Contents

Notice is hereby given that the Sixty Eighth Annual General Meeting of BOC Kenya Limited will be held at the Company's factory site on Kitui Road, Industrial Area Nairobi on Thursday, 29th April, 2010 at 11.00 am for the following purposes:

ORDINARY BUSINESS

(a) To receive and adopt the audited financial statements for the year ended 31st December, 2009 together with the directors' and auditors' reports thereon.

(b) To declare a dividend for the year ended 31st December, 2009.

(c) To hold directors' elections

(i) Mr. Joseph Gilbert Kibe and Mr. Alfred Juma who are over 70 years of age, retire as directors in line with section 186 (5) of the Companies Act at the next Annual General Meeting, and being eligible, offer themselves for re-election.

(ii) Mr. Willem D. Coetzee who was appointed as a director of the Company with effect from 20th August, 2009, retire in line with clause 98 of the Company's Articles of Association and being eligible, offers himself for re-election.

(iii) Ms. Maria Brigitta Msiska who was appointed as a director of the Company with effect from 19th February, 2010, retire in line with clause 98 of the Company's Articles of Association and being eligible, offers herself for re-election

(iv) Mr. Francis Graham who was appointed as a director of the Company with effect from 19th February, 2010, retire in line with clause 98 of the Company's Articles of Association and being eligible, offers himself for re-election

(v) To re-elect Mr. Ngugi Kiuna who retires by rotation under clause 93 of the Company's Articles of Association and being eligible, offers himself for re-election.

(d) To approve the remuneration of the directors for the year ended 31 December, 2009.

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

(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

19 February 2010

Note:

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

DIRECTORS

J G Kibe	(Chairman)
J M Kariuki	(Managing Director)
T Kruger*	
C van Zyl*	
J Narayadoo*	(Resigned 20 August 2009)
W Coetzee*	(Appointed 20 August 2009)
A C Juma	
N Kiuna	
T Baasden*	(Alternate to Tjaart Kruger)
M Msiska**	(Appointed 1 December 2009 Alternate to Cor van Zyl)
M Yan*	(Resigned 1 December 2009)

* South African
** Malawian

SECRETARY
Virginia Ndunge
Kitui Road
P.O Box 18010
00500 Nairobi

AUDITORS
KPMG Kenya
16th Floor, Lonrho House
Standard Street
PO Box 40612
00100 Nairobi GPO

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Kitui Road
Industrial Area
PO Box 18010 - 00500
00500 Nairobi

ADVOCATES
Daly & Figgis Advocates
Lonhro 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
PO Box 30120 - 00100
Nairobi

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

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

JOSEPH GILBERT KIBE

Joe Kibe is a 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

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 19 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 C 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.

Willem Diederik Coetzee is the General Manager African Operations, African Oxygen Limited based in South Africa. He is a registered Professional Engineer with the South African Institute of Professional Engineers and is a member of the South African Institute of Industrial Engineers. He holds a BSc Engineering degree Cum Laude and a Master of Business Administration degree from the University of Pretoria, South Africa. Willem has a total of 27 years business experience at various positions and organizations including AECI Limited, Kentron and Excel Industrial Engineering Consultants in South Africa. He was appointed a director of BOC Kenya with effect from 20th August 2009 to replace Mr Jonathan Narayadoo who resigned as a director from the same date.

__Maria Msiska__ is a Fellow of the Chortered Association of Certified Accountants. She holds a Master of Business Leadership from the University of South Africa as well as Bachelor of Commerce degree from the University of Malawi. She has 15 years of service with African Oxygen Limited and is a director in various companies within the Linde Group in Africa. She is currently the Head of Finance for the African Operations outside of South Africa. Prior to this position she was the Managing Director of Afrox Zambia Limited.

MARIA MSISKA

__Cor van Zyl__ a Chartered Accountant (SA), is 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 (Public Sector) for three years and also chaired the Centurion Chamber of Commerce from 1991 to 1992.

COR VAN ZYL

__Tersia Baasden__ joined African Oxygen Limited in 2002 as the Service Quality Manager for the Financial Service Centre and has been with the Group for the past 5 years. She holds a senior management position in Human Resources. Tersia brings a wealth of experience in the Human Resources field working with senior management on implementation of strategic initiatives. Tersia 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 Provident Fund. Tersia was educated in South Africa and obtained an Honours degree in Human Resources Development and has recently completed a Diploma in Advance Business Management.

__Tjaart Kruger__ joined African Oxygen Limited as Managing Director on 1 April 2007. He has held various executive positions at Tiger Brands Limited, including the positions of Managing Executive for AdcockIngram Pharmaceuticals Division and Managing Executive of the Grains Division. He is a chartered accountant and a commerce graduate from the University of Johannesburg and participated in the Harvard Business School management development programme in 1995.

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of the group and company.

1. Principal activities

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

2. Results

The results for the year are set out on page 16.

3. Dividends

During the year, the company paid an interim dividend of KShs 2.00 (2008 Kshs 2.00) per share, amounting to KShs 39,050,892 (2008 KShs 39,050,892). The directors recommend the approval of a final dividend of KShs 4.80 (2008 – KShs 4.80) per share amounting to KShs 93,722,141 (2008 - KShs 93,722,141).

4. Directors

The directors who served since 1 January 2009 are set out on page 3.

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 19 February 2010.

BY ORDER OF THE BOARD

VIRGINIA NDUNGE
Secretary

Date: 19 February 2010

The Directors are responsible for the preparation and presentation of the financial statements of BOC Kenya Limited set out on pages 16 to 57 which comprise the statement of financial position at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors 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.

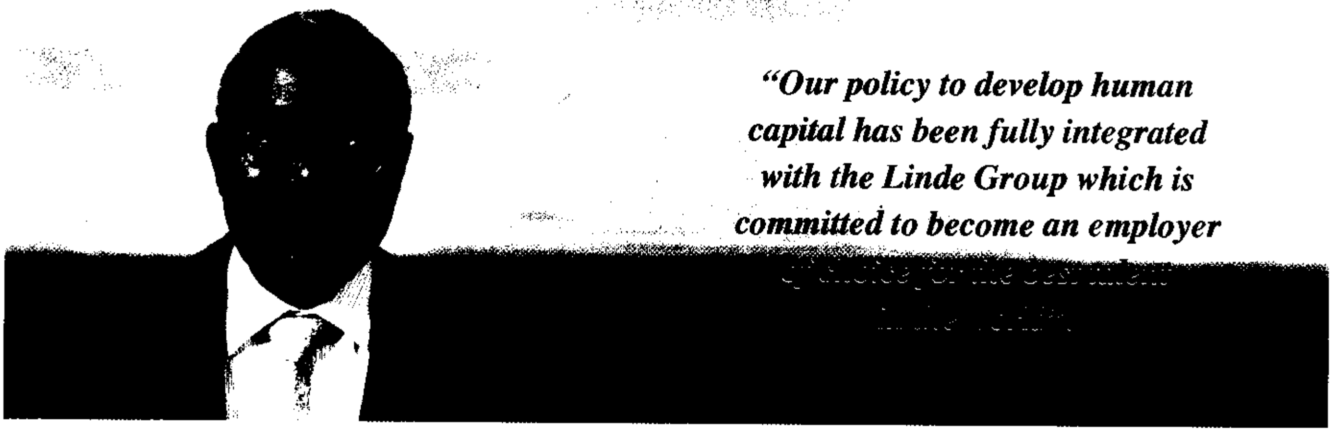
The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the company will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 19 February 2010 and were signed on its behalf by:

____________________ ____________________

Director Director



JOSEPH GILBERT KIBE, Chairman

ECONOMIC OVERVIEW

Kenya's economy recorded a modest growth, in part due to the overall global economic meltdown but also resulting from the effects of the prior year. A GDP growth of 2.5% for 2009 was reported and is projected to grow by 4 % in 2010.

