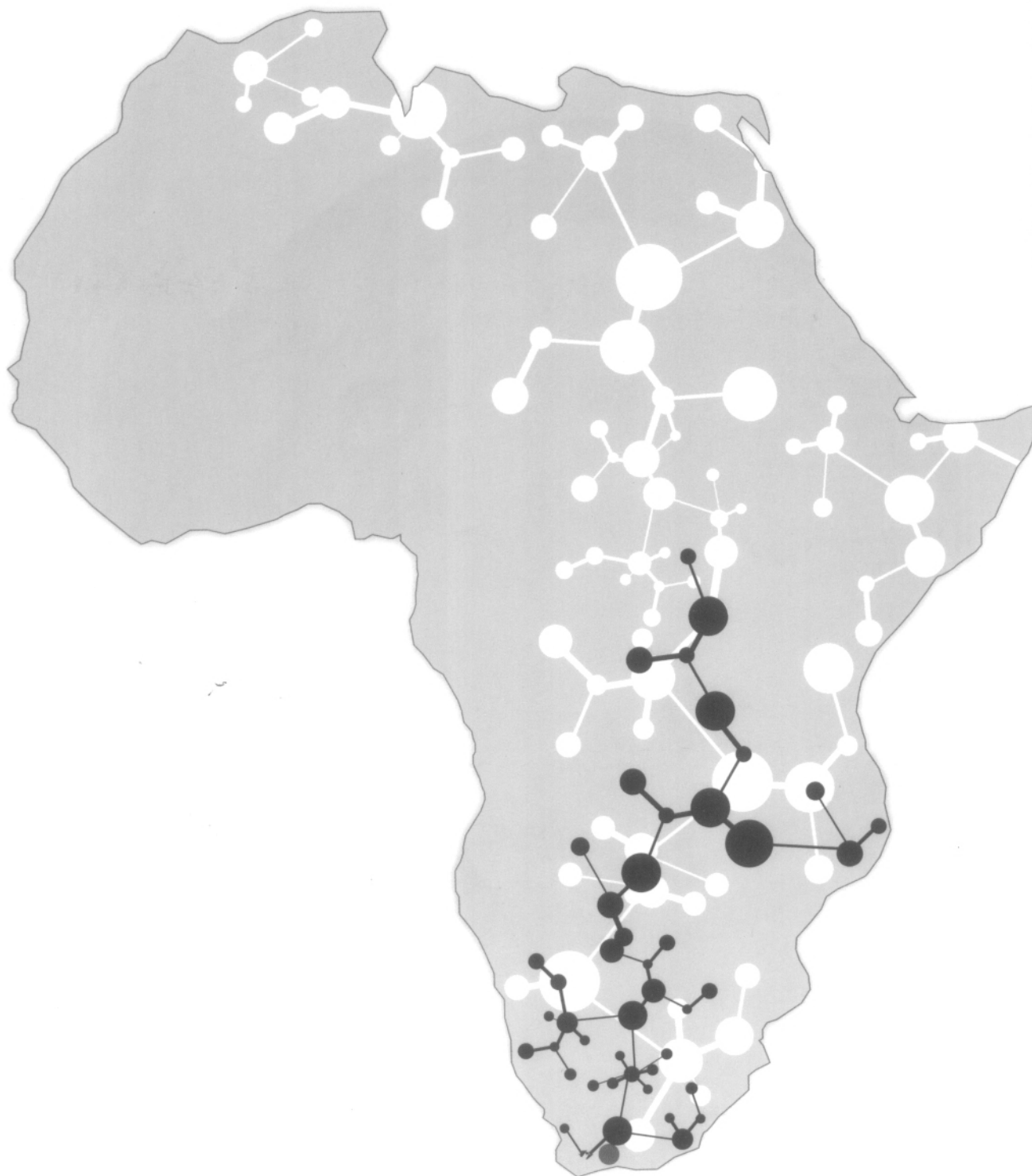


2012 ANNUAL REPORT
BOC KENYA LIMITED





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Notice of annual general meeting

Notice is hereby given that the Seventy Second Annual General Meeting of BOC Kenya Limited will be held at the Company's Head Office on Kitui Road, Industrial Area, Nairobi, on Thursday 23 May 2013 at 11.00 am, for the following purposes:

ORDINARY BUSINESS

- (a) To receive and adopt the audited financial statements for the year ended 31 December 2012, together with the directors and auditors' reports thereon.
- (b) To confirm the payment of the interim dividend of KShs 2.00 per share and to approve the payment of a final dividend of KShs 3.05 per share on the ordinary share capital in respect of the year ended 31 December 2012.
- (c) To hold directors' elections:
 - (i) Mr. Brett Wheatcroft who was appointed as a director with effect from 7 December, 2012, retires in accordance with clause 98 of the Company's Articles of Association and being eligible, offers himself for re-election.
 - (ii) Mr. Willem D. Coetzee retires by rotation under clause 93 of the Company's Articles of Association and being eligible, offers himself for re-election.
- (d) To approve the remuneration of directors for the year ended 31 December 2012.
- (e) To note that the auditors, KPMG Kenya, being eligible and having expressed their willingness, will continue in office in accordance with section 159 of the Companies Act (Cap 486) and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

- (f) To consider and if approved, pass the following as a Special Resolution:

That the Articles of Association of the Company be amended by replacing Article 123 with the following Article:

"The Company may, if required by law, deliver or pay to any prescribed regulatory authority any unclaimed assets including but not limited to shares in the Company presumed to be abandoned or unclaimed in law and any dividends or interest thereon remaining unclaimed beyond prescribed statutory periods. Upon such delivery or payment, the unclaimed assets shall cease to remain owing by the Company and the Company shall no longer be responsible to the owner or holder of his estate, for the relevant unclaimed assets."

- (g) To consider and if approved, pass the following as a Special Resolution:

That the Articles of Association of the Company be amended by adding a new Article to read as follows:

ARTICLE NUMBER 25A

"The provisions of the Central Depositories Act, 2000 (the "CD Act") as amended or modified from time to time shall apply to the Company to the extent that any securities (as such term is defined in section 2(1) of the CD Act) of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the CD Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the CD Act or any rules or regulations issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles, immobilisation and dematerialisation shall be construed in the same way as they are construed in the CD Act.

- 2 Where any securities of the Company are forfeited pursuant to these Articles after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Board for this purpose.
- 3 Whenever the shares of the Company are or are to be listed on a securities exchange outside Kenya the provisions of any legislation or regulation then in force in such country, in relation to the immobilisation or dematerialisation of securities or to the procedures for dealings in such securities or for their immobilisation or dematerialisation, shall apply to the Company except in so far as the same may be inconsistent with these Articles or with the provisions of the Statutes".

ANY OTHER BUSINESS

- (h) Any other business for which due notice has been given.

BY ORDER OF THE BOARD

Virginia Ndunge
Company Secretary

Kitui Road
P.O. Box 18010
00500 NAIROBI

26 March 2013

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 meeting

Directors, officers and administration

DIRECTORS

Ngugi Kiuna	Chairman
Maria Msiska*	Managing Director
Willem Coetzee**	
Nick Thomson***	Appointed 4 May 2012
Robert N Mbugua	Appointed 4 May 2012
Carol Musyoka	Appointed 4 May 2012
Brett Wheatcroft**	Appointed 7 December 2012
Arthur Kamau	
Shuiab Fareed**	Alternate to Willem Coetzee
Joseph G Kibe	Resigned 4 May 2012
Alfred C Juma	Resigned 4 May 2012
Frederick Kotzee**	Resigned 2 March 2012 (Alternate, Peter Hensen** Resigned 2 March 2012)

* Malawian

** South African

***British

SECRETARY

Virginia Ndunge

Certified Public Secretary (Kenya)

