

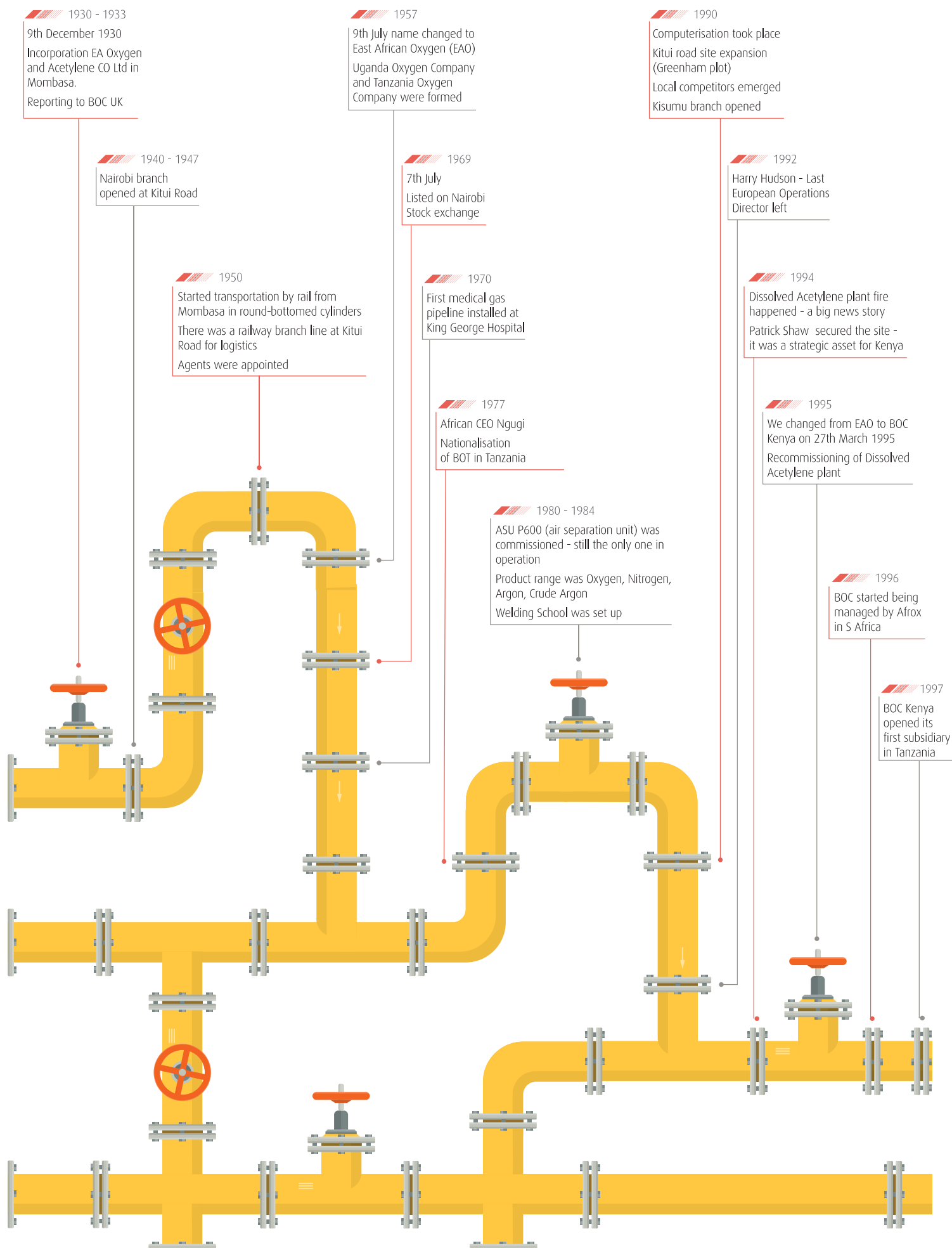
BOC KENYA PLC 2018 ANNUAL REPORT & FINANCIAL STATEMENTS



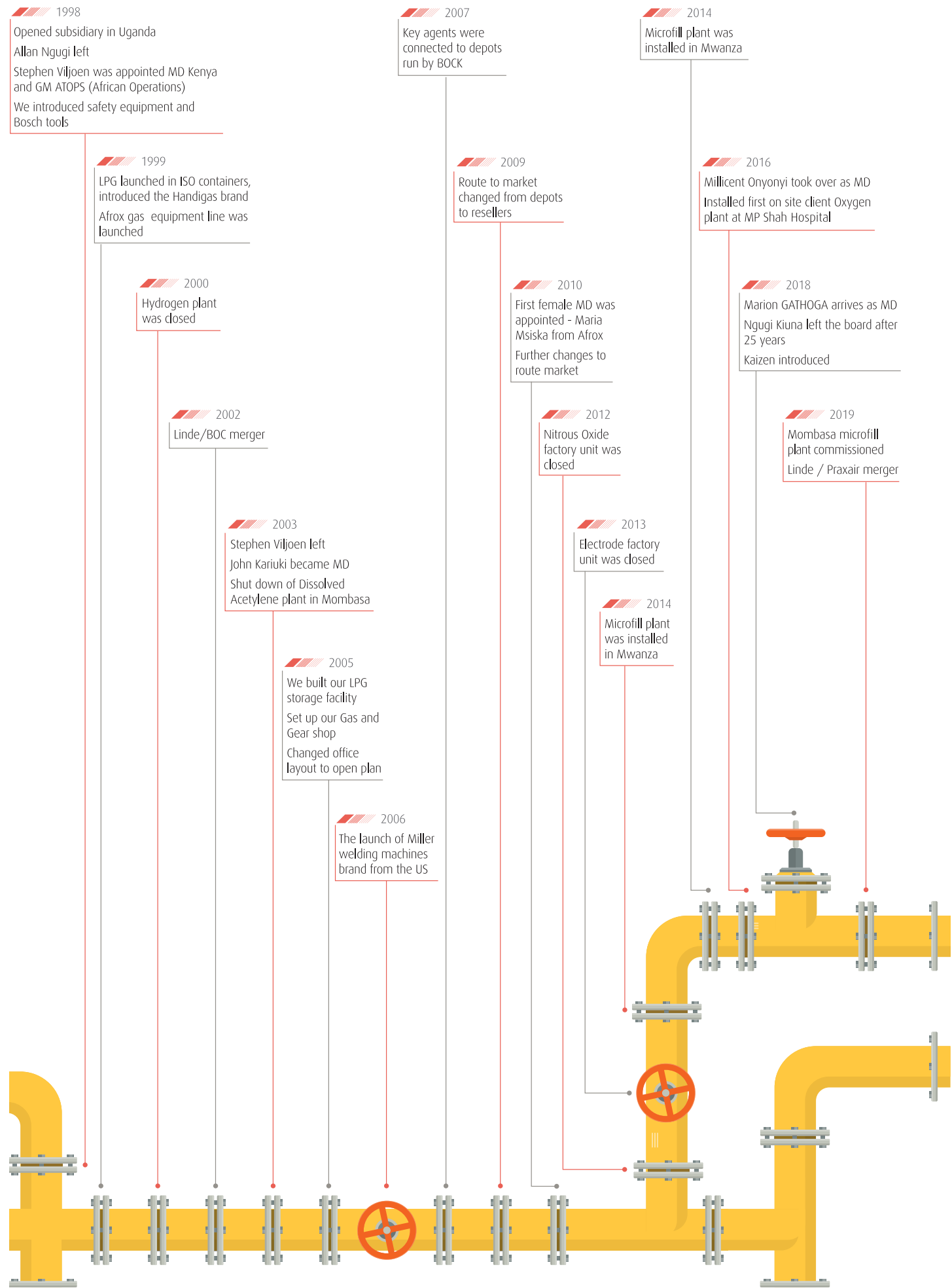
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50 YEARS SINCE LISTING ON THE NAIROBI SECURITIES



EXCHANGE (NSE) - A STRONG HERITAGE



NOTICE OF THE 2019 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventy-Seventh Annual General Meeting of BOC Kenya Plc will be held at the Company's Head Office and factory site, Kitui Road, Industrial Area, Nairobi, on 21 June 2019, at 11:00 a.m. for the following purposes:

Ordinary Business

1. To receive, consider and if approved, adopt the Company's audited financial statements for the year ended 31 December 2018, together with the reports of the Chairman, Directors and Auditors thereon.
2. To confirm the interim dividend of KES 2.35 per ordinary share paid on 15 October 2018 and to declare a final dividend of KES 2.85 per ordinary share, payable, net of Withholding Tax, on or about 29 July 2019 to Shareholders on the Register at the close of business on 28 May 2019.
3. To elect Directors:
 - (i) Mr. Ruben Chetty retires and being eligible, offers himself for re-election in accordance with Article 28 of the Articles of Association.
 - (ii) Mr. Robert Mbugua, Mrs. Lucy Njoroge and Mrs. Cosima Wetende retire by rotation, and being eligible, offer themselves for re-election in accordance with Article 29 of the Articles of Association.
 - (iii) In accordance with the provisions of Section 769 of the Companies Act 2015, Mr. S. Maina, Mr. M. Kruger, Mrs. L. Njoroge and Mrs. C. Wetende, being members of the Board's Audit Committee be elected to continue to serve as members of the said Committee.
4. To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2018.
5. To reappoint KPMG Kenya to continue in office as External Auditors of the Company by virtue of Section 721(2) of the Companies Act 2015 and to authorise the Directors to fix their terms and remuneration.

By Order of the Board

R. T. Ngobi (Ms.)
Company Secretary
Kitui Road, Industrial Area
P O Box 18010-00500
Nairobi

28 March 2019

Please see notes overleaf

NOTES:

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.
2. A proxy form is provided with this report. The proxy form can also be obtained from the Company's website (www.boc.co.ke).

Shareholders who do not propose to be at the Annual General Meeting and intend to appoint a proxy are requested to do the following:

- Complete the form provided and attach a copy of your National ID and a copy of the National ID of the proxy appointed.
- Return the form (plus copies of the National ID's) to the Company's Registrar, Custody & Registrars, 6th Floor, Bruce House, Standard Street, P.O. Box 8484-00100, Nairobi or alternatively to the Registered Office of the Company so as to arrive not later than **2:30 p.m. on 19 June 2019**.

Duly signed proxy forms together with ID copies may also be emailed to proxy@candrgroup.co.ke in PDF format.

3. In accordance with the Company's Articles of Association, a copy of the entire Annual Report and Financial Statements may be viewed and or downloaded from the Company's website (www.boc.co.ke).

EXPLANATORY NOTES TO RESOLUTIONS TO BE PASSED

ORDINARY BUSINESS

Agenda Item 1 - Report and Accounts 2018

Resolution 1:

THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2018, as audited and reported by the Company's Auditors now submitted to this meeting be and are hereby approved and adopted.

The Report and Accounts are for the year ended 31 December 2018.

Agenda Item 2 - Declaration of Final Dividend

Resolution 2:

THAT the interim dividend of KShs 2.35 per ordinary share paid on 15 October 2018 be and is hereby confirmed and that a final dividend of KShs 2.85 per ordinary share, payable, net of Withholding Tax, on or about 28 July 2019 to Shareholders on the Register at the close of business on 28 May 2019 be and is hereby approved.

The Company paid an interim dividend of KShs 2.35 per Ordinary Share on 15 October 2018. The Board recommends a final dividend of KShs 2.85 per Ordinary Share, bringing the total dividend for the year to KShs 5.20 per Ordinary Share. Subject to approval by Shareholders, the final dividend will be paid on or about 29 July 2019 to Shareholders on the Register on 28 May 2018.

Agenda Item 3 - Directors seeking re-election

Resolution 3:

THAT Mr. Ruben Chetty be and is hereby re-elected a Non-Executive Director of the Company in accordance with Article 28 of the Company's Articles of Association.

Mr. Ruben Chetty seeks re-election in accordance with Article 28 of the Company's Articles of Association following his appointment as a Non-Executive Director on 13 December 2018.

Resolution 4:

THAT Mr. Robert Mbugua be and is hereby re-elected a Non-Executive Director of the Company in accordance with Article 29 of the Company's Articles of Association.

Mr. R. Mbugua retires by rotation and offers himself for re-election in accordance with Article 29 of the Company's Articles of Association.

Resolution 5:

THAT Mrs. Lucy Njoroge be and is hereby re-elected a Non-Executive Director of the Company in accordance with Article 29 of the Company's Articles of Association

Mrs. Lucy Njoroge retires by rotation and offers herself for re-election in accordance with Article 29 of the Company's Articles of Association.

Resolution 6:

THAT Mrs. Cosima Wetende be and is hereby re-elected a Non-Executive Director of the Company in accordance with Article 29 of the Company's Articles of Association

Mrs. Cosima Wetende retires by rotation and offers herself for re-election in accordance with Article 29 of the Company's Articles of Association.

In relation to the re-election of all the above named Non-Executive Directors the Chairman has confirmed that the Nominations Committee and the Board has determined that each of them continue to perform effectively and demonstrates commitment to their roles, and that they are all influential individuals in their respective fields and backgrounds. Their balance of knowledge and skills combined with their diversity and business experience, makes a major contribution to the proper functioning of the Board and its Committees. Biographical details of the Directors seeking re-election are set out from pages 20 to 23 of this Annual Report.

Copies of the Directors' letters of appointment are available for inspection during normal business hours at the company's registered office on any business day.

Explanatory Notes To Resolutions To Be Passed (Continued)

Agenda Item 3 Directors re-election to Audit Committee

Resolution 7:

THAT Mr. S. Maina, Mr. M. Kruger, Mrs. L. Njoroge and Mrs. C. Wetende be and are hereby elected to continue to serve as Members of the Board Audit Committee.

In accordance with the provisions of Section 769 of the Companies Act 2015, the Directors listed in Agenda Item 3 (iii) offer themselves for election to continue to serve as Members of the Board Audit Committee.

Agenda Item 4 - Directors Remuneration

Resolution 8:

THAT the Directors remuneration as stated in Note 33 (f) to the Financial Statement and the Remuneration Report set out on page 52 of this Annual Report 2018, be and are hereby Approved.

Resolution 8 is an advisory vote to approve the Directors' remuneration as stated on Note 33 (f) to the Financial Statements and to approve the Director's Remuneration Report as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public.

The Remuneration Report is set out from page 52 to 55 of this Annual Report.

Agenda Item 5 - Re-Appointment of Auditors and Auditors Remuneration

Resolution 9:

THAT in accordance with Section 721(2) of the Companies Act 2015, KPMG Kenya be and are hereby re-appointed as the Auditors of the Company and that the Directors be and are hereby authorised to fix their remuneration.

With KPMG Kenya having expressed their willingness to continue in office as the Company's External Auditors in accordance with the provisions of Section 721(2), KPMG Kenya offer themselves for re-appointment and it is proposed that the Directors be authorized to fix Auditors terms and remuneration for the ensuing financial year.

CORPORATE INFORMATION PAGE

Board of Directors

Mr. R. Mbugua**	(Chairman)
Mrs. M. Gathoga-Mwangi	(Managing Director)
Mr. A. Kamau	(Finance Director)
Mr. M. Kruger*	
Mrs. L. Njoroge**	
Mrs. C. Wetende**	
Mr. S. Maina**	
Mr. R. Chetty*	
Ms. R. T. Ngobi	(Company Secretary)

Audit Committee

Mr. S. Maina**	(Chairman)
Mr. M. Kruger*	
Mrs. L. Njoroge**	
Mrs. C. Wetende**	
Mrs. M. Gathoga-Mwangi	(Permanent Invitee)
Mr. A. Kamau	(Permanent Invitee)
Ms. C. Atakos	(Permanent Invitee)
Ms. R.T. Ngobi	(Secretary)

Nominations and Corporate Governance Committee

Mr. R. Mbugua**	(Chairman)
Mr. M. Kruger*	
Mrs. C. Wetende**	
Mrs. M. Gathoga-Mwangi	(Permanent Invitee)
Ms. R.T. Ngobi	(Secretary)

Retirement and Remunerations Committee

Mrs. L. Njoroge**	(Chairman)
Mr. R. Chetty*	
Mrs. C. Wetende**	
Mrs. M. Gathoga-Mwangi	(Permanent Invitee)
Mr. A. Kamau	(Permanent Invitee)
Mrs. S. Onyoni	(Permanent Invitee)
Ms R.T. Ngobi	(Secretary)

** Independent Non-Executive Directors

*Non- Executive Directors

Mr. N. Kiuna resigned as Chairman of the Board of Directors and Non-Executive Director on 22 June 2018

Mrs. M. Onyoni resigned as Managing Director on 30 April 2018.

Mr. A. Gouws resigned as Non-Executive Director on 13 Dec. 2018.

Mrs. M. Gathoga-Mwangi was appointed Managing Director effective 16 July 2018

Mr. S. Maina was appointed Non-Executive Director effective 1 June 2018.

Mr. R. Chetty was appointed Non-Executive Director effective 13 December 2018.

Auditor

KPMG Kenya
8th Floor, ABC Towers
ABC Place
Waiyaki Way
PO Box 40612 – 00100
Nairobi

Transfer Agents

Custody & Registrar Services Limited
6th Floor, Bruce House, Standard Street
PO Box 8484 – 00100
Nairobi

Advocates

Kaplan & Stratton
Williamson House
4th Ngong Avenue
PO Box 4011 – 00100
Nairobi

Daly & Inamdar Advocates
6th Floor, ABC Towers
ABC Place
Waiyaki Way
PO Box 40034 – 00100
Nairobi

Bankers

Citibank N.A, Nairobi
Standard Chartered Bank Kenya Limited Barclays
Bank of Kenya Limited

Secretary and Registered Office

Ms. R.T. Ngobi (CPS No. 726)
Company Secretary
Kitui Road, Industrial Area
PO Box 18010 – 00500
Nairobi

ABOUT US

BOC Kenya Plc (BOC) is a leading supplier of industrial, medical and special gases in Kenya, Tanzania and Uganda. The Company set up in Kenya in 1940 and listed on the Nairobi Securities Exchange in 1969. Established in 1886 in Britain, the BOC organisation has been producing industrial gases for more than 120 years.

Internationally we are a member of The Linde Group, a world leading gases and engineering company with approximately 64,500 employees working in more than 100 countries worldwide. The Company's immediate majority shareholder is BOC Holdings UK, which became a member of the Linde Group in 2002.

The Company's portfolio includes dozens of different gases and mixtures, as well as related equipment and services. The Company's customer base cuts across a large spectrum and includes public and private hospitals, food processors, civil and mechanical engineering contractors, motor vehicle body builders, hotels and restaurants, the informal business sector ("Jua Kali") and small and medium enterprises.

Our product range includes:

- Bulk gases (liquid oxygen and liquid nitrogen).

BOC boasts of the only Air Separation Unit (ASU) in Kenya capable of producing liquid gases with purity levels of 99.95%. We provide gas solutions in high pressure cryogenic vessels, tailored for specific applications.

- Packaged (cylinder) gases

These comprise the Company's primary product line and include medical gases, industrial gases, special gas mixtures and liquefied petroleum gas.

- Engineering services (supply of medical equipment, construction of medical and other gas pipelines, LPG installations - tanks and pipelines, industrial gas storage and pipeline installations and related maintenance services).

BOC has a team of highly qualified engineers and technicians who provide Customer Engineering Services (CES) to the highest international standards including the following: Medical Oxygen KS 2170 – 1:2009; Medical Air – KS 2170 – 2008; Medical Nitrous oxide – KS – 2170 -3:2008 and Medical Carbon Dioxide – KS -2170-4:2009

Safety at BOC is non-negotiable. We pay great attention to the safety of operations, products, distribution fleet and our customers.

We conduct rigorous tests on our cylinders before any filling operation to ensure safety of products and users. Medical cylinders are subjected to more stringent tests and cleaning in line with health care standards.

All staff receive regular general safety and role specific training. Employees have access to the web-based Linde Group Learning Management System (TRACCESS) on which they study and undertake tests on subjects relevant for their respective roles in the Company.

The Company's distribution fleet drivers are continuously trained in vehicle safety, including heavy commercial vehicle anti-rollover training in South Africa.

Completion of core training is mandatory before an employee is allowed to execute particular tasks.

Vision and values

Our vision gives us direction, articulates what we want to achieve and focuses our energy on reaching our aspiration.

Our vision to be the best performing gases and engineering company in East Africa where our people deliver innovate and sustainable solutions for our customers.

In our mission, we seek to make our world more productive through high quality solutions, technologies and services. We seek to assist our customers become more successful and help to sustain and protect our planet.

About Us (Continued)

Vision and values (continued)

Our values are:

- Empowering people: People are given the space to contribute and grow.
- Innovating for customer: We relentlessly pursue new ways to add value to external customers.
- Thriving through diversity: Being a global organization, diversity results in enriched collaboration and enhanced solutions.
- Passion to excel: We have the commitment and drive to pursue ever higher standards of excellence and we celebrate success.

Strategy

The strategy of the Company is geared towards long-term profitable growth and focuses on the provision of forward-looking products and services that support our customers in their various areas of operations.

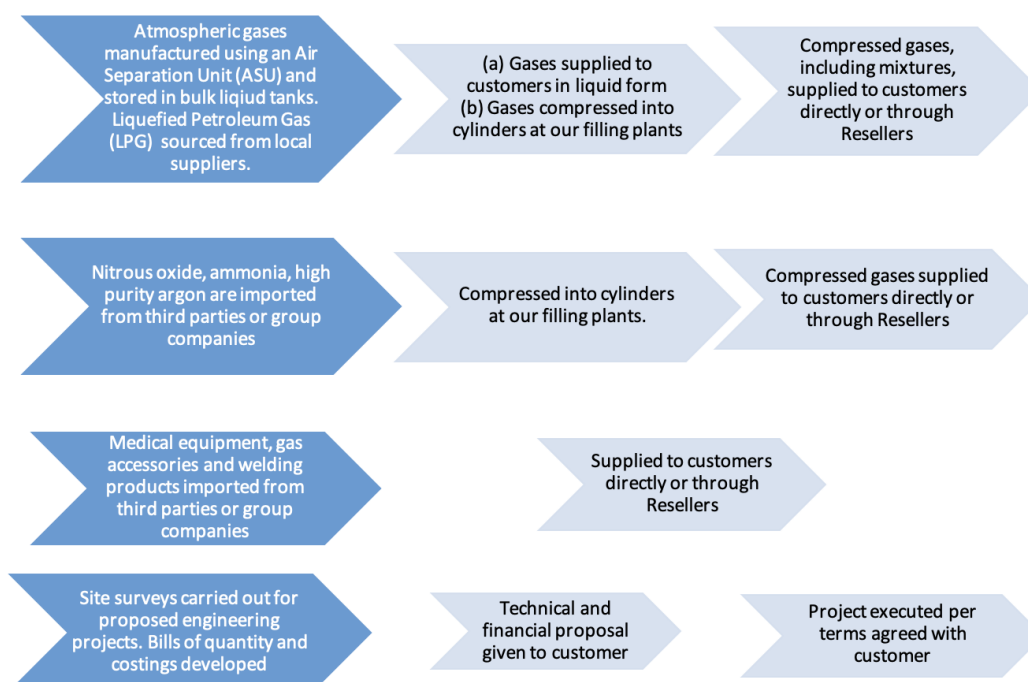
The Company acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas and locations.