Power continues to be a challenge in terms of both cost and quality. Economic recovery is expected to be slow as the government grapples with the combined effect of high power costs and rebuilding of the infrastructure. Despite these challenges the Company continued to pursue its key objective of securing sustainability and future growth within the East African region.

COMPANY RESULTS

The company recorded the same turnover as last year but profit before tax reduced by 22%. Net profit after tax was 23% lower than last year. Our subsidiaries in Uganda and Tanzania recorded impressive growth in turnover.

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 efficiencies will remain the focal point of the company's processes.

The parent company, Linde Group, registered appreciable results in the year under review, with sales declining by 11.5% and operating profit declining by 6.7%. These results demonstrate the Group's global financial strength and underlie its capacity to ride out the storm of the economic downturn.

CORPORATE GOVERNANCE

Best Practice corporate governance principles are the hallmark of and guide the company's operations at all levels. The directors are ultimately accountable to all stakeholders 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 determining the company's direction and strategy, monitor the achievement of the business objectives, ensure the company meets its responsibilities to its shareholders and that the control environment mitigates against exposure to risks.

The Board, comprising six non-executive directors and one executive director brings to the company diverse competencies, management and business acumen required to effectively oversee the smooth running of the company.

OUR PEOPLE

Employees are continuously assessed in order to ensure that they possess the skills required to carry out their responsibilities. They have access to the Group's online training facility, the Integrated Management Systems and Standards (IMSS) that standardises training material designed for specific roles within the Group. Where gaps are identified, management works with the employees to ensure that such gaps are filled through necessary training.

Our policy to develop human capital has been fully integrated with the Linde Group which is committed to become an employer of choice for the best talent in the world.

CELEBRATING 70 YEARS

I am pleased to report that the company celebrated its 70th anniversary in December 2009, signifying its commitment to providing gases and welding solutions in East Africa. We are 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 2010 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
19 February 2010

ECONOMIC REVIEW AND PERFORMANCE

The year 2009 was a challenging one with increases in operating costs driven by higher cost of energy and imported input materials. On an annualised basis, the company recorded the same turnover as last year but profit before tax reduced by 22%. Net profit after tax was 23% lower than last year.

Going forward, we shall continue to focus on cost reduction including significant investment in the upgrading of existing facilities.

Our subsidiaries in Uganda and Tanzania continue to be our growth drivers both in sales and profitability. With the advent of the East African Customs Union there is a common market of 130 million people positioning in good stead to increase our sales. We are optimistic that we shall benefit from this Common market stretching all the way to Rwanda and Burundi.

Through our subsidiaries in Tanzania and Uganda we continue to leverage our advantage in areas such as Medical and LPG pipeline installation, argon and argoshield supplies coupled with a wide range of Miller welding equipment and Special electrodes. We continue to service high value sectors such as the gold, nickel and diamond mines together with the sugar and steel mills.

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 cylinders and distribution vehicles in the service of those territories so as to improve efficiency and customer satisfaction. Our capital investment is closely linked to our growth strategy.

We have enhanced infrastructure in order to enhance availability of Argon, a specialized gas that is critical for heavy industry development and maintenance. We are looking at 2010 with renewed optimism about the operations of our subsidiaries and remain well positioned to tap into any opportunities that arise in all the markets in which we operate.

OPERATIONAL EFFICIENCY

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

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

Continuous improvement is the cornerstone of BOC Kenya Corporate culture which will help us realise our common goal of becoming a High Performance Organization. The drive is to continuously learn, change and improve.

We are progressing steadily in the transition journey initiated in January 2008 of improvement towards our overall target of becoming an HPO. To become a truly high-performing company is a long-term objective and requires a paradigm shift. We have embarked on creating lasting process improvements to transform our company into a more efficient organization to secure sustainable success.

As part of the Linde Group's African Operations outside of South Africa (AfOps), the company is involved in an information technology standardization program which aims at leveraging world best practice. This program is the foundation upon which our future customer service and asset management programs will be anchored.

During the year, we upgraded our ERP system (ACCPAC) to the most recent version and trained our staff. We believe that this will improve our customer service and will further strengthen our accounting controls.

The company has implemented Six Sigma methodology as a business improvement tool which will anchor our strategy to achieve best operating practices.

WORKING CAPITAL MANAGEMENT

Cash generation for operational and investment needs is still a key measure of management performance. The Group's capital investment model is based on the ability to identify opportunities that will generate acceptable cash flows over the appraisal period. In view of the recent economic meltdown, the need for cash generation becomes ever more imperative and management is aware of the changed circumstances and has put in place the necessary mitigations.

QUALITY

We retained our ISO 9001:2000 certification during the year and we are on course to achieving ISO 14001:2004 and OHSAS 18001:2007.

CUSTOMER SERVICE

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

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) MANAGEMENT

On SHEQ, we continue to meet the Linde Group standards. Our SHEQ program is first and foremost, premised on the dictum that "Safety is 100% of our behavior 100% of the time". Various initiatives, e.g. near miss reporting, SHEQ Roadmap and "LeadSafe" observations that aim to promote behavioral 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 to ensure that we achieve SHEQ world class standards.

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 resource utilization and waste management.

We had attained 1.83 million hours up to November 2009 when we had a lost work incident, the previous one having been in February 2005.

ASU PLANT UPGRADE

The ASU Plant will be upgraded in the year 2010 to ensure increased plant capacity and improved efficiencies.

COMMUNITY INVOLVEMENT PROGRAM (CIP)

At the forefront of this program are employees who drive it through dedicating their time and effort 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.

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
- Oloosurutia 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.

FUTURE PROSPECTS

The economic meltdown portends tough times ahead. However, as part of our ambitious growth strategy, we will focus on our customers and optimize our processes for sustainable efficiencies. Our growth prospects are linked to infrastructure development opportunities, especially in the sectors of construction, energy/petroleum and environmental related applications. Significant growth is expected out of our operations in Uganda and Tanzania, commensurate with the level of Investments in those territories.

As a Board, we are confident that the company is well placed to take advantage of emerging opportunities even with the challenges presented by the current economic downturn.

APPRECIATION

We would like to thank the Board for its guidance, management and staff for their unwavering commitment, our customers for their loyalty and our suppliers for their continued support.

Director	Director
19 February 2010	

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

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

BOARD OF DIRECTORS

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

- Approval and adoption of the strategic and annual business plans, the setting of objectives and review of key risk and performance areas

- Approval of commitments outside the authority delegated to the executive management committees and individual directors

- Determination of overall policies and processes to ensure integrity of the Group's management of risk and internal control

- Approval and adoption of Group policies, programmes and procedures for safety, health, environment, treasury, remuneration and benefits

- Review at regular Board meetings of management's performance against set objectives

- Approval of the appointment and removal of directors and the external auditors

AUDIT COMMITTEE

The Board has constituted an Audit Committee which meets at least twice annually as scheduled during the year with internal and external auditors as well as management invited. Its membership comprises 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 Group'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 Group.