Kitui Road, Industrial Area

P. O. Box 18010

00500 Nairobi

AUDITORS

KPMG Kenya

16th Floor, Lonrho House

Standard Street

P. O. Box 40612

00100 Nairobi GPO

REGISTERED OFFICE AND

PRINCIPAL PLACE OF BUSINESS

Kitui Road

Industrial Area

P. O. Box 18010

00500 Nairobi

ADVOCATES

Kaplan & Stratton Advocates

Williamson House 9th Floor

4th Ngong Avenue

P. O. Box 40111

00100 Nairobi GPO

Daly & Figgis Advocates

ABC Towers 6th Floor

ABC Place

P. O. Box 40034

00100 Nairobi GPO

REGISTRARS

Custody & Registrars Services Limited

6th Floor, Bruce House

Standard Street

P. O. Box 8484

00100 Nairobi GPO

PRINCIPAL BANKERS

Citibank, N.A

Citibank House

Upper Hill Road

P. O. Box 30711

00100 Nairobi GPO

Standard Chartered Bank Kenya Limited

Sameer Park, Mombasa Road

P. O. Box 18081

00500 Nairobi

Barclays Bank of Kenya Limited

Industrial Area, off Enterprise Road

P. O. Box 30120

00100 Nairobi GPO

Board of directors



1. NGUGI KIUNA

Ngugi is a holder of a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England. He was the Managing Director of Diversey Eastern and Central Africa Limited until July 2006. He was appointed a non-executive director of BOC Kenya Limited in October 1993. Ngugi, a reknown businessman, has served on various boards of listed and non-listed companies among them Access Kenya Limited and the Kenya Power and Lighting Company. He was appointed Chairman of the Board of the Company on 4 May 2012.



2. MARIA MSISKA

Maria is a Fellow of the Chartered 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. Maria has served as a director in various listed and non-listed companies within and outside of the Linde Group in Africa. She was appointed as a director on the BOC Kenya Limited Board in February 2010. In September 2010, she was appointed Managing Director of BOC Kenya Limited and is leading the re-engineering of the Group's operations in the Eastern Africa region. Before her current role, she was Head of Finance for the Group's African Operations outside of South Africa and, prior to this, was Managing Director of Afrox Zambia Limited and Afrox Malawi Limited.



3. WILLEM DIEDERIK COETZEE

Willem is the General Manager African Operations, African Oxygen Limited (Afrox) based in South Africa. He is a registered Professional Engineer with the South African Institute of Professional Engineers. He holds a BSc Engineering degree Cum Laude and a Master of Business Administration degree from the University of Pretoria, South Africa. Willem has a total of 29 years business experience at various positions and organizations including 17 years in the Industrial Gases business with BOC/Linde in The United States of America and Thailand.

4. NICK THOMSON

Nick was appointed to the position of African Oxygen Limited (Afrox) Financial Director in April 2012. Prior to joining he was Chief Financial Officer for Transnet Freight Rail. He is a Chartered Accountant (South Africa) and gained valuable business experience with Ernst and Young between 1980 and 2005, where he rose to being a senior partner before joining Transnet in 2005. He holds a post graduate Diploma in Taxation and a Bachelor in Commerce degree from the University of Pietermaritzburg and a Diploma in Accountancy from the University of Durban.

Board of directors



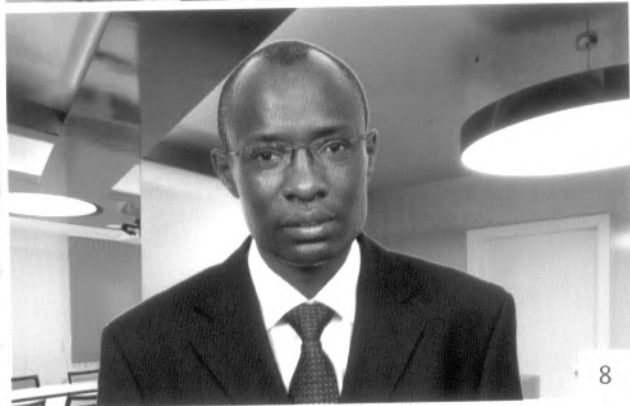
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5. ROBERT N MBUGUA

Robert is a Certified Public Accountant (CPA) and holder of a Master of Business Administration degree from Bond University's Graduate School of Business (Australia/South Africa). He is the Co-founder and Chief Executive of the investment firm, TCI Group. Robert spent fourteen years with PricewaterhouseCoopers both in Kenya and in South Africa. He was admitted as a Partner in PricewaterhouseCoopers South Africa. Robert left PricewaterhouseCoopers and joined Standard Bank of South Africa where he served as a director for eight years. He held various positions at Standard Bank, among them, Regional Managing Director with responsibility for a number of African countries. From his dual bases in Kenya and South Africa, he has consulted to and served on Boards of organizations in at least fifteen African Countries spanning Cape Town to Cairo. Robert therefore has a broad understanding of Africa.

6. CAROL W MUSYOKA

Carol is a leadership and executive training consultant. Carol has served as an Executive Director and Chief Operating Officer at K-Rep Bank as well as a Corporate Director at Barclays Bank of Kenya. She is currently a non-executive director of Trans Century Limited, British American Tobacco (BAT) Kenya Limited and a trustee at SOS Children's Villages. She is a holder of a Bachelor of Laws (LLB) degree from the University of Nairobi and a Master of Law (LLM) degree from Cornell Law School, USA.

7. BRETT WHEATCROFT

Brett is a Mechanical Engineer and has several Business Management qualifications from Wits Business School as well as Duke University in USA. Brett has 22 years experience in the gases industry where he has held various operational, SHEQ and business roles.

8. ARTHUR KAMAU

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

Statement of directors' responsibilities

The Directors are responsible for the preparation and presentation of the Group and Company financial statements of BOC Kenya Limited set out on pages 17 to 59 which comprise the Group and Company statements of financial position at 31 December 2012, Group and Company statements of comprehensive income, Group and Company statements of changes in equity and Group and Company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for that year. It also requires the Directors to ensure the Company 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 26 March 2013 and were signed on its behalf by:

N. Kiuna
Chairman

M. Msiska
Managing Director

THE LINDE GROUP

BOC Kenya Limited is part of The Linde Group (Linde).

Linde is an integrated gases, engineering and technologies company with almost 62,000 employees working in more than 100 countries worldwide. In the 2012 financial year, Linde reported revenue of €15.3 billion. The Linde Group strategy is geared toward sustainable earnings-based growth and it focuses on the expansion of its international business through the development of forward-looking products and services. Linde acts responsibly toward its shareholders, business partners, staff, society and the environment. In addition, Linde is committed to technologies and products that unite the goals of customer value and sustainable development. For more information, visit The Linde Group online at www.linde.com.

CORPORATE GOVERNANCE

The Board of directors of BOC Kenya Limited recognises that principles of good corporate governance, together with open honest and comprehensive business practices, are essential to protect the interests of all stakeholders. These principles are integrated into the organisational culture to ensure that they become a way of life within the Group. Governance principles are incorporated into all the Group structures, systems and policies and these structures, systems and policies are constantly reassessed and reviewed to ensure that continuous compliance and best practice is applied and practised.

The Company is in compliance with the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya.

The Board is accountable to all stakeholders for ensuring that the Company's business is conducted in accordance with highest standards of governance. The role of the Board is to determine the Company's direction and strategy, monitoring the achievement of business objectives, while ensuring the Company meets its responsibilities to shareholders and that the control environment mitigates exposure to risk.

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

OUR PEOPLE

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

PROSPECTS FOR THE FUTURE

The Board expects that the progressive economic recovery of 2012 will continue in 2013, with an impetus from the successful political transition that Kenya has recently gone through and the devolved governance government structures under the new constitution. On the economic front, the decline in inflation and interest rates is expected to lead to a growth of credit to the private sector, which should spur growth.

The broader Eastern Africa region is expected to continue on the growth trajectory of recent years, with the recent discovery of natural resources expected to accelerate the region's growth in the years that lie ahead.

However challenges remain. Threats to Kenya's economic performance and the general stability of prices include persistent balance of payments pressures due to the high current account deficit, the renewed upward drift in international oil prices and a weak outlook for the global economy with the expectation of a more pronounced recession in the eurozone and a slow recovery of the US economy.

The Company's operating costs are unlikely to reduce in the foreseeable future. Indeed a significant upward adjustment in electricity tariffs has recently been announced.

However the Board believes that continuing focus on customers, delivery of high standards of service, enforcement of business controls while maintaining operational efficiencies as well as the restructuring actions implemented over the last two years will continue to have a positive effect on the Company's performance.