In line with the Linde Group vision we seek to be the leading gases and engineering Company in our region, admired for its people, who provide innovative solutions that make a difference in the World.

We seek to consolidate and grow the medical gases segment and to maintain and grow the industrial gases segment (especially oxygen and dissolved acetylene) and aim to become the gas supplier of choice in the Kenyan market. We seek to partner with real estate developers for Liquefied Petroleum Gas (Gas) reticulation and to provide innovative solutions to key segments in the agriculture & floriculture sectors and to partner with national referral and county governments to deliver quality medical supplies to public hospitals.

Business Model

The Company's business model may be summarised as follows:



CHAIRMAN'S STATEMENT

The Directors are pleased to submit the annual financial statements of BOC Kenya PLC and its subsidiaries for the year ended 31 December 2018. The financial results are discussed in the Managing Director's report.

Business overview

As noted on the Managing Director's report, the Company's turnover for the year ended 31st December 2018 was in line with prior year. Profit after tax was 67% ahead of the previous year as a result of cost management, sustainable efficiencies and savings initiatives that were realized during the year. The Board together with management is driving great innovation and new products pipeline over 2019 and the coming years.

The Board is pleased to note the growth in the Healthcare Sector in both Liquid and Packaged gases and Customer Engineering services. This growth is driven by the National expansion in scale and new services of both Private and Public Healthcare facilities and the corresponding quality products that we continue to provide for the benefit of care providers and patients. Indeed the internal processes to maintain the integrity of our gas cylinders, cryogenic tanks and gas reticulation has created strong partnerships with the sector. We acknowledge the various County Governments and partners, with whom we engaged to explore opportunities for increased access to medical oxygen as a life-saving intervention at the first-line healthcare facilities in the Counties as well as in the larger County Hospitals. We are excited at the opportunity to work with the Regional Governments to improve access to medical gases to the last mile.

Since being established in 1930, the company has provided gases used in virtually every branch of Industry, Commerce, Science and Research. It is with this experience that we are fully aligned with the Government of Kenya's big 4 Agenda to increase local manufacturing having invested in the only Air Separation Unit (ASU) in East and Central Africa that guarantees purification of gases to the highest standards (up-to 99.95%). We participate in realization of 100% food and nutritional Security with the innovative solutions we offer other food manufactures, support universal healthcare with our portfolio of medical gases and solutions and support the affordable housing ambition by scaling up developer capacity.



Chairman's Statement (Continued)

Appreciation

Since the last Annual General Meeting (AGM) on 21 June 2018 there have been certain changes on the Board of Directors.

We thank our former long-serving Chairman, Ngugi Kiuna, who retired at the last AGM, for his selfless service to the Company over a period of 25 years when he served on the board. His business acumen and insights continue to hold us in good stead. We also appreciate the contribution of our former managing Director, Ms Millicent Onyonyi, and Director, Mr. Andy Gouws for their services to the Company. We welcome Ms Marion Gathoga - Mwangi who was appointed Managing director and joined the board in July 2018. We also welcome Mr. Ruben Chetty and Mr. Steven Maina who joined the board of Directors in 2018. We are confident that they will make a meaningful contribution towards our vision "to be the leading gases and engineering group admired for our people, who provide innovative, solutions that make a difference in the world"

We recognize and acknowledge our employees, distributors and partners who have increased accessibility of our products and provided good customer service closer to our customers. We look forward to developing these partnerships further in the coming year. Our shareholders can be assured of the Boards commitment to strengthen the business further in the coming years.

Robert Mbugua
Chairman

28 March 2019

MANAGING DIRECTOR'S REPORT

One Linde Philosophy

As a Linde Company we are united by a shared purpose, common direction and mutual accountabilities. Our vision is to be the best performing global industrial gases and engineering company, where our colleagues deliver innovative and sustainable solutions for our customers in a connected world is being realised with our engagements with virtually every branch of Industry, Commerce, Science and Research. We have redesigned our values and what we stand for around Safety, Inclusion, Accountability, Integrity and community.

Life Saving Rules (Safety)

We put safety first. We believe all incidents are preventable, and our goal is no harm to people, communities or the environment. We continuously work to improve our safety culture and performance.

2018 was an excellent year in this regard. The company furthered the adoption of the Golden Rules of Safety with routine training and retraining across all branches and with contractors. The rules aim to prevent injuries and fatalities and are a step to support our journey towards leading performance in Safety Health Environment & Quality (SHEQ). The life savings rules are the next step in our aim to continuously improve our safety culture and performance. In addition to local regulations, the adherence to the Golden Rules of safety and lifesaving rules are mandatory for everyone.



Managing Director's Report (Continued)

Integrity

We always strive to achieve our goals ethically, and with the highest integrity. We expect transparent and respectful interactions between management, employees and our business partners, consistent with our Code of Business integrity.

This has been central to all our decision making during the period and continues to be an observable conduct with our colleagues and stakeholders. We believe that this has safeguarded our reputation.

Accountability

We hold ourselves accountable for our performance, individually and collectively. We focus on both what we accomplish and how we accomplish it, and we are committed to delivering on individual and company goals. We are excited to start our Continual improvement journey with the Kaizen methodology. All employees in the company are organized into groups and areas (Gembas) that conduct a standard meeting weekly at a 6K board to drive housekeeping and experience the beginnings of small group activity. The Kenya teams have demonstrated that tidiness, cleanliness and orderliness go beyond housekeeping; they impact on every aspect of the company including quality, cost, staff motivation and safety. The 6K program ultimately challenges the way how housekeeping is done, it drives it to be an on-going operation, one which involves everyone in the organization therefore increasing accountability.

Inclusion

We embrace diversity and inclusion to attract, develop and retain the best talent and build high performing teams. By hearing all voices in our monthly briefings, we benefit from diverse opinions, thoughts and perspectives which are helping us achieve our full promise and potential.

Community

We are committed to improving the communities where we live and work. Our charitable contributions, along with employee volunteerism, support initiatives that make important sustainable contributions to our world.

We underline our commitment to sustainable development by supporting the principles set out in the United Nations Global Compact. We have also reviewed our contribution to the UN's Sustainable Development Goals and have published a summary of this on our website.

As we focus on today's success we accept our responsibility for future generations.

Outlook

We are committed to ensuring sustainable improved financial performance of the Company in the coming years. In this regard we have developed a simplified strategy to defend our market position and break into new segments through focused internal alignment. We will achieve this through protecting our base business, creating new business streams, turning around our customer service operations and strengthening execution with our talented people.

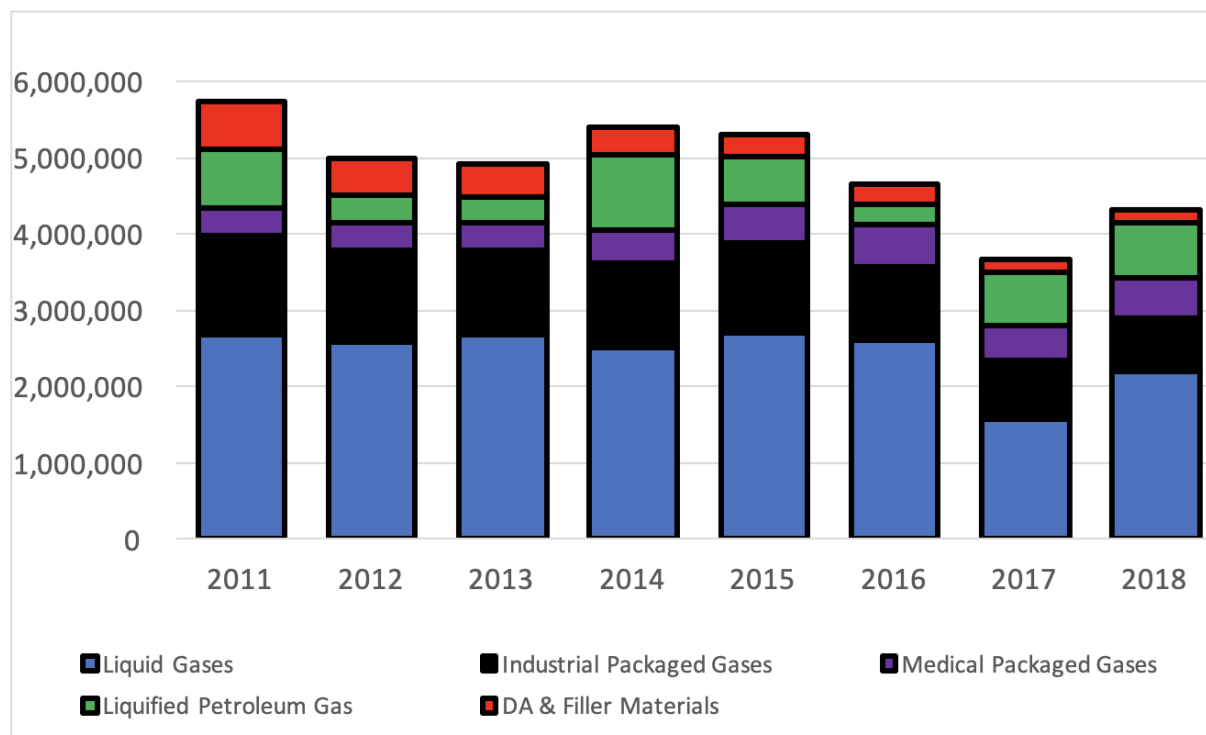
Actions have been and are being taken to mitigate against external factors that bear on the Company's results concurrently with effort's to ensure that, internally, all employees are demonstrating our behaviours of living our values, achieving our set goals and making an impact.

We have shown in volume growth in 2018 with focus on the right channels and we are geared to continue with the trajectory over the next few years along Kenya's Big 4 Agenda and the oil and gas upstream opportunities that are developing in our Region. We recognise the legislative bodies that continue to lead and support our ambitions and look forward to winning partnerships for the benefit of all our stakeholders.

Managing Director's Report (Continued)

Key performance indicators

The table below shows the Company's sales volumes in Kilograms from 2011 to 2018.



The Company's core products remain Oxygen, Nitrogen and Dissolved Acetylene (DA). Oxygen and nitrogen are sold either in liquid form or are packaged into cylinders. Gas sales in liquid form comprise medical oxygen sold to hospitals that have installed medical pipelines in their wards and other patient care areas, oxygen and nitrogen to industrial customers. Filler materials constitute welding products.

Managing Director's Report (Continued)

Various financial key performance indicators are presented in the table below.

	2014	2015	2016	2017	2018
Revenue	1,296,679	1,186,420	1,076,719	967,626	966,543
Gross profit	48.5%	49.2%	51.5%	53.7%	49.6%
Distribution costs	112,012	101,093	102,617	111,841	110,693
Selling & Admin costs	318,986	325,199	319,428	348,864	304,292
Operating profit	200,850	160,175	132,368	29,677	43,925
Operating Profit / Sales	15.5%	13.5%	12.3%	3.1%	5.1%

Quick assets²	623,940	710,661	689,587	721,758	645,963
Quick ratio	1.1	1.2	1.3	1.2	1.0
Liquidity ratio	2.1	2.1	2.3	2.0	1.9
Debt to Equity Ratio	0.32	0.35	0.24	0.38	0.43
Long term debt	Nil	Nil	Nil	Nil	Nil

Dividends	101,532	101,532	101,532	101,532	101,532
Dividend per share (KShs)	5.20	5.20	5.20	5.20	5.20
Capital expenditure	127,863	110,032	85,017	110,539	84,260
Return on total assets	10.0%	6.4%	5.7%	1.4%	2.8%

1. All figures in Kenya shilling thousands (KShs 000) unless indicated otherwise
2. Quick assets comprise bank balances, term deposits and treasury bills. Trade debt is excluded.

The Company revenue has declined over the five-year period presented above due to a variety of factors. Rather than adjust prices upwards in tandem with inflation, the Company has had to concede lower prices due to an increasingly competitive landscape occasioned by the importation of cheaper products from other parts of the world in an increasingly liberal economic environment. That notwithstanding the Company has been able to maintain a relatively steady Gross Profit margin through sustained cost control measures.

In the short term the Company is intent on rationalising its operations to address the decreased Operating Profit to Sales margin, with a modest improvement being recorded in 2018. Late payments by public sector customers remain a significant risk and impact the Company's selling expenses adversely due to increased doubtful debt provisioning.

The Company continues to have a cash healthy position with quick assets (cash and cash equivalents, bank deposits and investments in treasury bills) of KShs 645.6 Million 31 December 2018. Current assets have remained more than or nearly twice current liabilities.

During the five financial years from 2014 to 2018 the Company declared and paid dividends amounting to KShs 508.6 Million.

Managing Director's Report (Continued)

Appreciation

Finally I wish to thank our customers for their continuing custom and trust in our products and services, our employees for their individual and collective contribution to the business over the years, members of the Board of Directors for their invaluable guidance and our shareholders who have placed their investment in our hands. We will continue to strive towards greater achievements in 2019 and in the coming years.

Marion Mwangi
Managing Director

28 March 2019

SUSTAINABILITY REPORT - SAFETY, HEALTH, ENVIRONMENT, QUALITY & SECURITY

The Company operates a management system for safety and environmental protection based on guidelines and standards which apply worldwide. The company focuses on minimising safety risks and reducing its environmental impact as well as on ensuring efficient use of energy, resources and materials. Our products and technologies also support customers' efforts to make their business processes safer, more efficient and more environmentally friendly.

The Company is audited by both external bodies and Linde Group auditors to verify compliance with the prescribed standards. In order to identify areas of weakness, we record incidents which have particular relevance for safety and environmental protection. In addition, near misses from which we can learn lessons are documented. To ensure that it is prepared for events such as natural disasters, serious crime and pandemics, the company also draws up risk management plans. Our top priority is the protection of employees, business partners, neighbours and property. The company cooperates with the authorities in the areas surrounding its business locations on safety and environmental protection. People are the most important assets we have in the BOC system. We believe everyone possesses a fundamental human right to safety and it is our duty to respect and foster that right. Hence we take measurable steps to continuously improve safety practices across the organisation.

We have set ourselves ambitious goals for occupational and process safety, quality, environmental sustainability as well as health protection. We stipulate globally mandatory standards for safety, security and health protection. A worldwide network of experts supports us in their implementation. Tried-and-true processes and solutions are documented and made globally available through networks and structured exchange. We regularly conduct audits on safety, security, health and environmental protection in order to monitor progress toward our goals. Risk-conscious working behaviour is promoted for every individual through measures like systematic hazard assessments, specific qualification measures and safety initiatives rolled out periodically. Based on our corporate values, leaders serve as safety role models for our employees. Together, they contribute to the constant development of our safety culture.

No incidents were reported in 2018 compared to 9 minor incidents in 2017. These translated into a reduction in work-related accidents per one million working-hours index of 6.193 in 2017 to zero in 2018. The Management team is continuously reviewing all incidents and applying the lessons learnt to improve SHEQ performance.



Kitui road clean-up



The company is committed to Goal Zero: occasioning no harm to People, Society and the Environment and operating on a sustainable basis. Going forward, the company is enhancing its SHEQ in the Line approach. This strategy was rolled out to enhance SHEQ ownership and broaden SHEQ across the entire company. In SHEQ in the Line, each employee and their respective Line Manager are directly responsible and accountable for SHEQ in their line of duty.

We will continue to equip our staff with the required training and ensure continued certification and transition of the International Standards from the 2008 versions to ISO 9001:2015 (Quality management system standard), ISO 14001:2015 (Environmental Management system standard) and OHSAS 18001:2007 (Occupational Health and Safety Assessment Series).

Corporate Social Responsibility

We are aligned with the United Nations Global Compact sustainable development goals in Sustainable Workplace, Social Environment, Sustainable Economic Growth, Ethics and Compliance and Environment

Activities in 2018

During the year:

- We were proud to support the Gertrude's Hospital Foundation Charity Golf Tournament.
- Our employees, contractors and service providers participated in cleaning and planting trees along the road outside our premises (Kitui Road) in a joint effort with the Nairobi City County Government.
- We provided training to at Tata Chemical Company staff in Magadi and Mombasa, several of our distributors, the Clinton Foundation staffers, Kenya Nut Company personnel and undertook Safety Audits at various customer sites.
- Conducted tours of our factory for various County Government representative, including presentations of possible medical oxygen supply solutions for the Hospitals that they are responsible for in various parts of the Country.



BOARD OF DIRECTORS AND DIRECTORS' PROFILES

BOC understands the importance of having a Board containing the right balance of skills, experience and diversity and the composition of the Board is regularly reviewed by the Board Nominations and Corporate Governance Committee. The skills and experience of the current Directors and the value they bring to the BOC Board is described below.



Mr. Robert N. Mbugua (age 51)

*Independent Non-Executive Chairman
Kenyan*

Position: Chairman since June 2018; Non-Executive Director since May 2012 and Chairman of the Nominations and Corporate Governance Committee.

Skills and experience: Mr. Mbugua is the Co-Founder and Chief Executive of Fleet Africa (EA) Ltd. This is the East Africa subsidiary of JSE Listed Company Super Group. He has a rich accounting background having spent 14 years with PricewaterhouseCoopers both in Kenya and in South Africa where he was admitted as a Partner. He left PricewaterhouseCoopers South Africa and joined Standard Bank South Africa for 8 years. During his tenure with Standard Bank South Africa he held various Senior roles including Regional Managing Director with responsibility for its operations in a number of African countries. He is a Certified Public Accountant and holder of a Master of Business Administration degree from Bond University (Australia/South Africa).

Key Appointments: He holds directorships in Fleet Africa (EA) Ltd, UAP Holdings Limited and Old Mutual Holdings Kenya Limited.

Board Of Directors And Directors' Profiles (Continued)



Mrs. Marion Gathoga-Mwangi (age 47)

*Managing Director
Kenyan*

Position: Appointed as Managing Director in July 2018.

Skills and experience: Ms. Gathoga-Mwangi is an accomplished Senior Executive with over 20 years of local and international experience in Commercial and General Management predominantly in the manufacturing sector. She returned to Kenya in 2017 after a successful tour of duty with Groupe Lactalis – Parmalat Botswana (Pty) where she served as Country Head. Other key roles that Ms. Gathoga-Mwangi has previously held include Country Director of Cadbury Kenya and East Africa Limited and General Manager at Unga Limited (Sea board Corporation). Ms. Gathoga-Mwangi also had a long and distinguished career with Bayer East Africa. She joined BOC from the Association of Certified Chartered Accountants (ACCA) where she held the position of Head of ACCA.

Mrs. Gathoga-Mwangi holds a Bachelor of Science (Honours) Degree in International Business Administration from the United States International University (USIU) Kenya. She is an associate member of Women Corporate Directors, Kenya Chapter.

Key Appointments: Marion does not hold any other directorships.



Mr. Arthur Kamau (age 53)

*Finance Director
Kenyan*

Position: Appointed Finance Director in December 2010.

Skills and experience: Mr. Kamau has extensive experience in financial management and served in various senior management roles over the last eleven years in the manufacturing industry including Finance Director for Diversey Eastern and Central Africa Limited. Arthur is a graduate of Economics and Business Studies from the Kenyatta University. He trained as an accountant with KPMG Kenya.

Key Appointments: Mr. Kamau does not hold any other directorships. He is a member of the Institute of Certified Public Accountants of Kenya.



Mr. Marius Kruger (age 49)

*Non-Executive Director
South African*

Position: Appointed to the Board in August 2013. He is a Member of the Audit Committee and the Nominations and Corporate Governance Committee.

Skills and experience: Mr. Kruger is based at African Oxygen Limited, BOC's sister Company in South Africa, and is the General Manager responsible for Emerging Africa. He brings to the Board a wealth of experience gained over twenty-eight years in general management, financial audits and advisory services, business planning, financial and management reporting, strategy formulation, implementation and reviews. He holds a post graduate degree in Finance. He is an associate member of the Chartered Institute of Management Accountants in the United Kingdom.

Key Appointments: Mr. Kruger holds directorships in BOC Zimbabwe Limited, Afrox Mozambique Lda and Les Gaz Industriels Limited in Mauritius.

Board Of Directors And Directors' Profiles (Continued)



Mrs. Lucy Njoroge (age 52)

*Independent Non-Executive Director
Kenyan*

Position: Appointed to the Board in September 2014. She is the Chairman of the Retirement and Remunerations Committee and a Member of the Audit Committee.

Skills and experience: Mrs. Njoroge is a Founder member and Managing Director of XRX Technology Limited, a company that specializes in office automation and ICT integration services. As a professional in IT, Mrs. Njoroge has spearheaded many major IT projects in Kenya and the Region for Government institutions and large public and private companies. She holds a Bachelor of Education degree from Moi University, Eldoret and a Masters in Business Administration from United States International University, Nairobi.

Key Appointments: Mrs. Njoroge does not hold any other directorships.



Mrs. Cosima Wetende (age 44)

*Independent Non-Executive Director
Kenyan*

Position: Appointed to the Board in March 2016. She is a Member of the Audit Committee, the Retirement and Remunerations Committee and the Nominations and Corporate Governance Committee.

Skills and experience: Mrs. Wetende is an Advocate of the High Court of Kenya of 15 years standing and is currently a Partner in the firm of Kaplan & Stratton Advocates. She practices mainly in areas relating to civil and commercial litigation, arbitration and mediation.

She holds Bachelor of Laws and Master of Law degrees from the University of Nairobi in addition to a Bachelor of Arts (Hons) Degree in Social Sciences. She is a Member of the Law Society of Kenya, the International Bar Association and a Fellow of the Chartered Institute of Arbitrators (Kenya Branch).

