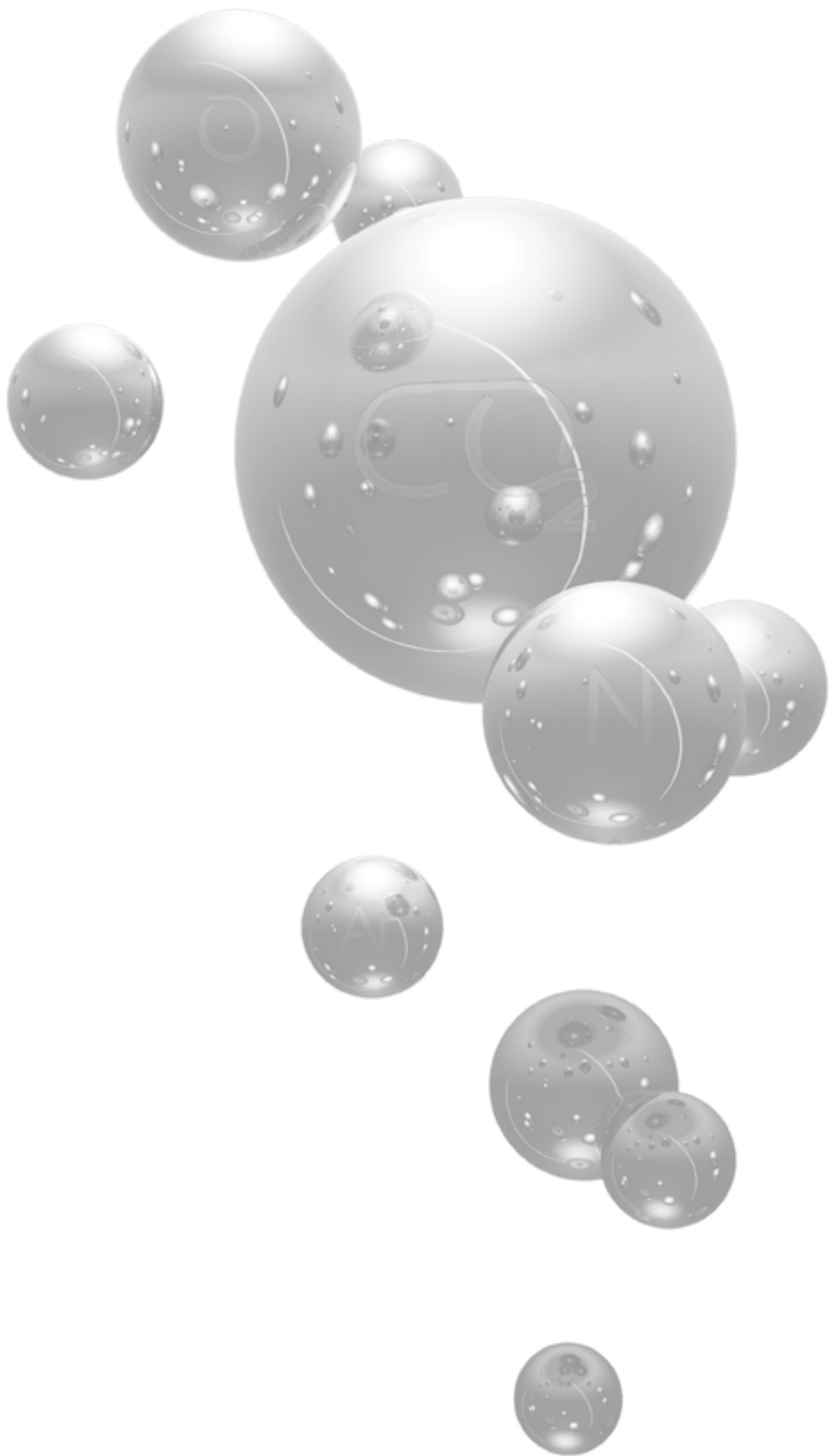




QUALITY

BOC KENYA LIMITED
Annual Report
2015



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Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Seventy-Fifth Annual General Meeting of BOC Kenya Limited will be held at the Company's Head Office and factory site, Kitui Road, Industrial Area, Nairobi, on 22 June 2016, 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 2015, together with the reports of the Chairman, Directors and Auditors thereon.
2. To confirm the interim dividend of KShs 2.20 per ordinary share paid on 2 October 2015 and to declare a final dividend of KShs 3.00 per ordinary share payable, net of Withholding Tax, on or about the 13 July 2016 to Shareholders on the Register at the close of business on 13 May 2016.
3. To elect Directors:
 - (i) Mrs C. Wetende and Mrs. M. Onyonyi retire and being eligible offer themselves for re-election in accordance with Article 98 of the Articles of Association.
 - (ii) Mr. N. Kiuna and Mr. M. Kruger retire by rotation and, being eligible, offer themselves for re-election in accordance with Article 93 of the Articles of Association.
4. To approve the remuneration of directors for the year ended 31 December 2015.
5. To note that the auditors, KPMG Kenya, continue in office in accordance with Section 159(2) of the Kenyan Companies Act (Cap. 486) and to authorise the directors to fix their remuneration.

BY ORDER OF THE BOARD

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

6 April 2016

NOTES:

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the company.
2. A proxy form is provided with this report. Shareholders who do not propose to be at the Annual General Meeting are requested to complete and return the form to the Company Secretary at the registered office of the company OR to the Company's Registrar, Custody & Registrars, 6th Floor, Bruce House, Standard Street, so as to arrive not later than 2:30 p.m. on 20 June 2016, being not less than 48 hours before the time appointed for the meeting.



BOARD OF DIRECTORS

| | |
|-------------------|--|
| Mr. N. Kiuna | (Chairman) |
| Mrs. M. Onyonyi | (Managing Director, Appointed 1 April 2016) |
| Mr. A. Kamau | (Finance Director) |
| Mrs. M. Msiska | (Resigned 31 January 2016) |
| Mr. N. Thomson | (Resigned 31 May 2015) |
| Mr. W. Coetzee | (Resigned 30 June 2015) |
| Mr. B. Wheatcroft | (Resigned 13 November 2015) |
| Mr. R. Mbugua | |
| Mr. M. Kruger | |
| Mrs. L. Njoroge | |
| Mr. N. Adams | (Appointed 1 December 2015) |
| Mrs. C. Wetende | (Appointed 1 March 2016) |
| Ms. R. T. Ngobi | (Company Secretary) |

AUDIT COMMITTEE

| | |
|-----------------|---------------------|
| Mr. R. Mbugua | (Chairman) |
| Mr. M. Kruger | |
| Mrs. L. Njoroge | |
| Mrs. M. Onyonyi | (Permanent invitee) |
| Mr. A. Kamau | (Permanent invitee) |
| Ms. R.T. Ngobi | (Secretary) |

NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE

| | |
|-----------------|---------------------|
| Mr. N. Kiuna | (Chairman) |
| Mr. M. Kruger | |
| Mr. R. Mbugua | |
| Mrs. M. Onyonyi | (Permanent invitee) |
| Ms. R.T. Ngobi | (Secretary) |

RETIREMENT AND REMUNERATIONS COMMITTEE

| | |
|-----------------|---------------------|
| Mrs. L. Njoroge | (Chairman) |
| Mr. N. Adams | |
| Mrs. C. Wetende | |
| Mrs. M. Onyonyi | (Permanent invitee) |
| Mr. A. Kamau | (Permanent invitee) |
| Mrs. S. Onyoni | (Permanent invitee) |
| Ms R.T. Ngobi | (Secretary) |

AUDITOR

KPMG Kenya,
8th Floor, ABC Towers,
ABC Place,
Waiyaki Way,
P. O. Box 40612-00100
NAIROBI

TRANSFER AGENTS

Custody & Registrar Services Limited,
6th Floor, Bruce House, Standard Street,
P. O. Box 8484-00100,
NAIROBI

ADVOCATES

Kaplan & Stratton,
Williamson House,
4th Ngong Avenue,
P. O. Box 4011-00100
NAIROBI

Daly & Figgis Advocates
ABC Towers, 6th Floor,
ABC Place,
Waiyaki Way,
P. O. Box 40034-00100
NAIROBI

BANKERS

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

SECRETARY, REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Ms. R.T. Ngobi (CPS No. 726)
Company Secretary
Kitui Road, Industrial Area
P. O. Box 18010-00500
NAIROBI



Board of directors



Mr. Ngugi Kiuna (age 67)
Non-Executive Chairman (Kenyan)

Appointed to the Board as Non-Executive Director in October 1993. Appointed Chairman of the Board on 4 May 2012. He graduated with a BSc (Hons) degree in mechanical engineering from Portsmouth Polytechnic, England. He is currently the Managing Director of Maxam Limited, the distributor of Heineken and Philip Morris across East Africa. His professional experience has involved working as a Managing Director of Holman Bros East Africa and as Managing Director of Diversey Eastern and Central Africa Limited until July 2006. Ngugi has served on various boards of listed and non-listed companies in the past, amongst them, Access Kenya Limited, Transcentury Limited and Kenya Power and Lighting Company Limited. He is currently a Director of Proctor & Allen (EA) Limited and UBA Bank (Kenya) Limited.



Mrs. Millicent Onyonyi (age 49)
Managing Director (Kenyan)

Appointed as Director to the Board in April 2016. Millicent is an accomplished Senior Executive possessing 24 years of local and international experience, predominantly in the oil industry. Most recently, she held the position of Corporate Retail Coordinator Libya Oil Africa and was responsible for coordinating retail activities in 18 countries across Africa. Millicent holds a Bachelor of Commerce (Honours) Degree (Business Administration and Marketing) from Nairobi University. She is a Non-Executive Director of Kenya National Trading Corporation Limited.



Mr. Arthur Kamau (age 50)
Finance Director (Kenyan)

Appointed to the Board in December 2010. Arthur joined the Company in December 2010 as General Manager responsible for Finance and Administration. He has extensive experience in financial management and served in senior management roles over the last ten 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 and is a member of the Instituted of Certified Public Accountants of Kenya.



Mr. Marius Kruger (age 46)
Non-Executive Director (South African)

Appointed to the Board in August 2013. Marius 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 five years in general management, financial audits and advisory services, business planning, financial and management reporting, strategy formulation, implementation and reviews. Marius holds a post graduate degree in Finance and is an associate member of the Chartered Institute of Management Accountants in the United Kingdom.

Board of directors



Mr. Robert N. Mbugua (age 48)
Non-Executive Director (Kenyan)

Appointed to the Board in May 2012. Robert is the Co- Founder and Chief Executive of the investment firm, TCI 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). He holds directorships in Fleet Africa (EA) Ltd and Nabo Capital Ltd.



Mrs. Lucy Njoroge (age 49)
Non-Executive Director (Kenyan)

Appointed to the Board in September 2014. Lucy is a Founder member and Managing Director of XR 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. She was a Board Member of Kenya Women Finance Trust Ltd between 2006 and 2011.



Mrs. Cosima Wetende (age 41)
Non-Executive Director (Kenyan)

Appointed to the Board in March 2016. Cosima is an Advocate of the High Court of Kenya of 13 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. Cosima 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).



Nazmi Adams (age 55)
Non-Executive Director (South African)

Appointed to the Board 1 December 2015. Mr. Nazmi Adams is currently the General Manager, Sales and Marketing with African Oxygen Limited, a company situated in South Africa within the Linde Group. He is a seasoned Marketing, Sales and business development executive and change leader with extensive experience across different Linde Group organizations in Europe, Asia, USA and South Africa. Previous to his current role Mr. Adams was Global Marketing Director and Head of Filler Metals, ESAB Holdings, London, UK. Mr. Adams is a holder of a Bachelor of Science Chemical Engineering degree from the University of Cape Town and a Master of Business Administration degree from the University of Witwatersrand.



