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Notice of Annual General Meeting

Given that the Sixty Eighth Annual General Meeting of Kenya Limited will be held at The Laico Hotel, Nairobi on Wednesday, 29 April 2009 at 10.00 am for the following purposes:

1. To adopt the audited financial statements for the year ended 31 December 2008 together with the directors' and auditors reports therein.

2. To declare a dividend.

3. To elect directors' elections

4. To elect Mr Joseph Gilbert Kibe who is over 70 years of age, retires as a director in line with section 277(5) of the Companies Act at the next Annual General Meeting, and being eligible, offers himself for re-election.

5. To elect Mr Jonathan Narayadoo who retires as a director in line with section 277(5) of the Companies Act at the next Annual General Meeting, and being eligible, offers himself for re-election.

- (d) To authorise the directors to fix the remuneration of the auditors for the year ended 31 December 2008.
- (e) To approve the remuneration of the directors for the year ended 31 December 2008.
- (f) Any other business, which may legally be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Ms Virginia Ndunge
Company Secretary

Kitui Road
P O Box 18010
00500 NAIROBI

24 February 2009

Directors, Officers and Administration

DIRECTORS

J G Kibe	Chairman
J M Kariuki	Managing Director
T Kruger *	
C van Zyl *	
J Narayadoo *	
M Yan *	(Alternate to C van Zyl)
A C Juma	
N Kiuna	
T Baasden *	(Alternate to T Kruger)

* South African

SECRETARY

Ms J N Ongegu	(Resigned 13 November 2008)
Ms Virginia Ndunge	(Appointed 13 November 2008)
EMU Registrars	
P O Box 61120	
00200 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	Telephones: +254 20 6944000
Industrial Area	+254 722 204181
P O Box 18010-00500	+254 733 687078
Nairobi	Email: bocinfo@boc.co.ke

ADVOCATES

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

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

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
Industrial Area, Off Enterprise Road
P O Box 30120
00100 Nairobi, GPO

Standard Chartered Bank Limited
Industrial Area, Off Enterprise Road
P O Box 18081
00500 Nairobi

REGISTRARS

Specialist Corporate Consultants
Comcraft House
P O Box 30633
00100 Nairobi, GPO

Board of Directors

Joe Kibe is a BA graduate of London University through Makerere College. He had a career spanning 17 years in the Kenya Government. For 12 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.

John Kariuki joined BOC Kenya Limited in July 1990 in the position of Internal Audit Manager. In his career with the Company, he has held positions of Company Secretary, General Manager Finance and Administration. He was appointed Managing Director in October 2003. He brings a wealth of experience to the Company's East African operations with his 17 years service. He is a member of the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya. John is also a Director at the Petroleum Institute of East Africa.

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

Ngugi Kiuna is a holder of a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England. He was the Managing Director of Johnson East Africa Limited until July 2006. He was appointed a non-executive director of BOC Kenya Limited in October 1993.

Jonathan Narayadoo joined African Oxygen Limited in 1980 as a trainee and has worked for the group for the past 28 years. During this time he has been appointed to a number of senior management positions, including Managing Director, Botswana Oxygen Company, and 2 General Management positions within the group over the last 7 years. Jonathan brings a wealth of experience in the gases and gas related equipment industry. He served as a member on the Botswana Bureau of Standards Board, in the Gas Safety Association of Botswana as well as in the Botswana Oil Producers Board. Jonathan was educated in South Africa and attended a Graduate Development programme at the University of Cape Town as well as Management Development Programme in London through Ashridge-on-Line University. In addition he is an Associate of the Production Management Institute of South Africa.

Board of Directors



TJAART KRUGER

Tjaart joined African Oxygen Limited as Managing Director on 1 April 2007. He has held several executive positions at Tiger Brands Limited, including the positions of Managing Executive Director, AdcockIngram Pharmaceuticals Division and Managing Executive of the Grains Division. He is a chartered accountant and a commerce graduate from the University of Johannesburg. He has also participated in the Harvard Business School management development programme in 1998.



COR VAN ZYL

Cor, a Chartered Accountant (SA), is currently the Finance Director of African Oxygen Limited. He was a partner at Coopers & Lybrand for 21 years before joining PresMed in 1996 as joint Managing Director. With the merger of PresMed and Afrox Healthcare, he was appointed a director of Afrox Healthcare Limited. He was chairman of the South Africa Institute of Chartered Accountants (SAICA) (Healthcare Sector) for three years and also chaired the Centurion Chamber of Commerce from 1998 to 2001.



MICHAEL YAN

Michael Yan is a Chartered Accountant and holder of a Bachelor of Accounting degree from the University of Johannesburg. He has 24 years of service with African Oxygen Limited and has held various positions of various companies within the Linde Group in Africa. He is currently the head of finance for African Operations outside of South Africa. Prior to this position he was responsible for the finance for African Oxygen Limited.



TAARSIA BASSDEN

Taarsia Baasden joined African Oxygen Limited in 2002 as the Service Quality Manager in the Financial Service Centre and has been with the Group for the past 5 years. She has held various management positions in Human Resources. Taarsia brings a wealth of experience in the Human Resources field working with senior management on implementation of strategic initiatives. She worked for Woolworths in various human resource functions for 10 years before joining African Oxygen Limited. She is also on the Board of Trustees for the African Oxygen Limited Foundation Fund. Taarsia was educated in South Africa and obtained an Honours degree in Human Resource Development and has recently completed a Diploma in Advanced Business Management.

Report of the Directors

rs have pleasure in presenting their report
h the audited financial statements for the year
cember 2008, which disclose the state of affairs
and company.

IPAL ACTIVITIES

incipal activities of the group are manufacture
e of industrial and medical gases, and the sale
ling products.

TS

ults for the year are set out on page 19.

ND

the year, the company paid an interim
d of KShs 2.00 (2007: KShs 3.00) per share,
ng to KShs 39,050,892. The directors
end the approval of a final dividend of KShs
share amounting to KShs 93,722,141 (2007 -
,033,000).

RS

tors who served since 1 January 2008 are
a page 3.

n Gilbert Kibe who is over 70 years of age
a director in line with Section 186(5) of the
s Act at the next Annual General Meeting
eligible, offers himself for re-election.

nce with Article 93 of the company's
Association, Mr Jonathan Narayadoo
otation and being eligible, offers himself
ion.

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).

6. APPROVAL OF FINANCIAL STATEMENTS

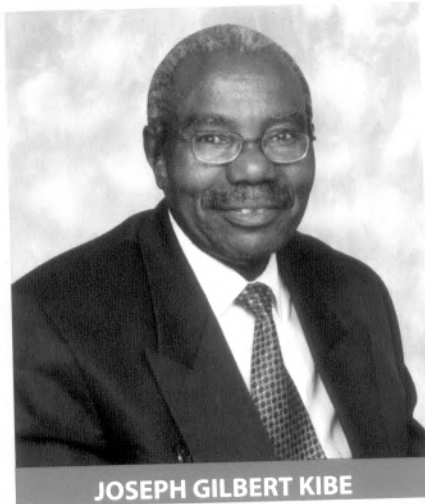
The financial statements were approved at a meeting
of the directors held on 24 February 2009

BY ORDER OF THE BOARD

VIRGINIA NDUNGE
Secretary

Date: 24 February 2009

Chairman's Report



JOSEPH GILBERT KIBE

Chairman

Economic overview

Kenya's economy in 2008 is expected to record a modest growth of 2%. The economic performance was negatively impacted by the challenges of political crisis in the year and the high inflation driven mainly by food and energy costs.

Power continues to be a challenge in terms of both cost and quality. High inflation that was driven by fuel and food prices in the year under review is expected to reduce in 2009. Economic recovery is expected to be slow as the government grapples with the combined effect of high power costs and rebuilding of the infrastructure and the impact of the global economic slow down

Company results

The company recorded a 7% growth in turnover but a decline of 8% in operating profit. Our subsidiaries in Uganda and Tanzania recorded impressive growth in both turnover and operating profit.

Profit after tax was 5% lower than last year after providing for costs attributed to the outstanding acquisition of Carbacid Investment Limited. The increased production costs in the second half of the year contributed to the decline in operating profit, but mitigated in part by the company's cost containment initiatives. Improvement in operational

Our subsidiaries in Uganda and Tanzania recorded impressive growth in both turnover and operating profit.

efficiencies will remain the focal point of our business processes.

To enhance customer service in the region, we have invested KSh. 156m mainly in distribution and logistics. It is gratifying to report that all the funds invested came from internally generated resources and we continue to target the same trend into the future.

The parent company, Linde Group, registered a 10.3% increase in results in the year under review, with sales and operating profit by 10.3%. These results reflect the Group's global financial strength and its capacity to ride out the storm of the economic downturn.