We continue our journey towards becoming a High Performance Organisation, embracing the partnership between customers, employees, shareholders, suppliers and society.

APPRECIATION

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

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



Managing director's report

Maria Msiska

26 March 2013

ECONOMIC REVIEW AND PERFORMANCE

As noted in the Chairman's report, there was progressive improvement in the macro-economic environment during 2012. This had a positive effect on the Company's results for the year.

Revenue for the year to 31 December 2012 was Kshs1.294 billion, up 7% above prior year. However the growth was against a backdrop of distribution challenges (a regulatory requirement on the declaration of cylinder serial numbers for gas exports from Kenya was introduced in the last quarter of the year which compounded logistical challenges), slow port clearance for incoming products and raw materials and delays at border posts within the East African Customs Union.

The Company continued to observe a robust credit control policy and to improve stock management processes in order to ensure the risk of write-offs is mitigated.

OPERATIONAL EFFICIENCY

The project to standardize the Company's Enterprise Resource Planning (ERP) system within the Group is in progress. Once complete, this project will lead to significant improvements in reporting to management. As part of this information technology improvement program, the computer servers for the Company and its subsidiaries in Uganda and Tanzania are now centrally hosted, which has led to improved system availability and service to customers.

Revenue for the year to 31 December 2012 was Kshs1.294 billion, up 7% above prior year.

Managing director's report continued

During the year, the Company continued to focus on personnel development and motivation, as this is key to the achievement of our objectives.

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

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

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

WORKING CAPITAL MANAGEMENT

Cash generation for operational and investment needs is still a key measure of management performance. The Company's capital investment model is based on the ability to identify opportunities that will generate acceptable cash flows over the appraisal period.

CUSTOMER SERVICE

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

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) MANAGEMENT

On SHEQ, we continue to uphold The Linde Group standards. Our SHEQ policy, which states that "We shall not harm people or the environment" is premised on our ethos of "Safety is 100% of our behavior, 100% of the time". We have continued to build on our various initiatives such as 'near-miss' reporting and LeadSafe observations, all of which are aimed at promoting safe behavior, and visible leadership at executive and functional team level. To reinforce this, a set of seven Golden Rules were developed and implemented at all sites, targeting 100% of The Linde Group's 50,000 employees world-wide. Our people continue to be involved in, and are measured on, their contribution to the SHEQ programme.

Our SHEQ Roadmap progress monitoring is geared to achieve a robust standard in 10 out of 21 components by end of 2013. The ultimate goal is to attain world-class behavioural standards in all the 21 components.

The Company maintained its ISO 9001:2008, ISO 14000:2004 and OHSAS 18000:2007 certification during the year. The benefits of these will manifest in the success of the business through operational efficiencies and effectiveness in meeting stakeholder requirements.

ASSET REFURBISHMENT

There has been an asset refurbishment and upgrade programme in the last two years in order to meet business needs. The first stage was the upgrade of the Air Separation Unit (ASU) which has now been completed save for the installation of a reconditioned compressor (expected to be done in 2013).

During the year the distribution fleet, including trailers, was refurbished which should result in reduced maintenance downtime in 2013. New units are being introduced in the fleet in line with the growth strategy.

In the next year or so, the Company plans to upgrade its various sites in the region and invest in additional facilities in line with its ambitious growth strategy.

COMMUNITY INVOLVEMENT PROGRAMME (CIP)

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

During the year our employees visited a Children's Home in Nairobi and installed two 10,000 litre water tanks to meet a need that had been prioritized by the Home's Management.

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

OUTLOOK

Growth outlook for the region remains encouraging, which should firm up demand for welding gases, consumables and other products. Our subsidiaries in Uganda and Tanzania are expected to be a significant contributor to our growth in the coming years, both in sales and profitability. The East African Customs Union presents a common market of 130 million

Managing director's report continued

people and we are optimistic that the Company is well poised to meet the demands and expectations of its customers within this market.

We will continue to focus on our ambitious growth strategy, placing customers at the forefront of everything we do. Our growth prospects are linked to the quality of our people, the positive growth prospects of the economies in which we operate and the ability to exceed the expectations of our customers.

Meanwhile we shall continue to focus on process and production efficiencies, as well as investment in facilities.

APPRECIATION

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

I thank the non-executive members of the Board for their invaluable guidance and also thank the executive management team and all our employees for their unflinching support.

Many thanks also go to our suppliers for their contribution and to you, our shareholders, for your continued support.

Corporate governance

CORPORATE GOVERNANCE

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 the corporate governance structure and internal control system put in place and which were in operation during the year.

BOARD OF DIRECTORS

The Board comprises of six non-executive directors (three of whom are independent) and two executive directors, the Managing Director and the General Manager for Finance and Administration. 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 experience, skills and level of contribution necessary to carry out their duties. Summarised below are the key roles and responsibilities of the Board:

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

AUDIT COMMITTEE

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

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

RETIREMENT AND REMUNERATION BENEFITS COMMITTEE

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

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

COMMUNICATION WITH STAKEHOLDERS

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

This is usually done through investor briefings and announcement of half-year and year-end results and circulation of the annual financial statements prior to the annual general meeting.

The Board encourages shareholders to attend the forthcoming annual general meeting, notice of which is contained in this annual report. This meeting provides an opportunity for shareholders to question the Board, including the Chairpersons of the various Board committees. Shareholders have the opportunity to cast their votes at the annual general meeting.

DIRECTORS' LOANS

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

Corporate governance continued

DIRECTORS' REMUNERATION

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

DIRECTORS' INTEREST

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

Mr Ngugi Kiuna 1,200

EXECUTIVE COMMITTEE

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

As part of planning, meetings are held with senior management to establish and classify major risks 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

transactions are authorised and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. There is a clearly defined organisational structure within which individual responsibilities are identified in relation to internal controls. The structure is complemented by defined procedures, financial controls and information systems controls.

The internal audit department performs various activities in the evaluation of the risk management, control and governance process. Significant business risks and weaknesses in the systems of 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, are reviewed to ensure timely implementation and assessment of 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 policy covers recruitment, staff development, retention and cultural diversity.

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

The Group manages the development of functional skills through the "License-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

Inextricably linked to good corporate governance is the Company's Code of Ethics. The Linde Group has always espoused the highest ethical standards of business conduct and full compliance with applicable laws, regulations and industry standards.

The Company aims to earn the trust of customers, shareholders, colleagues, suppliers and communities through honesty, performance excellence, good corporate governance and accountability. The Company expects people to respect

fair treatment and equal opportunities and supports the fundamental principles of human rights.

While common sense, good judgement and conscience apply in managing a difficult or uncertain situation, the Code of Ethics assists in detailing the standards and priorities within the Linde Group, as well as specific rules covering human rights, safety at work and environmental and supply management. Guiding principles or core values within the Code define our responsibilities towards and what we expect from directors, employees, local communities and the public, customers, suppliers and markets and Shareholders.

Allegiance to the Code of Ethics is the starting point from which employees draw inspiration and guidance for behaviour within a group, society or the organisation.

STAFF HELPLINE

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

GOING CONCERN

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

Shareholders' profile as at 31 December 2012

Ownership structure	Number of shareholders	Number of shares held	% of issued shares capital
Foreign institutions	3	12,768,678	65.4%
Foreign individuals	21	172,706	0.9%
Local institutions	169	4,388,413	22.5%
Local Individuals	710	2,195,649	11.2%
Totals	903	19,525,446	100.0%

Ten largest shareholders	Number of shares held	% of issued share capital
BOC Holdings UK	12,765,578	65.4%
CFC Stanbic Nominees Ltd. A/C R48701	866,967	4.4%
Insurance Company of East Africa Limited	455,812	2.3%
Old Mutual Life Assurance Company Ltd	288,456	1.5%
Standard Chartered Nominees A/C Ke10881	163,855	0.8%
Kenya Commercial Bank Nominees Ltd A/C 769G	147,000	0.8%
Standard Chartered Nominees A/C 9230	130,200	0.7%
Apa Insurance Limited Kenya	124,703	0.6%
CFC Stanbic Nominees Ltd. A/C R48703	120,000	0.6%
Mrs Carolyn Anne Gray Rosso	110,143	0.6%
Total for top 10 shareholders	15,172,714	77.7%
Other shareholders	4,352,732	22.3%
Total Issued Shares	19,525,446	100.0%

Report of the independent auditors

to the members of BOC Kenya Limited

We have audited the Group and Company financial statements of BOC Kenya Limited set out on pages 17 to 59 which comprise the statements of financial position of the Group and the Company at 31 December 2012, and the statements of income, comprehensive income for the Group and Company, statement of changes in equity for the Group and Company and statements of cash flows for the Group and the Company for the year then ended, and the notes to the financial statements which include 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 and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about 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, these financial statements give a true and fair view of the consolidated and separate financial position of BOC Kenya Limited at 31 December 2012, and the consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by 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 Company, so far as appears from our examination of those books; and
- (iii) The statement of financial position and the statement of comprehensive income of the Company are in agreement with the books of account.

