number of shares million	Range of option prices	Weighted average option price	Number of shares million
<i>i) Summary of movements in share options</i>							
<i>Outstanding at 1 October 1999</i>	6.1	489p-882p	776p	16.7	532p-1119p	847p	—
Granted	1.3	870p	870p	6.7	937p	937p	0.8
Exercised	(1.1)	489p-762p	692p	(0.6)	536p-980p	670p	—
Lapsed	(0.4)	489p-882p	797p	(1.2)	722p-1119p	904p	—
<i>Outstanding at 30 September 2000</i>	5.9	610p-882p	810p	21.6	532p-1119p	877p	0.8
Granted	1.2	894p	894p	4.4	986p-1034p	994p	—
Exercised	(0.4)	610p-894p	765p	(2.5)	532p-980p	740p	—
Lapsed	(1.0)	610p-894p	830p	(1.8)	722p-993p	929p	(0.1)
<i>Outstanding at 30 September 2001</i>	5.7	610p-894p	835p	21.7	627p-1119p	914p	0.7
Granted	1.2	914p	914p	5.5	1016p-1079p	1016p	—
Exercised	(1.0)	610p-914p	787p	(3.1)	627p-980p	868p	(0.7)
Lapsed	(0.5)	610p-914p	857p	(0.6)	742p-1119p	957p	—
<i>Outstanding at 30 September 2002</i>	5.4	650p-914p	855p	23.5	677p-1119p	943p	—
<i>Number of participants at 30 September 2002</i>	6,100			1,097			—
<i>Options exercisable:</i>							
At 30 September 2002	—	—	—	8.6	677p-1119p	877p	—
At 30 September 2001	—	—	—	2.0	627p-742p	705p	—
<i>Fair value of options granted during:</i>							
Year ended 30 September 2002	289p			242p			
Year ended 30 September 2001	264p			232p			

1. Executive options include share options and rights and long-term share incentive units.

2. The executive share award plan was granted at an option price of £nil.

The weighted average fair value of options granted during the year was calculated using the Black-Scholes option pricing model. Details of the assumptions used are given in (ii) below.

	Employee options			Executive options ³		
	Number of shares thousand	Weighted average option price	Normal exercisable date	Number of shares thousand	Weighted average option price	Normal exercisable date
<i>ii) Analysis of share options</i>						
<i>Outstanding at 30 September 2002</i>						
Date of grant						
1993	—	—	—	242	742p	1996-2003
1994	—	—	—	361	678p	1997-2004
1995	5	650p	2002-2003	712	722p	1999-2005
1996	270	827p	2001-2004	1,110	915p	1999-2006
1997	258	882p	2002-2005	1,276	981p	2000-2007
1998	843	823p	2001-2006	2,100	915p	2001-2008
1999	779	766p	2002-2007	2,809	860p	2002-2009
2000	1,090	870p	2003-2008	5,384	937p	2003-2010
2001	1,037	894p	2004-2009	4,126	994p	2004-2011
2002	1,147	914p	2005-2010	5,353	1016p	2005-2012
	5,429			23,473		

3. Executive options include share options and rights and long-term share incentive units.

6. Employees continued

Executive options are granted at the market price of the company's shares at the time of the grant and consequently there is no compensation expense under UK GAAP. The Group also takes advantage of the exemption granted under UITF17, Employee Share Schemes, whereby no compensation expense need be recorded for employee schemes.

For US reporting purposes the company applies APB Opinion 25, Accounting for Stock Issued to Employees and related interpretations in accounting for its plans. By applying this statement the employee share schemes are deemed non-compensatory and therefore do not result in an expense for financial reporting purposes. Under the executive schemes, grants of share options are at the market price of the company's shares at the time of grant.

If compensation cost for the Group's share option plans had been determined based on the fair value at the grant dates for awards under those plans consistent with the method of US SFAS123, Accounting for Stock Based Compensation, the Group's profit before tax under US GAAP would have been charged with an additional cost of £6.3 million (2001: £9.7 million, 2000: £8.3 million), basic earnings per share would have been 51.18p (2001: 46.71p, 2000: 53.99p) and diluted earnings per share would have been 50.99p (2001: 46.54p, 2000: 53.72p).

