The BOC Group plc

Report and Accounts

For the 15 month period ended 31 December 2006

The BOC Group plc
Registered office
Chertsey Road, Windlesham
Surrey GU20 6HJ, England

Registered in England No 22096

The BOC Group plc

Report of the directors

The directors present their report and consolidated financial statements for the 15 month period ended 31 December 2006

Acquisition of The BOC Group plc by Linde AG

In January 2006, the company received an offer of £15 per share from the German company Linde AG In March 2006, the offer was increased to £16 per share The board of directors reviewed the offer in great detail and considered that it was a full and fair price, taking into account the prospects for BOC as an independent business The board recommended this revised offer to the company's shareholders Following the satisfaction of competition authority preconditions in the US and in the European Union, the offer was approved by BOC shareholders at an extraordinary general meeting in August 2006, and by the English Courts The Scheme of Arrangement became effective on 5 September 2006 at which date the company became a 100 per cent subsidiary of Linde AG

Regulatory approval for the take-over required the disposal of certain of the Group's business activities, notably in the US and Poland The divestiture of certain helium supply contracts in the US was completed in September 2006, and the disposal of the Group's gases business in Poland, announced in January 2007 was completed in April 2007 Regulatory approval also required the severing of the Group's significant structural links in its Asian businesses that were controlled jointly with the French company, Air Liquide The realignment of these activities was also completed in early 2007, resulting in the Group disposing of its shareholding in several businesses in the Far East, principally Japan and Singapore, to Air Liquide

Following the take-over by Linde AG, it was announced that the Group would dispose of the equipment business of BOC Edwards The gases part of BOC Edwards would be retained In March 2007, it was announced that CCMP Capital, a private equity firm, was to acquire the BOC Edwards equipment business, subject to regulatory approval and this transaction was completed in May 2007

Principal activities

The principal activities of the Group are as follows

1) the manufacture and sale of industrial and medical gases and related equipment
2) the supply of liquefied petroleum gases
3) the supply of electronic materials, vacuum and abatement technology and semi-conductor related services.

The Group's management structure was organised along three global lines of business and two specialist businesses for the 15 month period ended 31 December 2006 However, the global lines of business structure has now been superseded following the acquisition by Linde AG and its decision to sell the equipment business of BOC Edwards

Each line of business served a clearly defined type of customer and each pursued its own strategy for growth and performance at a local level Process Gas Solutions (PGS) managed all aspects of BOC's business with customers requiring bulk supplies of industrial gases from on-site plants or by pipeline as well as deliveries of liquefied gases Typical customers were found in the oil and chemicals, food and beverage, metals, and glass sectors all around the world Industrial and Special Products (ISP) covered BOC's business with customers in the fabrication, medical and leisure sectors as well as the special products and liquefied petroleum gases businesses BOC Edwards embraced all aspects of business with semiconductor industry customers worldwide including the supply of bulk gases and electronic materials, vacuum and abatement technology, chemical management systems and semiconductor-related services BOC Edwards also served general vacuum markets around the world and manufactured pharmaceutical freeze-drying and packaging machinery

The specialist business Gist provides supply chain solutions The former specialist business Afrox hospitals owned and managed private hospitals and clinics in South Africa The remaining associate interest in the Afrox hospitals business was disposed of in September 2006 after the majority shareholding had been disposed of in 2005

Business review

Following the acquisition of the company by Linde AG, the company changed its financial year end to 31 December to align it with that of its new parent company These financial statements have therefore been prepared for the 15 months ended 31 December 2006, with comparative information for the year ended 30 September 2005 Absolute and percentage changes quoted below are for these respective periods and are therefore distorted by the change in the financial year end

For the period ended 31 December 2006, consolidated Group revenue and operating profit for continuing operations, before special and certain re-measurement items, were £4,222 6 million and £518 2 million respectively The corresponding items for the year ended 30 September 2005 were £2,985 1 million and £392 4 million

Operating profit from continuing operations after special and certain re-measurement items was £330 5 million (year to 30 September 2005, £416 1 million) Operating special items for continuing operations in 2006 include impairments of £50 6 million and bid-related costs of £102 9 million Financing special items of £60 million in 2006 comprise an impairment of the Group's investment in the Cantarell joint venture in Mexico following management review of business performance

The BOC Edwards equipment business and the Afrox hospitals business are treated as discontinued operations in these financial statements As a result, the retained part of the BOC Edwards' business is included in the Corporate/Other segment in these financial statements

Revenue growth was driven by both volume expansion and strong pricing trends which offset increased energy costs Group revenue increased by 41 per cent and operating profit before special and certain re-measurement items increased by 32 per cent

Several new plants were commissioned in the period under review The Group was successful in winning new business, and continued to invest in new capital projects throughout the period

In September 2006, the Group disposed of the remaining 20 per cent interest held by its South African subsidiary, African Oxygen Limited, in the Afrox hospitals business

Basic earnings per share from continuing operations, before special and certain re-measurement items was 73 4 pence for the period, compared with 68 5 pence for the year ended 30 September 2005 Total basic earnings per share for continuing operations for the period were 37 2 pence per share, compared with 65 7 pence per share for the year ended 30 September 2005

The Group achieved a total return on capital employed of 14 7 per cent for the period, compared with 15 9 per cent for the year ended 30 September 2005

A first interim dividend of 16 3 pence per share was declared on 6 January 2006 and paid on 1 February 2006 A second interim dividend of 20 3 pence per share was declared on 4 September 2006 and paid on 19 September 2006

Following the acquisition of the company by Linde AG a restructuring programme was initiated to integrate the Group's business activities with that of its new parent company This integration proceeded to plan through the early part of 2007

In the first half of 2007, economic conditions remained favourable in most of the countries in which the Group conducts its business Underlying business performance remained satisfactory throughout this period While integration work continued, business managers remained focussed on delivering results In the current economic climate, the directors believe that the future performance of the continuing businesses of the Group will produce satisfactory results in line with expectations

To satisfy the regulatory conditions of the take-over by Linde AG, certain Group businesses or shareholdings in joint ventures and associates were disposed of in the first half of 2007 These included businesses in Poland, Chile and the Far East In addition, the equipment business of BOC Edwards was disposed of in May 2007 Further details of these transactions are given in note 31 to the financial statements

Risks and uncertainties

The principal risks and uncertainties facing the Group include, but are not limited to

a) the success in winning and executing large projects profitably, and the retention of existing major contracts
b) business economic cycles, particularly in the semiconductor business
c) the economic, political, business and natural catastrophe risks associated with international operations in the more than 50 countries in which BOC operates
d) the development of, and access to, technology to support business growth
e) the recruitment, training and retention of key personnel
f) increased energy costs

The Group has processes in place to manage, monitor and, where possible, mitigate these risks, including for example a dedicated risk management department

Litigation
BOC Group companies are party to various legal proceedings in the ordinary course of business, including some in which claims for damages in large amounts have been asserted The outcome of the litigation to which BOC Group companies are party cannot be readily foreseen, but the Group believes that such litigation should be disposed of without material adverse effect on the Group's financial condition or profitability

Certain subsidiaries of the company are party to a lawsuit in Texas and international arbitration in respect of a claim by Celanese Corporation (and its subsidiaries) for business torts arising out of the development of Celanese's new acetic acid manufacturing plant in Nanjing, China Celanese claims compensatory damages of 250 million US dollars and approximately treble punitive damages The company's subsidiaries are vigorously defending this claim Based on the facts available and legal advice obtained, the directors believe that there are strong factual and legal defences, and that the continued defence and resolution of this case will not have a material adverse effect on the financial condition or profitability of the Group However, the outcome of this case is uncertain and difficult to predict

Certain subsidiaries of the company are party to lawsuits in the United States for alleged injuries resulting from exposure to manganese, asbestos and/or toxic fumes in connection with the welding process In these cases the company's subsidiaries are typically one of several or many other defendants The subsidiaries of the company named in these cases believe that they have strong defences to the claims asserted in the various cases and intend to defend vigorously such claims Based on the litigation experience to date, together with current assessments of the merits of the claims being asserted and applicable insurance, the Group believes that the continued defence and resolution of the welding fumes litigation will not have a material adverse effect on its financial condition or profitability

Nonetheless, the outcome of these cases is inherently uncertain and difficult to predict The company's subsidiaries have insurance that covers, in whole or in part, costs and any judgements associated with these claims

Financial risks
The Group also faces financial risks, principally related to foreign currencies, interest rates and credit risks Since the acquisition by Linde AG, the treasury policies and objectives of the Group are set by Linde AG and include controls over the procedures to manage these risks

Most of the Group's net assets are in currencies other than sterling The Group manages the associated translation risks by arranging borrowings in the same currency as the foreign currency assets, or by the use of hedging instruments such as currency swaps The Group manages its currency flows to minimise currency transaction exchange risk and forward contracts are used where appropriate to hedge net currency flows and selected individual transactions The Group manages its interest rate risk by maintaining both floating and fixed rate debt Credit risk relating to counterparties is managed by limiting the exposure to any one counterparty depending upon its credit rating

Directors and directors' interests

Board of directors
Following the take-over of the company by Linde AG, there was a significant change in the board of directors of the company

The directors who held office during the period were as follows

John Bevan	resigned 22 September 2006
Andew Bonfield	resigned 5 September 2006
Guy Dawson	resigned 5 September 2006
Georg Denoke	appointed 5 September 2006
Alan Ferguson[1]	
Tony Isaac	resigned 31 October 2006
Kent Masters	
Rob Margetts	resigned 5 September 2006
Rebecca McDonald	resigned 5 September 2006
Matthew Miau	resigned 5 September 2006
Sir Christopher O'Donnell	resigned 5 September 2006
Professor Dr Wolfgang Reitzle	appointed 5 September 2006
Anne Quinn	resigned 5 September 2006
Dr 'Raj' Rajagopal	resigned 27 October 2006

1 Alan Ferguson resigned on 22 March 2007

Remuneration of directors

The aggregate remuneration paid to directors during the period was as follows

	15 months to 31 December 2006 £000	Year to 30 September 2005 £000
Salaries and benefits	**4,511**	3,255
Bonuses payable for the period	**4,167**	1,625
Fees to non-executive directors	**502**	508
	9,180	5,388
Termination payments	**2,384**	-
Company pension contributions to money purchase schemes	**161**	308
Provision for share incentive schemes	**9,984**	2,144
Payments to former directors and their dependants	**27**	32
	21,736	7,872

The highest paid director was Tony Isaac His total remuneration for the 15 month period was £3,198,000 He was not a member of a defined benefit pension scheme Retirement benefits are accruing under defined benefit schemes for one director (2005 four directors)

Directors' interests

No director had any interest at 31 December 2006 in the shares of the company or in the shares of another subsidiary of the company's holding company

For those directors who were in office at 31 December 2006, their interests in the shares of the company were as follows

Number of shares	Ordinary shares	Share award	Share options	Long-term incentive plan awards
At 31 December 2006				
A Ferguson	-	-	-	-
K Masters	-	-	-	-
At 30 September 2005				
A Ferguson	-	48,077	-	76,106
K Masters	2,356	-	240,726	78,469

Movements in directors' interests during the period

Number of shares	At 1 October 2005	Granted	Lapsed	Exercised	At 31 December 2006
a) Share options					
A Ferguson	-	-	-	-	-
K Masters	240,726	-	-	(240,726)	-
b) Long-term incentive plan awards					
A Ferguson	76,106	56,978	(5,100)	(127,984)	-
K Masters	78,469	39,752	(18,119)	(100,102)	-

	At 1 October 2005	Granted	Share Match	Exercised	At 31 December 2006
c) Share matching plan awards					
A Ferguson	-	-	-	-	-
K Masters	-	9,649	9,649	(19,298)	-

During the period ended 31 December 2006, a total of 5 directors exercised share options

Employee policies

The Group recognises the importance of its employees It has policies and procedures in place covering, among other things, recruitment, training, personal and professional development and succession planning

Two-way communication is encouraged and the appropriate formal and informal channels are in place to share relevant information Levels of employee satisfaction are measured by periodic surveys

Reward and recognition programmes have been cascaded throughout the Group to enhance effective performance at all levels

Opportunities are made available throughout the Group for employees to participate in retirement programmes tailored to suit local conditions In addition, before the take-over of the Group by Linde AG, employees were able to build up an equity stake in the company through participation in employee share schemes in certain countries

The Group values the diversity of its employees and strives to maintain a workplace free from discrimination for whatever reason Disability is not considered a barrier to employment and, as far as local conditions allow, employees are selected on the basis of their ability to perform the job.

International Financial Reporting Standards

In line with the required timetable, the consolidated financial statements of The BOC Group plc have been prepared under International Financial Reporting Standards (IFRS) (as adopted by the European Union) for the first time in the period ended 31 December 2006 Comparative information for the year ended 30 September 2005 has been restated under IFRS The company is not required to report under IFRS and therefore the company's financial statements are prepared in accordance with UK Generally Accepted Accounting Practices (UK GAAP)

Political and charitable donations

No political donations were made in the period Charitable donations of £1,552,000 (2005 £2,032,000) were made, of which £423,000 was to UK-registered charities (2005 £350,000)

Authority to purchase own shares

At the Annual General Meeting held in January 2006, shareholders granted the company authority to purchase up to an aggregate of 50,269,891 of its own shares No shares have been purchased to date under this authority, which expired on 27 April 2007

Supplier payment policy

The Group applies a policy of agreeing and clearly communicating the terms of payment as part of the commercial arrangement negotiated with suppliers and then paying according to those terms In addition the UK-based businesses have committed to the 'Better Payment Practice Code' A copy of the code can be obtained from the Department of Trade and Industry, DTI Publications Orderline, Admail 528 London SW1W 8YT

For UK businesses, of amounts owing to suppliers, trade creditors represent 48 days at 31 December 2006 (58 days at 30 September 2005)

Going concern

The directors are confident, after having made appropriate enquiries, that both the company and the Group have adequate resources to continue in operation for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Auditors

Following the acquisition of the company by Linde AG, PricewaterhouseCoopers LLP resigned as auditors of the company and KPMG Audit Plc were subsequently appointed auditors of the company In accordance with Section 385 of the Companies Act 1985, a resolution for KPMG Audit Plc's re-appointment as auditors of the company will be proposed at the forthcoming Annual General Meeting

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the Group and parent company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and parent company financial statements for each financial year Under that law they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards

The Group financial statements are required by law and IFRSs as adopted by the European Union to present fairly the financial position and the performance of the Group, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company

In preparing each of the Group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements of the Group and parent company comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and prevent and detect fraud and other irregularities

Under applicable law and regulations, the directors are also responsible for preparing a directors' report that complies with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

G. Denoke

G Denoke Director

K Masters Director

KPMG

Report of the independent auditors to the members of The BOC Group plc

We have audited the Group and parent company financial statements (the "financial statements") of The BOC Group plc for the 15 month period ended 31 December 2006 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on pages 8 to 9

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and as regards the Group financial statements, Article 4 of the IAS regulations We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2006 and of its profit for the 15 month period then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation,
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2006,
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

13 July 2007
Reading

Group income statement

	Notes	15 months to 31 December 2006: Before special and certain re-meas-urement items £ million	Special items £ million	Certain re-meas-urement items £ million	After special and certain re-meas-urement tems £ million	Year to 30 September 2005: Before special and certain re-meas-urement items £ million	Special items £ million	After special and certain re-meas-urement items £ million
Group revenue	2	4,222 6	-	-	4,222 6	2,985 1	-	2,985 1
Cost of sales		(2,550 8)	(57 0)	-	(2,607 8)	(1,647 4)	-	(1,647 4)
Distribution costs		(402 7)	-	-	(402 7)	(298 9)	-	(298 9)
Administrative expenses		(750 9)	(124 3)	(6 4)	(881 6)	(646 4)	23 7	(622 7)
Group operating profit	2,3(b)	518 2	(181 3)	(6 4)	330 5	392 4	23 7	416 1
Finance costs	4	(99 8)	(60 0)	(3 8)	(163 6)	(81 9)	-	(81 9)
Finance income	4	39 7	-	11 9	51 6	42 1	-	42 1
Interest on pension scheme liabilities	9	(175 0)	-	-	(175 0)	(130 6)	-	(130 6)
Expected return on pension scheme assets	9	208 4	-	-	208 4	149 8	-	149 8
Share of results of joint ventures and associates	2,16(a)	51 2	(2 9)	(0 3)	48 0	62 4	-	62 4
Profit before taxation	2	542 7	(244 2)	1 4	299 9	434 2	23 7	457 9
Taxation	5(a)	(139 4)	63 6	(0 5)	(76 3)	(91 3)	(9 3)	(100 6)
Profit for the period from continuing operations		403 3	(180 6)	0 9	223 6	342 9	14 4	357 3
Profit for the period from discontinued operations	33(b)	41 8	(9 7)	-	32 1	38 6	47 1	85 7
Profit for the period		445 1	(190 3)	0 9	255 7	381 5	61 5	443 0
Profit attributable to equity shareholders of the parent		405 7	(195 4)	0 9	211 2	340 7	33 1	373 8
Profit attributable to minority interests		39 4	5 1	-	44 5	40 8	28 4	69 2
Profit for the period		445 1	(190 3)	0 9	255 7	381 5	61 5	443 0

	Notes	15 months to 31 December 2006	Year to 30 September 2005
Earnings per 25p Ordinary share	11		
From continuing operations			
- basic		37 2p	65 7p
- diluted		37 0p	65 5p
From discontinued operations			
- basic		4 2p	9 8p
- diluted		4 1p	9 8p
Total			
- basic		41 4p	75 5p
- diluted		41 1p	75 3p

There were no individually significant acquisitions during 2006 and 2005

Group balance sheet

	Notes	At 31 December 2006 £ million	At 30 September 2005 £ million
Non-current assets			
Goodwill	12	**87 4**	140 2
Intangible assets	13	**46 7**	88 5
Property, plant and equipment	14	**2,356 0**	2,549 8
Investment property	15	**-**	11 1
Investment in joint ventures and associates	16	**417 2**	635 2
Other investments	17	**10 2**	14 6
Other receivables	19(b)	**262 2**	18 4
Retirement benefit assets	9	**179 0**	136 7
Deferred tax assets	5(b)	**43 0**	31 4
Derivative financial instruments	24(c)	**2 7**	-
		3,404 4	3,625 9
Current assets			
Inventories	18	**223 9**	306 3
Trade and other receivables	19(a)	**626 3**	710 5
Other investments	17	**25 1**	16 4
Derivative financial instruments	24(c)	**17 6**	-
Cash and deposits	20	**184 1**	191 0
Non-current assets held for sale and disposal groups	33	**642 0**	-
		1,719 0	1,224 2
Total assets		**5,123 4**	4,850 1
Current liabilities			
Borrowings and finance leases	23(a)	**(416 1)**	(259 2)
Derivative financial instruments	24(c)	**(5 5)**	-
Trade and other payables	21(a)	**(567 2)**	(741 1)
Provisions	22	**(62 4)**	(30 4)
Current tax liabilities		**(114 3)**	(154 4)
Liabilities directly related to non-current assets held for sale and disposal groups	33	**(179 0)**	-
		(1,344 5)	(1,185 1)
Net current assets		**374 5**	39 1
Total assets *less* current liabilities		**3,778 9**	3,665 0
Non-current liabilities			
Borrowings and finance leases	23(a)	**(786 0)**	(771 5)
Derivative financial instruments	24(c)	**(0 3)**	-
Other payables	21(b)	**(30 9)**	(35 8)
Provisions	22	**(97 6)**	(90 6)
Retirement benefit obligations	9	**(333 9)**	(542 5)
Deferred tax liabilities	5(b)	**(171 9)**	(184 2)
		(1,420 6)	(1,624 6)
Net assets		**2,358 3**	2,040 4
Share capital		**132 3**	125 6
Share premium		**675 5**	406 6
Reserves		**1,418 7**	1,397 9
Total equity attributable to shareholders of the parent	26(a)	**2,226 5**	1,930 1
Minority interests	26(a)	**131 8**	110 3
Total equity		**2,358 3**	2,040 4

The financial statements were approved by the board of directors on 11 July 2007 and are signed on its behalf by

G. Denoke

G Denoke Director

K Masters Director

Group cash flow statement

	Notes	15 months to 31 December 2006 £ million	Year to 30 September 2005 £ million
Profit for the period from continuing operations		**223 6**	357 3
Profit for the period from discontinued operations		**32 1**	85 7
		255 7	443 0
Adjusted for			
- taxation		**90.4**	134 1
- finance cost		**163 6**	81 9
- finance income		**(51 6)**	(42 6)
- interest on pension scheme liabilities		**175 0**	130 6
- expected return on pension scheme assets		**(208 4)**	(149 8)
- special and certain re-measurement operating items		**196 0**	(90 0)
- depreciation and amortisation		**376.3**	291 1
- net retirement benefits charge less contributions		**(164.0)**	(15 7)
- share of results of joint ventures and associates		**(56.7)**	(66 7)
- changes in working capital and other items		**(104 6)**	(34 3)
- special cash flows		**(85 0)**	(16 9)
Dividends from joint ventures and associates		**52 2**	51 1
Tax paid		**(130 9)**	(118 4)
Net cash flows from operating activities		**508 0**	597 4
Purchases of property, plant and equipment		**(530.2)**	(331 8)
Sales of property, plant and equipment		**38.7**	23 4
Sales of investment property		**17.0**	-
Purchases of intangible assets		**(16 0)**	(23 3)
Net (purchases) / sales of current asset investments		**(10 9)**	4 7
Net (purchases) / sales of trade and other investments		**(0 2)**	26 6
Acquisition of businesses	30	**(61 4)**	(54 8)
Disposal of businesses	30	**112 1**	200 8
Receipt from capital restructuring of joint venture		**-**	17 0
Net investment in joint ventures and associates		**(20 7)**	(34 2)
Net cash flows from investing activities		**(471 6)**	(171 6)
Interest paid		**(128 7)**	(83 5)
Interest received		**43 7**	18 6
Interest element of finance lease rental payments		**(1 2)**	(0 3)
Dividends paid to minorities in subsidiaries		**(15 4)**	(66 4)
Equity dividends paid		**(185 3)**	(204 1)
Proceeds from issue of shares		**286 7**	9 6
Acquisition of loan to fellow Linde AG subsidiary		**(70 8)**	-
Drawdown of debt		**707 9**	562 3
Repayment of debt		**(700 3)**	(692 1)
Net cash flows from financing activities		**(63 4)**	(455 9)
Net decrease in cash and cash equivalents		**(27 0)**	(30 1)
Cash and cash equivalents at the beginning of the period		**182 1**	224 6
Effects of foreign exchange rate changes		**(9.3)**	(12 4)
Cash and cash equivalents at the end of the period		**145 8**	182 1
Cash and cash equivalents comprise			
Cash at bank and in hand	20	**166 9**	177 8
Bank overdrafts repayable on demand		**(38 3)**	(8 9)
Deposits with original maturity of less than 90 days	20	**17 2**	13 2
		145 8	182 1

Group statement of recognised income and expense

	Notes	15 months to 31 December 2006 £ million	Year to 30 September 2005 £ million
Actuarial gain / (loss) recognised on the pension schemes	9	**66 2**	(13 9)
Movement on deferred tax relating to actuarial gain / (loss) on pensions		**(22 9)**	(6 7)
Movement on current tax relating to actuarial gain / (loss) on pensions		**0 1**	8 4
Gains from investment hedges, net		**30 3**	-
Gains from cash flow hedges, net		**3 7**	-
Credit in respect of employee share options		**55 2**	14 0
Tax on share options		**24 8**	3 3
Exchange translation effect on			
- results for the period		**(22.1)**	9 5
- foreign currency net investments		**(167 8)**	74 6
Net (expense) / income recognised directly in equity		**(32 5)**	89 2
Profit for the period		**255 7**	443 0
Total recognised income and expense for the period	26	**223 2**	532 2
Effect of adoption of IAS 32 and IAS 39 at 1 October 2005			
- retained earnings	26	**(3 0)**	-
- hedging reserve	26	**3 2**	-
Total effect of adoption of IAS 32 and IAS 39 at 1 October 2005	26	**0 2**	-
Total recognised income and expense for the period including the effect of IAS 32 and IAS 39		**223.4**	532 2
Attributable to			
Equity shareholders of the parent	26	**192 4**	457 5
Minority interest	26	**30 8**	74 7
Total recognised income and expense for the period	26	**223 2**	532 2

Index of notes to the Group financial statements

Notes to the Group financial statements

1 Accounting policies

a) Basis of preparation

The Group financial statements of The BOC Group plc (BOC) have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS) and related interpretations as adopted by the European Union For BOC, there are no differences between IFRS adopted by the European Union and IFRS as issued by the International Accounting Standards Board They have also been prepared in accordance with the UK Companies Act 1985

The previous audited financial statements, for the year ended 30 September 2005, were prepared under UK GAAP The results for that period have since been restated under IFRS and this restatement has formed the basis for reporting under IFRS in 2006

The general principle that should be applied on first time adoption of IFRS is that standards should be applied with full retrospective effect In accordance with IFRS 1, the Group is entitled to a number of voluntary and mandatory exemptions from full restatement, details of which are given in Note 34

The consolidated financial statements have been prepared using the historical cost convention, except for certain financial instruments held at fair value

Following the acquisition of The BOC Group plc by Linde AG, the Group changed its financial year end to 31 December to align it with the financial year end of its parent company Therefore, following this change in the accounting reference date, the consolidated financial statements have been prepared for the 15 months ended 31 December 2006 with comparative information for the year ended 30 September 2005 Unless otherwise stated, references to 2006 in the notes to the financial statements are for the 15 month period ended 31 December 2006 Comparisons between the respective periods are therefore distorted by the change in the financial year end

The preparation of the financial statements in accordance with IFRS requires management to exercise judgement in making certain estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities Actual results could differ from those estimates The key estimates and assumptions are explained in note 1 w) below

The Group has elected to adopt early the amendment to IAS19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures, thereby recognising the actuarial gains and losses in shareholders' equity in full in the period in which they arise

The following standards were issued by the IASB or IFRIC and endorsed by the EU, but have not yet been applied in the financial statements for the period ended 31 December 2006 as they are not yet effective

- Amendment to IAS 1 *Capital Disclosure*
- Amendment to IAS 21 *Net Investment in a Foreign Operation*
- IFRS 7 *Financial Instruments – Disclosures*
- IFRIC 4 *Determining whether an Arrangement contains a Lease*
- IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Re-assessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

These standards and interpretations will not be applied by the Group until the 2007 financial year or later Additionally, IAS 1, IFRS 7 and IFRIC 4 will all result in changes to the information given in the notes to the Group financial statements or more information being given Except for IFRIC 4, the impact of the other standards on the net assets, financial position and results of operations in the 2007 financial year is not considered to be significant overall

IFRIC 4 is likely to have a significant impact upon the net assets, financial position and results of the operations in the 2007 financial year A significant portion of the Group's property, plant and equipment assets are likely to be assessed as arrangements containing finance leases As a result, the related property, plant and equipment is likely to be removed from the Group's balance sheet and a finance lease receivable recorded in its place The finance lease receivable will represent the present value of the minimum lease payments associated with the lease The difference between the gross lease payments receivable and the net present value of the minimum lease payments will be recognised as a finance income allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining lease receivable balance At the inception of the finance lease receivable the present value of the minimum lease payment will be recognised as Group revenue Prior to IFRIC 4 being adopted income from the property, plant and equipment was recorded in Group revenue IFRIC 4 will be adopted by the Group from 1 January 2007

b) Consolidation

The Group financial statements include the accounts of the parent company and all subsidiaries, and its share of joint ventures and associates Transactions and balances between subsidiaries are eliminated

Companies over which the Group has the power to control are accounted for as subsidiaries Investments which are held for the long term and in which the Group has joint control with one or more other parties are treated as joint ventures and accounted for using the equity method Investments which are held for the long term and in which the Group has significant influence are treated as associates and accounted for using the equity method Companies in which the BOC Group plc holds the majority of the voting rights, either directly or indirectly, but over which it is unable to exercise control due to substantial minority rights, are also accounted for using the equity method