Income statements and statements of comprehensive income

Income statements:

	Notes	GROUP		COMPANY	
		2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Revenue		1,294,550	1,205,372	1,199,297	1,095,458
Cost of sales		(585,884)	(640,317)	(573,024)	(620,908)
Gross profit		708,666	565,055	626,273	474,550
Other income	7	101	929	101	929
Distribution costs		(132,134)	(109,768)	(127,372)	(105,101)
Selling and administrative expenses		(346,565)	(266,762)	(280,112)	(241,317)
Operating profit		230,068	189,454	218,890	129,061
Net finance income	9	56,624	25,494	53,573	26,441
Profit before tax	10	286,692	214,948	272,463	155,502
Tax expense	11	(89,318)	(64,344)	(83,075)	(46,274)
Profit for the year		197,374	150,604	189,388	109,228
Earnings per share (KShs per share)					
- Basic and diluted	12	10.11	7.71	9.70	5.59

Statements of comprehensive income:

Profit for the year	197,374	150,604	189,388	109,228
Other comprehensive income				
Translation differences for foreign operations	(5,482)	1,573	-	-
Change in fair value of available-for-sale financial assets	70,035	(105,545)	70,035	(105,545)
Deferred tax on change in fair value of available-for-sale financial assets	(2,894)	58,889	(2,894)	58,889
Total Other comprehensive income for the year, net of tax	61,659	(45,083)	67,141	(46,656)
Total comprehensive income for the year	259,033	105,521	256,529	62,572

The notes set out on pages 24 to 59 form an integral part of these financial statements

Statements of financial position

		GROUP		COMPANY	
	Notes	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	601,921	645,204	572,630	617,090
Intangible assets	15	3,525	1,635	3,525	1,635
Investments in subsidiaries	16	-	-	60	60
Available-for-sale financial assets	17	292,534	276,187	292,534	276,187
Prepaid operating leases	18	3,590	3,695	3,590	3,695
Total non-current assets		901,570	926,721	872,339	898,667
Current assets					
Inventories	19	204,267	191,511	189,365	179,404
Available-for-sale financial assets	17	182,202	47,388	182,202	47,388
Trade and other receivables	20	247,358	350,414	273,952	309,859
Tax recoverable	21	7,209	-	-	-
Term deposits	22	67,768	25,650	26,588	25,650
Cash and cash equivalents	23	379,167	275,119	231,348	143,537
Total current assets		1,087,971	890,082	903,455	705,838
TOTAL ASSETS		1,989,541	1,816,803	1,775,794	1,604,505
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	24	97,627	97,627	97,627	97,627
Share premium	24	2,554	2,554	2,554	2,554
Other Reserves	25	207,212	145,553	217,230	150,089
Retained earnings		1,147,418	1,082,817	977,126	920,511
Total equity		1,454,811	1,328,551	1,294,537	1,170,781
Non-current liabilities					
Deferred tax	26	11,501	29,462	16,825	32,561
Current liabilities					
Tax payable	21	28,363	8,776	28,363	3,196
Trade and other payables	27	494,866	450,014	436,069	397,967
		523,229	458,790	464,432	401,163
TOTAL EQUITY AND LIABILITIES		1,989,541	1,816,803	1,775,794	1,604,505

The financial statements on pages 17 to 59 were approved for issue by the board of directors on 26 March 2013 and signed on its behalf by:

N. Kiuna
Chairman

M. Msiska
Managing Director

The notes set out on pages 24 to 59 form an integral part of these financial statements..

Statement of changes in equity of the Group

Year ended 31 December 2012

	Share capital KShs'000	Share premium KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2012	97,627	2,554	150,089	(4,536)	1,082,817	1,328,551
Comprehensive income						
Profit for the year	-	-	-	-	197,374	197,374
Other comprehensive income, net of tax						
Foreign currency translation differences	-	-	-	(5,482)	-	(5,482)
Change in available for sale financial assets	-	-	70,035	-	-	70,035
Deferred tax on change in available for sale financial asset	-	-	(2,894)	-	-	(2,894)
Total other comprehensive income	-	-	67,141	(5,482)	-	61,659
Total comprehensive income	-	-	67,141	(5,482)	197,374	259,033
Transactions with owners, recorded directly in equity						
Dividends to equity holders						
- Final for 2011 paid	-	-	-	-	(93,722)	(93,722)
- Interim for 2012 paid	-	-	-	-	(39,051)	(39,051)
At 31 December 2012	97,627	2,554	217,230	(10,018)	1,147,418	1,454,811

The notes set out on pages 24 to 59 form an integral part of these financial statements.

Statement of changes in equity of the Group

Year ended 31 December 2011

	Share capital	Share premium	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2011	97,627	2,554	196,745	(6,109)	1,115,753	1,406,570
Comprehensive income						
Profit for the year	-	-	-	-	150,604	150,604
Other comprehensive income, net of tax						
Foreign currency translation differences	-	-	-	1,573	-	1,573
Change in available for sale financial assets	-	-	(105,545)	-	-	(105,545)
Deferred tax on change in available for sale financial asset	-	-	2,855	-	-	2,855
Reversal of deferred tax on quoted shares	-	-	56,034	-	-	56,034
Total other comprehensive income	-	-	(46,656)	1,573	-	(45,083)
Total comprehensive income	-	-	(46,656)	1,573	150,604	105,521
Transactions with owners, recorded directly in equity						
Dividends to equity holders						
- Final for 2010 paid	-	-	-	-	(144,489)	(144,489)
- Interim for 2011 paid	-	-	-	-	(39,051)	(39,051)
At 31 December 2011	97,627	2,554	150,089	(4,536)	1,082,817	1,328,551

The notes set out on pages 24 to 59 form an integral part of these financial statements.

Statement of changes in equity of the Company

Year ended 31 December 2012	Share capital KShs'000	Share premium KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2012	97,627	2,554	150,089	920,511	1,170,781
Comprehensive income					
Profit for the year	-	-	-	189,388	189,388
Other comprehensive income, net of tax					
Change in available for sale financial assets	-	-	70,035	-	70,035
Deferred tax on change in available for sale financial asset	-	-	(2,894)	-	(2,894)
Total other comprehensive income	-	-	67,141	-	67,141
Total comprehensive income	-	-	67,141	189,388	256,529
Transactions with owners, recorded directly in equity					
Dividends:					
- Final for 2011 paid	-	-	-	(93,722)	(93,722)
- Interim for 2012 paid	-	-	-	(39,051)	(39,051)
At 31 December 2012	97,627	2,554	217,230	977,126	1,294,537

The notes set out on pages 24 to 59 form an integral part of these financial statements.

Statement of changes in equity of the Company

Year ended 31 December 2011	Share capital KShs'000	Share premium KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Total equity KShs'000
At 1 January 2011	97,627	2,554	196,745	994,823	1,291,749
Comprehensive income					
Profit for the year	-	-	-	109,228	109,228
Other comprehensive income, net of tax					
Change in available for sale financial assets	-	-	(105,545)	-	(105,545)
Deferred tax on change in available for sale financial asset	-	-	2,855	-	2,855
Reversal of deferred tax on quoted shares	-	-	56,034	-	56,034
Total other comprehensive income	-	-	(46,656)	-	(46,656)
Total comprehensive income	-	-	(46,656)	109,228	62,572
Transactions with owners, recorded directly in equity					
Dividends:					
- Final for 2010 paid	-	-	-	(144,489)	(144,489)
- Interim for 2011 paid	-	-	-	(39,051)	(39,051)
At 31 December 2011	97,627	2,554	150,089	920,511	1,170,781

The notes set out on pages 24 to 59 form an integral part of these financial statements.