The Black-Scholes model was used to measure the compensation expense under US SFAS123. The assumptions used for grants in 2002 included a dividend yield of 4.0 per cent (2001: 4.0 per cent, 2000: 3.3 per cent), expected share price volatility of 31.0 per cent (2001: 30.0 per cent, 2000: 24.6 per cent), a weighted average expected life of 5.0 years (2001: 4.2 years, 2000: 4.2 years) and a weighted average interest rate of 4.9 per cent (2001: 5.1 per cent, 2000: 5.9 per cent). The weighted average interest rate is based on UK Gilts on the date of grant with a maturity similar to the related options.

e) Retirement benefits

i) UK GAAP FRS17 Retirement benefits – Group

The Group operates a number of pension schemes throughout the world. The majority of the schemes are self-administered and the schemes' assets are held independently of the Group's finances. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries.

The Group operates defined benefit schemes in Europe, Americas, Africa and Asia/Pacific. The largest schemes are located in the UK, US, South Africa and Australia. The UK and South African schemes are based on final salary and the US on annual salary. With effect from 1 January 1998 the Australian scheme changed to operate primarily as a defined contribution scheme, although it retains some defined benefit guarantees. The geographical split of the pension schemes has been amended in 2002 to be consistent with the segmental analysis.

The most recent actuarial valuations have been updated by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the schemes at 30 September 2002. Scheme assets are stated at their market value at 30 September 2002.

On the advice of the actuaries, company contributions to the principal UK scheme will resume from 1 October 2002 at a rate of 14.4 per cent of payroll. In accordance with South African legislation, contributions recommenced on 7 December 2001 at rates ranging from 10.5 per cent to 12 per cent. Contribution rates were increased in June 2002 and now range from 14.9 per cent to 19.5 per cent. As the South African schemes and the defined benefit guarantees of the Australian scheme are closed schemes, the current service cost as a percentage of pensionable salaries under the projected unit method will increase as the members approach retirement. Contributions recommenced to the Australian scheme on 1 October 2001 at rates ranging from 11 per cent to 17 per cent. In the US, company contributions to the pension plan remain suspended.

During the year, the Pension Funds Second Amendment Act, 2001 was passed in South Africa. Under this Act, surpluses in pension funds have to be used in a manner specified under Regulations to the Act to improve current and former members' benefits prior to the employer obtaining any benefit from the surpluses. Consequently, it is considered unlikely that the company will obtain any benefit from the surpluses in the South African schemes. Therefore the surpluses at 30 September 2002 have been written off in the statement of total recognised gains and losses in accordance with FRS17.

<i>Main assumptions for FRS17 purposes</i>	Europe	Americas	Africa	Asia/Pacific
Date of latest actuarial valuation 2002	31 Mar 02	1 Jan 01	30 Jun 01	31 Dec 00
Rate of increase in salaries	3.9%	3.75%	9.5%	3.5%
Rate of increase in pensions in payment	2.4%	–	6.8%	2.5%
Discount rate	5.5%	6.5%	12.0%	6.1%
Inflation	2.4%	2.5%	7.0%	2.5%
2001				
Rate of increase in salaries	4.55%	4.75%	7.5%	4.0%
Rate of increase in pensions in payment	2.5%	–	4.8%	3.0%
Discount rate	6.1%	7.25%	10.0%	5.75%
Inflation	2.5%	3.75%	7.5%	3.0%
2000				
Rate of increase in salaries	5.0%	4.85%	12.5%	3.5%
Rate of increase in pensions in payment	3.0%	–	9.4%	3.5%
Discount rate	6.2%	7.75%	15.0%	6.25%
Inflation	3.0%	3.75%	12.5%	2.5%

The assumptions used for the US health care benefits for FRS17 purposes are a discount rate of 6.5 per cent (2001: 7.25 per cent, 2000: 7.75 per cent) and an ultimate health care cost trend rate of 4.5 per cent (2001: 4.75 per cent, 2000: 5.25 per cent).

