



2010 ANNUAL REPORT
BOC KENYA LIMITED


BOC GAS



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CE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventieth Annual General Meeting of BOC Kenya Limited will be held at the Company's factory site on Kitui Road, Industrial Area, Nairobi on Wednesday, 27th April, 2011 at 11:00 am for the following purposes:

ORDINARY BUSINESS

To receive and adopt the audited financial statements for the year ended 31st December, 2010 together with the directors' and auditors reports thereon.

To declare a dividend for the year ended 31st December, 2010.

To hold directors' elections

- (i) Mr. Joseph Gilbert Kibe and Mr. Alfred Juma who are over 70 years of age, retire as directors in line with section 186 (5) of the Companies Act at the next Annual General Meeting, and being eligible, offer themselves for re-election. Special notice is hereby given of the resolutions proposing to re-appoint as a Director Mr. Kibe who is 76 years of age and to reappoint as a Director Mr. Juma who is 73 years of age.
- (ii) Mr. Frederick Kotzee who was appointed as a director of the Company with effect from 12th August, 2010, retires in accordance with clause 98 of the Company's Articles of Association and being eligible, offers himself for re-election.
- (iii) Mr. Arthur Kamau who was appointed as a director of the Company with effect from 7th December, 2010, retires in accordance with clause 98 of the Company's Articles of Association and being eligible, offers himself for re-election.
- (iv) Mr. Willem D. Coetzee retires by rotation under clause 93 of the Company's Articles of Association and, being eligible, offers himself for re-election.

To approve the remuneration of the directors for the year ended 31st December, 2010.

To appoint Messrs KPMG Kenya as auditors for the ensuing year and to authorise the directors to fix their remuneration.

ADDITIONAL BUSINESS

To pass the following as **SPECIAL RESOLUTIONS**;

"That the Articles of Association of the Company shall be altered as follows:

ARTICLE NO. 121

Article 121 shall be deleted in its entirety and replaced with the following Article;

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by electronic funds transfer or other automated system of bank, electronic or mobile money transfer transmitted to the bank or electronic or mobile account number of the holder of shares recorded in the Register of Members or by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first on the Register of Members in respect of the shares. Every such funds transfer, cheque or warrant shall, unless the holder otherwise directs, be made payable to the order of the registered holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register of Members in respect of such shares and shall be sent at his or their risk. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable in respect of the shares held by such joint holders."

ARTICLE NO. 128A

The existing heading and new Article 128A shall be added immediately after the existing Article 128:

ELECTRONIC COMMUNICATION

"128A Notwithstanding anything in these Articles to the contrary, any notice, document or information given, sent, supplied, delivered or provided to any person (including any Member) by the Company, whether pursuant to these Articles, the Act or otherwise, is also to be treated as given, sent, supplied, delivered or provided where:

- (a) it is sent in electronic form; or
- (b) to the extent permitted by law, it is made available on a website provided that, in the case of any notice to Members or any documents to be sent to Members under the provisions of Article 128, the Company shall contemporaneously publish the notice or (as the case may be) an abridged set of the balance sheet and income statement in two daily newspapers of nationwide circulation drawing attention to the website on which the notice and the documents or any other documents may be read, and the address to which a request for a hard copy of such documents may be submitted. To the extent permitted by law, upon such publication in the daily newspapers, the documents in question shall be deemed to have been sent to each Member or other person entitled to receive a copy of the documents."

ARTICLES NOS. 132 TO 134

The existing Articles 132 to 134 inclusive shall be deleted in their entirety and replaced with the following Articles:

- "132. Any notice or other document may be served by the Company on any Member or Director personally or by sending it through the post (by airmail where such service is available) in a letter or by fax, e-mail or other electronic means addressed to such Member or Director at his registered address as appearing in the Register of Members or the Company's other records, whether such address shall be within or outside Kenya. Notices of any General Meeting may also be given by the Company publishing a notice in at least two local daily newspapers with national circulation. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members and notice so given shall be sufficient notice to all the joint holders.
- "133. Where a notice or other document is sent by post it shall be deemed to have been served on the second day after the day on which it was posted, if addressed within Kenya, and on the seventh day after the day on which it was posted if addressed outside Kenya. In proving such service or sending, it shall be sufficient to prove that the cover containing the notice or document was properly addressed and sent to the post office as a prepaid letter or prepaid airmail letter. Where a notice is sent by fax, e-mail or other electronic means it shall be deemed to have been served at the expiration of twenty-four hours after the time at which it was sent. Where a notice of any General Meeting is published in a daily newspaper it shall be deemed to be served on the day on which it is first published. The failure of any person to receive any notice served pursuant to these Articles shall not in any way invalidate any proceedings or actions taken by the Company for which the notice was given.
- "134. A notice may be given by the Company to the person entitled to any share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid cover or by fax, e-mail or other electronic means addressed to him by name or by the title of representative or trustee of such company or bankrupt member or any like description at the address supplied for the purpose by the person claiming to be so entitled or by giving the notice in the manner in which the same would have been given if the death or bankruptcy had not occurred."

OF ANNUAL GENERAL MEETING

OTHER BUSINESS

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

MEMBERS OF THE BOARD

Mr. Ndonge
Company Secretary

Head
18010
NAIROBI

January 2011

Every member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf. Such a proxy need not be a member of the Company. To be valid, proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the appointed time of the meeting.

DIRECTORS

J G Kibe	(Chairman)
M Msiska**	(Appointed 19 February 2010, Appointed MD 13 Sep 2010)
W Coetzee*	
A C Juma	
N Kiuna	
F Graham*	(Appointed 19 February 2010, Resigned 7 December 2010)
S Fareed*	(Appointed 19 February 2010 -Alternate to W Coetzee)
F Kotzee*	(Appointed 12 August 2010)
C van Zyl*	(Resigned 19 February 2010)
J M Kariuki	(Resigned 12 March 2010)
T Kruger*	(Resigned 12 August 2010)
K Jaccojwang	(Appointed 29 March, 2010, Resigned 7 December 2010)
A Kamau	(Appointed 7 December 2010)
P Hensen*	(Appointed 7 December 2010-Alternate to F Kotzee)

* South African

** Malawian

SECRETARY

Virginia Ndunge
Certified Public Secretary (Kenya)
Kitui Road
P.O Box 18010
00500 Nairobi

AUDITORS

KPMG Kenya
16th Floor, Lonrho House
Standard Street
P. O Box 40612
00100 Nairobi GPO

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

Kitui Road
Industrial Area
PO Box 18010 – 00500
00500 Nairobi

ADVOCATES

Kaplan & Stratton Advocates
Williamson House 9th Floor
4th Ngong Avenue
P O Box 40111
00100 Nairobi GPO

Daly & Figgis Advocates
Lonrho House, 8th Floor
Standard Street
P O Box 40034
00100 Nairobi GPO

REGISTRARS

Custody & Registrars Services Limited
6th Floor Bruce House
Standard Street
P O Box 8484
00100 Nairobi GPO

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
Industrial Area, off Enterprise Road
PO Box 30120 - 00100
Nairobi

Standard Chartered Bank Kenya Limited
Industrial Area, off Enterprise Road
PO Box 18081 - 00500
Nairobi

Citibank N.A. - Kenya Branches
Citibank House
Upper Hill Road
PO Box 30711 - 00100
Nairobi



JOSEPH GILBERT KIBE

Joe Kibe is a Bachelor of Arts graduate of London University through Makerere College. He had a career spanning 17 years in the Kenya Government. For twelve years, he served as Permanent Secretary in the Ministries of Commerce & Industry, Economic Planning, Agriculture & Animal Husbandry, Water Development, Lands & Settlement, Tourism & Wildlife. He holds directorship in ten companies and is also a reknown businessman and farmer. He was appointed a non-executive director of BOC Kenya Limited in August 1991 and, in February 2000, was appointed Chairman of the Board of BOC Kenya Limited.

MSISKA

Msiska is a Fellow of the Chartered Association of Certified Accountants. She holds a Master of Business Leadership from the University of South Africa and a Bachelor of Commerce degree from the University of Malawi. She has fifteen years of service with African Oxygen Limited. Maria has served as a director in various listed and non-listed companies within and outside of the Group in Africa. She was appointed as a director on the BOC Kenya Limited Board in February 2010. In September 2010, she was appointed as Managing Director of BOC Kenya Limited and is leading the re-engineering of the Group's operations in the Eastern Africa region. Before her current role, she was Head of Finance for the Group's African Operations outside of South Africa. Prior to this, she was Managing Director of Afrox Zambia Limited and Afrox Malawi Limited.



WILLEM DIEDERIK COETZEE

Willem Diederik Coetzee is the General Manager African Operations, African Oxygen Limited based in South Africa. He is a registered Professional Engineer with the South African Institute of Professional Engineers. He holds a BSc Engineering degree Cum Laude and a Master of Business Administration degree from the University of Pretoria, South Africa. Willem has a total of 27 years business experience at various positions and organizations including 16 years in the Industrial Gases business with BOC/Linde in The United States of America, Thailand

C JUMA

C Juma is a BA (Hons) graduate of London University through Makerere College. He was previously the Managing Director of Avon Rubber Company Limited and has held the Chairmanship of the Federation of Kenya Manufacturers, Kenya Ports Authority and Kenya Association of Manufacturers. He is currently the Managing Director of Energy Company Limited, an Energy Services Company (ESCO), and also the Chairman of Automobile Association of Kenya and Vice Chairman, National Bank of Kenya Limited. He was appointed as a non-executive director of BOC Kenya Limited in May 1994. He was recently appointed as Chairman of the Kenya Roads Board.