Statements of cash flows

	Notes	GROUP		COMPANY	
		2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cash flows from operating activities					
Cash generated from operations	28	446,015	258,140	365,484	204,439
Tax paid	21	(97,336)	(34,406)	(76,538)	(26,231)
Net cash generated from operating activities		348,679	223,734	288,946	178,208
Cash flows from investing activities					
Purchase of property, plant and equipment	14	(36,332)	(85,676)	(32,180)	(85,676)
Proceeds from disposal of equipment		118	929	118	929
Net proceeds on available for sale		(117,817)	8,353	(77,124)	6,460
Interest received		24,650	22,149	23,301	20,365
Dividends received		17,523	10,197	17,523	9,702
Net cash used in investing activities		(111,858)	(44,048)	(68,362)	(48,220)
Cashflows from financing activities					
Dividends paid		(132,773)	(183,540)	(132,773)	(183,540)
Net cash used in financing activities		(132,773)	(183,540)	(132,773)	(183,540)
Increase / (decrease) in cash and cash equivalents		104,048	(3,854)	87,811	(53,552)
Movement in cash and cash equivalents					
At the beginning of year		275,119	279,889	143,537	197,089
Increase / (decrease) in cash and cash equivalents		108,376	(3,854)	87,811	(53,552)
Effects of exchange rate changes on foreign cash and cash equivalents		(4,328)	(916)	-	-
At end of year	23	379,167	275,119	231,348	143,537

The notes set out on pages 24 to 59 form an integral part of these financial statements.

Notes to the financial statements

1 REPORTING ENTITY

The Company is incorporated under limited liability under the Kenyan Companies Act, and is domiciled in Kenya. Its 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 2012 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 and sale of industrial and medical 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Kenyan Companies Act.

The financial statements were authorised for issue by the Board of Directors on 26 March 2013.

(b) Basis of measurement

The financial statements are prepared under the historical cost basis except for available for sale financial assets which 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 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 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.

Notes to the financial statements continued

3

SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

(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

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.

(b) Translation of foreign currencies

(i) Transactions and balances in Group entities

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items that are measured on historical cost basis in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from retranslation of available-for-sale equity investments are recognised in other comprehensive income.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES continued

(b) Translation of foreign currencies continued

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

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

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

(c) Revenue recognition

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

(d) Finance income and expenses

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.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES continued

(e) Income tax

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

Deferred 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(f) Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group 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.

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, and is not depreciated but is reviewed for impairment.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken included in other operating income

Notes to the financial statements *continued*

3 SIGNIFICANT ACCOUNTING POLICIES *continued*

(f) Property, plant and equipment *continued*

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken included in other operating income.

(g) Intangible assets

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

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

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

(h) Accounting for leases

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

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

(i) Inventories

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

(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.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES continued

(j) Recognition and measurement of financial instruments continued

(i) *Classification* continued

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, balances due from Group companies and cash and cash equivalents.

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, shares in quoted companies, treasury bills and bonds and corporate bonds.

Other financial liabilities are non derivative financial liabilities that are recognised on the date the Group becomes party to the contractual provisions of the instruments. Other financial liabilities comprise trade and other payables.

(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.

(iii) *Measurement*

Financial instruments are measured initially at fair value, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, 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 are recognised in other comprehensive income and presented within equity until the instrument is derecognised or impaired, at which time the cumulative gain or loss is recognised in profit or loss and trading instrument gains or losses are recognised in profit or loss in the period they arise.

(iv) *Derecognition*

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

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES continued

(k) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group 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 estimated future cash flows. The amount of provision is recognised in profit or loss.

(l) Impairment of assets

(i) Impairment of financial assets

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

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

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

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

(ii) Impairment of non-financial assets

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

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

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

(m) Cash and cash equivalents

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

Notes to the financial statements *continued*

3 SIGNIFICANT ACCOUNTING POLICIES *continued*

(n) Employee entitlements

(i) Retirement benefit obligations

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

(ii) Termination benefits

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

(iii) Other entitlements

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

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

(o) 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.

(p) Dividends

Dividends payable to the Company's shareholders are recognised as a liability in the period in which they are declared.

(q) Provisions

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

(r) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position 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.

Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES continued

(s) 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.

(t) 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.

(u) Comparatives

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

(v) 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 2012, and have not been applied in preparing these consolidated financial statements. These are summarised below and are not expected to have a significant impact on the consolidated financial statements of the Group:

- IFRS 9 Financial Instruments. IFRS 9 will become mandatory for the Group's 2015 consolidated financial statements.
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 Employee Benefits (Amended) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (2011) Separate Financial Statements (effective 1 January 2013).
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective 1 January 2013).
- Amendments to IAS 1 presentation of items of other comprehensive income (effective 1 July 2012).
- Amendments to IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities.
- Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

(i) Fair value estimation

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

(ii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax

Notes to the financial statements continued

4

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

(a) Critical accounting estimates and assumptions continued

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.

(iii) Trade receivables

The Group assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss account, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

(iv) Inventories

The Group assesses impairment for inventories at each reporting date. In determining whether inventories are impaired, the Group assesses the age at which inventories are held in the store in order to make an assessment of the impairment loss.

(v) Property, plant and equipment

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

(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.

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.

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk

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

Trade and other receivables

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

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

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

Investments

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

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(a) Credit risk continued *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.

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

	2012 KShs'000	2011 KShs'000
Available for sale financial assets	182,202	47,388
Term Deposits	67,768	25,650
Trade and other receivables	247,358	350,414
	497,328	423,452

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

	2012 KShs'000	2011 KShs'000
Kenya	249,047	291,746
Uganda	26,458	40,281
Tanzania	29,104	49,682
	304,609	381,709

The ageing of trade receivables at the reporting date was:

	2012 KShs'000	2011 KShs'000
Not past due	33,617	121,181
Past due 0-30 days	50,756	67,887
Past due 31-90 days	87,515	53,451
More than 90 days	132,721	139,190
	304,609	381,709

Impairment losses

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

	2012 KShs'000	2011 KShs'000
Trade receivables		
Balance at 1 January	76,652	72,496
Impairment of trade receivables	23,923	4,156
Bad debts written off	(4,766)	-
Balance at 31 December (Note 20)	95,809	76,652

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient 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.

The table below analyses liabilities into relevant maturity groupings based on the remaining period at 31 December 2012 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 (2012)						
Trade and other payables	93,041	59,624	342,201	-	-	494,866
Liquidity gap - 2012	93,041	59,624	342,201	-	-	494,866
Liabilities (2011)						
Trade and other payables	96,182	34,409	319,423	-	-	450,014
Liquidity gap - 2011	96,182	34,409	319,423	-	-	450,014

(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 ZAR, USD and GBP, UGShs and TShs.

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Currency risk continued

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

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

	USD	GBP	Euro	Rand	Total
Assets					
Trade and other receivables	13,656	5	4	-	13,665
At 31 December 2012	13,656	5	4	-	13,665
Liabilities					
Trade and other payables	(11,816)	(9,225)	(515)	(39,404)	(60,960)
At 31 December 2012	(11,816)	(9,225)	(515)	(39,404)	(60,960)
Net balance sheet position - 2012	1,840	(9,220)	(511)	(39,404)	(47,295)

	USD	GBP	Euro	Rand	Total
Assets					
Trade and other receivables	18,988	939	387	-	20,314
At 31 December 2011	18,988	939	387	-	20,314
Liabilities					
Trade and other payables	(1,861)	(4,381)	(1,286)	(21,783)	(29,311)
At 31 December 2011	(1,861)	(4,381)	(1,286)	(21,783)	(29,311)
Net balance sheet position - 2011	17,127	(3,442)	(899)	(21,783)	(8,997)

The following exchange rates were applied in the respective periods:

	Average rates		Closing rates	
	2012	2011	At 31 December 2012	At 31 December 2011
US Dollar	84.53	88.80	86.00	85.10
Sterling Pound	133.91	142.47	139.78	132.16
South African Rand	10.33	12.26	10.17	11.76
Euro	108.82	123.64	113.49	110.26

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Sensitivity analysis

A 10 percent strengthening of the Kenyan Shilling against the following currencies at 31 December 2012 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 has been performed on the same basis as in 2011.