Contributions to non defined benefit schemes in the year were £9.6 million (2001: £6.3 million, 2000: £5.5 million) and are included in note 6 c).

6. Employees continued

The assets in the schemes and the expected rates of return were:

	Equities	Bonds	Other	Total
<i>Long-term rate of return expected at 30 September 2002</i>				
Europe	8.5%	4.9%	4.0%	—
Americas	9.5%	6.0%	—	—
Africa	14.0%	12.0%	8.5%	—
Asia/Pacific	7.7%	4.7%	5.7%	—
<i>Value at 30 September 2002 (£ million)</i>				
Europe	686.2	235.0	18.8	940.0
Americas	289.2	51.0	—	340.2
Africa	49.6	15.3	5.4	70.3
Asia/Pacific	89.8	16.3	16.7	122.8
Total	1,114.8	317.6	40.9	1,473.3
<i>Long-term rate of return expected at 30 September 2001</i>				
Europe	8.5%	5.2%	4.6%	—
Americas	9.5%	6.0%	—	—
Africa	12.0%	10.0%	8.4%	—
Asia/Pacific	7.4%	5.1%	6.1%	—
<i>Value at 30 September 2001 (£ million)</i>				
Europe	897.6	226.8	18.8	1,143.2
Americas	345.0	70.7	—	415.7
Africa	54.7	18.2	6.3	79.2
Asia/Pacific	92.3	18.0	17.3	127.6
Total	1,389.6	333.7	42.4	1,765.7
<i>Long-term rate of return expected at 30 September 2000</i>				
Europe	7.5%	5.0%	6.0%	—
Americas	9.0%	6.0%	—	—
Africa	15.5%	13.5%	12.2%	—
Asia/Pacific	7.5%	5.4%	5.9%	—
<i>Value at 30 September 2000 (£ million)</i>				
Europe	1,162.0	250.1	17.2	1,429.3
Americas	469.2	70.1	—	539.3
Africa	74.8	21.3	6.8	102.9
Asia/Pacific	111.7	18.4	18.9	149.0
Total	1,817.7	359.9	42.9	2,220.5

The following amounts at 30 September 2002 were measured in accordance with the requirements of FRS17:

	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	Asia/Pacific £ million	Total £ million
2002						
Total market value of assets	940.0	340.2	—	70.3	122.8	1,473.3
Present value of scheme liabilities	(1,331.6)	(250.4)	(50.1)	(59.3)	(134.0)	(1,825.4)
Irrecoverable surplus	—	—	—	(11.0)	—	(11.0)
(Deficit)/surplus in the scheme	(391.6)	89.8	(50.1)	—	(11.2)	(363.1)
Related deferred tax asset/(liability)	117.5	(35.5)	19.8	—	4.6	106.4
Net pension (liabilities)/assets¹	(274.1)	54.3	(30.3)	—	(6.6)	(256.7)
2001						
Total market value of assets	1,143.2	415.7	—	79.2	127.6	1,765.7
Present value of scheme liabilities	(1,172.0)	(258.2)	(52.0)	(66.4)	(130.8)	(1,679.4)
(Deficit)/surplus in the scheme	(28.8)	157.5	(52.0)	12.8	(3.2)	86.3
Related deferred tax asset/(liability)	8.6	(62.2)	20.5	(3.9)	1.7	(35.3)
Net pension (liabilities)/assets¹	(20.2)	95.3	(31.5)	8.9	(1.5)	51.0
2000						
Total market value of assets	1,429.3	539.3	—	102.9	149.0	2,220.5
Present value of scheme liabilities	(1,161.9)	(233.0)	(43.7)	(70.8)	(146.6)	(1,656.0)
Surplus/(deficit) in the scheme	267.4	306.3	(43.7)	32.1	2.4	564.5
Related deferred tax (liability)/asset	(80.2)	(121.0)	17.3	(9.6)	(0.1)	(193.6)
Net pension assets/(liabilities)¹	187.2	185.3	(26.4)	22.5	2.3	370.9

¹ Included in the net pension (liabilities)/assets are assets of £54.3 million (2001: £107.0 million, 2000: £402.0 million) and liabilities of £311.0 million (2001: £56.0 million, 2000: £31.1 million).