NGUGI KIUNA

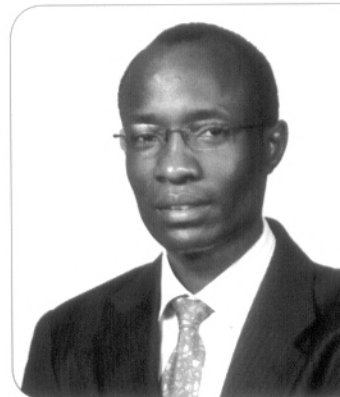
Ngugi Kiuna is a holder of a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England. He was the Managing Director of Diversey Eastern and Central Africa Limited until July 2006. He was appointed a non-executive director of BOC Kenya Limited in October 1993. Ngugi has served in various boards of listed and non-listed companies among them Access Kenya Limited and the Kenya Power and Lighting Company and is a reknown businessman.

**FREDERICK KOTZEE**

Frederick Kotzee is the group financial director of African Oxygen (South Africa). He is a Chartered Accountant and an honors commerce graduate from the University of Pretoria. He also holds a BProc and a BA from the University of South Africa. He was appointed director on 12 August 2009. Frederick has fourteen years post-articles experience in mining, industry and merchant banking. He joined Anglo Platinum's corporate finance department in 2002 from ING Barings. In 2008 he was appointed General Manager of Corporate Finance for Anglo American, and returned to Anglo Platinum in 2009 as Head of Business Development.

ARTHUR KAMAU

Arthur Kamau is a graduate of Economics and Business Studies (Kenyatta University) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK), where he has previously served on its finance committee. He trained as an accountant with the global accountancy services firm, KPMG, where he rose to the position of senior manager. Arthur has also spent nine years in the manufacturing industry, firstly at United Distillers and Vintners Limited, then at Diversey Eastern and Central Africa Limited, where he was Finance Director and also Chair of the Board of Trustees of that company's Provident Fund. Arthur joined BOC Kenya Limited in December 2010 as the General Manager responsible for Finance & Administration.



REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2010, which disclose the state of affairs of the Group and Company.

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year are set out on page 18.

DIVIDENDS

During the year, the Company paid an interim dividend of KShs 2.00 (2009 - KShs 2.00) per share, amounting to KShs 39,050,892 (2009 KShs 39,050,892). The directors recommend the approval of a final dividend of KShs 1.40 (2009 - KShs 4.80) per share amounting to KShs 27,335,624 (2009 - KShs 93,722,141) and a special dividend of KShs 6.00 (2009-KShs Nil) amounting to KShs 117,152,676 (2009- KShs Nil).

DIRECTORS

The directors who served since 1 January 2010 are set out on page 5.

AUDITORS

The auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486).

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the directors held on 18 February 2011.

BY ORDER OF THE BOARD

VIRGINIA NDUNGE
Secretary

Date: 18 February 2011

The Directors are responsible for the preparation and presentation of the financial statements of BOC Limited set out on pages 18 to 59 which comprise the statement of financial position at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparing and presentation of financial statements in accordance with International Financial Reporting Standards in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure the Company maintains proper accounting records, which disclose with reasonable accuracy the financial position of the Company.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the Company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 18 February 2018 and were signed on its behalf by:

J.G. Kibe
Director

M. Msiska
Director



"Best practice corporate governance principles are the hallmark of BOC Kenya and guide the Company's operations at all levels."

Joseph Gilbert Kibe, Chairman

ECONOMIC OVERVIEW

The Kenyan economy has continued to show sustained resilience following the December 2007 disputed election results which, together with the global economic downturn, dampened economic activity. The economy is expected to be on track to achieving the pre-2007 growth levels of 7%, with indicators suggesting GDP growth for 2010 to be above 5.5%. The government has maintained a generally stable macro-economic environment, which has been conducive to business growth. The regional economies in East Africa have continued to grow.

High operating costs, especially power and fuel, have remained high and there are no signs that these will decline in the medium term. Despite these challenges, the Company continues to pursue its key strategy of securing sustainability and growth within the East Africa region.

FINANCIAL RESULTS

The Company's turnover declined by 10% in the year ended 31 December 2010. Profit before tax was down 50%. The decline in profit was due to difficult trading conditions in the region and product shortages. The Board adopted a robust credit control policy which resulted in increased bad debt provisions in the year. Though this had a significant impact on the profits, it has resulted in a balance sheet that better reflects the financial position of the Company. The strengthening of the Company's credit management function in 2011 will result in reduced debt exposure and therefore stem

the need to increase provisions. Controls to improve stock management will also be implemented in 2011 in order to optimise on our stock holdings as part of our increased focus on working capital management.

THE LINDE GROUP

BOC Kenya's parent company, The Linde Group of Germany, declared an operating profit increase of 22.6% for fiscal 2010 on the back of a 14.8% increase in global sales. You can view The Linde Group 2010 Annual Report at www.linde.com.

CORPORATE GOVERNANCE

Best practice corporate governance principles are the hallmark of BOC Kenya and guide the Company's operations at all levels. The Board of directors are ultimately accountable to all stakeholders for ensuring that the Company's business is conducted in accordance with highest standards of corporate governance. The role of the Board is to assist in determining the Company's direction and strategy, monitoring the achievement of the business objectives, ensuring the Company meets its responsibilities to shareholders and that the control environment mitigates exposure to risk.

The Board, comprising five non-executive directors and two executive directors, brings to the Company the diverse competencies, management and business acumen required to effectively ensure the highest standards are maintained in the running of the Company.

OUR PEOPLE

Employees are continuously assessed in order to enable the skills required to carry out their responsibilities. BOC Kenya's policy to develop our people is fully integrated with The Linde Group, which is committed to being the employer of choice for the best talent. As a result, our people have access to The Linde Group's online training database, Integrated Management Systems and Standards (IMSS), that provides high-standard material designed for specific roles globally. Where local gaps are identified, management work with employees to enhance knowledge through training.

PROSPECTS FOR THE FUTURE

The Board expects a challenging business environment in 2011 due to fierce competition exerting pressure on margins in the face of rising operating costs. Though inflation was contained for most of 2010, indications are that it is on the rise and will exert further pressure on overheads in 2011. We will continue to focus on customers, delivering high standards of service while maintaining operational efficiencies and managing

costs to ensure sustainable profitability. We continue our journey towards becoming a High Performance Organisation, embracing as it does the partnerships between customers, employees, shareholders, suppliers and society.

APPRECIATION

I would like to thank our customers, suppliers and re-sellers for their continued support. The Board is committed to ensuring our business partnerships remain mutually beneficial in the years ahead.

Finally, I would like to thank my fellow directors for providing leadership and support in the affairs of the Company. I would also like to thank the management team and our employees for their dedication and hard work during the year.

J G Kibe

Chairman

18 February 2011



OMIC REVIEW AND PERFORMANCE

Revenue for the year to 31 December 2010 was KSh 1.15 billion, down 10%, with profit before tax at KSh 14.7 million, down 50%, compared to 2009. BOC Kenya faced tough trading conditions in 2010 with increased competitor pressure and product shortages as a result of delayed asset refurbishment and piracy affecting availability of LPG. The enforcement of a new tighter credit control policy, introduced during the year to combat bad debt, impacted on the bottom line as a result of certified orders. High production costs and provisions for bad debt and stock announced during the year, also combined to drive down returns.

The outlook for the region is encouraging for 2011 as is the Kenyan Government's infrastructure investments, which should firm up demand for gases, consumables and other BOC Kenya products. We shall continue to focus on cost reduction, making significant investment in the upgrading of our facilities. Our subsidiaries in Uganda and Kenya will continue to be our growth drivers, both in terms of sales and profitability. With the advent of the East African Community Customs Union there is a common market of over 100 million people and we are optimistic that we will continue to benefit from this common market of opportunities.

Through our subsidiaries, we continue to leverage our expertise in areas such as medical and LPG pipeline installations, Argon and Argoshield supplies, coupled with a wide range of Miller welding equipment and

special electrodes. We continue to service high-value sectors such as the gold, nickel and diamond mining industry together with the sugar and steel markets.

OPERATIONAL EFFICIENCY

During the year, the company upgraded its Enterprise Resource Planning (ERP) system and proprietary Cylinder Asset Management System (CAMS). These investments have led to efficiencies and improved management information flows and asset tracking.

Going forward, the Company will continue to focus on personnel development and motivation, as this is key to the achievement of our objectives.

Our quest to become a High Performance Organisation continues. Our journey has four thrusts that are our main focus:

- Customer focus - having a clear understanding of customer needs and providing solutions that consistently meet these needs;
- Process excellence - implementing standardised global best operating practices that will bring efficiency to our processes and systems;
- Ability to execute - getting things done efficiently and on a timely basis; and
- People excellence - becoming the employer of choice for the best talent available.

Continuous improvement is the cornerstone of our high performance culture and drives us to learn, change and improve and we have made sustainable progress on this front.

WORKING CAPITAL MANAGEMENT

Cash generation for operational and investment needs is still a key measure of management performance. The Company's capital investment model is based on the ability to identify opportunities that will generate acceptable cash flows over the appraisal period. In view of the continuing economic challenges, the need for cash generation becomes ever more imperative and management is actively aware of the changed circumstances and has put in place the necessary mitigations. The Board adopted a more robust credit control policy which resulted in additional bad debt provision for the period under review. In addition, a detailed review of stock holdings was also carried out.