The results of businesses acquired during the period are included from the effective date of acquisition The results of businesses disposed of during the period are included up to the date of relinquishing control Material, separately identifiable business components disposed of are analysed as discontinued operations in the income statement and prior periods' analyses are restated to reflect those businesses as discontinued

The financial statements of subsidiaries, joint ventures and associates are included in the Group financial statements using accounting policies consistent with those of the Group

c) Business combinations

Business combinations are accounted for using the purchase method under which the assets and liabilities of the acquired business are recognised at their fair value at the date of acquisition

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 identifiable assets, liabilities and contingent liabilities acquired, is capitalised as an asset At the date of acquisition, goodwill is allocated to cash generating units for the purposes of future impairment testing An impairment review is carried out at least annually Any impairment in the value of goodwill is recognised in the income statement in the period in which it arises

The carrying value of goodwill represents the fair value at the date of recognition less any accumulated impairment losses For any goodwill arising before 1 October 2004, the carrying value also includes the appropriate amortisation to that date under previous GAAP

Negative goodwill arising on an acquisition is recognised in the income statement for the period when the acquisition occurred

Goodwill arising on acquisitions prior to 30 September 1998 was taken to reserves under UK GAAP Under IFRS 1 that goodwill will remain in reserves and will not be transferred to the income statement even if the business to which it relates is disposed of or the investment is impaired

d) Foreign currency translation

The financial statements of each of the Group's entities are prepared using their functional currency, which is the currency of the primary economic environment in which they operate

The functional currency of The BOC Group plc is sterling and the presentation currency of the Group is sterling

The income statement and other period statements of the Group's overseas operations are translated at average rates of exchange for the financial period where this rate approximates to the foreign exchange rates ruling at the date of the transaction Average rates are calculated on a daily basis Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the financial period-end Exchange differences are dealt with as a movement in reserves where they arise from

i) the translation of the opening net assets of foreign operations,
ii) the retranslation of retained earnings of foreign operations from average to closing rates of exchange, and
iii) the translation or conversion of long-term foreign currency borrowings taken to hedge foreign currency assets

Goodwill arising on the acquisition of foreign operations is recognised in the functional currency of those operations and translated at closing rates of exchange at the financial period-end

Exchange differences arising from 1 October 2004 are recognised as a separate component of total equity On disposal of a foreign operation, any cumulative exchange differences held in total equity are transferred to the consolidated income statement and recognised as part of the gain or loss on disposal

All other exchange differences are taken to the income statement except those relating to certain derivative financial instruments that are deemed to be part of hedging relationships (see Financial instruments accounting policy)

e) Revenue recognition

Revenue is based on the fair 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 Revenue for goods and services is recognised when the significant risks and rewards of ownership are transferred to the customer This is determined to be 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

Sales returns are not a significant business issue in the industries in which the Group operates No significant amounts of revenue arise from the exchange of goods or services

Revenue on long-term supply contracts with customers generally contains two elements
i) a fixed charge for the use of production or storage facilities This is recognised on a straight line basis over the period of the contract Where the charge is in respect of production facilities, it will also typically include the supply of a specified volume of product
ii) a variable charge for the supply of product, or the supply of product in excess of a specified contract volume This is recognised when the risks and rewards of ownership are transferred to the customer

Revenue on construction contracts is recognised on a percentage of completion basis When the outcome of a construction contract cannot be reliably estimated, revenue is recognised only to the extent that incurred costs are recoverable Provision is made for all losses incurred together with any foreseeable or anticipated future losses

f) Segment reporting

In accordance with IAS 14 the Group's primary reporting format is business segments and its secondary format is geographical segments

g) Research and development costs

Revenue expenditure on research is written off when incurred Expenditure on development is written off when incurred unless it meets the criteria for capitalisation Development costs are capitalised if the product or process is technically and commercially feasible and the cost can be measured reliably and when it is probable that the expenditure will generate future economic benefits Such costs are written off on a straight line basis over the period in which the economic benefits are expected to be consumed, which is generally up to 5 years

h) Special and certain re-measurement items

Special and certain re-measurement items are those items that should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group in accordance with IAS 1 Presentation of Financial Statements Special and certain re-measurement items include items relating to both continuing and discontinued businesses The Directors believe that detailed disclosure of special and certain re-measurement items, and of profit measures both before and after special and certain re-measurement items, enables shareholders to obtain greater understanding of the underlying performance of the Group Profit measures before special and certain re-measurement items should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance including special and certain re-measurement items

Management judgment is required to determine which items of pre-tax expense or income are classified as special items, with consideration being given to size, nature and frequency of incidence Specific items which have been treated in these financial statements as "special" include the following

i) major Group restructuring programmes,
ii) impairment of assets, where significant,
iii) gains or losses on disposal of businesses,
iv) gains or losses on disposal of investments,
v) bid-related costs, and
vi) income tax relating to the above items

In contrast to special items, certain re-measurement items have been selected exclusively on the basis of their inherently volatile nature and not because of their size or frequency of incidence in any single period The items included in certain re-measurement items are

i) the ineffectiveness arising on hedging activities under IAS 39,
ii) fair value movements relating to financial and derivative instruments (including embedded derivatives) recorded at fair value that are not in hedging relationships under IAS 39,
iii) income tax relating to the above items

i) Employee benefits

The Group operates a number of retirement benefit schemes The main schemes are defined benefit schemes

For defined benefit schemes the regular service cost of providing retirement benefits to employees during the period is charged to operating profit in the period The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the period where the benefits have vested, otherwise they are amortised on the straight line basis over the vesting period

A credit representing the expected return on the assets of the retirement benefit schemes during the period is shown as a financing item in the income statement This is based on the market value of the assets of the schemes at the start of the financial period

A charge representing the expected increase in the liabilities of the retirement benefit schemes during the period is shown as a financing item in the income statement This arises from the liabilities of the schemes being one period closer to payment

The asset or liability recognised on the balance sheet is the difference between the defined benefit obligation and the fair value of the scheme assets at the balance sheet date The present value of the defined benefit obligation is calculated by independent actuaries, using the projected unit credit method, and the discount rates used are high quality corporate bond rates except where there is no deep market in such bonds

Differences between actual and expected returns on assets during the period, experience gains and losses and changes in actuarial assumptions are recognised in the statement of recognised income and expense in the period in which they arise

For defined contribution schemes the cost of providing benefits is charged to operating profit as incurred

The Group also operates an unfunded post retirement health care scheme for some of its US based retired employees This is accounted for on a similar basis to other defined benefit schemes and the obligations are valued by independent actuaries

j) Share-based payments

The Group elected to apply IFRS 2 on all share-based payments schemes in operation

The Group operates both equity-settled and cash-settled share option schemes

In respect of equity-settled share option schemes, the services received from employees are measured at the fair value of the options at the date of grant This is recognised in the consolidated income statement over the vesting period on a straight line basis A corresponding adjustment in shareholders' equity is recognised over the same period

In respect of cash-settled share option schemes, the services received from employees are initially measured at the fair value of the options at the date of grant, and subsequently re-measured at each reporting date and at the settlement date This is recognised in the consolidated income statement over the vesting period A corresponding change in the liability is recognised over the same period

Fair values are calculated using appropriate option pricing models, taking into account the terms and conditions upon which the options were granted

The charge in the consolidated income statement reflects an estimate of the number of shares that will ultimately vest, which is revised at each reporting date It is also revised at the settlement date to reflect the actual number of shares vesting

Certain of the Group's share option schemes are subject to both market and non-market related performance conditions A charge is recognised in respect of all share options However, the charge for those with market related conditions are recognised whether or not these performance conditions are met

k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses No depreciation is charged on freehold land or construction in progress Depreciation is charged on all other items of property, plant and equipment on the straight line basis to write them down to their residual values over their useful lives Straight line deprecation rates vary according to the class of asset, but are typically

Freehold property	2% - 4%
Leasehold property	2% - 4%
Plant and machinery	3% - 10%
Cylinders	4% - 10%
Motor vehicles	15% -25%

Where the construction period for an addition to an item of property, plant and equipment exceeds one year, interest costs are capitalised during the construction period and written off as part of the total cost

The cost of property, plant and equipment includes, where appropriate, an amount for any future decommissioning obligations Where the impact is material, this amount is discounted to its present value

Where finance leases have been entered into, the capital element of 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 property, plant and equipment

Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses

Any impairment in the value of property, plant and equipment, calculated by comparing the carrying value against the higher of the net realisable value or value in use, is dealt with in the income statement in the period in which it arises

Residual values and useful lives are reviewed at least at each financial period end

l) Intangible assets

Intangible assets with finite lives, which are reviewed annually, generally include but are not limited to

Software
Computer software and licences are capitalised as an intangible asset and written off on the straight line basis over their useful lives, generally over a period of between 4 and 10 years
Development costs
Expenditure on development is written off when incurred unless it meets the criteria for capitalisation Development costs are capitalised where they can be measured reliably and when it is probable that the expenditure will generate future economic benefits Capitalised development costs are stated at cost less accumulated amortisation and impairment losses and written off on a straight line basis over the period in which economic benefits are expected to be consumed, which is generally up to 5 years
Other
Intangible assets such as customer lists and contracts acquired as part of a business combination are capitalised separately from goodwill at their fair value at the date of acquisition Other material intangible assets acquired, such as patents, are capitalised at cost or fair value All are written off on the straight line basis over their appropriate useful economic lives

m) Investment property

Investment properties are recognised in the balance sheet at deemed cost (fair valuation on transition to IFRS) less accumulated depreciation Investment property is depreciated on a straight line basis over its useful life (25 – 50 years) Residual values and useful lives are reviewed at least at each financial period end Rental income from investment property is recognised in the income statement on a straight line basis over the period of the lease

n) Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method The Group's share of results of associates and joint ventures is included in the income statement, and the Group's share of the net assets of associates and joint ventures, together with any goodwill arising on their acquisition, is included in the balance sheet

o) Financial instruments

The Group has elected not to prepare comparative information in accordance with IAS 32 and IAS 39 These standards apply to the Group from 1 October 2005, and the Group's financial instruments for the year ended 30 September 2005 have been accounted for on the then applicable UK GAAP basis

Accounting policies applicable from 1 October 2005

The Group uses financial instruments, including interest rate and currency swaps, and forward foreign exchange contracts All transactions are undertaken only to manage risks 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

Derivative financial instruments are measured at fair value Fair value includes accrued interest The gains or losses arising from changes in fair values are recognised in the income statement unless the derivative is designated as a cash flow or net investment hedge

Certain derivative financial instruments qualify for hedge accounting and are designated as one of three types of hedge

i) A fair value hedge, such as a fixed to floating interest rate swap, is a hedge of the exposure to changes in the fair value of a recognised asset or liability The gain or loss from re-measuring the hedging instrument at fair value is recognised in the income statement At the same time, the carrying amount of the hedged item is adjusted for the gain or loss attributable to the hedged risk and similarly recognised in the income statement

ii) A cash flow hedge, such as a floating to fixed interest rate swap, or a forward foreign exchange contract, is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, or a forecast transaction The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity and the ineffective portion is recognised in the income statement If the hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in shareholders' equity are included in the initial measurement of the asset or liability For all other cash flow hedges, the gains or losses that are recognised in shareholders' equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement or if the forecast transaction is no longer expected to occur

iii) A net investment hedge, such as a currency swap, is a hedge of the exposure to changes in the value of the net assets of the Group's foreign operations The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity and the ineffective portion is recognised in the income statement The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in shareholders' equity, together with the associated gain or loss on disposal of the net investment, is recognised in the income statement on disposal of the foreign operation

Certain derivative financial instruments that are held at fair value are not deemed to be part of a hedging relationship The gain or loss from re-measuring the derivative at fair value is recognised in the income statement

Gains or losses are recorded in the income statement under the most relevant heading for the nature of the transaction Gains or losses arising in the income statement on derivative instruments taken out to hedge trading items and embedded derivatives in trading contracts are recognised as part of Group operating profit Gains or losses arising in the income statement on derivative instruments taken out to hedge financing items are recognised in finance costs or finance income as appropriate

Borrowings are measured at amortised cost (using the effective interest method), except where they are hedged by an effective fair value hedge, in which case the carrying amount is adjusted for the gain or loss attributable to the hedged risk

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value Any gains or losses arising from re-measuring such items are reported in the income statement

Trade and other receivables are stated at cost, net of provisions for doubtful debts

Trade and other payables are stated at cost

Investments in non-consolidated affiliated and related companies disclosed under other assets are stated at fair value

Accounting policies applicable up to 30 September 2005

The Group uses financial instruments, including interest rate and currency swaps, and forward foreign exchange contracts All transactions are undertaken only to manage risks 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 gains and losses are recognised through the income statement

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 income statement 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 gains or losses are recognised in the income statement

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 within net interest payable They are not revalued to fair value and are not shown on the Group balance sheet at the balance sheet date

p) Leases

Where finance leases have been entered into, the capital element of 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 property, plant and equipment Payments under finance leases are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability The finance charge is included in finance costs in the income statement

Payments made under operating leases are recognised in the income statement on a straight line basis over the period of the lease

q) Assets held for sale and discontinued operations

Non-current assets and disposal groups are disclosed separately in the balance sheet as held for sale, if they can be sold in their current state and the sale is highly probable Assets that are classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell Liabilities classified as directly related to non-current assets held for sale are disclosed separately as held for sale in the liabilities section of the balance sheet

A business is classified as a discontinued operation when it is disposed of or when the operation meets the criteria to be classified as held for sale, if earlier A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale

r) Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value Cost where appropriate includes a proportion of overhead expenses Cost is arrived at principally on the weighted average and 'first-in, first-out' (FIFO) basis

s) Cash and cash equivalents

Cash and cash equivalents for the purposes of the cash flow statement comprise

i) cash on hand and demand deposits
ii) short-term highly liquid investments with an original maturity of 3 months or less
iii) bank overdrafts repayable on demand

t) Impairment

Assets that are subject to depreciation or amortisation and financial assets are reviewed for impairment whenever an indicator of impairment exists and there are indications that the carrying value of the asset may not be recoverable If the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount of the cash generating unit to which the asset belongs is determined The recoverable amount of an asset or cash generating unit is the higher of the fair value less costs to sell and its value in use Value in use is determined using the present value of cash flow forecasts

The impairment test involves initially comparing the value in use of the cash-generating unit with its carrying amount If the carrying amount of the cash-generating unit exceeds the value in use, an impairment test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount Any impairment loss relating to the asset is recognised in the income statement in operating profit

To calculate the value in use of the cash-generating units, post-tax future cash inflows and outflows are derived from budgets and business forecasts approved by management Cash flows beyond five years are extrapolated using zero growth rates Post-tax interest rates that are appropriate to the relevant countries are used to discount the future cash flows

Goodwill and any other intangible assets that are not subject to amortisation are tested for impairment at least annually

Where the carrying value exceeds the recoverable amount, an impairment loss to write the asset down to its recoverable amount is recognised in the income statement Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis

u) 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

Provisions for restructuring are made where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date

Provisions for warranties are based on contractual arrangements with customers and experience of product performance

Provisions for the costs of decommissioning items of property, plant and equipment are made when an obligation exists The amount of the provision is added to the cost of the relevant asset and written off as part of the total cost

Provisions for environmental obligations are based on the estimated costs of remediation for a number of hazardous waste sites

Provisions are discounted to their present value where the impact of the time value of money is material

v) Taxation

Tax on the profit or loss for the year comprises current and deferred tax

Tax is recognised in the income statement except where it relates to items recognised directly in shareholders' equity, in which case it is also recognised in shareholders' equity through the statement of recognised income and expense

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

The Group provides in full for deferred tax assets and liabilities, on the liability method, arising from temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements Such differences result in an obligation to pay more tax or a right to pay less tax in future periods

Deferred tax is provided on temporary differences on investments in subsidiaries, joint ventures and associates except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future No deferred tax is provided in relation to goodwill

A deferred tax asset is only recognised where it is probable that future taxable profits will be available against which the temporary differences or taxable losses giving rise to the asset can be utilised

Deferred tax is measured using tax rates that have been enacted, or substantially enacted, by the balance sheet date and are expected to apply when the asset is realised or the liability is settled

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset tax assets and liabilities and when they relate to taxes levied by the same tax authority and tax liabilities and assets are expected to be settled on a net basis

w) Discretionary decisions and estimates

The preparation of the Group financial statements in accordance with IFRS requires discretionary decisions and estimates for some items, which might have an effect on their recognition and measurement in the balance sheet and income statement The actual amounts realised may differ from these estimates Estimates are required in particular for

- the assessment of the need to recognise, and the measurement of, impairment losses relating to intangible assets, tangible assets and inventories,
- the recognition and measurement of pension obligations and
- the assessment of the recoverability of deferred tax assets

An impairment test is carried out annually on goodwill at the level of the smallest cash-generating unit to which the goodwill has been allocated on the basis of the operational three-year plan, assuming growth rates specific to the division for the following period Any changes in these key factors may possibly result in higher or lower impairment losses being recognised

The obligation arising from defined benefit commitments is determined on the basis of actuarial parameters An increase or decrease in the discount rate of 0 25 percent would lead to a reduction or increase in pension obligations of £103 8 million or £109 6 million respectively This change in parameters would have no effect on earnings, as actuarial gains and losses are recognised directly in equity The recognition and the measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the balance sheet date The actual outflow of resources may therefore differ from the figure included in other provisions

Deferred tax assets in respect of unused tax losses are recognised on the basis of an assessment of their future recoverability, i e when there is sufficient tax income or there are lower tax charges The actual tax situation in future periods, and the extent to which net operating tax loss carryforwards may be used, may differ from the assessment made at the date the deferred tax assets are recognised

2 Segmental information

a) Primary segment - business analysis

	Process Gas Solutions £ million	Industrial and Special Products £ million	Gist £ million	Corporate /Other £ million	Total Group £ million
				Continuing operations	
2006					
Group revenue[1]	**1,642 4**	**1,984 1**	**484 8**	**111 3**	**4,222 6**
Segment result before operating special and certain re-measurement items	**203 8**	**324 0**	**30 1**	**(39.7)**	**518 2**
Operating special and certain re-measurement items	**(83 6)**	**(26 4)**	**(3 0)**	**(74 7)**	**(187 7)**
Segment result after operating special and certain re-measurement items	**120 2**	**297 6**	**27 1**	**(114 4)**	**330 5**
Financing items before special and certain re-measurement items[2]	**-**	**-**	**-**	**(26 7)**	**(26.7)**
Special and certain re-measurement financing items[2]	**(60 0)**	**-**	**-**	**8 1**	**(51 9)**
Share of results of joint ventures and associates	**(4.3)**	**25 5**	**-**	**26 8**	**48 0**
Profit before taxation	**55 9**	**323 1**	**27.1**	**(106 2)**	**299 9**
Assets	**2,037 3**	**1,445 5**	**186 4**	**1,454 2**	**5,123 4**
Liabilities	**(295 1)**	**(339 0)**	**(68 7)**	**(2,062 3)**	**(2,765 1)**
Additions to property, plant and equipment	**253 4**	**169 5**	**23 1**	**58 2**	**504 2**
Additions to intangible assets	**4 0**	**5 2**	**2 2**	**4 6**	**16 0**
Depreciation	**184 3**	**113 6**	**16 9**	**17 8**	**332 6**
Amortisation	**6 2**	**4 7**	**1 4**	**1 1**	**13 4**
Impairment[3]	**97 0**	**-**	**-**	**18 9**	**115 9**
2005					
Group revenue[1]	1,126 6	1,469 4	315 9	73 2	2,985 1
Segment result before operating special and certain re-measurement items	155 0	257 6	24 6	(44 8)	392 4
Operating special and certain re-measurement items	-	23 7	-	-	23 7
Segment result after operating special and certain re-measurement items	155 0	281 3	24 6	(44 8)	416 1
Financing items before special and certain re-measurement items[2]	-	-	-	(20 6)	(20 6)
Special and certain re-measurement financing items[2]	-	-	-	-	-
Share of results of joint ventures and associates	21 6	20 9	-	19 9	62 4
Profit before taxation	176 6	302 2	24 6	(45 5)	457 9
Assets	2,130 1	1,388 5	200 4	1,131 1	4,850 1
Liabilities	(254 2)	(358 8)	(57 6)	(2,139 1)	(2,809 7)
Additions to property, plant and equipment	194 3	118 7	18 4	18 1	349 5
Additions to intangible assets	9 5	7 3	0 1	4 5	21 4
Depreciation	140 3	89 0	11 9	12 8	254 0
Amortisation	3 9	3 6	0 5	0 4	8 4
Impairment	0 8	0 3	-	0 7	1 8

1 Inter segment revenue is not material
2 With the exception of a loan impairment relating specifically to PGS, net interest and net borrowings are managed centrally and are not directly attributable to individual business segments or regions These items are included in Corporate/Other
3 Includes special impairments of £110 6 million

b) Secondary segment - regional analysis

	Europe £ million	Americas £ million	Africa £ million	Asia £ million	South Pacific £ million	Group £ million
					Continuing operations	
2006						
Group revenue by destination [1]	**1,457 3**	**1,115 6**	**459 9**	**598 9**	**590 9**	**4,222 6**
Segment result before operating special and certain re-measurement items	**174 5**	**124 6**	**76 7**	**32 8**	**109.6**	**518 2**
Operating special and certain re-measurement items	**(86 4)**	**20 1**	**(83 7)**	**(30 0)**	**(7 7)**	**(187 7)**
Segment result after operating special and certain re-measurement items	**88 1**	**144 7**	**(7 0)**	**2 8**	**101 9**	**330 5**
Financing items before special and certain re-measurement items	**(26 7)**	**-**	**-**	**-**	**-**	**(26 7)**
Special and certain re-measurement financing items	**(51 9)**	**-**	**-**	**-**	**-**	**(51 9)**
Share of results of joint ventures and associates	**-**	**(27 7)**	**-**	**69 3**	**6.4**	**48 0**
Profit before taxation	**9 5**	**117 0**	**(7 0)**	**72.1**	**108 3**	**299 9**
Assets	**1,822 8**	**1,390 1**	**340 0**	**1,081 8**	**488 7**	**5,123 4**
Liabilities	**(1,618 6)**	**(405 3)**	**(132 3)**	**(312 8)**	**(296 1)**	**(2,765.1)**
Additions to property, plant and equipment	**106 9**	**185 0**	**67 1**	**108 4**	**36 8**	**504 2**
Additions to intangible assets	**9 8**	**3 6**	**0 1**	**0 9**	**1 6**	**16 0**
Depreciation	**118 0**	**107 9**	**22 7**	**43 2**	**40 8**	**332 6**
Amortisation	**5 6**	**3 9**	**0 4**	**2 2**	**1.3**	**13 4**
Impairment [2]	**71 6**	**39 5**	**0 4**	**4 4**	**-**	**115 9**
2005						
Group revenue by destination [1]	1,070 2	787 5	308 3	388 9	430 2	2,985 1
Segment result before operating special and certain re-measurement items	149 1	77 4	53 1	30 5	82 3	392 4
Operating special and certain re-measurement items	-	23 7	-	-	-	23 7
Segment result after operating special and certain re-measurement items	149 1	101 1	53 1	30 5	82 3	416 1
Financing items before special and certain re-measurement items	(20 1)	-	(0 5)	-	-	(20 6)
Special and certain re-measurement financing items	-	-	-	-	-	-
Share of results of joint ventures and associates	-	4 6	0 4	51 9	5 5	62 4
Profit before taxation	129 0	105 7	53 0	82 4	87 8	457 9
Assets	1,631 3	1,445 0	312 6	988 7	472 5	4,850 1
Liabilities	(1,375 6)	(677 7)	(144 2)	(276 8)	(335 4)	(2,809 7)
Additions to property, plant and equipment	87 3	127 6	33 2	72 0	29 4	349 5
Additions to intangible assets	7 4	5 3	1 6	5 3	1 8	21 4
Depreciation	93 9	80 5	19 3	28 8	31 5	254 0
Amortisation	3 5	2 5	0 2	1 2	1 0	8 4
Impairment	-	1 1	0 2	0 5	-	1 8

1 Revenue between regions is not material
2 Includes special impairments of £110 6 million

3 Operatıng profit

a) Items (charged) ın arrıvıng at operatıng profit (contınuıng operatıons)

	2006 £ mıllıon	2005 £ mıllıon
Research and development expendıture	**(14 8)**	(15 8)
Mınımum operatıng lease payments ın respect of		
- hıre of plant, machınery and vehıcles	**(45 1)**	(33 2)
- property rent	**(14 3)**	(13 2)
Contıngent operatıng lease payments	**(0 4)**	(0 4)

b) Specıal and certaın re-measurement ıtems (contınuıng operatıons)

	2006			2005		
	Specıal ıtems £ mıllıon	Certaın re-meas -urement ıtems £ mıllıon	Specıal and certaın re-meas -urement ıtems £ mıllıon	Specıal ıtems £ mıllıon	Certaın re-meas -urement ıtems £ mıllıon	Specıal and certaın re-meas -urement ıtems £ mıllıon
Credıted / (charged) ın arrıvıng at operatıon profit						
Restructurıng costs	**(49 9)**	**-**	**(49 9)**	-	-	-
Impaırment[1]	**(50 6)**	**-**	**(50 6)**	-	-	-
Profit on dısposal of busınesses	**22 1**	**-**	**22 1**	13 2	-	13 2
Profit on dısposal of ınvestments	**-**	**-**	**-**	10 5	-	10 5
Bıd related costs	**(102 9)**	**-**	**(102 9)**	-	-	-
IAS 39 faır value movements	**-**	**(6 4)**	**(6 4)**	-	-	-
Total specıal and certaın re-measurement ıtems	**(181 3)**	**(6 4)**	**(187 7)**	23 7	-	23 7

1 Includes specıal ımpaırment ıtems only

ı) Restructurıng costs
Restructurıng costs maınly comprısed costs from ıntegratıon projects followıng the take-over by Lınde AG on 5 September 2006

ıı) Impaırment
Durıng 2006, ımpaırment revıews resulted ın a charge of £50 6 mıllıon beıng made agaınst profits, maınly ın the Amerıcas regıon This was maınly ın relatıon to a number of plant revıews Impaırment testıng compares the carryıng amount of the asset wıth the recoverable amount The ımpaırment test ınvolves ınıtıally comparıng the value ın use of the asset wıth ıts carryıng amount If the carryıng amount of the asset exceeds the value ın use, an ımpaırment test ıs performed to determıne whether the faır value of the asset less costs to sell ıs hıgher than the carryıng amount

ııı) Dısposal of busınesses
The most sıgnıficant profit on dısposal of busınesses ın 2006 related to the sale of the Global Helıum busınesses mandated as one of the regulatory requırements for approval of the take-over by Lınde AG

In 2005, the Group recognısed a further £13 2 mıllıon profit on dısposal of the US packaged gas busıness Thıs transactıon was partıally recognısed ın the prıor year, but contıngent consıderatıon was subject to certaın condıtıons whıch were met ın the 2005 financıal year

ıv) Profit on dısposal of ınvestments
In 2005, the sale of a trade ınvestment ın the US resulted ın a profit of £10 5 mıllıon Thıs was accounted for as a specıal ıtem

v) Bıd related costs
Bıd related costs maınly comprısed costs assocıated wıth the take-over by Lınde AG ın September 2006 These costs maınly represent transactıon fees and the costs of share optıons relatıng to the early and accelerated vestıng of share optıons due to the take-over by Lınde AG

c) Fees to auditors

	2006			2005
	Current auditors £ million	Previous auditors £ million	Total £ million	Previous auditors £ million
Fees payable to the company's auditor for the audit of the company's annual accounts	1 0	-	1 0	0 5
Fees payable to the company's auditor and its associates for other services				
- audit of the company's subsidiaries pursuant to legislation	2 4	-	2 4	1 7
- other services pursuant to legislation	0 6	1 8	2 4	1 4
- other services relating to taxation	0 1	0 8	0 9	1 2
- services relating to recruitment and remuneration	0 1	1 3	1 4	1 1
- services relating to corporate finance transactions	0 2	-	0.2	-
- all other services	0 1	0 3	0 4	0 5
Total other services	3 5	4 2	7 7	5 9
Total fees to auditors	4 5	4 2	8 7	6 4