6. Employees continued

<i>Analysis of the amount charged to operating profit</i>	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	Asia/Pacific £ million	Total £ million
<i>Year to 30 September 2002</i>						
Current service cost	(33.5)	(12.8)	(1.6)	(1.7)	(7.2)	(56.8)
Past service cost ²	(0.6)	0.7	–	–	–	0.1
Total operating charge	(34.1)	(12.1)	(1.6)	(1.7)	(7.2)	(56.7)
<i>Year to 30 September 2001</i>						
Current service cost	(35.8)	(8.6)	(1.3)	(2.2)	(4.7)	(52.6)
Past service cost	(0.4)	(16.7)	–	–	–	(17.1)
Total operating charge	(36.2)	(25.3)	(1.3)	(2.2)	(4.7)	(69.7)
<i>Year to 30 September 2000</i>						
Current service cost	(31.1)	(8.0)	(1.0)	(2.5)	(4.7)	(47.3)
Past service cost	(1.6)	–	–	–	–	(1.6)
Total operating charge	(32.7)	(8.0)	(1.0)	(2.5)	(4.7)	(48.9)

2. Two amendments have been made to the US pension plan in 2002 relating to the allocation of the interest credit to plan members, both retrospectively and in the future. The net impact of the amendments is a £0.7 million credit against past service cost in the year.

<i>Analysis of the amount included in net interest</i>	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	Asia/Pacific £ million	Total £ million
<i>Year to 30 September 2002</i>						
Expected return on pension scheme assets	87.4	36.2	–	7.2	8.3	139.1
Interest on pension scheme liabilities	(71.1)	(18.6)	(3.7)	(5.6)	(7.1)	(106.1)
Net interest on FRS17 pension schemes	16.3	17.6	(3.7)	1.6	1.2	33.0
<i>Year to 30 September 2001</i>						
Expected return on pension scheme assets	99.3	46.7	–	11.9	9.0	166.9
Interest on pension scheme liabilities	(71.9)	(18.1)	–	(9.7)	(7.5)	(107.2)
Net interest on FRS17 pension schemes	27.4	28.6	–	2.2	1.5	59.7
<i>Year to 30 September 2000</i>						
Expected return on pension scheme assets	88.7	38.4	–	13.0	9.4	149.5
Interest on pension scheme liabilities	(69.4)	(13.7)	–	(10.3)	(7.3)	(100.7)
Net interest on FRS17 pension schemes	19.3	24.7	–	2.7	2.1	48.8

<i>Analysis of the amount recognised in the statement of total recognised gains and losses</i>	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	Asia/Pacific £ million	Total £ million
<i>Year to 30 September 2002</i>						
Actual return less expected return on pension scheme assets	(246.4)	(71.6)	–	3.0	(13.6)	(328.6)
Experience gains and losses arising on the scheme liabilities	(9.7)	6.7	5.8	(3.9)	(1.3)	(2.4)
Changes in assumptions underlying the present value of the scheme liabilities	(91.7)	(2.2)	(5.9)	–	5.5	(94.3)
Irrecoverable surplus	–	–	–	(11.6)	–	(11.6)
Actuarial (loss) recognised in the statement of total recognised gains and losses³	(347.8)	(67.1)	(0.1)	(12.5)	(9.4)	(436.9)
<i>Year to 30 September 2001</i>						
Actual return less expected return on pension scheme assets	(346.2)	(156.4)	–	(11.9)	(13.3)	(527.8)
Experience gains and losses arising on the scheme liabilities	(7.6)	(0.9)	(6.9)	(0.3)	10.7	(5.0)
Changes in assumptions underlying the present value of the scheme liabilities	64.0	–	–	(2.9)	–	61.1
Actuarial (loss) recognised in the statement of total recognised gains and losses³	(289.8)	(157.3)	(6.9)	(15.1)	(2.6)	(471.7)
<i>Year to 30 September 2000</i>						
Actual return less expected return on pension scheme assets	109.0	57.2	–	8.5	9.0	183.7
Experience gains and losses arising on the scheme liabilities	22.2	(30.9)	(17.8)	3.9	(11.8)	(34.4)
Changes in assumptions underlying the present value of the scheme liabilities	(32.4)	–	3.0	–	–	(29.4)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses³	98.8	26.3	(14.8)	12.4	(2.8)	119.9