CUSTOMER SERVICE

Understanding the needs of our customers and offering them products, services and technologies that meet those needs consistently, is among our prime areas of focus. The Customer Service Improvement (CSI) programme requires that customer issues, which we regard as opportunities for improvement, are investigated to identify root causes for appropriate corrective action.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) MANAGEMENT

On SHEQ, we continue to uphold The Linde Group standards. Our SHEQ policy states that "We shall not harm people or the environment" and is premised on our ethos of "Safety is 100% of our behavior 100% of the time". We have continued to build on our various initiatives such as 'near-miss' reporting, SHEQ Roadmap and "LeadSafe" observations, all of which are aimed at promoting safe behavior, and visible leadership at executive and functional team level. To reinforce this, a set of seven Golden Rules were developed and implemented at all sites targeting 100% of The Linde Group's 48,000 employees world-wide. Our people continue to be involved in, and are measured on, their contribution to the SHEQ programme.

Our SHEQ Roadmap progress monitoring is geared to achieve a minimum of standard level in 11 out of 21 components by end of 2011. The ultimate goal is to attain world-class behavioral standards in all the 21 components.

BOC Kenya maintained its ISO 9001:2000, ISO 14000:2004 and OHSAS 18000:2007 certification during the year.

We upgraded our ISO 9001:2000 to ISO 9001:2008. In addition, we attained ISO 14001:2004 and OHSAS 18001:2007 accreditation. The benefits of these achievements will manifest in the success of the business through operational efficiencies and effectiveness in meeting stakeholder requirements.

ASSET REFURBISHMENT

We have embarked on an asset refurbishment and upgrade programme in response to business needs. The first one being the upgrade of the ASU Plant which commenced late 2010 and is expected to be completed in the second quarter of 2011. This upgrade will lead to increased plant capacity and improved efficiencies.

COMMUNITY INVOLVEMENT PROGRAMME (CIP)

At the forefront of this programme are our people who drive it through dedicating their time and effort towards sustainable projects that they adopt in consultation with local communities. Our emphasis has been directed towards disadvantaged children in homes. One day in the year is set aside for Tumaini (Day of Hope) when celebrations are held.

We are members of the UN Global Compact Network Kenya, which demonstrates our commitment to universal declaration of human rights, labor standards, the environment and anti-corruption.

FUTURE PROSPECTS

The increasingly competitive environment calls for a continuous re-evaluation of strategy. We continue to focus on our ambitious growth strategy placing customers at the forefront of everything we do. Our growth prospects are linked to the quality of our people, the positive growth prospects of the economies in which we operate and the ability to exceed the expectations of our customers. Growth is expected in Uganda and Tanzania moving forward.

The Company's management team is confident that BOC Kenya is well placed to take advantage of emerging opportunities even with the challenges presented by the current economic downturn.

APPRECIATION

We strive to be the dependable partner in business. The initiatives we have been driving in recent years are making a difference. I thank each of our customers and suppliers for their trust in us.

I thank the non-executive members of the Board for their invaluable guidance and support to the executive and the BOC Kenya team.

My colleagues in BOC Kenya, at every level of the organisation, demonstrate tremendous commitment to the Company and I sincerely thank you all.

M. Msiska
Managing Director
18 February 2011

The Board recognises the importance of corporate governance and as such it carries out its mandate with honesty, openness and integrity and is committed to applying and enforcing relevant corporate governance principles, policies and practices within the Group. The Board is committed to the principles of accountability and to the provision of relevant and meaningful reporting to all stakeholders.

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

BOARD OF DIRECTORS

The Board comprises five non-executive directors, two executive directors, the Managing Director and the General Manager for Finance and Administration. The Board meets on a quarterly basis scheduled during the year, with additional meetings as necessary. The appointment of directors is on the basis of experience, skills and level of contribution necessary to carry out their duties. Summarised below are the key roles and responsibilities of the Board:

Approval and adoption of the strategic and annual business plans, the setting of objectives and review of key risk and performance areas;
Approval of commitments outside the authority delegated to the executive management committees and individual directors;
Determination of overall policies and processes to ensure integrity of the Group's management of risk and internal control;
Approval and adoption of Group policies, programmes and procedures for safety, health, environment, treasury, remuneration and benefits;
Review at regular Board meetings of management's performance against set objectives; and
Approval of the appointment and removal of directors and the external auditors.

AUDIT COMMITTEE

The Board has constituted an Audit Committee which meets at least twice annually, as scheduled. The Committee, whose membership comprises non-executive directors, meets with internal auditors, external auditors and management as appropriate. Its responsibilities include:

- Ensuring the maintenance of sound risk management and internal control systems;
- Review of financial information, in particular half-year and the annual financial statements, before they are submitted for review and approval of the full board;
- Ensuring integrity of financial reporting and internal and external audit processes;
- Evaluation of the findings of the external and internal audit functions, the actions taken, the appropriateness and adequacy of the systems of internal financial and operational control and review of accounting policies and financial information issued to stakeholders;
- Recommending to the Board the selection and appointment of the Group's external auditors and review of proposed audit fees; and
- Requesting for in-depth investigation into any matter that is of concern to the Committee that is likely to have an impact on the operations of the Group.

RETIREMENT AND REMUNERATION BENEFITS COMMITTEE

The Committee is mandated to determine and make recommendations to the Board on the remuneration policies of the Group, and the terms and conditions of employment of the executive directors and senior management in order to maintain a competitive and equitable compensation policy.

Specifically, the Committee determines, on behalf of the Board, the detailed terms of service of the senior management team including salaries, performance related bonus arrangements and any other benefits that may accrue from time to time.

COMMUNICATION WITH STAKEHOLDERS

The Group is committed to ensuring that shareholders, relevant authorities such as the Nairobi Stock Exchange, the Capital Markets Authority and financial markets are provided with timely information about its overall performance.

This is usually done through investor briefings at half-year and year-end results announcements and circulation of the annual financial statements prior to the annual general meeting. The Board encourages shareholders to attend its annual general meeting, notice of which is contained in these financial

statements. This meeting provides opportunities for shareholders to ask questions of the Board.

DIRECTORS' LOANS

There were no loans made to the directors at any time during the year by virtue of their positions in the Group.

DIRECTORS' REMUNERATION

The remuneration of all directors is subject to regular review to ensure that the levels of remuneration and compensation are appropriate. Information on aggregate amount of emoluments and fees paid to directors is disclosed in note 10 of the financial statements.

DIRECTORS' INTEREST

Below is the summary of the shares in BOC Kenya Limited held by the directors at the close of the financial period:

Mr Ngugi Kiuna 1,200
Mr Alfred C Juma 500

EXECUTIVE COMMITTEE

The Managing Director chairs an executive committee, which comprises senior management. This committee meets on a monthly basis and is mandated to:

- Review the Group performance in relation to the targets and objectives as agreed at the beginning of the financial period;
- From time-to-time, take the necessary corrective measures with a view to meeting agreed objectives;
- Address any critical operational and employee issues that may have arisen in the course of business; and
- Ensure effective communication with all stakeholders of the Group.

RISK MANAGEMENT AND INTERNAL CONTROLS

The management recognises its role to grow shareholder value while adhering to approved risk assessment procedures and limits. This is done by identifying risks that may inhibit the Group from achieving its objectives, analysing those risks, avoiding certain risks and implementing plans for mitigating risks that remain.

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

As part of planning, meetings are held with senior management to establish and classify major risks, to assess whether appropriate actions are in place to minimise or eliminate them, and whether insurance cover against risk is required.

The directors have also defined procedures and financial controls to ensure that the Group's system of internal controls provide reasonable assurance that the assets are safeguarded, transactions are authorised and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by defined procedures, financial controls and information systems controls.

The internal audit department performs various activities in the evaluation of the risk management control and governance process. Significant business risks and weaknesses in the systems of operational and financial controls are highlighted and brought to the attention of the Audit Committee, senior management and external auditors. Areas accorded high risk profiles are given urgent attention by management.

At every Board meeting, the status of mitigation against identified business risks, are reviewed to ensure timely implementation and assess whether desired outcomes are being achieved.

EMPLOYMENT EQUITY

The Group is committed to the creation of an organisation that supports the equality of all employees and is committed to the elimination of all forms of discrimination in the work place. Our policy covers recruitment, staff development, retention and cultural diversity.

Our succession planning process identifies ability and talent and monitors, on a regular basis, the performance of high-fliers from designated groups. Individual development plans are agreed upon in collaboration with managers of the respective employees.

The Group manages the development of functional skills through the "Licence-to-Work" approach. This approach ensures that all employees are competent to perform their specific duties within a given time frame.

The retirement and remuneration committee of the Board also ensures that manpower plans are implemented timeously.

ETHICS OF CONDUCT

Like with The Linde Group, we are committed to the highest standards of integrity, behaviour and

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

STAFF HELP LINE

The Group has a facility through which staff are encouraged to report any actions that they consider to be against our established code of conduct. This facility is managed by an independent third party organisation in order to protect confidentiality.

GOING CONCERN

The directors, having considered all the relevant factors, are of the opinion that the annual financial statements have been prepared on a going concern basis. The directors have reason to believe that the Group has adequate resources in place to continue in operation for the foreseeable future.