RETIREMENT AND REMUNERATION BENEFITS COMMITTEE

The committee is mandated to determine and make recommendations to the Board on the remuneration policies of the Group and the terms and conditions of employment of the executive 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 Group is committed to ensuring that shareholders, relevant authorities such as the Nairobi Stock Exchange, the Capital Markets Authority and financial markets are provided with timely information about its overall performance.
This is usually done through investor briefings at half-year and year-end results announcements and circulation of the annual financial statements 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 Group.

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 BOC Kenya Limited 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 Group 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 Group

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

At every board meeting, the status of mitigations against identified business risks is reviewed to ensure timely implementation and that desired outcomes are being achieved.

EMPLOYMENT EQUITY

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

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

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

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

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 Group has a facility through which staff are encouraged to report any actions that they consider to be against our established code of conduct. This facility is managed outside the companies in order to protect confidentiality.

GOING CONCERN

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

SHAREHOLDERS' PROFILE FOR THE YEAR ENDED 31 DECEMBER 2009

Ownership structure

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

Ten largest shareholders

	Number of shares held	% of issued shares capital
BOC Holdings	12,765,578	65.38
UAP Provincial Insurance Company Limited	986,967	5.05
Insurance Company of East Africa	455,812	2.33
Old Mutual Life Assurance Company Limited	288,456	1.48
Barclays (Kenya) Nominees Limited 'Account 1256'	209,900	1.08
Kenya Commercial Bank Nominees 'Account 744'	200,000	1.02
Stanbic Nominees Kenya Limited 'A/C SCKPF'	163,855	0.84
Barclays (Kenya) Nominees Limited 'Account 1853'	155,307	0.80
Kenya Commercial Bank Nominees 'Account 769G'	147,000	0.75
Barclays (Kenya) Nominees Limited 'Account 9230'	130,200	0.67
	15,503,075	79.40

We have audited the group financial statements of BOC Kenya Limited set out on pages 16 to 57 which comprise the statements of financial position of the group and the company at 31 December 2009, and the group's statement of comprehensive income, statement of changes in equity for the Group and Company and statement of cash flows for the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

As stated on page 7, the directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company at 31 December 2009, and the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

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

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

(ii) In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books; and

(iii) The statements of financial position of the Group and Company are in agreement with the books of account.

Date: 19 February 2010

Consolidated statement of comprehensive income

	Note	Year Ended 31 December 2009 KShs'000	Year Ended 31 December 2008 KShs'000
Revenue		1,285,373	1,283,832
Cost of sales		(654,828)	(587,842)
Gross profit		630,545	695,990
Other operating income	7	-	829
Distribution costs		(102,438)	(141,973)
Administrative expenses		(329,304)	(288,232)
Other operating expenses		-	(2,690
Operating profit		198,803	263,924
Finance income	9	45,258	53,723
Non-trading expenses	10	(12,379)	(22,468)
Operating profit before income tax	11	231,682	295,179
Income tax expense	12	(77,775)	(94,770)
Profit for the year		153,907	200,409
Other comprehensive income :			
Foreign currency translation differences for foreign operations		(19,526)	14,651
Change in fair value of available-for-sale financial assets		111,540	-
Deferred tax on change in fair value of available-for-sale financial assets		(33,462)	-
Total other comprehensive income for the year		58,552	14,651
Total comprehensive income for the period		212,459	215,060
Earnings per share (KShs per share)			
- basic and diluted	13	7.88	10.26
Dividends			
Interim dividends – paid in the year	14	39,051	39,051
Proposed final dividends for the year	14	93,722	93,722
		132,773	132,773

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Consolidated statement of financial position

	Note	At 31 December 2009 KShs'000	At 31 December 2008 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	15(a)	809,139	820,577
Intangible assets	16	2,939	4,951
Available-for-sale financial assets	18	201,960	90,420
Prepaid operating leases	19	3,905	4,010
Total non-current assets		1,017,943	919,958
Current assets			
Inventories	20	223,635	262,312
Short term investments	21	252,972	421,460
Trade and other receivables	22	362,569	355,612
Current income tax		56,494	9,996
Cash and bank balances	23	74,788	87,889
Total current assets		970,458	1,137,269
TOTAL ASSETS		1,988,401	2,057,227
EQUITY AND LIABILITIES			
Capital and reserves (Page 9)			
Share capital	24	97,627	97,627
Share premium	24	2,554	2,554
Revaluation surplus	25(a)	114,815	116,645
Fair value reserve	25(b)	144,077	-
Foreign currency translation reserve	25(c)	(18,854)	672
Retained earnings		1,099,853	1,142,888
Proposed dividends	14	93,722	93,722
Total equity		1,533,794	1,454,108
Non-current liabilities			
Deferred income tax	26(a)	87,083	56,019
Trade and other payables	27	367,524	547,100
TOTAL EQUITY AND LIABILITIES		1,988,401	2,057,227

The financial statements on pages 16 to 57 were approved for issue by the board of directors on 19 February 2010 and signed on its behalf by:

Director Director

The notes set out on pages 24 sto 57 form an integral part of these financial statements.

Company statement of financial position

	Note	At 31 December 2009 KShs'000	At 31 December 2008 KShs'000
ASSETS			
Non-current assets			
Property, plant and equipment	15(b)	776,389	781,170
Intangible assets	16	2,939	4,950
Investment in subsidiaries	17	60	60
Available-for-sale financial assets	18	201,960	90,420
Prepaid operating leases	19	3,905	4,010
Total non current assets		985,253	880,610
Current assets			
Inventories	20	209,294	240,638
Short term investments	21	230,322	421,460
Trade and other receivables	22	322,184	309,658
Current income tax		52,991	799
Cash and bank balances	23	53,379	70,023
Total current assets		868,170	1,042,578
TOTAL ASSETS		1,853,423	1,923,188
EQUITY AND LIABILITIES			
Capital and reserves (Page 10)			
Share capital	24	97,627	97,627
Share premium	24	2,554	2,554
Revaluation surplus	25(a)	114,815	116,645
Fair value reserve	25(b)	144,077	-
Retained earnings		970,482	1,039,617
Proposed dividends	14	93,722	93,722
Total equity		1,423,277	1,350,165
Non-current liabilities			
Deferred income tax	26(b)	90,246	52,196
Trade and other payables	27	339,900	520,827
TOTAL EQUITY AND LIABILITIES		1,853,423	1,923,188

The financial statements on pages 16 to 57 were approved for issue by the board of directors on 19 February 2010 and signed on its behalf by:

Director　　　　　　Director

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Consolidated statement of changes in equity

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

* Transfer to fair value reserve relates to fair value changes on the available for sale investments prior to 2007 now reported into a fair value reserve.