Ms. R. T. Ngobi (age 55)
Company Secretary (Kenyan)

Appointed Company Secretary in August 2013. Ruth 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 in 2010 and founded Cosec Solutions Limited which provides company secretarial services and corporate governance solutions to various companies. She holds a Masters of Law Degree from the University of Cambridge U.K and a Bachelor of Laws Degree from Kent University U.K. She is a Non- Executive Director on the Boards of CFC Stanbic Bank Limited and CFC Stanbic Holdings Limited.



Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of the Group and of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the manufacture and sale of industrial gases, medical gases and welding products.

RESULTS AND DIVIDEND

The results for the year set out on page 21.

The Directors recommend the approval of a final dividend of KShs 3.00 per ordinary share payable, net of Withholding Tax, on or about the 13 July 2016 to Shareholders on the Register at the close of business on 13 May 2016.

During the year an interim dividend of KShs 2.20 per share, amounting to a total of KShs 42,955,981 was paid. The total dividend for the year is therefore KShs 5.20 per share (2014: KShs.5.20) amounting to a total of KShs 101,532,320 (2014: KShs. 101,532,320).

BOARD OF DIRECTORS

The following changes have taken place in the Board of Directors since the last Annual General Meeting:

- Mr. N. Thompson, Mr. W. Coetzee and Mr. B. Wheatcroft resigned from the Board on 31 May 2015, 30 June 2015 and 13 November 2015 respectively.
- Mrs. M. Msiska resigned as Managing Director on 31 January 2016.
- Mrs. C. Wetende was appointed a Director on 1 March 2016 to fill a casual vacancy on the Board.
- Mrs. M. Onyonyi was appointed as Managing Director of the Company on 1 April 2016.
- Mr. N. Kiuna and Mr. M. Kruger retire by rotation and being eligible, offer themselves for re-election in accordance with Article 93 of the Articles of Association.

In accordance with Article 98, Mrs. C. Wetende and Mrs. M. Onyonyi retire from the Board and being eligible, offer themselves for re-election.

AUDITOR

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

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 6 April 2016.

By order of the Board
R.T. Ngobi (Ms.)
Company Secretary
6 April 2016

Statement of directors' responsibilities



The Directors are responsible for the preparation and fair presentation of the Group and Company financial statements of BOC Kenya Limited set out on pages 21 to 69 which comprise the Group and Company statements of financial position at 31 December 2015, 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 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and Company as at the end of the financial year and of the operating results of the Group and Company for that year. It also requires the Directors to ensure the Group and 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. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and operating results of the Group and Company.

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, as indicated above, were approved by the Board of Directors on 6 April 2016 and were signed on its behalf by:

Ngugi Kiuna
Chairman

Millicent Onyonyi
Managing Director



Chairman's report



DEAR SHAREHOLDER

The Directors are pleased to submit the Group annual financial statements for the year ended 31 December 2015.

The Company has continued to operate in a challenging and competitive business environment and the Board is taking measures to ensure that the Company remains internally efficient, cost competitive and market focussed while maintaining its acknowledged reputation for integrity, product quality and safety standards.

The economic outlook for the Eastern Africa region remains positive notwithstanding the depreciation of the three Kenya, Uganda and Tanzania shillings against the dollar in 2015.

According to the Kenya National Bureau of Statistics Kenya's Gross Domestic Product (GDP) expanded by 5.6 per cent in

2015 compared to 5.3 per cent in 2014, while world GDP growth decelerated by 3.1 per cent. The growth in Sub-Sahara Africa slowed from 5.1 per cent GDP growth in 2014 to 3.8 per cent growth in 2015. Uganda's and Tanzania's economies grew 5.2 per cent and 6.9 per cent respectively.

The Board is particularly pleased to note that Kenya's manufacturing sector grew 10.3% in 2015 while construction grew 4.8% and is hopeful that the Government will continue to support local industries, including the Small and Medium (SMEs) as it seeks to tackle youth unemployment. Also of note is the increased investment in the health sector, to which the Company is a leading supplier of medical gases and the associated pipeline infrastructure.

The Board is optimistic that the region will maintain its focus on economic fundamentals and the recent political transitions in Uganda and Tanzania and Kenya's elections expected 2017, will provide a platform for continued growth and improved governance in both the private and public sectors.

COMPANY RESULTS

The financial results for 2015 are discussed in the Managing Directors report.

THE LINDE GROUP

The parent Company of BOC Kenya Limited is BOC UK Holdings while the ultimate holding Company is Linde AG. The Linde Group Corporate Centre is in Munich, Germany.

In the 2015 financial year, The Linde Group generated revenue of EUR 17.944 bn, making it one of the leading gases and engineering companies in the world, with approximately 64,500 employees working in more than 100 countries worldwide.

The strategy of The Linde Group is geared towards long-term profitable growth and focuses on the expansion of its international business with forward-looking products and services. Linde acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas, regions and locations across the globe. The company is committed to technologies and products that unite the goals of customer value and sustainable development.

For more information, visit The Linde Group online at www.linde.com.



The Board is particularly pleased to note that Kenya's manufacturing sector grew 10.3% in 2015 while construction grew 4.8% and is hopeful that the Government will continue to support local industries, including the Small and Medium (SMEs) as it seeks to tackle youth unemployment.

CORPORATE GOVERNANCE

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

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

The Corporate Governance Report is presented on page 13 - 18.

OUR PEOPLE

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

APPRECIATION

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

During the year there were various changes in the Board of Directors – Nick Thomson, Willem Coetzee and Brett Wheacroft, who were senior executives in the Linde Group, resigned from the Board in 2015 following their resignation from the Group. Maria Msiska, who was Managing Director, left the Company in January 2016 after the end of her contract with the Company. On behalf of the Board I would like to record appreciation for the invaluable contributions made by these directors to the Board and business during the respective tenures. We wish them well in their future endeavours.

Meanwhile Nazmi Adams, Cosima Wetende and Millicent Onyonyi have joined the Board – Millicent as Managing Director. These new directors bring to the Board a wealth of experience and expertise that I believe will help move the Company forward in the coming years. Please join me in welcoming them onboard.

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

N Kiuna
Chairman
6 April 2016



Managing director's report



FINANCIAL RESULTS

Revenue for the year ended 31 December 2015 was Kshs 1,186 Million, down 8.5% from the prior year due to increased market competitiveness. Revenue was negatively impacted by competition from imports of medical gases by competitors, reduction in the market prices for liquefied petroleum gas (LPG) and a change in the Group's sales mix.

Profit before tax was 20.2% down due to the lower revenue, exchange losses arising from the depreciation of the local currencies and general inflationary pressures. Profit after tax was 35% below 2014 due to a once-off deferred tax credit in the prior year.

As has been the case over the last several years, the marketplace continued to be fairly competitive which limited the Group's ability to recover cost increases through pricing.

Management is however pleased to report that electricity costs, which had increased by 19% in 2014, stabilised

and began drop in 2015 due to an easing of the Fuel Cost Adjustment component of the cost of power - electricity is a major input in the Group's production process for air gases. Distribution costs declined by 9.7% due to a reduction of the pump prices for diesel.

The Group's balance sheet has remained strong over many years with no bank borrowings or other long term financial liabilities. At 31 December 2015 the current ratio was 2 (Current assets-to-Current liabilities), underpinning the Group's impressive liquidity position.

OPERATIONAL EFFICIENCY

The Group places significant emphasis on operational efficiency and has over the last several years incurred significant capital expenditure on cylinders, plant and machinery and commercial vehicles. The total capital spend in 2014 and 2015 was KShs 287 Million.

The asset renewal program has led to declining operating costs, improved product availability and customer service levels. Included in these amounts are the costs of a new oxygen microfill plant in Mwanza, Tanzania - with this plant we now transport liquid oxygen in a bulk tanker to Mwanza and then fill cylinders on site. Previously oxygen cylinders were filled in Nairobi and then trucked to Mwanza at relatively high costs and logistics effort.

The Group has continued to focus on personnel development and motivation as a key to the achievement of its objectives.

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

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

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



As has been the case over the last several years, the marketplace continued to be fairly competitive which limited the Group's ability to recover cost increases through pricing.

WORKING CAPITAL MANAGEMENT

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

CUSTOMER SERVICE

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

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Group's commitment to safety, health, environment and quality is absolute. Structures and processes are in place to ensure that issues emerging on any of these matters are promptly reviewed and appropriate interventions are made timeously.

HEALTH, SAFETY AND ENVIRONMENT (HSE) POLICY

The objective of the HSE Policy is to avoid harm to people, society and the environment. This policy is integral to The Linde

Group strategy and is periodically reviewed by the Executive Board of The Linde Group. The policy is built on the following:

Principles:

- Health, safety and care for the environment are foundational principles of our business.
- The health and safety of our employees, 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 must lie at all levels throughout the Company.
- HSE principles shall be reflected in 100% of our behaviour, 100% of the time.

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.

Commitment:

- To comply with applicable legal, regulatory, industry and corporate requirements.
- To 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.
- Working with our business partners and our relevant industries to actively promote and enforce compliance with the HSE policy.
- Promoting open communication and learning with all stakeholders and sharing of HSE knowledge.
- Providing resources, training, equipment and other support to enable fulfilment of the HSE policy.



Managing director's report continued

QUALITY POLICY

The core values of the Company are passion to excel, innovating for customers, empowering people and thriving through diversity. Two of these values namely, "Passion to excel" and "Innovating for customers", specifically address areas that are very important for quality.

Our passion to excel recognizes the need to continuously improve our processes and operations while innovating for customers focuses on excellence in customer service and customer satisfaction.

The company operates according to well established standards, and seeks to ensure employees are competent both from practical and theoretical perspective and there is a systematic review of performance through risk based audits. Employees have access to the web-based Linde Group Learning Management System (TRACCESS) on which they study and undertake tests on subjects relevant to their respective roles in the Company.

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

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

OUTLOOK

We expect the East African countries to continue registering positive growth as they have done over the past years. Especially encouraging is the focus on public infrastructure by the various governments and continuing growth of both the public and private health care sectors. The Group will continue to support the various players with their requirements for high quality and safe-to-use industrial gases, medical gases and welding products as we have done since the Company was established in Kenya in 1933.

We will continue to place customers at the forefront of everything we do, recognizing that our growth prospects are linked to the quality of our people the ability to exceed the expectations of our customers.

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, 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 achievement in 2016 and in the coming years.

Millicent Onyonyi
Managing Director
6 April 2016



OVERVIEW

The Company is committed to the highest standards of corporate governance and throughout the year ended 31 December 2015 adhered to the standards of good corporate governance set out in the Capital Markets Authority Guidelines on Corporate Governance Practices for Public Listed Companies in Kenya. 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.

BOARD OF DIRECTORS

The Role of the Board

The Company is managed under the direction of the Board of Directors. The Board is collectively responsible to the Company's shareholders for the long-term success of the Company and for its overall strategic direction, its values and governance. It provides the leadership necessary to meet its business objectives within the framework of its internal controls, while also discharging the Company's obligations to its shareholders.

The key responsibilities of the Board include:

1. To provide overall strategic direction and major corporate actions to be taken by the Company;
2. Approval and adoption of the strategic and annual business plans, the setting of objectives and review of key risk and performance areas;
3. To review performance, take material policy decisions and give guidance on general policy;
4. Approval of commitments outside the authority delegated to the executive management, committees and individual directors;
5. Responsibility for the overall system of internal control for the Company thereby managing risks that may impede the achievement of the Company's business objectives;
6. Review at regular Board meetings of Management's performance against set objectives; and
7. Approval of adoption of Group policies, programmes and procedures for safety, health, environment, treasury, remuneration and benefits.

Responsibility for implementing strategy and day-to-day operations has been delegated by the Board to the Managing Director and her top management 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 performance of the business. 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.