3. Included in the actuarial gain/(loss) for the year is £(5.7) million in respect of minority interests (2001: £(6.8) million, 2000: £5.7 million).

6. Employees continued

	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	Asia/Pacific £ million	Total £ million
<i>Movement in (deficit)/surplus during the year</i>						
<i>Year to 30 September 2002</i>						
(Deficit)/surplus in scheme at 1 October	(28.8)	157.5	(52.0)	12.8	(3.2)	86.3
Movement in the year:						
Current service cost	(33.5)	(12.8)	(1.6)	(1.7)	(7.2)	(56.8)
Past service cost	(0.6)	0.7	–	–	–	0.1
Contributions	2.8	–	3.9	1.8	6.3	14.8
Other finance income	16.3	17.6	(3.7)	1.6	1.2	33.0
Actuarial (loss)	(347.8)	(67.1)	(0.1)	(12.5)	(9.4)	(436.9)
Exchange adjustment	–	(6.1)	3.4	(2.0)	1.1	(3.6)
(Deficit)/surplus in scheme at 30 September	(391.6)	89.8	(50.1)	–	(11.2)	(363.1)
<i>Year to 30 September 2001</i>						
Surplus/(deficit) in scheme at 1 October	267.4	306.3	(43.7)	32.1	2.4	564.5
Movement in the year:						
Current service cost	(35.8)	(8.6)	(1.3)	(2.2)	(4.7)	(52.6)
Past service cost	(0.4)	(16.7)	–	–	–	(17.1)
Contributions	2.4	–	3.7	–	–	6.1
Other finance income	27.4	28.6	–	2.2	1.5	59.7
Actuarial (loss)	(289.8)	(157.3)	(6.9)	(15.1)	(2.6)	(471.7)
Exchange adjustment	–	5.2	(3.8)	(4.2)	0.2	(2.6)
(Deficit)/surplus in scheme at 30 September	(28.8)	157.5	(52.0)	12.8	(3.2)	86.3
<i>History of experience gains and losses</i>						
<i>Year to 30 September 2002</i>						
<i>Difference between the expected and actual return on scheme assets</i>						
Amount (£ million)	(246.4)	(71.6)	–	3.0	(13.6)	(328.6)
Percentage of scheme assets	(26.2%)	(21.0%)	–	4.3%	(11.1%)	(22.3%)
<i>Experience gains and losses on scheme liabilities</i>						
Amount (£ million)	(9.7)	6.7	5.8	(3.9)	(1.3)	(2.4)
Percentage of the present value of scheme liabilities	(0.7%)	2.7%	11.6%	(6.6%)	(1.0%)	(0.1%)
<i>Total amount recognised in the statement of total recognised gains and losses</i>						
Amount (£ million)	(347.8)	(67.1)	(0.1)	(12.5)	(9.4)	(436.9)
Percentage of the present value of scheme liabilities	(26.1%)	(26.8%)	(0.2%)	(21.1%)	(7.0%)	(23.9%)
<i>Year to 30 September 2001</i>						
<i>Difference between the expected and actual return on scheme assets</i>						
Amount (£ million)	(346.2)	(156.4)	–	(11.9)	(13.3)	(527.8)
Percentage of scheme assets	(30.3%)	(37.6%)	–	(15.0%)	(10.4%)	(29.9%)
<i>Experience gains and losses on scheme liabilities</i>						
Amount (£ million)	(7.6)	(0.9)	(6.9)	(0.3)	10.7	(5.0)
Percentage of the present value of scheme liabilities	(0.6%)	(0.3%)	(13.3%)	(0.4%)	8.2%	(0.3%)
<i>Total amount recognised in the statement of total recognised gains and losses</i>						
Amount (£ million)	(289.8)	(157.3)	(6.9)	(15.1)	(2.6)	(471.7)
Percentage of the present value of scheme liabilities	(24.7%)	(60.9%)	(13.3%)	(22.7%)	(2.0%)	(28.1%)
<i>Year to 30 September 2000</i>						
<i>Difference between the expected and actual return on scheme assets</i>						
Amount (£ million)	109.0	57.2	–	8.5	9.0	183.7
Percentage of scheme assets	7.6%	10.6%	–	8.3%	6.0%	8.3%
<i>Experience gains and losses on scheme liabilities</i>						
Amount (£ million)	22.2	(30.9)	(17.8)	3.9	(11.8)	(34.4)
Percentage of the present value of scheme liabilities	1.9%	(13.3%)	(40.7%)	5.5%	(8.0%)	(2.1%)
<i>Total amount recognised in the statement of total recognised gains and losses</i>						
Amount (£ million)	98.8	26.3	(14.8)	12.4	(2.8)	119.9
Percentage of the present value of scheme liabilities	8.5%	11.3%	(33.9%)	17.5%	(1.9%)	7.2%