SHAREHOLDERS' PROFILE FOR THE YEAR ENDED 31 DECEMBER 2010

Ownership structure

	Number of shareholders	Number of shares held	% of issued share capital
Investment Institutions	2	12,765,678	65.38
Investment Individuals	14	35,218	0.18
Financial Institutions	180	4,675,619	23.95
Financial Individuals	657	2,048,931	10.49
	853	19,525,446	100.00

Largest shareholders

	Number of shares held	% of issued share capital
Investment Holdings	12,765,578	65.38
Provincial Insurance Company Limited	986,967	5.05
Insurance Company of East Africa	455,812	2.33
Prudential Life Assurance Company Limited	288,456	1.48
Public Nominees Limited A/c R80001	163,855	0.84
Commercial Bank Nominees 'Account 769G'	147,000	0.75
Kenya (Kenya) Nominees Limited 'Account 9230'	130,200	0.67
Colyn Anne Gray Rosso	110,143	0.56
John Njoroge Ngugi	110,068	0.56
Kenya (Kenya) Nominees Limited 'Account 1256'	99,832	0.51
Top 10 shareholders	15,257,911	78.13
Other shareholders	4,267,535	21.87
Issued Shares	19,525,446	100.00

We have audited the Group financial statements of BOC Kenya Limited set out on pages 18 to 59 which comprise the statements of financial position of the Group and the Company at 31 December 2010, and the Group's statement of comprehensive income, statement of changes in equity for the Group and Company and statement of cash flows for the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As stated on page 9, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, we consider internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and Company at 31 December 2010, and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (ii) In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books; and
- (iii) The statements of financial position of the Group and Company are in agreement with the books of account.

KPMG Kenya
18 February 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year Ended 31 December 2010 KShs'000	Year Ended 31 December 2009 KShs'000
Revenue			
Cost of sales		1,155,379 (584,013)	1,285,373 (654,828)
Gross profit			
Other operating income		571,366	630,545
Distribution costs	7	320	-
Administrative expenses		(91,687)	(102,438)
Impairment losses		(259,886) (136,625)	(294,804) (34,500)
Operating profit			
Finance income		83,488	198,803
Non-trading expenses	9 10	31,197 -	45,258 (12,379)
Operating profit before income tax			
Income tax expense	11 12	114,685 (35,348)	231,682 (77,775)
Profit for the year		79,337	153,907
Other comprehensive income			
Foreign currency translation differences			
Foreign operations			
Change in fair value of available-for-sale financial assets		(11,641)	(19,526)
Deferred tax on change in fair value of available-for-sale financial assets		75,240	111,540
		(22,572)	(33,462)
Other comprehensive income for the year		41,027	58,552
Comprehensive income for the period		120,364	212,459
Earnings per share (KShs per share)			
Basic and diluted	13	4.06	7.88
Dividends			
Interim dividends – paid in the year			
Final dividends for the year	14	39,051	39,051
Special dividends for the year	14	27,336	93,722
	14	117,153	-
		183,540	132,773

Notes set out on pages 26 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2010 KShs'000	At 31 December 2009 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	15(a)	738,976	809,132
Intangible assets	16	2,923	2,932
Available-for-sale financial assets	18	277,200	201,962
Prepaid operating leases	19	3,800	3,900
Total non-current assets		1,022,899	1,017,926
Current assets			
Inventories	20	232,549	223,600
Short term investments	21	339,685	252,900
Trade and other receivables	22	262,932	362,500
Current income tax		28,363	56,400
Cash and bank balances	23	133,382	74,700
Total current assets		996,911	970,100
TOTAL ASSETS		2,019,810	1,988,026
EQUITY AND LIABILITIES			
Capital and reserves (Page 21 - 22)			
Share capital	24	97,627	97,627
Share premium	24	2,554	2,554
Revaluation surplus	25(a)	112,985	114,000
Fair value reserve	25(b)	196,745	144,000
Foreign currency translation reserve	25(c)	(6,109)	(18,000)
Retained earnings		973,094	1,099,000
Proposed dividends	14	144,489	93,000
Total equity		1,521,385	1,533,600
Non-current liabilities			
Deferred income tax	26(a)	96,411	8,000
Current liabilities			
Trade and other payables	27	402,014	300,000
TOTAL EQUITY AND LIABILITIES		2,019,810	1,988,026

The financial statements on pages 18 to 59 were approved for issue by the board of directors on 18 February 2011 and signed on its behalf by:

J.G. Kibe
Director

M. Msiska
Director

The notes set out on pages 26 to 59 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2010 KShs'000	At 31 December 2009 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	15(b)	711,799	776,389
Intangible assets	16	2,923	2,939
Investment in subsidiaries	17	60	60
Available-for-sale financial assets	18	277,200	201,960
Prepaid operating leases	19	3,800	3,905
Total non current assets		995,782	985,253
Current assets			
Inventories	20	218,570	209,294
Short term investments	21	271,560	230,322
Trade and other receivables	22	242,931	322,184
Current income tax		28,429	52,991
Cash and bank balances	23	112,624	53,379
Total current assets		874,114	868,170
TOTAL ASSETS		1,869,896	1,853,423
EQUITY AND LIABILITIES			
Capital and reserves (Page 23-24)			
Share capital	24	97,627	97,627
Share premium	24	2,554	2,554
Revaluation surplus	25(a)	112,985	114,815
Reserve for depreciation	25(b)	196,745	144,077
Retained earnings		852,164	970,482
Proposed dividends	14	144,489	93,722
Total equity		1,406,564	1,423,277
Current liabilities			
Current income tax	26(b)	103,528	90,246
Trade and other payables	27	359,804	339,900
TOTAL EQUITY AND LIABILITIES		1,869,896	1,853,423

Financial statements on pages 18 to 59 were approved for issue by the board of directors on 27 February 2011 and signed on its behalf by:

M. Msiska
Director

These financial statements set out on pages 26 to 59 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
Year ended 31 December 2010								
At the beginning of year	97,627	2,554	114,815	144,077	(18,854)	1,099,853	93,722	1,533,794
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	79,337	-	79,337
Other comprehensive income								
Transfer of excess depreciation	-	-	(2,614)	-	-	2,614	-	-
Deferred tax on excess depreciation	-	-	784	-	-	(784)	-	-
Currency translation differences	-	-	-	-	12,745	(24,386)	-	(11,641)
Change in available for sale financial assets	-	-	-	75,240	-	-	-	75,240
Deferred tax on change in available for sale financial assets	-	-	-	(22,572)	-	-	-	(22,572)
Total other comprehensive income for the year	-	-	-	52,668	12,745	(22,556)	-	41,027
Total comprehensive income for the year	-	-	(1,830)	52,668	12,745	56,781	-	120,364
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	-	-	(93,722)	(93,722)
- Final for 2009 (Paid)	-	-	-	-	-	(39,051)	-	(39,051)
- Interim for 2010 (Paid)	-	-	-	-	-	(27,336)	27,336	-
- Proposed final for 2010	-	-	-	-	-	(117,153)	117,153	-

Year ended 31 December 2009	capital KShs'000	premium KShs'000	surplus KShs'000	reserve KShs'000	reserve KShs'000	earnings KShs'000	proposed dividends KShs'000	Total KShs'000
At the beginning of year	97,627	2,554	116,645	-	672	1,142,888	93,722	1,454,108
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	153,907	-	153,907
Other comprehensive income								
Transfer of excess depreciation	-	-	(2,614)	-	-	2,614	-	-
Deferred tax on excess depreciation	-	-	784	-	-	(784)	-	-
Foreign currency translation differences	-	-	-	-	(19,526)	-	-	-
Change in available for sale financial assets	-	-	-	111,540	-	-	-	(19,526)
Deferred tax on change in available for sale financial assets	-	-	-	(33,462)	-	-	-	111,540
Transfer to fair value reserve	-	-	-	65,999	-	(65,999)	-	(33,462)
Total other comprehensive income for the year	-	-	(1,830)	144,077	(19,526)	(64,169)	-	58,552
Total comprehensive income for the year	-	-	(1,830)	144,077	(19,526)	89,738	-	212,459
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	-	-	(93,722)	(93,722)
- Final for 2008 (Paid)	-	-	-	-	-	(39,051)	-	(39,051)
- Interim for 2009 (Paid)	-	-	-	-	-	(93,722)	93,722	-
- Proposed final for 2009	-	-	-	-	-	-	-	-
At end of year	97,627	2,554	114,815	144,077	(18,854)	1,099,853	93,722	1,533,794

The notes set out on pages 26 to 59 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Fair value reserve KShs'000	Retained reserve KShs'000	Proposed dividends KShs'000	Total KShs'000
At the beginning of year	97,627	2,554	114,815	144,077	970,482	93,722	1,423,277
	-	-	-	-	63,392	-	63,392

Comprehensive income for the year

Profit for the year

Other comprehensive income

Transfer of excess depreciation

Deferred tax on excess depreciation

Change in available for sale financial assets

Deferred tax on change in available for sale financial assets

Transfer to fair value reserve

Total other comprehensive income for the year

Total comprehensive income for the year

Transactions with owners, recorded directly in equity

Dividends:

- Final for 2009 (Paid)

- Interim for 2010(Paid)

- Proposed final for 2010

- Proposed special for 2010

Year ended 31 December 2009

At the beginning of year
Comprehensive income for the year
Profit for the year

Other comprehensive income

Transfer of excess depreciation
Deferred tax on excess depreciation

Change in available for sale financial assets
Deferred tax on change in available for sale financial assets
Transfer to fair value reserve

Total other comprehensive income for the year

Total comprehensive income for the year

Transactions with owners, recorded directly in equity
Dividends:

- Final for 2008 (paid)
- Interim for 2009
- Proposed final for 2009

At end of year

The notes set out on pages 26 to 59 form an integral part of these financial statements.