Corporate governance

Best Practice corporate governance principles are a hallmark of and guide the company's operations. The directors are ultimately accountable for ensuring that the company's business is conducted in accordance with high standards of corporate governance. The role of the Board is to assist in the company's direction and strategy, monitor the progress of the business objectives, ensure the company's responsibilities to its shareholders and the environment mitigates against exposure to risk.

Chairman's Report continued

omprising six non-executive directors and
e director brings to the company diverse
management and business acumen required
oversee the smooth running of the company.

continuously assessed in order to ensure
ess the skills required to carry out their
They have access to the Group's online
y, the Integrated Management Systems
(IMSS) that standardises training material
specific roles within the Group. Where gaps
management works with the employees to
n gaps are filled through necessary training
nt.

elophuman capital has been fully integrated
Group which is committed to become an
ice for the best talent in the world. In this
ased to report that our Managing Director
or management development program at
iversity, which focused on strategy, finance,
novation management.

rbacid Investment Limited

e take-over offer for the shares of Carbacid
ited is still pending at the High Court of
deal by CMA against the decision of CMA
be heard. In the meantime, the parties
l discussions for a way forward but no
ons have been made as yet.

ars

o report that the company will be
h birthday in December 2009, signifying
providing gases and welding solutions in
proud of this achievement and rededicate

our efforts to maintain our position as the leading gases
and welding company in East Africa. I would like to thank
all those who in one way or another contributed to this
success and look forward to their continued support in the
realisation of this objective.

Prospects for the future

The Board projects a challenging business environment
in 2009 with the impact of the global economic slow
down. As part of our growth strategy, we will continue to
focus on our customers, operational efficiency and other
cost management initiatives to ensure that profitability is
sustained. We will strive to provide quality products and
services to our customers as we aim to become a High
Performance Organisation (HPO) by 2012.

Appreciation

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

In conclusion, I would also like to thank our esteemed
customers, suppliers and agents for their continued
support.

J G Kibe

Chairman

24 February 2009

Managing Director's Report



JOHN MUNGAI KARIUKI
Managing Director

Understanding the needs of our customers and offering them products or services that meet those needs consistently is among our prime areas of focus.

Economic review and performance

The company reverted to the 12 months reporting cycle, after the 15 months reported for the year to December 2007. The year experienced challenges associated with inaccessibility of markets in western Kenya and Uganda in the first quarter due to post election violence, and spiralling cost of raw materials and energy in the second half. High inflation and the depreciation of the Kenya shilling was also a challenge in the period.

On an annualised basis, sales grew by 7% to close at Kshs 1,285m, while operating profit declined by 8% to close at Shs 264m. Despite the challenges, the company managed to mitigate the full adverse impact on profitability, by implementing ongoing initiatives designed to bring operational efficiencies in our processes.

Our subsidiaries in Uganda and Tanzania continue to drive our growth agenda in both sales and profitability. As economic activity in Uganda and Tanzania increases, our companies are well positioned to take full advantage of emerging opportunities. We have recently introduced the medical pipeline concept to hospitals in Uganda and Tanzania and the response has been very encouraging.

As our business grows in Uganda and Tanzania, so do the distribution challenges that we must overcome. During the

year, we injected a significant quantity of additional and distribution vehicles in the service of our customers so as to improve efficiency and customer service. Capital investment is closely linked to our growth strategy.

We have enhanced infrastructure in our operations and availability of Argon, a shielding gas. We are looking at 2009 with renewed optimism about the challenges our subsidiaries and remain well positioned to take full advantage of opportunities that arise in all the markets we operate.

Operational efficiency

The cost reduction initiative implemented in 2008 yielded the targeted result. Management is getting more savings from this initiative. Our quest to become a High Performance Organisation (HPO) by 2012 is on course. Our HPO thrusts that we are focusing on as follows:

- Customer focus - having a clear understanding of our customer needs and providing products and services that consistently meet them.
- Process excellence - implementing standardised best operating practices that will bring efficiency to our processes and systems.
- Ability to execute - getting things done on a timely basis.

Managing Director's Report continued

excellence - becoming an employer of choice for talent around the world.

The Linde Group's African Operations outside Africa (AfOps), the company is involved in an technology standardisation program which bringing world best practice. This program is the foundation on which our future customer service and investment programs will be anchored.

Environmental management

Focus on operational and investment needs as a measure of management performance. The investment model is based on the ability to create an opportunity to generate acceptable returns over the appraisal period. In view of the recent downturn, the need for cash generation becomes imperative and management is alive to the circumstances and has put in place the necessary

ISO 9001:2000 certification during the year. We are working towards ISO 14001 and OHSS certification in 2009.

the needs of our customers by offering them products that meet those needs. Among our prime areas of focus is Customer Service Improvement. This requires that identified gaps, which we regard as areas for improvement, are identified and root causes for

Environment and quality management

continue to meet the Linde Group standards. Our primary concern is first and foremost, premised on the fact that 100% of our behaviour 100% of the

time". Various initiatives, e.g. near miss reporting, SHEQ Roadmap and "LeadSafe" observations, that aim to promote behavioural safety are at the heart of our SHEQ program. Identified unsafe conditions or acts are dealt with a view to maintain accident free sites. All employees are involved in and measured on their contribution to the safety program. Our SHEQ Roadmap progress is monitored on an ongoing basis and we are on track to achieve SHEQ world class standards by 2010.

We have adopted the Cleaner Enterprise Program as the core of our environmental management system to ensure that our operations not only comply with legislative requirements, but also enhance our corporate responsibility in resources utilization and waste management.

At year end, we had attained 1.56 million hours without a disabling incident, the last one having been in February 2005.

Medical filling facility upgrade

To ensure we maintain the highest standards of medical gases production and packaging, our filling facility is currently under modernization so as to comply with the stipulations and requirements of Good Manufacturing Practices (GMP). Upon completion of the project in April 2009, our medical gases production facilities which would be up to world class standards.

Community involvement program (CIP)

At the forefront of this program are employees who drive it through dedicating their time and effort to towards sustainable projects that they choose in consultation with the identified communities. Our emphasis has been directed towards disadvantaged children's homes. Engagement with the communities takes place throughout the year but one day in the year is set aside for Tumaini Day (Day of Hope)

when celebrations are held to reflect on achievements of the program.



Installations on customer sites save costs for the customers and bring about service delivery efficiencies.

Managing Director's Report continued



Our corporate social responsibility means all year partnership with children's homes.

Our Community Involvement Program continues to support five different children's homes, three in Nairobi and one each in Kisumu and Mombasa, namely:

- The Spirit of Faith Children's Home in Ruiru
- Mukuru Promotional Centre, Nairobi
- Oloosuruta Education, Special Unit for Autistic Children and Other Disabilities
- Mercy Christian Children's Home in Kisumu
- Good News Children's Home Mombasa
- Ray of Hope Ministries Uganda

We are members of the UN Global Compact Network Kenya which demonstrates our commitment to the universal declaration of human rights of the United Nations.



On Tumaini Day (Day of hope) the voices of gratitude for God's blessings.

Future prospects

The economic meltdown portends tough times. However, as part of our growth strategy, we will continue to serve our customers and optimise our processes for operational efficiencies. Our growth prospects are linked to infrastructure development opportunities, especially in the construction, energy/petroleum and environmental applications. Significant growth is expected in our operations in Uganda and Tanzania, commensurate with the level of Investments In those territories.

As a Board, we are confident that the company will continue to take advantage of emerging opportunities and meet the challenges presented by the current economic environment.



In order to give our esteemed customers reassurance of fuel availability, this infrastructure has been put in place.

Appreciation

I would like to thank the Board for its guidance and staff for their unwavering commitment and support for their loyalty and our suppliers for their support.

J M Kariuki
Managing Director
24 February 2009

Corporate Governance

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

The key features of corporate governance and internal control systems put in place and were reviewed during the year.

The Board comprises six non-executive directors and one executive director, the company's managing director. The Board meets on a quarterly basis as scheduled during the year and additional meetings when necessary. The composition of directors is on the basis of their experience, skills and level of contribution necessary to carry out the duties of the Board. Summarised below are the key roles and responsibilities of the Board:

and adoption of the strategic and annual business plans, the setting of objectives and review of performance areas

of commitments outside the authority of the executive management committees and non-executive directors

on of overall policies and processes to ensure the integrity of the company's management of risk and internal control

adoption of company policies, programmes and initiatives for safety, health, environment, treasury, and benefits

regular Board meetings of management 's and review against set objectives

the appointment and removal of directors and non-executive directors

constituted an Audit Committee. The Audit Committee meets at least twice annually as scheduled during the year with internal and external auditors as well as

management invited. Its membership comprises Mr Ngugi Kiuna (Chairman) Messrs A C Juma and Cor van Zyl, who are non-executive directors. Its responsibilities include:

- Ensuring the maintenance of sound risk management and internal control systems and integrity of the financial reporting and internal and external audit process
- Review of financial information, in particular half year and the annual financial statements, before they are released to interested stakeholders
- Evaluate 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
- Recommend to the Board the appointment and selection of the company's external auditors and the external auditors' proposed fee of the subsequent year's audit
- Request for in-depth investigations into any matter that is of concern to the committee that is likely to have an impact on the operations of the company.