6. Employees continued

ii) UK GAAP FRS 17 Retirement benefits – parent company

The pension rights of UK BOC Group employees are dealt with through a self-administered scheme, the assets of which are held independently of the Group's finances. The scheme is a defined benefit scheme that is funded partly by contributions from members and partly by contributions from Group undertakings at rates advised by independent professionally qualified actuaries. Acting on the advice of the actuaries, company contributions to the principal UK scheme will resume from 1 October 2002.

The company accounts for pension costs in accordance with UK Financial Reporting Standard 17 (FRS17) on retirement benefits. In accordance with the standard, the company treats contributions to the pension scheme as if it were a defined contribution scheme. This is because the underlying assets and liabilities of the scheme cover a number of UK BOC Group undertakings and cannot readily be split between each Group undertaking on a consistent and reliable basis.

iii) Pensions – US GAAP

For the purposes of US GAAP, the pension costs of the largest schemes have been restated in the following tables in accordance with the requirement of SFAS 132. The changes in projected benefit obligation, plan assets and details of the funded status of these retirement plans, together with the changes in the accumulated other post-retirement benefit obligations of the Group's US business, are given below. The measurement date for UK and US pension plans is 30 June. The difference between the UK and US GAAP information, disclosed in note 6 e) i) and ii) is included in note 16.