	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Fair value reserve KShs'000	Retained reserve KShs'000	Proposed dividends KShs'000	Total KShs'000
At the beginning of year	97,627	2,554	116,645	-	1,039,617	93,722	1,350,165
Comprehensive income for the year	-	-	-	-	127,807	-	127,807
Profit for the year	-	-	-	-	-	-	-
Transfer of excess depreciation	-	-	(2,614)	-	2,614	-	-
Deferred tax on excess depreciation	-	-	784	-	(784)	-	-
Change in available for sale financial assets	-	-	-	111,540	-	-	111,540
Deferred tax on change in available for sale financial assets	-	-	-	(33,462)	-	-	(33,462)
Transfer to fair value reserve	-	-	-	65,999	(65,999)	-	-
Total other comprehensive income for the year	-	-	(1,830)	144,077	(64,169)	-	78,078
Total comprehensive income for the year	-	-	(1,830)	144,077	63,638	-	205,885
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-
Dividends:	-	-	-	-	-	-	-
- Final for 2008 (paid)	-	-	-	-	-	(93,722)	(93,722)
- Interim for 2009	-	-	-	-	(39,051)	-	(39,051)
- Proposed final for 2009	-	-	-	-	(93,722)	93,722	-
At end of year	97,627	2,554	114,815	144,077	970,482	93,722	1,423,277

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year Ended 31 December 2010 KShs'000	Year Ended 31 December 2009 KShs'000
Operating activities			
Cash generated from operations	28	274,640	122,234
Tax paid		(19,848)	(142,978)
Net cash generated/(used) from operating activities		254,792	(20,744)
Investing activities			
Purchase of property, plant and equipment	15(a)	(4,085)	(60,280)
Purchase of intangible assets	16	(1,477)	(222)
Proceeds from disposal of equipment		320	-
Interest received		20,762	22,945
Dividends received		10,230	9,900
Net cash generated/(used) in investing activities		25,750	(27,657)
Financing activities			
Dividends paid		(132,773)	(132,773)
Net cash used in financing activities		(132,773)	(132,773)
Increase/(Decrease) in cash and cash equivalents		147,769	(181,171)
Movement in cash and cash equivalents			
At the beginning of year		327,760	509,300
Increase/(Decrease)		147,769	(181,171)
Effects of exchange rate changes on foreign Cash and cash equivalents		(2,462)	(4,829)
At end of year	23	473,067	327,760

The notes set out on pages 26 to 59 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

The Company is incorporated as a limited Company in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The Company's registered address is Kitui Road, Industrial Area, PO Box 18010 – 00500, Nairobi. The consolidated financial statements of the Group as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the manufacture of industrial gases and welding products.

The ultimate holding Company of BOC Kenya Limited is Linde A.G., which is a limited liability Company incorporated in Germany.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of BOC Kenya Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Kenyan Companies Act.

The consolidated financial statements were authorised for issue by the Board of Directors on 18 February 2011.

) Basis of measurement

The financial statements are prepared under the historical cost basis except for:

- certain property and equipment measured on the revaluation basis; and
- available for sale financial assets are measured at fair value

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised and if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 – Critical accounting estimates and judgements.

Functional and presentation currency

These consolidated financial statements are presented in Kenya Shillings, which is the Company's functional currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases. In assessing controls, potential voting rights that are presently exercisable are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the

acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(ii) Special purpose entities

The Group has established a special purpose entity (SPE) for trading and investment purposes. The Group has direct shareholding in this entity. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPE controlled by the Group was established under terms that impose strict limitations on decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incurred by the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE's assets.

(iii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Translation of foreign currencies

(i) Transactions and balances in Group entities

Foreign currency transactions are translated into the functional currency of the respective entity at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Translation of foreign currencies

(i) Transactions and balances in Group entities - continued

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss in profit or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognized in other comprehensive income and included in the fair value reserve in equity.

(ii) Consolidation of Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
- ii. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income expenses are translated at the dates of the transactions); and
- iii. All resulting exchange differences are recognised in other comprehensive income and presented as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, and is stated net of value-added tax (VAT), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Sales of goods are recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and when there is no continuing management involvement.
- (ii) Sales of services are recognised in the period in which the services are rendered by reference to the completion of specific transactions assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably and the amount of revenue can be estimated reliably.

Finance income

Finance income comprises interest income on funds invested, dividend income, gains on disposal of available for sale financial assets and net foreign currency gains and losses. Interest income is recognised on a time proportion basis in profit or loss using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which is in the case of quoted securities the ex-dividend date.

3 SIGNIFICANT ACCOUNTING POLICIES continued

(e) **Income tax**

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the relevant tax legislation, using the tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognized. In addition, deferred tax is not recognised for taxable temporary differences arising on initial recognition of goodwill. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related temporary differences reverse.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(f) **Property, plant and equipment**

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

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

Revaluations are done with sufficient regularity such that carrying amount does not differ materially from that which would be the fair value at the balance sheet date. Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation recognised in profit or loss) and the depreciation based on the asset's original cost is transferred within equity from the revaluation reserve to retained earnings.

Depreciation is recognised in profit or loss on a straight line basis to write down the cost of each asset to residual values over their estimated useful life as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

3 SIGNIFICANT ACCOUNTING POLICIES continued

(f) **Property, plant and equipment (continued)**

Capital work in progress represents assets that are under construction or that are not immediately available for use, and is not depreciated but reviewed for impairment.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken included in other operating income. On disposal of revalued assets, amounts in the revaluation reserve relating to such assets are transferred to retained earnings.

(g) **Intangible assets**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised to their residual values over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised to their residual values over their estimated useful lives (not exceeding three years).

(h) **Accounting for leases**

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is recognised in profit or loss over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease. Any resulting operating lease accrual or prepayment is recognised over the period of the lease.

(i) **Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other related direct costs and production overheads (based on normal operating activities), but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Recognition and measurement of financial instruments

(i) **Classification**

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. These are classified as follows:

3 SIGNIFICANT ACCOUNTING POLICIES continued

(j) Recognition and measurement of financial instruments (continued)

(i) Classification - continued

Financial assets at fair value through profit or loss: This category has two subcategories; financial assets held for trading, and those designated at fair value through profit or loss at inception. Financial instruments reclassified in this category are those that the Group holds principally for the purpose of short-term profit taking.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Loans and receivables comprise receivables and balances due from Group companies.

Held-to-maturity assets are financial assets with fixed or determinable payments and maturities that the Group has positive intent and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Available-for-sale assets are the non-derivative financial assets that are designated as available-for-sale or are not classified as held for trading purposes, loans and receivables or held to maturity. These include short-term deposits and cash and bank balances.

(ii) Recognition

The Group recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets. From this date any gains and losses arising from changes in the fair value of the assets are recognised.

Held-to-maturity, loans and receivables are recognised on the date they are transferred to the Group.

(iii) Measurement

Financial instruments are measured initially at fair value, including transaction costs. Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, less transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income and presented within equity until the instrument is derecognised or impaired, at which time the cumulative gain or loss is recognised in profit or loss and instrument gains or losses are recognised in profit or loss in the period they arise.

(iv) Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

SIGNIFICANT ACCOUNTING POLICIES continued

(k) Trade receivables

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

(l) Impairment of assets

(i) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognised previously in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

(ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Group that generates cash flows that largely are independent from other assets and Groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

m) Cash and cash equivalents

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

3

SIGNIFICANT ACCOUNTING POLICIES continued

(n) Employee entitlements

(i) Retirement benefit obligations

The Group operates a defined contribution scheme for all its employees. Contributions to the defined contribution plan are recognised in profit or loss as incurred and presented as an employee benefit expense. Any difference between the amount recognised in profit or loss and the contributions payable is recorded in the statement of financial position under other receivables or other payables.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense in profit or loss if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

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

(o) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which, in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax

Income tax expense comprises current and change in deferred tax. Current tax and changes in deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to current tax payable in respect of previous years.

3

SIGNIFICANT ACCOUNTING POLICIES continued

(v) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(w) Comparatives

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

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements as follows:

- IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets; amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to the statement of comprehensive income at a later date. However, dividends on such investments are recognised in the statement of comprehensive income, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in the statement of comprehensive income.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value. The standard is effective for annual periods beginning on or after 1 January 2013. Early application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

- IAS 24 Related Party Disclosures amends the definition of a related party and modifies related party disclosure requirements for government related entities. The amendments will become mandatory for the Group's 2011 financial statements and are not expected to have an impact on the presentation of related party information in the Group's financial statements.

4

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

(i) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

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

- the classification of financial assets and leases;
- Whether assets are impaired

(c) Revaluation of property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

5 FINANCIAL RISK MANAGEMENT continued

(a) **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating. Given the good credit ratings, management does not expect any counterparty to fail to meet its obligations.

Write-off policy

Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment allowance has been raised, then that amount will be written off. The determination is reached after considering information such as the occurrence of significant changes in the customer's position such that the customer can no longer pay the obligation.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(c) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS

continued

5 FINANCIAL RISK MANAGEMENT continued

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are ZAR, USD and GBP, UGShs and TShs.

Interest rate risk

The Group exposure to interest rate risk is with regards to fluctuation in interest rates in the market which affects the returns on the investments held by the Group. The investments are managed by Barclays Security Services who ensure that the Group gets a good return from the investments

Equity price risk

The Group is exposed to price risk in respect of its investments in quoted shares.

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There is no externally imposed capital requirements.

There were no changes in the Group's approach to capital management during the year.

6 SEGMENT INFORMATION

The Group has three reportable segments which are the strategic business units in the following regions:

- Kenya;
- Tanzania; and
- Uganda.

For each of the strategic business units, the Board reviews internal management reports. Information regarding the results of each reportable segment is described below. Performance is measured based on each segment profit before tax as indicated in the internal management reports that are reviewed by the Board.