Key Appointments: Mrs. Wetende does not hold any other directorships.



Mr. Stephen Maina (49)

*Independent Non-Executive Director
Kenyan*

Position: Appointed to the Board in June 2018. He is the Chairman of the Audit and Risk Committee.

Skills and experience: Mr. Maina is currently the Finance Director of Haco Industries Limited. Prior to this, he was the Managing Director and Principal Officer of AfroCentric Health Solutions Limited which provides health care and health insurance related consultancy services from 2015 to 2017. Between 2000 and 2013 he served in various Executive roles within the AAR Group including as Finance Director, MD Kenya Business and Group Head of Strategy. Mr. Maina is a Certified Public Accountant and in addition holds a Bachelor of Commerce (Accounting) Degree from the University of Nairobi and an MBA from United States International University (USIU).

Key Appointments: Mr. Maina does not hold any other directorships. He is a member of the Institute of Certified Public Accountants of Kenya.

Board Of Directors And Directors' Profiles (Continued)



Mr. Ruben Chetty (41)

*Non-Executive Director
South African*

Position: Appointed to the Board in December 2018. He is a Member of the Retirement and Remunerations Committee.

Skills and experience: Mr. Chetty currently holds the position of Commercial and Business Development Manager for African Oxygen Limited's (Afrox) Emerging Africa Division. He joined Afrox in 2007 and has held various senior roles in the areas of sales and marketing. Prior to joining Afrox, he held a senior management position in Huhtamaki, a multinational packaging organization.

His extensive experience in the industrial gases market and his strategic and commercial insights will be of immense value to the Board of BOC.

Mr. Chetty holds an MBA from the University of Witwatersrand, a Bachelor of Accounting Science degree from the University of South Africa and a National Diploma in Chemical Engineering from the Durban University of Technology.

Key Appointments: Mr. Chetty does not hold any other directorships.



Ms. R. T. Ngobi (age 58)

*Company Secretary
Kenyan*

Position: Company Secretary since August 2014.

Skills and Experience: Ms. Ngobi was educated in both Kenya and the UK and qualified as a lawyer in 1985. She previously worked with Unilever Kenya Limited for 15 years as Company Secretary before joining British American Tobacco Kenya Ltd in 2002 as Company Secretary and Area Legal Counsel. She retired from full time employment with British American Tobacco Kenya Ltd in 2010 but retained her role as Company Secretary until May 2018. She founded Cossec Solutions which provides company secretarial services and corporate governance solutions to various companies.

Key Appointments: She is a Non-Executive Director on the Boards of Stanbic Bank Limited, Stanbic Holdings Limited and SBG Securities Limited.

DIVERSITY OF SKILLS, QUALIFICATIONS AND EXPERIENCE

The Board as currently constituted offers a diverse range of skills and experience in relevant areas.

Skills and Competences for BOC Board	Mbugua	Mwangi	Maina	Kruger	Njoroge	Wetende	Kamau	Chetty
Gas Industry Knowledge	✓	✓		✓			✓	✓
Listed Company Board Experience	✓	✓		✓	✓	✓	✓	✓
Governance Leadership/Corporate Management	✓	✓	✓	✓	✓	✓	✓	✓
Trade Block Experience	✓	✓		✓			✓	✓
Audit/Finance	✓		✓	✓			✓	✓
Risk Management	✓	✓	✓	✓	✓	✓	✓	✓
Local Regulation/Public Policy/Govt. relations	✓	✓	✓			✓	✓	
Legal							✓	
Marketing/Sales/Distribution		✓			✓			✓
People/Organizational Development/Remuneration	✓	✓	✓	✓	✓	✓	✓	✓
Information Technology			✓		✓			
Manufacturing Industry experience		✓	✓	✓			✓	✓
Gender Diversity		✓			✓	✓		

BOARD MEMBERSHIP CRITERIA, REFRESHMENT AND SUCCESSION PLANNING

The selection of qualified Directors is fundamental to the Board's successful oversight of BOC's strategy and enterprise risks. As a result, ensuring that the Board is composed of Directors who bring diverse viewpoints and perspectives, exhibit a variety of skills, professional experiences and backgrounds, and effectively represent the long-term interests of shareholders is critical to the Board and the Nominations and Corporate Governance Committee.

The priorities for recruiting new Directors are continually evolving based on the Company's strategic needs and the skills composition of the Board at any particular time. These dynamic priorities ensure the Board remains a strategic asset capable of addressing the risks, trends, and opportunities that BOC will face in the future. In evaluating potential Director candidates, the Nominations and Corporate Governance Committee considers, among other factors, the criteria shown above in the skills and qualifications matrix for current Directors and any additional characteristics that it believes one or more Directors should possess based on an assessment of the needs of the Board at that time.

In every case, Director candidates must be able to contribute significantly to Board discussion and decision-making on the broad array of complex issues facing BOC.

BOARD DIVERSITY

The Nominations and Corporate Governance Committee considers individuals with a broad range of business experience and varied backgrounds and strives to identify candidates with diverse backgrounds in line with the BOC Board Diversity Policy and the Policy on Appointments to the Board.

The Committee and Board recognise the value of overall diversity and considers members' and candidates' opinions, perspectives, personal and professional experiences, and backgrounds, including gender, race, age and country of origin.

The Board believes that the judgement and perspectives offered by a diverse Board of Directors improves the quality of decision making and enhances the Company's business performance. The Board believes that such diversity assists the Board to respond more effectively to the needs of customers, shareholders, employees, suppliers, and other stakeholders.

The BOC Board Diversity Policy and the Policy on Appointments to the Board are posted on the Company's website www.boc.co.ke

MANAGEMENT TEAM

The Company's Management team comprises the Managing Director and the Finance Director (see page 21) together with:



James Njoroge
Operations Manager

James is in charge of the Company's production and cylinder filling facilities as well as other physical infrastructure. Key production facilities comprise the Air Separation Unit (ASU), Dissolved Acetylene Plant and the LPG Filling Plant.

He is also in charge of the Customer Engineering Service (CES) Department, which works closely with the Sales and Marketing Department to deliver engineering projects to customers. These include the installation of cryogenic gas tanks, onsite gas generators and construction of medical gases and liquefied petroleum gas pipelines.

Having joined the business in 1994 immediately after graduating from the University of Nairobi with a Mechanical Engineering degree, James has gained invaluable experience on BOC's and Linde Group processes and standards, all of which are built on a bedrock of safety.



Brian Simiyu
SHEQ Manager

Brian is in charge of Safety, Health, Environment and Quality (SHEQ) at the Company. Prior to that he was in charge of Sales and Marketing since joining the company in October 2013.

He holds a Master of Business Administration (MBA) in Strategic Management from Strathmore Business School and a Bachelors' Degree in Mechanical Engineering from JKUAT. He has over eighteen years' experience in industrial/commercial sales and marketing as well as engineering and technical support from the oil industry. While at Linde, he has received training in Modified Gas Applications



Patrick Riungu
Sales Manager

Patrick is in charge of the sales and customer service functions in Kenya, Uganda and Tanzania. He joined the company in September 2016 coming from the oil industry.

A graduate of University of Nairobi, Bachelor's degree (1st class honours) in Mechanical Engineering, he brings a wealth of sales and marketing expertise to BOC. He has over fifteen years' experience in retail service station sales, industrial and wholesale selling, lubricant sales, technical training, engineering support, design & branding, Information technology and administration.

Management Team (Continued)



Sarah Onyoni

Human Resource Manager

Sarah joined the company in November 2008. She has extensive experience gained in the health care and manufacturing sectors. She is responsible for talent acquisition and retention management, compensation and benefits, communicating and enforcing company values, promoting process improvement, talent development, succession planning and management of change.

Prior to joining the Company she worked in the same/similar roles at the International Livestock Research Institute, Aga Khan University Hospital and Unga Group. She has Bachelors' degree in Economics and a Masters' degree in Personnel Management. She is an Alumni of Symbiosis Institute of Business Management and is a Member of the Institute of Human Resources Management.



John Kamau

Sales Manager-Healthcare

John is in charge of healthcare sales and Customer Engineering Services projects.

He joined the Company in August 2012 as Regional Engineer in charge of customer Engineering Services Department.

A graduate of Jomo Kenyatta University of Agriculture and Technology has an expansive experience in Mechanical Engineering, Manufacturing, project design and management. He brings a wealth of technical experience required to drive and grow the healthcare sector of the business.

GOVERNANCE AUDITOR'S REPORT

Corporate Governance continues to gain momentum in Kenya following the realization that companies with good Corporate Governance standards report higher profits. Progressive Boards are keen to adhere to Corporate Governance principles that are appropriate for the nature and scope of their company's business; establish policies and strategies for achieving them; and annually assess the extent to which the company has observed the set policies and strategies. The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) specifically requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board and the Company have applied Corporate Governance principles.

The annual Governance Audit ("GA") should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Company, in compliance with the Companies Act 2015 and Code, retained FCS. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas;

1. Leadership and strategic management;
2. Transparency and disclosure;
3. Compliance with laws and regulations;
4. Communication with stakeholders;
5. Board independence and governance;
6. Board systems and procedures;
7. Consistent shareholder and stakeholders' value enhancement; and
8. Corporate social responsibility and investment.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Company in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our Audit in accordance with the Institute of Certified Secretaries Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the Company's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place a satisfactory governance framework in compliance with the Corporate Governance framework, and in this regard, we issue an unqualified opinion.

FCS. Catherine Musakali, ICPSK GA. No 006
Dorion Associates
Thompsons Estate, Diani Close, Compound 7, House 3
Nairobi

28 March 2019

GOVERNANCE AUDITOR'S REPORT: STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board of Directors is central to Corporate Governance and is appointed for the sole purpose of governing the Company on behalf of stakeholders, thus creating a fiduciary relationship. The Board works with the Managing Director, the Company Secretary and the staff to ensure that the Company is properly run to meet the needs for which it was set up.

The Board of Directors of BOC Kenya Plc (“the Company” or “BOC”) is committed to adhering to the requirements of applicable laws and regulations and in particular, matters of Corporate Governance as set out under the Companies Act, 2015 (“the Act”) and the Code of Corporate Governance for Issuers of Securities in Kenya (“the Code”).

The Board Charter reiterates the Board’s commitment to the highest standards of Corporate Governance and its responsibility for ensuring that ethical standards for business conduct are maintained and that there is full compliance with the Articles of Association of the Company, applicable laws and regulations and the Capital Markets Authority (“CMA”) Listing requirements as well as any applicable guidelines as amended from time to time.

The Board recognizes that the Act has codified the fiduciary duties of the Board, and that the Code provides the minimum standards of Corporate Governance for compliance. To promote high standards of conduct, the Board strives for continuous improvement, recognizing that there are now greater demands on Boards for transparency, accountability, independence and more structured engagements with the shareholders and stakeholders.

It is on this premise that the Board commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code and has adopted best practices in Corporate Governance.

Adoption of the Governance Audit Report

The Governance Audit Report, which discloses the state of Governance within the Company was adopted by the Board of Directors on 28 March 2019.

Robert Mbugua
Chairman

Marion Mwangi
Managing Director

28 March 2019

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2018 in accordance with the Kenyan Companies Act, 2015, which disclose the state of affairs of BOC Kenya PLC (the 'Company') and its subsidiaries (together the 'Group').

1 Principal activities

The principal activity of the Group is the manufacture and sale of industrial gases, medical gases and welding products. On 20 November 2017 the Company changed its name from BOC Kenya Limited to BOC Kenya Plc in compliance with the Companies Act, 2015.

2 Results and Dividend

The net profit for the year of KShs 65.6 Million (2017 – KShs 39.4 Million) has been added to retained earnings. During the year an interim dividend of KShs 2.35 (2017 – KShs 2.20) was paid. The Directors recommend the approval of a final dividend of KShs 2.85 per ordinary share, payable, net of Withholding Tax, on or about the 29 July 2019, to Shareholders on the Register at the close of business on 28 May 2019.

The total dividend for the year is therefore KShs 5.20 per share (2017 – KShs 5.20) amounting to a total of KShs 101,532,320 (2017 – KShs 101,532,320).

3 Board of Directors

The Directors who held office during the year and to the date of this report are set out on page 8. The following changes have taken place in the Board of Directors since the last Annual General Meeting:

- Mrs. M. Onyonyi resigned as Managing Director of the Company on 30 April 2018.
- Mr. Stephen Maina was re-elected a Non-Executive Director of the Company effective 1 June 2018 by Shareholders at the AGM held on 21 June 2018.
- Mr. Ngugi Kiuna resigned as a Non-Executive Director and Chairman of the Board effective 22 June 2018.
- Mrs. Marion Gathoga-Mwangi was appointed Managing Director of the Company effective 16 July 2018 by Shareholders at the AGM held on 21 June 2018.
- Mr. Andy Gouws resigned as a Non-Executive Director of the Company on 13 December 2018.
- Mr. Ruben Chetty was appointed a Non-Executive Director of the Company effective from 13 December 2018.

In accordance with Article 28 of the Articles of Association, Mr. Ruben Chetty retires from the Board, and being eligible, offers himself for re-election.

Mr. Robert Mbugua, Mrs. Lucy Njoroge and Mrs. Cosima Wetende retire by rotation, and being eligible, offer themselves for re-election in accordance with Article 29 of the Articles of Association.

Directors' Report (Continued)

4 Business overview

Revenue, for the year ended 31 December 2018, at KShs.967 million was at par with prior year. The Board is pleased to note that demand from the medical gases sector increased during the year, driven by customer confidence, reliance on our quality products and engineering solutions, and expansion of the Sector.

However, the revenue gains from the medical sector have been eroded by a challenging operating environment in the industrial sector, not least from the illegal filling of the Company's gas cylinders.

Profit after tax increased by 67% despite tax-related loss provisions made in the books of a subsidiary Company. The increased profitability was a result of cost management, sustainable efficiencies and savings initiatives that the Company has instituted over a long period and the maintaining of revenues despite the challenges in the Industrial Sector.

Further business overview is contained in the Managing Director's report on pages 13 – 17.

5 Auditors

The auditor's KPMG Kenya have expressed their willingness to continue in office in accordance with Section 721(2) of the Kenyan Companies Act, 2015.

6 Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

7 Approval of financial statements

The financial statements set out on pages 65 to 126 were approved and authorised for issue at a Meeting of the Directors held on 28 March 2019.

By order of the Board

R.T. Ngobi (Ms.)
Company Secretary

28 March 2019

GOVERNANCE REPORT

LEADERSHIP AND RESPONSIBILITIES

Overview

BOC Kenya PLC (BOC) is committed to the highest standards of corporate governance and has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization. Throughout the year ended 31 December 2018 and to the date of this Annual Report, the Company endeavoured to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the CMA Code). The Company however believes that the most potent form of corporate governance comes from within, with external guides and codes being overlays to the standards that we, as a Group, set ourselves. Those standards are codified in our own Code of Ethics which every company within the Linde Group and every employee is expected to live up to.

The Role of the Board

The Board is comprised of six (6) Non-Executive Directors including the Chairman and two (2) Executive Directors. Its' principal duty is to create and deliver sustainable shareholder value through setting the Company's strategy and overseeing its implementation. In so doing due regard is paid to matters that will affect the future of BOC, such as the effect the Board's decisions may have on employees, the environment, surrounding communities and relationships with suppliers.

The Board ensures that Management achieves the right balance between promoting long-term growth and delivering short-term objectives. The existing corporate governance framework embeds the right culture, values and behaviours throughout BOC and supports the Boards role in determining strategic objectives and policies.

In addition to setting strategy and overseeing its implementation, the Board is also responsible for ensuring that Management maintains an effective system of internal control that provides assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.

The key responsibilities of the Board include:

- To provide overall strategic direction and major corporate actions to be taken by the Company;
- 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;
- To review, at regular Board meetings, Managements performance against annual business plans and set objectives.
- To review periodic financial reports and approve the Annual Report;
- Declaring an interim dividend and recommending final dividends;
- Reviewing risk management and internal controls;
- To establish appropriate systems of corporate governance in the Company;
- Establishing and monitoring compliance with the Company's Code of Ethics, other Group Policies, programs and procedures for safety, health and environment and laws and regulations; and
- Reviewing and agreeing Board succession plans and those of Senior Management Staff.

Board Governance framework

The Board has developed a Board Charter in order to document its corporate governance practices and principles, in recognition of the role of good governance in corporate performance, maximisation of shareholder value and protection of investors' rights, and also to promote the Company's standards of self-regulation. The objective of the Charter is to also ensure that all Board members are aware of their duties and responsibilities and that they act in the best interest of the Company and its stakeholders. The Board Charter is published on the Company's website (www.boc.co.ke).

Governance Report (Continued)

Leadership and Responsibilities (Continued)

Board Governance framework - continued

The Board has established three principal Board Committees namely, the Audit and Risk Committee, the Nominations and Corporate Governance Committee, and the Retirement and Remunerations Committee. Under the authority of the Company's Articles of Association, each Board Committee has specific responsibilities delegated to it by the Board. Each Committee has its own terms of reference which are reviewed annually and updated as appropriate. The roles, membership and activities of these Committees are described in more detail later in this Report.

Responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Managing Director and her Executive team.

Division of responsibilities

The roles and responsibilities of the Chairman and the Managing Director are separate with each having clearly defined duties and responsibilities.

The Chairman is responsible for leadership of the Board, for ensuring its effectiveness and for facilitating the productive contribution of both Executive and Non-Executive Directors. He sets the agenda for Board meetings in consultation with the Managing Director and the Company Secretary. He is also responsible for ensuring that the interests of the Company's shareholders are safeguarded and that there is effective communication with them. The Chairman is accountable to the Board for leading the direction of the Company's corporate and financial strategy and for overall supervision of the policies governing the conduct of the business.

The Managing Director is responsible for the day-to-day management of the Company and is also responsible for the performance of the Group and is supported in this role by the Executive team. She provides leadership to enable successful planning and execution of the objectives and strategies agreed by the Board. She is also responsible for stewardship of the Company's assets and, jointly with the Chairman, for representation of the Company externally.

Non-Executive Directors

The Board had six (6) Non-Executive Directors as at 31 December 2018 and as at the date of this Report. The role of the Non-Executive Director is to help develop strategy, review management proposals, scrutinise performance of Management, to bring an external perspective to the Board, monitor reporting of performance and to be available to meet with shareholders and key stakeholders as appropriate.

The Executive Team

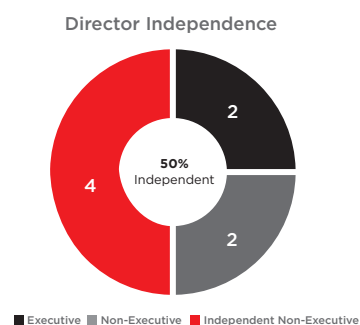
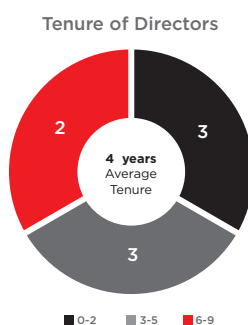
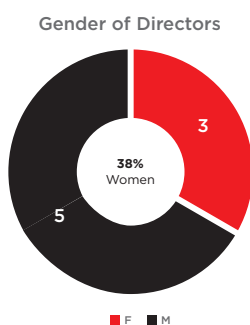
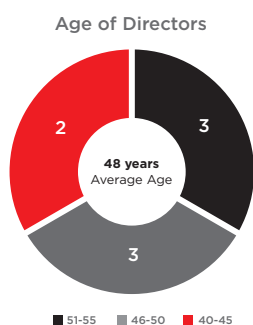
The Executive team, led by the Managing Director, is responsible for overseeing the implementation of the strategy and policies set by the Board, and for creating the framework for their successful day-to-day operation. Their profiles are set out on page 26 and 27 of this Annual Report.

Principle Executive Team roles includes:

- Developing strategy for approval by the Board;
- Developing guidelines for the Company's functions;
- Ensuring functional strategies are effective and aligned;
- Managing functions;
- Reviewing functional budgets;
- Monitoring Company operating performance; and
- Overseeing the management and development of talent.

BOARD EFFECTIVENESS

Overview of the Board



Composition of the Board of Directors

In line with the requirements of the Code a majority of the Board are Non-Executive Directors with Independent Non-Executive Directors making up half of the total number of Directors.

The Board currently comprises the Chairman, who is Non-Executive, two Executive Directors and five Non-Executive Directors. As at the date of this Annual Report the composition of the Board is as set out on pages 20 to 23. The Independence of the Non-Executive Directors is considered annually by the Board Nominations and Corporate Governance Committee using the independence criteria set out in the Code.

The Board Nominations and Corporate Governance Committee also considers Board succession planning and regularly reviews the composition of the Board and the Board Committees to ensure that there is an appropriate balance and diversity of skills, experience, independence and knowledge. The size of the Board is not fixed and may be revised from time to time to reflect the changing needs of the business.

The Directors biographies containing their relevant skills and experience, Board Committee membership and other principal appointments can be found on pages 20 to 23. The service contracts for the Executive Directors and the letters of appointment for the Chairman and Non-Executive Directors are available for inspection, upon Notice, at the Company's registered office.

Board Diversity

The Board appreciates the benefits of diversity in all its forms, within its own membership and at all levels of the Company. The Board promotes diversity and also encourages initiatives to improve gender diversity in Senior Management roles. The Board Nominations and Corporate Governance Committee considers the balance of skills and experience of current Directors when considering a proposed appointment. The Boards Diversity Policy and Policy on Appointments to the Board can both be read on the Company's website (www.boc.co.ke).

Re-election

The Non-Executive Directors do not have service contracts with the Company but instead have Letters of Appointment for three years; subsequent reappointment is subject to endorsement by the Board.

In accordance with the Articles of Association of the Company, all Directors offer themselves for re-election at regular intervals. At this year's AGM, on 21 June 2019, Mr. Ruben Chetty, Mr. Robert Mbugua, Mrs. Lucy Njoroge and Mrs. Cosima Wetende, being eligible, will submit themselves to re-election.

Board work plan

The Board's work plan for the ensuing year is approved by the Board typically at the last meeting of the year. The work plan is designed to enable the Board to drive the strategic agenda forward across all the elements of the Company's business model. The key Board activities in 2018 are set out on page 40. The 2019 Board work plan was approved by the Board on 5 December 2018.