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Consolidated statement of changes in equity

Year ended 31 December 2008	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Fair value reserve KShs'000	Translation reserve KShs'000	Retained earnings KShs'000	Proposed dividends KShs'000	Total KShs'000
At the beginning of year	97,627	2,554	118,475	-	(4,183)	1,063,626	122,033	1,400,132
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	200,409	-	200,409
Other comprehensive income								
Transfer of excess depreciation	-	-	(2,614)	-	-	2,614	-	-
Deferred tax on excess depreciation			784			(784)		-
Net gains/(losses)	-	-	(1,830)	-	-	1,830	-	-
Currency translation differences	-	-	-	-	4,855	9,796	-	14,651
Total other comprehensive income for the year	-	-	(1,830)	-	4,855	11,626	-	14,651
Total comprehensive income for the year	-	-	(1,830)	-	4,855	212,035	-	215,060
Transactions with owners, recorded directly in equity								
Dividends to equity holders								
- Final for 2007 (paid)	-	-	-	-	-	-	(122,033)	(122,033)
- Interim for 2008	-	-	-	-	-	(39,051)	-	(39,051)
- Proposed final for 2008	-	-	-	-	-	(93,722)	93,722	-
At end of year	97,627	2,554	116,645	-	672	1,142,888	93,722	1,454,108

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Company statement of changes in equity

Year ended 31 December 2009	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Fair value reserve	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At the beginning of year	97,627	2,554	116,645	-	1,039,617	93,722	1,350,165
Comprehensive income for the year							
Profit for the year-	-	-	-	-	127,807	-	127,807
Other comprehensive income							
Transfer of excess depreciation	-	-	(2,614)	-	2,614	-	-
Deferred tax on excess depreciation	-	-	784	-	(784)	-	-
Net gains/(losses)-	-		(1,830)	-	1,830	-	-
Change in available for sale financial assets	-	-	-	111,540	-		111,540
Deferred tax on change in available for sale financial assets	-	-	-	(33,462)	-	-	(33,462)
Transfer to fair value reserve	-	-	-	65,999	(65,999)	-	-
Total other comprehensive income for the year	-	-	(1,830)	144,077	(64,169)	-	78,078
Total comprehensive income for the year	-	-	(1,830)	144,077	63,638	-	205,885
Transactions with owners, recorded directly in equity							
Dividends:							
- Final for 2008 (paid)	-	-	-	-	-	(93,722)	(93,722)
- Interim for 2009	-	-	-	(39,051)	-	(39,051)	-
- Proposed final for 2009	-	-	-	-	(93,722)	93,722	-
At end of year	97,627	2,554	114,815	144,077	970,482	93,722	1,423,277

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Company statement of changes in equity

Year ended 31 December 2008	Share capital KShs'000	Share premium KShs'000	Revaluation surplus KShs'000	Fair value reserve	Retained earnings KShs'000	Proposed dividends KShs'000	Total equity KShs'000
At the beginning of year	97,627	2,554	118,475	-	1,010,377	122,033	1,351,066
Comprehensive income for the year							
Profit for the year	-	-	-	-	160,183	-	160,183
Other comprehensive income							
Transfer of excess depreciation	-	-	(2,614)	-	2,614	-	-
Deferred tax on excess depreciation			784		(784)		-
Net gains/(losses)	-	-	(1,830)	-	1,830	-	-
Total other comprehensive income for the year	-	-	(1,830)	-	1,830	-	-
Total comprehensive income for the year	-	-	(1,830)	-	162,013	-	160,183
Transactions with owners, recorded directly in equity							
Dividends:							
- Final for 2007 (paid)	-	-	-	-	-	(122,033)	(122,033)
- Interim for 2008	-	-	-	-	(39,051)	-	(39,051)
- Proposed final for 2008	-	-	-	-	(93,722)	93,722	-
At end of year	97,627	2,554	116,645	-	1,039,617	93,722	1,350,165

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Consolidated statement of cash flows

	Note	Year Ended 31 December 2009 KShs'000	Year Ended 31 December 2008 KShs'000
Operating activities			
Cash generated from operations	28	122,234	388,042
Tax paid		(142,978)	(88,554)
Net cash generated from operating activities		(20,744)	299,488
Investing activities			
Purchase of property, plant and equipment	15(a)	(60,280)	(152,884)
Purchase of intangible assets	16	(222)	(886)
Proceeds from disposal of equipment		-	829
Interest received		22,945	32,654
Dividends received		9,900	6,600
Net cash used in investing activities		(27,657)	(113,687)
Financing activities			
Dividends paid		(132,773)	(161,084)
Net cash used in financing activities		(132,773)	(161,084)
Increase/(Decrease) in cash and cash equivalents		(181,174)	24,717
Movement in cash and cash equivalents			
At the beginning of year		509,349	483,737
Increase/(Decrease)		(181,174)	24,717
Effects of exchange rate changes on cash and cash equivalents		(415)	895
At end of year	23	327,760	509,349

The notes set out on pages 24 to 57 form an integral part of these financial statements.

Notes to the financial statements

1 REPORTING ENTITY

The company is incorporated as a limited company in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. The Company's registered address is Kitui Road, Industrial Area, PO Box 18010 – 00500, Nairobi. The consolidated financial statements of the Group as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in the manufacture of industrial gases and welding products.

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 19th February 2010.

(b) Basis of measurement

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

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

(c) Use of estimates and judgements

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

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

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

(d) Functional and presentation currency

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

(e) New accounting standards adopted

On 1 January 2009, the Group retrospectively adopted IAS 1 'Presentation of Financial Statements' (revised 2007). As a result, in the Group's financial statements certain disclosures and terminology has changed.

2 BASIS OF PREPARATION (continued)

(e) New accounting standards adopted (continued)

On 1 January 2009, the Group retrospectively adopted IAS 1 'Presentation of Financial Statements' (revised 2007). As a result, in the Group's financial statements certain disclosures and terminology has changed.

On 1 January 2009, the Group retrospectively adopted IFRS 8 'Operating Segments' which did not have a material impact on the Group's financial statements.

On 1 January 2009, the Group prospectively adopted amendments to IFRS 7 'Financial Instruments: Disclosures, issued in March 2009 and the required enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level-fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between level 1 and level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

The revised disclosures in respect of fair values of financial instruments are presented in Note 32 to these financial statements.

Further, the definition of liquidity risk has been amended and it is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financial liabilities only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contracts, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in Note 32.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries - continued

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.

(ii) Special purpose entities

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

(iii) Transactions eliminated on consolidation

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

(b) Translation of foreign currencies

(i) Transactions and balances in group entities

Foreign currency transactions are translated into the functional currency of the respective entity 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

(ii) Consolidation of group entities

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

i. assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

i. 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

ii. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Translation of foreign currencies (continued)

(ii) Consalidation of group entities - continued

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken toshareholders' 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.

(c) Revenue recognition

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

(i) Sales of goods are recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and when there is no continuing management involvement.

(i) Sales of services are recognised in the period in which the services are rendered by reference to the completion of specifictransaction assessed on the basis of actual service provided as a proportion of total services to be provided. Sales revenue can only be recognised when the associated costs can be estimated reliably and the amount of revenue can be estimated reliably.

(d) Finance income

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

(e) Income tax

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 and accumulated impairment losses.

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

Revaluations are done with sufficient regularity such that carrying amount does not differ materially from that which would be the fair value at the balance sheet date. Increases in the carrying amount arising on revaluation are credited to a revaluation surplus reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation 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 recognised in profit or loss on a straight line basis to write down the cost of each asset to residual values over their estimated useful life as follows:

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

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

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

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.