Year ended 31 December 2010	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Sales	970,150	115,172	70,057	1,155,379
Operating profit	62,317	4,839	16,332	83,488
Finance income	28,528	1,688	981	31,197
Profit before income tax	90,845	6,527	17,313	114,685
Income tax expense	(27,452)	(2,702)	(5,194)	(35,348)
Profit for the year	63,393	3,825	12,119	79,337
Year ended 31 December 2009	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Sales	1,078,197	122,474	84,702	1,285,373
Operating profit	161,601	18,547	18,655	198,803
Finance income	44,845	46	367	45,258
Non-trading expense	(12,379)	-	-	(12,379)
Profit before income tax	194,067	18,593	19,022	231,682
Income tax expenses	(66,260)	(6,020)	(5,495)	(77,775)
Profit for the year	127,807	12,573	13,527	153,907

Other segment items included in the income statement are:

Year ended 31 December 2010	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Depreciation	68,370	1,189	970	70,529
Amortisation of intangible assets	1,493	-	-	1,493
Amortisation of operating leases	105	-	922	1,027
Impairment of inventories	49,277	11,685	5,981	66,943
Impairment of trade receivables	45,200	23,560	-	68,760

NOTES TO THE FINANCIAL STATEMENTS

6 SEGMENT INFORMATION continued

Year ended 31 December 2009	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Depreciation	65,059	1,787	1,124	67,970
Amortisation of intangible assets	2,233	-	1	2,234
Amortisation of operating leases	105	-	-	105
Impairment of inventories	20,346	11,679	190	32,215
Impairment of trade receivables	1,368	481	436	2,285

The segment assets and liabilities at 31 December 2010 and capital expenditure for the period then ended are as follows:

Year ended 31 December 2010	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Assets	1,819,689	9,851	80,270	2,019,810
Liabilities	359,804	28,625	13,585	402,014
Capital expenditure:				
(i) Additions to property, plant and equipment	3,780	-	305	4,085
(ii) Additions to intangible assets	1,477	-	-	1,477

Year ended 31 December 2009	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Assets	1,820,364	96,315	71,722	1,988,401
Liabilities	328,947	28,358	10,219	367,524
Capital expenditure:				
(i) Additions to property, plant and equipment	60,280	-	-	60,280
(ii) Additions to intangible assets	222	-	-	222

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred tax.

Segment liabilities comprise operating liabilities. They exclude tax and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

OTHER OPERATING INCOME

	2010 KShs'000	2009 KShs'000
Profit on disposal of property, plant and equipment	320	-

EMPLOYEE BENEFIT EXPENSES

The following items are included within staff costs:

Social security benefits		
Retirement benefits costs:		
- defined contribution scheme	358	597
	12,281	11,853

The number of persons employed by the Group at the end of the year was 105 (2009: 115)

NOTES TO THE FINANCIAL STATEMENTS continued

9 FINANCE INCOME

	2010 KShs'000	2009 KShs'000
Interest income on short term investments	20,762	22,945
Net foreign currency exchange gain	535	12,413
Dividend income	9,900	9,900
Finance income recognised in profit or loss	31,197	45,258

Dividend income represents interim and final dividends from investment in the shares of a Company that is listed on the Nairobi Stock Exchange (Note 18).

10 NON TRADING EXPENSES

	2010 KShs'000	2009 KShs'000
Restructuring costs	-	12,379

Write off relates to costs associated with the stalled acquisition of Carbacid Investments Limited.

11 PROFIT BEFORE TAXATION

	2010 KShs'000	2009 KShs'000
Profit before taxation is arrived at after charging:		
Repairs and maintenance expenditure on property, plant and equipment	19,620	15,975
Employee benefits expense	196,942	195,430
Directors' remuneration		
- Fees	3,173	3,106
- Salaries and short term benefits	16,839	15,761
Depreciation	70,529	67,970
Amortisation of intangible assets	1,493	2,234
Operating leases charges	105	105
Auditors remuneration		
- Group	3,843	4,177
- Company	2,500	2,500
And after crediting:		
Profit on disposal of property, plant and equipment	320	-

12 INCOME TAX EXPENSE

	2010 KShs'000	2009 KShs'000
Current income tax – Current period	47,264	72,598
Deferred income tax (Note 26)	(13,053)	(199)
Under provision of current income tax in prior years	1,439	7,575
Over provision of deferred tax in prior years	(302)	(2,199)
Income tax expense	35,348	77,775

NOTES TO THE FINANCIAL STATEMENTS continued

12 INCOME TAX EXPENSE continued

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

	2010 KShs'000	2009 KShs'000
Profit before tax	114,685	231,682
Tax calculated at a tax rate of 30% (2009: 30%)	34,406	69,505
Tax effect of:		
- Income not subject to tax	(2,475)	(2,871)
- Expenses not deductible for tax purposes	2,280	5,765
Under provision of current income tax in prior years	1,439	7,575
(Over)/under provision of deferred tax in prior years	(302)	(2,199)
Tax charge	35,348	77,775

13 EARNINGS PER SHARE

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

	2010 KShs '000	2009 KShs '000
Net profit attributable to shareholders	79,337	153,907
Weighted average number of ordinary shares in issue	19,525	19,525
Basic earnings per share (Shs)	4.06	7.88

There were no potentially dilutive shares outstanding at 31 December 2010 or 31 December 2009.

14 DIVIDENDS PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. At the next annual general meeting a final dividend in respect of the year ended 31 December 2010 of KShs 1.40 per share (2009: KShs 4.80 per share), amounting to a total of KShs 27,335,624 (2009: KShs 93,722,141) and a special dividend of KShs 6.00 (2009: KShs Nil) amounting to KShs 117,152,676 (2009: KShs Nil) is to be proposed. During the year, an interim dividend of KShs 2 per share (2009: KShs 2.00 per share), amounting to a total of KShs 39,050,892 (2009: KShs 39,050,892) was paid. The total dividend for the year is therefore KShs 9.40 per share (2009: KShs 6.80), amounting to a total of KShs 185,539,192 (2009: KShs 132,773,033).

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

15 PROPERTY, PLANT AND EQUIPMENT

(a) Group - 2010

	Buildings KShs'000	Plant and motor vehicles KShs'000	Cylinders KShs'000	Furniture and equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost or valuation						
At the beginning of year	209,702	604,199	525,355	85,899	11,699	1,436,854
Additions	-	305	492	1,467	1,821	4,085
Disposals	-	(703)	-	-	-	(703)
Transfers	930	125	5,489	-	(6,544)	-
Currency translation differences	(47)	(1,339)	(3,011)	(130)	-	(4,527)
At end of year	210,585	602,587	528,325	87,236	6,976	1,435,709
Depreciation						
At the beginning of year	(17,848)	(376,997)	(152,612)	(80,258)	-	(627,715)
Charge for the year	(5,264)	(37,322)	(25,236)	(2,707)	-	(70,529)
Disposals	-	703	-	-	-	703
Currency translation differences	41	468	196	103	-	80
At end of year	(23,071)	(413,148)	(177,652)	(82,862)	-	(696,733)
Carrying value						
At 31 December 2010	187,514	189,439	350,673	4,374	6,976	738,976

NOTES TO THE FINANCIAL STATEMENTS

continued

15 PROPERTY, PLANT AND EQUIPMENT continued

(a) Group - 2009

Cost or valuation	Buildings KShs'000	Plant and motor vehicles KShs'000	Cylinders KShs'000	Furniture and equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
At the beginning of year	209,862	564,816	411,977	85,442	108,944	1,381,041
Additions	22	7,477	23,628	484	28,669	60,280
Transfers		33,993	91,933		(125,926)	-
Currency translation differences	(182)	(2,087)	(2,183)	(27)	12	(4,467)
At end of year	209,702	604,199	525,355	85,899	11,699	1,436,854
Depreciation						
At the beginning of year	(12,640)	(340,374)	(129,889)	(77,561)	-	(560,464)
Charge for the year	(5,274)	(37,218)	(22,839)	(2,639)	-	(67,970)
Currency translation differences	66	595	116	(58)	-	719
At end of year	(17,848)	(376,997)	(152,612)	(80,258)	-	(627,715)
Carrying value						
At 31 December 2009	191,854	227,202	372,743	5,641	11,699	809,139

Company - 2010

Cost or valuation						
At the beginning of year	226,932	590,422	494,083	27,600	8,670	1,347,707
Additions	-	-	492	1,467	1,821	3,780
Disposals	-	(703)	-	-	-	(703)
Transfers	930	125	5,489	-	(6,544)	-
At end of year	227,862	589,844	500,064	29,067	3,947	1,350,784
Depreciation						
At the beginning of year	(35,093)	(373,026)	(143,981)	(19,218)	-	(571,318)
Charge for the year	(5,160)	(36,566)	(24,066)	(2,578)	-	(68,370)
Disposals	-	703	-	-	-	703
At end of year	(40,253)	(408,889)	(168,047)	(21,796)	-	(638,985)
Carrying value						
At 31 December 2010	187,609	180,955	332,017	7,271	3,947	711,799

15 PROPERTY, PLANT AND EQUIPMENT continued

(b) Company - 2009

	Buildings KShs'000	Plant and motor vehicles KShs'000	Cylinders KShs'000	Furniture and equipment KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost or valuation						
At the beginning of year	208,513	544,482	379,817	81,269	105,927	1,320,008
Additions	22	7,477	23,628	484	28,669	60,280
Adjustments	18,397	4,470	(1,295)	(54,153)	(125,926)	(32,581)
Transfers			33,993	91,933		-
At end of year	226,932	590,422	494,083	27,600	8,670	1,347,707
Depreciation						
At the beginning of year	(11,551)	(332,656)	(123,729)	(70,903)	-	(538,839)
Charge for the year	(5,145)	(35,900)	(21,547)	(2,467)	-	(65,059)
Adjustments	(18,397)	(4,470)	1,295	54,152	-	32,580
At end of year	(35,093)	(373,026)	(143,981)	(19,218)	-	(571,318)
Carrying value						
At 31 December 2009	191,839	217,396	350,102	8,382	8,670	776,389

Included in property, plant and equipment are assets with a gross value of KShs 166,041,050. (2008 - KShs 145,219,497) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 15,813,091 (2009 - KShs 14,506,193).