As set out in the report of the directors, the previous auditors resigned as auditors of the company and certain subsidiaries following the acquisition of the company by Linde AG Accordingly the fees payable to the previous auditors are disclosed separately Fees for other services pursuant to legislation principally relate to the implementation of Section 404 of the US Sarbanes-Oxley Act 2002

4 Finance costs and finance income (continuing operations)

	2006 £ million	2005 £ million
(a) Finance costs and income, before special and certain re-measurement items		
Finance costs, before special and certain re-measurement items		
Interest payable and similar charges paid to third parties	(90 3)	(82 2)
Interest payable and similar charges paid to a fellow Linde AG subsidiary	(5 3)	-
Foreign exchange differences on non-permanent inter-company loans, net	(7 8)	-
Unwinding of discounts in provisions	(2 5)	(0 8)
Less Interest capitalised	6 1	1 1
	(99 8)	(81 9)
Finance income, before special and certain re-measurement items		
Interest receivable and similar income[1]	39 7	33 8
Foreign exchange differences on non-permanent inter-company loans, net	-	8 3
	39 7	42 1
Finance costs, before special and certain re-measurement items (net)	(60 1)	(39 8)

1 Included in interest receivable and similar income is dividend income from available for sale trade investments of £nil (2005 £0 1million)

The range of rates used to determine the amount of borrowing costs eligible for capitalisation in 2006 was 3 5-6 4% (2005 1 0-5 0%), based on the appropriate interest rates in the relevant countries

b) Finance costs and income, special and certain re-measurement items

	2006			2005		
	Special items £ million	Certain re-meas -urement items £ million	Special and certain re-meas -urement items £ million	Special items £ million	Certain re-meas -urement items £ million	Special and certain re-meas -urement items £ million
Finance costs, special and certain re-measurement items						
Impairment in investment in joint venture	(60.0)	-	(60 0)	-	-	-
Fair value losses on non-hedging derivatives	-	(1 5)	(1 5)	-	-	-
Fair value hedge ineffectiveness (net)	-	(1 1)	(1 1)	-	-	-
Cash flow and net asset hedge ineffectiveness	-	(1 2)	(1 2)	-	-	-
	(60 0)	(3 8)	(63 8)	-	-	-
Finance income, special and certain re-measurement items						
Cash flow and net asset hedge ineffectiveness	-	8 6	8 6	-	-	-
Fair value gains on non-hedging derivatives	-	3 3	3.3	-	-	-
	-	11 9	11.9	-	-	-
Finance costs and income, special and certain re-measurement items (net)	(60 0)	8 1	(51 9)	-	-	-

5 Tax

a) Taxatıon

	2006 £ mıllıon	2005 £ mıllıon
Current tax		
Payable ın the UK		
Corporatıon tax at 30% (2005 30%)	**51 8**	119 7
Double tax relıef	**(39 3)**	(84 1)
	12 5	35 6
Payable overseas		
US – Federal tax at 35% (2005 35%)	**1.4**	3 2
– State and local taxes	**0.1**	-
Australıa at 30% (2005 30%)	**28 7**	18 3
South Afrıca at 29% (2005 29%)	**33 5**	55 6
Japan at 42% (2005 42%)	**6 2**	0 6
Other countrıes	**25 1**	24 8
Current tax expense	**107.5**	138 1
Deferred tax·		
Orıgınatıon and reversal of temporary dıfferences	**(16.8)**	(4 0)
Effect of change ın tax rate on openıng lıabılıty	**(0 3)**	-
Deferred tax (credıt)	**(17 1)**	(4 0)
Taxatıon	**90 4**	134 1
Taxatıon ıs shown ın		
Contınuıng operatıons (Group ıncome statement)	**76 3**	100 6
Dıscontınued operatıons (note 33)	**14 1**	33 5
	90 4	134 1
The Group's share of tax of joınt ventures and assocıates		
Current tax	**39 4**	31 0
Deferred tax	**(1 5)**	(1 4)
	37 9	29 6
Total tax ıncludıng the Group's share of tax of joınt ventures and assocıates	**128 3**	163 7

Tax ıtems totallıng £(1 7) mıllıon have been charged/(credıted) to equıty durıng the perıod (2005 £(2 8) mıllıon)
The tax charge ıncludes a charge/(credıt) of £(62 0) mıllıon for specıal and certaın re-measurement ıtems (2005 £28 5 mıllıon)
The effectıve rate of total tax[1] on profit before tax was 37 1 per cent (2005 28 4 per cent)
The effectıve rate of total adjusted tax[2] on total adjusted profit before tax[3] was 30 3 per cent (2005 26 2 per cent)

1 Includıng the Group's share of tax of joınt ventures and assocıates
2 On profit before specıal and certaın re-measurement ıtems, and ıncludıng the Group's share of tax of joınt ventures and assocıates
3 Before specıal and certaın re-measurement ıtems, and ıncludıng the Group's share of the results of joınt ventures and assocıates

b) Deferred tax

2006 – Deferred tax assets	Provisions (incl restructuring) £ million	Pensions and other post-retirement benefits £ million	Share option and reward schemes £ million	Intra group profit on stock £ million	Intangible assets £ million	Tax losses £ million	Other credits £ million	Other temporary differences £ million	Total £ million
At 1 October 2005	37 8	165 9	11 0	5 0	6 2	0 4	34 7	0 8	261 8
Recognısed ın the ıncome statement durıng the perıod	1 7	(24 3)	(6 4)	0 8	(2 4)	17 2	(2 9)	(1 4)	(17 7)
Recognısed ın equıty durıng the perıod	-	(23 7)	(2 0)	-	-	-	-	4 3	(21 4)
Exchange dıfferences	(3 6)	(0 7)	-	-	(0 4)	(1 0)	0 2	(3 4)	(8 9)
Other adjustments	0 1	(0 5)	-	-	-	-	-	0 2	(0 2)
At 31 December 2006	36 0	116 7	2 6	5 8	3 4	16 6	32 0	0 5	213 6
Offset agaınst deferred tax lıabılıtıes									(170 6)
									43 0

2006 – Deferred tax liabilities

	Property plant and equipment £ million	Pensions and other post-retirement benefits £ million	Unremitted earnings £ million	Other temporary differences £ million	Total £ million
At 1 October 2005	(240 2)	(60 1)	(28 5)	(85 8)	(414 6)
Recognised in the income statement during the period	4 9	(1 2)	(0 3)	31 4	34 8
Recognised in equity during the period	-	0 8	-	(1 7)	(0 9)
Exchange differences	13 5	5 9	-	(4 4)	15 0
Other adjustments	1 2	(0 3)	1 5	9 0	11 4
At 31 December 2006	(220 6)	(54 9)	(27 3)	(51 5)	(354 3)
Offset against deferred tax assets					170 6
					(183 7)

The balance at 31 December 2006 is shown in	
Continuing operations (Group balance sheet)	(171 9)
Discontinued operations (note 33)	(11 8)
	(183 7)

2005 – Deferred tax assets

	Restructuring provisions £ million	Pensions and other post-retirement benefits £ million	Share option and reward schemes £ million	Intra group profit on stock £ million	Intangible assets £ million	Tax losses £ million	Other credits £ million	Other temporary differences £ million	Total £ million
At 1 October 2004	26 5	161 7	2 9	4 8	2 7	8 5	39 4	2 2	248 7
Recognised in the income statement during the year	9 6	3 1	8 1	0 2	3 3	(5 1)	(5 2)	(2 0)	12 0
Recognised in equity during the year	-	0 7	-	-	-	(5 8)	-	-	(5 1)
Exchange differences	0 9	0 7	-	-	0 2	(0 1)	0 1	0 8	2 6
Other adjustments	0 8	(0 3)	-	-	-	2 9	0 4	(0 2)	3 6
At 30 September 2005	37 8	165 9	11 0	5 0	6 2	0 4	34 7	0 8	261 8
Offset against deferred tax liabilities									(230 4)
									31 4

2005 – Deferred tax liabilities

	Property plant and equipment £ million	Pensions and other post-retirement benefits £ million	Unremitted earnings £ million	Other temporary differences £ million	Total £ million
At 1 October 2004	(229 4)	(48 5)	(25 1)	(105 2)	(408 2)
Recognised in the income statement during the year	(10 5)	(1 7)	(3 5)	7 7	(8 0)
Recognised in equity during the year	(0 3)	(7 4)	-	-	(7 7)
Exchange differences	(8 0)	(1 5)	(0 2)	(2 6)	(12 3)
Other adjustments	8 0	(1 0)	0 3	14 3	21 6
At 30 September 2005	(240 2)	(60 1)	(28 5)	(85 8)	(414 6)
Offset against deferred tax assets					230 4
					(184 2)

Other adjustments includes transfers (to) and from current tax, and acquisitions In the period to 31 December 2006, £3 2 million (2005 £(0 8) million) of balance sheet reclassifications were made between current and deferred tax

Deferred tax assets of £nil (2005 £nil) relating to tax losses and other credits available, and of £nil (2005 £2 0 million) relating to other deductible temporary differences have not been recognised due to the degree of uncertainty over the utilisation of the tax losses and deductions in certain jurisdictions The Group's unused tax credits are further analysed in section e) below

Deferred tax of £27 3 million (2005 £28 5 million) has been provided for liabilities which may arise on the distribution of unremitted earnings of subsidiaries, joint ventures and associates, in those circumstances where the Group is not able to control the timing of distribution of those earnings or where the temporary difference will reverse

Where it is probable that that the temporary difference will not reverse in the foreseeable future (for example, where the Group is in the position to control the timing of distribution and no such distributions are planned), no deferred tax has been provided It is not considered practicable to calculate the amounts involved

c) Factors affecting the 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, and between the UK corporation tax rate and the Group's effective tax rate on adjusted profit, computed by taking the tax charge as a percentage of the profit before tax and the adjusted profit before tax[1]

	Reconciliation of effective tax rate on profit before tax		Reconciliation of effective tax on adjusted profit[1]	
	2006 %	2005 %	**2006 %**	2005 %
UK corporation tax rate	**30 0**	30 0	**30.0**	30 0
Difference in tax rates of overseas subsidiaries	**0 8**	(0 6)	**0.9**	(0 6)
State and local taxes	**-**	0 4	**-**	0 4
Prior year items	**(3 3)**	1 3	**(1 8)**	1 5
Tax effect of special and certain re-measurement items	**3 9**	0 3	**-**	-
Other items with less than a 5% net effect	**(5 3)**	(8 1)	**(5 1)**	(10 9)
Effective rate of tax on profit before tax	**26 1**	23 3	**24.0**	20 4
Group's share of tax of joint ventures and associates	**11.0**	5 1	**6.3**	5 8
Effective rate of total tax (including the Group's share of tax of joint ventures and associates)	**37.1**	28 4	**30.3**	26 2

1 Before special and certain re-measurement items, and including the Group's share of results of joint ventures and associates

Profit before tax is analysed over its component parts as follows

	2006 £ million	2005 £ million
UK	**(97 2)**	68 1
Overseas	**443 3**	509 0
	346 1	577 1
Profit before tax is shown in		
Continuing operations (Group income statement)	**299 9**	457 9
Discontinued operations (note 33)	**46 2**	119 2
	346 1	577 1

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, and the transfer pricing policies in operation in those countries In June 2007, the UK tax rate changed from 30% to 28% This change is not expected have a significant impact on the results of the Group

The current tax charge will also be affected by changes in the tax treatment of amounts relating to any of the assets or liabilities in respect of which a deferred tax balance is recognised, for example, tax relief for expenditure on property, plant and equipment, the tax treatment of pension costs, or the tax treatment of amounts relating to share options and award schemes

e) Unused tax credits

On a consolidated basis, the Group has net operating loss carryforwards of £45 1 million If not offset against taxable income, these losses will expire as follows

Year	Net operating loss £ million
2007	1 4
2008	-
2009	0 1
2010	0 2
2011	-
Thereafter, or no expiry date	43 4

For US Federal tax purposes, the Group has investment tax credits and general business tax credits to carry forward of approximately £4 0 million, which are available to reduce income taxes otherwise payable These do not expire until 2008 or thereafter

In addition, the Group has alternative minimum tax credits for US Federal income tax purposes of approximately £23 8 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

6 Directors' remuneration

Details of directors' remuneration and interests are given in the Directors' report

7 Employee numbers and costs – (continuing operations)

a) Employee numbers – subsidiaries

	2006 At 31 December	2006 Average for the period	2005 At 30 September	2005 Average for the year
i) Employees by business segment				
Process Gas Solutions	**6,804**	**6,767**	6,821	6,430
Industrial and Special Products	**13,551**	**13,271**	13,004	12,991
Gist	**6,222**	**5,939**	5,638	5,135
Corporate/Other	**846**	**820**	760	836
	27,423	**26,797**	26,223	25,392
ii) Employees by region				
Europe	**11,667**	**11,346**	11,067	10,563
Americas	**5,165**	**5,115**	5,073	5,057
Africa	**3,666**	**3,608**	3,541	3,421
Asia	**4,263**	**4,145**	4,014	3,828
South Pacific	**2,662**	**2,583**	2,528	2,523
	27,423	**26,797**	26,223	25,392

b) Employment costs – subsidiaries

	2006 £ million	2005 £ million
Wages and salaries	**916 6**	606 1
Social security costs	**100 1**	65 3
Other pension costs	**88 4**	62 9
	1,105 1	734 3

Share based payments are disclosed in note 8

8 Options and incentive schemes

During the period, BOC operated share option schemes for both employees and executives

Employee option schemes operated in the UK, Ireland, Australia and New Zealand and were open to all employees with one year's service or more These schemes were savings-related share option schemes under which options were granted at a discount to the market price at the date of grant The term of options granted was from three to seven years and any option was conditional on a commitment by the individual to make regular savings from remuneration that were then held by an independent organisation to purchase shares at the end of the option period

Executive directors, members of the executive management board and certain other key executives participated in the long-term incentive plan (LTIP), the share matching plan (SMP) and the executive share option scheme (ESOS) Under the terms of the LTIP, the remuneration committee could grant awards up to 2 5 times salary for an exercise price of nil Awards would vest three years after the date of grant and the amount of the actual award vesting was based upon three performance conditions total shareholder return (TSR), adjusted earning per share (EPS) and adjusted return on capital employed (ROCE) Up to one third of the award could vest in respect of each performance condition Under the terms of the SMP, one-third of the executive's variable compensation bonus plan was compulsorily applied to the acquisition of BOC shares The executives were entitled to these shares only if they were still in service three years after the award or were considered to be 'good leavers' The executives would receive an additional number of shares equal to the value of the dividends paid during the deferral period and they could also receive a matching award of up to 100 percent of the number of shares originally allotted The percentage of the final matching award depended on the company's performance over the deferral period, with adjusted EPS and TSR accounting for 75 percent and 25 percent, respectively, of the performance measurement Under the terms of the ESOS, awards were made at an exercise price equal to the company's share price on the date of grant The awards would vest three years after the date of grant and the amount of the actual award vesting was based upon satisfaction of a performance condition relating to adjusted EPS

Awards vesting under the LTIP, SMP and ESOS could be satisfied in cash, for example, where it was necessary for legal and tax reasons The amount paid would be equal to the participant's gain on the exercise of the award The remuneration committee could also decide, prior to grant, that an award should be expressed to be a right to acquire a cash sum rather than shares This type of award, known as a phantom award, would normally only be granted to participants in jurisdictions where, because of local securities laws or exchange control provisions, it would be difficult to issue or transfer shares to employees

As a result of the takeover of BOC by Linde AG, participants in the employee share option schemes were entitled to either exercise options at the date of acquisition, the number of options exercised being based upon the amount of savings the participant had accumulated at that date, or continue to save under the scheme for an additional six months and exercise the options at this later date Under the rules of the SMP, participants were entitled to receive all outstanding awards, subject to an adjustment to the extent that performance conditions had not been met at the date of acquisition Under the rules of the ESOS and LTIP schemes, in the event of a takeover, a proportion of an award would immediately vest (being the number of months of the option period which had elapsed to the date of change of control) In addition, participants were also permitted to exercise the proportion of the award which did not immediately vest upon change of control, subject to an adjustment for performance conditions Hereafter awards which vested immediately in accordance with scheme rules upon change of control are referred to as "early-vesting options" and additional awards which were exercised by participants are referred to as "accelerated-vesting options" The performance conditions were fully met for all awards under the ESOS and SMP Performance conditions under the LTIP were met 80-100%, depending on the date of the LTIP grant At 31 December 2006, as a result of the immediate vesting of awards, most awards under the Group's schemes had been exercised and those awards which are still outstanding were immediately exercisable

The stock-based compensation expense in the income statement for the period ended 31 December 2006 is £54 2 million (2005 £12 7 million) with £48 5 million of this amount relating to schemes which are accounted for as equity-settled (2005 £11 9 million) Stock-based compensation expense of £44 2 million arising directly as a result of the acquisition of BOC by Linde AG has been included as a special item within bid related costs

As at 31 December 2006, no provision exists in the accounts for the cost of phantom awards as all awards had been exercised (2005 £1 1 million)

a) Summary of movements

	Employee options			Executive options			Long-term incentive plan[1]	Share matching plan[1]
	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	Number of shares million
Outstanding at 1 October 2004	5 6	698p-914p	794p	26 6	722p-1079p	919p	2 5	-
Granted	1 1	787p	787p	1 7	905p-1074p	905p	1 5	-
Exercised	(0 8)	698p-914p	857p	(3 5)	722p-1016p	887p	-	-
Lapsed	(0 6)	698p-914p	824p	(1 7)	776p-1034p	921p	(0 6)	-
Outstanding at 30 September 2005	5 3	698p-914p	780p	23 1	776p-1079p	922p	3 4	-
Granted	-	-	-	1 5	1132p-1464p	1133p	1 2	0 9
Exercised	(2 1)	698p-914p	790p	(23 3)	776p-1464p	935p	(3 8)	(0 9)
Lapsed	(1 0)	698p-914p	784p	(1 2)	776p-1132p	940p	(0 8)	-
Outstanding at 31 December 2006	**2 2**	**698p-914p**	**769p**	**0 1**	**820p-1132p**	**950p**	-	-
Options exercisable								
At 31 December 2006	**2 2**	**698p-914p**	**769p**	**0 1**	**820p-1132p**	**950p**	-	-
At 30 September 2005	0 1	823p-914p	873p	14 8	848p-1079p	965p	0 5	-
Fair value of options granted during								
Period ended 31 December 2006								
- early-vesting options	-			**100p**			**877p**	**1051p**
- accelerated-vesting options	-			**468p**			**1600p**	-
Year ended 30 September 2005[2]								
- early-vesting options	227p			125p			705p	-
- accelerated-vesting options	-			691p			1600p	-

1 Awards under the long-term incentive and share matching plans were granted at an option price of £nil

2 As a result of the acquisition of BOC by Linde AG, the fair value of share options granted in 2005 were revised to take into account changes in assumptions of vesting periods and expected lives The incremental change in the fair values of employee options was a reduction of 27p per option The incremental changes in the fair values for executive options were a reduction of 50p per early-vesting option and an increase of 516p per accelerated-vesting option The incremental changes in the fair values of long-term incentive plan awards were a reduction of 32p per early-vesting options and an increase of 863p per accelerated-vesting option The impact of these changes was recognised in the period ended 31 December 2006

The weighted average share price at the date of options exercised in 2006 was £14 87

b) Analysis of options outstanding

	Employee options		Executive options	
	Number of options thousand	Weighted average option price	Number of options thousand	Weighted average option price
Outstanding at 31 December 2006				
Date of grant				
1999	-	-	3	851p
2000	39	870p	-	-
2001	29	894p	-	-
2002	193	914p	1	1016p
2003	835	698p	5	873p
2004	573	795p	20	820p
2005	493	787p	19	905p
2006	-	-	22	1132p
	2,162		70	

c) Option pricing

The option pricing model used to measure stock-based compensation under the employee option schemes is the Black-Scholes method The fair value of accelerated-vesting options under the ESOS and LTIP is the share price paid by Linde AG to acquire the shares of BOC less the exercise price to be paid by the option holder The option pricing models used to measure the stock-based compensation expense arising from early-vesting options under the ESOS and LTIP, and awards under the SMP, are as follows the binomial method for executive options, the share price at grant date for the bonus and dividend shares of the SMP grant, the share price at grant date discounted at the dividend yield over the expected life for the non-market performance condition elements of the SMP matching shares and LTIP grants, and the Monte Carlo method for the market related performance condition elements of the SMP matching shares and LTIP grants

The assumptions used for the valuation of grants made in 2006 are set out below

	Executive options	Long-term incentive plan	Share matching plan - matching shares
Grant date	6 December 05	6 December 05	15 December 05
Share price at grant date	1132p	1132p	1152p
Exercise price	1132p	0p	0p
Vesting period	9 months	9 months	9 months
Expected share price volatility[1]	25 29%	15 60%	15 60%
Option life	10 years	10 years	3 years
Expected life	10 months	n/a	n/a
Dividend yield	4 50%	4 37%	4 37%
Weighted average interest rate[2]	4 28%	4 38%	4 38%
Lapse rate	10%	10%	10%
Expected achievement of performance conditions (non-market related performance conditions)	100%	100%	100%

1 For executive options the expected share price volatility was determined based on the share price history for a period equivalent to the expected life of the option For long-term incentive plan awards and share matching plan awards, the expected share price volatility was based on the one year historic return index volatility for BOC and its comparator companies and indices
2 The weighted average interest rate is based on UK Gilts on the date of grant with a maturity similar to the related options

9 Pensions and other retirement benefits

Description of Pension Plans

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

Contributions to funded defined benefit plans are based on advice from independent actuaries using actuarial methods, the objective of which is to provide adequate funds to meet pension obligations as they fall due The two largest plans are in the UK and the US, and they represent 92% of the net pension assets and 99% of net pension obligations respectively The date of the latest actuarial funding review for the UK was 31 March 2005 and for the USA, 1 January 2005 The main plans are formally valued every three years

In South Africa, under the Pension Funds Second Amendment Act 2001, surpluses in pension funds have to be used in a manner specified in Regulations to the Act to improve current and former members' benefits before the employer can obtain any benefit from the surpluses At the end of 2005, it was considered unlikely that the company would obtain any benefit from the surpluses in the South African plans Therefore, in accordance with IAS 19, the surpluses at 30 September 2005 had been written off in the statement of recognised income and expense During 2006, permission was obtained from South African regulators for fund custodians to allocate a portion of the South African surplus to the BOC South African subsidiary, and this surplus amount has been recognised in the balance sheet at the period end

During the period ended 31 December 2006 the company made additional contributions of £190 million to the UK plan (included in the Europe segment) in order to reduce the funding valuation deficit Contributions to the UK plan are expected to be approximately £30 million lower in 2008

In the United States, employer contributions to the main pension plan remain suspended as the plan continues to be in surplus

The most recent actuarial funding valuations have been updated by independent qualified actuaries, in order to assess the obligations of the plans at 31 December 2006 for the purposes of IAS 19 Plan assets are stated at their bid value at 31 December 2006

In the United States the Group provides unfunded health care and life assurance benefits for retired employees As at 31 December 2006, 2,906 retired employees currently benefit from these provisions and 3,488 current employees are potentially eligible conditional upon their retirement at BOC BOC accrues for the obligations in respect of these benefits over the expected working lifetime of the existing members

Assumptions

The following assumptions are also relevant to the valuations of pension assets and obligations Weighted average figures based on the obligations and assets of countries included in the different geographical segments are

Main assumptions for IAS 19 purposes	Europe	Americas	Americas health care	Africa	South Pacific
2006					
Rate of increase in salaries	**4 68%**	**3 44%**	**3.75%**	**7 00%**	**4 28%**
Rate of increase in pensions in payment	**3 18%**	**2 44%**	**-**	**6 00%**	**2 74%**
Discount rate	**5 09%**	**5 69%**	**5 75%**	**8 50%**	**5 90%**
Inflation	**3 18%**	**2 44%**	**-**	**6 00%**	**2 74%**
Expected return on assets	**6 58%**	**7 08%**	**-**	**9 30%**	**7 44%**
2005					
Rate of increase in salaries	4 38%	3 82%	3 75%	5 50%	3 54%
Rate of increase in pensions in payment	2 88%	2 60%	-	4 50%	2 50%
Discount rate	4 98%	5 37%	5 40%	8 50%	5 42%
Inflation	2 88%	2 60%	-	4 50%	2 50%
Expected return on assets	7 07%	6 95%	-	9 88%	6 91%
Date of latest actuarial funding valuation	31 Mar 05	01 Jan 05	01 Jan 05	30 Jun 04	31 Dec 03

The expected rate of return on plan assets was determined, based on actuarial advice, by a process that takes the long-term rates of return for each asset class

Actual return on plan assets was £398 0 million (2005 £390 3 million)

Mortality assumptions are set having regard to the latest trends in life expectancy, plan experience and other relevant data The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuations of the pension plans Mortality assumptions for the UK and US are based on the following post-retirement mortality tables

i) United Kingdom PMA 92 and PFA 92 with a +2 year age rating for men and +2 year age rating for female members retiring in normal health, with allowance for future mortality improvements in line with the medium cohort
ii) United States 1994 Group Annuity Mortality Table

Assumptions for the remaining defined benefit plans vary considerably, depending on the economic conditions of the country where they are situated

The ultimate health care cost trend rate is 4 5 per cent (2005 4 5 per cent) for the health care benefits

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans It is estimated that a one per cent change in the weighted average health care cost trend would have the following effect on the USA health care liability

	One percentage point	
Effect of increase or decrease in the health care cost trend rate	Increase £ million	Decrease £ million
Effect on total of service and interest cost components	0 1	(0 1)
Effect on total benefit obligation	4 3	(3 7)

Contributions to defined contribution plans in the period were £17 6 million (2005 £17 4 million) and are included in note 7b)

Plan assets

The assets in the plans were

Fair value of assets in portfolio	Europe £ million	Americas pensions £ million	Africa £million	South Pacific £ million	Total £ million
Value at 31 December 2006					
Equities	**997 2**	**315 6**	**95 5**	**167 9**	**1,576 2**
Fixed income instruments	**682 2**	**74 5**	**12 8**	**35 2**	**804 7**
Real estate	**268 9**	**-**	**8 6**	**13 6**	**291 1**
Others	**0 2**	**0 5**	**23 6**	**9 7**	**34 0**
Total	**1,948 5**	**390 6**	**140 5**	**226 4**	**2,706 0**
Value at 30 September 2005					
Equities	1,014 8	310 1	111 9	154 9	1,591 7
Fixed income instruments	279 9	76 2	15 6	8 5	380 2
Real estate	197 7	-	2 7	15 4	215 8
Others	18 3	0 4	12 0	36 7	67 4
Total	1,510 7	386 7	142 2	215 5	2,255 1

Net assets and oblıgatıons

The followıng amounts at 31 December 2006 were measured ın accordance wıth the requırements of IAS 19

	Europe £ mıllıon	Amerıcas £ mıllıon	Amerıcas health care £ mıllıon	Afrıca £ mıllıon	South Pacıfic £ mıllıon	Total £ mıllıon
At 31 December 2006						
Total faır value of assets	**1,948 5**	**390 6**	-	**140 5**	**226 4**	**2,706.0**
Present value of plan oblıgatıons	**(2,237 6)**	**(229 4)**	**(41 1)**	**(105 3)**	**(220 8)**	**(2,834 2)**
(Deficıt) / surplus ın the plan	**(289 1)**	**161 2**	**(41 1)**	**35 2**	**5 6**	**(128 2)**
Irrecoverable surplus	-	-	-	**(26 7)**	-	**(26 7)**
Net pensıon (oblıgatıons) / assets	**(289 1)**	**161 2**	**(41 1)**	**8 5**	**5 6**	**(154 9)**
Of whıch						
Funded plans ın surplus						
Assets	-	**366 6**	-	**140 5**	**226 4**	**733 5**
Oblıgatıons	-	**(201 7)**	-	**(105 3)**	**(220 8)**	**(527 8)**
Aggregate surplus	-	**164 9**	-	**35 2**	**5 6**	**205 7**
Irrecoverable surplus	-	-	-	**(26 7)**	-	**(26 7)**
Pensıon asset net of oblıgatıons	-	**164 9**	-	**8 5**	**5 6**	**179 0**
Funded plans ın deficıt						
Assets	**1,948 5**	**24 0**	-	-	-	**1,972 5**
Oblıgatıons	**(2,237 6)**	**(27 7)**	-	-	-	**(2,265 3)**
Pensıon lıabılıty net of assets	**(289 1)**	**(3 7)**	-	-	-	**(292 8)**
Unfunded Plans						
Pensıon lıabılıty	-	-	**(41 1)**	-	-	**(41 1)**
Total plans ın deficıt	**(289 1)**	**(3 7)**	**(41 1)**	-	-	**(333 9)**