Board information

The Board receives high-quality, up to date information for review in good time ahead of each meeting. The Company Secretary ensures timely information dissemination within the Board and its Committees and between the Non-Executive Directors and Senior Management as appropriate.

Attendance at Board and Annual General Meetings

Members of the Board are expected to devote such of their time, attention and abilities as may be necessary to fulfil the duties of their appointments. This includes attendance at Board meetings which are held at least quarterly, the Annual General Meeting and other general meetings if called in addition to Board Committee meetings as appropriate.

In 2018 Members attended Board meetings held in April, June, August and December and the Annual General Meeting held in June as disclosed in the table below. If, owing to exceptional circumstances, a Director was not able to attend a Board meeting they ensured that their views were made known to the Chairman in advance of the meeting.

Attendance at Board and Annual General Meetings in 2018

Name	Meetings attended	Meetings eligible to attend
Mr. R. Mbugua (Chairman)	5	5
Mrs. M. G-Mwangi (Managing Director)	2	2
Mr. A. Kamau (Finance Director)	5	5
Mr. M. Kruger	5	6
Mrs. L. Njoroge	5	6
Mrs. C. Wetende	5	6
Mr. S. Maina	1	3
Mr. R. Chetty	1	1

Mrs. M. Gathoga-Mwangi was appointed Managing Director effective 16 July 2018.

Mr. S. Maina was appointed a Non-Executive Director effective 1 June 2018.

Mr. R. Chetty was appointed a Non-Executive Director effective 13 December 2018.

Board Induction

On appointment to the Board all Directors receive induction which is tailored to the new Director's individual requirements. The induction schedule is designed to quickly provide the new Director with an understanding of how the BOC Group works and the key issues that it faces. The induction typically consists of a full programme of briefings on all areas of the business including but not limited to the following:

- Introduction to Board;
- Introductions to Senior Management;
- Business Overview Presentations;
- Sessions with the Board Chairman, Board Committee Chairmen, the Company Secretary and the External Auditors as appropriate; and
- A Factory Tour.

Upon completion of the induction programme the Director should have sufficient knowledge and understanding of his or her roles and responsibilities as a Director to the Board, the nature of the business, and the opportunities and challenges facing BOC to enable them to effectively contribute to strategic discussions and oversight of the Group.

Following their appointments on 1 June 2018, 16 July 2018 and 13 December 2018 respectively, Stephen Maina, Marion Gathoga-Mwangi and Ruben Chetty received a comprehensive induction to the operations of the Company to enable them to effectively take up their roles and execute their responsibilities.

Training and development

In order to continue to contribute effectively to Board and Board Committee meetings, Directors are encouraged to continually update their skills and knowledge of the business. The Directors are also provided with the opportunity to take part in training and development. As part of the annual one-on-one performance review with the Chairman, any particular development needs that can be met are discussed.

The Company Secretary organizes a training schedule for the year which includes both formal training and functional presentations or topic specific briefings as approved by the Board.

During 2018, each Director was able to secure more than twelve hours training on areas of governance from the Company and other credible sources as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

Board Evaluation

The Board conducts a critical evaluation of its effectiveness and that of its Committees, the Executive and Non-Executive Directors, Chairman, the Managing Director and the Company Secretary. The evaluation is conducted by each Director completing a Board Effectiveness Evaluation Form.

Board Evaluation (continued)

This information is thereafter collated by the Company Secretary and presented to the Nominations and Corporate Governance Committee with a view to identifying and recommending areas for improvement. The findings from the Board Evaluation exercise are subsequently presented to the full Board and recommendations for improvement discussed and if thought fit, approved.

The evaluation for 2018 was conducted by the Board in Quarter 1 of 2019. Whilst the Board and each of its Committees were considered to be effective, opportunities for improvement were identified and recommendations and fresh action points were identified for implementation.

All Board members were considered to have performed well and each was considered to be making an effective contribution to the Board. Individual feedback was given to all Board members by the Chairman. Feedback on the Chairman's own performance was given to him by the Nominations and Corporate Governance Committee.

Time commitment

It is expected that in order to discharge their responsibilities effectively all Directors allocate sufficient time to their roles on the Board. Directors are expected to attend, and to be well prepared for, all Board and Board Committee meetings, as well as making time to understand the business, meet with executives and regulators as appropriate, and complete ongoing training. The Chairman and other Non-Executive Directors endeavor to ensure that they have adequate time to discharge their responsibilities to the Board effectively.

Conflict of Interest

The Board has formal procedures for managing conflict of interest in accordance with the Kenyan Companies Act 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Any conflict of interest or apparent conflict of interest between the Company and its Directors is avoided. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the BOC Group. Any circumstances which may give rise to actual or potential conflicts of interest are disclosed to the Board upon appointment and subsequent changes highlighted as they arise. A Conflict of Interest Register is maintained for that purpose. Directors are also given the opportunity, at the start of every Board meeting, to declare any actual or potential conflict of interest with their role as Directors. During the course of 2018 no conflict of interest was declared by any Director. The Board Conflict of Interest Policy can be read on the Company's website (www.boc.co.ke). A Conflict of Interest Policy is also maintained for all employees of the Company.

Financial and Business Reporting

The Board is satisfied that it has met its obligation to present a balanced and understandable assessment of the Company's position through the Annual Report. It is appropriate to treat this business as a going concern as there is sufficient existing financing available to meet expected requirements in the foreseeable future. The Audit & Risk Committee is assigned to review financial, audit and internal control issues in supporting the Board of Directors which is responsible for the financial statements and all information in the Annual Report.

Risk Management and Internal Control

The Board is responsible for determining the nature and extent of the significant risks that the Company is willing to take to achieve its strategic objectives and for maintaining sound risk management and internal control systems. With the support of the Audit & Risk Committee, the Board carries out a review of the effectiveness of its risk management and internal control systems covering all material controls including financial, operational and compliance controls and risk management systems.

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

Risk Management and Internal Control (Continued)

The Group's 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 & Risk Committee, senior management and external auditors. Areas accorded high-risk profiles are given urgent attention by management. At every Board meeting the status of mitigations against identified business risks is reviewed to ensure timely implementation of corrective actions.

The Board, with advice from its Audit & Risk Committee, completed its annual review of the effectiveness of the system of risk management and internal control for the period since 1 January 2018. No significant failings or weaknesses were identified and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

Remuneration

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, Executive Directors, Non-Executive Directors, other senior executives and certain Group employees to the Board Retirement and Remuneration Committee. The Board as a whole considers recommendations from the Board Retirement and Remuneration Committee on the fees to be paid to Non-Executive Directors. Information on the activities of the Board Retirement and Remuneration Committee in 2018 can be found on pages 47 and 48 and the Directors Remuneration Report is on pages 52 to 55.

Communication with Shareholders and Stakeholders

The Board is committed to promoting effective and open communication with all shareholders and stakeholders, ensuring consistency and clarity of disclosures at all times. The Company aims to engage with its shareholders transparently in order to facilitate a mutual understanding of their respective objectives.

Financial reporting: The Board strives to ensure that shareholders (including institutional investors), regulators, other key stakeholders and the financial markets are provided with full and timely information about its performance. The Company aims to deliver all financial and strategic communications in a consistent and open way and to ensure that such disclosures are easily intelligible and present a balanced and understandable assessment of the Company's position and prospects. During 2018 the half-year and annual results were released in the local press, the Company's website and through distribution of the 2017 Annual Report.

Annual General Meeting (AGM) participation: The Board and the Executive Team continue to consider the AGM as a key date in the diary. The AGM provides a useful opportunity to the Board to engage with shareholders on key issues facing the Group and any questions they may have. The Chairman, all Directors and Executive Team members were available at the 2018 AGM for informal discussions with shareholders either before or after the meeting. All resolutions which were proposed at the 2018 AGM were passed unanimously. Concerns raised by shareholders during question time were considered and discussed by the Board at its subsequent meeting held in August 2018.

The seventy-seventh AGM will be held on 21 June 2019 at the Company's Head Office, Kitui Road, Industrial Area. The Notice of the AGM is on page 4 of this Report.

Institutional investors: The Company is committed to managing relationships with institutional investors. The Company endeavours to hold Investor Briefing Sessions at least once a year following publication of either end year and or half year financial results to update investors on the Company's business and strategy. The next Investor Briefing Session for 2019 is planned to coincide with release of the 2019 half year financial results. The Chairman, Managing Director and Finance Director as well as other senior management attend Investor Briefing Sessions. Other Non-Executive Directors are also invited to attend.

Public policy engagement: The Company intermittently engages in dialogue on issues where it has a legitimate interest, i.e. where public policy directly affects its business and customers. Any communication undertaken is honest, comprehensive and accurate and underpinned by the Company's Principles Governing Shareholder and Stakeholder Communication which can be read on the Company's website (www.boc.co.ke).

Directors Loans

There were no loans made to Directors at any time during the year.

Governance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Board appointed Ms. Catherine Musakali, of Dorion Associates LLP, to conduct the Company's 2018 Governance Audit. The Report of the Independent Governance Auditor is set out on page 28.

Legal and Compliance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and the Company's Legal and Compliance Policy, the Board appointed Munyao, Muthama & Kashindi Advocates to conduct the Legal & Compliance Audit for the year ended 31 December 2018. The overall Executive Summary emanating from the Audit is published on the Company's website www.boc.co.ke. The Company's Legal and Compliance Policy is also published on the Company's website.



STRATEGIC BOARD ACTIVITIES IN 2018

- Reviewing and agreeing a re-articulation of the Company's strategy;
- Endorsing the direction and activities proposed by Management to achieve the strategy and ensuring that Management was on track to deliver the Company's strategy;
- Approving re-structure and right sizing of the organization to the Company's strategy;
- Discussing and improving the Board's understanding of key risks facing the Company and considering the potential impact on the business of specific risk factors in consultation with the Board Audit Committee;
- Keeping the Company's trading and performance against the 2018 Budget and the previous year under review and monitoring operational key performance indicators;
- Keeping the competitive landscape under review;
- Reviewing operations of the subsidiary companies, BOC Tanzania Limited and BOC Uganda Limited;
- Monitoring Safety, Health, Environment and Quality (SHEQ) incidents;
- Exploring savings and productivity opportunities;
- Monitoring the status of the Company's litigation proceedings;
- Monitoring compliance with the Companies Act 2015 and the new Code;
- Monitoring compliance with the Company's Code of Ethics;
- Reviewing succession planning at Board Level including Executive Directors and the Executive Team;
- Reviewing headcount and the establishment and approving re-structure and right sizing of the organization to deliver the Company's strategy;
- Reviewing the talent pipeline and succession planning for key roles in the organization;
- Reviewing shareholder concerns raised at the AGM held on 21 June 2018; Reviewing and approving submission to the Capital Markets Authority (CMA) on 30 April 2018, of the Company's CMA Reporting Template.
- Receiving the 2017 Governance Report and reviewing implementation of the recommendations made therein; and
- Ensuring implementation of the Director's 2018 Training Plans.

BOARD COMMITTEES

The Board has established three principal Board Committees, to which it has delegated some of its responsibilities namely, the Audit & Risk Committee, the Nominations and Corporate Governance Committee and the Retirement and Remuneration Committee.

AUDIT AND RISK COMMITTEE

Current Members

Mr. S. Maina (Chairman)
Mr. M. Kruger
Mrs. L. Njoroge
Mrs. C. Wetende
Ms. R.T. Ngobi (Secretary)

In 2018 Members attended Committee meetings held during the months of April, August and December as disclosed in the table below.

Attendance at meetings in 2018

Name	Meetings attended	Meetings eligible to attend
Mr. S. Maina	2	2
Mr. M. Kruger	3	3
Mrs. L. Njoroge	3	3
Mrs. C. Wetende	2	3
Mrs. M. Gathoga Mwangi	2	2
Mr. A. Kamau	3	3
Ms. N. Nakana	2	3

Mr. S. Maina was appointed Chairman of the Audit Committee effective 1 June 2018

Mrs. M. Gathoga-Mwangi (Managing Director), Mr. A. Kamau (Finance Director), Ms. N. Nakana (Group Internal Audit Manager) attended as Permanent Invitees.

Mandate and Role of the Audit Committee

The Board Audit and Risk Committee assists the Board of Directors in carrying out its responsibilities with respect to the management of business risks and internal controls and the conduct of business in accordance with the Code of Ethics.

The Board Audit and Risk Committee is comprised of three Independent Non-Executive Directors and one Non-Executive Director. The Chairman of the Committee, Mr. S. Maina, is an Independent Non-Executive Director. The Committee met three times during 2018. Attendance included internal and external auditors, as well as permanent invitees from Management.

The Audit and Risk Committee is responsible for monitoring the integrity of the financial statements and any formal announcements relating to the Company's performance, considering any significant issues and judgements reflected in them before submission to the Board. The Committee keeps under review the consistency of the accounting policies applied by the Company, reviews the effectiveness of the accounting, internal control and business risk systems of the Company and, when appropriate, makes recommendations to the Board on business risks, internal controls and compliance.

The Committee is also responsible for monitoring compliance with the Company's Code of Ethics, the CMA Code, laws and regulations, monitoring and reviewing the effectiveness of the Company's internal controls; and monitoring and reviewing the performance of the Company's external auditors by keeping under review their independence and objectivity, making recommendations as to their reappointment (or, where appropriate, making recommendations for change), and approving their terms of engagement and the level of audit fees payable to them.

Board Committees (Continued)

AUDIT AND RISK COMMITTEE (continued)

Mandate and Role of the Audit Committee - continued

The Board has an obligation to establish formal and transparent arrangements for considering how it should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the external auditors, which is delivered through the Audit & Risk Committee.

The Audit and Risk Committee is also responsible for monitoring and reviewing the effectiveness of the internal audit arrangements. The Group Internal Audit Manager is a permanent invitee to the Committee. The Group internal audit manager presents a report to the Committee on the audit plan for the year as well as updates on ongoing and completed audits.

The Committee Chairman and Members of the Committee endeavor to meet with the external auditors at least once a year without Management, to discuss relevant issues as well as the progress of the audit.

Key Audit and Risk Committee activities in 2018

The Board Audit & Risk Committee's agenda in 2018 continued to include its responsibilities for overseeing the performance and effectiveness of internal and external audit. The Committee also continued to exercise its responsibilities for ensuring the integrity of BOC's published financial information by debating and challenging the judgements made by Management and the assumptions upon which they are based.



Board Committees (Continued)

Standing items of business considered by the Committee during 2018:

- Progress on the 2018 Internal Audit Plan;
- Periodic reports from the Group Internal Audit Manager on both local and regional process audits, the management responses and action plans being put in place to address any concerns raised;
- Updates on key risks facing the business and mitigating steps put in place with deep dives into specific risk topics;
- The Company's 2017 results, 2018 half-year results, the external auditors' reports for these, and interim management statements;
- The steps taken to validate the 'Going Concern' assessment at half year and year-end;
- A report from the Finance Director on the information flows and drafting and approval processes for the preparation of the Annual Report, facilitating the Committee's advice to the Board that the 2017 Annual Report was fair, balanced and understandable.
- Quarterly reports on internal controls and compliance;
- Quarterly reports on security risks, frauds and losses;
- Updates on significant legal cases, Safety, Health & Environment issues;
- Reports on compliance with the Company's Code of Ethics;
- Whistleblowing reports;
- 2019 External Auditor's Audit plan and fees for recommendation to the Board; and
- Annual review of external auditors' independence;

Further specific matters considered by the Committee:

- Commissioning a Cylinder Project aimed at reducing cylinder losses which will be completed in 2019
- Commissioning an external review of transfer pricing.

External Auditors

The Board Audit and Risk Committee oversees the effectiveness of BOC's external auditors. KPMG Kenya is the Company's external auditors. The Audit and Risk Committee considers that the relationship with the auditors worked well during the period and remains satisfied with their effectiveness. The external auditors are required to rotate the audit partners responsible for the audit at least every seven years. The current lead audit partner has been in the position since 2014.

Auditor Independence

The Committee has an established policy aimed at safeguarding and supporting the independence and objectivity of the Company's external auditors, which is regularly reviewed and updated. The basic principle of the policy is that the Company's external auditors may be engaged to provide additional services only in cases where those services do not impair their independence and objectivity.

The external auditors may not be engaged to provide services if the provision of such services would result in the external auditors:

- Having a mutual or conflicting interest with any Group company;
- Being placed in the position of auditing their own work;
- Acting as a manager or employee of any Group company; or
- Being placed in the position of advocate for any Group company.

Board Committees (Continued)

Subject to the above, the external auditors may provide certain tax services. The Committee recognizes that using the external auditors to provide such services is often of benefit due to their detailed knowledge of the business.

The policy also requires the submission to the Committee, typically prior to the year end, of a work plan identifying the total fees for all audit-related services and tax services which it is expected will be undertaken by the external auditors in the following year. In this way, the Committee has full visibility of spend on audit-related services and tax services enabling it to discharge its responsibility for keeping such fees under review and ensuring that neither their level, nor their nature, risk impairing the external auditors' independence and objectivity.

KPMG Kenya reconfirms its independence on an annual basis and did so in 2018.



NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE

Current Members

Mr. R. Mbugua (Chairman)
Mr. M. Kruger
Mrs. C. Wetende
Ms. R. T. Ngobi (Secretary)

In 2018 Members attended Committee meetings held during the months of April, August and December as disclosed in the table below.

Attendance at meetings in 2018

Name	Meetings attended	Meetings eligible to attend
Mr. R. Mbugua	3	3
Mr. M. Kruger	3	3
Mrs. C. Wetende	3	3
Mrs. M. Gathoga-Mwangi	2	2

Mrs. M. Gathoga-Mwangi was appointed Managing Director effective 16 July 2018 and attended as a Permanent Invitee.

Mandate and Role of the Nominations and Corporate Governance Committee

The Nominations and Corporate Governance Committee is responsible for identifying candidates to fill vacancies on the Board and has oversight on the adherence and compliance by the Company to its Code of Ethics and to the principles and requirements of good corporate governance as espoused by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (CMA Code)

The process of identification of candidates to fill vacancies to the Board is guided by the Boards Policy on Appointments to the Board and includes reviewing the structure, size and composition of the Board to ensure it has an appropriate balance of skills, expertise, knowledge and independence prior to recruitment. For Non-Executive Director vacancies to be filled, the selection process will generally involve interviews of suitable prospective candidates by the Committee and its Chairman and thereafter recommendation to the Board for appointment. This process was followed for the appointments by the Board of Mr. Stephen Maina and Mr. Ruben Chetty as a Non-Executive Directors effective 1 June 2018 and 13 December 2018 respectively.

The services of specialist external search firms are used for identification and shortlisting of appropriate candidates to take up Executive Director roles. This process was followed for the recruitment of Mrs. Marion Gathoga-Mwangi as Managing Director effective 16 July 2018.

The Nominations and Corporate Governance Committee is also charged with the responsibility of assessing the independence of Non-Executive Directors on an annual basis and evaluating the effectiveness of the Board and the effectiveness of the Directors in the discharge of their responsibilities.

The Committee also evaluates and makes recommendations with regard to the composition of all Board Committees.

Following the introduction, by the CMA of annual Governance Audits and compliance reporting the Committee provides oversight of implementation of the CMA Code and Compliance Reporting.

In compliance with the CMA Code the Board appointed Ms. Catherine Musakali, of Dorion Associates LLP, to conduct the Company's 2017 Governance Audit upon recommendation by the Committee. An unqualified opinion was issued. The Committee, on behalf of the Board, monitored implementation of recommendations that emanated from the 2017 Governance Report and the recommendations from the CMA to the Company's Compliance Report submitted on 30 April 2018.

Nominations And Corporate Governance Committee (Continued)

Key Nominations and Corporate Governance Committee activities in 2018

- Reviewing succession planning for the Board Executive Directors and Non-Executive Directors;
- Recommendation for appointment by the Board of the Managing Director and two (2) Non-Executive Directors;
- Reviewing the effectiveness of the Board following the Board Evaluation exercise and making recommendations to the Board on actions to be adopted towards improvement;
- Monitoring implementation of the recommendations adopted by the Board following the Board Evaluation exercise;
- Reviewing and recommending approval, by the Board, of submission of the CMA Compliance Report as completed by the Company;
- Monitoring implementation of the recommendations from the 2017 Governance Report;
- Monitoring implementation of recommendations made by the CMA from the CMA Compliance Report submitted by the Company;
- Reviewing the Independence of Directors against the criteria set under the CMA Code;
- Reviewing the Corporate Governance Statement for the 2017 Annual Report;
- Reviewing the Composition of the Board's Committees;
- Review of the Boards' Diversity Policy and the Nominations Committee's Terms of Reference.
- Review and recommendation of approval, by the Board, of the Board Dispute Policy, the Related Party Transactions Policy, the Board Conflict of Interest Policy



RETIREMENT AND REMUNERATION COMMITTEE

Current Members

Mrs. L. Njoroge (Chairman)
Mrs. C. Wetende
Mr. R. Chetty
Ms. R.T. Ngobi (Secretary)

In 2018 Members attended Committee meetings held in during the months of April, August and December as disclosed in the table below.

Attendance at meetings in 2018

Name	Meetings attended	Meetings eligible to attend
Mrs. L. Njoroge	3	3
Mrs. C. Wetende	2	3
Mr. R. Chetty	1	1
Mrs. M. Gathoga-Mwangi	2	2
Mr. A. Kamau	3	3

Mr. R. Chetty was appointed a Member of the Committee effective 13 December 2018.

Mrs. M. Gathoga-Mwangi was appointed effective 16 July 2018 and together with Mr. A. Kamau attended as Permanent Invitees.

Mandate and Role of the Retirement and Remuneration Committee

The Retirement and Remuneration Committee determines and makes recommendations to the Board on the remuneration policies of the Company, and the terms and conditions of employment of the Executive Directors and Senior Management. The Committee ensures that compensation for all employees is performance-driven and appropriately benchmarked against other companies in Kenya.

The Committee is responsible for setting executive remuneration covering salary and benefits, performance related bonus arrangements, pensions and terms of service, monitoring and advising the Board on major changes to the policy on employee benefit structures for the Company.

Remuneration of Non-Executive Directors is also reviewed by the Committee to ensure that the levels of remuneration and compensation are appropriate. Information on aggregate amount of emoluments and fees paid to directors is disclosed in Note 33 (f) of the financial statements. The Directors Remuneration Report is from pages 52 to 55 of this Report.