Composition of the Board of Directors

The Board's membership consists of six Non-Executive Directors and two Executive Directors. The Board meets on a quarterly basis as scheduled during the year with additional meetings when necessary. As at the date of this Annual Report, composition of the Board is as set out on page 3.



Corporate governance continued

Attendance at Board and Annual General meetings in 2015

| Name | Meetings Attended | Meetings Eligible to Attend |
|------------------------------------|-------------------|-----------------------------|
| Mr. N. Kiuna (Chairman) | 5 | 5 |
| Mrs. M. Msiska (Managing Director) | 5 | 5 |
| Mr. A. Kamau (Finance Director) | 5 | 5 |
| Mr. N. Thomson ¹ | 0 | 1 |
| Mr. W. Coetzee ² | 1 | 2 |
| Mr. B. Wheatcroft ³ | 3 | 4 |
| Mr. R. Mbugua | 4 | 5 |
| Mr. M. Kruger | 5 | 5 |
| Mrs. L. Njoroge | 5 | 5 |

1. Mr. N. Thomson resigned from the Board effective 31 May 2015
2. Mr. W. Coetzee resigned from the Board effective 30 June 2015
3. Mr. B. Wheatcroft resigned from the Board effective 13 November 2015

Commitment and Conflict of Interest

All Directors are expected to allocate sufficient time to the Company to discharge their responsibilities effectively. The Chairman and other Non-Executive Directors endeavor to ensure that they have adequate time to discharge their responsibilities to the Board effectively.

Any conflict of interest or apparent conflict of interest between the Company and its Directors is avoided. 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. Directors are given the opportunity, at the start of every Board meeting, to declare any actual or potential conflict of interest with the role as Directors. During the course of 2015 no conflict of interest was declared by any Director.

Development

All Directors joining the Board receive induction and are encouraged to continually update their skills and knowledge of the business to enhance the effectiveness of the Board and its constituted committees.

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 and the approval of shareholders at an AGM in the usual manner.

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 22 June 2016, the Company will submit all eligible Directors to re-election and, in the case of Mr. N. Adams, Mrs. C. Wetende and Mrs. M. Onyonyi, election for the first time following their appointments to the Board on 1 December 2015, 1 March 2016 and 1 April 2016 respectively.

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. 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 2014 was conducted in 2015. Whilst the Board and each of its Committees were considered to be effective, opportunities for improvement were identified and action points 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.

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 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.

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 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.

BOARD COMMITTEES

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

Audit Committee and Auditors

The Audit 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 Audit Committee meets three times a year. Attendance includes internal and external auditors, as well as permanent invitees from management. The Committee's responsibilities include:

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

KPMG Kenya are the Company's auditors. The Audit Committee considers that the relationship with the auditors is working well 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. KPMG reconfirms their independence on an annual basis.

All members of the Committee are Non-Executive Directors.

Members

Mr. R. Mbugua (Chairman)

Mr. N. Thomson

Mr. M. Kruger

Mrs. L. Njoroge

Ms. R.T. Ngobi (Secretary)



Corporate governance continued

Attendance at meetings in 2015

| Name | Meetings Attended | Meetings Eligible to Attend |
|-----------------------------|-------------------|-----------------------------|
| Mr. R. Mbugua | 3 | 3 |
| Mr. N. Thomson ¹ | 0 | 1 |
| Mr. M. Kruger | 3 | 3 |
| Mrs. L. Njoroge | 2 | 3 |
| Mrs. M. Msiska | 3 | 3 |
| Mr. A. Kamau | 3 | 3 |

1. Mr. N. Thomson resigned from the Board effective 31 May 2015
2. Mrs. M. Msiska and Mr. A. Kamau attended as Permanent Invitees.

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 10 of the financial statements.

All members of the Committee are Non-Executive Directors.

Members

Mrs. L. Njoroge (Chairman)
Mr. W. Coetzee
Mr. M. Kruger
Ms. R.T. Ngobi (Secretary)

Attendance at meetings in 2015

| Name | Meetings Attended | Meetings Eligible to Attend |
|-----------------------------|-------------------|-----------------------------|
| Mrs. L. Njoroge | 2 | 2 |
| Mr. W. Coetzee ¹ | 1 | 1 |
| Mr. M. Kruger | 2 | 2 |
| Mrs. M. Msiska | 2 | 2 |
| Mr. A. Kamau | 2 | 2 |

1. Mr. W. Coetzee resigned from the Board effective 30 June 2015
2. Mrs. M. Msiska and Mr. A. Kamau attended as Permanent Invitees.

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. The process of identification of candidates to fill vacancies to the Board includes an evaluation of



the skills and experience sought by the Board prior to recruitment. Suitable candidates are interviewed by the Committee and its Chairman and recommended to the Board for appointment.

The Nominations and Corporate Governance Committee is also charged with the responsibility of evaluating the effectiveness of the Board and the effectiveness of the Directors in the discharge of their responsibilities.

All members of the Committee are Non-Executive Directors.

Members

Mr. N. Kiuna (Chairman)
 Mr. R. Mbugua
 Mr. M. Kruger
 Ms. R. T. Ngobi (Secretary)

Attendance at meetings in 2015

| Name | Meetings Attended | Meetings Eligible to Attend |
|----------------|-------------------|-----------------------------|
| Mr. N. Kiuna | 2 | 2 |
| Mr. R. Mbugua | 1 | 2 |
| Mr. M. Kruger | 2 | 2 |
| Mrs. M. Msiska | 2 | 2 |

Mrs. M. Msiska attended as a Permanent Invitee.

COMMUNICATION WITH STAKEHOLDERS

The Board is committed to ensuring that shareholders, regulators and the financial markets are provided with full and timely information about its performance. This is achieved through the release of its half-year and annual results in the local press, distribution of annual reports, and holding investor briefings as appropriate.

The Board encourages shareholders to attend the forthcoming Annual General Meeting (AGM), notice of which is contained in this Annual Report. The AGM provides a useful opportunity for shareholder engagement and, in particular, for the Chairman to explain the Company's progress and to receive questions from shareholders. The Chairmen of the Audit, Retirement and Remuneration and Benefits, and Nominations and Corporate Governance Committees are available at the AGM to take any relevant questions.

Information is also available on the Group Company's website: www.boc.co.ke

DIRECTOR LOANS

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

EXECUTIVE COMMITTEE

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

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

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.



Corporate governance continued

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.

CODE OF CONDUCT

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

The Company 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.

STAFF HELPLINE

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

Shareholding Structure at 6 April 2016



MAJOR SHAREHOLDERS

| Major Shareholders | Total Shares | % Shareholding |
|--|-------------------|----------------|
| BOC Holdings UK | 12,765,582 | 65.38% |
| Standard Chartered Nominees Non Resd A/C 9306 | 1,046,600 | 5.36% |
| CfC Stanbic Nominees Ltd. A/C R48701 | 669,367 | 3.43% |
| Standard Chartered Kenya Nominees Ltd A/C Ke20510 | 385,552 | 1.97% |
| Ngugi Kiuna | 267,420 | 1.37% |
| Best Investment Decisions Ltd | 261,300 | 1.34% |
| Kanaiyalal Mansukhlal Shah & Lalitaben Kanaiyalal Shah | 253,473 | 1.30% |
| Standard Chartered Kenya Nominees Ltd A/C Ke002012 | 231,356 | 1.18% |
| Allied Storage Limited | 111,579 | 0.57% |
| Mrs Carolyn Anne Gray Rosso | 110,143 | 0.56% |
| Total for top ten shareholders | 16,102,372 | 82.46% |
| Other shareholders | 3,423,074 | 17.54% |
| Total | 19,525,446 | 100.00% |

SUMMARY OF SHAREHOLDERS

| Shareholder | Number of Shareholders | Number of Shares | % Shareholding |
|---------------------|------------------------|-------------------|----------------|
| Foreign Companies | 6 | 14,430,555 | 73.91% |
| Foreign Individuals | 24 | 469,488 | 2.40% |
| Local Companies | 99 | 1,854,337 | 9.50% |
| Local Individuals | 784 | 2,771,066 | 14.19% |
| Total | 913 | 19,525,446 | 100.00% |

DISTRIBUTION OF SHAREHOLDERS

| Shareholder | Number of Shareholders | Number of Shares Held | % of Issued Share capital |
|---------------------|------------------------|-----------------------|---------------------------|
| Less than 500 | 80,004 | 392 | 0.41% |
| 501 - 5,000 | 719,557 | 381 | 3.82% |
| 5,001 - 10,000 | 414,076 | 56 | 2.04% |
| 10,001 - 100,000 | 2,109,156 | 73 | 10.88% |
| 100,001 - 1,000,000 | 2,390,471 | 9 | 12.11% |
| Above 1,000,000 | 13,812,182 | 2 | 70.74% |
| Totals | 19,525,446 | 913 | 100.00% |

DIRECTORS SHAREHOLDING

| Directors Shareholding | Number of Shares Held | % Shareholding |
|------------------------|-----------------------|----------------|
| Mr. Ngugi Kiuna | 267,420 | 1.37% |



Report of the independent auditors

to the members of BOC Kenya Limited

We have audited the Group and Company financial statements of BOC Kenya Limited set out on pages 21 to 69 which comprise the Group and Company statements of financial position at 31 December 2015, 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.

Directors' responsibility for the financial statements

As stated on page 7, the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the Consolidated and Separate financial position of BOC Kenya Limited at 31 December 2015, and the Consolidated and Separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

The Engagement Partner responsible for the audit resulting in this independent auditors' report is CPA Joseph Kariuki - P/2102.

KPMG Kenya
6 April 2016

Statements of profit or loss and other comprehensive income



Income statements:

| | Note | GROUP | | COMPANY | |
|---|-----------|------------------|------------------|------------------|------------------|
| | | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Revenue | 7 | 1,186,420 | 1,296,679 | 1,085,224 | 1,223,756 |
| Cost of sales | 8 (b) | (603,181) | (667,502) | (558,062) | (657,638) |
| Gross profit | | 583,239 | 629,177 | 527,162 | 566,118 |
| Other income | 8 (a) | 3,228 | 2,671 | 1,978 | 2,349 |
| Distribution costs | 8 (b) | (101,093) | (112,012) | (96,403) | (105,787) |
| Selling and administrative expenses | 8 (b) | (325,199) | (318,986) | (273,012) | (263,524) |
| Operating profit | | 160,175 | 200,850 | 159,725 | 199,156 |
| Finance income | 9 (a) | 74,343 | 78,896 | 65,237 | 65,361 |
| Finance costs | 9 (b) | (12,797) | (1,762) | (3,473) | (730) |
| Profit before tax | 10 | 221,721 | 277,984 | 221,489 | 263,787 |
| Tax expense | 11 | (73,121) | (48,359) | (67,829) | (43,737) |
| Profit for the year | | 148,600 | 229,625 | 153,660 | 220,050 |
| Other comprehensive income | | | | | |
| <i>Items that will never be reclassified to profit or loss</i> | | - | - | - | - |
| <i>Items that are or may be reclassified to profit or loss:</i> | | | | | |
| Translation differences arising from foreign operations | | (13,783) | (7,626) | - | - |
| Change in fair value of available-for-sale financial assets | | (79,717) | (443,103) | (79,717) | (443,103) |
| Deferred tax on available for sale financial assets | | 13,350 | (14,046) | 13,350 | (14,046) |
| Total other comprehensive income for the year net of tax | | (80,150) | (464,775) | (66,367) | (457,149) |
| Total comprehensive income for the year | | 68,450 | (235,150) | 87,293 | (237,099) |
| Earnings per share (KShs per share) | | | | | |
| - Basic and diluted | 12 | 7.61 | 11.76 | 7.87 | 11.27 |

The notes set out on pages 28 to 69 form an integral part of these financial statements.