	Europe £ mıllıon	Amerıcas £ mıllıon	Amerıcas health care £ mıllıon	Afrıca £ mıllıon	South Pacıfic £ mıllıon	Total £ mıllıon
At 30 September 2005						
Total faır value of assets	1,510 7	386 7	-	142 2	215 5	2,255 1
Present value of plan oblıgatıons	(2,001 0)	(262 7)	(44 5)	(106 1)	(210 5)	(2,624 8)
(Deficıt) / surplus ın the plan	(490 3)	124 0	(44 5)	36 1	5 0	(369 7)
Irrecoverable surplus	-	-	-	(36 1)	-	(36 1)
Net pensıon (oblıgatıons) / assets	(490 3)	124 0	(44 5)	-	5 0	(405 8)
Of whıch						
Funded plans ın surplus						
Assets	-	363 9	-	142 2	215 5	721 6
Oblıgatıons	-	(232 2)	-	(106 1)	(210 5)	(548 8)
Aggregate surplus	-	131 7	-	36 1	5 0	172 8
Irrecoverable surplus	-	-	-	(36 1)	-	(36 1)
Pensıon asset net of oblıgatıons	-	131 7	-	-	5 0	136 7
Funded plans ın deficıt						
Assets	1,510 7	22 8	-	-	-	1,533 5
Oblıgatıons	(2,001 0)	(30 5)	-	-	-	(2,031 5)
Pensıon lıabılıty net of assets	(490 3)	(7 7)	-	-	-	(498 0)
Unfunded Plans						
Pensıon lıabılıty	-	-	(44 5)	-	-	(44 5)
Total plans ın deficıt	(490 3)	(7 7)	(44 5)	-	-	(542 5)

Income Statement

The charge to the ıncome statement compnses

Charge to operatıng profit	Europe £ million	Amencas pensıons £ million	Amencas health care £ million	Afnca £ million	South Pacıfic £ million	Total £ million
Penod to 31 December 2006						
Current servıce cost	**(71 7)**	**(14.0)**	**(2 1)**	**(2 0)**	**(9 9)**	**(99 7)**
Past servıce cost/credıt	**(0 1)**	**-**	**2 7**	**-**	**-**	**2 6**
Total operatıng charge	**(71 8)**	**(14 0)**	**0 6**	**(2 0)**	**(9 9)**	**(97 1)**
Year to 30 September 2005						
Current servıce cost	(47 5)	(10 0)	(1 5)	(2 2)	(8 2)	(69 4)
Past servıce cost	-	-	-	-	-	-
Total operatıng charge	(47 5)	(10 0)	(1 5)	(2 2)	(8 2)	(69 4)

Net financıng ıncome from pensıons	Europe £ million	Amencas pensıons £ million	Amencas health care £ million	Afnca £ million	South Pacıfic £ million	Total £ million
Penod to 31 December 2006						
Interest cost	**(128 0)**	**(17 2)**	**(2 9)**	**(10 3)**	**(16.6)**	**(175 0)**
Expected return on plan assets	**141.5**	**32 8**	**-**	**16 4**	**17 7**	**208 4**
Net ınterest	**13 5**	**15 6**	**(2 9)**	**6 1**	**1 1**	**33 4**
Year to 30 September 2005	-	-	-	-	-	-
Interest cost	(93 9)	(13 8)	(2 5)	(8 7)	(11 7)	(130 6)
Expected return on plan assets	96 3	26 9	-	14 0	12 6	149 8
Net ınterest	2 4	13 1	(2 5)	5 3	0 9	19 2

Total amounts charged to the ıncome statement (before tax)	Europe £ million	Amencas pensıons £ million	Amencas health care £ million	Afnca £ million	South Pacıfic £ million	Total £ million
Penod to 31 December 2006						
Pensıon expense	**(58 3)**	**1 6**	**(2 3)**	**4 1**	**(8.8)**	**(63.7)**
Year to 30 September 2005						
Pensıon expense	(45 1)	3 1	(4 0)	3 1	(7 3)	(50 2)

Statement of recognised income and expense

The following amounts were charged to the statement of recognised income and expense

Change in actuarial gains / (losses) recognised in the statement of recognised income and expense	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Period to 31 December 2006						
Opening accumulated actuarial (loss) / gain	**(33 5)**	**19 4**	**4 6**	**10 1**	**(2 3)**	**(1 7)**
Current actuarial (loss) / gain on obligation due to	**(106 7)**	**11 9**	**(3 1)**	**(18 9)**	**(13.0)**	**(129 8)**
- experience adjustments	**13 8**	**4 7**	**(1 9)**	**(0 1)**	**-**	**16 5**
- change in actuarial assumptions	**(120 5)**	**7 2**	**(1 2)**	**(18 8)**	**(13 0)**	**(146.3)**
Current actuarial gain on plan assets	**118 0**	**37 4**	**-**	**21 1**	**13 1**	**189 6**
Net current actuarial gain / (loss)	**11 3**	**49 3**	**(3.1)**	**2 2**	**0 1**	**59 8**
Exchange adjustment	**-**	**(5 4)**	**(0 2)**	**(2 0)**	**0 2**	**(7 4)**
Closing accumulated actuarial (loss) / gain	**(22 2)**	**63 3**	**1.3**	**10 3**	**(2 0)**	**50 7**

Change in accumulated effect of asset ceiling (IAS 19 58) recognised in the statement of recognised income and expense	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Period to 31 December 2006						
Opening accumulated effect of asset ceiling	**-**	**-**	**-**	**(36 1)**	**-**	**(36 1)**
Current effect of asset ceiling – reversal of irrecoverable surplus	**-**	**-**	**-**	**3 2**	**-**	**3 2**
Exchange adjustment	**-**	**-**	**-**	**6 2**	**-**	**6 2**
Closing accumulated effect of asset ceiling	**-**	**-**	**-**	**(26 7)**	**-**	**(26 7)**

Reconciliation to the statement of recognised income and expense	Total £ million
Period to 31 December 2006	
Net current actuarial gain - subsidiaries	**59 8**
Current effect of asset ceiling - subsidiaries	**3 2**
Net current actuarial gain – joint ventures	**3 2**
Net amount recognised in the statement of recognised income and expense	**66 2**

Change in actuarial gains / (losses) to be recognised in the statement of recognised income and expense	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Year to 30 September 2005						
Opening accumulated actuarial gain / (loss)	-	-	-	-	-	-
Current actuarial (loss) / gain on obligation due to	(195 3)	(6 6)	4 4	(24 4)	(21 3)	(243 2)
- experience adjustments	11 5	2 4	7 6	-	-	21 5
- change in actuarial assumptions	(206 8)	(9 0)	(3 2)	(24 4)	(21 3)	(264 7)
Current actuarial gain on plan assets	161 8	25 4	-	34 2	19 1	240 5
Net current actuarial (loss) / gain	(33 5)	18 8	4 4	9 8	(2 2)	(2 7)
Exchange adjustment	-	0 6	0 2	0 3	(0 1)	1 0
Closing accumulated (loss) / gain	(33 5)	19 4	4 6	10 1	(2 3)	(1 7)

Change in accumulated effect of asset ceiling (IAS 19 58) recognised in the statement of recognised income and expense	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Year to 30 September 2005						
Opening accumulated effect of asset ceiling	-	-	-	(26 9)	-	(26 9)
Current effect of asset ceiling	-	-	-	(8 3)	-	(8 3)
Exchange adjustment	-	-	-	(0 9)	-	(0 9)
Closing accumulated effect of asset ceiling	-	-	-	(36 1)	-	(36 1)

Reconciliation to the statement of recognised income and expense	Total £ million
Year to 30 September 2005	
Net current actuarial gain – subsidiaries	(2 7)
Current effect of asset ceiling – subsidiaries	(8 3)
Net current actuarial gain – joint ventures	(2 9)
Net amount recognised in the statement of recognised income and expense	(13 9)

Movement in assets and obligations during the period

Movement in fair value of plan assets during the period	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Period to 31 December 2006						
Opening fair value of plan assets	**1,510 7**	**386 7**	**-**	**142 2**	**215.5**	**2,255 1**
Expected return on plan assets	**141 5**	**32 8**	**-**	**16 4**	**17.7**	**208.4**
Employer contributions	**248 1**	**2 3**	**-**	**2 1**	**9 3**	**261 8**
Employees' contributions	**14 1**	**-**	**-**	**0 8**	**1 4**	**16 3**
(Benefits paid by fund)	**(83 6)**	**(27 8)**	**-**	**(5 4)**	**(16.0)**	**(132 8)**
Asset transfer (out)	**-**	**-**	**-**	**(8 3)**	**-**	**(8.3)**
Current actuarial gain on plan assets	**118 0**	**37 4**	**-**	**21.1**	**13 1**	**189 6**
Exchange adjustment	**(0 3)**	**(40 8)**	**-**	**(28 4)**	**(14 6)**	**(84 1)**
Closing fair value of plan assets	**1,948 5**	**390 6**	**-**	**140 5**	**226.4**	**2,706 0**

Movement in defined benefit obligation during the period	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Period to 31 December 2006						
Opening obligation	**2,001 0**	**262 7**	**44 5**	**106 1**	**210 5**	**2,624 8**
Other	**-**	**-**	**(1.6)**	**-**	**(0.5)**	**(2.1)**
Current service cost (excl employees' contributions)	**71 7**	**14 0**	**2 1**	**2 0**	**9 9**	**99 7**
Interest cost	**128 0**	**17 2**	**2 9**	**10 3**	**16.6**	**175 0**
Employees' contributions	**14 1**	**-**	**0 8**	**0 8**	**1.4**	**17.1**
(Benefits paid out)	**(83 6)**	**(27 8)**	**(3 5)**	**(5 4)**	**(16 0)**	**(136 3)**
Liability transfer in / (out)	**-**	**-**	**-**	**(6 2)**	**-**	**(6 2)**
Current actuarial loss / (gain) on defined benefit obligation	**106 7**	**(11 9)**	**3.1**	**18.9**	**13 0**	**129 8**
Past service cost / (credit)	**0 1**	**-**	**(2 7)**	**-**	**-**	**(2 6)**
Exchange adjustment	**(0 4)**	**(24 8)**	**(4 5)**	**(21 2)**	**(14.1)**	**(65 0)**
Closing obligation	**2,237 6**	**229 4**	**41.1**	**105 3**	**220 8**	**2,834 2**

Movement in fair value of plan assets during the year	Europe £ million	Americas pensions £ million	Americas health care £ million	Africa £ million	South Pacific £ million	Total £ million
Year to 30 September 2005						
Opening fair value of plan assets	1,232 0	369 2	-	102 2	169 3	1,872 7
Expected return on plan assets	96 3	26 9	-	14 0	12 6	149 8
Employer contributions	72 2	1 6	-	1 7	7 7	83 2
Employees' contributions	11 7	-	-	0 7	2 9	15 3
(Benefits paid by fund)	(63 0)	(46 8)	-	(5 7)	(10 2)	(125 7)
Asset transfer (out)	-	-	-	(10 2)	-	(10 2)
Current actuarial gain on plan assets	161 8	25 4	-	34 2	19 1	240 5
Exchange adjustment	(0 3)	10 4	-	5 3	14 1	29 5
Closing fair value of plan assets	1,510 7	386 7	-	142 2	215 5	2,255 1

Movement ın defined benefit oblıgatıon dunng the year	Europe £ mıllıon	Amencas pensıons £ mıllıon	Amencas health care £ mıllıon	Afnca £ mıllıon	South Pacıfic £ mıllıon	Total £ mıllıon
Year to 30 September 2005						
Openıng oblıgatıon	1,715 9	271 4	46 4	82 1	162 9	2,278 7
Current servıce cost (excl employees' contnbutıons)	47 5	10 0	1 5	2 2	8 2	69 4
Interest cost	93 9	13 8	2 5	8 7	11 7	130 6
Employees' contnbutıons	11 7	-	0 8	0 7	2 9	16 1
(Benefits paıd out)	(63 0)	(46 8)	(3 2)	(5 7)	(10 2)	(128 9)
Lıabılıty transfer (out)	-	-	-	(10 2)	-	(10 2)
Current actuanal loss / (gaın) on defined benefit oblıgatıon	195 3	6 6	(4 4)	24 4	21 3	243 2
Exchange adjustment	(0 3)	7 7	0 9	3 9	13 7	25 9
Closıng oblıgatıon	2,001 0	262 7	44 5	106 1	210 5	2,624 8

10 Dıvıdends

	Per share 2006 pence	Per share 2005 pence	2006 £ mıllıon	2005 £ mıllıon
Ordınary shares				
Fırst ınterım	**16 3**	15 9	**81 6**	78 6
Second ınterım	**20 3**	25 3	**103 7**	125 5
	36 6	41 2	**185 3**	204 1

11 Earnıngs per share

Basıc earnıngs per share are calculated by dıvıdıng the earnıngs attnbutable to Ordınary shareholders by the weıghted average number of shares ın ıssue dunng the penod

For dıluted earnıngs per share, the weıghted average number of shares ın ıssue ıs adjusted to assume conversıon of all potentıal dılutıve shares The company has only one category of potentıal dılutıve shares those share optıons granted to employees where the exercıse pnce ıs less than the average market pnce of the company's shares dunng the year and where any performance condıtıons have been met at the balance sheet date

Adjusted earnıngs per share (excludıng specıal and certaın re-measurement ıtems) are presented ın order to show the underlyıng earnıngs performance of the Group

	15 months to 31 December 2006				Year to 30 September 2005		
	Before specıal and certaın re-meas -urement ıtems pence	**Specıal ıtems pence**	**Certaın re-meas -urement ıtems pence**	**After specıal and certaın re-meas -urement ıtems pence**	Before specıal and certaın re-meas -urement ıtems pence	Specıal ıtems pence	After specıal and certaın re-meas -urement ıtems pence
From contınuıng operatıons							
- basıc	**73.4**	**(36 2)**	-	**37 2**	68 5	(2 8)	65 7
- dıluted	**73 0**	**(36 0)**	-	**37 0**	68 3	(2 8)	65 5
From dıscontınued operatıons							
- basıc	**6.1**	**(1 9)**	-	**4 2**	0 3	9 5	9 8
- dıluted	**6.0**	**(1 9)**	-	**4 1**	0 3	9 5	9 8
Total							
- basıc	**79 5**	**(38 1)**	-	**41 4**	68 8	6 7	75 5
- dıluted	**79 0**	**(37 9)**	-	**41 1**	68 6	6 7	75 3

The ınformatıon above ıs denved from the followıng data

2006

i) Earnings	Continuing operations £ million	Discontinued operations £ million	Total £ million
Amounts used in computing the earnings per share			
Earnings attributable to Ordinary shareholders for the period	**189 9**	**21 3**	**211 2**
Adjustment for special items	**185 7**	**9 7**	**195 4**
Adjustment for certain re-measurement items	**(0 9)**	**-**	**(0 9)**
Adjusted earnings	**374 7**	**31 0**	**405 7**

ii) Average number of 25p Ordinary shares	million
Average issued share capital	**513.9**
Less Average own shares held in trust	**3 6**
Basic	**510 3**
Add Dilutive share options	**3 0**
Diluted	**513 3**

2005

i) Earnings	Continuing operations £ million	Discontinued operations £ million	Total £ million
Amounts used in computing the earnings per share			
Earnings attributable to Ordinary shareholders for the year	325 3	48 5	373 8
Adjustment for special items	14 0	(47 1)	(33 1)
Adjusted earnings	339 3	1 4	340 7

ii) Average number of 25p Ordinary shares	million
Average issued share capital	500 4
Less Average own shares held in trust	5 4
Basic	495 0
Add Dilutive share options	1 6
Diluted	496 6

12. Goodwill

	2006 £ million	2005 £ million
Gross book value		
At 1 October	**158 0**	171 0
Exchange adjustment	**(12 1)**	3 1
Acquired during the period[1]	**19 2**	10 0
Disposed of during the period[1]	**-**	(25 5)
Adjustment relating to prior year acquisition	**-**	(0 6)
Transferred to assets held for sale	**(74 4)**	-
At 31 December/30 September	**90 7**	158 0
Accumulated impairment losses		
At 1 October	**(17 8)**	-
Impairment charge	**-**	(17 1)
Exchange adjustment	**1 5**	(0 7)
Transferred to assets held for sale	**13 0**	-
At 31 December/30 September	**(3 3)**	(17 8)
Net book value		
At 1 October	**140 2**	171 0
At 31 December/30 September	**87 4**	140 2

1 See note 30 for acquisitions/disposals

The carrying value of goodwill is tested at least annually for impairment The annual impairments tests are carried out at the level of the cash generating unit Cash generating units were determined based on the acquisition of which that portion of the goodwill arose There are approximately fifteen cash generating units None of these cash generating units are of material value individually

The impairment test in accordance with IAS 36 compares the carrying amount of the cash generating unit with the recoverable amount The recoverable amount is the higher of an asset's fair value less cost to sell and value in use

The impairment test involves initially comparing the value in use of the cash generating unit with its carrying amount If the carrying amount of the cash generating unit exceeds the value in use, an impairment test is performed to determine whether the fair value of the asset less costs to sell is higher than the carrying amount Any impairment loss relating to goodwill is recognised in the income statement in operating profit

To calculate the value in use of the cash generating units, post-tax future cash inflows and outflows are derived from budgets and business forecasts approved by management Cash flows beyond five years are extrapolated using zero growth rates Post-tax interest rates that are appropriate to the relevant countries are used to discount the future cash flows

Impairment of goodwill
The impairment charge during 2005 resulted from restructuring within the BOC Edwards and US Gases business Impairment of goodwill is included within the administrative expenses line in the income statement

13 Intangible assets

	Internally generated intangibles[1] £ million	Software intangibles £ million	Other intangibles £ million	Total £ million
Gross book value				
At 1 October 2005	17 6	101 1	15 6	134 3
Exchange adjustment	(0 5)	(3 3)	(3 1)	(6 9)
Additions during the period	4 2	12 0	1 8	18 0
Acquisitions of businesses	-	-	0 7	0 7
Disposed of during the period / transferred to assets held for sale	-	(32 5)	(9 6)	(42 1)
At 31 December 2006	**21 3**	**77 3**	**5 4**	**104 0**
Amortisation and impairment				
At 1 October 2005	(8 4)	(33 9)	(3 5)	(45 8)
Exchange adjustment	0 2	1 4	-	1 6
Provided during the period	(3 7)	(17 6)	(1 7)	(23 0)
Disposed of during the period / transferred to assets held for sale	-	8 5	1 4	9 9
At 31 December 2006	**(11 9)**	**(41.6)**	**(3 8)**	**(57 3)**
Net book value				
At 1 October 2005	9 2	67 2	12 1	88 5
At 31 December 2006	9 4	35 7	1 6	46 7

	Internally generated intangibles[1] £ million	Software intangibles £ million	Other intangibles £ million	Total £ million
Gross book value				
At 1 October 2004	15 2	76 7	7 4	99 3
Exchange adjustment	0 2	1 9	0 5	2 6
Additions during the year	2 2	23 0	0 3	25 5
Acquisition of businesses	-	-	8 1	8 1
Disposed of during the year	-	(0 5)	(0 3)	(0 8)
At 30 September 2005	17 6	101 1	16 0	134 7
Amortisation and impairment				
At 1 October 2004	(5 5)	(22 0)	(3 2)	(30 7)
Exchange adjustment	(0 1)	(0 6)	(0 2)	(0 9)
Provided during the year	(2 8)	(11 7)	(0 6)	(15 1)
Disposed of during the year	-	0 4	0 1	0 5
At 30 September 2005	(8 4)	(33 9)	(3 9)	(46 2)
Net book value				
At 1 October 2004	9 7	54 7	4 2	68 6
At 30 September 2005	9 2	67 2	12 1	88 5

1 Internally generated intangibles comprise mainly development costs

Of the £23 0 million (2005 £15 1 million) amortisation charge, £1 6 million (2005 £0 9 million) is included in cost of sales and £21 4 million (2005 £14 2 million) included in administrative expenses

14 Property, plant and equipment

a) Summary

	Land and buildings £ million	Plant machinery and vehicles £ million	Cylinders £ million	Construction in progress £ million	Total £ million
Gross book value					
At 1 October 2005	464 5	4,306 8	615 0	248 6	5,634 9
Exchange adjustment	(26 0)	(214 6)	(28 3)	(18 0)	(286 9)
Capital expenditure	38 0	162 5	16 1	314 8	531 4
Disposals	(9 1)	(141 2)	(14 3)	(9 8)	(174 4)
Transfers	(0 5)	263 7	11 6	(274 8)	-
Transfers to assets held for sale	(60 5)	(250 7)	(9 2)	(15 8)	(336 2)
Acquisitions of businesses	1 3	8 2	0 2	-	9 7
Disposals of businesses	-	(16 1)	(0 4)	-	(16 5)
At 31 December 2006	**407 7**	**4,118 6**	**590 7**	**245 0**	**5,362 0**
Depreciation and impairment					
At 1 October 2005	(172 9)	(2,613 8)	(298 4)	-	(3,085 1)
Exchange adjustment	10 2	136 2	13 0	-	159 4
Provided during the period [3]	(18 9)	(346 4)	(33 3)	-	(398 6)
Disposals	3 5	123 2	12 1	-	138 8
Disposals of businesses	-	8 4	0 2	-	8 6
Transfers	(0 5)	4 5	(4 0)	-	-
Transfers to assets held for sale	22 5	146 9	1 5	-	170 9
At 31 December 2006	**(156 1)**	**(2,541 0)**	**(308 9)**	**-**	**(3,006 0)**
Net book value at 1 October 2005[1]					
Owned assets	277 6	1,679 5	297 0	248 6	2,502 7
Leased assets[2]	14 0	13 5	19 6	-	47 1
	291 6	1,693 0	316 6	248 6	2,549 8
Net book value at 31 December 2006[1]					
Owned assets	**245 3**	**1,558 3**	**266 3**	**245 0**	**2,314 9**
Leased assets[2]	**6 3**	**19 3**	**15 5**	**-**	**41.1**
	251 6	**1,577 6**	**281.8**	**245 0**	**2,356 0**

	Land and buildings £ million	Plant machinery and vehicles £ million	Cylinders £ million	Construction in progress £ million	Total £ million
Gross book value					
At 1 October 2004	592 1	4,163 1	569 8	123 4	5,448 4
Exchange adjustment	7 6	116 1	20 8	8 5	153 0
Capital expenditure	19 0	100 4	15 4	238 8	373 6
Disposals	(7 2)	(74 3)	(5 7)	(1 1)	(88 3)
Transfers	(5 5)	92 1	32 7	(119 3)	-
Acquisitions of businesses	11 2	5 7	-	-	16 9
Disposals of businesses	(152 7)	(96 3)	(18 0)	(1 7)	(268 7)
At 30 September 2005	464 5	4,306 8	615 0	248 6	5,634 9
Depreciation and impairment					
At 1 October 2004	(187 0)	(2,430 2)	(267 5)	-	(2,884 7)
Exchange adjustment	(2 8)	(66 0)	(9 0)	-	(77 8)
Provided during the year [3]	(12 6)	(236 1)	(27 1)	-	(275 8)
Disposals	0 6	69 9	4 5	-	75 0
Disposals of businesses	17 4	56 9	3 9	-	78 2
Transfers	11 5	(8 3)	(3 2)	-	-
At 30 September 2005	(172 9)	(2,613 8)	(298 4)	-	(3,085 1)
Net book value at 1 October 2004[1]					
Owned assets	349 3	1,727 7	277 3	123 4	2,477 7
Leased assets[2]	55 8	5 2	25 0	-	86 0
	405 1	1,732 9	302 3	123 4	2,563 7
Net book value at 30 September 2005[1]					
Owned assets	277 6	1,679 5	297 0	248 6	2,502 7
Leased assets[2]	14 0	13 5	19 6	-	47 1
	291 6	1,693 0	316 6	248 6	2,549 8

1 Net book value includes net interest capitalised of £39 9 million (2005 £40 3 million)
2 Leased assets are shown net of accumulated depreciation of £88 5 million (2005 £84 5 million)
3 Impairments charge included within depreciation charge for the period relates to land and buildings £3 4 million and plant, machinery and vehicles £43 6 million (2005 land and buildings £0 2 million and plant, machinery and vehicles £0 3 million) Impairment charges are included within cost of sales and administrative expenses

b) Depreciation and amortisation

	2006 £ million	2005 £ million
Depreciation on leased assets included above	**7 1**	5 9
Amortisation of capitalised interest included above	**5 5**	5 2

c) Net book value of land and buildings

	2006 £ million	2005 £ million
Freehold property	**245 3**	277 6
Leasehold property long-term	**4 4**	10 3
Leasehold property short-term	**1 9**	3 7
	251 6	291 6

d) Capital commitments

	2006 £ million	2005 £ million
Against which orders had been placed[1]	**42 5**	95 8
Authorised but not committed[1]	**106 7**	74 8
	149 2	170 6

1 There were no capital commitments in respect of intangible assets at 31 December 2006 (2005 £1 1 million)

The Group's share of its joint ventures' and associates' capital commitments was

	2006 £ million	2005 £ million
Against which orders had been placed	**36 9**	19 0
Authorised but not committed	**6 3**	19 5
	43 2	38 5

15 Investment property

	2006 £ million	2005 £ million
Gross book value		
At 1 October	**15 8**	15 8
Disposals	**(15 8)**	-
At 31 December/30 September	**-**	15 8
Depreciation and impairment		
At 1 October	**(4 7)**	(4 4)
Provided during the period	**(0 1)**	(0 3)
Disposals	**4 8**	-
At 31 December/30 September	**-**	(4 7)
Net book value		
At 1 October	**11 1**	11 4
At 31 December/30 September	**-**	11 1

At 30 September 2005, the fair value of the investment property was £17 0 million The property was sold during 2006 with a net gain of approximately £5 million recognised within operating profit

Rental income received from the investment property during the period to 31 December 2006 was £0 3 million (year to 30 September 2005 £1 9 million) There were no direct operating expenses arising from the investment property

16 Investments in joint ventures and associates

a) Group summary

	Group Share of net assets of joint ventures £ million	Group share of net assets of associates £ million	Group loans to joint ventures £ million	Group loans to associates £ million	Total £ million
At 30 September 2005	327 0	81 1	224 9	2 2	635 2
Adoption of IAS 39	(2 7)	-	-	-	(2 7)
At 1 October 2005	324 3	81 1	224 9	2 2	632 5
Exchange adjustment	(29 3)	(5 3)	(25 7)	0 1	(60 2)
Acquisitions / additions [1]	22 4	-	59 7	-	82 1
Disposals / repayments / transfers [2]	3 7	(36 3)	(17 7)	(0 3)	(50 6)
Increase / (decrease) in net assets	(12 5)	12 3	-	-	(0 2)
Impairment [3]	-	-	(60 0)	-	(60 0)
Transfer to assets held for sale [4]	(126 3)	(0 1)	-	-	(126 4)
At 31 December 2006	**182.3**	**51.7**	**181 2**	**2 0**	**417 2**

1 The increase in the Group loans to joint ventures relates principally to Compania de Nitrogeno de Cantarell in Mexico
2 The decrease in the Group's share of net assets of associates relates principally to the disposal of the Afrox hospitals business during the period
3 The impairment of Group loans to joint ventures relates to Compania de Nitrogeno de Cantarell in Mexico
4 Transfers to assets held for sale relate principally to Japan Air Gases Ltd and Indura SA