As at 31 December	Profit or Loss	
	2012 KShs '000	2011 KShs '000
US Dollar	(185)	(1,713)
GBP	922	344
Euro	51	89
Rand	3,940	2,178
Net Impact	4,728	898

A 10 percent weakening of the Shilling against the above currencies at 31 December 2012 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.

450,014

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(c) Market risk continued

Interest rate risk - continued

Sensitivity analysis

Sensitivity analysis on interest rates

An increase of one percentage point in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2011.

Effect in Kenyan Shillings thousands

	Profit or loss	
	2012 KShs	2011 KShs
Available for sale financial assets (Interest bearing)	2,332	1,424

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

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 2012 and 2011 is as follows:

	2012	2011
Available-for-sale equity investment - Note 17	241,560	181,170

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	
	2012	2011
Available for sale securities	24,156	18,117

FINANCIAL RISK MANAGEMENT continued

(d) Fair value of financial assets and financial liabilities

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

2012	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	-	-	474,736	-	-	474,736	474,736
Trade and other receivables	-	247,358	-	-	-	247,358	247,358
Term deposits	-	67,768	-	-	-	67,768	67,768
Cash and cash equivalents	-	379,168	-	-	-	379,167	379,167
	-	694,293	474,736	-	-	1,169,029	1,169,029
Financial Liabilities							
Trade and other payables	-	-	-	-	494,866	494,866	494,866
2011							
Financial Assets							
Available for sale financial assets	-	-	323,575	-	-	323,575	323,575
Trade and other receivables	-	350,414	-	-	-	350,414	350,414
Term deposits	-	-	25,650	-	-	25,650	25,650
Cash and cash equivalents	-	275,119	-	-	-	275,119	275,119
	-	625,533	349,225	-	-	974,758	974,758
Financial Liabilities							
Trade and other payables	-	-	-	-	450,014	450,014	450,014

Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT continued

(d) Fair value of financial assets and financial liabilities continued

Fair value hierarchy

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

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

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2012:

31 December 2012:	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Available-for-sale financial assets	241,560	233,176	-	474,736
Total assets	241,560	233,176	-	474,736
31 December 2011:	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Available-for-sale financial assets	181,170	142,405	-	323,575
Total assets	181,170	142,405	-	323,575

(e) 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.

Notes to the financial statements continued

6 SEGMENT INFORMATION

The Group has three reportable segments which are the strategic business units in the following regions. These are Kenya, Tanzania and Uganda.

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

Year ended 31 December 2012	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Elimination KShs'000	Total KShs'000
Sales	1,199,297	77,424	82,243	(64,414)	1,294,550
Operating profit/(loss)	218,890	(4,904)	16,082	-	230,068
Net Finance income	53,573	7,537	(4,486)	-	56,624
Profit before income tax	272,463	2,633	11,596	-	286,692
Income tax expense	(83,075)	(2,748)	(3,495)	-	89,318
Profit/(Loss) for the year	189,388	(115)	8,101	-	197,374

Year ended 31 December 2011	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Elimination KShs'000	Total KShs'000
Sales	1,095,458	102,095	91,453	(83,634)	1,205,372
Operating profit	129,061	24,091	36,302	-	189,454
Net finance income	26,441	2,526	(3,473)	-	25,494
Profit before income tax	155,502	26,617	32,829	-	214,948
Income tax expense	(46,274)	(8,004)	(10,066)	-	(64,344)
Profit for the year	109,228	18,613	22,763	-	150,604

Notes to the financial statements continued

6 SEGMENT INFORMATION continued

Other segment items included in the income statement are:

Year ended 31 December 2012

	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Depreciation	64,719	1,158	948	66,825
Amortisation of intangible assets	1,373	-	-	1,373
Amortisation of operating leases	105	-	-	105
Impairment of inventories	7,151	(2,478)	(314)	4,359
Impairment of trade receivables	18,372	4,741	810	23,923

Year ended 31 December 2011

	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Total KShs'000
Depreciation	65,571	1,105	995	67,671
Amortisation of intangible assets	1,288	-	-	1,288
Amortisation of operating leases	105	-	-	105
Impairment of inventories	(3,654)	(1,382)	73	(4,963)
Impairment of trade receivables	8,983	(9,017)	4,190	4,156

The segment assets and liabilities at 31 December 2012 and capital expenditure for the period then ended are as follows:

Year ended 31 December 2012

	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Elimination KShs'000	Total KShs'000
Assets	1,775,794	151,811	121,000	(59,064)	1,989,541
Liabilities	436,069	82,249	42,764	(66,216)	494,866
Capital expenditure:					
(i) Additions to property, plant and equipment	32,180	4,069	83	-	36,332
(ii) Additions to intangible assets	3,263	-	-	-	3,263

Year ended 31 December 2011

	Kenya KShs'000	Tanzania KShs'000	Uganda KShs'000	Elimination KShs'000	Total KShs'000
Assets	1,604,505	139,052	119,427	(46,181)	1,816,803
Liabilities	397,967	65,456	38,293	(51,702)	450,014
Capital expenditure:					
(i) Additions to property, plant and equipment	85,676	-	-	-	85,676
(ii) Additions to intangible assets	-	-	-	-	-

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.

Notes to the financial statements continued

7 OTHER OPERATING INCOME

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Profit on disposal of property, plant and equipment	101	929	101	929

8 EMPLOYEE BENEFIT EXPENSES

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
The following items are included within staff costs:				
Social security benefits	1,033	1,084	226	227
Retirement benefits costs:				
- defined contribution scheme	12,567	11,423	12,329	11,059

The number of persons employed by the Group at the end of the year was 107 (2011: 95).

9 NET FINANCE INCOME

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Interest income on short term investments	30,077	19,864	28,241	17,598
Net foreign currency exchange (loss)/gain	14,667	(4,270)	13,452	(1,057)
Dividend income	11,880	9,900	11,880	9,900
Finance income recognised in profit	56,624	25,494	53,573	26,441

Dividend income represents interim and final dividends from investment in the shares of a Company that is listed on the Nairobi Securities Exchange (Note 17).

10 PROFIT BEFORE TAXATION

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Profit before taxation is arrived at after charging:				
Repairs and maintenance expenditure on property, plant and equipment	35,773	17,714	35,210	17,414
Employee benefits expense	209,578	175,015	194,419	166,630
Directors' remuneration				
- Fees	2,797	3,018	2,797	3,018
- Salaries and short term benefits	29,636	26,082	29,636	26,082
Depreciation	66,825	67,671	64,719	65,570
Amortisation of intangible assets	1,373	1,288	1,373	1,288
Operating leases charges	105	105	105	105
Auditors remuneration	4,550	3,750	3,555	2,961
And after crediting:				
Profit on disposal of property, plant and equipment	101	929	101	929

Notes to the financial statements continued

11 INCOME TAX EXPENSE

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Current tax expense (Note 21)	110,156	72,389	101,705	57,856
Deferred tax (Note 25)	(20,838)	(8,045)	(18,630)	(11,582)
Tax expense	89,318	64,344	83,075	46,274

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

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Profit before tax	286,692	214,948	272,463	155,502
Tax calculated at a tax rate of 30%	86,007	64,484	81,739	46,650
Tax effect of:				
Dividend income taxed at 5%	(2,970)	(2,917)	(2,970)	(2,474)
Expenses not deductible for tax purposes	5,511	2,757	3,595	2,098
Over provision of deferred tax in prior years	750	-	711	-
Impact of exchange rate	20	20	-	-
Tax expense	89,318	64,344	83,075	46,274

12 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.

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Net profit attributable to shareholders	197,374	150,604	189,388	109,228
Weighted average number of ordinary shares in issue	19,525	19,525	19,525	19,525
Basic earnings per share (KShs)	10.11	7.71	9.70	5.59

There were no potentially dilutive shares outstanding at 31 December 2012 or 31 December 2011.