Statements of financial position

| | Note | GROUP | | COMPANY | |
|-------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| ASSETS | | | | | |
| Property, plant and equipment | 14 | 761,795 | 723,005 | 699,095 | 692,941 |
| Intangible assets | 15 | 670 | 3,562 | 524 | 3,562 |
| Investments in subsidiaries | 16 | - | - | 60 | 60 |
| Available-for-sale financial assets | 17 | 262,236 | 368,868 | 262,236 | 368,868 |
| Deferred tax asset | 18 | 40,605 | 18,330 | 33,315 | 10,955 |
| Prepaid operating leases | 19 | 3,398 | 3,398 | 3,398 | 3,398 |
| Total non-current assets | | 1,068,704 | 1,117,163 | 998,628 | 1,079,784 |
| Current assets | | | | | |
| Inventories | 20 | 161,428 | 188,127 | 154,473 | 171,859 |
| Available-for-sale financial assets | 17 | 278,438 | 120,970 | 278,438 | 120,970 |
| Trade and other receivables | 21 | 359,601 | 320,957 | 416,500 | 333,200 |
| Tax recoverable | 22 | 20,562 | 50,133 | 14,048 | 37,492 |
| Term deposits | 23 | 31,655 | 24,812 | - | 24,812 |
| Cash and cash equivalents | 24 | 400,568 | 478,158 | 245,915 | 290,359 |
| Total current assets | | 1,252,252 | 1,183,157 | 1,109,374 | 978,692 |
| TOTAL ASSETS | | 2,320,956 | 2,300,320 | 2,108,002 | 2,058,476 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 25(a) | 97,627 | 97,627 | 97,627 | 97,627 |
| Share premium | 25(b) | 2,554 | 2,554 | 2,554 | 2,554 |
| Other reserves | 26 | 191,219 | 271,369 | 216,090 | 282,457 |
| Retained earnings | | 1,422,706 | 1,375,638 | 1,243,572 | 1,191,444 |
| Total equity | | 1,714,106 | 1,747,188 | 1,559,843 | 1,574,082 |
| Current liabilities | | | | | |
| Trade and other payables | 27 | 606,850 | 553,132 | 548,159 | 484,394 |
| Total current liabilities | | 606,850 | 553,132 | 548,159 | 484,394 |
| TOTAL EQUITY AND LIABILITIES | | 2,320,956 | 2,300,320 | 2,108,002 | 2,058,476 |

The financial statements on pages 21 to 69 were approved for issue by the Board of Directors on 6 April 2016 and signed on its behalf by:

Ngugi Kiuna
Chairman

Millicent Onyonyi
Managing Director

The notes set out on pages 28 to 69 form an integral part of these financial statements.

Statement of changes in equity of the Group



Year ended 31 December 2015

| | 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 2015 | 97,627 | 2,554 | 282,457 | (11,088) | 1,375,638 | 1,747,188 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 148,600 | 148,600 |
| Other comprehensive income, net of tax | | | | | | |
| Foreign currency translation differences | - | - | - | (13,783) | - | (13,783) |
| Change in available-for-sale financial assets | - | - | (79,717) | - | - | (79,717) |
| Deferred tax on available for sale financial assets | - | - | 13,350 | - | - | 13,350 |
| Total other comprehensive income | - | - | (66,367) | (13,783) | - | (80,150) |
| Total comprehensive income for the year | - | - | (66,367) | (13,783) | 148,600 | 68,450 |
| Transactions with owners, recognised directly in equity | | | | | | |
| Dividends to equity holders | | | | | | |
| - Final for 2014 paid | - | - | - | - | (58,576) | (58,576) |
| - Interim for 2015 paid | - | - | - | - | (42,956) | (42,956) |
| Balance at 31 December 2015 | 97,627 | 2,554 | 216,090 | (24,871) | 1,422,706 | 1,714,106 |

The notes set out on pages 28 to 69 form an integral part of these financial statements.



Statement of changes in equity of the Group continued

Year ended 31 December 2014

| | 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 2014 | 97,627 | 2,554 | 739,606 | (3,462) | 1,239,735 | 2,076,060 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 229,625 | 229,625 |
| Other comprehensive income, net of tax | | | | | | |
| Foreign currency translation differences | - | - | - | (7,626) | - | (7,626) |
| Change in available-for-sale financial assets | - | - | (443,103) | - | - | (443,103) |
| Deferred tax on available for sale financial assets | - | - | (14,046) | - | - | (14,046) |
| Total other comprehensive income | - | - | (457,149) | (7,626) | - | (464,775) |
| Total comprehensive income for the year | - | - | (457,149) | (7,626) | 229,625 | (235,150) |
| Transactions with owners, recognised directly in equity | | | | | | |
| Dividends to equity holders | | | | | | |
| - Final for 2013 paid | - | - | - | - | (50,766) | (50,766) |
| - Interim for 2014 paid | - | - | - | - | (42,956) | (42,956) |
| Balance at 31 December 2014 | 97,627 | 2,554 | 282,457 | (11,088) | 1,375,638 | 1,747,188 |

The notes set out on pages 28 to 69 form an integral part of these financial statements.

Statement of changes in equity of the Company



| Year ended 31 December 2015 | 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 2015 | 97,627 | 2,554 | 282,457 | 1,191,444 | 1,574,082 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 153,660 | 153,660 |
| Other comprehensive income, net of tax | | | | | |
| Change in available-for-sale financial assets | - | - | (79,717) | - | (79,717) |
| Deferred tax on available for sale assets | - | - | 13,350 | - | 13,350 |
| Total other comprehensive income | - | - | (66,367) | - | (66,367) |
| Total comprehensive income for the year | - | - | (66,367) | 153,660 | 87,293 |
| Transactions with owners, recognised directly in equity | | | | | |
| Dividends: | | | | | |
| - Final for 2014 paid | - | - | - | (58,576) | (58,576) |
| - Interim for 2015 paid | - | - | - | (42,956) | (42,956) |
| Balance at 31 December 2015 | 97,627 | 2,554 | 216,090 | 1,243,572 | 1,559,843 |

The notes set out on pages 28 to 69 form an integral part of these financial statements.



Statement of changes in equity of the Company continued

| Year ended 31 December 2014 | 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 2014 | 97,627 | 2,554 | 739,606 | 1,065,116 | 1,904,903 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 220,050 | 220,050 |
| Other comprehensive income, net of tax | | | | | |
| Change in available-for-sale financial assets | - | - | (443,103) | - | (443,103) |
| Deferred tax on change in available-for-sale financial asset | - | - | (14,046) | - | (14,046) |
| Total other comprehensive income | - | - | (457,149) | - | (457,149) |
| Total comprehensive income for the year | - | - | (457,149) | 220,050 | (237,099) |
| Transactions with owners, recognised directly in equity | | | | | |
| Dividends: | | | | | |
| - Final for 2013 paid | - | - | - | (50,766) | (50,766) |
| - Interim for 2014 paid | - | - | - | (42,956) | (42,956) |
| Balance at 31 December 2014 | 97,627 | 2,554 | 282,457 | 1,191,444 | 1,574,082 |

The notes set out on pages 28 to 69 form an integral part of these financial statements.

Statements of cash flows



| | Note | GROUP | | COMPANY | |
|---|-----------|------------------|------------------|------------------|------------------|
| | | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Cash flows from operating activities | | | | | |
| Cash generated from operating activities | 28 | 264,633 | 212,362 | 215,698 | 209,535 |
| Tax paid | 22 | (57,529) | (109,037) | (53,395) | (96,136) |
| Net cash from operating activities | | 207,104 | 103,325 | 162,303 | 113,399 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 14 | (110,032) | (127,863) | (66,698) | (124,639) |
| Purchase of intangibles | 15 | - | (475) | - | (475) |
| Proceeds from disposal of equipment | | 3,228 | 2,671 | 1,978 | 2,349 |
| Net proceeds on available for sale financial assets | | (119,829) | 125,011 | (89,518) | 125,011 |
| Interest received | | 46,512 | 60,868 | 38,628 | 49,617 |
| Dividends received | | 10,395 | 10,395 | 10,395 | 10,395 |
| Net cash (used in)/from investing activities | | (169,726) | 70,607 | (105,215) | 62,258 |
| Cash flows from financing activities | | | | | |
| Dividends paid | | (101,532) | (93,722) | (101,532) | (93,722) |
| Net cash used in financing activities | | (101,532) | (93,722) | (101,532) | (93,722) |
| (Decrease)/increase in cash and cash equivalents | | (64,154) | 80,210 | (44,444) | 81,935 |
| Movement in cash and cash equivalents | | | | | |
| At the beginning of year | | 478,158 | 406,611 | 290,359 | 208,424 |
| (Decrease)/increase in cash and cash equivalents | | (64,154) | 80,210 | (44,444) | 81,935 |
| Effects of exchange rate changes on foreign cash and cash equivalents | | (13,436) | (8,663) | - | - |
| At the end of year | 24 | 400,568 | 478,158 | 245,915 | 290,359 |

The notes set out on pages 28 to 69 form an integral part of these financial statements.



Notes to the financial statements

1 REPORTING ENTITY

The Company is incorporated as a limited liability company under the Kenyan Companies Act, and is domiciled in Kenya. Its registered address is at Kitui Road, P.O Box 18010 - 00500 Nairobi Industrial Area. The consolidated financial statements of the Group as at and for the year ended 31 December 2014 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 Limited is Linde A.G, which is a limited liability company incorporated in Germany.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

For Kenyan Companies Act 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 available for sale financial assets which are measured at fair value.

(c) Use of estimates and judgements

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

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

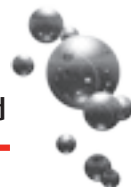
In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 – Critical accounting estimates and judgements.

(d) Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

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



3 SIGNIFICANT ACCOUNTING POLICIES Continued

(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 available-for-sale 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.

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.



Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES Continued

(c) Revenue recognition

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

- i. Sale of goods is recognised when significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable and when there is no continuing management involvement.
- ii. Sale of services is recognised in the period in which the services are rendered by reference to the stage of completion of specific transactions. The stage of completion is assessed on the basis of actual services provided as a proportion of total services to be provided.

Revenue is only recognised when both the associated costs and the amount of revenue can be estimated reliably.

(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.

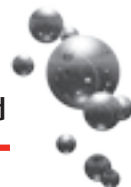
Foreign currency gains and losses are reported on a gross basis as either finance income or finance cost.

(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. 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.



3 SIGNIFICANT ACCOUNTING POLICIES Continued

(e) Income tax (continued)

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 |

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.

(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).



Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES Continued

(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) Recognition and measurement of financial instruments

i. Classification

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

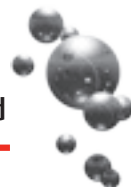
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. Loans and receivables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

Available-for-sale assets are the non-derivative financial assets that are designated as available for sale or are not classified as held for trading purposes, loans and receivables or held to maturity. These include short-term deposits, shares in quoted companies, treasury bills and bonds and corporate bonds.

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

ii. Recognition

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



3 SIGNIFICANT ACCOUNTING POLICIES Continued

(k) Recognition and measurement of financial instruments continued

iii. Measurement

Financial instruments are measured initially at fair value plus, in the case of financial instruments not at fair value through profit or loss, applicable transaction costs.

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

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

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

Loans and receivables are recognised on the date they are originated.

iv. Derecognition

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

v. Offsetting of financial assets and financial liabilities

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

(l) Impairment of assets

(i) Impairment of financial assets

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

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

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



Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES Continued

I. Impairment of assets continued

i Impairment of financial assets (Continued)

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

ii. Impairment of non-financial assets

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

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

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

(m) Employee benefits

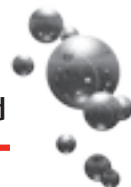
i. Retirement benefit obligations

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.



3 SIGNIFICANT ACCOUNTING POLICIES Continued

(m) Employee benefits (Continued)

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.