For loans to joint ventures and associates which bear either no interest or a floating rate of interest, it is deemed that the carrying amount approximates to the fair value For those loans which bear a fixed rate of interest, the carrying amount is deemed to approximate to the fair value as the carrying amount approximates the discounted value of anticipated future cash flows

	Group Share of net assets of joint ventures £ million	Group share of net assets of associates £ million	Group loans to joint ventures £ million	Group loans to associates £ million	Total £ million
At 1 October 2004	295 5	52 1	199 3	3 3	550 2
Exchange adjustment	13 1	2 5	4 0	0 1	19 7
Acquisitions / additions[1]	32 3	36 2	39 3	-	107 8
Disposals / repayments / transfers	1 3	(20 2)	(17 7)	(1 2)	(37 8)
Increase in net assets	1 8	10 5	-	-	12 3
Japan Air Gases capital restructuring	(17 0)	-	-	-	(17 0)
At 30 September 2005	327 0	81 1	224 9	2 2	635 2

1 The increase in the Group's share of net assets of joint ventures and loans to joint ventures relates principally to Compania de Nitrogeno de Cantarell in Mexico The increase in the Group s share of net assets of associates relates principally to the Afrox hospitals business becoming an associate during 2005

Group's share of net assets of joint ventures and associates

	2006			2005		
	Joint ventures £ million	**Associates £ million**	**Total £ million**	Joint ventures £ million	Associates £ million	Total £ million
Non-current assets	**751 4**	**55 0**	**806 4**	918 3	135 9	1,054 2
Current assets	**142 3**	**27 1**	**169 4**	279 8	46 0	325 8
Group's share of gross assets	**893 7**	**82 1**	**975 8**	1,198 1	181 9	1,380 0
Liabilities due within one year	**(297 7)**	**(20 6)**	**(318 3)**	(342 3)	(72 2)	(414 5)
Liabilities due after more than one year	**(413 7)**	**(9 8)**	**(423 5)**	(528 8)	(28 6)	(557 4)
Group's share of gross liabilities	**(711 4)**	**(30 4)**	**(741 8)**	(871 1)	(100 8)	(971 9)
Group's share of net assets	**182 3**	**51 7**	**234 0**	327 0	81 1	408 1
Group's share of results of joint ventures and associates (continuing operations)						
Revenue	**940 8**	**98 1**	**1,038 9**	725 4	64 8	790 2
Expenses (including special and certain re-measurement items)	**(869 2)**	**(84 1)**	**(953 3)**	(644 9)	(54 0)	(698 9)
Tax	**(32 7)**	**(1 8)**	**(34 5)**	(26 0)	(1 0)	(27 0)
Minority interest	**(3.1)**	**-**	**(3.1)**	(1.9)	-	(1.9)
Share of results of joint ventures and associates	**35 8**	**12 2**	**48 0**	52 6	9 8	62 4

The fair value of shares in listed associates is £72 7 million (2005 £74 8 million) There were no significant restrictions on the ability of associates to transfer funds to the investor in the form of cash dividends or repayment of loans and advances

A listing and description of interests for significant joint ventures and associates and the proportion of ownership interest held in jointly controlled entities is disclosed in note 32

b) Income

	2006 £ million	2005 £ million
Listed securities	**3 8**	3 0
Unlisted securities	**48 4**	48 1
Dividend income from joint ventures and associates	**52 2**	51 1
Dividends income from joint ventures	**46 7**	47 8
Dividends income from associates	**5 5**	3 3
Dividend income from joint ventures and associates	**52 2**	51 1

c) Special and certain re-measurement items

In 2006, the special items of £2 9 million comprise restructuring and impairments in the Asia region

17 Other investments

a) Analysis

	2006 £ million	2005 £ million
At 1 October	**31 0**	55 3
Exchange adjustment	**(3.7)**	0 8
Additions	**12 2**	3 4
Impairment[1]	**(2 9)**	-
Disposals	**(1 3)**	(28 5)
At 31 December/30 September	**35 3**	31 0
Current assets	**25 1**	16 4
Non-current assets	**10 2**	14 6
At 31 December/30 September	**35 3**	31 0
Listed investments on stock exchanges in the UK and overseas	**4 6**	5 4
Unlisted – equity	**5 3**	7 8
– other	**0 3**	1 4
Liquidity funds	**25 1**	16 4
At 31 December/30 September	**35 3**	31 0

1 Recognised due to a review of the carrying amount against the recoverable amount

Other investments comprise available-for-sale investments that are recorded at fair value at the balance sheet date For listed investments, the fair value is determined by reference to the relevant stock exchange quoted bid price For unlisted investments, the carrying amount approximates the fair value The fair value of liquidity funds is determined by the third party fund manager based on the market values of the underlying securities

Whilst the comparative information for 2005 excludes the impact of IAS 32 and IAS 39, the fair value of investments was equal to the carrying amount at 30 September 2005

b) Income

	2006 £ million	2005 £ million
Listed securities	**-**	0 1
Liquidity funds	**1.1**	0 5
	1 1	0 6

18 Inventories

	2006 £ million	2005 £ million
Raw materials	**66 5**	98 0
Work in progress	**14 0**	35 3
Gases and other finished goods	**143 4**	173 0
	223 9	306 3

Included in the total are inventories of £20 8 million (2005 £19 8 million) reported at their net realisable value

The total amount of inventories recognised as an expense in the period to 31 December 2006 was £2,044 5 million (year to 30 September 2005 £1,580 7 million) Inventories written off in the period were not significant

19 Trade and other receivables

a) Current

	2006 £ million	2005 £ million
Trade receivables	**443 1**	541 2
Trade receivable amounts due from joint ventures and associates	**5 9**	0 6
Other amounts due from joint ventures and associates	**8 3**	8 4
Prepayments and accrued income	**52 9**	38 4
Amounts due from fellow Linde Group subsidiaries	**53 2**	-
Other receivables	**62 9**	121 9
	626 3	710 5

Trade receivables are shown net of provisions for bad and doubtful debts of £18 3 million (2005 £26 0 million) The amount charged to the income statement in the period was £10 2 million (2005 £6 1 million) Due to their short-term nature, the carrying amount of current trade and other receivables is deemed to approximate to the fair value

b) Non-current

	2006 £ million	2005 £ million
Amounts due from fellow Linde Group subsidiaries	**249 6**	-
Other receivables	**12 6**	18 4
	262 2	18 4

For non-current receivables which bear either no interest or a floating rate of interest, it is deemed that the carrying amount approximates to the fair value For those receivables that bear a fixed rate of interest, an assessment of the interest rate at which the Group could make the same loan under current market conditions has been made As this rate does not vary significantly from the fixed rate charged, it is deemed that the carrying amount of these receivables approximates to the fair value

20. Cash and deposits

	2006 £ million	2005 £ million
Deposits	**17 2**	13 2
Cash at bank and in hand	**166 9**	177 8
	184 1	191 0

As all cash and deposits bear either no interest or a floating rate of interest, it is deemed that the carrying amount approximates to the fair value

21 Trade and other payables

a) Current

	2006 £ million	2005 £ million
Trade payables	**247 2**	311 8
Trade payables due to joint ventures and associates	**0 6**	2 0
Deposits and advance payments by customers	**48 0**	59 2
Payroll and other taxes, including social security	**14 6**	32 1
Accruals and deferred income	**128 7**	156 9
Other payables	**128 1**	179 1
	567 2	741 1

b) Non-current

	2006 £ million	2005 £ million
Deposits and advance payments by customers	**6 9**	7 5
Other payables	**24 0**	28 3
	30 9	35 8

The carrying amount of trade and other payables is deemed to approximate to the fair value

22 Provisions

	Incentive and other employee provisions £ million	Uninsured losses £ million	Environmental £ million	Warranty £ million	De-commissioning obligations £ million	Restructuring £ million	Other £ million	Total £ million
At 1 October 2005	16 8	30 3	25 7	17 6	20 2	0 1	10 3	121 0
Exchange adjustment	(0 8)	(3 6)	(2 6)	(0 8)	(0 7)	(1 7)	(0 4)	(10 6)
Provided in the period	9 9	13 9	7 1	16 2	0 3	47 6	10 4	105 4
Released in the period	-	-	-	-	-	-	(2 3)	(2 3)
Utilised in the period	(9 7)	(1 6)	(5 6)	(10 2)	(0 3)	-	(8 3)	(35 7)
Disposals of businesses	-	-	-	(0 3)	-	-	-	(0 3)
Unwinding of discounts	1 1	-	1 7	-	0 3	0 2	-	3 3
Other movements	3 3	-	-	-	-	0 3	-	3 6
Transfer to liabilities directly related to assets held for sale[1]	(6 2)	-	-	(13 6)	-	(4 5)	(0 1)	(24 4)
At 31 December 2006	**14 4**	**39 0**	**26 3**	**8 9**	**19 8**	**42 0**	**9 6**	**160 0**
Current provisions	**1 8**	**16 7**	**6 4**	**0 6**	**-**	**33 2**	**3 7**	**62 4**
Non-current provisions	**12 6**	**22 3**	**19 9**	**8 3**	**19 8**	**8 8**	**5 9**	**97 6**
At 31 December 2006	**14 4**	**39 0**	**26 3**	**8 9**	**19 8**	**42 0**	**9 6**	**160 0**

1 The £24 4 million provision transferred to liabilities directly related to assets held for sale comprises £14 1 million current and £10 3 million non-current

Incentive and other employee provisions include share incentive awards and deferred compensation plans Note 8 contains further details of movements on the incentive schemes during the period

Provision for uninsured losses covers third party liabilities or claims Due to the time frame that is often involved in such claims, a significant part of this provision is subject to actuarial valuation Where this is not appropriate, other external assessments are used

Environmental provisions have been set aside to cover the costs of remediation for a number of hazardous waste sites The costs are expected to be incurred between 2007 and 2035 Due to the period over which this expenditure is likely to be incurred, the provision has been discounted at a rate of four per cent The effect of discounting is £7 million Management expects that payments will be approximately £10 million in 2007, approximately £3 million each year for the next four years and £13 million in total thereafter Management uses its judgement and experience to make an appropriate provision

Warranty provisions at 31 December 2006 are primarily in respect of equipment sold by the Cryostar business within Process Gas Solutions The provision is based on estimates based on historical warranty data of similar products Warranty provisions generally cover a period of no more than two years

The provision for de-commissioning costs represents the estimated future costs under contractual obligations for removing assets from certain sites Due to the period over which this expenditure is likely to be incurred, between 2007 and 2054, and the different regions in which it will be incurred, the provision has been discounted at rates of between four and six per cent The effect of discounting is £32 million The timing of actual expenditure will vary depending on contractual supply arrangements with customers

Restructuring provisions relate to the costs associated with restructuring programmes to integrate the Groups activities with those of its new parent company Linde AG As a result of restructuring in the US business a provision is being recognised for the nine year period of a contract All other restructuring costs are anticipated to be utilised in 2007

23 Borrowings and finance leases

a) Analysis

	2006 Current £ million	2006 Non-current £ million	2006 Total £ million	2005 Current £ million	2005 Non-current £ million	2005 Total £ million
1 00% Euroyen Bond 2006	-	-	-	-	124 7	124 7
7 45% Guaranteed Notes 2006	-	-	-	141 2	-	141 2
$12^1/_4$% Unsecured Loan Stock 2012/2017	-	**100 0**	**100 0**	-	100 0	100 0
Pollution Control and Industrial Bonds	-	**5 7**	**5 7**	4 5	6 3	10 8
$5^7/_8$% Bonds 2009	-	**204 0**	**204 0**	-	200 0	200 0
6 50% Bonds 2016	-	**198 6**	**198 6**	-	200 0	200 0
Medium-term notes	-	**46 8**	**46 8**	-	54 8	54 8
Loans from a fellow subsidiary of Linde AG	**255 3**	**180 3**	**435 6**	-	-	-
Other	**14 9**	**11 7**	**26 6**	0 8	43 3	44 1
Loans other than from banks	**270 2**	**747 1**	**1,017 3**	146 5	729 1	875 6
Bank overdrafts repayable on demand	**38 3**	-	**38.3**	8 9	-	8 9
Bank loans	**102 4**	**26 3**	**128 7**	101 3	35 8	137 1
Finance leases	**5 2**	**12 6**	**17 8**	2 5	6 6	9 1
Total borrowings and finance leases	**416 1**	**786 0**	**1,202 1**	259 2	771 5	1,030 7

Bonds with a value of £229 5 million are in fair value hedging relationships

b) Maturity

					2006
	Loans other than from banks £ million	**Bank overdrafts £ million**	**Bank loans £ million**	**Finance leases £ million**	**Total £ million**
Within one year	**270 2**	**38 3**	**102 4**	**5 2**	**416 1**
One to two years	**61 2**	**-**	**16 1**	**3 7**	**81 0**
Two to three years	**204 7**	**-**	**10 1**	**3 3**	**218 1**
Three to four years	**-**	**-**	**0 1**	**2 2**	**2 3**
Four to five years	**-**	**-**	**-**	**1 3**	**1 3**
Beyond five years	**481 2**	**-**	**-**	**2 1**	**483 3**
Total borrowings and finance leases	**1,017 3**	**38 3**	**128 7**	**17 8**	**1,202 1**
Less within one year (current)	**(270 2)**	**(38 3)**	**(102 4)**	**(5 2)**	**(416 1)**
Borrowings and finance leases (non-current)	**747 1**	**-**	**26 3**	**12 6**	**786 0**

					2005
	Loans other than from banks £ million	Bank overdrafts £ million	Bank loans £ million	Finance leases £ million	Total £ million
Within one year	146 5	8 9	101 3	2 5	259 2
One to two years	147 1	-	28 3	2 2	177 6
Two to three years	278 0	-	7 3	1 5	286 8
Three to four years	1 2	-	0 1	1 0	2 3
Four to five years	-	-	0 1	0 8	0 9
Beyond five years	302 8	-	-	1 1	303 9
Total borrowings and finance leases	875 6	8 9	137 1	9 1	1,030 7
Less within one year (current)	(146 5)	(8 9)	(101 3)	(2 5)	(259 2)
Borrowings and finance leases (non-current)	729 1	-	35 8	6 6	771 5

c) Finance leases

	2006	2005
	£ million	£ million
Future finance lease minimum lease payments		
- less than one year	**6 2**	2 8
- one to five years	**12 6**	6 3
- beyond five years	**2 3**	1 1
Total future finance lease minimum lease payments	**21 1**	10 2
Future finance charges	**(3 3)**	(1 1)
Present value of finance lease minimum lease payments	**17 8**	9 1

d) Fair value

The fair value of borrowings and finance leases (excluding swap agreements) is £1,251 7 million (September 2005 £1,098 9 million) The carrying value of debt which bears a floating rate of interest is deemed to approximate its fair value The fair value of debt bearing a fixed rate of interest is either the quoted market price where a liquid market exists or has been calculated using discounted cash flow pricing models

e) Facilities

A subsidiary of Linde AG has extended a committed, multi-currency loan facility to the Group This is the main credit facility available to the Group The facility expires in 2011 and the Group can borrow up to £250 million for general corporate purposes The facility was undrawn at 31 December 2006 Additional committed facilities are maintained by the principal operating units in the Group

At 30 September 2005, the principal credit facilities available to the Group were multi-currency agreements with a group of relationship banks under which the Group could borrow US$450 million (£254 million) These facilities were undrawn at 30 September 2005 These facilities were replaced by a US$600 million (£339 million) facility in October 2005 which was subsequently cancelled upon the acquisition of BOC by Linde AG

f) Secured loans

Secured loans, maturing between 2007 and 2020, amounting to £7 6 million, are principally secured by charges over the property, plant and equipment, inventories and trade debtors of certain overseas subsidiaries

24 Financial instruments

a) Treasury risk management policies

The Group is exposed to currency, interest rate, price change and credit risks in the course of its operating activities These risks are reduced by the use of derivatives There are clear and uniform Group-wide guidelines as to the use of derivatives, and compliance with these guidelines is constantly monitored

The main derivatives used by the Group are interest rate swaps, combined interest rate/currency swaps and forward exchange contracts Occasionally, options are also used Derivative financial instruments are generally recorded on the trading day

The counterparties have first-class credit ratings The credit worthiness of the contracting parties is constantly monitored and is subject to clearly defined limits

The Group does not undertake any trading activity in financial instruments nor does it enter into any leveraged derivative transactions

Currency risk
Since the acquisition by Linde AG, the Group's foreign currency risks are primarily managed by Linde AG The risks are hedged in accordance with Linde AG's Treasury Risk Guideline Hedging is carried out centrally by Linde AG as well as at individual company level Basic hedging strategies and additional hedging decisions are determined and implemented by a central committee, the Treasury Committee The principal hedging instruments are forward exchange contracts and in addition currency swaps and currency options are used

The Group faces currency risk principally on its net assets, most of which are in currencies other than sterling Currency movements can therefore have a significant effect on the Group's balance sheet when translating these foreign currency assets into sterling Where practicable and cost effective, hedging is done using direct borrowings in the same currency as the assets being hedged or through the use of other hedging methods such as currency swaps Group borrowings are currently held in a wide range of currencies and, after swaps, 81 per cent of net debt (2005 79 percent) is denominated in the principle currencies affecting the Group, Sterling, US dollars, Euros, Australian dollars and Japanese yen Unrealised gains and losses arising from the effective portion of these hedging instruments are accounted for in equity until the company is sold As at 31 December 2006, unrealised gains arising from these hedging instruments amounted to £37 5 million Derivatives with a positive fair value of £29 3 million will be transferred from equity to current earnings in one year

The Group manages its currency flows to minimise currency translation exchange risk and forward contracts are used as appropriate to hedge net currency flows and selected probable expected future individual transactions, based on a rolling 15-month budget These hedges are generally accounted for as cash flow hedges in accordance with IAS 39

Interest rate risk
Since the acquisition by Linde AG, the Group's interest rate risks are primarily managed by Linde AG The hedging strategy and the level of the hedging rate are again determined by the Treasury Committee Their decisions are based partly on sensitivity analyses of the interest rate risk positions of the principle currencies affecting the Group

In order to manage interest rate risk, the Group maintains both floating and fixed rate debt Where appropriate, the Group uses interest rate swaps, combined interest rate/currency swaps and occasionally interest rate options to vary the mix of floating and fixed rate debt and to manage the Group's interest rate exposure These economic hedges are reflected in the balance sheet by applying the rules for hedge accounting Where future flows of interest and capital are hedged, this always gives rise to a cash flow hedge The change in the fair value of these swaps is recognised directly in equity and not recognised through the income statement and disclosed separately As at 31 December 2006, unrealised gains and losses arising from the effective portion of these hedging instruments amounted to £2 2 million Derivatives with a negative fair value of £2 8 million will be transferred from equity to current earnings in one year

Interest rate swaps which hedge the exposure to future changes in the fair value of assets and liabilities as a result of interest rate volatility are accounted for under the rules for fair value hedges

At 31 December 2006, approximately 47 percent of the Group exposure was financed at variable rates

Price change risk
A small number of natural gas futures are used to hedge against price change risks The changes in the fair value of these derivatives are recognised directly in equity as cash flow hedges The fair values of these financial instruments are set out in section b) of this note

Credit risk
Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties Credit risk is managed by limiting the aggregate amount and duration of exposure to any one counterparty depending upon its credit rating and by regular reviews of these ratings

Embedded derivatives
The Group also accounts for embedded derivatives in accordance with the rules set out in *IAS 39 Financial Instruments Recognition and Measurement* Gains and losses on these embedded derivatives are recognised immediately in net income

b) Hedging activities and derivatives

The fair values and nominal amounts of the Group's financial instruments are set out below The nominal amounts represent the total purchase and sale amounts of the derivatives, which are not offset

Fair value of derivative financial instruments

	Assets		Liabilities	
	Current £ million	Non-current Due in 1 to 5 years £ million	Current £ million	Non-current Due in 1 to 5 years £ million
Cash flow hedging derivatives				
Forward foreign exchange contracts	6 5	1 1	(0 3)	(0 1)
Natural gas futures	-	-	(0 7)	(0 2)
Total cash flow hedging derivatives	6 5	1 1	(1 0)	(0 3)
Fair value hedging derivatives				
Interest rate swaps	-	1 6	-	-
Net asset hedging derivatives				
Combined interest rate/currency swaps	0 2	-	(0 5)	-
Derivatives not hedge accounted				
Foreign exchange options	5 8	-	(0 1)	-
Combined interest rate/currency swaps	4 8	-	(1 4)	-
Forward foreign exchange contracts	0 3	-	(0 2)	-
Natural gas futures	-	-	(0 8)	-
Embedded derivatives	-	-	(1 5)	-
Total derivatives not hedge accounted	10 9	-	(4 0)	-
Total derivatives	17 6	2 7	(5 5)	(0 3)

Nominal amounts of financial instruments

	Assets		Liabilities	
	Current £ million	Non-current Due in 1 to 5 years £ million	Current £ million	Non-current Due in 1 to 5 years £ million
Cash flow hedging derivatives				
Forward foreign exchange contracts	96 7	29 8	4 9	10 1
Natural gas futures	-	-	12 3	1 6
Total cash flow hedging derivatives	96 7	29 8	17 2	11 7
Fair value hedging derivatives				
Interest rate swaps	-	225 7	-	-
Net asset hedging derivatives				
Combined interest rate/currency swaps	17 7	-	92 2	-
Derivatives not hedge accounted				
Foreign exchange options	200 0	-	130 0	-
Combined interest rate/currency swaps	104 0	-	15 7	-
Forward foreign exchange contracts	34 6	15 2	23 4	-
Natural gas futures	-	-	2 2	-
Embedded derivatives	-	-	-	-
Total derivatives not hedge accounted	338 6	15 2	171 3	-
Total derivatives	453 0	270 7	280 7	11 7

c) Interest rate risk

	Weighted effective interest rate (fixed) %	Fixed interest £ million	Floating interest £ million	Total interest bearing £ million	Non-interest bearing £ million	Total financial instruments £ million
						2006
Loans to joint ventures and associates	10 8	88 1	2 2	90 3	92 9	183 2
Other investments	-	-	26 0	26 0	9 3	35 3
Trade and other receivables	-	-	311 0	311 0	506 8	817 8
Cash and deposits	-	-	184 1	184 1	-	184 1
Derivative financial assets	-	-	-	-	20 3	20 3
Financial assets		88 1	523 3	611 4	629 3	1,240 7
Borrowings and finance leases	6 9	(636 8)	(565 3)	(1,202 1)	-	(1,202 1)
Trade and other payables	-	-	(28 9)	(28 9)	(482 5)	(511 4)
Derivative financial liabilities	-	-	-	-	(5 8)	(5 8)
Financial liabilities		(636 8)	(594 2)	(1,231 0)	(488 3)	(1,719 3)
Net financial instruments		(548 7)	(70 9)	(619 6)	141 0	(478 6)

1 Includes the effect of hedging instruments

The floating interest rate financial assets and liabilities carry interest based upon different benchmark rates depending on the currency of the balance

The principal benchmark rates for floating rate financial assets are LIBOR for sterling balances, US LIBOR for US dollar balances, EURIBOR for Euro balances, Australian bank bill rate for Australian dollar balances and Japanese yen LIBOR for Japanese yen balances

The analysis based on the earlier of repricing date and maturity is as follows

	Within one year £ million	One to two years £ million	Two to three years £ million	Three to four years £ million	Four to five years £ million	Beyond five years £ million	Total interest bearing £ million
							2006
Loans to joint ventures and associates	2 2	-	-	88 1	-	-	90 3
Other investments	26 0	-	-	-	-	-	26 0
Trade and other receivables	309 5	1 5	-	-	-	-	311 0
Cash and deposits	184 1	-	-	-	-	-	184 1
Financial assets	521 8	1 5	-	88 1	-	-	611 4
Borrowings and finance leases	(429 5)	(79 0)	(210 6)	(2 2)	(1 3)	(479 5)	(1,202 1)
Trade and other payables	(28 9)	-	-	-	-	-	(28 9)
Financial liabilities	(458 4)	(79 0)	(210 6)	(2 2)	(1 3)	(479 5)	(1,231 0)
Net financial instruments	63 4	(77 5)	(210 6)	85 9	(1 3)	(479 5)	(619 6)
Adjustment for effect of interest rate swaps	(229 4)	25 4	204 0	-	-	-	-
Net interest rate profile	(166 0)	(52 1)	(6 6)	85 9	(1 3)	(479 5)	(619 6)

d) Foreign currency risk

The Group's exposure to foreign currency fluctuations recorded in the income statement results from the translation of financial instruments into the functional currency of Group companies except for financial instruments in hedging relationships and inter-company loans deemed to be permanent in accordance with IAS 21 The following table illustrates the exposure to foreign currency fluctuations on the financial instruments of Group companies by showing the sterling value of financial instruments not held in the functional currency of Group companies

	Sterling £ million	US$ £ million	Euro £ million	AU$ £ million	Yen £ million	Other £ million	Total £ million
							2006
Loans to joint ventures and associates	-	133 2	-	-	-	-	133 2
Other investments	2 4	-	-	-	-	-	2 4
Trade and other receivables	-	0 6	0 7	-	1 0	11 7	14 0
Cash and deposits	5 4	7 7	10 9	2 7	-	19 3	46 0
Financial assets	7 8	141 5	11 6	2 7	1 0	31 0	195 6

	Sterling £ million	US$ £ million	Euro £ million	AU$ £ million	Yen £ million	Other £ million	2006 Total £ million
Borrowings and finance leases	-	(70 7)	(179 2)	-	(47 0)	(20 3)	(317 2)
Trade and other payables	(0 6)	(1 5)	(2 1)	-	(0 3)	(7 7)	(12 2)
Financial liabilities	(0 6)	(72 2)	(181 3)	-	(47 3)	(28 0)	(329 4)

e) Credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not expect any counterparties to fail to meet their obligations There are procedures and policies in place limiting the Group's exposure to concentrations of credit or country risk

UK GAAP disclosures for the year ended 30 September 2005

As stated in notes 1 and 34, the Group took the exemption under IFRS 1 not to prepare comparative information in accordance with IAS 32 and IAS 39 These standards apply to the Group from 1 October 2005, and the Group's financial instruments for the year ended 30 September 2005 have been accounted for on the existing UK GAAP basis

i) Fair values of financial instruments

Set out below is a comparison of the carrying amount and the fair value of the Group's financial instruments (excluding short-term debtors and creditors) at 30 September 2005

	Notes	2005 Carrying amount £ million	Fair value £ million
Primary financial instruments			
Loans to joint ventures and associates	1	227 1	209 3
Other fixed asset investments	2	14 6	14 6
Current asset investments	3	16 4	16 4
Cash at bank and in hand	4	191 0	191 0
Borrowings and finance leases (excluding swap agreements)	5	(1,024 4)	(1,098 9)
Other creditors amounts falling due after more than one year	6	(17 0)	(17 0)
Provisions for liabilities and charges	6	(7 7)	(7 7)
Derivative financial instruments			
Foreign currency and interest rate swap agreements	7	(6 3)	(11 2)
Forward foreign exchange and other contracts	8	-	7 1
Net financial instruments		(606 3)	(696 4)
Financial assets		449 1	
Financial liabilities	9	(1,055 4)	
Net financial instruments		(606 3)	

1 For those bearing either no interest or a floating rate of interest it is deemed that the carrying amount approximates to the fair value For those bearing a fixed rate of interest an assessment of the interest rate at which the Group could make the same loan under current market conditions has been made Unless this differs significantly from the fixed rate it is also deemed that the carrying amount approximates to the fair value Where this does differ significantly, the fair value is based on the discounted value of future cash flows
2 For equity instruments listed on a recognised stock exchange the fair value is the quoted market price For other equity instruments it is deemed that the carrying amount approximates to the fair value
3 The fair value is the quoted market price Where no quoted market price exists, it is deemed that the carrying amount approximates to the fair value
4 As all bear either no interest or a floating rate of interest it is deemed that the carrying amount approximates to the fair value
5 For those bearing a floating rate of interest it is deemed that the carrying amount approximates to the fair value For those bearing a fixed rate of interest the fair value is either the quoted market price where a liquid market exists or has been calculated using well established pricing models
6 The carrying amount is deemed to approximate to the fair value
7 The fair value is based on market valuations at the balance sheet date
8 This category of derivative financial instruments includes the fair value of forward foreign exchange contracts of £0 2 million and the fair value of natural gas futures contracts of £6 9 million The fair values are based on market prices and forward exchange rates at the balance sheet date
9 Includes foreign currency and interest rate swap agreements

ii) Financial assets

The interest rate and currency profile of the Group's financial assets (excluding short-term debtors) at 30 September 2005 is shown below