Retirement and remuneration benefits committee

This committee is under the chairmanship of Mr Alfred Juma a non-executive director with Messrs Jonathan Narayadoo and Tjaart Kruger, as members. It is mandated to determine and make recommendations to the Board on the remuneration policies of the company and the terms and conditions of employment of the executive director 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 company 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

Corporate Governance continued

end and year-end results announcements and circulation of the annual financial statements before the annual general meeting.

The Board encourages shareholders to attend its annual general meeting, notice of which is contained in this financial statement. 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 company.

Directors' Remuneration

The remuneration of all directors is subject to regular reviews 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 held by the directors in the company at the close of the financial period:

Mr John M Kariuki	3,520
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 company performance vis a viz the agreed 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 meet agreed objectives
- Address any critical operational and employee issues that may have arisen in the course of business
- Ensure effective communication within and without of the Company

Risk management and internal controls

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

The Board recognizes that managing risks. An optimal mix between risk and return is an important factor in achieving corporate goals. A risk management framework is in place to assist the Board in understanding the issues and key performance indicators affecting the Group to achieve its objectives.

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

The directors have also defined procedures and internal controls to ensure that the company's systems of controls provide reasonable assurance that transactions are authorized, safeguarded, properly recorded, and that material errors and omissions are either prevented or detected within a reasonable period of time. There is a clearly defined organisational structure within which individual responsibilities and authorities in relation to internal controls. The structure is supported by defined procedures, financial controls, and systems controls.

The internal audit department performs a key role in the evaluation of the risk management and internal governance process. Significant business weaknesses in the systems of operational controls are highlighted and brought to the attention of the Audit Committee, senior management, and external auditors. Areas accorded high-risk profile receive close attention by management.

At every board meeting, the status of risk management, identified business risks is reviewed, the effectiveness of implementation and assessment desired being achieved.

Corporate Governance continued

equity

is committed to the creation of an organisation
the equality of all employees and is committed
tion of any form of discrimination in the work
ategy covers recruitment, staff development,
cultural diversity.

on planning process identifies ability and
monitors on a regular basis the performance of
dividuals from designated groups. Individual
plans are agreed upon in collaboration with
managers.

manages the development of functional
he Licence to Work approach. This approach
employees are competent to perform their
within a given time frame.

and remuneration committee of the board
that manpower plans are implemented

ofile for the year ended 31 December 2008

structure

s
investors
al investors
vidual investors
utional investors

Code of conduct

The Linde Group is 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 company has a facility through which staff are encourage
to report any actions that they consider to be against our
established code of conduct. This facility is managed outside
the company 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.

	Number of shareholders	Number of shares held	% of issued shares capital
	10	12,919,048	66.17
	517	1,849,168	9.47
	188	4,744,723	24.30
	5	9,507	0.05
	1	3,000	0.01
	721	19,525,446	100.00

eholders

	Number of shares held	% of issued shares capital
urance Company Limited	12,765,578	65.38
ny of East Africa	986,967	5.05
urance Company Limited	455,812	2.33
ominees Limited 'Account 1256'	288,456	1.48
Bank Nominees 'Account 744'	209,900	1.08
Kenya Limited 'A/C SCKPF'	200,000	1.02
ominees Limited 'Account 1853'	163,855	0.84
Bank Nominees 'Account 769G'	155,307	0.80
ominees Limited 'Account 9230'	147,000	0.75
	130,200	0.67
	15,503,075	79.40

Comparative Results

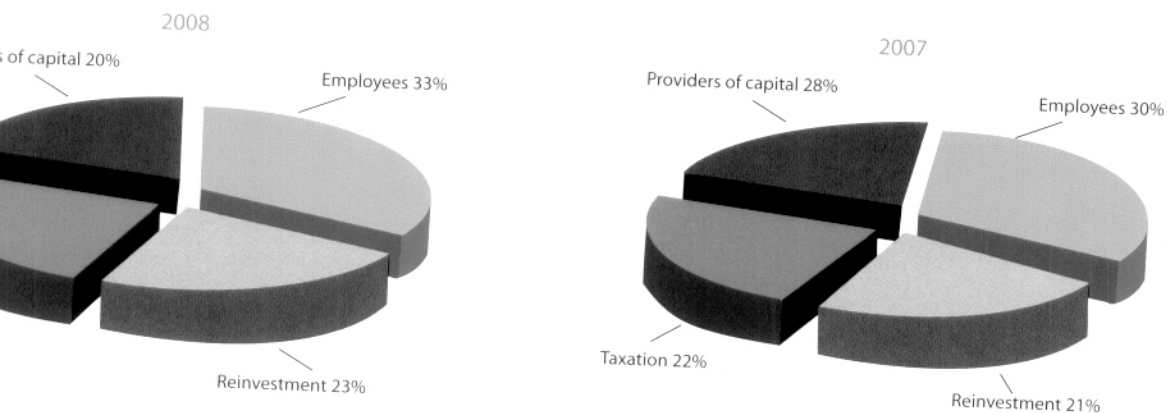
Financial Review

	2004 KShs'000	2005 KShs'000	2006 KShs'000	2007 KShs'000
Sale of goods	687,095	816,328	929,093	1,312,312
Revenue from services	143,580	170,810	180,491	192,743
Total income	830,675	987,138	1,109,584	1,505,055
Operating profit	189,324	253,800	300,505	360,760
Profit before tax	220,980	291,257	333,705	399,769
Net profit	160,117	207,446	225,940	267,556
Cash generated from operations	313,010	305,424	376,216	402,829
Earnings per share	8.20	10.62	11.57	13.70
Dividend per share	4.50	5.50	9.25	11.30
Shareholders' funds	1,076,803	1,266,661	1,271,846	1,400,132
Total assets	1,199,479	1,324,141	1,705,352	1,859,335
Capital expenditure	112,959	114,857	99,356	122,308
Contingent liabilities	18,411	19,734	29,812	38,299

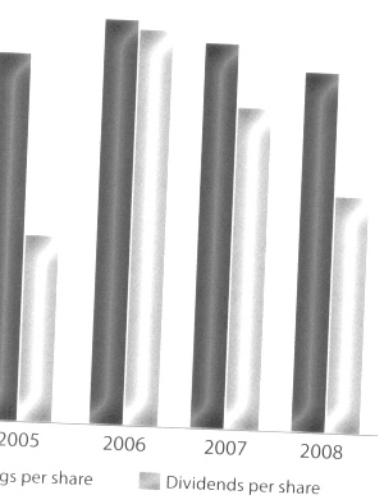
Note: The 2007 results were for a period of 15 months

Comparative Results continued

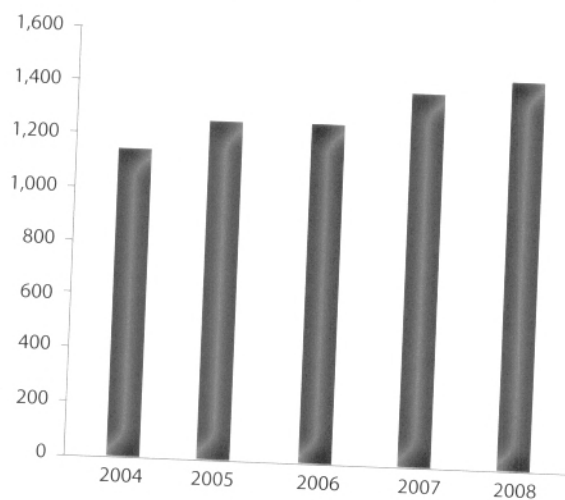
Value added - distributed and retained



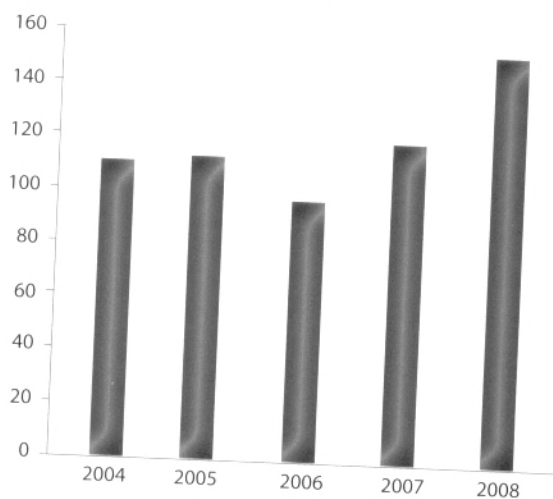
Share & dividends per share (Kshs)



Shareholders' funds (KShs millions)



Capital Expenditure (KShs millions)



Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the financial statements of BOC Kenya Limited set out on pages 19 to 58 which comprise the balance sheet at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors responsibility includes: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances; designing, implementing and maintaining internal controls relevant to the preparation and presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 keeps 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 ability to continue as a going concern and believe the company will not be a going concern at least the next twelve months from the statement.