All members of the Committee are Non-Executive Directors.

Key Retirement and Remuneration Committee activities in 2018

- Reviewing the application and continuing impact of the Remuneration Policy during 2018;
- Reviewing and making recommendations with respect to succession planning of Executive Directors and the Executive Team roles and the talent pipeline;
- Reviewing the development of leaders in the Company and in particular activities to embed a high-performance leadership culture;
- Making recommendations on annual salary increments for approval by the Board;
- Reviewing Non-Executive remuneration and making recommendations to the Board for approval;
- Reviewing Staff Training and development plans for 2018;
- Review of the performance of the Companies two provident funds;

Retirement And Remuneration Committee (Continued)

Key Retirement and Remuneration Committee activities in 2018 (continued)

- Evaluated different options for the management of the two provident funds; and
- Review of Committee Terms of Reference and other HR related policies and the Corporate Social Responsibility Policy for approval by the Board.

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 also ensures that manpower plans are implemented timeously.

GOVERNANCE POLICIES

Board Charter and Committee Terms of Reference

The Board is governed by a Board Charter which stipulates the roles and responsibilities of the Board and its members, the composition of the Board and its Committees and respective Terms of Reference. The Board Charter and Committee Terms of Reference are published on the Company's website (www.boc.co.ke).

Code of Ethics

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 believes in open and honest communication, 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. An integrity line has been established to enable employees to report contraventions of the Code of Ethics.

Whistle Blowing and Staff Helpline

The Company has a Whistleblowing Policy which enables staff, in confidence, to raise concerns and to report incidents they consider to be against our established code of conduct without fear of reprisal. This facility is managed by an independent third-party organization to further protect confidentiality. The Committee receives periodic reports on whistleblowing incidents, if any. The Audit & Risk Committee remains satisfied that the Company's policy and procedures enable proportionate and independent investigation of matters raised and ensures that appropriate follow-up action is taken. No whistleblowing incidents were reported during 2018.

The Whistleblowing Policy is published on the Company's website (www.boc.co.ke).

Procurement Policy

BOC Kenya PLC maintains a Procurement Policy that governs the procurement of goods and services. The policy and the related procedures are addressed particularly to those persons who deal directly with suppliers, ordering parties/ contractors, and other business partners. The policy establishes principles for business conduct and for avoiding conflicts of interest that must be adhered to by each employee. It ensures that the most appropriate and effective controls are applied in the purchase of goods and services for the Company's needs.

In addition to the Code of Conduct for Suppliers the Company's business partners are encouraged to commit themselves to these principles.

The Procurement Policy and the Code of Conduct for Suppliers to BOC Kenya PLC are published on the Company's website (www.boc.co.ke).

Statement on Insider Dealing

The Company is obligated by law and by its Code of Ethics to ensure that Directors and certain other employees, with insider information, do not abuse or place themselves under suspicion of abusing insider information that they may have or thought to have. This is especially key in periods leading up to an announcement of financial results. To this end, the Company has a Share Trading Policy which sets out the requirements for BOC insiders, in dealing in shares of the Company.

In compliance with the Companies Act, 2015, the Company communicates 'open' and 'closed' periods for trading in its shares to the Directors and its employees at key periods during the year. To the best of the Company's knowledge, there were no insider dealings during the 2018 financial year.

Governance Policies (Continued)

Statement on Insider Dealing (continued)

The Company's Share Trading Policy is published on the Company's website (www.boc.co.ke).

Board Related Party Transactions Policy

The Board Related Party Transaction Policy enables the Board of BOC Kenya PLC to consider the approval and reporting of transactions between the Company and any of its directors, Executive Officers or Significant Shareholders or certain entities or persons related to them. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in its Annual Report certain transactions between the Company and Related Parties as well as its policies concerning transactions with Related Parties. In addition, the Board reviews any Related Party Transactions involving Non-Executive Directors as part of the annual determination of their independence.

The Board Related Party Transactions Policy is published on the Company's website www.boc.co.ke.

During 2018 there were no reports of transactions between the Company and any of its Directors, Executive Directors and other staff. Transactions between the Company and its parent company and associated companies are disclosed under Note 33 to the Financial Statements.

Safety Health and Environment Policy

Our principles:

- Health, safety and care for the environment are foundational principles of our businesses.
- The health and safety of our colleagues, customers, business partners and communities in which we do business is our number one priority.
- Personal ownership for HSE through visible, demonstrated leadership and accountability at all levels throughout Group.
- HSE principles shall be reflected in 100% of our behaviour, 100% of the time.

Our vision:

- Zero incidents.
- Safe, secure and healthy working conditions for all who work with and for us.
- High quality, safe and environmentally responsible products and services that meet or exceed the expectations of our customers.
- Responsible use of natural resources.
- Economic and environmental sustainability in everything we do.

Our commitment:

- Comply with applicable legal, regulatory, industry and corporate requirements.
- Design, construct and operate our facilities in a safe, secure, efficient and environmentally responsible way.
- Personal accountability to continuously improve our HSE performance through tracking against our goals and targets.
- Proactive management of risk in our business.
- Work with our business partners and our relevant industries to actively promote and enforce compliance with this policy.
- Promote open communication and learning with all stakeholders and sharing of HSE knowledge.
- Provide resources, training, equipment and other support to enable fulfilment of this policy.
- The Board is committed to the implementation of this SHE policy.

Governance Policies (Continued)

Corporate Social Responsibility and Investment Policy

Our Corporate Social Responsibility and Investment Policy focuses on activities that are of material importance to our business and are of interest to our stakeholders.

We combine long-term business success with environmental and social responsibility and consider sustainability to be an important part of our Corporate Strategy. We are constantly aware of the potential adverse impacts of our business operations on people, especially on safety and therefore ensure our operations and products meet the highest safety standards and our employees, contractors, business partners and customers receive continuous training.

We seek to enhance the safety awareness of our customers through product knowledge training, the objective of which is to ensure that they do not come to any harm while using our products which include gases at cryogenic temperatures (below *minus* 150° C), flammable gases and high-pressure cylinders and other gas containers.

Information Technology Policy

BOC Kenya PLC's information technology (IT) systems are covered under an IT Policy. The policy aims to protect the Company's investment in information technology infrastructure, IT equipment and mobile facilities, data/telecommunications networks and software, maintain the highest standards of cyber security, while protecting the Company's confidential and sensitive information. The IT Policy is published on the Company's website (www.boc.co.ke).

DIRECTORS' REMUNERATION REPORT 2018

The Directors Remuneration Policy and Remuneration Report for the Executive and Non-Executive Directors applicable in 2018 were approved by the Shareholders at the 2017 Annual General Meeting held on 21 June 2018. The Report has been prepared in accordance with the relevant provisions of both the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) on Directors remuneration and the Kenyan Companies Act, 2015.

Principles of remuneration policy 2018

The Retirement and Remuneration Committee considers the remuneration policy annually to ensure that it remains aligned to business needs and is appropriately positioned relative to the market. Its overriding objective is to reward the delivery of the Company's strategy in a manner that is simple, straightforward and understandable.

Executive Directors

The Executive Directors remuneration package comprises core fixed elements (basic salary, retirement and other benefits) designed to recognize the skills and experience of the Executive Directors and to ensure current and future market competitiveness in attracting talent.

Executive Directors are eligible to participate in the Company's Short Term Incentive Plans which is anchored on achievement of key business performance indicators.

The table below outlines the key components of the Executive Directors remuneration packages as compensation for their role as key senior management within the BOC Group.

The Company has a Directors and Officers insurance covering all Directors and Officers for the aggregate sum of Kenya Shillings 50 million.

REWARD	PURPOSE AND LINK TO STRATEGY	MECHANICS OF REWARD	PERFORMANCE METRICS
Basic Salary	Attract and retain high calibre individuals to deliver the Company's strategic plans by offering market competitive remuneration to reflect an individual's skills and experience.	- Paid in 12 equal monthly instalments during the year and is pensionable. - Reviewed annually with salary changes effective from April depending on performance.	Individual and business performance
Pension	Provide competitive post-retirement benefit arrangements so as to attract and retain high calibre talent to drive delivery of strategy.	Annual contribution up to the 10% of basic salary.	None

Directors' Remuneration Report 2018 (Continued)

REWARD	PURPOSE AND LINK TO STRATEGY	MECHANICS OF REWARD	PERFORMANCE METRICS
Other benefits	Provide market competitive benefits which: - facilitate the attraction and retention of high calibre talent to deliver the Group's strategic plans; and - recognise that such talent is global in source and that the availability of certain benefits are key enablers for attraction and retention.	Range of benefits include: - Housing allowance - Transport allowance - Medical insurance - Personal life and accident insurance	None
Short term Incentives Plan	Incentivise the attainment of corporate targets aligned to the strategic objectives of the Group on an annual basis.	- Payout is done annually in April after measurements and approval of results. - 100% of the bonus is paid in cash. - Payout is 25% of annual Salary for Managing Director and 15% for Finance Director	Targets are set annually based on the group and company business plans.

Service contracts – Executive Directors

Duration of current contracts	The Managing Director and the Finance Director are on permanent and pensionable contracts of employment.
Notice Period	Three months
Provision for early termination of contracts	On early termination of contracts, the executive directors are eligible for redundancy packages as follows: - Salary in lieu of notice (if notice is not given) - Redundancy payment as per Kenya's labour laws In the event that the contract is terminated for cause (such as gross misconduct), the Company may terminate the contract with immediate effect and no compensation would be payable.

Directors' Remuneration Report 2018 (Continued)

Executive Directors' remuneration and compensation for the year ended 31 December 2018

The following table shows a summary of remuneration for the Executive Directors in respect of qualifying services as directors and compensation as key management for the year ended 31 December 2018 together with comparative figures for 2017:

NAME	BASIC SALARY			HOUSING & OTHER ALLOWANCES			RETIREMENT BENEFITS			BONUS			GRAND TOTAL		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Marion Mwangi	5,118	-	3,044	-	1	-	-	-	-	-	-	-	8,163	-	-
Millicent Onyonyi	4,953	14,681	3,500	10,500	845	3,758	2,960	-	-	-	12,258	-	28,939	-	-
Arthur Kamau	9,654	9,539	4,458	4,257	1,529	1,486	1,154	981	16,795	16,263	16,795	16,263	16,795	16,263	16,263
Total	19,725	24,220	11,002	14,757	2,375	5,244	4,114	981	37,216	45,202	37,216	45,202	37,216	45,202	45,202

All figures in KShs' 000

The Chairman and Non-Executive Directors

The Company looks to recruit, as Non-Executive Directors, those who have a wide range of strategic and operational experience gained from other businesses or organizations. A Non-Executive Director is required, as a minimum, to make an annual time commitment of about 20 days and is expected to attend all Board and Committee meetings, and AGM, a strategic budgeting session as well as maintaining an appropriate level of knowledge about the business and its operations.

As a Listed Company, the quantum and structure of Non-Executive Directors' remuneration will primarily be assessed against the same remuneration comparator group of companies used for setting the remuneration for Executive Directors.

The remuneration components for Non-Executive Directors' are as follows:

REWARD	PURPOSE AND LINK TO STRATEGY	MECHANICS OF REWARD	PERFORMANCE METRICS
Fees	Fees for Non-Executive Directors need to be sufficient to attract, motivate and retain individuals with skills and senior-level experience to drive the Company's strategy forward	- Fixed monthly retainer - Sitting allowance for every committee or board meeting. - Reviewed annually and adjusted as required	As per Annual Board Evaluation.

Directors' Remuneration Report 2018 (Continued)

Other terms: Non-Executive Directors

SHAREHOLDING REQUIREMENTS	- There are no formal requirements for the Non-Executive Directors to hold shares in the Company. However, Non-Executive Directors are encouraged to acquire a small interest during the initial years after their date of appointment. - The Non-Executive Directors do not participate in the Company's Short-Term Incentive Plan and are not members of any of its provident fund.
TERMS OF APPOINTMENT	The Non-Executive Directors do not have service contracts with the Company but instead have letters of appointment, which are available for inspection at the Company's registered office upon notice.
TERMS OF TERMINATION	On termination, at any time, a Non-Executive Director is entitled to any accrued but unpaid Director's fees but not to any other compensation.

The table below outlines the key components of the Non-Executive Directors remuneration packages during 2018

NAME	CATEGORY	2018			2017		
		FEES	SITTING ALLOWANCE	TOTAL	FEES	SITTING ALLOWANCE	TOTAL
		KShs 000	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
Robert Mbugua	Chairman Non-Executive	1,980	840	2,820	1,680	840	2,520
Ngugi Kiuna	Chairman (Retired)	1,140	420	1,560	2,280	700	2,980
Lucy Njoroge	Non-Executive	1,680	980	2,660	1,680	630	2,310
Cosima Wetende	Non-Executive	1,680	980	2,660	1,680	910	2,590
Steve Maina	Non-Executive	560	700	1,260	-	-	-
Marius Kruger*	Non-Executive	-	-	-	-	-	-
Andy Gouws*	Non-Executive	-	-	-	-	-	-
TOTALS		7,040	3,920	10,960	7,320	3,080	10,400

* Marius Kruger and Andy Gouws are Directors nominated by the Company's Shareholder (BOC Holdings, UK) and do not earn any personal remuneration for being on the Board. Instead an annual director's fee of KShs 425,496 per director (2017 – 425,496 per director) is paid to their employer, African Oxygen Limited, South Africa (Afrox), a sister company, where both are senior members of management.

By order of the Board

R.T. Ngobi (Ms.)
Company Secretary
28 March 2019

Shareholding structure as at 28 March 2019

Major shareholders

SHAREHOLDER NAME	TOTAL SHARES	PERCENTAGE SHAREHOLDING
BOC Holdings (UK)	12,765,582	65.38%
Kiuna Ngugi	1,333,920	6.83%
Standard Chartered Kenya Nominees Ltd A/C Ke002670	1,046,600	5.36%
Standard Chartered Kenya Nominees Ltd, A/C Ke20510	305,486	1.56%
Best Investment Decisions Ltd	276,500	1.42%
Saraj Properties Limited	232,100	1.19%
Standard Chartered Kenya Nominees Ltd A/C Ke002382	141,056	0.72%
Chandaria Rohin Jayandralal Chandaria and Sujal Rohin	127,200	0.65%
Allied Storage Limited	126,279	0.65%
Standard Chartered Kenya Nominees Ltd Ac Ke001966	117,800	0.60%
Total for the 10 top shareholders	16,472,523	84.36%
Other shareholders	3,052,923	15.64%
Total for all shareholders	19,525,446	100.00%

Domicile analysis

DOMICILE	SHARES	%	NUMBER OF SHAREHOLDERS
Foreign Companies	14,376,624	73.63%	6
Foreign Individuals	354,864	1.82%	28
Local Companies	957,422	4.90%	80
Local Individuals	3,836,536	19.65%	851
Total	19,525,446	100.00%	965

Analysis by number of shares

NUMBER OF SHARES	SHARES	%	NUMBER OF SHAREHOLDERS
1 - 500	84,067	0.43%	476
501 - 5,000	707,383	3.62%	372
5,001 - 10,000	347,375	1.78%	48
10,001 - 100,000	1,703,674	8.73%	57
100,001 - 1,000,000	1,536,845	7.87%	9
>1,000,000	15,146,102	77.57%	3
Totals	19,525,446	100.00%	965

Directors' shareholding

SHAREHOLDER NAME	TOTAL SHARES	PERCENTAGE SHAREHOLDING
Lucy M Njoroge	79,000	0.4%

TOP CUSTOMERS

Top ten customers by sales volume and revenue in Kenya, and regional subsidiaries BOC Uganda and BOC Tanzania respectively are as follows:

BOC Kenya PLC

1. Aga Khan Health Service
2. Moi Teaching & Referral Hospital
3. Mogere Agencies Limited
4. Mater Hospital
5. Metropolitan Gas Suppliers
6. Apex Steel Limited
7. Associated Battery Manufacturers
8. Kenya Hospital Association (Nairobi Hospital)
9. Tata Chemicals Magadi Limited
10. Manara Limited

BOC Tanzania Limited

1. Sigma Gas & Engineering Limited
2. Kagera Sugar Limited
3. Bulyanhulu Gold Mine Limited
4. Ashanti Gold Field
5. ABC Gas Products Limited
6. North Mara Gold Mine Limited
7. Husein Swedy
8. TPC Limited
9. SBC Tanzania Limited
10. Capital Drilling

BOC Uganda Limited

1. Nile Breweries Limited
2. Hoima Sugar Limited
3. Kinyara Sugar Works Limited
4. Hima Cement Limited
5. Tembo Steel Uganda Limited
6. Tororo Cement Industries Limited
7. Tradecopr Logistics DMCC
8. BIDCO
9. Karikari Sugar Limited
10. Uganda Breweries Limited

TOP SUPPLIERS

Top Suppliers of the Company and its subsidiaries are as follows:

1. Kenya Power & Lighting Company
2. SA Calcium Carbide
3. Proto Energy Limited
4. Total Kenya Limited
5. Afrox Exports
6. BOC Northern Technical
7. One Gas Limited
8. 1TW Welding Products Italy
9. Precision Parts (UK) Limited
10. Air Flow
11. Amico Corporation

Statement of Directors responsibilities

The Directors are responsible for the preparation and fair presentation of the Group and Company financial statements of BOC Kenya Plc set out on pages 65 to 126 which comprise the Group and Company statements of financial position at 31 December 2018, the Group and Company statements of profit or loss and other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

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, 2015 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, 2015 the Directors are required to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of the profit or loss of the Group and 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 Group and 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, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and Company and of the Group's and Company profit or loss.

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 ability of the Company and its subsidiaries to continue as a going concern and have no reason to believe that the business 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 were approved and authorised for issue by the Board of Directors on 28 March 2019.

Robert Mbugua
Chairman

Marion Mwangi
Managing Director

28 March 2019

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOC KENYA PLC (FORMERLY BOC KENYA LIMITED)

Report on the audit of the consolidated and separate financial statements

We have audited the consolidated and separate financial statements of BOC Kenya PLC (the ‘Group’ and ‘Company’) set out on pages 65 to 126, which comprise the Group and Company statements of financial position as at 31 December 2018, the Group and Company statements of profit or loss and other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of BOC Kenya Limited as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOC KENYA PLC (FORMERLY BOC KENYA LIMITED) (CONTINUED)

Report on the audit of the consolidated and separate financial statements (Continued)

Key audit matters (continued)

VALUATION OF TRADE RECEIVABLES	
See Note 4 (I) on the Group's and Company's accounting policy on valuation of trade receivables and disclosures on Note 22.	
The key audit matter	How the matter was addressed in our audit
Trade receivables constitute a significant portion of the total assets of the Group and Company. The profile of the customers who constitute the trade receivables balance varies in character and risk. Amounts due from customers may be outstanding for long periods of time before being received by the Group and Company thus potentially exposing the Group and Company to impairment losses. Further, the Group and Company implemented IFRS 9 <i>Financial Instruments</i> on 1 January 2018. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the implementation of IFRS 9 are: • Judgement involved in the determination of significant increase in credit risk. • Judgement around classification and measurement of financial instruments as well as Expected Credit Loss (ECL) modelling. • Relevance and reliability of data used for ECL measurement. Valuation of trade receivables is considered a key audit matter because the directors make subjective judgements over both timing of recognition of impairment and the estimation of the size of any such impairment.	Our audit procedures in this area included, among others: • Reviewing management's judgment around the classification and measurement of financial assets and significant increase in credit risk; • Reviewing the ECL model for compliance with the principles of IFRS 9; • Testing the ageing of trade receivables, reviewing the data and assumptions made by management in arriving at the provisions and recomputing the trade receivables provision on the basis of the accounting policy; and • Testing settlement for a sample of trade receivables balances outstanding as at 31 December 2018 for post year end receipts.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOC KENYA PLC (FORMERLY BOC KENYA LIMITED) (CONTINUED)

Report on the audit of the consolidated and separate financial statements (Continued)

Key audit matters (continued)

VALUATION OF INVENTORY	
See Note 4 (i) on the Group's and Company's accounting policy on valuation of inventory and disclosures on Note 21.	
The key audit matter	How the matter was addressed in our audit
The Group and Company holds a significant amount of inventory which comprises finished goods, items for the processing of gases and spare parts. Inventory may be held for long periods of time before utilisation making it vulnerable to obsolescence. Valuation of inventory is considered a key audit matter because the assessment and application of inventory provisions and the determination of realisable value are subject to significant judgment, made by the directors.	Our audit procedures in this area included, among others: • Attending the inventory count at the year end and observing if there were any obsolete or slow moving items; • Inspecting the inventory ageing report and recomputing the inventory provision on the basis of the accounting policy; and • Testing a sample of stock items to assess whether they were held at the lower of cost and net realisable value, and evaluating management judgment with regards to the application of provisions for inventory obsolescence.
PROVISIONS FOR TAX LIABILITIES	
See Note 5 (a) (ii) on the Group's and Company's critical accounting estimates and judgments on taxes and note 30 on contingent liabilities.	
The key audit matter	How the matter was addressed in our audit
The Group and Company is subject to tax reviews and claims made by the relevant tax regulatory authorities within the jurisdictions in which it operates. Management applies significant judgement when considering whether, and how much, to provide for the potential exposures arising from each claim. Provision for tax liabilities is considered a key audit matter because of the magnitude of the potential exposures across the Group, and the complexity and judgement necessary to determine whether to provide for, disclose or not disclose certain exposures.	Our audit procedures in this area included, among others: • Discussing with management the nature of ongoing claims and assessments, and reviewing the latest status of the claims to assess the consequent accounting and disclosure implications; • Inspecting correspondence with the tax authorities and from the Group's external tax experts relating to significant tax assessments and claims in order to assess completeness of provisioning and disclosure; and • Considering the adequacy and completeness of the Group's disclosures made in relation to contingent liabilities.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOC KENYA PLC (FORMERLY BOC KENYA LIMITED) (CONTINUED)

Report on the audit of the consolidated and separate financial statements (Continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *Annual Report and Financial Statements*, but does not include the consolidated and separate financial statements and our auditors' opinion thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated and separate financial statements

As stated on page 58, the Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRSs, and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the financial reporting process.