	Floating rate financial assets £ million	Fixed rate financial assets £ million	Financial assets on which no interest is received £ million	2005 Total financial assets £ million
Sterling	39 2	-	2 2	41 4
US dollar	46 3	219 7	14 3	280 3
Australian dollar	15 2	-	-	15 2
South African rand	15 8	-	0 7	16 5
Japanese yen	12 1	-	-	12 1
Canadian dollar	1 3	-	0 3	1 6
Thai baht	4 0	-	-	4 0
Other	77 2	-	0 8	78 0
Total	211 1	219 7	18 3	449 1

	2005	
	Fixed rate financial assets	
	Weighted average interest rate %	Weighted average period for which rate is fixed years
US dollar	6 8	2 5

Financial assets on which no interest is received comprise £13 2 million of non-redeemable equity instruments in other companies and £5 1 million of loans to joint ventures and associates which have no fixed date of repayment

The floating rate financial assets, which principally comprise cash and deposits, current asset investments and loans to joint ventures and associates, carry interest based on different benchmark rates depending on the currency of the balance

The principal benchmark rates for floating rate financial assets are LIBOR for sterling balances, US LIBOR for US dollar balances, Australian bank bill rate for Australian dollar balances, South African prime rate for South African rand balances and Japanese yen LIBOR for Japanese yen balances

iii) Financial liabilities

The interest rate and currency profile of the Group's financial liabilities including swaps (excluding short-term creditors) at 30 September 2005 is shown below

				2005
	Floating rate financial liabilities £ million	Fixed rate financial liabilities £ million	Financial liabilities on which no interest is paid £ million	Total financial liabilities £ million
Sterling	(106 3)	297 9	2 1	193 7
US dollar	62 8	222 8	4 7	290 3
Australian dollar	105 6	0 2	-	105 8
South African rand	-	46 6	-	46 6
Japanese yen	29 9	125 6	0 3	155 8
Canadian dollar	19 2	25 6	-	44 8
Thai baht	-	35 8	0 3	36 1
Other	124 1	48 6	9 6	182 3
Total	235 3	803 1	17 0	1,055 4

	2005	
	Fixed rate financial liabilities	
	Weighted average interest rate %	Weighted average period for which rate is fixed years
Sterling	9 2	11 0
US dollar	6 8	1 3
Australian dollar	3 1	0 9
South African rand	8 3	1 9
Japanese yen	1 0	1 1
Canadian dollar	4 9	3 0
Thai baht	4 3	0 9
Other	5 5	1 5

The floating rate financial liabilities principally comprise debt which carries interest based on different benchmark rates depending on the currency of the balance

The principal benchmark rates for floating rate financial liabilities are LIBOR for sterling balances, US LIBOR for US dollar balances, Australian bank bill rate for Australian dollar balances, South African prime rate for South African rand balances and Japanese yen LIBOR for Japanese yen balances

The maturity profile of borrowings is set out in note 23 Floating rate financial liabilities other than borrowings are mainly employee incentive provisions These are expected to be utilised over the period to 2016 depending on the future choices of the relevant employees Financial liabilities on which no interest is paid principally relate to creditors due after more than one year The majority of the amount relates to deposits for cylinder rentals It is not anticipated that this balance will reduce significantly in the short to medium term The remaining balances falling due after more than one year are expected to be paid or utilised by 2009

iv) Currency swaps

At 30 September 2005, the Group had entered into 12 currency swap agreements with its main relationship banks with notional principal amounts of £341 7 million The maturity dates range between one month and 36 months from the balance sheet date The following table illustrates the impact of the currency swaps on the Group's net debt at 30 September 2005

					2005
	Capital employed £ million	Gross borrowings £ million	Cash at bank and in hand £ million	Currency swaps £ million	Net borrowings and finance leases £ million
Sterling	552 7	(505 5)	38 4	313 9	(153 2)
US dollar	1,034 8	(154 9)	30 4	(123 0)	(247 5)
Australian dollar	317 7	(6 7)	15 2	(99 1)	(90 6)
South African rand	182 1	(46 6)	14 7	-	(31 9)
Japanese yen	168 1	(179 0)	12 1	23 5	(143 4)
Canadian dollar	121 2	(5 8)	1 3	(39 0)	(43 5)
Thai baht	105 4	(35 8)	1 8	-	(34 0)
Other	802 4	(96 4)	77 1	(76 3)	(95 6)
Total	3,284 4	(1,030 7)	191 0	-	(839 7)

The weighted average receivable interest rate on currency swaps was 4 4 per cent and the weighted average payable interest rate was 4 3 per cent The weighted average receivable/payable swap interest rate is calculated by applying the notional swap interest received or paid, using rates applicable at the financial year end, to the notional principal of outstanding swaps at the financial year end

The currency and interest rate exposure of the net borrowings of the Group at 30 September 2005, after taking into account interest rate and currency swaps entered into by the Group, is given in the table below

			2005
	Fixed rate £ million	Floating rate £ million	Total £ million
Sterling	297 9	(144 7)	153 2
US dollar	222 8	24 7	247 5
Australian dollar	0 2	90 4	90 6
South African rand	46 6	(14 7)	31 9
Japanese yen	125 6	17 8	143 4
Canadian dollar	25 6	17 9	43 5
Thai baht	35 8	(1 8)	34 0
Other	48 6	47 0	95 6
Total	803 1	36 6	839 7

v) Interest rate swaps
At 30 September 2005, the Group had entered into five interest rate swap agreements with its main relationship banks with notional principal amounts of £286 4 million The swaps' underlying currencies are sterling, US dollars and Japanese yen The following table shows the maturity profile and weighted average interest rates payable and receivable on interest rate swaps at 30 September 2005

Maturity profile	2005 £ million
Beyond five years	-
Four to five years	-
Three to four years	200 0
Two to three years	86 4
One to two years	-
Within one year	-
	286 4
	%
Weighted average payable swap rate	4 8

The weighted average receivable/payable swap interest rate is calculated by applying the notional swap interest received or paid, using rates applicable at the financial year end, to the notional principal of outstanding swaps at the financial year end

vi) Hedges
The Group's policies are to use forward foreign exchange contracts to hedge transactional currency exposures (principally arising through anticipated sales and purchase transactions) and swap agreements to manage interest rate risks and hedge structural currency exposures

Currency swaps are only held to change the currency of the Group's borrowings to match better its net investments in its overseas subsidiaries In accordance with the Group's accounting policies, the assets and liabilities arising from these swap agreements are translated into sterling at the spot rate ruling at the balance sheet date The resulting exchange gains or losses are recognised in the statement of recognised income and expense (to match the exchange gains or losses on the net investments in the overseas subsidiaries)

The carrying amount of the swap agreements is the result of the exchange gains and losses recognised in the statement of recognised income and expense, and is analysed in the deferred gains and losses table shown below

	Swap agreements		
	Gains £ million	Losses £ million	Net £ million
Deferred gains and losses			
Deferred gains and losses on hedges at 1 October 2004	34 9	(7 0)	27 9
Gains and losses on hedges maturing in 2005	(31 7)	6 9	(24 8)
Deferred gains and losses on hedges recognised in the statement of recognised income and expense in 2005	(0 8)	(8 6)	(9 4)
Deferred gains and losses on hedges at 30 September 2005	2 4	(8 7)	(6 3)

The unrecognised difference between the carrying amount and the fair value of the forward foreign exchange and other contracts and the swap agreements is analysed in the unrecognised gains and losses table below

	Forward foreign exchange and other contracts		Swap agreements		
	Gains £ million	Losses £ million	Gains £ million	Losses £ million	Net total £ million
Unrecognised gains and losses					
Unrecognised gains and losses on hedges at 1 October 2004	8 4	(0 9)	1 2	(10 7)	(2 0)
Gains and losses arising in previous years that were recognised in 2005	(7 9)	0 7	(0 6)	0 5	(7 3)
Gains and losses arising before 2004 that were not recognised in 2005	0 5	(0 2)	0 6	(10 2)	(9 3)
Gains and losses arising in 2005 that were not recognised in 2005	9 2	(2 4)	1 6	3 1	11 5
Unrecognised gains and losses on hedges at 30 September 2005	9 7	(2 6)	2 2	(7 1)	2 2
Of which					
Gains and losses expected to be recognised in 2006	8 1	(2 1)	0 1	(2 3)	3 8
Gains and losses expected to be recognised in 2007 or later	1 6	(0 5)	2 1	(4 8)	(1 6)

It is the Group's policy to hedge against the potential impact on its income statement of the currency gains and losses arising from monetary assets and liabilities not denominated in the operating or functional currency of the operating unit involved After taking account of the hedging transactions, there was no significant income statement exposure to currency gains and losses arising from monetary assets and liabilities at 30 September 2005

25 Share capital

	Number of shares			
i) Analysis at 31 December / 30 September	**2006 million**	2005 million	**2006 £ million**	2005 £ million
Equity capital				
Issued capital – Ordinary shares of 25p each, called up and fully paid	**529 3**	502 5	**132 3**	125 6
Unissued capital – Ordinary shares of 25p each	**60 7**	87 5	**15 2**	21 9
Authorised			**147 5**	147 5

ii) Share issues	**2006 Number million**	2005 Number million
Issues of Ordinary shares of 25p each during the period were		
Under the savings related share option scheme	**2.1**	0 7
Under the senior executives share option scheme	**20 3**	3 0
Issued to Linde AG	**4 4**	-

Rights attached to the company's shares

Dividend rights

Holders of the company's ordinary shares may by ordinary resolution declare dividends but may not declare dividends in excess of the amount recommended by the directors The Board of directors may also pay interim dividends No dividend may be paid other than out of profits available for distribution

Voting rights

At the balance sheet date voting at a general meeting was to be carried out by a show of hands unless a poll was demanded when or before the chairman declared the result of the show of hands A poll could be demanded by

a) the chairman of the meeting,
b) 3 or more people present who are shareholders or their proxies and who are entitled to vote,
c) one or more shareholders or their proxies who have shares which allow them to vote at the meeting and which give them together at least 10% of the total votes of all shareholders who may vote at the meeting,
d) one or more shareholders or their proxies who have shares which allow them to vote at the meeting and where the total amount paid on those shares is at least 10% of the total sum paid on all shares given the right to vote at the meeting

The chairman could also demand a poll before a resolution was put to vote on a show of hands

Only shareholders present at a general meeting could vote on a show of hands and would have one vote regardless of number of shares held Proxies could not vote on a show of hands On a poll, each shareholder who is entitled to vote and is present in person or by proxy has one vote for every share held

On 26 June 2007, the company adopted new Articles of Association which allow proxies to vote on a show of hands as well as the shareholders present at the meeting Proxies and shareholders have one vote regardless of the number of shares held

The new articles amend the poll requirements to allow at least 2 members having the right to vote at the meeting the right to demand a poll instead of the 3 or more required under the previous articles

At the balance sheet date the company's Articles of Association required at least 5 people present who were shareholders or their proxies and entitled to vote to form a quorum for the purposes of a general meeting

The new articles adopted on 26 June 2007 allow representatives of two shareholders entitled to vote to be present to constitute a quorum, apart from when the company has one shareholder

Pre-emptive rights and new issues of shares
Under Section 80 of the Companies Act, directors are, with certain exceptions, unable to allot relevant securities without the authority of the shareholders in a general meeting Relevant securities as defined in the Companies Act include the company's ordinary shares or securities convertible into the company's ordinary shares In addition, Section 89 of the Companies Act imposes further restrictions on the issue of equity securities (as defined in the Companies Act, which include the company's ordinary shares and securities convertible into ordinary shares) which are, or are to be, paid up wholly in cash and not first offered to existing the company's Articles of Association allow shareholders to authorise directors for a period up to five years to allot (a) relevant securities generally up to an amount fixed by the shareholders and (b) equity securities for cash other than in connection with a rights issue up to an amount specified by the shareholders and free of the restriction in Section 89

26 Reconciliation of changes in total equity

a) For the period ended 31 December 2006

	Share capital £ million	Share premium account £ million	Retained earnings £ million	Translation reserve £ million	Hedging reserve £ million	Own shares £ million	Equity shareholders £ million	Minority interests £ million	Total equity £ million
Total recognised income and expense for the period	-	-	337 0	(178 6)	34 0	-	192 4	30 8	223 2
Dividends to equity shareholders	-	-	(185 3)	-	-	-	(185 3)	-	(185 3)
Dividends to minority shareholders	-	-	-	-	-	-	-	(13 5)	(13 5)
	-	-	151 7	(178 6)	34 0	-	7 1	17 3	24 4
Shares issued by parent	6 7	268 9	-	-	-	-	275 6	-	275 6
Consideration paid for the purchase of own shares held in an ESOP trust	-	-	-	-	-	(14 7)	(14 7)	-	(14 7)
Consideration received for the sale of own shares held in an ESOP trust	-	-	-	-	-	28 2	28 2	-	28 2
Satisfaction of employee share options exercised	-	-	(37 0)	-	-	37 0	-	-	-
Acquisition of minority interests	-	-	-	-	-	-	-	(0 2)	(0 2)
Capital contributions by minority shareholders in subsidiaries	-	-	-	-	-	-	-	4 4	4 4
Net increase in total equity for the year	**6 7**	**268 9**	**114 7**	**(178 6)**	**34 0**	**50 5**	**296 2**	**21 5**	**317 7**
Total equity – at 1 October as previously reported	125 6	406 6	1,371 6	76 8	-	(50 5)	1,930 1	110 3	2,040 4
Adoption of IAS 32 and IAS 39	-	-	(3 0)	-	3 2	-	0 2	-	0 2
Total equity at 1 October including IAS 32 and IAS 39	125 6	406 6	1,368 6	76 8	3 2	(50 5)	1,930 3	110 3	2,040 6
Total equity at 31 December 2006	**132 3**	**675 5**	**1,483 3**	**(101 8)**	**37 2**	**-**	**2,226 5**	**131 8**	**2,358 3**

b) For the year ended 30 September 2005

	Share capital £ million	Share premium account £ million	Retained earnings £ million	Translation reserve £ million	Hedging reserve £ million	Own shares £ million	Equity shareholders £ million	Minority interests £ million	Total equity £ million
Total recognised income and expense for the year	-	-	380 7	76 8	-	-	457 5	74 7	532 2
Dividends to equity shareholders	-	-	(204 1)	-	-	-	(204 1)	-	(204 1)
Dividends to minority shareholders	-	-	-	-	-	-	-	(67 4)	(67 4)
	-	-	176 6	76 8	-	-	253 4	7 3	260 7
Shares issued by parent	0 9	31 7	-	-	-	-	32 6	-	32 6
Consideration paid for the purchase of own shares held in an ESOP trust	-	-	-	-	-	(8 2)	(8 2)	-	(8 2)
Consideration received for the sale of own shares held in an ESOP trust	-	-	-	-	-	4 0	4 0	-	4 0
Acquisition / disposal of partly-owned subsidiaries	-	-	-	-	-	-	-	(76 7)	(76 7)
(Repayments to) minority shareholders in subsidiaries	-	-	-	-	-	-	-	(18 8)	(18 8)
Net increase in total equity for the year	0 9	31 7	176 6	76 8	-	(4 2)	281 8	(88 2)	193 6
Total equity – at 1 October	124 7	374 9	1,195 0	-	-	(46 3)	1,648 3	198 5	1,846 8
Total equity at 30 September 2005	125 6	406 6	1,371 6	76 8	-	(50 5)	1,930 1	110 3	2,040 4

Translation reserve
The Translation reserve is used to record foreign exchange rate changes relating to the translation of the results of foreign subsidiaries and exchange rate changes relating to the translation of foreign currency net investments arising after 1 October 2004 (see also note 34)

Hedging reserve
For cash flow hedges that meet the conditions for hedge accounting, the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in shareholders' equity When the hedged firm commitment results in the recognition of a non-financial asset or liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in shareholders' equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability The Hedging reserve is also used to record foreign exchange differences arising on long-term foreign currency borrowings and foreign currency swaps used to finance or hedge foreign currency investments

Own shares
At 31 December 2006, nil shares in the company were held pending the exercise of share options (2005 5 3 million shares) The market value of own shares held was £nil (2005 £61 4 million)

27 Financial commitments

a) Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2006		2005	
	Property leases £ million	**Other operating leases £ million**	Property leases £ million	Other operating leases £ million
Within one year	**19 6**	**31 9**	11 6	28 4
Between one and five years	**25 8**	**42.7**	23 2	40 7
Over five years	**13 2**	**23 0**	29 4	25 7
	58 6	**97 6**	64 2	94 8

b) Other commitments

The Group is committed to make future purchases under take-or-pay contracts The main commitments at 31 December 2006 relate to the purchase of raw materials, principally helium, where the price of the product is linked to the prevailing market prices of that product Obligations under such contracts in effect at 31 December 2006 are as follows

Year ending 31 December	£ million
2007	75 1
2008	73 2
2009	67 0
2010	58 8
2011	45 8
Thereafter	381 9
	701 8

For the period ended 31 December 2006 total purchases made relating to these contracts amounted to £79 0 million (year to September 2005 £54 3 million)

28 Contingent liabilities and legal proceedings

a) Contingent liabilities

	2006 £ million	2005 £ million
Guarantees of joint ventures' borrowings	-	10 6
Other guarantees[1]	**47 2**	38 7
	47 2	49 3

1 Other guarantees are mainly performance guarantees issued in the ordinary course of business

b) Legal proceedings

BOC Group companies are parties to various legal proceedings in the ordinary course of business, including some in which claims for damages in large amounts have been asserted

The outcome of litigation to which BOC Group companies are party cannot be readily foreseen, but the directors believe that such litigation should be disposed of without material adverse effect on the Group's financial condition or profitability

Further information regarding a claim by Celanese Corporation for business torts arising out of the development of Celanese's new acetic acid manufacturing plant in Nanjing, China and lawsuits in respect of alleged injuries resulting from exposure to manganese, asbestos, and/or toxic fumes in connection with the welding process is provided in the Report of the directors on page 4 The directors believe that the possibility of an outflow of resources embodying economic benefits is remote

29 Related party transactions

a) Parent and ultimate controlling party

During the period ended 31 December 2006 the company's shares were acquired by Linde AG from the former shareholders of The BOC Group plc As a result the new ultimate controlling party of the Group is Linde AG which is registered in Germany

b) Transactions with key management personnel

The Group considers the key management personnel to be the directors of the Group Details of transactions between the Group and its key management personnel are provided in the Directors' Report on pages 5 - 6 of this report and accounts

c) Other related party transactions

Transactions entered into with related parties are as follows

	Transaction value Period ended		Balance outstanding	
	31 December 2006	30 September 2005	**31 December 2006**	30 September 2005
Sales to related parties				
Parent and fellow Linde Group subsidiaries	**29 6**	-	**2 2**	-
Joint ventures and associates	**27 7**	22 9	**5 9**	0 6
Expenses – trade purchases				
Parent and fellow Linde Group subsidiaries	**6 1**	-	**0 8**	-
Joint ventures and associates	**32 0**	51 5	**0 6**	2 0
Interest received/Loans				
Parent and fellow Linde Group subsidiaries	**-**	-	**294 3**	-
Joint ventures and associates	**20 4**	13 8	**183 2**	227 1
Other transactions				
Parent and fellow Linde Group subsidiaries	**-**	-	**6 3**	-
Joint ventures and associates	**24 0**	18 3	**8 3**	8 4

All trade balances and transactions made between related parties are priced on an arms length basis and are due to be settled within normal trading deadlines These balances are not secured

Other transactions with parent and fellow Linde Group subsidiaries consist of an amount outstanding in respect of the construction of a capital project by a Linde subsidiary for a BOC Group company The construction occurred prior to the acquisition of The BOC Group by Linde

Other transactions with joint ventures and associates consist predominately of fees charged to related parties for management and technical support provided by other Group entities The settlement of the outstanding balances are payable under the terms of the individual contracts and are not secured

Loans to and interest received from parent and fellow Linde Group subsidiaries consist of loans to Linde from BOC Group companies Loans to and interest received from joint ventures and associates' relate mainly to a loan to Compania de Nitrogeno de Cantarell in Mexico The balances outstanding represent the balance of loan principal and interest payable

Information relating to loans from, and interest paid to, Linde AG can be found in Notes 23 and 4 respectively

The Group had no other material related party transactions that might reasonably be expected to influence decisions made by the users of these financial statements

30 Acquisitions and disposals

a) Cash flow

	2006		2005	
	Acquisitions £ million	**Disposals £ million**	Acquisitions £ million	Disposals £ million
Cash flow arising on the acquisition and disposal of businesses				
Goodwill	**-**	**-**	-	25 5
Intangible fixed assets	**(0 7)**	**-**	(8 1)	-
Property, plant and equipment	**(9 7)**	**7.9**	(16 9)	190 5
Joint ventures, associates and other investments	**(23 7)**	**38.3**	(30 3)	14 7
Inventories	**(7 8)**	**4.5**	(1 5)	12 9
Trade and other receivables	**(8 7)**	**3 3**	(11 4)	84 2
Cash and cash equivalents	**(0 4)**	**0 6**	(2 3)	23 3
Trade and other payables including taxation	**4 2**	**(1 8)**	11 4	(75 7)
Borrowings	**8 3**	**0 3**	6 2	(63 7)
Minorities	**(0 2)**	**-**	(0 7)	(76 0)
Net assets (acquired) / disposed of	**(38 7)**	**53 1**	(53 6)	135 7
Goodwill on acquisitions of subsidiaries	**(19 2)**	**-**	(10 0)	-
Surplus over book value on disposals	**-**	**48 6**	-	99 4
(Acquisition) / disposal price	**(57 9)**	**101 7**	(63 6)	235 1
Consideration				
Cash and cash equivalents	**(57 9)**	**101 7**	(63 6)	235 1
Cash balance of business acquired / (disposed of)	**0 4**	**(0 6)**	2 3	(23 3)
Deferred payments and receipts[1]	**(3 9)**	**11 0**	6 5	(11 0)
Net cash (outflow) / inflow	**(61 4)**	**112 1**	(54 8)	200 8

1 Deferred payments and receipts include amounts for current years and payments and/or receipts in respect of prior years

There were no individually significant acquisitions during 2006 and 2005

2006 Disposals
In September 2006 African Oxygen Limited (Afrox) disposed of its remaining 20 percent interest in its hospitals business in southern Africa In September 2006 the Group also disposed of its Global Helium business

In November 2005 the Group received the remaining proceeds from the disposal of the US packaged gas business, which was disposed of in July 2004

2005 Disposals
In March 2005 Afrox completed the sale of its majority shareholding in Afrox Healthcare Limited to a consortium led by two major black empowerment groups Profit on disposal of this business amounted to £89 1 million Afrox retained a significant interest in the hospitals business through its 20 percent holding in the new company until the disposal outlined above occurred

b) Fair value of acquisitions

Provisionally there were no significant fair value adjustments for acquisitions in 2006 There were no fair value adjustments in 2005

31 Post balance sheet events

The following material transactions occurred after the balance sheet date

a) In January 2007, the disposal of the company's Polish gases business (BOC Gazy Sp z o o) was announced The disposal, which was subject to regulatory approval, was completed in April 2007 at a price of €370 million In the period ended 31 December 2006, this business achieved sales of £76 million and earnings before interest, tax, depreciation and amortisation (EBITDA) of £21 million

b) In January 2007, the company sold its 41 per cent holding in the Chilean gases company, Indura S A Industria y Comercio SA In the period ended 31 December 2006, the company's share of the post tax profits of the Indura business was £9 million

c) In February 2007, the company completed the sale of its 45 per cent holding in Japan Air Gases Ltd to its other joint venture partner, Air Liquide In the period ended 31 December 2006, the company's share of the results of Japan Air Gases Ltd was £23 million

d) The Linde Group and Air Liquide signed agreements in February 2007 for the reorganisation of their joint ventures in Asia The reorganisation, which was subject to regulatory approval, was completed in April 2007 As a result, Linde acquired Air Liquide's holdings in the gases companies Malaysian Oxygen Bhd and Hong Kong Oxygen & Acetylene Co Ltd In return, Linde sold the company's holdings in Singapore Oxygen Air Liquide Pte Ltd, Eastern Industrial Gases Ltd (Thailand), Vietnam Industrial Gases Ltd and Brunei Oxygen Sdn Bhd to Air Liquide For the period to 31 December 2006, the Group's share of sales disposed of by the company in this transaction was approximately £45 million

e) In May 2007 the company completed the sale of BOC Edwards equipment business for a price equivalent to approximately £460 million The impact of this disposal is presented in note 33

Each disposal was concluded at a price in excess of the carrying value of the net assets of the relevant business

32 Group undertakings

A list of the Group's major operating undertakings, certain financing undertakings and undertakings in which the Group has a material interest is detailed below All holdings shown are Ordinary shares Undertakings are held either by The BOC Group plc directly (where indicated by *) or through other operating undertakings or through undertakings formed for the convenient holding of shares in certain subsidiaries, joint ventures or associates The Group holding percentages shown below represent the ultimate interest of The BOC Group plc All companies are incorporated and registered in the country in which they operate as listed below

Country	Group undertaking	Principal activity	Group holding %
Aruba	BOC Gases Aruba NV	ISP	100
Australia	BOC Ltd [3]	PGS, ISP, Corporate	100
	Elgas Ltd	ISP	50
Bangladesh	BOC Bangladesh Ltd	ISP	60 *
Belgium	SA BOC Edwards NV	BOCE	100
Bermuda	Priestley Company Ltd	Corporate	100
	The Hydrogen Company of Paraguana Ltd	PGS	100
Brazil	BOC Edwards Brasil Ltda	BOCE, Corporate	100
	BOC Gases do Brasil Ltda	PGS	100
Brunei	Brunei Oxygen Sdn Bhd [2(a)]	ISP	25
Canada	BOC Canada Ltd [3]	ISP	100
Chile	Compania de Hidrogeno de Talcahuano Ltda	PGS	100
	Indura S A Industria y Comercio	PGS, ISP	41
Colombia	Gases Industriales de Colombia SA	PGS, ISP	74
Czech Republic	BOC Edwards s r o [5]	BOCE	100
	BOC Edwards Services s r o	BOCE	100
	Gist Czech Republic s r o	Gist	100
England	BOC Edwards Chemical Management Europe Ltd	BOCE	100 *
	BOC Holdings [1,3]	Corporate	100 *
	BOC Ltd	PGS, ISP, BOCE, Corporate	100
	BOC Netherlands Holdings Ltd	Corporate	100 *
	BOC Overseas Finance Ltd	Corporate	100 *
	Edwards High Vacuum International Ltd	BOCE	100
	Fluorogas Ltd	BOCE	100 *
	Gist Ltd	Gist	100
	Leengate Welding Group Ltd	ISP	100
	Welding Products Holdings Ltd	ISP, Corporate	100 *
Fiji	BOC Fiji Ltd [5]	ISP	90
France	Cryostar SAS	PGS	100
	Edwards SAS	BOCE	100
	Hibon International SA [5]	BOCE	100
	Hibon SAS [5]	BOCE	100
	Societé de Mécanique Magnétique	BOCE	87
Germany	BOC Edwards GmbH	BOCE	100
	BOC Gase Deutschland GmbH [5]	PGS	100
Guernsey	BOC No 1 Ltd	Corporate	100
	BOC No 2 Ltd	Corporate	100
Hong Kong	Hong Kong Oxygen & Acetylene Co Ltd	PGS, ISP	50
	The BOC Group Ltd	Corporate	100
India	BOC Global Support Services PVT Ltd [5]	Corporate	100
	BOC India Ltd [5]	PGS, ISP	55 *
	Bellary Oxygen Company PVT Ltd [5]	PGS	27