Notes to the financial statements continued

13 DIVIDEND PER SHARE

At the next annual general meeting a final dividend in respect of the year ended 31 December 2012 of KShs 3.05 per share (2011: KShs 4.80 per share), amounting to a total of KShs 59,552,610 (2011: KShs 93,722,141) is to be proposed.

During the year, an interim dividend of KShs 2.00 per share (2011: KShs 2.00 per share), amounting to a total of KShs 39,050,892 (2011: KShs 39,050,892) was paid. The total dividend for the year is therefore KShs 5.05 per share (2011: KShs 6.80), amounting to a total of KShs 98,603,502 (2011: KShs 132,773,033).

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

Notes to the financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT

a) Group 2012

	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						
At 1 January 2012	95,799	604,871	565,507	87,993	56,302	1,410,472
Adjustment	18,470	4,547	(2,744)	(56,929)	(3,029)	(39,685)
As Adjusted	114,269	609,418	562,763	31,064	53,273	1,370,787
Additions	-	16,439	14,137	5,709	47	36,332
Disposals	-	-	-	(78)	-	(78)
Transfers - Note 15	-	30,117	9,683	1,616	(44,679)	(3,263)
Adjustments	-	-	-	-	(8,641)	(8,641)
Currency translation differences	11	(278)	-	(992)	(38)	(1,297)
At 31 December 2012	114,280	655,696	586,583	37,319	(38)	1,393,840
Depreciation						
At 1 January 2012	(28,333)	(447,440)	(204,112)	(85,383)	-	(765,268)
Adjustment	(18,349)	(4,288)	2,322	60,000	-	39,685
As Adjusted	(46,682)	(451,728)	(201,790)	(25,383)	-	(725,583)
Charge for the year	(5,207)	(30,392)	(28,466)	(2,760)	-	(66,825)
Disposals	-	-	-	61	-	61
Currency translation differences	(11)	65	25	311	38	428
At 31 December 2012	51,900	482,055	230,231	27,771	38	791,919
Carrying value						
At 31 December 2012	62,380	173,641	356,352	9,548	-	601,921

Notes to the financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT continued

Group 2011

	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						
At 1 January 2011	95,770	602,587	528,325	87,236	6,976	1,320,894
Additions	-	1,157	34,202	769	49,548	85,676
Disposals	-	-	-	(129)	-	(129)
Transfers	-	-	222	-	(222)	-
Currency translation differences	29	1,127	2,758	117	-	4,031
At 31 December 2011	95,799	604,871	565,507	87,993	56,302	1,410,472
Depreciation						
At 1 January 2011	(23,071)	(413,148)	(177,652)	(82,862)	-	(696,733)
Charge for the year	(5,239)	(33,959)	(25,912)	(2,561)	-	(67,671)
Disposals	-	-	-	129	-	129
Currency translation differences	(23)	(333)	(548)	(89)	-	(993)
At 31 December 2011	(28,333)	(447,440)	(204,112)	(85,383)	-	(765,268)
Carrying value						
At 31 December 2011	67,466	157,431	361,395	2,610	56,302	645,204

Notes to the financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT continued

Company 2012

	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						
At 1 January 2012	113,047	591,001	534,488	29,707	53,273	1,321,516
Additions	-	12,473	14,136	5,524	47	32,180
Disposals	-	-	-	(78)	-	(78)
Transfers	-	30,117	9,683	1,616	(44,679)	(3,263)
Adjustments	-	-	-	-	(8,641)	(8,641)
At 31 December 2012	113,047	633,591	558,307	36,769	-	1,341,714
Depreciation						
At 1 January 2012	(45,460)	(442,062)	(192,769)	(24,135)	-	(704,426)
Charge for the year	(5,206)	(29,505)	(27,320)	(2,688)	-	(64,719)
Disposals	-	-	-	61	-	61
At 31 December 2012	(50,666)	(471,567)	(220,089)	(26,762)	-	(769,084)
Carrying value						
At 31 December 2012	62,381	162,024	338,218	10,007	-	572,630

Notes to the financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT continued

Company 2011

	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						
At 1 January 2011	113,047	589,844	500,064	29,067	3,947	1,235,969
Additions	-	1,157	34,202	769	49,548	85,676
Disposals	-	-	-	(129)	-	(129)
Transfers	-	-	222	-	(222)	-
At 31 December 2011	113,047	591,001	534,488	29,707	53,273	1,321,516
Depreciation						
At 1 January 2011	(40,253)	(408,889)	(168,047)	(21,796)	-	(638,985)
Charge for the year	(5,207)	(33,173)	(24,722)	(2,468)	-	(65,570)
Disposals	-	-	-	129	-	129
At 31 December 2011	(45,460)	(442,062)	(192,769)	(24,135)	-	(704,426)
Carrying value						
At 31 December 2011	67,587	148,939	341,719	5,572	53,273	617,090

Included in property, plant and equipment are assets with a gross value of KShs 253,474,557 (2011: KShs 276,050,210) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 30,828,887 (2011 - KShs 26,507,110).

There were no idle assets at 31 December 2012 and 2011.

The Group had no property pledged as security as at 31 December 2012 and 2011.

15 INTANGIBLE ASSETS

Group and Company

Cost

At the beginning of year

Additions

Adjustments

Transfers from capital work in progress (Note 14)

At end of year

Accumulated amortisation and impairment losses

At the beginning of year

Charge for the year

Adjustments

At end of year

2012 KShs'000	2011 KShs'000
17,579	14,645
-	-
-	2,934
3,263	-
20,842	17,579
(15,944)	(11,722)
(1,373)	(1,288)
-	(2,934)
(17,317)	(15,944)
3,525	1,635

At end of year

Notes to the financial statements continued

16 INVESTMENT IN SUBSIDIARIES

Company	Percentage shareholding	2012 KShs'000	2011 KShs'000
East African Oxygen Limited			
BOC Tanzania Limited	100%	-	-
BOC Uganda Limited	100%	10	10
	100%	50	50
		60	60

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

BOC Tanzania Limited and BOC Uganda Limited are incorporated in Tanzania and Uganda respectively. The principal activity of the companies is the sale 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.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group and Company	2012 KShs'000	2011 KShs'000
Non-current:		
Shares in quoted company		
Treasury bonds	241,560	181,170
Corporate bonds	18,985	61,802
	31,989	33,215
Total	292,534	276,187
Current:		
Treasury bonds		
Treasury bills	27,356	47,388
	154,846	-
Total	182,202	47,388

The weighted average effective interest rate on the treasury bonds at year-end was 11.74% (2011: 10%).

18 PREPAID OPERATING LEASES

Group and Company	2012 KShs'000	2011 KShs'000
Leases expiring beyond five years		
At start of year		
Operating lease charges	3,695	3,800
	(105)	(105)
At end of year	3,590	3,695

Notes to the financial statements continued

19 INVENTORIES

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Raw materials	20,463	21,076	20,463	21,017
Finished goods and other saleable stock	162,953	146,672	147,611	131,709
Plant spares	38,344	36,366	38,344	36,360
Goods in transit	13,336	13,875	13,324	13,553
Work in progress	840	831	840	831
Inventories impairment	(31,669)	(27,309)	(31,217)	(24,066)
	204,267	191,511	189,365	179,404

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Trade receivables	304,609	381,709	249,047	291,746
Less: Allowance for impairment	(95,809)	(76,652)	(65,091)	(48,889)
Net receivables	208,800	305,057	183,956	242,857
Staff debtors	537	1,102	523	1,102
Prepayments	6,528	8,630	6,094	6,430
Receivables from related companies (Note 31(b))	2,244	4,242	59,836	34,084
Other receivables	29,249	31,383	23,543	25,386
	247,358	350,414	273,952	309,859

21 TAX RECOVERABLE/(PAYABLE)

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
At 1 January	8,776	(28,363)	3,196	(28,429)
Charge for the year – Note 11	110,156	72,389	101,705	57,856
Tax paid	(97,336)	(34,406)	(76,538)	(26,231)
Foreign currency translation	(442)	(844)	-	-
At 31 December	21,154	8,776	28,363	3,196
Comprising:				
Tax recoverable	7,209	-	-	-
Tax payable	(28,363)	(8,776)	(28,363)	(3,196)
	(21,154)	(8,776)	(28,363)	(3,196)

22 TERM DEPOSITS

Term deposits comprise fixed and call deposits with financial institutions whose maturities are between three and twelve months.