Auditors' responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOC KENYA PLC (FORMERLY BOC KENYA LIMITED) (CONTINUED)

Report on the audit of the consolidated and separate financial statements (Continued)

Auditors' responsibilities for the audit of the consolidated and separate financial statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BOC KENYA PLC (FORMERLY BOC KENYA LIMITED) (CONTINUED)

Report on other legal and regulatory requirements

As required by the Kenyan Companies, Act, 2015, we report to you based on our audit, that:

- (i) In our opinion, the information in the directors' report on pages 30 and 31 is consistent with the financial statements;
- (ii) The auditable part of the directors' remuneration report on pages 52 to 55 has been properly prepared in accordance with the Kenyan Companies Act, 2015; and
- (iii) Our report on the consolidated and separate financial statements is unqualified.

The signing partner responsible for the audit resulting in this independent auditors' report is CPA Joseph Kariuki – P/2102.

**KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100 GPO
Nairobi**

Date: 28 March 2019

Statements of profit or loss and other comprehensive income

	Note	GROUP		COMPANY	
		2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Revenue	8	966,543	967,626	913,804	872,666
Cost of sales	9 (b)	(486,259)	(466,459)	(450,822)	(429,843)
Gross profit		480,284	501,167	462,982	442,823
Other income	9 (a)	2,464	9,137	2,344	9,137
Distribution costs	9 (b)	(110,693)	(111,841)	(105,295)	(106,808)
Selling and administrative expenses	9 (b)	(305,987)	(348,864)	(261,046)	(285,184)
Impairment of financial assets	9 (b)	(16,753)	(19,922)	(19,140)	(17,230)
Operating profit		49,315	29,677	79,845	42,738
Finance income	10 (a)	73,865	73,784	69,451	68,508
Finance costs	10 (b)	(3,588)	(19,848)	(1,937)	(13,452)
Profit before tax	11	119,592	83,613	147,359	97,794
Tax expense	12	(54,015)	(44,234)	(45,603)	(37,017)
Profit for the year		65,577	39,379	101,756	60,777
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss:</i>					
Translation differences arising from foreign operations		(1,819)	1,272	-	-
Change in fair value of equity and debt investments		(31,445)	(18,062)	(31,445)	(18,062)
Deferred tax on equity and debt investments (Note 19)	5	5	576	5	576
Total other comprehensive income for the year net of tax		(33,259)	(16,214)	(31,440)	(17,486)
Total comprehensive income for the year		32,318	23,165	70,316	43,291
Earnings per share (KShs per share)					
Basic and diluted	13	3.36	2.02	5.21	3.11

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statements of financial position

		GROUP		COMPANY	
	Note	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	789,593	803,933	752,318	747,703
Intangible assets	16	250	437	250	437
Investments in subsidiaries	17	-	-	60	60
Equity and debt investments	18	148,500	189,974	148,500	189,974
Deferred tax asset	19	28,270	24,976	29,601	23,836
Prepaid operating leases	20	3,084	3,188	3,084	3,188
Total non-current assets		969,697	1,022,508	933,813	965,198
Current assets					
Inventories	21	162,623	140,829	149,227	128,258
Equity and debt investments	18	333,606	520,698	333,606	520,698
Trade and other receivables	22	306,229	259,604	280,535	287,340
Tax recoverable	23	35,810	44,591	25,731	29,397
Term deposits	24	273,151	143,283	191,973	66,936
Cash and cash equivalents	25	60,631	97,156	36,510	17,761
Total current assets		1,172,050	1,206,161	1,017,582	1,050,390
TOTAL ASSETS		2,141,747	2,228,669	1,951,395	2,015,588
EQUITY AND LIABILITIES					
Equity					
Share capital	26(a)	97,627	97,627	97,627	97,627
Share premium	26(b)	2,554	2,554	2,554	2,554
Other reserves	27	72,855	125,557	104,210	156,028
Retained earnings		1,346,460	1,385,344	1,233,050	1,235,755
Total equity		1,519,496	1,611,082	1,437,441	1,491,964
Non-current liability					
Deferred tax	19	-	265	-	-
Current liabilities					
Bank overdraft	25	40,297	23,767	40,297	23,767
Trade and other payables	28	581,954	593,555	473,657	499,857
Total current liabilities		622,251	617,322	513,954	523,624
TOTAL EQUITY AND LIABILITIES		2,141,747	2,228,669	1,951,395	2,015,588

The financial statements on pages 65 to 126 were approved and authorised for issue by the Board of Directors on 28 March 2019 and signed on its behalf by:

Robert Mbugua
Chairman

Marion Mwangi
Managing Director

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of changes in equity of the Group

Year ended 31 December 2018	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
Balance at 1 January 2018, as previously reported	97,627	2,554	156,028	(30,471)	1,385,344	1,611,082
Adjustment on initial application of IFRS 9, net of tax	-	-	(19,443)	-	-	(19,443)
Restated balance at 1 January 2018	97,627	2,554	136,585	(30,471)	1,385,344	1,591,639
Total comprehensive income						
Profit for the year	-	-	-	-	65,577	65,577
Other comprehensive income, net of tax						
Foreign currency translation differences	-	-	-	(1,819)	-	(1,819)
Change in equity and debt investments	-	-	(31,445)	-	-	(31,445)
Deferred tax on equity and debt investments	-	-	5	-	-	5
Total other comprehensive income	-	-	(31,440)	(1,819)	-	(33,259)
Total comprehensive income for the year	-	-	(31,440)	(1,819)	65,577	32,318
Transactions with owners, recognised directly in equity						
Dividends to equity holders						
- Final for 2017 paid	-	-	-	-	(58,576)	(58,576)
- Interim for 2018 paid	-	-	-	-	(45,885)	(45,885)
Balance at 31 December 2018	97,627	2,554	105,145	(32,290)	1,346,460	1,519,496

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of changes in equity of the Group (Continued)

Year ended 31 December 2017	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
Balance at 1 January 2017	97,627	2,554	173,514	(31,743)	1,447,497	1,689,449
Total comprehensive income						
Profit for the year	-	-	-	-	39,379	39,379
Other comprehensive income, net of tax						
Foreign currency translation differences	-	-	-	1,272	-	1,272
Change in equity and debt investments	-	-	(18,062)	-	-	(18,062)
Deferred tax on equity and debt investments	-	-	576	-	-	576
Total other comprehensive income	-	-	(17,486)	1,272	-	(16,214)
Total comprehensive income for the year	-	-	(17,486)	1,272	39,379	23,165
Transactions with owners, recognised directly in equity						
Dividends to equity holders						
- Final for 2016 paid	-	-	-	-	(58,576)	(58,576)
- Interim for 2017 paid	-	-	-	-	(42,956)	(42,956)
Balance at 31 December 2017	97,627	2,554	156,028	(30,471)	1,385,344	1,611,082

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of changes in equity of the Company (Continued)

Year ended 31 December 2018	Share capital KShs'000	Share premium KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Total equity KShs'000
Balance at 1 January 2018	97,627	2,554	156,028	1,235,755	1,491,964
Adjustment on initial application of IFRS 9, net of tax	-	-	(20,379)	-	(20,379)
Restated balance at 1 January 2018	97,627	2,554	135,649	1,235,755	1,471,585
Total comprehensive income					
Profit for the year	-	-	-	101,756	101,756
Other comprehensive income, net of tax					
Change in equity and debt investments	-	-	(31,444)		(31,444)
Deferred tax on equity and debt investments	-	-	5		5
Total other comprehensive income	-	-	(31,439)		(31,439)
Total comprehensive income for the year	-	-	(31,439)		(31,439)
Transactions with owners, recognised directly in equity					
Dividends:					
- Final for 2017 paid	-	-	-	(58,576)	(58,576)
- Interim for 2018 paid	-	-	-	(45,885)	(45,885)
Balance at 31 December 2018	97,627	2,554	104,210	1,233,050	1,437,441

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of changes in equity of the Company (Continued)

Year ended 31 December 2017	Share capital KShs'000	Share premium KShs'000	Fair value reserve KShs'000	Retained earnings KShs'000	Total equity KShs'000
Balance at 1 January 2017	97,627	2,554	173,514	1,276,510	1,550,205
Total comprehensive income					
Profit for the year	-	-	-	60,777	60,777
Other comprehensive income, net of tax					
Change in equity and debt investments	-	-	(18,062)	-	(18,062)
Deferred tax on equity and debt investments	-	-	576	-	576
Total other comprehensive income	-	-	(17,486)	-	(17,486)
Total comprehensive income for the year	-	-	(17,486)	60,777	43,291
Transactions with owners, recognised directly in equity					
Dividends:					
- Final for 2016 paid	-	-	-	(58,576)	(58,576)
- Interim for 2017 paid	-	-	-	(42,956)	(42,956)
Balance at 31 December 2017	97,627	2,554	156,028	1,235,755	1,491,964

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statements of cash flows

	Note	GROUP		COMPANY	
		2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Cash flows from operating activities					
Cash generated from operating activities	29	45,742	213,262	101,371	194,676
Tax paid	23	(41,689)	(37,722)	(38,963)	(27,570)
Net cash from operating activities		4,053	175,540	62,408	167,106
Cash flows from investing activities					
Purchase of property, plant and equipment	15	(73,503)	(110,539)	(84,260)	(110,539)
Proceeds from disposal of equipment		3,699	9,519	3,421	9,519
Net proceeds on debt investments		47,768	(47,077)	54,605	(76,335)
Interest received		61,912	66,220	60,111	60,485
Dividends received	10(a)	10,395	10,395	10,395	10,395
Net cash from/(used in) investing activities		50,271	(71,482)	44,272	(106,475)
Cash flows from financing activities					
Dividends paid		(104,461)	(101,532)	(104,461)	(101,532)
Net cash used in financing activities		(104,461)	(101,532)	(104,461)	(101,532)
(Decrease)/Increase in cash and cash equivalents		(50,137)	2,526	2,219	(40,901)
Movement in cash and cash equivalents					
At the beginning of year		73,389	71,417	(6,006)	34,895
Decrease in cash and cash equivalents		(50,137)	2,526	2,219	(40,901)
Effects of exchange rate changes on foreign cash and cash equivalents		(2,918)	(554)	-	-
At the end of year	25	22,048	73,389	(3,787)	(6,006)

The notes set out on pages 72 to 126 form an integral part of these financial statements.

NOTES TO THE GROUP AND COMPANY FINANCIAL STATEMENTS

1 Reporting entity

The Company is incorporated as a limited liability company under the Kenyan Companies Act, 2015 and is domiciled in Kenya. Its registered address is at Kitui Road, PO Box 18010 – 00500 Nairobi Industrial Area. The consolidated financial statements of the Group as at and for the year ended 31 December 2018 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 Company’s shares are listed on the Nairobi Securities Exchange (NSE).

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

2 Basis of preparation

(a) Statement of compliance

The consolidated and separate financial statements (the ‘financial statements’) have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Kenyan Companies Act, 2015.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented in these financial statements by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The financial statements are prepared under the historical cost basis except for financial assets which are measured at Fair Value through Other Comprehensive Income (FVOCI).

(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 5 – *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 where otherwise indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

Notes to the Group and Company financial statements (continued)

3 Changes in significant accounting policies

The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI.

Previously, the Group and Company's approach was to include the impairment of trade receivables in administrative expenses.

The impairment amount for the current year is disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

Additionally, the Company has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group and Company's accounting policies related to financial liabilities.

For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note (4) k.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group and Company's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

Notes to the Group and Company financial statements (continued)

3 Changes in significant accounting policies (Continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities – continued

FINANCIAL ASSET	NOTE	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9	IAS 39 CARRYING AMOUNT AT 31 DECEMBER 2017	REMEASUREMENT	IFRS 9 CARRYING AMOUNT AT 1 JANUARY 2018	DEFERRED TAX IMPACT
GROUP:							
Bonds & treasury bills	18	Available for Sale	Fair value through OCI	530,244	(14,582)	515,662	4,375
Trade receivables	22	Loans and receivables	Amortised cost	225,846	(6,514)	219,332	1,954
Amounts due from related parties	33	Loans and receivables	Amortised cost	12,335	-	12,335	-
Term deposits	24	Loans and receivables	Amortised cost	143,283	(3,875)	139,408	1,163
Cash at bank	25	Loans and receivables	Amortised cost	97,156	(2,103)	95,053	139
Total financial assets				1,008,864	(27,074)	981,790	7,631
COMPANY:							
Bonds & treasury bills	18	Available for Sale	Fair value through OCI	530,244	(14,582)	515,662	4,375
Trade receivables	22	Loans and receivables	Amortised cost	183,833	(6,647)	177,186	1,994
Amounts due from related parties	33	Loans and receivables	Amortised cost	91,014	(6,043)	84,971	1,813
Term deposits	24	Loans and receivables	Amortised cost	66,936	(1,841)	65,095	552
Cash at bank	25	Loans and receivables	Amortised cost	17,761	-	17,761	-
Total financial assets				889,788	(29,113)	860,675	8,734

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The amount of impairment recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9 was as shown above for the Group and for the Company.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively.

Notes to the Group and Company financial statements (continued)

4 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 control. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to influence those returns through its power over the investee.

The investment in subsidiaries is recognised at cost, less impairment in the separate financial statements.

(ii) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset.

(b) Foreign currency

(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 equity investments are recognised in other comprehensive income.

(ii) Foreign operations

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 Group entity are translated at the closing rate at the reporting date;
- ii. Income and expenses 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.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

When a foreign operation is sold, exchange differences recognised in other comprehensive income are reclassified to 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.

- i. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer.
- ii. The Company follows the 5-step model of IFRS 15 (Revenue from contracts with customers) to determine how much revenue and at what time, or over which period of time, it will recognize in respect of services. The five revenue recognition steps are: Identification of contracts with customers
 - Identification of the separate performance obligations
 - Determination of the transaction price
 - Allocation of the transaction price
 - Recognition of revenue when a performance obligation is satisfied

Revenue from contracts with customers is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

(d) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets. 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 and unwinding of the discount on provisions. 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 gross basis as either finance income or finance cost.

(e) Income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current tax and deferred tax. Current tax is the amount of income tax payable or receivable on taxable profit or loss 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.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(e) Income tax (continued)

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 nor loss, it is not recognised. 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.

A deferred tax asset and liability are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or other tax assets and liabilities will be realised simultaneously.

(f) Property, plant and equipment

All items of property, plant and equipment are measured 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 profit or loss during the financial period in which they are incurred.

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. 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	40 years
Plant and machinery	5 - 20 years
Cylinders	15 - 25 years
Motor vehicles	5 - 10 years
Furniture and fixtures	4 - 10 years
Computer programs, computers and related equipment	3 - 5 years

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

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 or losses on disposal of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) are recognised in profit or loss.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(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 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. If the purchase or production cost is higher than the net realisable value, inventories are written down to the net realisable value.

(j) 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.

(k) Financial instruments

Financial instruments include balances with banks, trade and other receivables, trade and other liabilities, inter-company balances, equity and debt investments and loans and borrowings.

(i) Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group and Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group and Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
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Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.
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	Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement - continued

Financial assets – Policy applicable from 1 January 2018 - continued

Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

The Group and Company classified its financial assets into one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available for sale; and
- At FVTPL, and within this category as:
 - (1) held for trading;
 - (2) derivative hedging instruments; or - designated as at FVTPL.

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(k) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the it is the Company policy to do so. This is done when the Company has an enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(l) Impairment

Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group and Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. The Group and Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group and Company's historical experience and informed credit assessment and including forward-looking information.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(l) Impairment (continued)

Non-derivative financial assets - continued

Policy applicable from 1 January 2018 - continued

Financial instruments and contract assets - continued

The Group and Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group and Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(l) Impairment (continued)

Policy applicable from 1 January 2018 - continued

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets.

The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group and Company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers; the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For financial assets measured at amortised cost, the Company considered evidence of impairment for these assets at both an individual asset and collective level.

In assessing impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account.

When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(l) Impairment (continued)

Policy applicable before 1 January 2018 (continued)

Non-derivative financial assets (continued)

For Available for sale financial assets, impairment losses were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available for sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale were not reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' 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) Employee benefits

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 at the earlier of the following dates:

- When the Group can no longer withdraw the offer; and
- When the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

iii. Other Short-term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(n) 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.

(o) Dividends

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

(p) 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 arm's length.

(q) 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 management team who make decisions (under supervision of the Board of Directors) about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(r) New standards, amendments and interpretations effective and adopted during the year

NEW STANDARD OR AMENDMENTS	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (2014)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IAS 40 Transfers of Investment Property	1 January 2018
Annual improvements cycle (2014-2016)	1 January 2018

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when the Company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The Company applied IFRS 15 on 1 January 2018 using the modified retrospective approach in which the cumulative effect of initially applying this Standard is recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2018 without restating comparative periods.

The change did not have any impact on the financial statements of the Company.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

(r) New standards, amendments and interpretations effective and adopted during the year (continued)

IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised in Note 3.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, see Note 4(k).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Group classifies financial liabilities under IFRS 9, see Note 4(k).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Group applies the impairment requirements of IFRS 9, see Note 4 (l).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (r) New standards, amendments and interpretations effective and adopted during the year (continued)

IFRS 9: Financial Instruments (2014) - continued

Transition - continued

Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The Company used the exemption not to restate comparative periods.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- (a) The determination of the business model within which a financial asset is held.
- (b) Determination of factors to consider in determining whether there has been a significant increase in credit risk.
- (c) If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 3.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

The following clarifications and amendments are contained in the pronouncement:

Accounting for cash-settled share-based payment transactions that include a performance condition
Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Classification of share-based payment transactions with net settlement features

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (r) New standards, amendments and interpretations effective and adopted during the year (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) - continued

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled - continued

Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments were effective for annual periods beginning on or after 1 January 2018. Earlier application was permitted. The amendments were to be applied prospectively. However, retrospective application was allowed if possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The adoption of this standard did not any impact on the Group's financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

The amendments in Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

An entity applies the overlay approach retrospectively to qualifying financial assets when it first applies IFRS 9. Application of the overlay approach requires disclosure of sufficient information to enable users of financial statements to understand how the amount reclassified in the reporting period is calculated and the effect of that reclassification on the financial statements.

An entity applies the deferral approach for annual periods beginning on or after 1 January 2018. Predominance is assessed at the reporting entity level at the annual reporting date that immediately precedes 1 April 2016. Application of the deferral approach needs to be disclosed together with information that enables users of financial statements to understand how the insurer qualified for the temporary exemption and to compare insurers applying the temporary exemption with entities applying IFRS 9. The deferral can only be made use of for the three years following 1 January 2018. Predominance is only reassessed if there is a change in the entity's activities.

The adoption of this standard did not any impact on the Group's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (r) New standards, amendments and interpretations effective and adopted during the year (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration - continued

This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

- (a) at fair value; or
- (b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of this standard did not any impact on the Group's financial statements.

Transfers of Investment property (Amendments to IAS 40)

The IASB has amended the requirements in IAS 40 Investment property on when a Company should transfer a property asset to, or from, investment property.

The adoption of this standard did not any impact on the Group's financial statements.

Annual improvement cycle (2014 – 2016) – various standards

STANDARDS	AMENDMENTS
IFRS 1 First-time Adoption of IFR	Outdated exemptions for first-time adopters of IFRS are removed. The amendments apply prospectively for annual periods beginning on or after 1 January 2018.
IAS 28 Investments in Associates and Joint Ventures	A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments apply retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018 and have not been applied in preparing these financial statements.

The Company does not plan to adopt these standards early. These are summarised overleaf.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

STANDARD	EFFECTIVE DATE
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019
IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual improvements cycle (2015-2017)	1 January 2019
IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019
IFRS 3 Definition of a Business	1 January 2020
Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
IFRS 17 Insurance contracts	1 January 2022
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	To be determined

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity)

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

A Company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

1. Assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A Company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.
2. depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
3. separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

IFRS 16: Leases - continued

The standard does not require a Company to recognise assets and liabilities for:

- (a) short-term leases (i.e. leases of 12 months or less) and;
- (b) leases of low-value assets

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The Group and Company is still assessing the potential impact on the amounts and disclosures of the Company's financial statements.

IFRIC 23 Clarification on accounting for income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The entity will also need to provide disclosures, under existing disclosure requirements, about

- (a) judgments made;
- (b) assumptions and other estimates used; and
- (c) potential impact of uncertainties not reflected.

The new Standard is effective for annual periods beginning on or after 1 January 2019.

The Group and Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

The adoption of these amendments will not have an impact on the financial statements of the Group and Company.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The amendments apply for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

The adoption of these standards will not have an impact on the financial statements of the Group and Company.

Annual improvement cycle (2015 – 2017) – various standards

STANDARDS	AMENDMENTS
IFRS 3 Business Combinations and IFRS 11 Joint Arrangements	Clarifies how a Company accounts for increasing its interest in a joint operation that meets the definition of a business: - If a party maintains (or obtains) joint control, then the previously held interest is not remeasured. - If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
IAS 12 Income taxes	Clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity
IAS 23 Borrowing costs	Clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

The adoption of these amendments is not expected to affect the amounts and disclosures of the Group and Company's financial statements.

IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a Company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

IAS 19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) - continued

Consistent with the calculation of a gain or loss on a plan amendment, entities will now use updated actuarial assumptions to determine the current service cost and net interest for the period. Previously, entities would not have updated the calculation of these costs until the year-end. Further, if a defined benefit plan is settled, any asset ceiling would be disregarded when determining the plan assets as part of the calculation of gain or loss on settlement.

The amendments apply for plan amendments, curtailments or settlements that occur on or after 1 January 2019, or the date on which the amendments are first applied. Earlier application is permitted.

The adoption of this standard will not have an impact on the financial statements of the Group and Company.

IFRS 3 Definition of a Business

With a broad business definition, determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement.

These amendments to IFRS 3 Business Combinations seek to clarify this matter as below however complexities still remain.

Optional concentration test

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

Substantive process

If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The definition of a business is now narrower and could result in fewer business combinations being recognised.

The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The adoption of this standard will not have an impact on the financial statements of the Group.