Country	Group undertaking	Principal activity	Group holding %
Indonesia	PT BOC Gases Indonesia [5]	PGS, ISP	100
	PT Gresik Gases Indonesia [5]	PGS	90
	PT Gresik Power Indonesia [5]	PGS	90
Ireland	BOC Gases Ireland Ltd	PGS, ISP	100
	Priestley Dublin Reinsurance Company Ltd [5]	Corporate	100
Italy	BOC Edwards SpA	BOCE	100
Japan	BOC Japan Ltd	Corporate	99
	BOC Edwards Japan Ltd	BOCE	100
	Japan Air Gases Ltd [7]	PGS, ISP, BOCE	44
Kenya	BOC Kenya Ltd [5]	ISP	65
Korea	BOC Gases Korea Co Ltd	PGS	100
	Songwon Edwards Ltd	BOCE	97
Malawi	BOC Malawi Ltd [2(c) 5]	ISP	42
Malaysia	BOC Technologies Sdn Bhd [5]	BOCE	100
	Malaysian Oxygen Bhd [2(a) 4 5]	PGS, ISP, BOCE	23
	MOX Gases Sdn Bhd [5]	ISP	23
Mauritius	Les Gaz Industriels Ltée [2(b) 5]	ISP	21
Mexico	BOC Gases de Mexico, SA de CV	PGS	100
	Compania de Nitrogeno de Cantarell, SA de CV [8]	PGS	65
Mozambique	Petrogas Ltda	ISP	27
Namibia	IGL Properties (Pty) Ltd [5]	ISP	56
Netherlands	BOC Edwards Pharmaceutical Systems BV	BOCE	100
	Gist BV	Gist	100
	G Van Dongen Holding BV	Gist	100
	S2M BV	BOCE	87
	The BOC Group BV	Corporate	100
Netherlands Antilles	BOC Gases Curaçao NV	ISP	100
New Zealand	BOC Ltd	PGS, ISP	100
	South Pacific Welding Group (NZ) Ltd	ISP	100
Nigeria	BOC Gases Nigeria plc	ISP	60
Pakistan	BOC Pakistan Ltd	PGS, ISP	60 *
Papua New Guinea	BOC Papua New Guinea Pty Ltd [5]	PGS, ISP	74
Peoples' Republic of China	BOC Edwards Vacuum Engineering (Shanghai) Co Ltd	BOCE	100
	BOC (China) Holdings Co Ltd [3]	PGS	100
	BOC Gases (North) Co Ltd	PGS	100
	BOC Gases (Shanghai) Corporation Ltd	PGS	100
	BOC Gases (Suzhou) Co Ltd	PGS	100
	BOC Gases (Tianjin) Co Ltd	PGS	100 *
	BOC Gases (Wuhan) Co Ltd	PGS	100
	BOC-SPC Gases Co Ltd	PGS	50
	BOC TISCO Gases Co Ltd	PGS	50 *
	BOC Trading (Shanghai) Co Ltd	BOCE	100
	Edwards Tianli (Beijing) Pharmaceutical Systems Co Ltd	BOCE	50
	Maanshan BOC-Ma Steel Gases Co Ltd	PGS	50
	Nanjing BOC-YPC Gases Co Ltd	PGS	50
	Shanghai BOC Huayang Carbon Dioxide Co Ltd	ISP	70
	Shanghai BOC Industrial Gases Co Ltd	PGS	100 *
	Zibo BOC-Qilu Gases Co Ltd	PGS	50

Country	Group undertaking	Principal activity	Group holding %
Philippines	Consolidated Industrial Gases Inc [5]	PGS, ISP, BOCE	100
	Southern Industrial Gases Philippines Inc [5]	ISP	100
Poland	BOC Gazy Sp z o o [5 9]	PGS, ISP	98
Samoa	BOC Samoa Ltd [5]	ISP	96
Singapore	BOC Gases Pte Ltd	Corporate	100 *
	Singapore Oxygen Air Liquide Pte Ltd [5]	PGS, ISP, BOCE	50
Solomon Islands	BOC Gases Solomon Islands Ltd [5]	ISP	100
South Africa	African Oxygen Ltd [3, 5]	PGS, ISP	56
	Afrox Ltd [5]	PGS, ISP	56
	BOC Edwards South Africa (Pty) Ltd [5]	BOCE	100
Spain	Logistica Dotra S L	Gist	100
	Logistica van Trans S L	Gist	100
	Trans Fresca S L	Gist	100
Switzerland	BOC AG	PGS	100
Taiwan	Asia Union Electronic Chemical Corporation	BOCE	50
	BOC Edwards HTC Ltd	BOCE	50
	BOC Lienhwa Industrial Gases Co Ltd	PGS, ISP, BOCE	50
Thailand	MIG Production Company Ltd	PGS	54
	Thai Industrial Gases Public Co Ltd	PGS, ISP, Corporate	99
	TIG HyCO Ltd	PGS	99
United Arab Emirates	BOC Helium M E FZCO [5]	ISP	100
US	BOC Americas (PGS), Inc	PGS	100
	BOC Energy Services, Inc	PGS	100
	BOC Global Helium, Inc	ISP	100
	BOC Hydrogen, Inc	PGS	100
	BOC, Inc	Corporate	100
	Environmental Management Corporation	PGS	100
	Linde BOC Process Plants LLC [2 (a)]	PGS	30
	The BOC Group, Inc [3]	PGS, ISP, BOCE, Corporate	100
US Virgin Islands	BOC Gases Virgin Islands Inc	PGS	100
Venezuela	BOC Gases de Venezuela, C A [5]	PGS, ISP	100
Vietnam	Vietnam Industrial Gases Ltd	PGS	50
Zambia	BOC Gases Zambia plc [2 (c) 5]	ISP	39
Zimbabwe	BOC Zimbabwe (Pvt) Ltd	ISP	100

1 Unlimited company having share capital with registered office at the same address as The BOC Group plc
2 Businesses where the Group percentage ownership is 50 per cent or less are accounted for as joint ventures, except as follows
(a) accounted for as associates
(b) accounted for as investment, or
(c) accounted for as subsidiary (controlled through partly owned intermediate undertaking)
See also accounting policies on pages 16 to 22
3 Group undertakings which made acquisitions or investments during the year
4 Group holding for dividend purposes is 28 per cent
5 Group undertakings with financial year ends other than 31 December
6 * Indicates where investment is held directly by The BOC Group plc
7 BOC Japan Ltd holds 45 per cent of Japan Air Gases Ltd
8 Accounted for as a joint venture, as it is a company jointly controlled by BOC and another party
9 Not consolidated as anti-trust conditions restrict control

33 Discontinued operations, non-current assets held for sale and disposal groups and related liabilities

The acquisition of The BOC Group plc by Linde AG was approved by the EU and US competition authorities subject to certain conditions As a result of conditions imposed by the EU competition authority, BOC Gazy Sp Z o o (Poland) was disclosed as non-current assets held for sale, and a contract of sale was signed in January 2007 The joint ventures Japan Air Gases Ltd and Indura SA (Chile) were also reclassified as non-current assets held for sale and contracts of sale for these businesses were agreed in December 2006 and January 2007 respectively

The equipment business of BOC Edwards
Following the acquisition of The BOC Group plc by Linde AG, the equipment business of BOC Edwards was classified as a discontinued operation This business was disposed of in May 2007 with the exception of the pharmaceutical business, for which the sale process is on-going All of the assets and liabilities attributable to the BOC Edwards equipment business were reclassified in the balance sheet at 31 December 2006 and disclosed under non-current assets held for sale and disposal groups and liabilities directly related to non-current assets held for sale

Afrox hospitals
In September 2006 the Group disposed of the remaining 20 per cent interest in the Afrox hospitals business held by its South African subsidiary, African Oxygen Limited The Afrox hospitals business, which has previously been reported as a separate business segment, has been treated as a discontinued business in the 2006 financial statements

a) Non-current assets held for sale and liabilities directly related to non-current assets held for sale

The major classes of assets and liabilities disclosed as held for sale at 31 December 2006 are as follows

	BOC Edwards equipment £ million	Japan Air Gases £ million	BOC Poland [1] £ million	Indura £ million	Total £ million
Goodwill	51 1	-	-	-	51 1
Intangible assets	26 0	-	-	-	26 0
Other non-current assets	102 3	94 0	96 4	27 7	320 4
Inventories	90 0	-	-	-	90 0
Other current assets	154 5	-	-	-	154 5
Total non-current assets held for sale and disposal groups	423 9	94 0	96 4	27 7	642 0
Non-current provisions	(10 3)	-	-	-	(10 3)
Non-current liabilities	(0 4)	-	-	-	(0 4)
Deferred tax liability	(11 8)	-	-	-	(11 8)
Current liabilities	(156 5)	-	-	-	(156 5)
Total liabilities directly related to non-current assets held for sale	(179 0)	-	-	-	(179 0)

1 From the date of the take-over by Linde AG, the net assets of BOC Poland were held in trust As a result, they are disclosed in aggregate in the above table

IFRS requires that the total assets and total liabilities of discontinued operations are each shown separately and excluded from the individual line items of the balance sheet However, no re-presentation of the prior period is required and the assets and liabilities are included in the individual line items Hence, only the amounts in respect of 2006 have been shown above

b) Income statement (discontinued operations)

	2006			2005		
	BOC Edwards equipment	**Afrox hospitals**	**Total**	BOC Edwards equipment	Afrox hospitals	Total
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Revenue	**763 4**	-	**763 4**	552 3	217 3	769 6
Cost of sales[1]	**(498 2)**	-	**(498 2)**	(379 9)	(134 5)	(514 4)
Distribution costs	**(17 6)**	-	**(17 6)**	(12 6)	(4 7)	(17 3)
Administrative expenses	**(231 7)**	**21 6**	**(210 1)**	(161 6)	38 1	(123 5)
Operating profit	**15 9**	**21 6**	**37 5**	(1 8)	116 2	114 4
Finance income	-	-	-	-	0 5	0 5
Share of results of joint ventures and associates	**0 5**	**8 2**	**8 7**	0 4	3 9	4 3
Profit before taxation	**16 4**	**29 8**	**46 2**	(1 4)	120 6	119 2
Taxation	**(8 9)**	**(5 2)**	**(14 1)**	2 5	(36 0)	(33 5)
Profit for the period	**7 5**	**24 6**	**32 1**	1 1	84 6	85 7
Attributable to equity shareholders	**7 5**	**13 8**	**21 3**	1 1	47 4	48 5
Attributable to minority interests	-	**10 8**	**10 8**	-	37 2	37 2
	7 5	**24 6**	**32 1**	1 1	84 6	85 7

[1] Includes research and development costs in 2006 of £35 0 million (2005 £27 9 million)

Included within administrative expenses above are the following discontinued special items

	2006			2005		
	BOC Edwards equipment	**Afrox hospitals**	**Total**	BOC Edwards equipment	Afrox hospitals	Total
	£ million	**£ million**	**£ million**	£ million	£ million	£ million
Restructuring	**(9 5)**	-	**(9 5)**	(6 8)	-	(6 8)
(Loss) / profit on disposal of business	**(2 4)**	**21 6**	**19 2**	-	89 1	89 1
Impairment of assets	-	-	-	(16 0)	-	(16 0)
Bid related costs	**(18 0)**	-	**(18 0)**	-	-	-
Total special items included in administrative expenses	**(29 9)**	**21 6**	**(8 3)**	(22 8)	89 1	66 3
Taxation on special items included in taxation	**4 1**	**(5 2)**	**(1 1)**	7 7	(26 9)	(19 2)

The profit on disposal of business related to the remaining 20 percent share in the Afrox hospitals business held by the BOC South African subsidiary, African Oxygen Limited

The sale of the majority shareholding in Afrox hospitals in South Africa was completed in March 2005 African Oxygen Limited, BOC's subsidiary in South Africa, retained a significant interest in the hospitals business through a 20 percent holding in the new company until the disposal outlined above occurred

c) Employee numbers and costs (discontinued operations)

Employee numbers - subsidiaries

	2006 At 31 December	2006 Average for the period	2005 At 30 September	2005 Average for the period
i) Employees by business				
BOC Edwards equipment	**4,388**	**4,380**	4,349	4,360
Afrox hospitals	**-**	**-**	-	6,628
	4,388	**4,380**	4,349	10,988
ii) Employees by region				
Europe	**2,276**	**2,314**	2,341	2,349
Americas	**1,085**	**1,117**	1,143	1,166
Africa	**-**	**-**	-	6,628
Asia	**1,027**	**949**	865	845
	4,388	**4,380**	4,349	10,988

Employment costs - subsidiaries

	2006 £ million	2005 £ million
Wages and salaries	**189 9**	189 4
Social security	**20 7**	17 0
Other pension costs	**27 1**	22 8
	237 7	229 2

d) Cash flow (discontinued operations)

	2006 £ million	2005 £ million
Cash flow from operating activities	**66 8**	36 7
Cash flow from investing activities	**44 4**	127 9

e) Operating lease commitments (discontinued operations)

At the balance sheet date, discontinued operations had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2006 Property leases £ million	2006 Other Leases £ million	2005 Property leases £ million	2005 Other Leases £ million
Within one year	**1 8**	**0 8**	2 0	0 8
Between one and five years	**3 9**	**0 4**	3 1	0 6
Over five years	**2 4**	**-**	2 4	-
	8 1	**1 2**	7 5	1 4

34 Explanation of transition to IFRS

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with IFRSs as adopted by the European Union

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 31 December 2006, the comparative information presented in these financial statements for the year ended 30 September 2005 and in the preparation of an opening IFRS balance sheet at 1 October 2004 (the Group's date of transition to IFRS)

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP) An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the tables below and the notes that accompany the tables

IFRS 1 exemptions
IFRS 1 contains the rules for first time adoption of IFRS and it permits, and in some cases requires, those companies adopting IFRS for the first time to take some exemptions from the full requirements of IFRS on transition The Group's position on the key IFRS exemptions is set out below

Financial instruments
The Group has elected not to prepare comparative information in accordance with IAS 32 and IAS 39 These standards apply to the Group from 1 October 2005, and the Group's financial instruments for the year ended 30 September 2005 have been accounted for on the then applicable UK GAAP basis

Business combinations
The Group has elected not to restate business combinations prior to the transition date

Revaluation as deemed cost
Any previous revaluation element of the carrying value of an item of property, plant and equipment is deemed to be part of the cost of the relevant asset

Employee benefits
All cumulative actuarial gains and losses relating to pensions and other post retirement benefits have been recognised in full in equity at the transition date

Cumulative translation differences
Cumulative translation differences on foreign operations are deemed to be zero at the transition date Any gains or losses on subsequent disposals of foreign operations exclude foreign currency translation differences arising before 1 October 2004

Share-based payments
IFRS 2 has an exemption for equity instruments such as share options granted before 7 November 2002, but the Group has elected to adopt full retrospective application of the standard (i e to apply it to The BOC Group plc share options granted before 7 November 2002 as well)

Presentation of financial information
The Group income statement and balance sheet formats are different under IAS 1 Presentation of Financial Statements, than under UK GAAP In reconciling from UK GAAP to IFRS, the UK GAAP results have been adjusted for certain presentational changes to present the UK GAAP statements consistent with the IFRS format

Segment reporting
Under IAS 14 Segment Reporting, the Group has expanded the geographical segment information The Asia/Pacific segment as reported under UK GAAP has been split into Asia and South Pacific

Presentation of joint ventures and associates
As permitted under IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures, The Group continues to equity account for joint ventures and associates Under IFRS the Group is required to show the share of results of joint ventures and associates on the face of the income statement as a component of the profit before taxation These results are shown after interest and tax This is a presentational change only and has no impact on earnings

Group revenue as disclosed on the face of the income statement under IFRS relates to subsidiaries only, whereas under UK GAAP the share of revenue from joint ventures and associates was included This is a presentational change only

Special items
Items which have previously been classified as exceptional under UK GAAP are reported in a separate column called 'special items' under IFRS During the year ended 30 September 2005 exceptional items under UK GAAP included profits on disposal of businesses, the costs of business restructuring and impairments of assets

Under IFRS, items that are disclosed as special items are included under the relevant line items in the income statement to which they relate This has resulted in the profit on disposal of businesses and fixed assets forming part of the GAAP operating profit under IFRS

Explanation of IFRS adjustments
A summary of the significant differences between UK GAAP and IFRS for the Group is set out in detail below For each difference, the implications on the income statement and balance sheet are explained briefly

a) Goodwill

Principal difference
Under UK GAAP goodwill (positive and negative) arising on the acquisition of a business is capitalised on the balance sheet and amortised over its estimated useful economic life, which for BOC is generally up to a maximum period of 20 years Under IFRS any positive goodwill arising must be capitalised, but not amortised, and instead is subject to a mandatory annual impairment test Under IFRS negative goodwill is recognised immediately in the income statement On transition to IFRS, positive goodwill capitalised on the balance sheet is no longer amortised from the transition date, and any negative goodwill has been included in equity at that date

Under UK GAAP, goodwill on acquisitions before 30 September 1998 was taken to reserves and has not been reinstated on the balance sheet Under IFRS, this goodwill remains eliminated against reserves, but unlike under UK GAAP will not be recycled in the income statement upon disposal of the relevant businesses

September 2005 full year income statement impact
The amortisation charge under UK GAAP has been reversed in the income statement under IFRS Additionally, as a result of the non-amortisation of goodwill during the year ended 30 September 2005, the special goodwill impairment charge under IFRS was £2 1 million higher than under UK GAAP The overall increase in profit for the year relating to the changes in the accounting for goodwill was £5 5 million

Balance sheet impact
The IFRS adjustments to goodwill (including items relating to intangible assets covered under acquisitions prior to 30 September 2005 below) have resulted in an overall balance of goodwill of £140 2 million at 30 September 2005 under IFRS compared to £138 0 million under UK GAAP Negative goodwill relating to BOC's joint venture companies, which has been reported as part of the Group's share of net assets of joint ventures has been reversed This has resulted in an increase of £46 0 million to share of net assets of joint ventures at 30 September 2005

b) Share based payments

Principal difference
Under UK GAAP applicable for the year ended 30 September 2005, the cost of employee share options including executive options and the Long-Term Incentive Plan (but not options granted under employee Save As You Earn ('SAYE') schemes which are exempt from these UK GAAP accounting requirements) is calculated by reference to their intrinsic value This is charged as an expense to the income statement over the performance period This means that for share options granted at the market price, there is no income statement charge under UK GAAP Under IFRS 2, the fair value of equity-settled options (including SAYE schemes) is calculated at the grant date, and is charged to the income statement over the vesting period of the options The Group has applied IFRS 2 on a fully retrospective basis, not taking advantage of the option to apply IFRS 2 only to The BOC Group plc options granted after 7 November 2002

September 2005 full year income statement impact
The impact of applying IFRS 2 has resulted in an additional charge of £5 7 million and an associated tax credit of £8 1 million As explained in section f) taxation, the tax on share based payments may be volatile in future and could equally be a charge rather than a credit to income Overall this has lead to an increase in profit for the year of £2 4 million

Balance sheet impact
The pre-tax adjustment for IFRS in respect of share options was a net £3 3 million decrease in the accrued liability at 30 September 2005 Including the associated deferred tax the adjustment for share options resulted in a £17 0 million increase in net assets at 30 September 2005

c) Pensions and other post retirement benefits

Principal difference
Under UK GAAP the Group has accounted for its defined benefit schemes under FRS 17 Retirement Benefits, which is similar to IAS 19 Employee benefits under IFRS There are however several differences, which have resulted in changes to the overall net deficit position on the Group's pension schemes Unlike FRS 17 where the deficit on the Group's pension scheme is shown net of deferred tax, IAS 19 requires defined benefit pension deficits to be shown gross within non-current liabilities (surpluses to be shown within non-current assets) and the associated deferred tax assets to be shown separately within non-current assets (associated deferred tax liabilities to be shown separately within non-current liabilities) The assets held in the pension scheme must be valued at bid price under IFRS as opposed to mid-market price under UK GAAP IAS 19 also has an additional requirement to create a liability relating to the future administrative expenses of the pension schemes

The Group has elected to adopt early the amendment to IAS 19 Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures This means that the Group will continue to recognise actuarial gains and losses in full in the Statement of Recognised Income and Expense, which is consistent with the treatment of actuarial gains and losses under FRS 17

September 2005 full year income statement impact
The impact of the changes from FRS 17 to IAS 19 has resulted in an overall reduction in the current service cost of £1 3 million, an increase in the expected return on assets by £2 8 million and an increase in the interest on pension scheme liabilities by £2 0 million

Overall, including the tax effect of £0 5 million, there has been an increase in profit for the year of £1 6 million due to the changes in the pension scheme accounting under IFRS compared to UK GAAP

Balance sheet impact
The most significant impact on the reporting of the Group's defined benefit pension schemes position under IFRS is that the net deficit is presented gross of the deferred tax This is a presentational only impact and whilst significant in size, does not represent an increase in the measurement of the deficit under IFRS compared to UK GAAP

The net impact of all the pension accounting changes under IFRS, including the associated tax effects (presentational and measurement) at 30 September 2005 is to increase the reported retirement benefit asset by £48 0 million and to increase the reported retirement benefit obligation by £190 0 million

The measurement changes relating to pensions accounting under IFRS lead to an overall decrease in net assets of £30 2 million

d) Short-term employee benefits

The application of IAS 19 has resulted in changes to the accounting for certain short-term employee benefits compared to UK GAAP, particularly relating to the accrual of holiday pay in accordance with the principles of IAS 19

September 2005 full year income statement impact
The adjustment in respect of short-term employee benefits has lead to a decrease in profit for the year of £1 3 million

Balance sheet impact
The additional accrual required for short-term employee benefits at 30 September 2005 leads to a reduction in net assets compared to UK GAAP of £6 3 million

e) Foreign exchange

There are certain differences in the requirements of IAS 21 (The effects of changes in foreign exchange rates) compared to UK GAAP, particularly as it relates to intercompany funding which is not permanent in nature (i e loans for which settlement is planned or likely to occur in the foreseeable future)

September 2005 full year impact
This has resulted in a foreign exchange gain of £8 3 million being recognised in the income statement under IFRS for the year ended 30 September 2005 The total impact on profit for the year (including the associated tax effect) was an increase of £5 0m

There is no impact on the net assets of the Group

f) Taxation

Principal difference
Under UK GAAP deferred tax is provided on timing differences, whilst under IAS 12 (Income taxes) the scope of deferred tax is wider, and deferred tax is provided on temporary differences The principal areas of difference for BOC relate to deferred tax on assets which have been revalued for accounting purposes, but not for tax purposes, share options and on the unremitted earnings of subsidiaries, joint ventures and associates

The effect of the change in presentation of joint ventures and associates in the income statement under IFRS means that the tax charge on the face of the income statement under IFRS excludes the share of taxation from joint ventures and associates

Deferred tax relating to the defined benefit pension schemes is classified on the balance sheet as deferred tax under IFRS whereas under UK GAAP this is netted off against the net pension assets or liabilities (see 'c) Pensions and other post retirement benefits' above)

September 2005 full year income statement impact
The tax relating to joint ventures and associates, which is not included within the tax charge shown on the face of the income statement under IFRS for the year ended 30 September 2005, was £29 7 million This is a presentational change only

The most significant adjustment to the tax charge under IFRS relates to the tax effect of the adjustment for share based payments under IFRS 2, which results in a tax credit of £8 1 million Given that this in part depends on the share price of The BOC Group plc at the reporting balance sheet date, this adjustment may equally give rise to a charge or a credit in future periods

The effect of the IAS 12 changes above, excluding the tax effect of the other IFRS adjustments, has resulted in an additional charge and a decrease in profit for the year of £6 8 million

The net impact of the changes to IFRS including the tax effect of other IFRS adjustments and the effects of the changes to the accounting for tax under IAS 12 has resulted in an increase in the income tax charge of £3 9 million

Balance sheet impact
The net effect of the changes to IFRS including the tax effect of all other IFRS adjustments (including those relating to pensions), and the effects of the changes to the accounting for deferred tax under IAS 12 on the balance sheet at 30 September 2005 are set out below This includes the change in the presentation of deferred tax relating to the defined benefit pension schemes

The £129 7 million reduction to deferred tax assets and the £88 9 million reduction to deferred tax liabilities represent a combination of the effect of the measurement changes to deferred tax under IAS 12 and the effect of offsetting deferred tax assets and liabilities in accordance with the Group's accounting policy for taxation as shown within tax accounting policies

At 30 September 2005, there has been an increase to the reported deferred tax assets of £25 1 million and a decrease in the reported deferred tax liabilities of £57 7 million, as a result of all IFRS adjustments Excluding the deferred tax effect of other IFRS adjustments, the additional deferred tax provisions required by IAS 12 has lead to a reduction of £48 3 million in the Group's net assets

g) Development costs

Under IAS 38 the Group has identified certain development costs (principally in the BOC Edwards' line of business), which have been capitalised and are now amortised over their useful economic life These costs had previously been expensed to the income statement in line with the Group's policy under UK GAAP

September 2005 full year income statement impact
The net impact of the changes in accounting for development costs has lead to a reduction in the profit for the year of £0 4 million This is included within the other column in the income statement adjustments

Balance sheet impact
The 30 September 2005 balance sheet under IFRS includes capitalised development costs This resulted in a £4 9 million increase in net assets at 30 September 2005

h) Reclassifications and other differences

The following list describes the most significant of the other differences and reclassifications not covered in more detail above

i) Acquisitions prior to 30 September 2005
Principal difference
Under IFRS, a wider range of intangible assets is recognised, both internally generated intangible assets and also any relating to business combinations

Whilst electing not to re-state business combinations prior to the transition date, under IFRS 3 the Group has been required to identify those intangible assets, which were internally generated and which formed part of the net assets of acquired businesses on an IFRS basis This has resulted in a reclassification from goodwill into other intangible assets

Under IFRS 3, the Group has identified additional intangible assets arising from acquisitions during 2005, which have formed part of goodwill under UK GAAP These intangible assets have been capitalised and reclassified out of goodwill into other intangible assets on the balance sheet under IFRS and are being amortised over their useful economic lives

September 2005 full year income statement impact
The changes to the accounting for intangible assets for acquisitions prior to 30 September 2005 have not had a material impact on earnings

Balance sheet impact
£7 6 million of intangible assets at 30 September 2005 were reclassified out of goodwill under UK GAAP and into intangible assets under IFRS

ii) Profit on disposal of subsidiary
In March 2005 the Group's South African subsidiary African Oxygen Limited (AOL) disposed of its majority shareholding in Afrox hospitals The pre-tax profit on disposal within special items under IFRS is higher by £4 2 million principally as a result of differences in the treatment of goodwill, share based payments and cumulative translation differences

iii) Software
Under UK GAAP capitalised software is treated as property, plant and equipment IAS 38 considers capitalised software to be an intangible fixed asset At 30 September 2005, this resulted in a balance sheet reclassification of £68 8 million out of tangible fixed assets into intangible fixed assets

iv) Leases of land and buildings
Under IAS 17, leases that contain both land and buildings components must be split into their separate components and considered separately for their determination as either operating or finance leases Furthermore certain up front payments to acquire leasehold land which have been capitalised and treated as part of tangible fixed assets and depreciated over the life of the lease have been reclassified as current and non-current assets under IFRS

This has not resulted in any material changes compared to UK GAAP

v) Provisions
Under IFRS the Group is required to analyse provisions between current and non-current This has resulted in a balance sheet reclassification of £30 4 million into current provisions under IFRS at 30 September 2005 The changes under IFRS have not resulted in any material changes to the measurement of any provisions as reported under UK GAAP

vi) Investment property
The revalued amount as at the transition date (1 October 2004) equalled the fair value and was used as deemed cost in accordance with IFRS 1