(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 Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(r) New standards and interpretations effective and adopted

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards in the period commencing 1 January 2015. The nature and effects of the changes are explained below:

IAS 19 Amendments 'Defined benefit plans – Employee contributions

The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service

When contributions are eligible for practical expedience, company is permitted (but not required to recognise them as a reduction of the service cost in the period in which the service is rendered. The amendments apply retrospectively for annual periods beginning on or after 1 July 2014.

The adoption of the amendments did not have a significant impact on the financial statements of the Group.



Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES Continued

(s) New and amended standards and interpretations in issue but not yet effective

| New standard or amendments | Effective for annual periods beginning on or after |
|--|--|
| • Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | 1 January 2016 |
| • Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | 1 January 2016 |
| • Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41) | 1 January 2016 |
| • Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| • Equity Method in Separate Financial Statements (Amendments to IAS 27) | 1 January 2016 |
| • IFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| • Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | 1 January 2016 |
| • Disclosure Initiative (Amendments to IAS 1) | 1 January 2016 |
| • IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| • IFRS 9 Financial Instruments (2014) | 1 January 2018 |
| • IFRS 16 Leases | 1 January 2019 |

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

i. Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (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 joint venture 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 joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The amendment will not have any impact on the Group's financial statements, as the Group does not have associates and joint ventures.

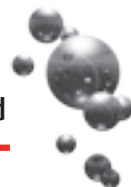
ii. Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The amendment will not have any impact on the Group's financial statements, as the Group does not have associates and joint ventures.



3 SIGNIFICANT ACCOUNTING POLICIES Continued

(s) New and amended standards and interpretations in issue but not yet effective continued

iii. *Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)*

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment instead of IAS 41 Agriculture. The produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.

The amendment will not have any impact on the Group's financial statements as the Group does not have bearer plants.

iv. *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes will not affect the amounts and disclosures of the Group's property, plant and equipment and intangible assets.

v. *Amendments to IAS 27: Equity Method in separate Financial Statements*

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The adoption of these changes will not affect the amounts and disclosures of the Group's or Company's interests in other entities.

vi. *IFRS 14 Regulatory Deferral Accounts*

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption permitted.

The adoption of this standard is not expected to have an impact on the financial statements of the Group given that it is not a first time adopter of IFRS.



Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES Continued

(s) New and amended standards and interpretations in issue but not yet effective continued

vii. Amendments to IFRS 10, IFRS 12 and IAS 28

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The Group is currently assessing the impact of the amendments on the consolidated financial statements.

viii. Amendments to IAS 1: Disclosure Initiative

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

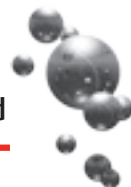
The Group is currently assessing the impact of the amendments on the consolidated financial statements.

ix. 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 an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

The Group is currently assessing the impact of the amendments on the consolidated financial statements.



3 SIGNIFICANT ACCOUNTING POLICIES Continued

(s) New and amended standards and interpretations in issue but not yet effective continued

x. *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.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The Group is currently assessing the impact of the amendments on the consolidated financial statements.

xi. *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:

- a) 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.
- b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
- c) 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.

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 is currently assessing the impact of the amendments on the consolidated financial statements.



Notes to the financial statements continued

3 SIGNIFICANT ACCOUNTING POLICIES Continued

(t) Comparatives

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

(i) Fair value estimation

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

(ii) Income taxes

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

(iii) Trade receivables

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

(iv) Inventories

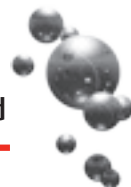
The Group assesses impairment for inventories at each reporting date. In determining whether inventories are impaired, the Group assesses the age at which inventories are held in the store in order to make an assessment of the impairment loss.

(v) Property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, 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 judgements in determining the classification of financial assets and leases.



5 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group 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.



Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT Continued

(a) Credit risk continued

Write-off policy

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

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

| | 2015 | | 2014 | |
|-------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Group KShs'000 | Company KShs'000 | Group KShs'000 | Company KShs'000 |
| Available-for-sale financial assets | 298,619 | 298,619 | 166,850 | 166,850 |
| Term deposits | 31,655 | - | 24,812 | 24,812 |
| Trade and other receivables | 355,955 | 414,788 | 306,624 | 322,026 |
| Cash and cash equivalents | 400,568 | 245,915 | 478,158 | 290,359 |
| | 1,086,797 | 959,322 | 976,444 | 804,047 |

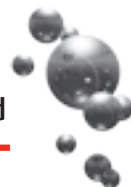
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

| | 2015 | | 2014 | |
|----------|-------------------|---------------------|-------------------|---------------------|
| | Group KShs'000 | Company KShs'000 | Group KShs'000 | Company KShs'000 |
| Kenya | 336,166 | 336,166 | 291,599 | 291,599 |
| Uganda | 56,663 | - | 18,690 | - |
| Tanzania | 19,573 | - | 30,857 | - |
| | 412,402 | 336,166 | 341,146 | 291,599 |

The ageing of trade receivables at the reporting date was:

| | 2015 | | 2014 | |
|-------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Group KShs'000 | Company KShs'000 | Group KShs'000 | Company KShs'000 |
| Not past due | 121,763 | 83,799 | 28,971 | 29,537 |
| Past due 0-30 days | 114,454 | 101,739 | 68,483 | 64,703 |
| Past due 31-90 days | 41,387 | 35,166 | 110,468 | 100,004 |
| More than 90 days | 134,798 | 115,462 | 133,224 | 97,355 |
| | 412,402 | 336,166 | 341,146 | 291,599 |
| Neither past due nor impaired | 121,763 | 83,799 | 28,971 | 29,537 |

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



5 FINANCIAL RISK MANAGEMENT Continued

(a) Credit risk continued

Impairment losses

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Trade receivables | | | | |
| Balance at 1 January | 94,026 | 112,603 | 61,968 | 78,143 |
| Impairment of trade receivables | 9,890 | 5,152 | 12,022 | 7,554 |
| Bad debts written off | (12,462) | (23,729) | - | (23,729) |
| Bad debts recovered | (100) | - | (100) | - |
| Effect of exchange rates | (2,760) | - | - | - |
| Balance at 31 December (Note 21) | 88,594 | 94,026 | 73,890 | 61,968 |

(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 2015 and 2014 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 (2015) | | | | | | |
| Trade and other payables | 52,894 | 181,511 | 371,062 | - | - | 605,467 |
| Liquidity gap - 2015 | 52,894 | 181,511 | 371,062 | - | - | 605,467 |
| Liabilities (2014) | | | | | | |
| Trade and other payables | 19,918 | 119,666 | 402,661 | - | - | 542,245 |
| Liquidity gap - 2014 | 19,918 | 119,666 | 402,661 | - | - | 542,245 |



Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT Continued

(b) Liquidity risk Continued

| Company | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---------------------------|---------------|------------|-------------|-----------|--------------|---------|
| Liabilities (2015) | | | | | | |
| Trade and other payables | 44,545 | 143,592 | 352,259 | - | - | 540,396 |
| Liquidity gap - 2015 | 44,545 | 143,592 | 352,259 | - | - | 540,396 |
| Liabilities (2014) | | | | | | |
| Trade and other payables | 17,301 | 95,265 | 361,452 | - | - | 474,018 |
| Liquidity gap - 2014 | 17,301 | 95,265 | 361,452 | - | - | 474,018 |

(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

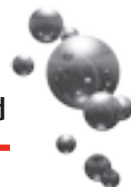
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, The currencies in which these transactions primarily are denominated are South African Rand (ZAR), US Dollars (USD) and Great Britain Pound (GBP), Uganda Shillings (Ushs) and Tanzania Shillings (TShs).

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)

| 2015 | Group: | USD | GBP | Euro | Rand | Total |
|------|-----------------------------|----------|----------|---------|----------|----------|
| | Assets | | | | | |
| | Trade and other receivables | 32,235 | - | - | - | 32,235 |
| | At 31 December 2015 | 32,235 | - | - | - | 32,235 |
| | Liabilities | | | | | |
| | Trade and other payables | (13,329) | (45,448) | (3,145) | (19,026) | (80,948) |
| | At 31 December 2015 | (13,329) | (45,448) | (3,145) | (19,026) | (80,948) |
| | Net position - 2015 | 18,906 | (45,448) | (3,145) | (19,026) | (48,713) |

Notes to the financial statements continued



5 FINANCIAL RISK MANAGEMENT Continued

(c) Market risk Continued

(i) Currency risk continued

| 2015 | Company: | USD | GBP | Euro | Rand | Total |
|------|-----------------------------------|----------|----------|---------|----------|----------|
| | Assets | | | | | |
| | Trade and other receivables | 848 | - | - | - | 848 |
| | At 31 December 2015 | 848 | - | - | - | 848 |
| | Liabilities | | | | | |
| | Trade and other payables | (11,897) | (45,448) | (3,052) | (16,486) | (76,883) |
| | At 31 December 2015 | (11,897) | (45,448) | (3,052) | (16,486) | (76,883) |
| | Net balance sheet position - 2015 | (11,049) | (45,448) | (3,052) | (16,486) | (76,035) |

| 2014 | Group: | USD | GBP | Euro | Rand | Total |
|------|-----------------------------|-------|----------|---------|----------|----------|
| | Assets | | | | | |
| | Trade and other receivables | 6,575 | - | - | - | 6,575 |
| | At 31 December 2014 | 6,575 | - | - | - | 6,575 |
| | Liabilities | | | | | |
| | Trade and other payables | - | (38,694) | (5,211) | (44,864) | (88,769) |
| | At 31 December 2014 | - | (38,694) | (5,211) | (44,864) | (88,769) |
| | Net position - 2014 | 6,575 | (38,694) | (5,211) | (44,864) | (82,194) |

| 2014 | Company: | USD | GBP | Euro | Rand | Total |
|------|-----------------------------------|-------|----------|---------|----------|----------|
| | Assets | | | | | |
| | Trade and other receivables | 4,572 | - | - | - | 4,572 |
| | At 31 December 2014 | 4,572 | - | - | - | 4,572 |
| | Liabilities | | | | | |
| | Trade and other payables | - | (38,694) | (5,184) | (36,487) | (80,365) |
| | At 31 December 2014 | - | (38,694) | (5,184) | (36,487) | (80,365) |
| | Net balance sheet position - 2014 | 4,572 | (38,694) | (5,184) | (36,487) | (75,793) |



Notes to the financial statements continued

5 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 | |
|--------------------|----------------------|--------|---------------------|---------------------|
| | 2015 | 2014 | At 31 December 2015 | At 31 December 2014 |
| US Dollar | 94.53 | 87.90 | 102.30 | 90.55 |
| Sterling Pound | 144.11 | 144.86 | 150.78 | 141.03 |
| South African Rand | 7.85 | 8.11 | 6.61 | 7.83 |
| Euro | 106.00 | 116.77 | 111.10 | 109.55 |

Sensitivity analysis

A 10 percent strengthening of the Kenyan Shilling against the following currencies at 31 December 2015 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 2014

| Group | Profit or Loss/ Equity | |
|--------------------------|------------------------|-------------------|
| | 2015 KShs '000 | 2014 KShs '000 |
| As at 31 December | | |
| US Dollar | (1,890) | (657) |
| GBP | 4,545 | 3,869 |
| Euro | 315 | 521 |
| Rand | 1,903 | 4,486 |
| Net Impact | 4,873 | 8,219 |

| Company | Profit or Loss | |
|--------------------------|-------------------|-------------------|
| | 2015 KShs '000 | 2014 KShs '000 |
| As at 31 December | | |
| US Dollar | 1,105 | (457) |
| GBP | 4,545 | 3,869 |
| Euro | 305 | 518 |
| Rand | 1,649 | 3,649 |
| Net Impact | 7,604 | 7,579 |

A 10 percent weakening of the Shilling against the above currencies at 31 December 2015 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.