	Pension benefits		Other benefits ¹	
	2002 £ million	2001 £ million	2002 £ million	2001 £ million
<i>Change in benefit obligation</i>				
Projected benefit obligation at 1 October	1,599.5	1,666.0	52.0	47.1
Change due to re-measurement	–	–	–	(3.4)
Exchange adjustment	(27.3)	(7.6)	(3.4)	0.3
Service cost	54.6	54.0	1.6	1.2
Interest cost	102.9	107.5	3.6	3.3
Plan participants' contributions	12.9	14.6	–	–
Actuarial losses/(gains)	44.7	(151.1)	0.2	7.2
Benefits paid	(91.9)	(86.6)	(3.9)	(3.7)
Other (income) less expenses	0.6	2.3	–	–
Curtailments, settlements, termination benefits	0.6	0.4	–	–
Plan amendments ²	(0.7)	–	–	–
Projected benefit obligation at 30 September	1,695.9	1,599.5	50.1	52.0
<i>Change in fair value of assets</i>				
Fair value of assets at 1 October	1,995.7	2,203.4	–	–
Exchange adjustment	(39.8)	(24.9)	–	–
Actual return on plan assets	(180.4)	(115.5)	–	–
Employer contributions	8.9	2.4	–	–
Plan participants' contributions	12.9	14.6	–	–
Other income less (expenses)	0.6	2.3	–	–
Benefits paid	(91.9)	(86.6)	–	–
Fair value of assets at 30 September	1,706.0	1,995.7	–	–
<i>Funded status and unrecognised (gains)/losses</i>				
Funded status	10.1	396.2	(50.1)	(52.0)
Unrecognised net transition asset	(26.1)	(42.9)	–	–
Unrecognised prior service cost/(credit)	23.9	28.9	(3.4)	(4.1)
Unrecognised net loss/(gain)	195.5	(191.2)	9.3	10.1
Prepaid/(accrued) pension cost	203.4	191.0	(44.2)	(46.0)
<i>Amounts recognised in the statement of financial position consist of:</i>				
Prepaid benefit cost	183.0	191.0	–	–
Accrued benefit liability	(1.5)	–	–	–
Intangible asset	0.7	–	–	–
Accumulated other comprehensive income	21.2	–	–	–
Prepaid pension cost	203.4	191.0	–	–

1. Other benefits relate to post retirement medical benefits.

2. Plan amendments relate to changes made to the US pension plan.

The fair value of plan assets exceeds the accumulated benefit obligation for all plans except the Australian plan, where the accumulated benefit obligation, projected benefit obligation and fair value of plan assets were £110.6 million, £110.6 million and £109.1 million respectively (2001: £108.4 million, £108.4 million and £112.5 million).

6. Employees continued

The main assumptions are as follows:

	Europe	Americas	Africa	Asia/Pacific
<i>At 30 September 2002</i>				
Discount rate	5.8%	7.0%	12.0%	7.0%
Expected return on plan assets	7.7%	9.0%	12.0%	8.0%
Rate of compensation increase	3.9%	3.75%	9.5%	3.5%
<i>At 30 September 2001</i>				
Discount rate	6.2%	7.25%	10.0%	5.75%
Expected return on plan assets	7.4%	9.0%	10.0%	6.5%
Rate of compensation increase	4.75%	4.75%	7.5%	3.0%

For the post retirement medical benefits plan at 30 September 2002, the initial health care cost trend rates for valuing the medical benefits and drug benefits were 10.0 per cent (2001: 9.0 per cent) and 2.4 per cent (2001: 2.0 per cent) respectively. These rates are assumed to reduce gradually to 4.5 per cent in 2009 (2001: 4.75 per cent in 2009) for valuing medical benefits but no reduction is assumed for valuing the drug benefits.

	Pensionable benefits			Other benefits ³		
	2002 £ million	2001 £ million	2000 £ million	2002 £ million	2001 £ million	2000 £ million
Service cost net of employees' contributions	54.6	54.0	51.1	1.6	1.2	1.0
Interest cost on projected benefits obligation	102.9	107.5	99.5	3.6	3.3	1.8
Expected return on assets	(156.7)	(158.8)	(141.1)	—	—	—
Amortisation of net transition asset	(14.7)	(15.2)	(15.3)	—	—	—
Amortisation of prior service cost/(credit)	3.5	2.6	5.7	(0.5)	(0.5)	(0.4)
Amortisation of net (gain)/loss	(7.2)	(2.7)	—	0.3	—	(0.7)
Cost of special termination benefits	0.6	0.4	1.6	—	—	—
Net periodic pension (credit)/cost	(17.0)	(12.2)	1.5	5.0	4.0	1.7

3. Other benefits relate to post retirement medical benefits.

It is estimated that a one per cent change in the weighted average health care costs trend would have the following effects on the accumulated benefit obligation and net periodic pension cost at 30 September 2002:

	One percentage point	
	increase	decrease
Accumulated benefit obligation	6.0	(5.5)
Net periodic pension cost	0.9	(0.8)