Approval of the financial statements

The financial statements, as indicated, were approved by the Board of Directors on 24 February 2009 and were signed on its behalf by:

Director:

Director:

Date: 24 February 2009

Report of the Independent Auditors to the members of BOC Kenya Limited

ed the group financial statements of BOC Kenya Limited set out on pages 19 to 58 which comprise the balance group and the company at 31 December 2008, and the group's income statement, statement of changes cash flow statement for the year then ended, and a summary of significant accounting policies and other notes.

Responsibility for the financial statements

Page 17, the directors are responsible for the preparation and fair presentation of these financial statements with International Financial Reporting Standards. This responsibility includes: designing, implementing and internal control relevant to the preparation and fair presentation of financial statements that are free from statements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances.

Responsibility

ty is to express an opinion on these financial statements based on our audit. We conducted our audit in n International Standards on Auditing. Those standards require that we comply with relevant ethical d plan and perform the audit to obtain reasonable assurance whether the financial statements are free from ement.

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

ne audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

e financial statements give a true and fair view of the financial position of the group and the company 2008, and the group's financial performance and cash flows for the year then ended in accordance with ncial Reporting Standards and the Kenyan Companies Act.

r legal requirements

Kenyan Companies Act we report to you, based on our audit, that:

ned all the information and explanations, which to the best of our knowledge and belief were necessary e of our audit.

proper books of account have been kept by the company, so far as appears from our examination of nd

heet of the company is in agreement with the books of account.

Consolidated profit and loss account

	Notes	12 Months to 31 Dec 2008 KShs'000	15 3
Sales	6	1,283,832	
Cost of sales		(587,842)	
		695,990	
Gross profit	7	829	
Other operating income		(141,973)	
Distribution costs		(288,232)	
Administrative expenses		(2,690)	
Other operating expenses			
	6	263,924	
Group operating profit	9	53,723	
Finance income	10	(22,468)	
Non-trading expenses			
		295,179	
Operating profit before income tax	12	(94,770)	
Income tax expense			
		200,409	
Net profit			
Earnings per share (KShs per share)	13	10.26	
- basic and diluted			
Dividends	14	39,051	
Interim dividends – paid in the year	14	-	
Special dividends – paid in the year	14	93,722	
Proposed final dividends for the year			
		132,773	

The notes set out on pages 25 to 58 form an integral part of these financial statements.

Consolidated balance sheet

	Notes	2008 KShs'000	2007 KShs'000
Assets			
Property, plant and equipment	15(a)	820,577	727,683
Intangible assets	16	4,951	6,816
Financial assets	18	90,420	90,420
Leases	19	4,010	4,120
Contribution	20	-	3,770
		919,958	832,809
Liabilities			
Equity investments	21	262,312	207,671
Prepayments	22	421,460	369,124
Tax	23	355,612	319,289
Other balances	24	9,996	15,829
		87,889	114,613
		1,137,269	1,026,526
		2,057,227	1,859,335
LIABILITIES			
Reserves (Page 10)			
Retained earnings	25	97,627	97,627
Reserves	25	2,554	2,554
Provisions	26	116,645	118,475
Other reserves	26	672	(4,183)
Other reserves	14	1,142,888	1,063,626
		93,722	122,033
		1,454,108	1,400,132
Provisions			
Tax	27	56,019	62,531
Other provisions	28	547,100	396,672
NET LIABILITIES		2,057,227	1,859,335

Statements on pages 19 to 58 were approved for issue by the board of directors on 24 February 2009 and signed

JM Kariuki
 Director

Pages 25 to 58 form an integral part of these financial statements

Company balance sheet

	Notes	2008 KShs'000
ASSETS		
Non-current assets		
Property, plant and equipment	15(b)	781,170
Intangible assets	16	4,950
Investment in subsidiaries	17	60
Available-for-sale financial assets	18	90,420
Prepaid operating leases	19	4,010
Prepaid pension contribution	20	-
		880,610
Current assets		
Inventories	21	240,638
Held-to-maturity investments	22	421,460
Receivables and prepayments	23	309,658
Current income tax		799
Cash and bank balances	24	70,023
		1,042,578
		1,923,188
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Capital and reserves (Page 10)		
Share capital	25	97,627
Share premium	25	2,554
Revaluation surplus	26	116,645
Retained earnings		1,039,617
Proposed dividends	14	93,722
		1,350,165
Shareholders' funds		
Non-current liabilities		
Deferred income tax	27	52,196
Payables and accrued expenses	28	520,827
		1,923,188
TOTAL EQUITY AND LIABILITIES		

The financial statements on pages 19 to 58 were approved for issue by the board of directors on 24 February 2009 on its behalf by:

JG Kibe
Director

JM Kariuki
Director

... on pages 25 to 58 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	Translation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
31 December 2007							
	97,627	2,554	120,141	(4,214)	972,756	82,982	1,271,846
Less depreciation	-	-	(2,380)	-	2,380	-	-
on transfer	-	-	714	-	(714)	-	-
(s)	-	-	(1,666)	-	1,666	-	-
on differences	-	-	-	31	2,258	-	2,289
	-	-	-	-	267,556	-	267,556
paid)	-	-	-	-	-	(82,982)	(82,982)
7	-	-	-	-	(31,241)	-	(31,241)
7	-	-	-	-	(27,336)	-	(27,336)
for 2007	-	-	-	-	(122,033)	122,033	-
	97,627	2,554	118,475	(4,183)	1,063,626	122,033	1,400,132
December 2008							
	97,627	2,554	118,475	(4,183)	1,063,626	122,033	1,400,132
Less depreciation	-	-	(2,614)	-	2,614	-	-
transfer	-	-	784	-	(784)	-	-
on differences	-	-	(1,830)	-	1,830	-	-
	-	-	-	4,855	9,796	-	14,651
	-	-	-	-	200,409	-	200,409
id)	-	-	-	-	-	(122,033)	(122,033)
2008	-	-	-	-	(39,051)	-	(39,051)
	-	-	-	-	(93,722)	93,722	-
	97,627	2,554	116,645	672	1,142,888	93,722	1,454,108

on pages 25 to 58 form an integral part of these financial statements.

Company statement of changes in equity

	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000
Period ended 31 December 2007					
At start of year	97,627	2,554	120,141	951,325	82,982
Transfer of excess depreciation	-	-	(2,380)	2,380	-
Deferred tax on transfer	-	-	714	(714)	-
Net gains/(losses)	-	-	(1,666)	1,666	-
Net profit	-	-	-	237,996	-
Dividends:	-	-	-	-	(82,982)
- Final for 2006 (paid)	-	-	-	(31,241)	-
- Special for 2007	-	-	-	(27,336)	-
- Interim for 2007	-	-	-	(122,033)	122,033
- Proposed final for 2007	-	-	-	-	-
At end of year	97,627	2,554	118,475	1,010,377	122,033
Year ended 31 December 2008					
At start of year	97,627	2,554	118,475	1,010,377	122,033
Transfer of excess depreciation	-	-	(2,614)	2,614	-
Deferred tax on transfer	-	-	784	(784)	-
Net gains/(losses)	-	-	(1,830)	1,830	-
Net profit	-	-	-	160,183	-
Dividends:	-	-	-	-	(122,033)
- Final for 2007 (paid)	-	-	-	(39,051)	-
- Interim for 2008	-	-	-	(93,722)	93,722
- Proposed final for 2008	-	-	-	-	-
At end of year	97,627	2,554	116,645	1,039,617	93,722

The notes set out on pages 25 to 58 form an integral part of these financial statements.

Consolidated cash flow statement

	Notes	12 Months to 31 Dec 2008 KShs'000	15 Months to 31 Dec 2007 KShs'000
Activities			
ted from operations	29	388,042	402,829
		-	(14)
		(88,554)	(149,807)
erated from operating activities		299,488	253,008
ivities			
roperty, plant and equipment			
tangible assets		(152,884)	(122,308)
disposal of property, plant and equipment		(829)	(6,556)
ed		-	4,497
ived		32,654	30,163
		6,600	8,151
n investing activities		(113,687)	(86,053)
ivities			
		(161,084)	(141,559)
n financing activities		(161,084)	(141,559)
and cash equivalents		24,717	25,396
sh and cash equivalents			
		483,737	458,144
ge rate changes on cash and cash equivalents		24,717	25,396
		895	197
	24	509,349	483,737

on pages 25 to 58 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 address of its registered office is as follows:

Kitui Road
Industrial Area
PO Box 18010 - 00500
00500 Nairobi

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of BOC Kenya Limited have been prepared in accordance with the International Financial Reporting Standards (IFRS).