5 FINANCIAL RISK MANAGEMENT Continued

(c) Market risk continued

(ii) 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 | 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 2015 | | | | | | | | |
| ASSETS | | | | | | | | |
| Available-for-sale financial assets | 12.49 | - | 278,438 | 20,181 | - | - | - | 298,619 |
| Shares in quoted company | - | - | - | - | - | - | 242,055 | 242,055 |
| Trade and other receivables | - | - | - | - | - | - | 355,955 | 355,955 |
| Term deposits | 11 | - | 31,655 | - | - | - | - | 31,655 |
| Cash and cash equivalents | - | - | 89,314 | 209,217 | - | - | 102,037 | 400,568 |
| | | - | 89,314 | 519,310 | 20,181 | - | 700,047 | 1,328,852 |
| LIABILITIES | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | - | 605,467 |
| As at 31 December 2014 | | | | | | | | |
| ASSETS | | | | | | | | |
| Available-for-sale financial assets | 10 | - | 120,970 | 45,880 | - | - | - | 166,850 |
| Shares in quoted company | - | - | - | - | - | - | 322,988 | 322,988 |
| Trade and other receivables | - | - | - | - | - | - | 306,624 | 306,624 |
| Term deposits | 5 | - | 24,812 | - | - | - | - | 24,812 |
| Cash and cash equivalents | 10 | - | 427,022 | - | - | - | 51,136 | 478,158 |
| | | - | 427,022 | 145,782 | 45,880 | - | 680,748 | 1,299,432 |
| LIABILITIES | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | - | 542,245 |



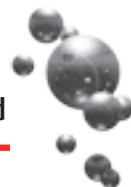
Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT Continued

(c) Market risk continued

(ii) Interest rate risk

| 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 2015 | | | | | | | | |
| ASSETS | | | | | | | | |
| Available-for-sale financial assets | 12.54 | - | 278,438 | 20,181 | - | - | - | 298,619 |
| Shares in quoted company | - | - | - | - | - | - | 242,055 | 242,055 |
| Trade and other receivables | - | - | - | - | - | - | 414,788 | 414,788 |
| Term deposits | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | - | - | 209,217 | - | - | - | 36,698 | 245,915 |
| | | - | 487,655 | 20,181 | - | - | 693,541 | 1,201,377 |
| LIABILITIES | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | 540,396 | 540,396 |
| As at 31 December 2014 | | | | | | | | |
| ASSETS | | | | | | | | |
| Available-for-sale financial assets | - | - | 120,970 | 45,880 | - | - | - | 166,850 |
| Shares in quoted company | - | - | - | - | - | - | 322,988 | 322,988 |
| Trade and other receivables | - | - | - | - | - | - | 322,026 | 322,026 |
| Term deposits | 5 | - | 24,812 | - | - | - | - | 24,812 |
| Cash and cash equivalents | - | - | 269,271 | - | - | - | 21,088 | 290,359 |
| | | - | 145,782 | 45,880 | - | - | 666,102 | 1,127,035 |
| LIABILITIES | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | 474,018 | 474,018 |



5 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 2014.

Effect in Kenyan Shillings thousands

| | Profit or loss | | | |
|-------------------------|----------------|--------------|--------------|--------------|
| | Group | | Company | |
| | 2015 KShs | 2014 KShs | 2015 KShs | 2014 KShs |
| Interest bearing assets | 6,288 | 6,187 | 5,078 | 4,610 |

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.

(iii) 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 2015 and 2014 is as follows:

| | 2015 KShs | 2014 KShs |
|------------------------------------|--------------|--------------|
| Group and Company | | |
| Shares in quoted Company (Note 17) | 242,055 | 322,988 |

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 | |
|------------------------------------|----------------|--------------|
| | 2015 KShs | 2014 KShs |
| Group and company | | |
| Shares in quoted Company (Note 17) | (24,206) | (32,299) |

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.



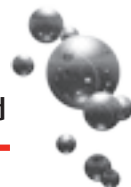
Notes to the financial statements continued

5 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 | Loans and receivables KShs '000 | Available for sale KShs '000 | Other amortised cost KShs '000 | Total carrying value KShs '000 | Fair Value KShs '000 |
|-------------------------------------|------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|-------------------------|
| 2015 | | | | | |
| Financial Assets | | | | | |
| Available for sale financial assets | - | 540,674 | - | 540,674 | 540,674 |
| Trade and other receivables | 355,955 | - | - | 355,955 | 355,955 |
| Term deposits | 31,655 | - | - | 31,655 | 31,655 |
| Cash and cash equivalents | 400,568 | - | - | 400,568 | 400,568 |
| | 788,178 | 540,674 | - | 1,328,852 | 1,328,852 |
| Financial Liabilities | | | | | |
| Trade and other payables | - | - | 605,467 | 605,467 | 605,467 |
| | | | | | |
| 2014 | | | | | |
| Financial Assets | | | | | |
| Available for sale financial assets | - | 489,838 | - | 489,838 | 489,838 |
| Trade and other receivables | 306,624 | - | - | 306,624 | 306,624 |
| Term deposits | 24,812 | - | - | 24,812 | 24,812 |
| Cash and cash equivalents | 478,158 | - | - | 478,158 | 478,158 |
| | 809,594 | 489,838 | - | 1,299,432 | 1,299,432 |
| Financial Liabilities | | | | | |
| Trade and other payables | - | - | 542,245 | 542,245 | 542,245 |



5 FINANCIAL RISK MANAGEMENT Continued

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

| Company | Loans and receivables KShs '000 | Available for sale KShs '000 | Other amortised cost KShs '000 | Total carrying value KShs '000 | Fair Value KShs '000 |
|-------------------------------------|------------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-------------------------|
| 2015 | | | | | |
| Available for sale financial assets | - | 540,674 | - | 540,674 | 540,674 |
| Trade and other receivables | 414,788 | - | - | 414,788 | 414,788 |
| Term deposits | - | - | - | - | - |
| Cash and cash equivalents | 245,915 | - | - | 245,915 | 245,915 |
| | 660,703 | 540,674 | - | 1,201,377 | 1,201,377 |
| Financial Liabilities | | | | | |
| Trade and other payables | - | - | 540,396 | 540,396 | 540,396 |
| 2014 | | | | | |
| Financial Assets | | | | | |
| Available for sale financial assets | - | 489,838 | - | 489,838 | 489,838 |
| Trade and other receivables | 322,026 | - | - | 322,026 | 322,026 |
| Term deposits | 24,812 | - | - | 24,812 | 24,812 |
| Cash and cash equivalents | 290,359 | - | - | 290,359 | 290,359 |
| | 637,197 | 489,838 | - | 1,127,035 | 1,127,035 |
| Financial Liabilities | | | | | |
| Trade and other payables | - | - | 474,018 | 474,018 | 474,018 |



Notes to the financial statements continued

5 FINANCIAL RISK MANAGEMENT Continued

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

Fair value hierarchy

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

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

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

| 31 December 2015: | Level 1 KShs'000 | Level 2 KShs'000 | Level 3 KShs'000 | Total KShs'000 |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|
| Assets | | | | |
| Available-for-sale financial assets | 242,056 | 298,618 | - | 540,674 |
| Total assets | 242,056 | 298,618 | | 540,674 |
| 31 December 2014: | Level 1 KShs'000 | Level 2 KShs'000 | Level 3 KShs'000 | Total KShs'000 |
| Assets | | | | |
| Available-for-sale financial assets | 322,988 | 166,850 | - | 489,838 |
| Total assets | 322,988 | 166,850 | | 489,838 |

Valuation technique and significant observable inputs

| Type | Valuation technique | Significant observable inputs: | Interrelationships 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) |

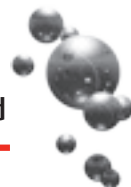
(e) Capital management

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.

Notes to the financial statements continued



6 SEGMENT INFORMATION

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

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

| Year ended 31 December 2015 | Kenya KShs'000 | Tanzania KShs'000 | Uganda KShs'000 | Elimination KShs'000 | Total KShs'000 |
|-----------------------------------|-------------------|----------------------|--------------------|-------------------------|-------------------|
| Sales | 1,085,224 | 75,885 | 98,442 | (73,131) | 1,186,420 |
| Operating profit/(loss) | 159,725 | (11,503) | 11,632 | 321 | 160,175 |
| Net finance income | 61,764 | (4,580) | 4,362 | - | 61,546 |
| Profit/(loss) before income tax | 221,489 | (16,083) | 15,994 | 321 | 221,721 |
| Income tax expense | (67,829) | 501 | (5,793) | - | (73,121) |
| Profit/(loss) for the year | 153,660 | (15,582) | 10,201 | 321 | 148,600 |

| Year ended 31 December 2014 | Kenya KShs'000 | Tanzania KShs'000 | Uganda KShs'000 | Elimination KShs'000 | Total KShs'000 |
|-----------------------------------|-------------------|----------------------|--------------------|-------------------------|-------------------|
| Sales | 1,223,756 | 97,242 | 47,371 | (71,690) | 1,296,679 |
| Operating profit/(loss) | 199,156 | 5,062 | (2,675) | (693) | 200,850 |
| Net finance income | 64,631 | 8,774 | 3,729 | - | 77,134 |
| Profit before income tax | 263,787 | 13,836 | 1,054 | (693) | 277,984 |
| Income tax expense | (43,737) | (4,306) | (316) | - | (48,359) |
| Profit/(loss) for the year | 220,050 | 9,530 | 738 | (693) | 229,625 |



Notes to the financial statements continued

6 SEGMENT INFORMATION Continued

Other segment items included in the profit or loss are:

Year ended 31 December 2015

| | Kenya KShs'000 | Tanzania KShs'000 | Uganda KShs'000 | Total KShs'000 |
|---|-------------------|----------------------|--------------------|-------------------|
| Depreciation | 62,265 | 4,466 | 3,455 | 70,186 |
| Amortisation of intangible assets | 1,211 | 80 | - | 1,291 |
| Amortisation of operating leases | 97 | - | - | 97 |
| Impairment of inventories | 13,325 | 3,708 | 2,846 | 20,479 |
| Impairment of trade receivables (Note 5(a)) | 12,022 | (865) | (1,267) | 9,890 |

Year ended 31 December 2014

| | Kenya KShs'000 | Tanzania KShs'000 | Uganda KShs'000 | Total KShs'000 |
|-----------------------------------|-------------------|----------------------|--------------------|-------------------|
| Depreciation | 45,407 | 2,297 | 856 | 48,560 |
| Amortisation of intangible assets | 550 | - | - | 550 |
| Amortisation of operating leases | 105 | - | - | 105 |
| Impairment of inventories | 36,224 | 3,237 | 412 | 39,873 |
| Impairment of trade receivables | 7,554 | 548 | (2,950) | 5,152 |

The segment assets and liabilities at 31 December 2015 and capital expenditure for the period then ended are as follows:

| Year ended 31 December 2015 | Kenya KShs'000 | Tanzania KShs'000 | Uganda KShs'000 | Elimination KShs'000 | Total KShs'000 |
|---|-------------------|----------------------|--------------------|-------------------------|-------------------|
| Assets | 2,060,639 | 127,234 | 144,442 | (72,526) | 2,259,789 |
| Liabilities | 548,159 | 75,713 | 53,628 | (70,650) | 606,850 |
| Capital expenditure: | | | | | |
| Additions to property, plant and equipment | 66,698 | 43,334 | - | - | 110,032 |

| Year ended 31 December 2014 | Kenya KShs'000 | Tanzania KShs'000 | Uganda KShs'000 | Elimination KShs'000 | Total KShs'000 |
|--|-------------------|----------------------|--------------------|-------------------------|-------------------|
| Assets | 2,010,029 | 142,385 | 135,702 | (56,259) | 2,231,857 |
| Liabilities | 484,394 | 67,534 | 55,266 | (54,062) | 553,132 |
| Capital expenditure: | | | | | |
| (i) Additions to property, plant and equipment | 174,482 | 3,225 | - | - | 177,707 |
| (ii) Transfer to intangible assets | 475 | - | - | - | 475 |