(g) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised 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).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Accounting for leases

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are 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, other related direct costs and production overheads (based on normal operating activities), but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Recognition and measurement of financial instruments

(i) Classification

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

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

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

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

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

(ii) Recognition

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

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

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

Gains and losses arising from a change in the fair value of available-for-sale assets is recognised as equity until the instrument is derecognised or impaired at which time the cumulative gain or loss is recognised in income statement and trading instruments gains or losses are recognised in the income statement in the period it arises.

(iv) Derecognition

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

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets.

Held-to-maturity instruments and originated loans and receivables are derecognised on the date they are transferred by the Group

(K) Trade receivables

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

(L) Impairment of assets

(i) Impairment of financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of assets (continued)

(i) Impairment of financial assets (continued)

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

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

(ii) Impairment of nan-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 any such indication exists then the asset's recoverable amount is estimated.

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

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

(m)Cash and cash equivalents

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

(n) Employee entitlements

(i) Retirement benefit obligations

The company operates a defined contribution scheme for all its employees. Contributions to the defined contribution plan are charged to the income statement as incurred. Obligations for contributions to defined contribution retirement benefits are recognised as an employee benefit expense in profit or loss when they are due. Any difference between the charge to the income statement and the contributions payable is recorded in the balance sheet under other receivables or other payables.

(ii) Termination benefits

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee entitlements (continued)

(iii) Other entitlements

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

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

(o) Finance income and finance costs

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

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

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

(p) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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

(r) 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

(s) 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 specifics to the liability.

(t) Offsetting of financial assets and financial liabilities

Financial assets and financial 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.

(u) 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 related companies. The related party transactions are at arms length.

(v) Segment reporting

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

(w) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these consolidated financial statements as follows:

- Revised IFRS 3 Business Combinations (2008) incorporates the following changes:
  - the definition of a business has been broadened, which may result in more acquisitions being treated as business combinations;
  - contingent consideration will be measured at fair value, with subsequent changes in fair value recognised in the statement of comprehensive income;
  - 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 the related gain or loss recognised in the statement of comprehensive income; and
  - any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) New standards and interpretations not yet adopted (continued)

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 in the Group's 2010 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 the statement of comprehensive income. 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 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.

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

  The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

  The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(ii) Income taxes

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

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

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

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

(c) Revaluation of property, plant and equipment

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

5 FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk.

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

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

(a) Credit risk

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

Trade and other receivables

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

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

5 FINANCIAL RISK MANAGEMENT (continued)

Trade and other receivables (continued)

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

Investments

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

Write-off policy

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

(b) Liquidity risk

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

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

(c) Market risk

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

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, The currencies in which these transactions primarily are denominated are 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 Barclays Security Services who ensure that the Group gets a good return from the investments

Equity price risk

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

(d) Capital management

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

There is no externally imposed capital requirements.

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

6. SEGMENT INFORMATION

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

- Kenya;
- Tanzania; and
- Uganda.

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

Year ended 31 December 2009	**Kenya KShs'000**	**Tanzania KShs'000**	**Uganda KShs'000**	**Total KShs'000**
Sales	1,078,197	122,474	84,702	1,285,373
Operating profit	161,601	18,547	18,655	198,803
Finance income	44,845	46	367	45,258
Non-trading expenses	(12,379)	-	-	(12,379)
Profit before income tax	194,067	18,593	19,022	231,682
Income tax expenses	(66,260)	(6,020)	(5,495)	(77,775)
Profit for the year	127,807	12,573	13,527	153,907

Year ended 31 December 2008	**Kenya KShs'000**	**Tanzania KShs'000**	**Uganda KShs'000**	**Total KShs'000**
Sales	1,108,889	98,964	75,979	1,283,832
Operating profit	210,882	3,673	29,369	263,924
Finance costs net	54,630	38	(945)	53,723
Non-trading expenses	(22,468)	-	-	(22,468)
Profit before income tax	243,044	23,711	28,42	295,179
Income tax expenses	(78,697)	(7,295)	(8,778)	(94,770)
Profit for the year	164,347	16,416	19,646	200,409

6 SEGMENT INFORMATION (continued)

Other segment items included in the income statement are:

Year ended 31 December 2009	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Depreciation	65,059	1,787	1,124	67,970
Amortisation of intangible assets	2,233	-	1	2,23
Amortisation of operating leases	105	-	-	105
Impairment of inventories	(13,806)	12,954	3,804	2,952
Impairment of trade receivables	1,702	101	3,023	4,826

Year ended 31 December 2008	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Depreciation	58,126	2,188	1,127	61,441
Amortisation of intangible assets	2,750	-	1	2,751
Amortisation of operating leases	110	-	-	110
Impairment of inventories	11,779	80	(101)	11,758
Impairment of trade receivables	4,754	(148)	(2,062)	2,544

The segment assets and liabilities at 31 December 2009 and capital expenditure for the period then ended are as follows:

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

Year ended 31 December 2008	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Assets	1,923,188	67,184	66,855	2,057,227
Liabilities	520,828	8,154	18,118	547,100
Capital expenditure:				
(i) Additions to property, plant and equipment	152,268	616	-	152,884
(ii) Additions to intangible assets	886	-	-	886

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

Segment liabilities comprise operating liabilities. They exclude tax and corporate borrowings.
Capital expenditure comprises additions to property, plant and equipment and intangible assets

7 OTHER OPERATING INCOME

	2009 KShs'000	2008 KShs'000
Profit on disposal of property, plant and equipment	-	82

8 EMPLOYEE BENEFIT EXPENSES

The following items are included within staff costs:

Social security benefits	597	409
Retirement benefits costs:		
- defined contribution scheme	11,853	15,031

The number of persons employed by the company at the end of the year was 115 (2008: 144):

9 FINANCE INCOME

	2009 KShs'000	2008 KShs'000
Interest income on short term investments	22,945	32,654
Net foreign currency exchange gain	12,413	14,469
Dividend income	9,900	6,600
Finance income recognised in profit or loss	45,258	53,723

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

10 NON TRADING EXPENSES

	2009 KShs'000	2008 KShs'000
Restructuring costs	12,379	-
Write-off	-	22,468
	12,379	22,468

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

11 PROFIT BEFORE TAXATION

	2009 KShs'000	2008 KShs'000
Profit before taxation is arrived at after charging:		
Repairs and maintenance expenditure on property, plant and equipment	15,975	16,217
Employee benefits expense	195,430	213,919
Directors' emoluments - Fees	3,106	1,778
- Others	15,761	13,527
Depreciation	67,970	61,441
Amortisation of intangible assets	2,234	2,751
Operating leases charges	105	110
Auditors remuneration - Group	4,177	3,080
- Company	2,500	2,500
And after crediting:		
Profit on disposal of property, plant and equipment	-	829

Notes to the financial statements continued

12 INCOME TAX EXPENSE

	2009 KShs'000	2008 KShs'000
Current income tax – Current period	72,598	100,362
Deferred income tax (Note 26)	(199)	(9,903)
Under provision of current income tax in prior years	7,575	920
(Over)/under provision of deferred tax in prior years	(2,199)	3,391
	77,775	94,770