Amendments to References to the Conceptual Framework in IFRS Standards

This amendment sets out amendments to IFRS Standards (Standards), their accompanying documents and IFRS practice statements to reflect the issue of the International Accounting Standards Board (IASB) revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASB's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 (Framework) or the Conceptual Framework for Financial Reporting issued in 2010. Amendments to References to the Conceptual Framework in IFRS Standards updates some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are based on proposals in the Exposure Draft Updating References to the Conceptual Framework, published in 2015, and amend Standards, their accompanying documents and IFRS practice statements that will be effective for annual reporting periods beginning on or after 1 January 2020.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

Amendments to References to the Conceptual Framework in IFRS Standards - continued

The adoption of these changes will not affect the amounts and disclosures of the Group and Company's financial statements.

IAS 1 and IAS 8 Definition of Material

The amendment refines the definition of Material to make it easier to understand and aligning the definition across IFRS Standards and the Conceptual Framework.

The amendment includes the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the amendments also adds the increased threshold of 'could influence' to 'could reasonably be expected to influence' as below.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." However, the amendment has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier.

The Group and Company is assessing the potential impact on its financial statements resulting from the application of the refined definition of materiality.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

- (a) insurance contracts, including reinsurance contracts, it issues;
- (b) reinsurance contracts it holds; and
- (c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

- (a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
- (b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected.

IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

Notes to the Group and Company financial statements (continued)

4 Significant accounting policies (continued)

- (s) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2018 (continued)

IFRS 17 Insurance Contracts - continued

The entity:

- (a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
- (b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of these changes will not affect the amounts and disclosures in the Group's and Company financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Company meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

The adoption of these changes will not affect the amounts and disclosures of the Company's financial statements.

- (t) **Comparatives**

Where necessary, comparative figures have been adjusted to conform to presentation in the current year and changes in accounting policy.

5 Critical accounting estimates and judgements

Estimates and judgments 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 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.

Notes to the Group and Company financial statements (continued)

5 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

ii. *Income taxes*

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

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

iii. *Expected Credit Losses on 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

In determining the Expected Credit Loss (ECL), the Group first determines the Historical Loss Rate (HLR) of a financial asset. The HLR is then evaluated and adjusted for expected future events and circumstances to determine the ECL that will be applied at each date.

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, plant and equipment.

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

In the process of applying the Group's accounting policies, management has made judgments in determining the classification of financial assets and leases.

6 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.

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

The Group Board 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 Board 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 Board Audit Committee.

(a) Credit risk

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

Trade and other receivables

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

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

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

Investments

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

Write-off policy

Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment allowance has been raised, then that amount will be written off. The determination is reached after considering information such as the occurrence of significant changes in the customer's position such that the customer can no longer pay the obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018		2017	
	Group KShs'000	Company KShs'000	Group KShs'000	Company KShs'000
Equity and debt investments	482,106	482,106	530,244	530,244
Term deposits	273,151	191,973	143,283	66,935
Trade and other receivables	289,234	271,596	238,181	274,847
Cash at bank	60,631	36,510	97,156	17,761
	1,105,122	982,185	1,008,864	889,787

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

(a) Credit risk (continued)

Write-off policy - continued

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

	2018		2017	
	Group	Company	Group	Company
	KShs'000	KShs'000	KShs'000	KShs'000
Kenya	328,499	362,583	256,935	256,935
Uganda	16,364	-	10,595	-
Tanzania	19,448	-	28,447	-
Total (Note 22)	364,311	362,583	295,977	256,935

The ageing of trade receivables at the reporting date was:

	2018		2017	
	Group	Company	Group	Company
	KShs'000	KShs'000	KShs'000	KShs'000
Not past due	139,529	132,661	191,274	160,098
Past due 0-30 days	33,527	31,271	12,239	11,292
Past due 31-90 days	38,122	39,857	17,367	16,045
More than 90 days	153,133	158,794	75,097	69,500
	364,311	362,583	295,977	256,935
Neither past due nor impaired	139,529	132,661	191,274	160,098

Management believes that the amounts that are neither past due nor impaired will be collectible in full.

IMPAIRMENT LOSSES

Trade receivables	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Balance at 1 January	82,756	84,190	69,097	70,868
IFRS 9 opening adjustment	6,514	-	12,690	-
Impairment loss charge/(reversal) of trade receivables	18,659	19,909	19,864	17,230
Bad debts written off / (written back)	-	(21,150)	-	(19,001)
Bad debts recovered	(97)	-	(97)	-
Effect of exchange rates	(503)	(193)	-	-
Balance at 31 December (Note 22)	107,329	82,756	101,554	69,097

Notes to the Group and Company financial statements (continued)

6 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 2018 and 2017 to the contractual maturity date.

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

GROUP						
	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Liabilities (2018)						
Bank overdraft	40,297	-	-	-	-	40,297
Trade and other payables	171,043	181,105	229,806	-	-	581,954
Liabilities (2017)						
Bank overdraft	23,767	-	-	-	-	23,767
Trade and other payables	215,531	142,723	200,063	-	-	558,317
COMPANY						
	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
Liabilities (2018)						
Bank overdraft	40,297	-	-	-	-	40,297
Trade and other payables	133,064	142,723	197,870	-	-	473,657
Liabilities (2017)						
Bank overdraft	23,767	-	-	-	-	23,767
Trade and other payables	181,904	150,654	167,298	-	-	499,856

(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.

(i) 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 South African Rand (ZAR), US Dollars (USD) and Great Britain Pound (GBP), Uganda Shillings (UShs) and Tanzania Shillings (TShs).

Notes to the Group and Company financial statements (continued)

6 Financial risk management (Continued)

(c) Market risk (continued)

(i) 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)

2018					
Group:	USD	GBP	Euro	Rand	Total
At 31 December 2018					
Assets:					
Trade and other receivables	-	-	-	-	-
Liabilities:					
Trade and other payables	(599)	(14,435)	(4,251)	(37,651)	(56,936)
Net balance sheet position	(599)	(14,435)	(4,251)	(37,651)	(56,936)
2018					
Company:	USD	GBP	Euro	Rand	Total
At 31 December 2018					
Assets					
Trade and other receivables	-	-	-	-	-
Liabilities					
Trade and other payables	(469)	(14,435)	(4,251)	(20,484)	(39,639)
Net balance sheet position	(469)	(14,435)	(4,251)	(20,484)	(39,639)
2017					
Group:	USD	GBP	Euro	Rand	Total
At 31 December 2017					
Assets					
Trade and other receivables	1,516	-	14,836	-	16,352
Liabilities					
Trade and other payables	-	(25,115)	-	(48,568)	(73,683)
Net balance sheet position	1,516	(25,115)	14,836	(48,568)	(57,331)
2017					
Company:	USD	GBP	Euro	Rand	Total
At 31 December 2017					
Assets					
Trade and other receivables	160	-	7,631	-	7,791
Liabilities					
Trade and other payables	(1,138)	(25,115)	-	(29,180)	(55,433)
Net balance sheet position	(978)	(25,115)	7,631	(29,180)	(47,642)

Notes to the Group and Company financial statements (continued)

6 Financial risk management (Continued)

(c) Market risk (continued)

(i) Currency risk – continued

The following exchange rates were applied in the respective periods:

	ANNUAL AVERAGE RATES		CLOSING RATES	
	2018	2017	At 31 December 2018	At 31 December 2017
US Dollar	101.29	103.47	101.90	103.20
Sterling Pound	135.20	130.57	130.02	139.47
South African Rand	7.66	7.79	7.10	8.34
Euro	119.61	113.26	116.88	123.82

Sensitivity analysis

A 10 percent strengthening of the Kenyan Shilling against the following currencies at 31 December 2018 would have increased/(decreased) profit or loss and equity 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 2017.

GROUP	PROFIT OR LOSS / EQUITY	
	2018	2017
As at 31 December	KShs '00	KShs '000
US Dollar	60	(150)
GBP	1,443	2,512
Euro	425	(1,484)
Rand	3,765	4,857
Net impact	5,693	5,735
COMPANY		
As at 31 December		
US Dollar	47	97
GBP	1,443	2,512
Euro	425	(763)
Rand	2,048	2,918
Net impact	3,963	4,764

A 10 percent weakening of the Shilling against the above currencies at 31 December 2018 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk

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

Group As at 31 December 2018	Effective interest rate %	On demand KShs'000	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Over 5 years KShs'000	Non- interest bearing KShs'000	Total KShs'000
ASSETS								
Debt investments	11.1	-	171,914	161,692	-	-	-	333,606
Equity investment	-	-	-	-	-	-	148,500	148,500
Trade and other receivables	-	-	-	-	-	-	289,234	289,234
Term deposits	8.0	-	273,151	-	-	-	-	273,151
Cash and cash equivalents	-	-	-	-	-	-	60,631	60,631
			445,065	161,692	-	-	498,365	1,105,122
LIABILITIES								
Bank overdraft	13	40,297	-	-	-	-	-	40,297
Trade and other payables	-	-	-	-	-	-	581,954	581,954
As at 31 December 2017								
ASSETS								
Debt investments	10.8	-	-	520,698	9,546	-	-	530,244
Equity investment	-	-	-	-	-	-	180,428	180,428
Trade and other receivables	-	-	-	-	-	-	238,181	238,181
Term deposits	9.9	-	-	143,283	-	-	-	143,283
Cash and cash equivalents	-	-	-	-	-	-	97,156	97,156
			-	663,981	9,546	-	515,765	1,189,292
LIABILITIES								
Bank overdraft	13	23,767	-	-	-	-	-	23,767
Trade and other payables	-	-	-	-	-	-	593,555	593,555

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

(c) Market risk (continued) (ii) Interest rate risk (continued)

Company	Effective interest rate %	On demand KShs'000	Due within 3 months KShs'000	Due within 3 and 12 months KShs'000	Due between 1 and 5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
As at 31 December 2018								
ASSETS								
Debt investments	11.1	-	171,914	161,692	-	-	-	333,606
Equity investment	-	-	-	-	-	-	148,500	148,500
Trade and other receivables	-	-	-	-	-	-	271,596	271,596
Term deposits	9.0	-	191,973	-	-	-	-	191,973
Cash and cash equivalents	-	-	-	-	-	-	36,510	36,510
		-	363,887	161,692	-	-	456,606	982,185
LIABILITIES								
Bank overdraft		40,297	-	-	-	-	-	40,297
Trade and other payables		-	-	-	-	-	473,657	473,657
As at 31 December 2017								
ASSETS								
Debt investments	11	-	-	520,698	9,546	-	-	530,244
Equity investment	-	-	-	-	-	-	180,428	180,428
Trade and other receivables	-	-	-	-	-	-	274,847	274,847
Term deposits	8	-	-	66,936	-	-	-	66,936
Cash and cash equivalents	-	-	-	-	-	-	17,761	17,761
		-	-	587,634	9,546	-	473,036	1,070,216
LIABILITIES								
Bank overdraft	13	23,767	-	-	-	-	-	23,767
Trade and other payables	-	-	-	-	-	-	499,856	499,856

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk – continued

Sensitivity analysis

An increase of one percentage point in interest rates at the reporting date would have increased/ (decreased) profit or loss and equity 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 2017.

Effect in Kenyan Shillings thousands

	PROFIT OR LOSS/EQUITY			
	GROUP		COMPANY	
	2018 KShs	2017 KShs	2018 KShs	2017 KShs
Interest bearing assets	-	6,498	-	5,734

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 2018 and 31 December 2017 is as follows:

	2018 KShs	2017 KShs
Group and Company		
Equity investment (Note 18)	148,500	180,428

Sensitivity analysis on equity prices

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

EFFECT IN KENYAN SHILLINGS THOUSANDS	OTHER RESERVES	
	2018 KShs	2017 KShs
Group and company		
Equity investment	(14,850)	(18,043)

An increase of 10% in the share price would have had an equal but opposite effect on the reserves, on the basis that all other variables remain constant.

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

(d) Fair value of financial assets and financial liabilities

The fair values of other financial assets and financial liabilities is the same as the carrying amounts as shown in the statement of financial position due to their short-term nature.

Group	Financial assets at amortised cost KShs '000	Equity and debt investments KShs '000	Other amortised cost KShs '000	Total carrying value KShs '000	Fair value KShs '000
2018					
Financial assets					
Equity and debt investments	-	482,106	-	482,106	482,106
Trade and other receivables	289,234	-	-	289,234	289,234
Term deposits	273,151	-	-	273,151	273,151
Cash and cash equivalents	60,631	-	-	60,631	60,631
	623,016	482,106	-	1,105,122	1,105,122
Financial liabilities					
Bank overdraft	40,297	-	-	40,297	40,297
Trade and other payables	-	-	581,984	581,984	581,984
2017					
Financial assets					
Equity and debt investments	-	710,672	-	710,672	710,672
Trade and other receivables	238,181	-	-	238,181	238,181
Term deposits	143,283	-	-	143,283	143,283
Cash and cash equivalents	97,156	-	-	97,156	97,156
	478,620	710,672	-	1,189,292	1,189,292
Financial liabilities					
Bank overdraft	23,767	-	-	23,767	23,767
Trade and other payables	-	-	593,555	593,555	593,555

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

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

Company	Financial assets at amortised cost KShs '000	Equity and debt investments KShs '000	Other amortised cost KShs '000	Total carrying value KShs '000	Fair value KShs '000
2018					
Financial assets					
Equity and debt investments	-	482,106	-	482,106	482,106
Trade and other receivables	271,596	-	-	271,596	271,596
Term deposits	191,973	-	-	191,973	191,973
Cash and cash equivalents	36,510	-	-	36,510	36,510
	500,079	482,106	-	982,185	982,185
Financial liabilities					
Bank overdraft	40,297	-	-	40,297	40,297
Trade and other payables	-	-	473,657	473,657	473,657
2017					
Financial assets					
Equity and debt investments	-	710,672	-	710,672	710,672
Trade and other receivables	274,847	-	-	274,847	274,847
Term deposits	66,936	-	-	66,936	66,936
Cash and cash equivalents	17,761	-	-	17,761	17,761
	359,544	710,672	-	1,070,216	1,070,216
Financial liabilities					
Bank overdraft	23,767	-	-	23,767	23,767
Trade and other payables	-	-	499,856	499,856	499,856

Notes to the Group and Company financial statements (continued)

6 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 2018:

Group and Company

31 December 2018	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets:				
Available-for-sale financial assets	148,500	333,606	-	482,106
Total assets	148,500	333,606	-	482,106
31 December 2017	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets:				
Available-for-sale financial assets	180,428	530,244	-	710,672
Total assets	180,428	530,244	-	710,672

VALUATION TECHNIQUE AND SIGNIFICANT OBSERVABLE INPUTS

Type	Valuation technique	Significant observable inputs:	Inter-relationships between the significant observable inputs and fair value measurements
Treasury bonds	Market comparison technique The valuation model is based on market data derived from Treasury bond prices as listed in the Nairobi Securities Exchange.	Dirty price as per the market.	The estimated fair value will increase/ (decrease) if the dirty price per the market increases/ (decreases)

Notes to the Group and Company financial statements (continued)

6 Financial risk management (continued)

(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. Capital comprises all components of equity (i.e. share capital, retained earnings, and other reserves).

There is no externally imposed capital requirement.

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

7 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	Kenya	Tanzania	Uganda	Elimination	Total
31 December 2018	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Sales	913,804	53,396	39,924	(40,581)	966,543
Operating profit/(loss)	79,844	(20,783)	2,905	(12,652)	49,315
Net finance income	67,514	(916)	3,679	-	70,277
Profit/(loss)before income tax	147,358	(21,699)	6,584	(12,652)	119,592
Income tax expense	(45,603)	(6,494)	(1,918)	-	(54,015)
Profit/(loss) for the year	101,756	(28,193)	4,666	(12,652)	65,577
Year ended	Kenya	Tanzania	Uganda	Elimination	Total
31 December 2017	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Sales	872,666	88,183	59,352	(52,575)	967,626
Operating profit/(loss)	42,738	(18,528)	7,402	(1,935)	29,677
Net finance income	55,055	(4,487)	3,368	-	53,936
Profit/(loss)before income tax	97,794	(23,016)	10,770	(1,935)	83,613
Income tax expense	(37,017)	(3,729)	(3,488)	-	(44,234)
Profit/(loss) for the year	60,777	(26,745)	7,282	(1,935)	39,379

Notes to the Group and Company financial statements (continued)

7 Segment information (continued)

Other segment items included in the profit or loss are:

Year ended 31 December 2018	Kenya	Tanzania	Uganda	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Depreciation	78,568	5,320	607	84,495
Amortisation of intangible assets	187	-	-	187
Amortisation of operating leases	105	-	-	105
Stock provisions and write-offs	(18,389)	(1,063)	(2,393)	(21,845)
Impairment of trade receivables (Note 6(a))	19,864	(1,848)	629	18,449
Year ended 31 December 2017	Kenya	Tanzania	Uganda	Total
	KShs'000	KShs'000	KShs'000	KShs'000
Depreciation	72,000	5,644	634	78,278
Amortisation of intangible assets	194	65	-	259
Amortisation of operating leases	105	-	-	105
Stock provisions and write-offs	5,761	1,353	(504)	6,610
Impairment of trade receivables (Note 6(a))	17,230	3,029	(337)	19,922

The segment assets and liabilities at 31 December 2018 and capital expenditure for the period then ended are as follows:

Year ended 31 December 2018	Kenya	Tanzania	Uganda	Elimination	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Assets	1,896,063	99,436	122,920	(40,752)	2,077,667
Liabilities	473,658	107,356	35,022	(34,084)	616,036
Capital expenditure:					
Additions to property, plant and equipment	84,260	-	-	(10,757)	73,503
Year ended 31 December 2017					
Assets	1,962,353	86,248	112,494	(1,994)	2,159,101
Liabilities	579,593	71,056	22,643	(79,737)	593,555
Capital expenditure:					
Additions to property, plant and equipment	110,539	-	-	-	110,539

Segment assets comprise property, plant and equipment, intangible assets, inventories, receivables, debt and equity investment and cash. They exclude current and deferred taxes.

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 Group and Company financial statements (continued)

8 Revenue

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Sale of medical and industrial gases	777,096	784,415	740,588	720,670
Equipment sales	80,111	66,696	53,779	42,238
Equipment and facilities rentals	46,405	61,583	56,506	61,439
Service and delivery revenue	62,931	54,932	62,931	48,319
	966,543	967,626	913,804	872,666

9 Other operating income and expenses

(a) Other income				
Profit on disposal of property, plant and equipment	2,464	9,137	2,344	9,137
(b) Expenses by nature comprise:				
Product costs	219,092	230,745	186,643	197,543
Employee benefits and other staff costs	240,394	271,055	231,911	261,064
Electricity costs	109,077	98,345	109,013	98,219
Depreciation	84,495	78,278	78,566	72,000
Amortisation	292	364	292	299
Management fee	19,344	19,321	17,478	16,412
Impairment loss on financial assets	16,753	19,922	19,140	17,230
Vehicle expenses	41,201	56,171	38,814	53,363
Repairs and maintenance	52,826	24,930	52,596	24,759
Travel and accommodation	18,901	18,803	17,145	17,639
Security and cleaning services	17,167	17,657	16,018	15,071
Legal and professional Fees	36,695	19,118	29,741	16,880
Insurance	6,633	10,437	5,353	9,192
Other expenses	56,822	81,940	33,593	39,394
Total	919,692	947,086	836,303	839,065
Expenses by function comprise:				
Cost of sales	486,259	466,459	450,822	429,843
Distribution costs	110,693	111,841	105,295	106,808
Selling and administrative expenses	305,987	348,864	261,046	285,184
Impairment loss on financial assets	16,753	19,922	19,140	17,230
Total	919,692	947,086	836,303	839,065
(c) Employee benefit expense				
The following items are included within staff costs:				
Social security benefits	955	993	166	204
Retirement benefits costs: - defined contribution scheme	15,471	18,369	15,471	18,369

The number of employees at 31 December 2018 was 79 (2017 – 85).

Notes to the Group and Company financial statements (continued)

10 Finance income and finance costs

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
(a) Finance income				
Interest income	63,470	63,389	59,056	58,113
Dividend income	10,395	10,395	10,395	10,395
Foreign currency exchange gains		-		-
Total	73,865	73,784	69,451	68,508
(b) Finance costs				
Interest paid	1,563	961	1,563	961
Foreign currency exchange loss	2,025	18,887	374	12,491
Total	3,588	19,848	1,937	13,452

11 Profit before taxation

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before taxation is arrived at after (crediting)/charging:				
Repairs and maintenance expenditure on property, plant and equipment	52,826	24,930	52,596	24,759
Directors' remuneration:				
<i>Fees and allowances</i>	10,960	10,400	10,960	10,400
<i>Salaries and short-term benefits</i>	34,840	39,957	34,840	39,957
<i>Provident fund contributions</i>	2,376	5,244	2,376	5,244
Depreciation	84,495	78,278	78,566	72,000
Impairment of trade receivables	18,449	19,922	19,668	17,230
Amortisation of intangible assets	292	364	292	299
Operating leases charges:				
<i>Rentals expense</i>	5,243	11,149	1,000	1,000
Auditors remuneration	6,209	5,315	4,764	4,347
And after crediting:				
Profit on disposal of property, plant and equipment	2,464	9,137	2,344	9,137

12 Income tax expense

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Current tax expense:				
Current year (Note 23)	49,973	40,903	42,629	37,835
Deferred tax credit/(charge):				
Decrease/(Increase) in deferred tax assets (Note 19)	4,042	3,331	2,974	(818)
Prior year deferred tax (under)/over provision (Note 19)	-	-	-	-
Deferred tax expense	4,042	3,331	2,974	(818)
Income tax expense	54,015	44,234	45,603	37,017

Notes to the Group and Company financial statements (continued)

12 Income tax expense (Continued)

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

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Profit before tax	119,592	83,613	147,358	97,794
Tax calculated at a tax rate of 30%	35,878	25,084	44,207	29,338
Alternative Minimum tax	160	263	-	-
Tax effect of:				
Dividend income taxed at 5%	(2,599)	(2,599)	(2,599)	(2,599)
Expenses not deductible for tax purposes	7,732	17,465	3,995	10,278
Deferred tax not recognised	12,844	4,003	-	-
Translation differences	-	18	-	-
Income tax expense	54,015	44,234	45,603	37,017

13 Earnings per share

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

There were no potentially dilutive shares outstanding at 31 December 2018 or 31 December 2017. Therefore, the dilutive earnings per share and the calculation thereof equals the basic earnings per share.