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

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

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

Notes to the financial statements continued



7 REVENUE

| | Group | | Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Sale of medical and industrial gases | 965,140 | 1,050,061 | 891,623 | 972,724 |
| Equipment sales | 80,836 | 117,095 | 69,710 | 108,550 |
| Equipment and facilities rentals | 70,038 | 75,628 | 69,113 | 70,683 |
| Service and delivery revenue | 70,406 | 53,895 | 54,778 | 71,799 |
| | 1,186,420 | 1,296,679 | 1,085,224 | 1,223,756 |

8 OTHER OPERATING INCOME AND EXPENSES

(a) Other income

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Profit on disposal of property, plant and equipment | 3,228 | 2,671 | 1,978 | 2,349 |

(b) Expenses by nature comprise:

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Raw materials, products for resale and consumables | 312,626 | 382,752 | 273,117 | 374,031 |
| Employee benefits and other staff costs | 238,969 | 232,553 | 230,201 | 225,814 |
| Electricity costs | 125,290 | 136,091 | 125,088 | 135,928 |
| Depreciation and amortisation of leasehold land | 70,292 | 48,665 | 62,370 | 45,512 |
| Amortization of intangible assets | 1,291 | 550 | 1,211 | 550 |
| Repairs and maintenance | 48,914 | 45,122 | 48,452 | 44,407 |
| Vehicle expenses | 56,170 | 75,188 | 52,929 | 69,373 |
| Management fee | 24,128 | 25,871 | 20,242 | 23,041 |
| Other expenses | 151,793 | 151,708 | 113,867 | 108,293 |
| Total cost of sales, other expenses and overheads | 1,029,473 | 1,098,500 | 927,477 | 1,026,949 |

The expenses by function are made up of:

| | | | | |
|-------------------------------------|------------------|------------------|----------------|------------------|
| Cost of sales | 603,181 | 667,502 | 558,062 | 657,638 |
| Distribution costs | 101,093 | 112,012 | 96,403 | 105,787 |
| Selling and administrative expenses | 325,199 | 318,986 | 273,012 | 263,524 |
| | 1,029,473 | 1,098,500 | 927,477 | 1,026,949 |

(c) Employee benefit expense

The following items are included within staff costs:

| | | | | |
|-------------------------------|--------|--------|--------|--------|
| Social security benefits | 755 | 738 | 221 | 229 |
| Retirement benefits costs: | | | | |
| - defined contribution scheme | 16,677 | 16,576 | 16,514 | 16,439 |



Notes to the financial statements continued

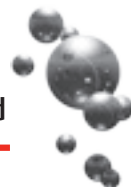
9 FINANCE INCOME AND FINANCE COSTS

| | Group | | Company | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| (a) Finance income | | | | |
| Interest income | 63,948 | 53,767 | 54,842 | 42,557 |
| Dividend income | 10,395 | 10,395 | 10,395 | 10,395 |
| Foreign currency exchange gains | - | 14,734 | - | 12,409 |
| | 74,343 | 78,896 | 65,237 | 65,361 |
| (b) Finance costs | | | | |
| Interest paid | 267 | 669 | 267 | 669 |
| Foreign currency exchange loss | 12,530 | 1,093 | 3,206 | 61 |
| | 12,797 | 1,762 | 3,473 | 730 |

10 PROFIT BEFORE TAXATION

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Profit before taxation is arrived at after charging: | | | | |
| Repairs and maintenance expenditure on property, plant and equipment | 48,914 | 45,122 | 48,452 | 44,407 |
| Directors' remuneration: | | | | |
| - Fees | 5,454 | 4,405 | 4,986 | 4,150 |
| - Salaries and short term benefits | 34,318 | 36,594 | 34,318 | 36,594 |
| Depreciation | 70,186 | 48,560 | 62,265 | 45,407 |
| Impairment of trade receivables | 9,890 | 5,152 | 12,022 | 7,554 |
| Amortisation of intangible assets | 1,291 | 550 | 1,211 | 550 |
| Operating leases charges: | | | | |
| - Rentals | 8,854 | 8,824 | 1,000 | 1,000 |
| - Amortisation | 97 | 105 | 97 | 105 |
| Auditors remuneration | 4,942 | 4,811 | 3,997 | 3,777 |
| And after crediting: | | | | |
| Profit on disposal of property, plant and equipment | 3,228 | 2,671 | 1,978 | 2,349 |

Notes to the financial statements continued



| 11 INCOME TAX EXPENSE | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| (a) Current tax expense | | | | |
| Current year (Note 22) | 82,718 | 87,928 | 76,839 | 81,760 |
| | 82,718 | 87,928 | 76,839 | 81,760 |
| (b) Deferred tax (credit)/charge | | | | |
| (Increase)/Decrease in deferred tax assets (Note 18) | (10,803) | 6,548 | (9,010) | 8,094 |
| Prior year deferred tax over/(under) provision (Note 18) | 1,206 | (46,117) | - | (46,117) |
| | (9,597) | (39,569) | (9,010) | (38,023) |
| Income tax expense | 73,121 | 48,359 | 67,829 | 43,737 |

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 | |
|--|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Profit before tax | 221,721 | 277,984 | 221,489 | 263,787 |
| Tax calculated at a tax rate of 30% | 66,516 | 83,395 | 66,447 | 79,136 |
| Tax effect of: | | | | |
| Dividend income taxed at 5% | (2,599) | (2,599) | (2,599) | (2,599) |
| Expenses not deductible for tax purposes | 8,118 | 13,469 | 3,981 | 13,317 |
| Under provision of deferred tax in prior years | 1,206 | (46,117) | - | (46,117) |
| Translation differences | (120) | 211 | - | - |
| Income tax expense | 73,121 | 48,359 | 67,829 | 43,737 |

12 EARNINGS PER SHARE

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

There were no potentially dilutive shares outstanding at 31 December 2015 or 31 December 2014. Therefore, the dilutive earnings per share and the calculation thereof equals the basic earnings per share.

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Net profit attributable to shareholders | 148,600 | 229,625 | 153,660 | 220,050 |
| Weighted average number of ordinary shares in issue | 19,525 | 19,525 | 19,525 | 19,525 |
| Basic and dilutive earnings per share (KShs) | 7.61 | 11.76 | 7.87 | 11.27 |



Notes to the financial statements continued

13 DIVIDEND PER SHARE

At the next annual general meeting a final dividend in respect of the year ended 31 December 2015 of KShs 3.00 per share (2014: KShs 3.00 per share), amounting to a total of KShs 58,576,338 (2014: KShs 58,576,338) is to be proposed.

During the year, an interim dividend of KShs 2.20 per share (2014: KShs 2.20 per share), amounting to a total of KShs 42,955,981 (2014: KShs 42,955,981) was paid. The total dividend for the year is therefore KShs 5.20 per share (2014: KShs 5.20), amounting to a total of KShs 101,532,320 (2014: KShs 101,532,320).

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

14 PROPERTY, PLANT AND EQUIPMENT

(a) Group 2015

| | Land & Buildings KShs'000 | Plant and 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 2015 | 114,657 | 554,562 | 188,650 | 697,874 | 39,458 | 11,209 | 1,606,410 |
| Additions | 7,862 | 33,392 | 19,052 | 12,266 | 4,911 | 32,549 | 110,032 |
| Transfers | 2,684 | - | 8,248 | - | - | (10,932) | - |
| Reallocation | (300) | (3,801) | - | 47,367 | 8,410 | - | 51,676 |
| Disposals | - | - | (18,304) | - | - | - | (18,304) |
| Currency translation differences | (1,187) | (1,214) | (941) | (3,199) | 1,750 | (277) | (5,068) |
| At 31 December 2015 | 123,716 | 582,939 | 196,705 | 754,308 | 54,529 | 32,549 | 1,744,746 |
| Depreciation | | | | | | | |
| At 1 January 2015 | (54,822) | (388,987) | (123,255) | (281,525) | (34,816) | - | (883,405) |
| Charge for the year | (3,094) | (26,814) | (9,356) | (26,753) | (4,169) | - | (70,186) |
| Reallocation | 1,271 | (4,772) | - | (38,699) | (7,911) | - | (50,111) |
| On disposals | - | - | 18,304 | - | - | - | 18,304 |
| Currency translation differences | 111 | 711 | 502 | 980 | 143 | - | 2,447 |
| At 31 December 2015 | (56,534) | (419,862) | (113,805) | (345,997) | (46,753) | - | (982,951) |
| Carrying value | | | | | | | |
| At 31 December 2015 | 67,182 | 163,077 | 82,901 | 408,311 | 7,776 | 32,549 | 761,795 |

During the year, the Group received compensation of KShs 1,571,933 (2014: 2,671,000) from third parties for lost cylinders. The cylinders were fully depreciated as at 31 December 2015.

Re-allocations were done in the year to correct the differences that existed in the fixed assets register between the gross book value of the different asset classes and the accumulated depreciation. The net impact in the value was zero.

Notes to the financial statements continued



14 PROPERTY, PLANT AND EQUIPMENT Continued

(a) Group continued 2014

| | Land & Buildings KShs'000 | Plant and 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 2014 | 114,707 | 513,289 | 155,226 | 599,451 | 38,541 | 10,059 | 1,431,273 |
| Additions | - | 42,443 | 23,365 | 99,671 | 1,019 | 11,209 | 177,707 |
| Transfers | - | - | 10,059 | - | - | (10,059) | - |
| Currency translation differences | (50) | (1,170) | - | (1,248) | (102) | - | (2,570) |
| At 31 December 2014 | 114,657 | 554,562 | 188,650 | 697,874 | 39,458 | 11,209 | 1,606,410 |
| Depreciation | | | | | | | |
| At 1 January 2014 | (57,131) | (374,159) | (115,451) | (258,195) | (31,203) | - | (836,139) |
| Charge for the year | (2,259) | (15,168) | (8,007) | (23,870) | (3,774) | - | (48,560) |
| Currency translation differences | 50 | 340 | 203 | 540 | 161 | - | 1,294 |
| At 31 December 2014 | (54,822) | (388,987) | (123,255) | (281,525) | (34,816) | - | (883,405) |
| Carrying value | | | | | | | |
| At 31 December 2014 | 59,835 | 165,575 | 65,395 | 416,349 | 4,642 | 11,209 | 723,005 |

Additions in the year were KShs 177,707,000 of which KShs 127,863,000 had been paid for as at 31 December 2014. Unpaid amounts are included in creditor balances.

(b) Company 2015

| | Land & Buildings KShs'000 | Plant and Machinery KShs'000 | Motor Vehicles KShs'000 | Cylinders KShs'000 | Furniture and equipment KShs'000 | Capital work in progress KShs'000 | Total KShs'000 |
|----------------------------|------------------------------|---------------------------------|----------------------------|-----------------------|-------------------------------------|--------------------------------------|-------------------|
| At 1 January 2015 | 113,469 | 505,447 | 213,210 | 669,723 | 37,871 | 8,248 | 1,547,968 |
| Reallocation | (300) | (3,801) | - | 47,367 | 8,499 | - | 51,765 |
| Additions | - | 13,614 | 3,471 | 12,266 | 4,798 | 32,549 | 66,698 |
| Disposals | - | - | (17,169) | - | - | - | (17,169) |
| Transfers | - | - | 8,248 | - | - | (8,248) | - |
| At 31 December 2015 | 113,169 | 515,260 | 207,760 | 729,356 | 51,168 | 32,549 | 1,649,262 |
| Depreciation | | | | | | | |
| At 1 January 2015 | (53,633) | (380,899) | (117,888) | (269,175) | (33,432) | - | (855,027) |
| Reallocation | 193 | (4,764) | - | (39,011) | (6,462) | - | (50,044) |
| Charge for the year | (2,654) | (22,034) | (8,007) | (25,667) | (3,903) | - | (62,265) |
| Disposals | - | - | 17,169 | - | - | - | 17,169 |
| At 31 December 2015 | (56,094) | (407,697) | (108,726) | (333,853) | (43,797) | - | (950,167) |
| Carrying value: | | | | | | | |
| At 31 December 2015 | 57,075 | 107,563 | 99,034 | 395,503 | 7,371 | 32,549 | 699,095 |

During the year, the Company received compensation of KShs 568,637 (2014: 2,349,000) from third parties for lost cylinders. The cylinders were fully depreciated as at 31 December 2015.