Buildings were valued during the year ended 30 September 2006, by Kenya Valuers & Estate Agents, independent valuers. Valuations were made on the basis of the open market value. The book values of properties were adjusted to the revaluations and the resultant gain net of deferred income tax was transferred to revaluation reserves in shareholders' equity.

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

	2010 KShs'000	2009 KShs'000
Cost	116,825	116,825
Accumulated depreciation	(23,070)	(23,070)
Net carrying amount	93,755	93,755

There were no idle assets at 31 December 2010 and 2009.

There was no property held as security as at 31 December 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

continued

16 INTANGIBLE ASSETS

Cost	Group		Company	
	2010 KShs'000	2009 KShs'000	2010 KShs'000	2009 KShs'000
At the beginning of year				
Additions	13,168	12,944	13,164	12,942
Foreign currency translation differences	1,477	222	1,477	222
	-	2	-	-
At end of year	14,645	13,168	14,641	13,164
Accumulated amortisation and impairment losses				
At the beginning of year				
Charge for the year	10,229	7,993	10,225	7,992
Foreign currency translation differences	1,493	2,234	1,493	2,233
	-	2	-	-
At end of year	11,722	10,229	11,718	10,225
Net carrying amount at 31 December	2,923	2,939	2,923	2,939

INVESTMENT IN SUBSIDIARIES

Company	Percentage shareholding	2010 KShs'000	2009 KShs'000
East African Oxygen Limited			
BOC Tanzania Limited	100%	-	-
BOC Uganda Limited	100%	10	10
	100%	50	50
		60	60

East African Oxygen Limited is incorporated in Kenya and is a dormant company.

BOC Tanzania Limited and BOC Uganda Limited are incorporated in Tanzania and Uganda respectively. The principal activity of the companies is the sales of industrial and medical gases, and welding products.

Civili Limited, a special purpose entity, is incorporated in Kenya and has been consolidated into the financial statement as it holds certain investments on behalf of BOC Kenya Limited.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 KShs'000	2009 KShs'000
Group and Company		
At the beginning of year		
Increase in fair value of investments	201,960	90,420
	75,240	111,540
At end of year	277,200	201,960

Available-for-sale financial assets represent the Group's investment in the shares of a quoted company.

19 PREPAID OPERATING LEASES

Group and Company

Leases expiring beyond five years

	2010 KShs'000	2009 KShs'000
At start of year	3,905	4,000
Operating lease charges	(105)	(100)
At end of year	3,800	3,900

20 INVENTORIES

	Group 2010 KShs'000	Group 2009 KShs'000	Company 2010 KShs'000	Company 2009 KShs'000
Raw materials	21,004	20,622	20,925	20,622
Finished goods and other saleable stock	181,770	215,615	166,189	180,000
Plant spares	29,519	25,544	27,457	23,000
Goods in transit	26,055	18,429	25,287	19,000
Work in progress	6,473	95	6,432	10,000
Inventories impairment	(32,272)	(56,670)	(27,720)	(30,000)
	232,549	223,635	218,570	208,622

21 SHORT TERM INVESTMENTS

	Group 2010 KShs'000	Group 2009 KShs'000	Company 2010 KShs'000	Company 2009 KShs'000
Short term investments net of impairment	339,685	252,972	271,560	230,000
	339,685	252,972	271,560	230,000

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

The weighted average effective interest rate on short-term bank deposits at year-end was 11% (2009: 8%).

TRADE AND OTHER RECEIVABLES

	2010 KShs'000	Group 2009 KShs'000	Company 2010 KShs'000	2009 KShs'000
Trade receivables	309,414	374,079	260,468	306,302
Less: Allowance for impairment	(72,496)	(28,885)	(39,906)	(15,879)
	236,918	345,194	220,562	290,423
Staff debtors	184	715	79	317
Prepayments	5,249	4,873	4,158	3,049
Receivables from related companies (Note 31)	1639	1,312	1,639	1,312
Other receivables	18,942	10,475	16,493	27,083
	262,932	362,569	242,931	322,184

CASH AND CASH EQUIVALENTS

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

	2010 KShs'000	Group 2009 KShs'000	Company 2010 KShs'000	2009 KShs'000
Cash at bank and in hand	133,382	74,788	112,624	53,379
Short term investments (Note 21)	339,685	252,972	271,560	230,322
	473,067	327,760	384,184	283,701

SHARE CAPITAL

	Number of shares (Thousands)	Ordinary shares KShs'000	Share premium KShs'000
Authorised	20,000	100,000	-
Issued and fully paid 2010 and 2009	19,525	97,627	2,554

The total authorised number of ordinary shares is 20,000,000 with a par value of Shs 5 per share.

The total issued number of ordinary shares is 19,525,446. All issued shares are fully paid up.

REVALUATION SURPLUS AND TRANSLATION RESERVES

Revaluation surplus

Revaluation reserves relate to surplus arising on revaluation of the Group's buildings net of deferred income tax recognised in other comprehensive income and are non-distributable. The transfer on the revaluation reserve to retained earnings is shown on the statement of changes in equity.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, recognised in other comprehensive income excluding impairment losses, until the investment is derecognised.

Foreign currency translation reserve

Translation reserves relate to differences arising from closing and opening exchange rates applicable to assets and liabilities in the subsidiaries.

26 DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the balance sheet method using a principal tax rate of 30% (2009: 30%). The movement on the deferred income tax account follows:

	Group		Company	
	2010	2009	2010	2009
	KShs'000	KShs'000	KShs'000	KShs'000
At the beginning of year	87,083	56,019	90,246	56,019
Recognised in profit or loss (Note 12)	(13,053)	(199)	(9,290)	(199)
Recognised in other comprehensive income	22,572	33,462	22,572	33,462
Over provision in prior years (Note 12)	(302)	(2,199)	-	(2,199)
Currency translation differences	111	-	-	-
At end of year	96,411	87,083	103,528	87,083

Consolidated deferred income tax assets and liabilities and deferred income tax charge/(credit) to profit or loss account are attributable to the items overleaf:

(a) Group

Year ended 31 December 2010

	At 1.01.2010	Recognized in profit or loss	Foreign Currency Translation Differences	Recognized in other comprehensive income	31.12.2010
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property, plant and equipment	116,542	(30,227)	-	-	86,315
Change in fair value of available for sale assets	33,462	-	-	22,572	56,034
Provisions	(63,511)	18,219	111	-	(45,181)
Over provision in prior year	-	(302)	-	-	(302)
Unrealised exchange losses/(gains)	590	(1,045)	-	-	(455)
Total	87,083	(13,355)	111	22,572	96,411

Year ended 31 December 2009

	At 1.01.2009	Recognized in profit or loss	Foreign Currency Translation Differences	Recognized in other comprehensive income	31.12.2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property, plant and equipment	83,477	33,065	-	-	116,542
Change in fair value of available for sale assets	-	-	-	33,462	33,462
Provisions	(31,863)	(29,449)	-	-	(61,312)
Over provisions in prior year	-	(2,199)	-	-	(2,199)
Unrealised exchange losses/(gains)	4,405	(3,815)	-	-	590
Total	56,019	(2,398)	-	33,462	87,083

NOTES TO THE FINANCIAL STATEMENTS

continued

DEFERRED INCOME TAX continued

Company

Year ended 31 December 2010

	At 1.01.2009	Recognized in profit or loss	Recognized in other compre- hensive income	At 31.12.2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property, plant and equipment	115,824	(36,167)		79,657
Change in fair value of available for sale assets	33,462	-	22,572	56,034
Provisions	(59,619)	27,975	-	(31,644)
Unrealised exchange losses/(gains)	579	(1,098)	-	(519)
	90,246	(9,290)	22,572	103,528

Year ended 31 December 2009

	At 1.01.2009	Recognized in profit or loss	Recognized in other compre- hensive income	At 31.12.2009
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property, plant and equipment	82,452	33,372	-	115,824
Change in fair value of available for sale assets	-	-	33,462	33,462
Provisions	(34,661)	(24,958)	-	(59,619)
Unrealised exchange losses/(gains)	4,405	(3,826)	-	579
	52,196	4,588	33,462	90,246

Deferred income tax of Kshs 784,000 (2009: KShs 784,000) for both the Group and the Company was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the buildings and the equivalent depreciation based on the historical cost of the buildings.

TRADE AND OTHER PAYABLES

	2010	Group 2009	2010	Company 2009
	KShs'000	KShs'000	KShs'000	KShs'000
Cylinder deposits	163,054	153,862	141,635	136,411
Trade payables	114,865	123,587	102,439	95,656
Amounts due to related companies (Note 31)	51,351	59,171	51,351	59,171
Accruals and other payables	72,744	30,904	64,379	48,662
	402,014	367,524	359,804	339,900

28 **CASH GENERATED FROM OPERATIONS**

Reconciliation of profit before tax to cash generated from operations:

	2010 KShs'000	2009 KShs'000
Profit before tax	114,685	231,682
Adjustments for:		
Depreciation	70,529	67,970
Amortisation of intangible assets	1,493	2,234
Operating lease charges	105	101
Profit on sale of property and equipment	(320)	
Effect of foreign currency translations	(6,073)	94
Interest income (Note 9)	(20,762)	(22,940)
Dividend income (Note 9)	(9,900)	(9,900)
Changes in working capital:	99,307	(6,950)
- trade and other receivables	(8,914)	38,614
- inventories	34,490	(179,514)
- trade and other payables		
Cash generated from operations	274,640	122,222

29 **CONTINGENT LIABILITIES**

At 31 December 2010, the Company had given guarantees amounting to Kshs 28,522,491 (2009: Kshs 27,291,744) on behalf of third parties.