(b) Basis of measurement

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and equipment and the carrying of investment property and certain financial liabilities at fair values.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of estimates and judgements that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities. The preparation of financial statements and the reported amounts of revenues and expenses during the period are based on the directors' best knowledge of current events, circumstances and the amounts ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and if the revision affects both current and future periods if the revision affects both current and future periods. In particular information about significant areas of estimation and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in note 4.

(d) Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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 consolidated from the date on which control is transferred to the Group. They are de-consolidated when the control ceases. In assessing control, potential voting rights that are presently exercisable are taken into account.

Notes to the financial statements continued

SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

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 an impairment of the asset transferred.

Translation of foreign currencies

(i) Transactions and balances in group entities

Foreign currency transactions are translated into the functional currency of the respective entity using 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 the income statement.

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. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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 date of that balance sheet;
- 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement 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.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

Revenue represents the fair value of the consideration receivable for sales of goods and services, and 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 in the period in which the group delivers products to the customer and the customer has accepted the products and collectibility of the related receivables is reasonably assured.
- (ii) Sales of services are recognised in the period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Finance income

Finance income comprises interest income on funds invested, dividend income, and gains on disposal of available for sale financial assets. Interest income is recognised on a time proportion basis using the effective interest method. Dividend income is recognised in the financial statements on the date that the Group becomes entitled to receive payment is established, which is in the case of quoted securities the ex-dividend date.

(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.

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

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 for 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 depreciation. All other property, plant and equipment are stated at historical cost less depreciation.

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.

Notes to the financial statements continued

SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Revaluations are made 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. All other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the income statement) and the depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated 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

The assets residual values are reviewed and adjusted if appropriate at each balance sheet 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.

Capital work in progress represents assets that are under construction or that are not immediately available for use.

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

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 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 over their estimated useful lives (not exceeding three years).

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 lease payments.

Notes to the financial statements continued

3

SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Accounting for leases (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant finance balance outstanding. The corresponding rental obligations, net of finance charges, are classified as non-current liabilities. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(i) Inventories

Inventories are stated 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 and direct costs and production overheads, but excludes interest expense. Net realisable value is the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, financial assets, and available-for-sale financial assets. The classification depends on the nature of the financial assets and the circumstances under which they were acquired. Management determines the classification of its financial assets at the time of recognition and re-evaluates such designation at every reporting date:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services to a debtor with no intention of trading the receivable. They are included in current assets if their maturities are less than 12 months after the balance sheet date. These are classified as loans and receivables. Loans and receivables are included in receivables and prepayments in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category at the time of recognition or are not derivatives and are classified in any of the other categories. They are included in non-current assets if the Group does not intend to dispose of the investment within 12 months of the balance sheet date.

Notes to the financial statements continued

IFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(iii) Available-for-sale financial assets (continued)

Purchases and sales of investments are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value 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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Receivables

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 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 the income statement.

Impairment of assets

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.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

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 assets is calculated by reference to its fair value.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event that caused the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement. For available for sale financial assets that are equity instruments, the reversal is recognised directly in equity.

(ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication of impairment exists, 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 the income statement. Impairment losses recognised in respect of cash-generating units are first allocated to goodwill and then to the other assets of the unit. The impairment loss is first to reduce the carrying amount of any goodwill allocated to the units and then to 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 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 liquid investments with original maturities of three months or less, and bank overdrafts.

(n) Employee entitlements

(i) Retirement benefit obligations

The company operates a defined contribution retirement benefit scheme for its employees. Contributions to the defined contribution plan are charged to the income statement. The difference between the charge to the income statement and the contributions paid by the company is recognised in the balance sheet under other receivables or other payables.

Notes to the financial statements continued

SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee entitlements (continued)

(ii) 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 balance sheet date.

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

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and group or subsidiary companies. The related party transactions are at arms length.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are exposed to risks and returns that are different from those of other business segments. A geographical segment is a group of assets and operations engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these consolidated financial statements. The standards and interpretations that are expected to be adopted in the future are as follows:

- (i) IFRIC 13 *Customer Loyalty Programmes* addresses the accounting by entities that offer rewards to customers who participate in customer loyalty programmes under which the customer can redeem rewards for goods or services. IFRIC 13 becomes mandatory for the Group's consolidated financial statements and will be applicable retrospectively. The Group is currently in the process of evaluating the potential effect of this interpretation.
- (ii) Amendment to IFRS 2 *Share-based Payment – Vesting Conditions* and Cancellations of share-based payment arrangements of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Group's consolidated financial statements, with retrospective application. IFRS 2 is not expected to have any effect on the Group's results since the group does not operate a share based payment arrangement.
- (iii) Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes relevant to the Group's operations:
 - The definition of a business has been broadened, which may result in more combinations being treated as business combinations.
 - Contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
 - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
 - Any pre-existing interest in an acquiree will be measured at fair value, with subsequent changes in fair value recognised in profit or loss.
 - Any non-controlling (minority) interest will be measured at either fair value, or the proportionate share of the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods' consolidated financial statements.

- (iv) IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8 becomes mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The presentation and disclosure of segment information based on the internal reporting system used by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information based on business and geographical segments (see note 6). This standard will have no effect on the Group's reported total profit or loss or equity. The Group is currently in the process of determining the effect of this standard on the Group's segment reporting.
- (v) Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term "other comprehensive income," which represents changes in equity during a period other than those changes arising from transactions with owners in their capacity as owners.

Notes to the financial statements continued

ACCOUNTING POLICIES (continued)

Standards and interpretations not yet adopted (continued)

Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements as the Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.

Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional requirements, the Group will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 2009 consolidated financial statements.

Amended IAS 27 *Consolidated and Separate Financial Statements (2008)* requires accounting for changes in ownership interests in a subsidiary that occur without loss of control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.

Amendments to IAS 32 and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* require puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Group's 2009 consolidated financial statements with retrospective application required, are not expected to have any significant impact on the consolidated financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 consolidated financial statements. The Group does not expect these amendments to have any significant impact on the consolidated financial statements.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Group's 2010 consolidated financial statements, with retrospective application required. The Group is currently in the process of evaluating the potential effect of this amendment.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that:

- net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation

Notes to the financial statements continued

- the hedging instrument may be held by any entity within the group except the entity that is being hedged
- on disposal of a hedged operation, the cumulative gain or loss on the hedge that was determined to be effective is reclassified to profit or loss.

The Interpretation allows an entity that uses the step-by-step method of consolidation as a policy choice to determine the cumulative currency translation adjustment that is recognised on disposal of a net investment as if the direct method of consolidation had been used, which becomes mandatory for the Group's 2009 consolidated financial statements, applied to the Group's existing hedge relationships and net investments. The Group is currently evaluating the potential effect of this Interpretation.

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 using valuation techniques. These include the use of recent arm's length transactions for similar instruments that are substantially the same, discounted cash flow analysis, and other methods refined to reflect the issuer's specific circumstances.

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and circumstances 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 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, which are based on the facts and circumstances, in determining:

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

5 FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk.

Notes to the financial statements continued

RISK MANAGEMENT (continued)

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

Risk management policies are established to identify and analyse the risks faced by the Group, to set risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its risk 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 risk management and monitors compliance with the Group's risk management policies and procedures and reviews the effectiveness of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee fulfils 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.

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 investments in debt 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 agreed. 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 default on its obligations.

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT (continued)

(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 cash or liquid assets 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 requirements for a period of 60 days, including the servicing of financial obligations; this excludes the potential for 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 commodity prices will affect the Group's income or the value of its holdings of financial instruments. The Group's market risk management is to manage and control market risk exposures within acceptable limits, while also optimising the return.

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 are denominated are USD and GBP.

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 the Group's Investment Services who ensure that the Group gets a good return from the investments.

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 cash or liquid assets 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 requirements for a period of 60 days, including the servicing of financial obligations; this excludes the potential for circumstances that cannot reasonably be predicted, such as natural disasters.