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Net profit attributable to shareholders	65,577	39,379	101,756	60,777
Weighted average number of ordinary shares in issue	19,525	19,525	19,525	19,525
Basic and dilutive earnings per share (KShs)	3.36	2.02	5.21	3.11

14 Dividends per share

At the next annual general meeting a final dividend in respect of the year ended 31 December 2018 of KShs 2.85 per share (2017 – KShs 3.00 per share), amounting to a total of KShs 55,647,521 (2017 – KShs 58,576,338) is to be proposed.

During the year an interim dividend of KShs 2.35 per share (2017 – KShs 2.20 per share), amounting to a total of KShs 45,884,798 (2017 – KShs 42,955,981) was paid. The total dividend for the year is therefore KShs 5.20 per share (2017 – KShs 5.20), amounting to a total of KShs 101,532,320 (2017 – KShs 101,532,320).

Payment of dividends is subject to withholding tax at a rate of either 5% for resident shareholders or 10% in for non-resident shareholders.

Notes to the Group and Company financial statements (continued)

15 Property, plant and equipment

(a) Group

2018	Land & buildings KShs'000	Plant & machinery KShs'000	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 2018	123,728	637,856	224,982	764,973	60,276	45,739	1,857,554
Transfers	-	15,394	-	3,096	-	(18,490)	-
Additions	-	3,288	13,162	7,893	-	49,160	73,503
Disposals Clean up	(1,190)	(60,905)	(47,613)	-	(18,057)	-	(127,765)
Align to Register	11,610	(1,617)	45,637	44	-	-	55,674
Disposals	-	(236)	(8,382)	-	(338)	-	(8,956)
Currency translation	(393)	(1,485)	(879)	(813)	(137)	-	(3,707)
At 31 December 2018	133,755	592,295	226,907	775,193	41,744	76,409	1,846,303
Depreciation:							
At 1 January 2018	(63,438)	(472,254)	(109,191)	(355,702)	(53,036)	-	(1,053,621)
Charge for the year	(4,202)	(26,505)	(18,873)	(32,252)	(2,663)	-	(84,495)
Disposals-Depreciation	-	78	7,356	-	287	-	7,721
Align to Register	(10,037)	-	(45,637)	-	-	-	(55,674)
On disposals-Clean up	1,190	60,905	47,613	-	18,057	-	127,765
Currency translation	55	585	365	468	121	-	1,594
At 31 December 2018	(76,432)	(437,191)	(118,367)	(387,486)	(37,234)	-	(1,056,710)
Carrying value:							
At 31 December 2018	57,323	155,104	108,540	387,707	4,510	76,409	789,593

During the year, the Group received compensation of KShs 3,698,813 (2017 – KShs 9,519,444) from third parties for lost cylinders and disposal of replaced trucks. The net book value of the disposed assets was KShs 1,234,513. Further, a Fixed Asset Register clean up exercise was done during the year to align the fixed assets register to the financial statements. This included the removal or alignment of historical elements of cost and depreciation between different asset classes. The net impact of this exercise on the financial statements was KShs Nil.

Notes to the Group and Company financial statements (continued)

15 Property, plant and equipment (continued)

(b) Group (continued)

2017	Land & buildings KShs'000	Plant & machinery KShs'000	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 2017	123,931	579,912	228,907	768,406	59,803	14,830	1,775,789
Transfers	-	-	10,059	85	-	(10,144)	-
Additions	-	10,962	10,612	47,381	531	41,053	110,539
Reallocation	-	50,688	-	(50,688)	-	-	-
Disposals	-	(3,015)	(24,142)	-	-	-	(27,157)
Currency translation differences	(203)	(691)	(454)	(211)	(58)	-	(1,617)
At 31 December 2017	123,728	637,856	224,982	764,973	60,276	45,739	1,857,554
Depreciation:							
At 1 January 2017	(60,296)	(407,901)	(115,825)	(368,481)	(50,164)	-	(1,002,667)
Charge for the year	(3,164)	(25,095)	(17,285)	(29,817)	(2,917)	-	(78,278)
Reallocation	-	(42,473)	-	42,473	-	-	-
On disposals	-	3,015	23,760	-	-	-	26,775
Currency translation differences	22	200	159	123	45	-	549
At 31 December 2017	(63,438)	(472,254)	(109,191)	(355,702)	(53,036)	-	(1,053,621)
Carrying value:							
At 31 December 2017	60,290	165,602	115,791	409,271	7,240	45,739	803,933

Notes to the Group and Company financial statements (continued)

15 Property, plant and equipment (Continued)

(c) Company

2018	Land & buildings KShs'000	Plant & machinery KShs'000	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 2018	113,469	598,257	202,062	741,232	56,536	45,739	1,757,295
Transfers	-	15,394	-	3,097	-	(18,490)	-
Additions	-	3,288	13,162	7,893	-	59,917	84,260
Align to Register	11,610	(1,617)	45,637	44	-	-	55,674
Disposal Clean-up	(1,189)	(60,905)	(47,613)	-	(18,057)	-	(127,764)
Disposals	-	-	(8,382)	-	(86)	-	(8,468)
At 31 December 2018	123,890	554,416	204,866	752,266	38,393	87,166	1,760,997
Depreciation							
At 1 January 2018	(61,985)	(456,143)	(99,658)	(342,079)	(49,727)	-	(1,009,592)
Align to register	(10,037)	-	(45,637)	-	-	-	(55,674)
Charge for the year	(3,708)	(24,515)	(16,665)	(31,255)	(2,423)	-	(78,566)
Disposal Clean up	1,189	60,905	47,613	-	18,056	-	127,763
Disposals	-	-	7,356	-	34	-	7,390
At 31 December 2018	(74,541)	(419,753)	(106,991)	(373,334)	(34,060)	-	(1,008,679)
Carrying value:							
At 31 December 2018	49,349	134,663	97,875	378,932	4,333	87,166	752,318

During the year, the Company received compensation of KShs 3,421,293 (2017 – KShs 9,519,444) from third parties for lost cylinders and disposal of replaced trucks.

Notes to the Group and Company financial statements (continued)

15 Property, plant and equipment (Continued)

(d) Company (continued)

2017	Land & buildings KShs'000	Plant & machinery KShs'000	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 2017	113,469	539,622	205,533	744,454	56,005	14,830	1,673,913
Transfers	-	-	10,059	85	-	(10,144)	-
Additions	-	10,962	10,612	47,381	531	41,053	110,539
Reallocation	-	50,688	-	(50,688)	-	-	-
Disposals	-	(3,015)	(24,142)	-	-	-	(27,157)
At 31 December 2017	113,469	598,257	202,062	741,232	56,536	45,739	1,757,295
Depreciation							
At 1 January 2017	(59,336)	(393,702)	(108,444)	(355,777)	(47,108)	-	(964,367)
Reallocation	-	(42,473)	-	42,473	-	-	-
Charge for the year	(2,649)	(22,983)	(14,974)	(28,775)	(2,619)	-	(72,000)
Disposals	-	3,015	23,760	-	-	-	26,775
At 31 December 2017	(61,985)	(456,143)	(99,658)	(342,079)	(49,727)	-	(1,009,592)
Carrying value:							
At 31 December 2017	51,484	142,114	102,404	399,153	6,809	45,739	747,703

Included in property, plant and equipment are assets with a gross value of KShs 195,745,126 (2017 – KShs 310,682,260) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 28,706,219 (2017 – KShs 37,192,728).

There were no idle assets at 31 December 2017 and 2016. The Group had no property pledged as security as at 31 December 2018 and 31 December 2017.

Notes to the Group and Company financial statements (continued)

16 Intangible assets

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Cost:				
At beginning of year	16,857	16,860	16,622	16,622
Translation differences	-	(3)	-	-
At end of year	16,857	16,857	16,622	16,622
Accumulated amortisation				
At beginning of year	(16,420)	(16,163)	(16,185)	(15,991)
Charge for the year	(187)	(259)	(187)	(194)
Translation differences	-	2	-	-
At end of year	(16,607)	(16,420)	(16,372)	(16,185)
Net carrying amount at 31 December	250	437	250	437

17 Investment in subsidiaries

	Percentage	2018	2017
		KShs'000	KShs'000
Company			
East African Oxygen Limited	100%	-	-
BOC Tanzania Limited	100%	10	10
BOC Uganda Limited	100%	50	50
Kivuli Limited	100%	-	-
Total		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 structured consolidated entity, is incorporated in Kenya and holds certain investments on behalf of BOC Kenya Plc.

18 Equity and debt investments

Group and Company	2018	2017
	KShs'000	KShs'000
Non-current:		
Shares in quoted company	148,500	180,428
Treasury bonds	-	6,963
Corporate bonds	-	2,583
Total non-current	148,500	189,974
Current:		
Treasury bills	333,606	520,698

The weighted average effective interest rate on the treasury bills at year end was 11.1 (2017 – 10.77%), while that on treasury and corporate bonds was 9.0 (2017 – 10.5%).

Notes to the Group and Company financial statements (continued)

19 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2017 – 30%).

	GROUP		COMPANY	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Deferred tax asset	28,270	24,976	29,601	23,836
Deferred tax liability	-	(265)	-	-
Total	28,270	24,711	29,601	23,836

The movement on the deferred tax account is as follows:

At the beginning of year	24,711	27,528	23,836	22,442
IFRS 9 adjustments	7,631	-	8,734	-
Recognised in profit or loss (Note 12)	(4,042)	(3,331)	(2,974)	818
Unrealised gain/(loss) on FVOCI	5	576	5	576
Currency translation differences	(35)	(62)	-	-
At end of year	28,270	24,711	29,601	23,836

Consolidated deferred tax assets and deferred tax charge/(credit) to profit or loss account are attributable to the items on the next two pages:

Deferred tax of KShs. 12,844,000 (2017 – KShs 4,003,000) relating to tax losses and taxable temporary differences in a subsidiary Company have not been recognised in these financial statements due to uncertainty on the profitability of the subsidiary Company in the foreseeable future.

Notes to the Group and Company financial statements (continued)

19 Deferred tax (continued)

(a) Group

Year ended 31 December 2018	At 1 January	IFRS 9 opening Adjustment	Recognised in profit or loss	Recognised in other comprehensive income	Foreign currency translation differences	At 31 December
	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Property, plant and equipment	(64,314)	-	8,420	-	246	(55,648)
Unrealized exchange (gains)\ losses	1,750	-	(3,336)	-	(24)	(1,610)
Accrued expenses and provisions	87,285	7,631	(9,126)	-	(257)	85,533
Unrealized loss on FVOCI financial assets	(10)	-	-	5	-	(5)
Totals	24,711	7,631	(4,042)	5	(35)	28,270
Year ended 31 December 2017						
Property, plant and equipment	(61,855)	-	(2,560)	-	101	(64,314)
Unrealized exchange (gains)\ losses	6,097	-	(4,270)	-	(77)	1,750
Accrued expenses and provisions	79,792	-	7,511	-	(18)	87,285
Unrealized loss on available for sale financial assets	(586)	-	-	576	-	(10)
Tax losses	4,080	-	(4,012)	-	(68)	-
Totals	27,528	-	(3,331)	576	(62)	24,711

Notes to the Group and Company financial statements (continued)

19 Deferred tax (continued)

(b) Company	At 1 January KShs '000	IFRS 9 Opening Adjustment KShs' 000	Recognised in profit or loss KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Year ended 31 December 2018					
Property, plant and equipment	(57,059)	-	2,859	-	(54,200)
Unrealized loss on FVOCI financial assets	(10)	-	-	5	(5)
Accrued expenses and provisions	78,999	8,734	(3,252)	-	84,481
Unrealised exchange (gains)/losses	1,906	-	(2,581)	-	(675)
Totals	23,836	8,734	(2,974)	5	29,601
Year ended 31 December 2017					
Property, plant and equipment	(54,913)	-	(2,145)	-	(57,058)
Unrealized loss on available for sale financial assets	(586)	-	-	576	(10)
Accrued expenses and provisions	77,906	-	1,092	-	78,998
Unrealised exchange (gains)/losses	35	-	1,871	-	1,906
Totals	22,442	-	818	576	23,836

Notes to the Group and Company financial statements (continued)

20 Prepaid operating leases

GROUP AND COMPANY	2018	2017
	KShs'000	KShs'000
Leases expiring beyond five years		
At the beginning of the year	3,188	3,293
Amortisation for the year	(104)	(105)
At the end of the year	3,084	3,188

21 Inventories

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Raw materials	10,103	6,191	10,103	6,191
Finished goods and other saleable stock	129,183	131,461	111,662	112,072
Spares	52,733	47,740	52,733	47,696
Goods in transit	24,904	30,982	23,484	29,443
Impairment allowance	(54,300)	(75,545)	(48,755)	(67,144)
Total	162,623	140,829	149,227	128,258

The cost of inventory recognised as an expense and included in cost of sales amounted to KShs 479,521,975 (2017 – KShs 372,037,146) for Group and KShs 459,907,860 (2017 – KShs 343,124,127) for Company.

22 Trade and other receivables

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Trade receivables	345,210	283,642	309,398	244,600
Allowance for impairment	(107,329)	(82,756)	(101,554)	(69,097)
	237,881	200,886	207,844	175,503
Receivables from related companies (Note 33(c))	19,101	12,335	53,185	91,214
Prepayments	16,995	21,423	8,939	12,493
Other receivables	32,252	24,960	10,567	8,130
Total	306,229	259,604	280,535	287,340

23 Tax recoverable

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	44,591	49,221	29,397	39,662
Reclassified to other debtors	-	(1,347)	-	-
Charge for the year (Note 12)	(49,973)	(40,903)	(42,629)	(37,835)
Tax paid in respect of current year	41,689	37,722	38,963	27,570
Foreign currency translation	(497)	(102)	-	-
At 31 December	35,810	44,591	25,731	29,397

24 Term deposits

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

Notes to the Group and Company financial statements (continued)

25 Cash and cash equivalents

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

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Cash at bank and in hand	60,631	97,156	36,510	17,761
Bank overdraft	(40,297)	(23,767)	(40,297)	(23,767)
Total	20,334	73,839	(3,787)	(6,006)

The overdraft is secured by a guarantee by the Company's ultimate parent Company, Linde AG.

26 Share capital and share premium

(a) Share capital	Number of shares	Share capital KShs'000
Group and Company:		
Authorised (ordinary shares)	20,000,000	100,000
Issued and fully paid 2018 and 2017	19,525,446	97,627

The total authorised number of ordinary shares is 19,525,446 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.

27 Other reserves

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Fair value reserve	105,145	156,028	104,210	156,028
Foreign currency translation reserve	(32,290)	(30,471)	-	-
Total	72,855	125,557	104,210	156,028

(a) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of financial instruments measured at fair value through Other Comprehensive Income (OCI), recognised in other comprehensive income excluding impairment losses, until the investment is derecognised.

(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.

Notes to the Group and Company financial statements (continued)

28 Trade and other payables

	GROUP		COMPANY	
	2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Cylinder deposits	211,698	217,220	180,265	184,454
Trade payables	109,406	75,599	88,543	65,322
Amounts due to related companies (Note 33(d))	58,845	102,702	41,678	81,726
Accruals and other payables	202,005	198,034	163,171	168,355
Total	581,954	593,555	473,657	499,857

29 Cash generated from operations

Reconciliation of profit before tax to cash generated from operating activities:

	Note	GROUP		COMPANY	
		2018 KShs'000	2017 KShs'000	2018 KShs'000	2017 KShs'000
Profit before tax		119,592	83,613	147,359	97,794
Adjustments for:					
Depreciation	15	84,495	78,278	78,566	72,000
Amortisation of intangible assets	16	187	259	187	194
Operating lease charges	20	104	105	104	105
Profit on sale of property and equipment	8 (a)	(2,464)	(9,137)	(2,344)	(9,137)
Effect of foreign currency translations		4,228	3,059	-	-
Interest income	10 (a)	(63,470)	(63,389)	(59,056)	(58,113)
Dividend income	10 (a)	(10,395)	(10,395)	(10,395)	(10,395)
Changes in working capital:					
Trade and other receivables		(53,140)	60,680	(5,885)	76,819
Inventories		(21,794)	1,140	(20,969)	(705)
Trade and other payables		(11,601)	69,049	(26,192)	26,114
Cash generated from operating activities		45,742	213,262	101,371	194,676

30 Contingent liabilities

At 31 December 2018, the Group and Company's Bankers had issued various guarantees in favour of third parties (primarily the Group and Company's public sector customers) amounting KShs10,208,911 (31 December 2017 – KShs 12,433,127).

The Company has the following bank facilities:

Facility description	Limit (US\$)
Letters of credit and guarantees	2,000,000
Working capital and advances	1,000,000
Foreign exchange	500,000

There are certain pending tax and legal claims brought against the Group and Company as at 31 December 2018 for which a provision has been made in the books, where deemed necessary. In the opinion of the Directors, after taking appropriate legal advice, the outcome of certain tax and legal claims will not give rise to any significant loss beyond the amounts already provided in these financial statements.

Notes to the Group and Company financial statements (continued)

31 Capital commitments

At 31 December 2018, the Group had capital commitments of KShs 13,510,459 (2017 – KShs 47,440,422).

32 Future rental commitments under operating lease

The Group leases certain of its premises under operating leases with an option to renew the lease after expiry date. Lease payments are increased periodically to reflect market rentals.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Not later than one year	2,907	9,800	1,000	1,000
Between 1 and 5 years	4,000	5,907	4,000	4,000
Longer than five years	25,000	26,000	25,000	26,000
Total	31,907	41,707	30,000	31,000

Amounts expensed during the year are disclosed in Note 11.

33 Related party transactions

The ultimate parent of the Group is Linde A.G., a company incorporated in Germany. There are other companies that are related to BOC Kenya Plc through common shareholdings or common Directorships.

The following transactions were carried out with related parties:

(a) Purchase of goods and services	2018	2017
	KShs'000	KShs'000
Group		
BOC Group plc	2,825	22,205
African Oxygen Limited	65,723	60,548
Cryostar France	1,405	4,612
Total	69,953	87,365
Company		
BOC Group plc	2,825	22,205
African Oxygen Limited	55,485	56,837
Cryostar France	2,825	4,612
Total	61,135	83,654

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) Sales to subsidiaries

	COMPANY	
	2018	2017
	KShs'000	KShs'000
BOC Tanzania Limited	21,062	23,283
BOC Uganda Limited	19,519	29,292
Total	40,581	52,575

Notes to the Group and Company financial statements (continued)

33 Related party transactions (continued)

(c) Outstanding balances included in receivables

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
Due to BOC Kenya Plc:				
BOC Tanzania Limited	-	-	20,527	75,882
BOC Uganda Limited	-	-	13,557	2,997
African Oxygen Limited	19,101	12,335	19,101	12,335
Total	19,101	12,335	53,185	91,214

(d) Outstanding balances arising from the purchase of goods and services

	GROUP		COMPANY	
	2018	2017	2018	2017
	KShs'000	KShs'000	KShs'000	KShs'000
BOC Group plc	14,435	25,327	14,435	25,327
African Oxygen Limited	40,159	73,932	22,992	52,956
Linde A.G	3,250	3,443	3,250	3,443
Cryostar	1,001	-	1,001	-
Total	58,845	102,702	41,678	81,726

(e) Key management compensation

Group and Company	2018	2017
	KShs'000	KShs'000
Salaries and short-term benefits	40,752	44,739

Key management compensation relates to salary and benefits paid to senior members of management excluding executive directors (whose remuneration is disclosed below)

	GROUP AND COMPANY	
	2018	2017
	KShs'000	KShs'000
(f) Directors' remuneration		
Fees	10,960	10,400
Salaries and short-term benefits	34,840	39,957
Provident fund contributions	2,376	5,244
Total	48,176	55,601
(g) Dividends paid		
Group and Company		2017
		KShs'000
BOC Group Plc	68,296	66,381

Notes to the Group and Company financial statements (continued)

34 Subsequent events

Since the end of the financial period, no matter or circumstances have occurred that have or may significantly affect the operations or the state of affairs of the Group in subsequent financial years.

35 Restatement

Among “Activities” or cost-centres that the Group classifies its expenses into are ‘Distribution’ and ‘Inventory’. Costs under Inventory include production losses and stock adjustments (which were previously presented under Cost of Sales) and warehousing and stock management costs (which were previously presented as Distribution Costs).

The Group is now reporting all Inventory costs under Cost of Sales in order to ensure that costs remaining under the Distribution Activity relate only to the moving of stocks to the various owned-distribution locations and to customer locations.

In addition, impairment provisions on financial assets has been reclassified from selling and administrative expenses to a separate line item termed ‘Impairment of financial assets’.

The restatement in the profit and loss account for the year 2017 is summarised below.

	As previously reported KShs’ 000	Reclassification KShs’ 000	As Restated KShs’ 000
Group:			
Cost of sales	450,200	16,259	466,459
Distribution costs	128,100	(16,259)	111,841
Selling and administrative expenses	368,786	(19,922)	348,864
Impairment of financial assets	-	19,922	19,922
Total	947,086	-	947,086
Company:			
Cost of sales	413,715	16,128	429,843
Distribution costs	122,936	(16,128)	106,808
Selling and administrative expenses	302,414	(17,230)	285,184
Impairment of financial assets	-	17,230	17,230
Total	839,065	-	839,065

FORM OF PROXY

To:
The Secretary,
BOC Kenya Plc,
PO Box 18010 – 00500
Nairobi

I/We
.....of PO Box
being member/members of BOC Kenya Plc appoint:

.....
or failing him, the Chairman of the Meeting as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on **21 June 2019 at 11:00am** at the Company's Head Office and factory site, Kitui Road, Industrial Area, or at any adjournment thereof.

As witness my/our hand/s thisday of.....2019

.....
(Signature)

NOTES:

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.
2. Shareholders who do not propose to be at the Annual General Meeting and intend to appoint a proxy are requested to do the following:
 - **Complete this form and attach a copy of your National ID and a copy of the National ID of the proxy appointed.**
 - Return the form (plus copies of the National ID's) to the Company's Registrar, Custody & Registrars, 6th Floor, Bruce House, Standard Street, PO Box 8484 – 00100, Nairobi or alternatively to the Registered Office of the Company so as to arrive not later than **2:30 p.m. on 19 June 2019.**
3. If the appointer is a corporation, this Form of Proxy must be under its Common Seal or under the hand of the officer or attorney duly authorised in that behalf.
4. Duly signed proxy forms together with ID copies may also be emailed to **proxy@candrgroup.co.ke** in PDF format.

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