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

	2009 KShs'000	2008 KShs'000
Profit before tax	231,682	295,179
Tax calculated at a tax rate of 30% (2008 – 30%)	69,505	88,554
Tax effect of:		
- Income not subject to tax	(2,871)	(2,153
- Expenses not deductible for tax purposes	5,765	4,058
Under provision of current income tax in prior years	7,575	920
(Over)/under provision of deferred tax in prior years	(2,199)	3,391
Tax charge	77,775	94,770

13 EARNINGS PER SHARE

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

	2009 KShs '000	2008 KShs '000
Net profit attributable to shareholders	153,907	200,409
Weighted average number of ordinary shares in issue	19,525	19,525
Basic earnings per share (Shs)	7.88	10.26

There were no potentially dilutive shares outstanding at 31 December 2009 or 31 December 2008

14 DIVIDENDS PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. At the next annual general meeting a final dividend in respect of the year ended 31 December 2009 of Kshs 4.80 per share (2008: KShs 4.80 per share), amounting to a total of Kshs 93,722,141 (2008: KShs 93,722,141) is to be proposed. During the year, an interim dividend of KShs2.00 per share (2008: KShs 2.00 per share), amounting to a total of Kshs 39,050,892 (2008: KShs 39,050,892) was paid. The total dividend for the year is therefore Kshs 6.80 per share (2008: KShs 6.80), amounting to a total of Kshs 132,773,033 (2008: KShs 132,773,033).

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

15 PROPERTY, PLANT AND EQUIPMENT

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

Notes to the financial statements continued

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(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**	**Total KShs'000**
Cost or valuation						
At the beginning of year	208,557	545,749	363,657	84,616	29,302	1,231,881
Additions	1,049	27,951	47,016	2,476	74,392	152,884
Disposals	-	(5,407)	-	-	-	(5,407
Transfers	206	(4,122)	365	(1,699)	5,250	-
Currency translation differences	50	645	939	49	-	1,683
At end of year	209,862	564,816	411,977	85,442	108,944	1,381,041
Depreciation						
At the beginning of year	(7,289)	(309,527)	(112,550)	(74,832)	-	(504,198
Charge for the year	(5,336)	(36,152)	(17,241)	(2,712)	-	(61,441
On disposals	-	5,407	-	-	-	5,407
Currency translation differences	(15)	(102)	(98)	(17)	-	(232)
At end of year	(12,640)	(340,374)	(129,889)	(77,561)	-	(560,464
Carrying value						
At 31 December 2008	197,222	224,442	282,088	7,881	108,944	820,577
(b) Company - 2009						
Cost or valuation						
At the beginning of year	208,513	544,482	379,817	81,269	105,927	1,320,008
Additions	22	7,477	23,628	484	28,669	60,280
Adjustments	18,397	4,470	(1,295)	(54,153)	-	(32,581)
Transfers	-	33,993	91,933	-	(125,926)	-
At end of year	226,932	590,422	494,083	27,600	8,670	1,347,707
Depreciation						
At the beginning of year	(11,551)	(332,656)	(123,729)	(70,903)	-	(538,839
Charge for the year	(5,145)	(35,900)	(21,547)	(2,467)	-	(65,059)
Adjustments	(18,397)	(4,470)	1,295	54,152	-	32,580
At end of year	(35,093)	(373,026)	(143,981)	(19,218)	-	(571,318)
Carrying value						
At 31 December 2009	191,839	217,396	350,102	8,382	8,670	776,389

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) 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 the beginning 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 the beginning 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)
On disposals	-	5,407	-	-	-	5,407
At end of year	(11,551)	(332,656)	(123,729)	(70,903)	-	(538,839)
Carrying value						
At 31 December 2008	196,962	211,826	256,088	10,366	105,927	781,170

Included in property, plant and equipment are assets with a gross value of Kshs 145,219,497 (2008: KShs 126,733,237) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs14, 506,193 (2008 – KShs 14,034,241).

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

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

	2009 KShs'000	2008 KShs'000
Cost	115,895	115,873
Accumulated depreciation	(22,135)	(16,990)
Net book amount	93,760	98,883

There were no idle assets at 31 December 2009 and 2008.

There were no property held as security as at 31 December 2009 and 2008.

Notes to the financial statements continued

16 INTANGIBLE ASSETS

	Group 2009 KShs'000	Group 2008 KShs'000	Company 2009 KShs'000	Company 2008 KShs'000
Cost				
At the beginning of period	12,944	12,058	12,942	12,056
Additions	222	886	222	886
Currency translation	2	-	-	-
At end of period	13,168	12,944	13,164	12,942
Accumulated amortisation and impairment losses				
At the beginning of period	7,993	5,242	7,992	5,242
Charge for the year	2,234	2,751	2,233	2,750
Currency translation	2	-	-	-
At end of period	10,229	7,993	10,225	7,992
Net carrying amount at 31 December	2,939	4,951	2,939	4,950

17 INVESTMENT IN SUBSIDIARIES

Company	Percentage shareholding	2009 KShs'000	2008 KShs'000
East African Oxygen Limited	100%	-	-
BOC Tanzania Limited	100%	10	10
BOC Uganda Limited	100%	50	50
		60	60

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

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

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

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 KShs'000	2008 KShs'000
Group and company		
At start of year	90,420	90,420
Increase in fair value of investments	111,540	-
At end of year	201,960	90,420

Available-for-sale financial assets represent the group's investment in the shares of a quoted company. The investment is valued at fair value based on the last trading price at the close of the year. There was no change in fair value of the investment in 2008 since at that point the shares were suspended from trading at the Nairobi Stock Exchange.

Notes to the financial statements continued

19 PREPAID OPERATING LEASES

Group and company	2009 KShs'000	2008 KShs'000
Leases expiring beyond five years		
At start of year	4,010	4,120
Operating lease charges	(105)	(110)
At end of year	3,905	4,010

20 INVENTORIES

	Group		Company	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Raw materials	20,622	28,827	20,573	28,827
Finished goods and other saleable stock	215,615	215,761	186,073	193,361
Plant spares	25,544	27,868	23,310	25,621
Goods in transit	18,429	41,300	15,702	40,850
Work in progress	95	2,274	85	2,234
Inventories impairment	(56,670)	(53,718)	(36,449)	(50,255
	223,635	262,312	209,294	240,638

21 SHORT TERM INVESTMENTS

	Group		Company	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Short term investments net of impairment	252,972	421,460	230,322	421,460
	252,972	421,460	230,322	421,460

Short term investments relate to funds deposited in banks and other financial institutions that are due 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 8% (2008: 9%).

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	374,079	302,500	306,302	246,831
Less: Allowance for impairment	(28,885)	(24,059)	(15,879)	(14,177
	345,194	278,441	290,423	232,654
Staff debtors	715	7,015	317	6,156
Prepayments	4,873	3,764	3,049	2,736
Receivables from related companies (Note 31)	1,312	4,075	1,312	4,075
Other receivables	10,475	62,317	27,083	64,037
	362,569	355,612	322,184	309,658

23 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'000
Cash at bank and in hand	74,788	87,889	53,379	70,023
Short term investments (Note 21)	252,972	421,460	230,322	421,460
	327,760	509,349	283,701	491,483

24 SHARE CAPITAL

	Number of shares (Thousands)	Ordinary shares KShs'000	Share premium KShs'000
Authorised	20,000	100,000	-
Issued and fully paid at 31 December 2009 & 2008	19,525	97,627	2,554

The total authorised number of ordinary shares is 20,000,000 with a par value of Shs 5 per share.
The total issued number of ordinary shares is 19,525,446. All issued shares are fully paid up.