(d) Capital management

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

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

Notes to the financial statements continued

INFORMATION

Number 2008 the Group was organised into three geographical segments which also operated as business

Kenya,
Tanzania, and
Uganda

Reporting format – Geographical segments

31 December 2008	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
	1,108,889	98,964	75,979	1,283,832
Profit	210,882	23,673	29,369	263,924
Costs net	54,630	38	(945)	53,723
Operating expenses	(22,468)	-	-	(22,468)
Income tax	243,044	23,711	28,424	295,179
Expenses	(78,697)	(7,295)	(8,778)	(94,770)
For the period	164,347	16,416	19,646	200,409
For the period ended 31 December 2007				
	1,306,442	122,359	76,217	1,505,018
Profit	321,237	11,690	27,833	360,760
Costs net	38,939	94	(24)	39,009
Income tax	360,176	11,784	27,809	399,769
Expenses	(122,181)	(4,198)	(5,834)	(132,213)
For the period	237,995	7,586	21,975	267,556

Notes to the financial statements continued

6 SEGMENT INFORMATION (continued)

Other segment items included in the income statement are:

Year ended 31 December 2008

	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000
Depreciation	58,126	2,188	1,127
Amortisation of intangible assets	2,750	-	-
Amortisation of operating leases	110	-	-
Impairment of inventories	11,779	80	(10)
Impairment of trade receivables	4,754	(148)	(2,062)

15 months period ended 31 December 2007

Depreciation	70,733	6,137	3,011
Amortisation of intangible assets	3,552	-	-
Amortisation of operating leases	131	-	-
Impairment of inventories	4,230	10	31
Impairment of trade receivables	(3,930)	5,609	1,881

The segment assets and liabilities at 31 December 2008 and capital expenditure for the period follows:

Year ended 31 December 2008

	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000
Assets	1,923,188	67,184	66,811
Liabilities	520,828	8,154	18,111
Capital expenditure:			
(i) Additions to property, plant and equipment	155,983	628	-
(ii) Additions to intangible assets	886	-	-

Period ended 31 December 2007

Assets	1,716,797	78,155	64,311
Liabilities	304,830	55,548	36,211
Capital expenditure:			
(i) Additions to property, plant and equipment	115,962	6,079	2,111
(ii) Additions to intangible assets	6,554	-	-

Segment assets comprise primarily property, plant and equipment, intangible assets, inventories 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.

Notes to the financial statements continued

FINANCIAL INFORMATION (continued)

Operating segment - business segments

A part of the business of the group falls under the category of production and sale of gases and welding with results from other sources comprising less than 9% (2007: 8%) of the total results of the group. Therefore segment information has not been presented.

OPERATING INCOME

	2008 KShs'000	2007 KShs'000
Disposal of property, plant and equipment	829	4,282
	829	4,282

EMPLOYEE BENEFIT EXPENSES

Long-term items are included within staff costs:

Security benefits	409	657
Retirement benefits costs:		
Contribution scheme	15,031	1,612

The number of persons employed by the company at the end of the year was 144 (2007: 162):

FINANCIAL INCOME

	2008 KShs'000	2007 KShs'000
Interest expense on bank overdrafts	-	(14)
Interest income	32,654	30,163
Currency exchange gain	14,469	709
Other income	6,600	8,151
	53,723	39,009

Income represents interim and final dividends from investment in the shares of a company that is quoted on the Stock Exchange (Note 18).

Expenses relate to write off of costs associated with the stalled acquisition of Carbacid Investments. The directors deemed it prudent to provide for these costs which does not infer a revised position with regard to the stalled acquisition (Note 18).

Notes to the financial statements continued

11 PROFIT BEFORE TAXATION

	2008 KShs'000
Profit before taxation is arrived at after charging:	
Repairs and maintenance expenditure on property, plant and equipment	16,217
Employee benefits expense	213,919
Directors' emoluments - Fees	1,778
- Others	13,527
Depreciation	61,441
Amortisation of intangible assets	2,751
Amortisation of operating leases	110
Auditors remuneration - Group	3,080
- Company	2,500
And after crediting:	
Profit on disposal of property, plant and equipment	829

12 INCOME TAX EXPENSE

Current income tax	100,362
Deferred income tax (Note 27)	(9,903)
Under provision of income tax in prior years – current	920
Over provision of income tax in prior years – deferred	3,391
	94,770

The tax on the group's profit before tax differs from the theoretical amount that would arise using the following:

	2008 KShs'000
Profit before tax	295,179
Tax calculated at a tax rate of 30% (2007 – 30%)	88,554
Tax effect of:	
Income not subject to tax	(2,153)
Expenses not deductible for tax purposes	4,058
Under provision of current income tax in prior years	920
Over provision of deferred income tax in prior years	3,391
Tax charge	94,770

Notes to the financial statements continued

PER SHARE

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

	2008 KShs '000	2007 KShs '000
Profit attributable to shareholders	200,409	267,556
Weighted average number of ordinary shares in issue	19,525	19,525
Basic earnings per share (Shs)	10.26	13.70

There were no potentially dilutive shares outstanding at 31 December 2008 or 31 December 2007.

PER SHARE

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 2008 of KShs 6.25 per share (2007: KShs 6.25 per share), amounting to a total of KShs 93,722,140 (2007: KShs 122,034,038) was declared. During the year, an interim dividend of KShs 2.00 per share (2007: KShs 3.00 per share), amounting to KShs 39,050,892 (2007: interim and special dividend of KShs 58,576,338) was paid. The total dividend was therefore KShs 6.80 per share (2007: KShs 9.25), amounting to a total of KShs 132,773,033 (2007: KShs 180,610,430).

Dividends are subject to withholding tax at a rate of between 5% and 10%, depending on the residence of the shareholders.

Notes to the financial statements continued

15 PROPERTY, PLANT AND EQUIPMENT

(a) Group - 2008

	Buildings KShs'000	Plant and motor vehicles KShs'000	Cylinders KShs'000	Furniture and equipment KShs'000	Capital work in progress KShs'000
Cost or valuation					
At start of year	208,557	545,749	363,657	84,616	29,300
Additions	1,049	27,951	47,016	2,476	74,390
Disposals	-	(5,407)	-	-	-
Transfers	206	(4,122)	365	(1,699)	5,250
Currency translation differences	50	645	939	49	-
At end of year	209,862	564,816	411,977	85,442	108,940
Depreciation					
At start of year	(7,289)	(309,527)	(112,550)	(74,832)	-
Charge for the year	(5,336)	(36,152)	(17,241)	(2,712)	-
On disposals	-	5,407	-	-	-
Currency translation differences	(15)	(102)	(98)	(17)	-
At end of year	(12,640)	(340,314)	(129,889)	(77,561)	-
Net book amount					
At 31 December 2008	197,222	224,442	282,088	7,881	108,940

(a) Group - 2007

Cost or valuation					
At start of period	212,843	494,898	330,262	75,983	18,000
Additions	4,147	51,911	21,155	7,770	37,000
Disposals	(215)	(9,579)	-	(170)	-
Transfers	6,575	537	14,031	3,805	(24,000)
Correction	(15,276)	-	-	-	(1,000)
Currency translations	483	7,982	(1,791)	(2,772)	-
At end of period	208,557	545,749	363,657	84,616	29,300
Depreciation					
At start of period	(16,009)	(274,302)	(95,297)	(65,292)	-
Charge for the period	(6,523)	(46,187)	(17,367)	(9,807)	-
On disposals	-	9,579	-	170	-
Correction	15,276	-	-	-	-
Currency translations	(33)	1,383	114	97	-
At end of period	(7,289)	(309,527)	(112,550)	(74,832)	-
Net book amount					
At 31 December 2007	201,268	236,222	251,107	9,784	29,300

Notes to the financial statements continued

RTY, PLANT AND EQUIPMENT (continued)

Company - 2008

	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 start of year	207,258	526,688	332,436	80,492	26,273	1,173,147
Additions	1,049	27,323	47,016	2,476	74,404	152,268
Disposals	-	(5,407)	-	-	-	(5,407)
Transfers	206	(4,122)	365	(1,699)	5,250	-
at end of year	208,513	544,482	379,817	81,269	105,927	1,320,008
Depreciation						
at start of year	(6,350)	(303,541)	(107,830)	(68,399)	-	(486,120)
Charge for the year	(5,201)	(34,522)	(15,899)	(2,504)	-	(58,126)
Disposals	-	5,407	-	-	-	5,407
at end of year	(11,551)	(332,656)	(123,729)	(70,903)	-	(538,839)
Book amount						
31 December 2008	196,962	211,826	256,088	10,366	105,927	781,170

Company - 2007

	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 start of period	211,812	483,920	300,312	72,303	13,863	1,082,210
Additions	4,147	51,810	21,155	4,554	34,296	115,962
Disposals	-	(9,579)	-	(170)	-	(9,749)
Transfers	6,575	537	10,969	3,805	(21,886)	-
Depreciation	(15,276)	-	-	-	-	(15,276)
at end of period	207,258	526,688	332,436	80,492	26,273	1,173,147
Depreciation						
at start of period	(15,385)	(268,852)	(91,440)	(64,735)	-	(440,412)
Charge for the period	(6,241)	(44,268)	(16,390)	(3,834)	-	(70,733)
Disposals	-	9,579	-	170	-	9,749
Depreciation	15,276	-	-	-	-	15,276
at end of period	(6,350)	(303,541)	(107,830)	(68,399)	-	(486,120)
Book amount						
December 2007	200,908	223,147	224,606	12,093	26,273	687,027

Notes to the financial statements continued

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Included in property, plant and equipment are assets with a gross value of KShs 126,733,237 (2007: KShs 126,733,237) which are fully depreciated but still in use.