Under IFRS the Group is required to show investment property on the face of the balance sheet, as opposed to being reported as a separate component of tangible fixed assets under UK GAAP BOC follows the cost model allowed by IAS 40 for accounting for investment property The value of such property reclassified on the balance sheet at 30 September 2005 was £11 1 million

vii) Cash flow adjustments
Under IAS 7 the Group has included bank overdrafts and certain highly liquid investments in the definition of cash and cash equivalents The decrease in net cash and cash equivalents is £30 1 million under IFRS as opposed to a decrease in net cash of £50 2 million under UK GAAP The format of the cash flow statement is different under IFRS compared to UK GAAP

viii) Presentation of interest in the income statement
Under UK GAAP BOC presented separately on the face of the income statement
• Interest on net debt
• Interest on pension scheme liabilities and
• Expected return on pension scheme assets

Under IFRS, BOC presented on the face of the income statement
• Finance costs
• Finance income and
• Interest on pension scheme liabilities and
• Expected return on pension scheme assets

This is a presentational change only

Reconciliation of profit for the year ended 30 September 2005

The transition to IFRS had the following impact on profit for the year ended 30 September 2005

	UK GAAP in IFRS format				IFRS restated		
	Before special and certain re-measurement items	Special items	After special and certain re-measurement items	IFRS adjustments	Before special and certain re-measurement items	Special items	After special and certain re-measurement items
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Group revenue	3,754 7	-	3,754 7	-	3,754 7	-	3,754 7
Restructuring & impairment of assets	-	(20 7)	(20 7)	(2 1)	-	(22 8)	(22 8)
Profit on disposal of business	-	98 1	98 1	4 2	-	102 3	102 3
Profit on disposal of investments	-	10 5	10 5	-	-	10 5	10 5
Cost of sales and other net operating expenses	(3,318 1)	-	(3,318 1)	3 9	(3,314 2)	-	(3,314 2)
Group operating profit	436 6	87 9	524 5	6 0	440 5	90 0	530 5
Finance costs	(81 9)	-	(81 9)	-	(81 9)	-	(81 9)
Finance income	34 3	-	34 3	8 3	42 6	-	42 6
Interest on pension scheme liabilities	(128 6)	-	(128 6)	(2 0)	(130 6)	-	(130 6)
Expected return on pension scheme assets	147 0	-	147 0	2 8	149 8	-	149 8
Share of results of joint ventures and associates	68 6	-	68 6	(1 9)	66 7	-	66 7
Profit before taxation	476 0	87 9	563 9	13 2	487 1	90 0	577 1
Taxation	(101 8)	(28 4)	(130 2)	(3 9)	(105 6)	(28 5)	(134 1)
Profit for the year	374 2	59 5	433 7	9 3	381 5	61 5	443 0
Profit attributable to equity shareholders	334 2	32 8	367 0	6 8	340 7	33 1	373 8
Profit attributable to minority interests	40 0	26 7	66 7	2 5	40 8	28 4	69 2
Profit for the year	374 2	59 5	433 7	9 3	381 5	61 5	443 0
Earnings per 25p ordinary share							
- basic			74 1p				75 5p
- diluted			73 9p				75 3p

The above table includes the total for both continuing and discontinued operations

The reconciliation on the following page provides additional information regarding the IFRS adjustment

Reconciliation of profit for the year ended 30 September 2005 – analysis of IFRS adjustments

	Goodwill	Share based payments	Pensions	Short-term employee benefits	Foreign exchange	Taxation	Other	Total IFRS adjustments
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Group revenue	-	-	-	-	-	-	-	-
Restructuring & impairment of assets	(2 1)	-	-	-	-	-	-	(2 1)
Profit on disposal of business	(0 5)	0 5	-	-	-	-	4 2	4 2
Profit on disposal of investments	-	-	-	-	-	-	-	-
Cost of sales and other net operating expenses	12 2	(6 2)	1 3	(1 9)	-	-	(1 5)	3 9
Group operating profit	9 6	(5 7)	1 3	(1 9)	-	-	2 7	6 0
Finance costs	-	-	-	-	-	-	-	-
Finance income	-	-	-	-	8 3	-	-	8 3
Interest on pension scheme liabilities	-	-	(2 0)	-	-	-	-	(2 0)
Expected return on pension scheme assets	-	-	2 8	-	-	-	-	2 8
Share of results of joint ventures and associates	(1 9)	-	-	-	-	-	-	(1 9)
Profit before taxation	7 7	(5 7)	2 1	(1 9)	8 3	-	2 7	13 2
Taxation	(2 2)	8 1	(0 5)	0 6	(3 3)	(6 8)	0 2	(3 9)
Profit for the year	5 5	2 4	1 6	(1 3)	5 0	(6 8)	2 9	9 3
Profit attributable to equity shareholders of parent	5 5	2 4	0 6	(1 3)	5 0	(6 8)	1 4	6 8
Profit attributable to minority interests	-	-	1 0	-	-	-	1 5	2 5
Profit for the year	5 5	2 4	1 6	(1 3)	5 0	(6 8)	2 9	9 3

The above table includes the total for both continuing and discontinued operations

Reconciliation of equity at 1 October 2004

The transition to IFRS had the following impact on equity at 1 October 2004 (transition date)

	1 Oct 2004 £ million
Total capital and reserves - UK GAAP	1,878 1
IFRS measurement adjustments	
Goodwill	47 5
Share based payments	1 0
Pensions	(30 7)
Short-term employee benefits	(4 8)
Development costs	5 4
Deferred taxation	(43 1)
Other	(6 6)
Total IFRS adjustments	(31 3)
Total equity - IFRS restated	1,846 8

The above table includes the total for both continuing and discontinued operations

Reconciliation of balance sheet and equity at 30 September 2005

The transition to IFRS had the following impact on the balance sheet and equity at 30 September 2005

	UK GAAP in IFRS format	IFRS adjustments	IFRS restated
	£ million	£ million	£ million
Non-current assets:			
Goodwill	138 0	2 2	140 2
Intangible assets	4 6	83 9	88 5
Property, plant and equipment	2,628 8	(79 0)	2,549 8
Investment property	11 1	-	11 1
Investment in joint ventures and associates	599 3	35 9	635 2
Other investments	14 6	-	14 6
Other receivables	10 7	7 7	18 4
Retirement benefit assets	88 7	48 0	136 7
Deferred tax assets	6 3	25 1	31 4
	3,502 1	123 8	3,625 9
Current assets			
Inventories	306 3	-	306 3
Trade and other receivables	710 4	0 1	710 5
Other investments	16 4	-	16 4
Cash and deposits	191 0	-	191 0
	1,224 1	0 1	1,224 2
Total assets	4,726 2	123 9	4,850 1
Current liabilities:			
Borrowings and finance leases	(259 2)	-	(259 2)
Trade and other payables	(743 8)	2 7	(741 1)
Provisions	-	(30 4)	(30 4)
Current tax liabilities	(154 5)	0 1	(154 4)
	(1,157 5)	(27 6)	(1,185 1)
Net current assets	66 6	(27 5)	39 1
Total assets *less* current liabilities	3,568 7	96 3	3,665 0
Non-current liabilities:			
Borrowings and finance leases	(771 5)	-	(771 5)
Other payables	(30 8)	(5 0)	(35 8)
Provisions	(118 9)	28 3	(90 6)
Retirement benefit obligations	(352 5)	(190 0)	(542 5)
Deferred tax liabilities	(241 9)	57 7	(184 2)
	(1,515 6)	(109 0)	(1,624 6)
Net assets	2,053 1	(12 7)	2,040 4
Total equity attributable to shareholders of the parent	1,942 0	(11 9)	1,930 1
Minority interest in equity	111 1	(0 8)	110 3
Total equity	2,053 1	(12 7)	2,040 4

The above table includes the total for both continuing and discontinued operations

The reconciliation on the following page provides additional information regarding the IFRS adjustment

Reconciliation of balance sheet at 30 September 2005 – analysis of IFRS adjustments

	Goodwill	Share based payments	Pensions	Short-term employee benefits	Software reclassification	Development costs	Leases of land and buildings	Taxation	Other adjustments	Total IFRS adjustments
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Non-current assets										
Goodwill	9 8	-	-	-	-	-	-	-	(7 6)	2 2
Intangible assets	-	-	-	-	68 8	7 2	-	-	7 9	83 9
Property, plant and equipment	-	-	-	-	(68 8)	-	(9 7)	-	(0 5)	(79 0)
Investment property	-	-	-	-	-	-	-	-	-	-
Investment in joint ventures and associates	46 0	-	-	(1 0)	-	-	(0 3)	(7 6)	(1 2)	35 9
Other investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	8 0	-	(0 3)	7 7
Retirement benefit assets	-	-	48 0	-	-	-	-	-	-	48 0
Deferred tax assets	-	13 1	142 1	1 6	-	(2 0)	-	(129 7)	-	25 1
	55 8	13 1	190 1	0 6	-	5 2	(2 0)	(137 3)	(1 7)	123 8
Current assets										
Inventories	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-	0 1	-	-	0 1
Other investments	-	-	-	-	-	-	-	-	-	-
Cash and deposits	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	0 1	-	-	0 1
Total assets	55 8	13 1	190 1	0 6	-	5 2	(1 9)	(137 3)	(1 7)	123 9
Current liabilities										
Borrowings and finance leases	-	-	-	-	-	-	-	-	-	-
Trade and other payables	-	4 4	-	(3 3)	-	-	-	-	1 6	2 7
Provisions	-	-	-	-	-	-	-	-	(30 4)	(30 4)
Current tax liabilities	-	-	-	-	-	-	-	0 1	-	0 1
	-	4 4	-	(3 3)	-	-	-	0 1	(28 8)	(27 6)
Net current assets	-	4 4	-	(3 3)	-	-	0 1	0 1	(28 8)	(27 5)
Total assets *less* current liabilities	55 8	17 5	190 1	(2 7)	-	5 2	(1 9)	(137 2)	(30 5)	96 3
Non-current liabilities										
Borrowings and finance leases	-	-	-	-	-	-	-	-	-	-
Other payables	-	(1 1)	-	(4 4)	-	-	-	-	0 5	(5 0)
Provisions	-	-	-	-	-	-	-	-	28 3	28 3
Retirement benefit obligation	-	-	(190 0)	-	-	-	-	-	-	(190 0)
Deferred tax liabilities	(2 3)	0 6	(30 3)	0 8	-	(0 3)	-	88 9	0 3	57 7
	(2 3)	(0 5)	(220 3)	(3 6)	-	(0 3)	-	88 9	29 1	(109 0)
Net assets	53 5	17 0	(30 2)	(6 3)	-	4 9	(1 9)	(48 3)	(1 4)	(12 7)
Total equity attributable to shareholders of the parent	53 5	17 2	(30 2)	(6 0)	-	4 9	(1 7)	(48 1)	(1 5)	(11 9)
Minority interest in equity	-	(0 2)	-	(0 3)	-	-	(0 2)	(0 2)	0 1	(0 8)
Total equity	53 5	17 0	(30 2)	(6 3)	-	4 9	(1 9)	(48 3)	(1 4)	(12 7)

The above table includes the total for both continuing and discontinued operations

Reconciliation of cash flow for the year ended 30 September 2005

The transition to IFRS had the following impact on the cash flow statement for the year ended 30 September 2005

	UK GAAP in IFRS format	IFRS adjustments	IFRS restated
	£ million	£ million	£ million
Profit for the year	433 7	9 3	443 0
Adjusted for			
- Taxation	130 2	3 9	134 1
- Finance cost	81 9	(8 3)	73 6
- Finance income	(34 3)	-	(34 3)
- Net finance income from pensions	(18 4)	(0 8)	(19 2)
- Special operating items	(87 9)	(2 1)	(90 0)
- Depreciation and amortisation	301 9	(10 8)	291 1
- Net retirement benefits charge less contributions	(14 4)	(1 3)	(15 7)
- Share of results of joint ventures and associates	(68 6)	1 9	(66 7)
- Changes in working capital and other items	(41 7)	7 4	(34 3)
- Special cash flows	(16 9)	-	(16 9)
Dividends from joint ventures and associates	51 1	-	51 1
Tax paid	(118 4)	-	(118 4)
Net cash flow from operating activities	598 2	(0 8)	597 4
Purchase of property, plant and equipment	(353 0)	21 2	(331 8)
Sales of property, plant and equipment	22 6	0 8	23 4
Purchases of intangible assets	(0 6)	(22 7)	(23 3)
Net sales / (purchases) of current asset investments	4 7	-	4 7
Net sales / (purchases) of trade and other investments	26 6	-	26 6
Acquisition of businesses	(54 8)	-	(54 8)
Disposal of businesses	200 8	-	200 8
Receipt from capital restructuring of joint venture	17 0	-	17 0
Net investment in joint ventures and associates	(34 2)	-	(34 2)
Net cash flow from investing activities	(170 9)	(0 7)	(171 6)
Interest paid	(83 5)	-	(83 5)
Interest received	18 6	-	18 6
Interest element of finance lease rental payments	(0 3)	-	(0 3)
Dividends paid to minorities in subsidiaries	(66 4)	-	(66 4)
Equity dividends paid	(204 1)	-	(204 1)
Issues of shares	9 6	-	9 6
Drawdown of debt	560 8	1 5	562 3
Repayment of debt	(692 1)	-	(692 1)
Net cash flow from financing activities	(457 4)	1 5	(455 9)
Net decrease in cash and cash equivalents	(30 1)	-	(30 1)
Cash and cash equivalents at start of year	224 6	-	224 6
Effects of foreign exchange rates	(12 4)	-	(12 4)
Cash and cash equivalents at end of year	182 1	-	182 1

The above table includes the total for both continuing and discontinued operations

35 Reconcilation of the consolidated IFRS balance sheet at 1 October 2005 on adoption of IAS 32 and IAS 39

	Restated IFRS £ million	IAS 39 Adjustment £ million	Restated including IAS 39 adjustments £ million
Non-current assets			
Goodwill	140 2	-	140 2
Intangible assets	88 5	-	88 5
Property, plant and equipment	2,549 8	-	2,549 8
Investment property	11 1	-	11 1
Investment in joint ventures and associates	635 2	(2 7)	632 5
Other investments	14 6	-	14 6
Other receivables	18 4	-	18 4
Retirement benefit assets	136 7	-	136 7
Deferred tax assets	31 4	2 0	33 4
Derivative financial instruments	-	9 6	9 6
	3,625 9	8 9	3,634 8
Current assets			
Inventories	306 3	-	306 3
Trade and other receivables	710 5	(2 3)	708 2
Other investments	16 4	-	16 4
Derivative financial instruments	-	9 8	9 8
Cash and deposits	191 0	-	191 0
	1,224 2	7 5	1,231 7
Total assets	4,850 1	16 4	4,866 5
Current liabilities			
Borrowings and finance leases	(259 2)	6 3	(252 9)
Derivative financial instruments	-	(1 3)	(1 3)
Trade and other payables	(741 1)	31 2	(709 9)
Provisions	(30 4)	-	(30 4)
Current tax liabilities	(154 4)	-	(154 4)
	(1,185 1)	36 2	(1,148 9)
Net current assets	39 1	43 7	82 8
Total assets less current liabilities	3,665 0	52 6	3,717 6
Non-current liabilities			
Borrowings and finance leases	(771 5)	(28 3)	(799 8)
Derivative financial instruments	-	(20 0)	(20 0)
Other payables	(35 8)	-	(35 8)
Provisions	(90 6)	-	(90 6)
Retirement benefit obligations	(542 5)	-	(542 5)
Deferred tax liabilities	(184 2)	(4 1)	(188 3)
	(1,624 6)	(52 4)	(1,677 0)
Net assets	2,040 4	0 2	2,040 6
Total equity attributable to shareholders of the parent	1,930 1	(4 4)	1,925 7
Minority interests	110 3	4 6	114 9
Total equity	2,040 4	0 2	2,040 6

The above table includes the total for both continuing and discontinued operations

BOC has chosen to apply IAS 32 "Financial Instruments Disclosure and Presentation" (IAS 32) and IAS 39 "Financial Instruments Recognition and Measurement" (IAS 39) and the transitional provisions of IFRS 1 relating to financial instruments from 1 October 2005 The impact upon the consolidated IFRS balance sheet as a result of this change in accounting policy is shown in the table above

The main adjustments that would be required to give effect to IAS 32 and IAS 39 would be the recognition of a number of assets and liabilities (including derivatives) at their fair value on the balance sheet and the removal of short term receivables and payables exemption that was permitted under FRS 13

Company balance sheet

	Notes	At 31 December 2006 £ million	At 30 September 2005 £ million
Fixed assets			
Tangible assets	2	**17 0**	14 9
Investments	3	**3,943 9**	3,165 8
Debtors falling due after more than one year	4	**249 6**	-
		4,210 5	3,180 7
Current assets			
Debtors falling due within one year	4	**392 2**	153 0
Cash at bank and in hand	5	**17 0**	44 3
		409 2	197 3
Creditors amounts falling due within one year			
Borrowings	6	**(280 3)**	(107 2)
Other creditors	7	**(1,665 7)**	(1,005 4)
		(1,946 0)	(1,112 6)
Net current liabilities		**(1,536 8)**	(915 3)
Total assets *less* current liabilities		**2,673 7**	2,265 4
Creditors amounts falling due after more than one year			
Borrowings	6	**(729 1)**	(677 0)
Other creditors	7	**-**	(0 2)
		(729 1)	(677 2)
Net assets		**1,944 6**	1,588 2
Capital and reserves			
Equity called up share capital	8	**132 3**	125 6
Share premium account	9	**675 5**	406 6
Other reserves	9	**336 4**	336 4
Profit and loss account	9	**800 4**	769 6
Own shares	9	**-**	(50 0)
Total equity		**1,944 6**	1,588 2

The financial statements were approved by the board of directors on 11 July 2007 and are signed on its behalf by

G. Denoke

G Denoke Director

K Masters

K Masters Director

Notes to the company financial statements

1 Accounting policies

a) Basis of preparation

The company Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below, in accordance with the Companies Act 1985 and UK accounting standards (UK GAAP)

The Financial Statements have been prepared for the fifteen month period to 31 December 2006 Comparatives are for the year to 30 September 2005 This change has been made to align the company balance date to that of it's parent, Linde AG

In the prior year, the financial statements were prepared on a similar basis, but without modification for revaluation to fair value of any financial instruments

As permitted by the Companies Act 1985, a separate profit and loss account for the company has not been included in these financial statements As permitted by FRS1 no cashflow statement for the company has been presented As permitted by FRS 8 no related party disclosures relating to subsidiaries, joint ventures or associates have been included, but information on related party transactions with the company's parent are provided in note 11

In these financial statements, the following new standards have been adopted for the first time

FRS 20, *Share-based payments,* requires that an expense for share options granted be recognised in the financial statements based on their fair value at the date of the grant This expense is recognised over the vesting period of the options

The company has taken advantage of the exemption in FRS 25, *Financial Instruments Presentation* In accordance with FRS 25, the company is not required to restate comparative information

b) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation No depreciation is charged on freehold land Depreciation is charged on all other fixed assets on the straight line basis to write them down to their residual values over their estimated lives (5 to 40 years)

Any impairment in the value of fixed assets, calculated by comparing the carrying value against the higher of net realisable value or value in use, is dealt with in the profit and loss account in the period in which it arises

c) Investment

Investments in subsidiaries, joint ventures and associates are stated at cost less any provision for permanent diminution in value They are reviewed for impairment whenever circumstances indicate that the carrying amount may not be recoverable

d) Deferred taxation

The company 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

e) Share-based payments

Share options granted are recognised in the financial statements based on their fair value at the date of the grant Costs are realised over the vesting period of the options and options which have been granted to employees of subsidiaries of the company, are largely recharged to those subsidiaries at a fair value established at the date of the grant

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at closing rates at the balance sheet date

g) Pensions and other post employment benefits

The company operates both a defined contribution and defined benefits scheme Contributions for the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme The defined benefit scheme is multi-employer scheme and the company is unable to identify its share of underlying assets and liabilities on a consistent and reasonable basis Hence, contributions to the defined benefit scheme are accounted for as if they were contributions to a defined contribution scheme

h) Financial instruments

The company's accounting policies under UK GAAP has been to apply only sections 15-50 of *FRS 25 – Financial instruments recognition and presentation* and not to apply *FRS 26 – Financial instruments measurement* as allowed by these standards The company is taking the exemption for not providing all the financial instrument disclosures, because *IAS 32 – Financial instruments Disclosure and Presentation* disclosures are given in note 24 of the consolidated financial statements of the BOC Group plc

i) Dividends

Final dividends proposed by the board of directors and unpaid at the year end are not recognised in the financial statements until they have been approved by the shareholders at the AGM Interim dividends are recognised when they are paid

2 Tangible assets

	Land and buildings £ million	Plant, machinery and vehicles £ million	Total £ million
Gross book value			
At 1 October 2005	14 5	18 2	32 7
Capital expenditure	-	3 4	3 4
At 31 December 2006	**14 5**	**21 6**	**36 1**
Depreciation and impairment			
At 1 October 2005	5 2	12 6	17 8
Depreciation provided during the period	0 5	0 8	1 3
At 31 December 2006	**5 7**	**13.4**	**19.1**
Net book value			
At 1 October 2005	9 3	5 6	14 9
At 31 December 2006	**8 8**	**8 2**	**17 0**

All land and buildings are freehold property

3 Investments

	Investments in subsidiary undertakings £ million	Amounts due from subsidiary undertakings £ million	Other Investments £ million	Provisions £ million	Total £ million
At 1 October 2005	2,157 0	1,030 2	0 4	(21 8)	3,165 8
Additions	513 8	271 3	-	-	785 1
Charge for the period	-	-	-	(7 0)	(7 0)
At 31 December 2006	**2,670 8**	**1,301 5**	**0 4**	**(28 8)**	**3,943 9**

4 Debtors

a) Amounts falling due within one year

	2006 £ million	2005 £ million
Amounts due from subsidiaries	**364 4**	136 7
Amounts due from joint ventures	**6 1**	5 7
Other debtors	**21 7**	10 6
	392 2	153 0

b) Amounts falling due after more than one year

	2006 £ million	2005 £ million
Amounts due from fellow Linde Group subsidiaries	**249.6**	-
	249.6	-

5 Cash at bank and in hand

	2006 £ million	2005 £ million
Cash at bank and in hand	**17 0**	44 3
	17 0	44 3

6 Borrowings

a) Analysis

	2006 £ million	2005 £ million
12¼% Unsecured loan stock 2012/2017	**100 0**	100 0
1 00% Euroyen Bond 2006	**-**	124 7
$5\frac{7}{8}$% Bonds 2009	**200 0**	200 0
6 50% Bonds 2016	**200 0**	200 0
Medium-term notes	**47 1**	54 8
Loans from fellow Linde Group subsidiaries	**251 4**	-
Loans from Linde AG	**178 8**	-
Other borrowings	**32 1**	104 7
Total borrowings	**1,009 4**	784 2
Less Cash at bank and in hand	**17 0**	44 3
Net borrowings	**992 4**	739 9

b) Maturity

				2006
	Loans other than from banks £ million	**Bank overdrafts £ million**	**Bank loans £ million**	**Total £ million**
Within one year	**251 4**	**21 5**	**7 4**	**280 3**
One to two years	**-**	**-**	**0 2**	**0 2**
Two to five years	**248 1**	**-**	**3 4**	**251 5**
Beyond five years	**477 4**	**-**	**-**	**477 4**
Total borrowings	**976 9**	**21 5**	**11 0**	**1,009 4**
Less within one year (current)	**(251 4)**	**(21 5)**	**(7 4)**	**(280 3)**
Borrowings (non-current)	**725 5**	**-**	**3 6**	**729 1**

				2005
	Loans other than from banks £ million	Bank overdrafts £ million	Bank loans £ million	Total £ million
Within one year	-	107 2	-	107 2
One to two years	124 7	-	1 7	126 4
Two to five years	253 6	-	(1 5)	252 1
Beyond five years	298 5	-	-	298 5
Total borrowings	676 8	107 2	0 2	784 2
Less within one year (current)	-	(107 2)	-	(107 2)
Borrowings (non-current)	676 8	-	0 2	677 0

7 Other creditors

a) Amounts falling due within one year

	2006 £ million	2005 £ million
Amounts due to subsidiary undertakings	**1,619 5**	951 3
Other creditors	**0 7**	1 6
Accruals and deferred income	**45 5**	52 5
	1,665 7	1,005 4

b) Amounts falling due after more than one year

	2006 £ million	2005 £ million
Accruals and deferred income	**-**	0 2
	-	0 2

8 Share capital

i) Analysis at 31 December / 30 September	Number of shares 2006 million	2005 million	2006 £ million	2005 £ million
Equity capital				
Issued capital – Ordinary shares of 25p each called up and fully paid	**529 3**	502 5	**132 3**	125 6
Unissued capital – Ordinary shares of 25p each	**60 7**	87 5	**15 2**	21 9
Authorised			**147 5**	147 5

ii) Share issues	2006 Number million	2005 Number million
Issues of Ordinary shares of 25p each during the period were		
Under the savings related share option scheme	**2 1**	0 7
Under the senior executives share option scheme	**20 3**	3 0
Issued to Linde AG	**4 4**	-

Details of the rights and restrictions on ordinary shares are given in Note 25 to the consolidated financial statements

9 Reserves

	Share premium account £ million	Other reserves £ million	Profit and loss account £ million	Own shares £ million	Total £ million
At 1 October 2005	406 6	336 4	769 6	(50 0)	1,462 6
Adoption of FRS25[1]	-	-	(8 4)	-	(8 4)
At 1 October 2005 restated	406 6	336 4	761 2	(50 0)	1,454 2
Profit for the period	-	-	181 5	-	181 5
Dividends	-	-	(185 3)	-	(185 3)
Premium on share issues (net)	268 9	-	-	-	268 9
Credit in respect of employee share schemes	-	-	43 0	-	43 0
Net decrease in investment of own shares	-	-	-	50 0	50 0
At 31 December 2006	**675 5**	**336 4**	**800 4**	**-**	**1,812 3**

1 The adoption of FRS25 resulted in an increase to current borrowings of £2 3 million and non-current borrowings of £6 1 million

The premium on share issues represents amounts paid to The BOC Group plc for the issue of shares under the Group's share option schemes

10. Contingent liabilities and legal proceedings

a) Contingent liabilities

	2006 £ million	2005 £ million
Guarantees of joint ventures' borrowings	**-**	10 6
Guarantees of subsidiaries' borrowings	**95 2**	245 6
Other guarantees[1]	**45 4**	50 3
	140 6	306 5

1 Other guarantees are mainly performance guarantees issued in the ordinary course of business

b) Legal proceedings

The company is not involved in any current or foreseeable legal or arbitration proceedings which could have a significant effect on its economic situation or have had such an effect within the past two years

11 Related party transactions

a) Parent and ultimate controlling party

During the period ended 31 December 2006 the company's shares were acquired by Linde AG from the former shareholders of The BOC Group plc As a result the new ultimate controlling party of the company is Linde AG, a company incorporated in Germany

b) Transactions with key management personnel

The Group considers the key management personnel to be the directors of the company Details of transactions between the company and its key management personnel are provided in the Directors' Report on pages 5 - 6 of this report and accounts

c) Parent and ultimate controlling party transactions

	Transaction value Period ended		Balance outstanding	
	31 December 2006	30 September 2005	**31 December 2006**	30 September 2005
Interest received / loan granted	**-**	-	**249 6**	-
Interest paid / loan received	**5 3**	-	**430 2**	-

12 Employee information

a) Employee costs

	2006 £ million	2005 £ million
Wages and salaries	**34 9**	33 1
Social securities costs	**10 7**	3 4
Other pension costs	**4 0**	2 9
	49 6	39 4

b) Employee numbers

	2006 At 31 December	**2006 Average for the period**	2005 At 30 September	2005 Average for the year
Employee numbers	350	341	308	345

13 Options and incentive schemes

The company operated a number of equity-settled share option schemes to grant options and shares to the directors and employees of the company and its subsidiary Full details of share-based payments and share options schemes are disclosed in Note 8 to the consolidated financial statements

The stock-based compensation expense in the income statement for the period ended 31 December 2006 is £39 4 million (2005 £8 2 million), of which £20 9 million (2005 £6 6 million) related to the company's own employees and directors and £18 5 million (2005 £1 6 million) related to employees of subsidiaries of the company which had not been recharged to those subsidiaries