Notes to the financial statements continued

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	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cash at bank and in hand	219,004	225,260	71,185	134,504
Fixed and call deposits	160,163	49,859	160,163	9,033
	379,167	275,119	231,348	143,537

24 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of shares Thousands	Ordinary shares KShs'000
Authorised	20,000	100,000
Issued and fully paid 2012 and 2011	19,525	97,627

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.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

(b) Share premium

Share premium arose when the shares of the company were issued at a price higher than the nominal (par) value.

25 OTHER RESERVES

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Fair value reserve	217,230	150,089	217,230	150,089
Foreign currency translation reserve	(10,018)	(4,536)	-	-
	207,212	145,553	217,230	150,089

a) Fair value reserve

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

Notes to the financial statements continued

25 OTHER RESERVES continued

b) Foreign currency translation reserve

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

26 DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2011: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
At the beginning of year	29,462	96,411	32,561	103,528
Recognised in profit or loss (Note 11)	(20,838)	(8,045)	(18,630)	(12,079)
Recognised in other comprehensive income	-	(56,034)	-	(56,034)
Unrealized loss on available for sale financial assets	2,893	(2,854)	2,894	(2,854)
Currency translation differences	(16)	(16)	-	-
At end of year	11,501	29,462	16,825	32,561

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

a) Group

Year ended 31 December 2012	At 01.01.2012 Kshs '000	Recognized in profit or loss Kshs '000	Foreign currency translation differences Kshs '000	Recognized in other comprehensive income Kshs '000	At 31.12.2012 Kshs '000
Property, plant and equipment	80,688	(2,483)	-	-	78,205
Unrealized loss on available for sale financial assets	(2,854)	-	-	2,894	40
Provisions	(48,253)	(18,927)	(17)	-	(67,197)
Over provision in prior year	-	-	-	-	-
Unrealized exchange losses/(gains)	(119)	572	-	-	453
Total	29,462	(20,838)	(17)	2,894	11,501

Notes to the financial statements continued

Year ended 31 December 2011	At 01.01.2011 Kshs '000	Recognized in profit or loss Kshs '000	Foreign currency translation differences Kshs '000	Recognized in other comprehensive income Kshs '000	At 31.12.2011 Kshs '000
Property, plant and equipment	86,315	(5,627)	-	-	80,688
Deferred tax on quoted shares	56,034	-	-	(56,034)	-
Unrealized loss on available for sale financial assets	-	-	-	(2,854)	(2,854)
Provisions	(45,181)	(3,056)	(16)	-	(48,253)
Over provision in prior year	(302)	302	-	-	-
Unrealized exchange losses/(gains)	(455)	336	-	-	(119)
Total	96,411	(8,045)	(16)	(58,888)	29,462

b) Company

Year ended 31 December 2012

	At 01.01.2012 Kshs '000	Recognized in profit or loss Kshs '000	Recognized in other comprehensive income Kshs '000	At 31.12.2012 Kshs '000
Property, plant and equipment	74,336	(2,259)	-	72,077
Unrealized loss on available for sale financial assets	(2,854)	-	2,894	40
Provisions	(38,800)	(17,765)	-	(56,565)
Unrealised exchange losses/(gains)	(121)	1,394	-	1,273
	32,561	(18,630)	2,894	16,825

Year ended 31 December 2011

	At 01.01.2011 Kshs '000	Recognized in profit or loss Kshs '000	Recognized in other comprehensive income Kshs '000	At 31.12.2011 Kshs '000
Property, plant and equipment	79,657	(5,321)	-	74,336
Change in fair value of available for sale assets	56,034	-	(56,034)	-
Unrealized loss on mark to market investments	-	-	(2,854)	(2,854)
Provisions	(31,644)	(7,156)	-	(38,800)
Unrealised exchange losses/(gains)	(519)	398	-	(121)
	103,528	(12,079)	(58,888)	32,561

Notes to the financial statements continued

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cylinder deposits	159,716	161,441	136,820	140,233
Trade payables	123,549	156,966	95,846	114,836
Amounts due to related companies (Note 31(c))	62,737	40,941	69,486	59,383
Accruals and other payables	148,864	90,666	133,917	83,515
	494,866	450,014	436,069	397,967

28 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

Note	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Profit before tax	286,692	214,948	272,463	155,502
Adjustments for:				
Depreciation	14 66,825	67,671	64,719	65,570
Amortisation of intangible assets	15 1,373	1,288	1,373	1,288
Operating lease charges	18 105	105	105	105
Profit on sale of property and equipment	7 (101)	(929)	(101)	(929)
Effect of foreign currency translations	3,569	(1,408)	-	-
Interest income	(30,077)	(20,104)	(28,241)	(17,598)
Dividend income	9 (11,880)	(9,900)	(11,880)	(9,900)
Changes in working capital:				
- trade and other receivables	97,413	(82,569)	30,264	(66,928)
- inventories	(12,756)	41,038	(9,961)	39,166
- trade and other payables	44,852	48,000	46,743	38,163
Cash generated from operations	446,015	258,140	365,484	204,439

29 CONTINGENT LIABILITIES

At 31 December 2012, the Company had given guarantees amounting to KShs 61,293,049 (2011: KShs 440,000) on behalf of third parties.

There are certain pending legal claims brought against the Company as at 31 December 2011 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 2012, the Company had no outstanding capital commitments (2011: KShs 11,765,579).

Notes to the financial statements *continued*

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) Purchase of goods and services from related parties - Group

	2012 KShs'000	2011
KShs'000		
BOC Group plc	12,945	15,386
African Oxygen Limited	92,405	61,756
Cryostar Limited - France	595	8,330
Afrox Zambia	45	-
BOC Zimbabwe (PVT) Limited	853	-
	106,843	85,472

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.

b) Outstanding balances included in receivables

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
BOC Zambia Limited	844	844	844	844
BOC Nigeria Limited	962	962	962	962
BOC Zimbabwe (PVT) Limited	396	-	396	-
BOC Malawi Limited	42	-	42	-
African Oxygen Limited	-	2,436	-	2,436
BOC Tanzania Limited	-	-	31,944	11,837
BOC Uganda Limited	-	-	25,648	18,005
	2,244	4,242	59,836	34,084

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

	Group		Company	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
BOC Group plc	8,526	5,586	8,526	5,586
African Oxygen Limited	54,163	34,729	52,291	34,729
Afrox Zambia Limited	44	-	44	-
BOC Tanzania Limited	-	-	8,621	18,442
BOC Zimbabwe (PVT) Limited	4	626	4	626
	62,737	40,941	69,486	59,383

Notes to the financial statements continued

31 RELATED PARTY TRANSACTIONS continued

d) Key management compensation

Group and Company

Salaries and short term benefits
Termination benefits

2012 KShs'000	2011 KShs'000
52,620	46,174
-	2,573
52,620	48,747

Key management compensation relates to salary and benefits paid to senior members of management.

e) Directors' remuneration

Group and Company

- Fees
- Salaries and short term benefits

2012 KShs'000	2011 KShs'000
2,797	3,018
29,636	26,082
32,433	29,100

f) Dividends paid

BOC Group plc

2012 KShs'000	2011 KShs'000
86,806	119,996

Notes to the financial statements continued

31 RELATED PARTY TRANSACTIONS continued

d) Key management compensation

Group and Company

Salaries and short term benefits
Termination benefits

2012 KShs'000	2011 KShs'000
52,620	46,174
-	2,573
52,620	48,747

Key management compensation relates to salary and benefits paid to senior members of management.

e) Directors' remuneration

Group and Company

- Fees
- Salaries and short term benefits

2012 KShs'000	2011 KShs'000
2,797	3,018
29,636	26,082
32,433	29,100

f) Dividends paid

BOC Group plc

2012 KShs'000	2011 KShs'000
86,806	119,996