25 REVALUATION SURPLUS AND TRANSLATION RESERVES

(a) Revaluation surplus

Revaluation reserves relate to surplus arising on revaluation of the Group'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.

(b) Fair value reserve

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

(c) Translation reserve

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

26 DEFERRED INCOME TAX

Deferred income tax is calculated, in full, on all temporary differences under the balance sheet method using a principal tax rate of 30% (2008: 30%). The movement on the deferred income tax account is as follows:

		Group		Company
	2009	2008	2009	2008
	KShs'000	KShs'000	KShs'000	KShs'00
At the beginning of year	56,019	62,531	52,196	59,355
Credit to income statement (Note 12)	(199)	(9,903)	6,993	(7,159
Recognised in other comprehensive income	33,462	-	33,462	-
Under/(over) provision in prior years (Note 12)	(2,199)	3,391	(2,405)	-
At end of year	87,083	56,019	90,246	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

Year ended 31 December 2009	**At 1.01.2009 Kshs '000**	**Comprehensive income Kshs '000**	**Other comprehensive income Kshs '000**	**At 31.12.2009 Kshs '000**
Deferred income tax liabilities				
Accelerated tax depreciation				
- on historical cost	51,936	33,849	-	85,785
- on revaluation	31,541	(784)	-	30,757
Unrealised exchange gains	7,063	(4,623)	-	2,440
Change in fair value of available for sale assets	-	-	33,462	33,462
	90,540	28,442	33,462	152,444
Deferred income tax assets				
Provisions	(31,863)	(31,648)	-	(63,511)
Unrealised exchange losses	(2,658)	808	-	(1,850)
	(34,521)	(30,840)	-	(65,361)
Net deferred income tax liabilities	56,019	(2,398)	33,462	87,083
Year ended 31 December 2008				
Deferred income tax liabilities				
Accelerated tax depreciation				
- on historical cost	47,188	4,748	-	51,936
- on revaluation	32,325	(784)	-	31,541
Unrealised exchange gains	-	7,063	-	7,063
	79,513	11,027	-	90,540
Deferred income tax assets				
Provisions	(13,820)	(18,043)	-	(31,863)
Unrealised exchange losses	(3,162)	504	-	(2,658)
	(16,982)	(17,539)	-	(34,521)
Net deferred income tax liability	62,531	(6,512)	-	56,019

26 DEFERRED INCOME TAX (continued)
(b Company

Year ended 31 December 2009	At 1.01.2009 Kshs'000	Comprehensive income Kshs'000	Other comprehensive income Kshs'000	At 31.12.2009 Kshs'000
Deferred income tax liabilities				
Accelerated tax depreciation				
- on historical cost	50,911	34,156	-	85,067
- on revaluation	31,541	(784)	-	30,757
Unrealised exchange gains	7,063	(4,667)	-	2,396
Change in fair value of available for sale assets	-	-	33,462	33,462
	89,515	28,705	33,462	151,682
Deferred income tax assets				
Provisions	(34,661)	(24,958)	-	(59,619)
Unrealised exchange losses	(2,658)	841	-	(1,817)
	(37,319)	(24,117)	-	(61,436)
Net deferred income tax liability	52,196	4,588	33,462	90,246
Year ended 31 December 2008				
Deferred income tax liabilities				
Accelerated tax depreciation				
- on historical cost	39,398	11,513	-	50,911
- on revaluation	32,325	(784)	-	31,541
Unrealised exchange gains	(6,580)	13,643	-	7,063
	65,143	24,372	-	89,515
Deferred income tax assets				
Provisions	(9,111)	(25,550)	-	(34,661)
Unrealised exchange losses	3,323	(5,981)	-	(2,658)
	(5,788)	(31,531)	-	(37,319)
Net deferred income tax liability	59,355	(7,159)	-	52,196

Deferred income tax of Kshs 784,000 (2008: KShs 784,000) for both the group and the company was transferred within shareholders' equity from revaluation reserves to retained earnings. This represents deferred income tax on the difference between the actual depreciation on the buildings and the equivalent depreciation based on the historical cost of the buildings.

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2009 KShs'000	2008 KShs'000	2009 KShs'000	2008 KShs'000
Cylinder deposits	153,862	137,558	136,411	123,583
Trade payables	123,587	173,284	95,656	166,596
Amounts due to related companies (Note 31)	59,171	40,740	59,171	40,740
Accruals and other payables	30,904	195,518	48,662	189,908
	367,524	547,100	339,900	520,827

28 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	2009 KShs'000	2008 KShs'000
Profit before tax	231,682	295,179
Adjustments for:		
Depreciation	67,970	61,441
Amortisation of intangible assets	2,234	2,751
Operating lease charges	105	110
Profit on sale of property and equipment	-	(829)
Effect of currency translations	946	5,410
Interest income (Note 9)	(22,945)	(32,654)
Dividend income (Note 9)	(9,900)	(6,600)
Changes in working capital:		
– receivables and prepayments	(6,958)	(36,323)
– inventories	38,677	(54,641)
– payables and accrued expenses	(179,577)	150,428
– Prepaid contribution	-	3,770
Cash generated from operations	122,234	388,042

29 CONTINGENT LIABILITIES

At 31 December 2009, the company had given guarantees amounting to Kshs 27,291,744 (2008: KShs 26,900,886) on behalf of third parties.

There are certain pending legal claims brought against the company as at 31 December 2009 for which a provision has been made in the books. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided in these financial statements.

30 CAPITAL COMMITMENTS

At 31 December 2009, the company had outstanding capital commitments amounting to Kshs 5,240,821 (2008: Kshs 83,651,514)

31 RELATED PARTY TRANSACTIONS

Group

The ultimate parent of the group is Linde Group incorporated in the Germany. There are other companies that are related to BOC Kenya Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

a) Services incurred on behalf of other related parties

	2009 KShs'000	2008 KShs'000
BOC Zambia Limited	5,321	2,486

b) Purchase of goods and services from related parties

	2009 KShs'000	2008 KShs'000
BOC Group plc	11,708	19,450
African Oxygen Limited	112,500	99,981
Cryostar Limited - France	-	1,291
	124,208	120,722

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

c) Outstanding balances included in receivables

	2009 KShs'000	2008 KShs'000
BOC Zambia Limited	-	2,763
BOC Nigeria Limited	962	962
BOC Zimbabwe Limited	350	350
	1,312	4,075

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

	2009 KShs'000	2008 KShs'000
BOC Group plc	3,255	2,515
African Oxygen Limited	54,627	38,225
BOC Zambia Limited	1,289	-
	59,171	40,740

31 RELATED PARTY TRANSACTIONS (continued)

e) Key management compensation

	2009 KShs'000	2008 KShs'000
Salaries and short term benefits	15,761	13,527

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

f) Directors' remuneration

	2009 KShs'000	2008 KShs'000
- fees	3,106	1,778
- management	15,761	13,527
	18,867	15,305

32 Financial instruments

(a) Credit risk

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

	2009 KShs'000	2008 KShs'000
Short term investments	252,972	421,460
Trade and other receivables	362,569	355,612
	615,541	777,072