Notional depreciation on these assets was KShs 14,034,241 (2007: KShs 12,660,809).

Buildings were valued during the year ended 30 September 2006 by Kenya Valuers and Estate Agents. Valuations were made on the basis of open market values. The book values of properties were revalued and the resultant gain net of deferred income tax was taken to revaluation reserves equity.

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

	2008 KShs'000
Cost	115,873
Accumulated depreciation	(16,990)
Net book amount	98,883

16 INTANGIBLE ASSETS

	2008 KShs'000	Group 2007 KShs'000	2008 KShs'000
Cost			
At 1 January	12,058	5,502	12,056
Additions	886	6,556	886
At 31 December	12,944	12,058	12,942
Amortisation			
At 1 January	5,242	1,690	5,242
Charge for the year	2,751	3,552	2,750
At 31 December	7,993	5,242	7,992
Net carrying amount at 31 December	4,951	6,816	4,950

17 INVESTMENT IN SUBSIDIARIES

	Percentage shareholding	2008 KShs'000
East African Oxygen Limited	100%	1
BOC Tanzania Limited	100%	5
BOC Uganda Limited	100%	6

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 main activity of the companies is the sales of industrial and medical gases, and welding products.

BOC Uganda Limited, a special purpose entity, is incorporated in Kenya and has been consolidated into the financial statements of BOC Kenya Limited. It holds certain investments on behalf of BOC Kenya Limited.

Notes to the financial statements continued

ABLE-FOR-SALE FINANCIAL ASSETS

	2008 KShs'000	2007 KShs'000
and company		
of year	90,420	90,420
of year	90,420	90,420

Available-for-sale financial assets represent the group's investment in the shares of a quoted company with a historical cost of KShs 33,621,000.

The company made an offer to Carbacid Investment Limited to acquire its entire equity. However, due to regulatory issues, this transaction was still pending at 31 December 2008.

The trading of shares of Carbacid Investments Limited has been suspended and the fair value of the investment is stated at the last trading date. The directors are of the opinion that the carrying value as stated is still appropriate at the year end.

The matter is currently before the High Court of Kenya. The Capital Markets Authority has appealed against a decision given in favour of BOC Kenya Limited by the Capital Markets Tribunal and the outcome is awaited.

OPERATING LEASES

	2008 KShs'000	2007 KShs'000
and company		
Expiring beyond five years		
of year	4,120	4,251
Contribution for the year	(110)	(131)
of year	4,010	4,120

PENSION BENEFIT OBLIGATIONS – GROUP AND COMPANY

Pension obligations recognised in the balance sheet are determined as follows:

	2008 KShs'000	2007 KShs'000
Value of funded obligations	(3,770)	(19,679)
Value of scheme assets	-	-
Value of over funded obligations	-	-
Unrealised actuarial gains	-	-
During the year	3,770	15,909
Balance sheet	-	(3,770)

Return on scheme assets was Shs NIL (2007: KShs NIL).

Notes to the financial statements continued

20 RETIREMENT BENEFIT OBLIGATIONS – GROUP AND COMPANY (continued)

The amounts recognised in the profit and loss account for the year are as follows:

	2008 KShs'000
Amortised during the year	(3,770)
Net charge for the year included in staff costs	(3,770)
The movement on the asset recognised in the balance sheet is as follows:	
At start of year	3,770
Net charge for the year included in staff costs	(3,770)
	-

The pension scheme was converted from a defined benefit to a defined contribution scheme in 2007.

21 INVENTORIES

	Group 2008 KShs'000	2007 KShs'000	2008 KShs'000
Raw materials	28,827	14,790	28,827
Finished goods and other saleable stock	215,761	172,659	193,361
Plant spares	27,868	26,811	25,621
Goods in transit	41,300	35,021	40,850
Work in progress	2,274	350	2,234
Provisions	(53,718)	(41,960)	(50,255)
	262,312	207,671	240,638

22 HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments net of impairment	421,460	369,124	421,460
	421,460	369,124	421,460

Held-to-maturity investments relate to funds deposited in banks and other financial institutions 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 12% (2007: 12%).

Notes to the financial statements continued

RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2008 KShs'000	2007 KShs'000	2008 KShs'000	2007 KShs'000
Trade receivables	302,500	268,055	246,831	252,940
Provision for impairment	(24,059)	(21,515)	(14,177)	(9,423)
Prepayments	278,441	246,540	232,654	243,517
Receivables from related companies (Note 32)	7,015	3,004	6,156	2,529
Other receivables	3,764	25,333	2,736	24,994
	4,075	1,589	4,075	53,823
	62,317	42,823	64,037	26,998
	355,612	319,289	309,658	351,861

CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2008 KShs'000	2007 KShs'000	2008 KShs'000	2007 KShs'000
Cash at bank and in hand	87,889	114,613	70,023	86,159
Short maturity investments	421,460	369,124	421,460	369,124
	509,349	483,737	491,483	455,283

CAPITAL

	Number of shares (Thousands)	Ordinary shares KShs'000	Share premium KShs'000
At 31 December 2008 and 2007	19,525	97,627	2,554

The authorised number of ordinary shares is 19,525,446 with a par value of Shs 5 per share. All issued shares are fully paid up.

REVALUATION SURPLUS AND TRANSLATION RESERVES

Revaluation surplus

Revaluation reserves relate to surplus arising on revaluation of the company's buildings net of deferred income tax and are non-distributable. The movement on the revaluation reserve is shown on the statement of changes in equity.

Translation reserve

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

Notes to the financial statements continued

27 DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a rate of 30% (2007: 30%). The movement on the deferred income tax account is as follows:

	2008 KShs'000	Group 2007 KShs'000	2008 KShs'000
At start of year	62,531	69,191	59,355
(Credit)/ charge to income statement (Note 12)	(9,903)	(3,145)	(7,159)
(Over)/under provision in prior years	3,391	(3,515)	-
At end of year	56,019	62,531	52,196

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

(a) Group	01.01.2008 KShs'000	Charged/ (credited) to P/L KShs'000
Year ended 31 December 2008		
Deferred income tax liabilities		
Accelerated tax depreciation	47,188	4,748
- on historical cost	32,325	(784)
- on revaluation	-	7,063
Unrealised exchange gains	79,513	11,027
Deferred income tax assets	(13,820)	(18,043)
Provisions	(3,162)	504
Unrealised exchange losses	(16,982)	(17,539)
Net deferred tax liability	62,531	(6,512)

15 months period ended 31 December 2007

Deferred income tax liabilities		
Accelerated tax depreciation	38,610	8,571
- on historical cost	35,547	(3,221)
- on revaluation	74,157	5,351
Deferred income tax assets	-	(13,820)
Provisions	(4,996)	1,804
Unrealised exchange losses	(4,996)	(11,924)
Net deferred tax liability	69,191	(6,605)

Notes to the financial statements continued

Deferred income tax (continued)

Company

Year ended 31 December 2008

Deferred income tax liabilities

Accelerated tax depreciation

- on historical cost

- on revaluation

01.01.2008
KShs'000

Charged/
(credited)
to P/L
KShs'000

31.12.2008
KShs'000

39,398

11,513

50,911

32,325

(784)

31,541

71,723

10,729

82,452

Deferred income tax assets

Unrealised exchange gains

Unrealised exchange losses

Bad debts provisions

Accrued expenses

(6,580)

13,643

7,063

3,323

(5,981)

(2,658)

(2,177)

2,177

-

(6,934)

(27,727)

(34,661)

(12,368)

(17,888)

(30,256)

Net deferred income tax liability

59,355

(7,159)

52,196

9 months period ended 31 December 2007

Deferred income tax liabilities

Property, plant and equipment

- on historical cost

- on revaluation

Balance at
1.10.2006
KShs'000

Charged/
(credited)
to income
statement
KShs'000

Balance at
31.12.2007
KShs'000

29,422

9,976

39,398

35,547

(3,222)

32,325

64,969

6,754

71,723

Deferred income tax assets

Unrealised exchange gains

Unrealised exchange losses

Bad debts provisions

Accrued expenses

(182)

(6,398)

(6,580)

-

3,323

3,323

-

(2,177)

(2,177)

(1,943)

(4,991)

(6,934)

Net deferred income tax liability

62,844

(3,489)

59,355

Deferred income tax of Shs 784,000 (2007: Shs 714,000) for both the group and the company was transferred from 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.