There are certain pending legal claims brought against the Company as at 31 December 2010 for which a provision has been made in the books. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided in these financial statements.

30 **CAPITAL COMMITMENTS**

At 31 December 2010, the Company had outstanding capital commitments amounting to Kshs 14,530,000 (2009: Kshs 5,240,821).

31 **RELATED PARTY TRANSACTIONS**

Group

The ultimate parent of the Group is Linde Group incorporated in the Germany. There are other companies that are related to BOC Kenya Limited through common shareholdings or common directorships. The following transactions were carried out with related parties:

a) **Services incurred on behalf of other related parties**

	2010 KShs'000	2009 KShs'000
BOC Zambia Limited	-	-

b) **Purchase of goods and services from related parties**

	2010 KShs'000	2009 KShs'000
BOC Group plc	7,716	1,000
African Oxygen Limited	69,473	1,000
Cryostar Limited - France	1,322	1,000
	78,511	3,000

NOTES TO THE FINANCIAL STATEMENTS

continued

31 RELATED PARTY TRANSACTIONS continued

b) Purchase of goods and services from related parties (continued)

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

c) Outstanding balances included in receivables

	2010 KShs'000	2009 KShs'000
BOC Zambia Limited	677	-
BOC Nigeria Limited	962	962
BOC Zimbabwe Limited	350	350
	1,989	1,312

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

	2010 KShs'000	2009 KShs'000
BOC Group plc	5,858	3,255
African Oxygen Limited	45,453	54,627
BOC Zambia Limited	40	1,289
	51,351	59,171

Key management compensation

	2010 KShs'000	2009 KShs'000
Salaries and short term benefits	16,839	15,761
	16,839	15,761

Key management compensation relates to salary and benefits paid to the executive director.

Directors' remuneration

	2010 KShs'000	2009 KShs'000
- fees	3,173	3,106
- salaries and short term benefits	16,839	15,761
	20,012	18,867

FINANCIAL INSTRUMENTS

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2010 KShs'000	2009 KShs'000
Short term investments	339,685	252,972
Trade and other receivables	262,932	362,569
	602,617	615,541

32 FINANCIAL INSTRUMENTS continued
(a) Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	2010 KShs'000	2009 KShs'000
Kenya	219,947	295,348
Uganda	29,330	43,408
Tanzania	60,137	35,323
	309,414	374,079

The ageing of trade receivables at the reporting date was:

	2010 KShs'000	2009 KShs'000
Not past due	59,503	71,930
Past due 0-30 days	78,766	95,220
Past due 31-90 days	50,068	60,530
Past due 91-180 days	42,956	51,930
More than 180 days	78,121	94,410
	309,414	374,079

Impairment losses

The movement in the allowances for impairment in respect of receivables during the year was as follows:

	2010 KShs'000	2009 KShs'000
Trade receivables		
Balance at 1 January	28,885	74,000
Impairment of trade receivables	(31,130)	24,000
Bad debts (written off)/written back	2,285	2,000
	72,496	28,000
Balance at 31 December (Note 22)		

Short term investments

	2010 KShs'000	2009 KShs'000
Balance at 1 January	10,000	10,000
Impairment loss recognised	-	-
Balance at 31 December	10,000	10,000

The impairment loss in respect of short term investments relates to Kenya Finance Bank, whose operations were closed down.

NOTES TO THE FINANCIAL STATEMENTS

continued

32 FINANCIAL INSTRUMENTS continued

(b) Liquidity risk

The table below analyses liabilities into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date.

All figures are in thousands of Kenya shillings (KShs '000)

Liabilities (2010)	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Trade and other payables	175,604	21,451	27,416	92,196	85,347	402,014
Liquidity gap - 2010	175,604	21,451	27,416	92,196	85,347	402,014
Liabilities (2009)						
Trade and other payables	160,538	19,611	25,064	84,286	78,025	367,524
Liquidity gap - 2009	160,538	19,611	25,064	84,286	78,025	367,524

Currency risk

The Group operates in Kenya, Uganda and Tanzania and its assets and liabilities are carried in the respective local currency. The Group's exposure to foreign currency risk was as follows, based on notional amounts:

All figures are in thousands of Kenya shillings (KShs '000)

Assets	USD	GBP	Euro	Rand	Total
Trade and other receivables	-	-	-	-	-
At 31 December 2010	-	-	-	-	-
Liabilities					
Trade and other payables					
at 31 December 2010	23,060	6,550	3,512	46,321	79,443
Net balance sheet position - 2010	(23,060)	(6,550)	(3,512)	(46,321)	(79,443)
Assets					
Trade and other receivables	-	-	-	-	-
at 31 December 2009	-	-	-	-	-
Liabilities					
Trade and other payables					
at 31 December 2009	17,222	3,115	6,310	55,398	82,045
Net balance sheet position - 2009	(17,222)	(3,115)	(6,310)	(55,398)	(82,045)

32 FINANCIAL INSTRUMENTS continued

(c) Currency risk (continued)

The following exchange rates were applied in the respective periods:

	At 31 December 2010	Average rates At 31 December 2009	At 31 December 2010	Closing rates At 31 December 2009
US Dollar	79.20	77.24	80.75	75.85
Sterling Pound	122.46	120.90	125.99	122.55
South African Rand	10.83	9.24	12.20	10.24
Euro	105.13	107.73	108.04	108.60

Sensitivity Analysis

A 10 percent strengthening of the Kenyan Shilling against the following currencies at 31 December 2010 would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2009.

Effect in Kenya shillings thousands

	Profit or loss 2010	2009
As at 31 December		
US Dollar	2,306	1,733
GBP	655	631
Euro	351	5,511
Rand	4,632	

A 10 percent weakening of the Shilling against the above currencies at 31 December 2010 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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32 FINANCIAL INSTRUMENTS continued
(d) Interest rate risk (continued)

Sensitivity analysis

Sensitivity analysis on interest rates

An increase of 1 percentage point in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2009

Effect in Kenyan Shillings thousands

Profit or loss

2010

2009

2,784

3,156

Short term investments

A decrease of 1 percentage point in interest rates at the reporting date would have had an equal but opposite effect on the profit or loss, on the basis that all other variables remain constant.

(e) **Equity price risk**

The Group is exposed to fluctuation in the market price on its equity investment. The fair value of the investment at 31 December 2010 and 2009 is as follows:

2010

2009

277,200

201,900

Available-for-sale financial asset

Sensitivity analysis

Sensitivity analysis on equity prices

A decrease of 10% in the share prices would have the following effect on the fair value.

Reserves

2010

2009

Effect in Shillings thousands

27,720

20,000

Available for sale securities

2010	Designated at fair value KShs '000	Loans and receivables KShs '000	Available for sale KShs '000	Held to maturity KShs '000	Other amortised cost KShs '000	Total carrying value KShs '000	Fair Value KShs '000
Financial Assets							
Available for sale financial assets	-	-	277,200	-	-	277,200	277,200
Short term investments	-	-	-	339,685	-	339,685	339,685
Trade and other receivables	-	262,932	-	-	-	262,932	262,932
Cash and bank balances	-	133,382	-	-	-	133,382	133,382
	-	396,314	277,200	339,685	-	1,013,199	1,013,199
Financial Liabilities							
Trade and other payables	-	-	-	-	402,014	402,014	402,014

2009	Designated at fair value KShs '000	Loans and receivables KShs '000	Other Available for sale KShs '000	Total Held to maturity KShs '000	Other amortised cost KShs '000	Total carrying value KShs '000	Fair Value KShs '000
Financial Assets							
Available for sale financial assets	-	-	201,960	-	-	201,960	201,960
Short term investments	-	-	-	252,972	-	252,972	252,972
Trade and other receivables	-	362,569	-	-	-	362,569	362,569
Cash and bank balances	-	74,788	-	-	-	74,788	74,788
	-	437,357	201,960	252,972	-	892,289	892,289
Financial Liabilities							
Trade and other payables	-	-	-	-	367,524	367,524	367,524

32 FINANCIAL INSTRUMENTS continued
(g) Fair value hierarchy

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	Level 2	Level 3
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities	Valuation models with directly or indirectly market observable inputs	Valuation models using significant non-market observable inputs
Types of financial assets:	Listed equities	None	None
Types of financial liabilities:	None	None	None

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2009:

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
31 December 2010:				
Assets				
Available-for-sale financial assets	277,200	-	-	277,200
Total assets	277,200	-	-	277,200
31 December 2009:				
Assets				
Available-for-sale financial assets	201,960	-	-	201,960
Total assets	201,960	-	-	201,960

NOTES

PROXY

The Secretary
BOC Kenya Limited
P. O. Box 18010
00500 Nairobi

I/We

of

being a member/members of the above named company appoint

of

or failing him/her of

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of company to be held on Wednesday, 27th April 2011 at BOC factory site on Kitui Road, Industrial Area, Nairobi and at any adjournment thereof.

Signed by me/us this day of

Signature (s)

This form is to be used in favour of/against* the resolutions.
Unless otherwise instructed, the proxy will vote as he/she thinks fit.

*Strike out whichever is not desired

Fold 2

STICK
STAMP
HERE

Company Secretary
BOC Kenya Limited
P O Box 18010
Nairobi 00500
Kenya

Fold 1

Fold 3

Insert flap inside