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

	2009 KShs'000	2008 KShs'000
Kenya	295,348	249,152
Uganda	43,408	27,189
Tanzania	35,323	26,159
	374,079	302,500

Impairment losses

The ageing of trade receivables at the reporting date was:	2009 KShs'000	2008 KShs'000
Not past due	71,937	27,465
Past due 0-30 days	95,225	55,362
Past due 31-90 days	60,530	117,892
Past due 91-180 days	51,932	36,454
More than 180 days	94,455	65,327
	374,079	302,500

32 FINANCIAL INSTRUMENTS (continued)

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

Trade receivables

	2009 KShs'000	2008 KShs'000
Balance at 1 January	24,059	21,515
Impairment loss recognised	4,826	2,544
Balance at 31 December (Note 22)	28,885	24,059
Short term investments		
Balance at 1 January	10,000	10,000
Impairment loss recognised	-	-
Balance at 31 December	10,000	10,000

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

b) Liquidity risk

The table below analyses liabilities into relevant maturity groupings based on the remaining period at 31 December 2009 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	Total
Liabilities (2009)						
Trade and other payables	160,538	19,611	25,064	84,286	78,025	367,524
Liquidity gap - 2009	160,538	19,611	25,064	84,286	78,025	367,524
Liabilities (2008)						
Trade and other payables	261,584	25,613	116,517	25,797	117,589	547,100
Liquidity gap - 2008	261,584	25,613	116,517	25,797	117,589	547,100

32 FINANCIAL INSTRUMENTS (continued)

(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	Total
Assets					
Trade and other receivables	-	-	-	-	-
At 31 December 2009	-	-	-	-	-
Liabilities					
Trade and other payables	17,222	3,115	6,310	55,398	82,045
At 31 December 2009	17,222	3,115	6,310	55,398	82,045
Net balance sheet position - 2009	(17,222)	(3,115)	(6,310)	(55,398)	(82,045)
Assets					
Trade and other receivables	-	-	-	-	-
At 31 December 2008	-	-	-	-	-
Liabilities					
Trade and other payables	23,615	9,270	26,509	38,619	98,013
At 31 December 2008	23,615	9,270	26,509	38,619	98,013
Net balance sheet position - 2008	(23,615)	(9,270)	(26,509)	(38,619)	(98,013

The following exchange rates were applied in the respective periods:

	Average rates		Closing rates	
	At 31 December 2009	At 31 December 2008	At 31 December 2009	At 31 December 2008
US Dollar	77.24	68.82	75.85	78.25
Sterling Pound	120.90	127.03	122.55	114.50
South African Rand	9.24	8.38	10.24	8.23
Euro	107.73	101.25	108.60	109.40

Sensitivity Analysis

A 10 percent strengthening of the Shilling against the following currencies at 31 December would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis for 2008.

32 FINANCIAL INSTRUMENTS (continued)

(c) Currency risk - continued

Effect in Kenya shillings thousands

As at 31 December	Profit or loss 2009	2008
US Dollar	252	335
GBP	28	90
Euro	65	269
Rand	6,014	5,214

A 10 percent weakening of the Shilling against the above currencies at 31 December 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.

(d) 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 risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates

As at 31 December 2009	Effective interest rate %	On demand KShs '000	Due within 3 months KShs '000	Due within 3 & 12 months KShs '000	Due between 1 &5 years KShs '000	Over 5 years KShs '000	Non-interest bearing KShs '000	Total KShs '000
ASSETS								
Available-for-sale financial assets	-	-	-	-	-	-	201,960	201,960
Short term investments	8%	-	252,972	-	-	-	-	252,972
Trade and other receivables	-	-	-	-	-	-	362,569	362,569
Cash and bank balances	-	-	-	-	-	-	74,788	74,788
At 31 December 2009	-	-	252,972	-	-	-	639,317	892,289
LIABILITIES								
Trade and other payables	-	-	-	-	-	-	367,524	367,524
At 31 December 2009	-	-	-	-	-	-	367,524	367,524
Interest rate sensitivity - 2009	-	-	252,972	-	-	-	271,793	524,765

32 FINANCIAL INSTRUMENTS (continued)

As at 31 December 2008	Effective interest rate %	On demand KShs '000	Due within 3 months KShs '000	Due within 3 & 12 months KShs '000	Due between 1 &5 years KShs '000	Over 5 years KShs '000	Non-interest bearing KShs '000	Total KShs '000
ASSETS								
Available-for-sale financial assets	-	-	-	-	-	-	90,420	90,420
Short term investments	9%	-	421,460	-	-	-	-	421,460
Trade and other receivables	-	-	-	-	-	-	355,612	355,612
Cash and bank balances	-	-	-	-	-	-	87,889	87,889
At 31 December 2008	-	-	421,460	-	-	-	533,921	955,381
LIABILITIES								
Trade and other payables	-	-	-	-	-	-	547,100	547,100
At 31 December 2008	-	-	-	-	-	-	547,100	547,100
Interest rate sensitivity – 2008	-	-	421,460	-	-	-	(13,179)	408,281

- **Sensitivity analysis**
  Sensitivity analysis on interest rates
  An increase of 1 percentage point in interest rates at the reporting date would have increased/ (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2008.

Effect in shillings thousands

	Profit or loss 2009	Profit or loss 2008
Short term investments	3,156	3,732

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

(e) Equity price risk

The Group is exposed to fluctuation in the market price on its equity investment. The fair value of the investment at 31 December 2009 and 2008 is as follows:

	2009	2008
Available-for-sale financial asset	201,960	90,420

- **Sensitivity analysis**
  Sensitivity analysis on equity prices

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

Effect in shillings thousands	Reserves 2009	Reserves 2008
Available for sale securities	20,196	-

32 FINANCIAL INSTRUMENTS (continued)

(f) Fair value of financial assets and liabilities

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

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

2008	Designated at fair value KShs '000	Loans and receivables KShs '000	Available for sale KShs '000	Held to maturity KShs '000	Other amortised cost KShs '000	Total carrying value KShs '000	Fair Value KShs '000
Financial Assets							
Available for sale financial assets	-	-	90,420	-	-	90,420	90,420
Short term investments	-	-	-	421,460	-	421,460	421,460
Trade and other receivables	-	355,612	-	-	-	355,612	355,612
Cash and bank balances	-	87,889	-	-	-	87,889	87,889
	-	443,501	90,420	421,460	-	955,381	955,381
Financial Liabilities							
Trade and other payables	-	-	-	-	547,100	547,100	547,100

(g) Valuation hierarchy

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

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

32 FINANCIAL INSTRUMENTS (continued)

(g) Valuation hierarchy (continued)

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

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

31 December 2008:				
Assets				
Available-for-sale financial assets	90,420	-	-	90,420
Total assets	90,420	-	-	90,420

NOTES

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 company to be held on Thursday, 29 April 2010 at BOC factory site on Kitui Road, Industrial Area, Nairobi and at any adjournment thereof.

Signed by me/us this ______________ day of ______________

Signature (s) ______________________________

This form is to be used in favour of/against* the resolutions.

Unless otherwise instructed, the proxy will vote as he/she thinks fit.

*Strike out whichever is not desired

Fold 2

STICK
STAMP
HERE

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

Fold 1

Fold 3

Insert flap inside