Notes to the financial statements continued

28 PAYABLES AND ACCRUED EXPENSES

	2008 KShs'000	Group 2007 KShs'000	Compa 2008 KShs'000
Cylinder deposits	137,558	115,340	123,583
Trade payables	173,284	99,183	166,596
Amounts due to related companies (Note 32)	40,740	31,039	40,740
Accruals and other payables	195,518	151,110	189,908
	547,100	396,672	520,827

29 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	2008 KShs'000
Profit before tax	295,179
Adjustments for:	
Depreciation	61,441
Amortisation of intangible assets	2,751
Amortisation of operating leases	110
Profit on sale of equipment	(829)
Effect of currency translations	5,410
Interest income (Note 9)	(32,654)
Interest expense (Note 9)	-
Dividend income (Note 9)	(6,600)
Changes in working capital:	
– receivables and prepayments	(36,323)
– inventories	(54,641)
– payables and accrued expenses	150,428
– retirement benefits liabilities	3,770
Cash generated from operations	388,042

30 CONTINGENT LIABILITIES

At 31 December 2008, the company had given guarantees amounting to KShs 26,900,886 (2007: KShs 26,900,886) on behalf of third parties.

There are certain pending legal claims brought against the company as at 31 December 2008 for which no provision has been made in the books. In the opinion of the directors, after taking appropriate legal advice, the legal claims will not give rise to any significant loss beyond the amounts provided in these financial statements.

31 CAPITAL COMMITMENTS

At 31 December 2008 the company had outstanding capital commitments amounting to KShs 83,000 (2007: KShs 83,000 NIL)

Notes to the financial statements continued

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:

Services incurred on behalf of other related parties

	2008 KShs'000	2007 KShs'000
BOC Zambia Limited	2,486	-
	2,486	-

Purchase of goods and services from related parties

	2008 KShs'000	2007 KShs'000
BOC Group plc		
BOC Zimbabwe Limited	19,450	28,542
African Oxygen Limited	-	28
Cryostar Limited - France	99,981	109,381
	1,291	4,380
	120,722	142,331

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.

Outstanding balances included in receivables

	2008 KShs'000	2007 KShs'000
BOC Zambia Limited		
BOC Nigeria Limited	2,763	277
African Oxygen Limited	962	962
BOC Zimbabwe Limited	-	350
	350	-
	4,075	1,589

Notes to the financial statements continued

32 RELATED PARTY TRANSACTIONS (continued)

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

	2008 KShs'000
BOC Group plc	2,515
African Oxygen Limited	38,225
Cryostar Limited – France	-
	40,740

e) Key management compensation

Salaries and short term benefits	13,527
	13,527

f) Directors' remuneration

- fees	1,778
- management	13,527
	15,305

33 FINANCIAL INSTRUMENTS

(a) Credit risk

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

	2008 KShs'000
Held-to-maturity investments	421,460
Receivables and prepayments	355,612
	770,072

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

	2008 KShs'000
Kenya	249,152
Uganda	27,189
Tanzania	26,159
	302,500

Notes to the financial statements continued

Financial instruments (continued)

Impairment losses

Ageing of trade receivables at the reporting date was:

	2008 KShs'000	2007 KShs'000
Amount due		
Due 0-30 days	27,465	123,844
Due 31-90 days	55,362	39,137
Due 91-180 days	117,892	21,210
More than 180 days	36,454	27,047
	65,326	56,817
	302,500	268,055

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

	2008 KShs'000	2007 KShs'000
At 1 January		
Impairment loss recognised	21,515	17,951
	2,544	3,564
At 31 December (Note 23)	24,059	21,515

Held-to-maturity investments

At 1 January	10,000	10,000
At 31 December	10,000	10,000

Impairment loss in respect of held-to-maturity investments relates to Kenya Finance Bank.

Notes to the financial statements continued

33 FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities (2008)					
Other payables	261,584	25,613	116,517	25,797	117,584
Liquidity gap - 2008	261,584	25,613	116,517	25,797	117,584
Liabilities (2007)					
Other payables	9,258	95,041	91,256	130,767	70,351
Liquidity gap - 2007	9,258	95,041	91,256	130,767	70,351

(c) Currency risk

The Group operates in Kenya, Uganda and Tanzania and its assets and liabilities are carried in the 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)

	USD	GBP	Euro	Rand
Assets				
Receivables and prepayments	-	-	-	-
At 31 December 2008	-	-	-	-
Liabilities				
Payables and accrued expenses	23,615	9,270	26,509	38,415
At 31 December 2008	23,615	9,270	26,509	38,415
Net balance sheet position - 2008	(23,615)	(9,270)	(26,509)	(38,415)

Notes to the financial statements continued

FINANCIAL INSTRUMENTS (continued)

	USD	GBP	Euro	Rand	Total
ables and prepayments	-	-	-	-	-
December 2007	-	-	-	-	-
es					
s and accrued expenses	25,918	13,105	809	15,091	54,923
December 2007	25,918	13,105	809	15,091	54,923
nce sheet position - 2007	(25,918)	(13,105)	(809)	(15,091)	(54,923)

Following exchange rates were applied in the respective periods:

	Average rates		Closing rates	
	12 months ended 31 December 2008	15 months ended 31 December 2007	At 31 December 2008	At 31 December 2007
ound	68.82	62.65	78.25	62.40
can Rand	127.03	126.83	114.50	126.62
	8.38	9.28	8.23	9.29
	101.25	90.17	109.40	89.85

Change rate risk

Sensitivity Analysis

0 percent strengthening of the Shilling against the following currencies at 31 December would have increased/ (decreased) profit and 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 2007.

Effect in Kenya shillings thousands

31 December	2008	2007
ollar	335	461
	90	115
	269	10
	5,214	1,805

0 percent weakening of the Shilling against the above currencies at 31 December 2008 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.

Notes to the financial statements continued

33 FINANCIAL INSTRUMENTS (continued)

(e) Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risk of the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual maturity dates.

	Effective interest rate %	On demand KShs '000	Due within 3 months KShs '000	Due within 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Over 5 years KShs '000	Non- interest bearing KShs '000
As at 31 December 2008							
ASSETS							
Property and equipment	-	-	-	-	-	-	820,5
Prepaid operating lease rentals	-	-	-	-	-	-	4,0
Intangible asset	-	-	-	-	-	-	4,9
Available-for-sale financial assets	-	-	-	-	-	-	90,4
Inventories	-	-	-	-	-	-	262,3
Held-to-maturity investments	9%	-	421,460	-	-	-	355,1
Trade and other receivables	-	-	-	-	-	-	9,1
Tax recoverable	-	-	-	-	-	-	87,1
Cash and bank balances	-	-	-	-	-	-	-
At 31 December 2008	-	-	421,460	-	-	-	1,635,1
EQUITY AND LIABILITIES							
Share capital, reserves and proposed dividends	-	-	-	-	-	-	1,454,1
Deferred tax	-	-	-	-	-	-	54,1
Trade and other payables	-	-	-	-	-	-	-
At 31 December 2008	-	-	-	-	-	-	2,058,1
Interest rate sensitivity – 2008	-	-	421,460	-	-	-	(421,460)

Notes to the financial statements continued

FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

	Effective interest rate %	On demand KShs '000	Due within 3 months KShs '000	Due within 3 and 12 months KShs '000	Due between 1 and 5 years KShs '000	Over 5 years KShs '000	Non- interest bearing KShs '000	Total KShs '000
at 31 December 2007								
ASSETS								
Property and equipment	-	-	-	-	-	-	727,683	727,683
Lease operating lease rentals	-	-	-	-	-	-	4,120	4,120
Intangible asset	-	-	-	-	-	-	6,816	6,816
Available-for-sale financial assets	-	-	-	-	-	-	90,420	90,420
Lease pension contribution	-	-	-	-	-	-	3,770	3,770
Investments	-	-	-	-	-	-	207,671	207,671
Pre-maturity investments	9%	-	369,124	-	-	-	-	369,124
Trade and other receivables	-	-	-	-	-	-	319,289	319,289
Interest coverable	-	-	-	-	-	-	15,829	15,829
Bank balances	-	-	-	-	-	-	114,613	114,613
December 2007	-	-	369,124	-	-	-	- 1,490,211	1,859,335
LIABILITIES								
Capital, reserves and								
Dividends	-	-	-	-	-	-	1,400,132	1,400,132
Tax	-	-	-	-	-	-	62,531	62,531
Other payables	-	-	-	-	-	-	396,672	396,672
December 2007	-	-	-	-	-	-	- 1,859,335	1,859,335
Interest rate sensitivity - 2007	-	-	369,124	-	-	-	(369,124)	-

Sensitivity Analysis

A change of 1 percentage point in interest rates at the reporting date would have increased/ (decreased) profit and loss 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 2007.

December	2008 KShs'000	2007 KShs'000
Pre-maturity investments	3,732	3,369

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

Value of financial assets and liabilities

The carrying amounts of financial assets and liabilities is the same as the carrying amounts as shown in the balance sheet.

Proxy form

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 co
to be held on Wednesday, 29 April 2009 at The Laico Regency Hotel, Nairobi and at any adjou
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