Notes to the financial statements continued

14 PROPERTY, PLANT AND EQUIPMENT Continued

(b) Company continued 2014

| | Land & Buildings KShs'000 | Plant and 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 2014 | 113,469 | 463,005 | 179,785 | 570,052 | 37,116 | 10,059 | 1,373,486 |
| Additions | - | 42,442 | 23,366 | 99,671 | 755 | 8,248 | 174,482 |
| Transfers | - | - | 10,059 | - | - | (10,059) | - |
| At 31 December 2014 | 113,469 | 505,447 | 213,210 | 669,723 | 37,871 | 8,248 | 1,547,968 |
| Depreciation | | | | | | | |
| At 1 January 2014 | (55,892) | (363,872) | (113,489) | (246,527) | (29,840) | - | (809,620) |
| Charge for the year | (2,259) | (17,027) | (4,399) | (22,648) | (3,592) | - | (45,407) |
| At 31 December 2014 | (53,633) | (380,899) | (117,888) | (269,175) | (33,432) | - | (855,027) |
| Carrying value | | | | | | | |
| At 31 December 2014 | 59,836 | 124,548 | 95,322 | 400,548 | 4,439 | 8,248 | 692,941 |

Additions in the year were KShs 174,482,000 of which KShs 124,639,000 had been paid for as at 31 December 2014. Unpaid amounts are included in trade and other payables balances.

Included in property, plant and equipment are assets with a gross value of KShs 359,440,852 (2014: KShs 342,719,812) which are fully depreciated but still in use. The notional depreciation charge on these assets would have been KShs 51,780,882 (2014: KShs 45,489,450).

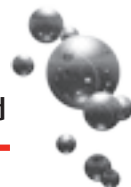
There were no idle assets at 31 December 2015 and 2014.

The Group had no property pledged as security as at 31 December 2015 and 31 December 2014.

15 INTANGIBLE ASSETS

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Cost | | | | |
| At beginning of year | 22,544 | 22,069 | 22,544 | 22,069 |
| Reallocation to property plant and equipment (Note 14) | (6,220) | - | (6,483) | - |
| Additions | - | 475 | - | 475 |
| Translation differences | (25) | - | - | - |
| At end of year | 16,299 | 22,544 | 16,061 | 22,544 |

Notes to the financial statements continued



15 INTANGIBLE ASSETS Continued

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Accumulated amortisation | | | | |
| At beginning of year | (18,982) | (18,432) | (18,982) | (18,432) |
| Reallocation to property plant and equipment (Note 14) | 4,644 | - | 4,656 | - |
| Charge for the year | (1,291) | (550) | (1,211) | (550) |
| At end of year | (15,629) | (18,982) | (15,537) | (18,982) |
| Net carrying amount at 31 December | 670 | 3,562 | 524 | 3,562 |

16 INVESTMENT IN SUBSIDIARIES

| Company | Percentage shareholding | 2015 KShs'000 | 2014 KShs'000 |
|-----------------------------|-------------------------|------------------|------------------|
| 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 Limited.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| Group and Company | 2015 KShs'000 | 2014 KShs'000 |
|--------------------------|------------------|------------------|
| Non-current: | | |
| Shares in quoted company | 242,055 | 322,988 |
| Treasury bonds | 16,247 | 18,358 |
| Corporate bonds | 3,934 | 27,522 |
| Total non-current | 262,236 | 368,868 |
| Current: | | |
| Treasury bills | 278,438 | 120,970 |

The weighted average effective interest rate on the treasury bills at year end was 12.3% (2014: 10.35%), while that on treasury and corporate bonds was 10.4% (2014: 8.35%).



Notes to the financial statements continued

18 DEFERRED TAX

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| At the beginning of year | 18,330 | (6,916) | 10,955 | (13,022) |
| Recognised in profit or loss (Note 11) | 10,803 | (6,548) | 9,010 | (8,094) |
| Prior year under / (over) provision (Note 11) | (1,206) | 46,117 | - | 46,117 |
| Unrealised gain / (loss) on available for sale financial assets | (1,118) | 422 | (1,118) | 422 |
| Deferred tax on fair value changes on equity instruments | 14,468 | (14,468) | 14,468 | (14,468) |
| Currency translation differences | (672) | (277) | - | - |
| At end of year | 40,605 | 18,330 | 33,315 | 10,955 |

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

Group

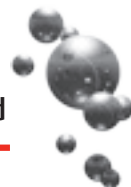
Year ended 31 December 2015

| | At 01.01.2015 Kshs '000 | Recognised in profit or loss Kshs '000 | Foreign Currency translation differences Kshs '000 | Prior year under provision Kshs '000 | Recognised other in comprehensive income Kshs '000 | At 31.12.2015 Kshs '000 |
|---|-------------------------------|---|--|---|--|-------------------------------|
| Property, plant and equipment | (54,384) | (1,741) | - | 58 | - | (56,067) |
| Unrealized exchange (gains) / losses | (1,078) | 2,142 | - | - | - | 1,064 |
| Accrued expenses & provisions | 87,518 | 7,290 | (672) | (1,264) | - | 92,872 |
| Unrealized loss on available for sale financial assets | 742 | - | - | - | (1,118) | (376) |
| Tax losses | - | 3,112 | - | - | - | 3,112 |
| Deferred tax on fair value change on equity instruments | (14,468) | - | - | - | 14,468 | - |
| Totals | 18,330 | 10,803 | (672) | (1,206) | 13,350 | 40,605 |

Year ended 31 December 2014

| | | | | | | |
|---|----------------|----------------|--------------|---------------|-----------------|---------------|
| Property, plant and equipment | (79,668) | (9,160) | - | 34,444 | - | (54,384) |
| Unrealized exchange (gains) / losses | 204 | (1,282) | - | - | - | (1,078) |
| Accrued expenses & provisions | 72,228 | 3,894 | (277) | 11,673 | - | 87,518 |
| Unrealized loss on available for sale financial assets | 320 | - | - | - | 422 | 742 |
| Deferred tax on fair value change on equity instruments | - | - | - | - | (14,468) | (14,468) |
| Totals | (6,916) | (6,548) | (277) | 46,117 | (14,046) | 18,330 |

Notes to the financial statements continued



18 DEFERRED TAX Continued

Company:

Year ended 31 December 2015

| | At 01.01.2015 Kshs '000 | Recognised in profit or loss Kshs '000 | Prior year under provision Kshs '000 | Recognised other in comprehensive income Kshs '000 | At 31.12.2015 Kshs '000 |
|--|-------------------------------|---|---|--|-------------------------------|
| Property, plant and equipment | (48,388) | (1,913) | - | - | (50,301) |
| Unrealized loss on available for sale financial assets | 742 | - | - | (1,118) | (376) |
| Accrued expenses and provisions | 74,458 | 8,357 | - | - | 82,815 |
| Deferred tax on fair value change on equity instruments | (14,468) | - | - | 14,468 | - |
| Unrealised exchange (gains)/losses | (1,389) | 2,566 | - | - | 1,177 |
| Totals | 10,955 | 9,010 | - | 13,350 | 33,315 |

Year ended 31 December 2014

| | | | | | |
|--|-----------------|----------------|---------------|-----------------|---------------|
| Property, plant and equipment | (72,942) | (9,890) | 34,444 | - | (48,388) |
| Unrealized loss on available for sale financial assets | 320 | - | - | 422 | 742 |
| Accrued expenses and provisions | 59,019 | 3,766 | 11,673 | - | 74,458 |
| Deferred tax on fair value change on equity instruments | - | - | - | (14,468) | (14,468) |
| Unrealised exchange (gains)/losses | 581 | (1,970) | - | - | (1,389) |
| Totals | (13,022) | (8,094) | 46,117 | (14,046) | 10,955 |

19 PREPAID OPERATING LEASES

Group and Company

| | 2015 KShs'000 | 2014 KShs'000 |
|---|------------------|------------------|
| At the beginning of the year | 3,398 | 3,503 |
| Reallocation from property plant and equipment (Note 14) | 97 | - |
| Amortisation for the year | (97) | (105) |
| At the end of the year | 3,398 | 3,398 |



Notes to the financial statements continued

20 INVENTORIES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Raw materials | 20,864 | 22,186 | 20,864 | 22,186 |
| Finished goods and other saleable stock | 136,503 | 150,868 | 118,498 | 129,637 |
| Spares | 52,888 | 67,539 | 52,751 | 67,400 |
| Goods in transit | 31,451 | 16,874 | 31,443 | 16,874 |
| Work in progress | 3,294 | - | 3,294 | - |
| Impairment allowance | (83,572) | (69,340) | (72,377) | (64,238) |
| Total | 161,428 | 188,127 | 154,473 | 171,859 |

The cost of inventory recognised as an expense and included in cost of sales amounted to KShs 546,320,732 (2014: 577,517,894 KShs) for Group and KShs 511,019,767 (2014: KShs 553,734,442) for Company.

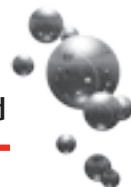
21 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Trade receivables | 412,402 | 341,146 | 336,166 | 291,599 |
| Allowance for impairment | (88,594) | (94,026) | (73,890) | (61,968) |
| | 323,808 | 247,120 | 262,276 | 229,631 |
| Other receivables | 32,147 | 59,504 | 17,269 | 38,332 |
| Receivables from related companies (Note 32(b)) | - | - | 135,243 | 54,063 |
| Prepayments | 3,646 | 14,333 | 1,712 | 11,174 |
| Total | 359,601 | 320,957 | 416,500 | 333,200 |

22 TAX RECOVERABLE

| | Group | | Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| At 1 January | 50,133 | 29,173 | 37,492 | 23,116 |
| Reclassified to other debtors | (3,403) | - | - | - |
| Charge for the year (Note 11) | (82,718) | (87,928) | (76,839) | (81,760) |
| Prior year under-provision (Note 11) | - | - | - | - |
| Tax paid | 57,529 | 109,037 | 53,395 | 96,136 |
| Foreign currency translation | (979) | (149) | - | - |
| At 31 December | 20,562 | 50,133 | 14,048 | 37,492 |

Notes to the financial statements continued



23 TERM DEPOSITS

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

24 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 | |
|--------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Cash at bank and in hand | 102,036 | 51,136 | 36,698 | 21,088 |
| Fixed and call deposits | 298,532 | 427,022 | 209,217 | 269,271 |
| Total | 400,568 | 478,158 | 245,915 | 290,359 |

25 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

Group and Company:

| | Number of shares | Share capital KShs'000 |
|-------------------------------------|------------------|---------------------------|
| Authorised (ordinary shares) | 20,000,000 | 100,000 |
| Issued and fully paid 2015 and 2014 | 19,525,446 | 97,627 |

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

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

(b) Share premium

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



Notes to the financial statements continued

26 OTHER RESERVES

| | Group | | Company | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Fair value reserve | 216,090 | 282,457 | 216,090 | 282,457 |
| Foreign currency translation reserve | (24,871) | (11,088) | - | - |
| Total | 191,219 | 271,369 | 216,090 | 282,457 |

(a) Fair value reserve

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

(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.

27 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Cylinder deposits | 182,398 | 183,414 | 149,180 | 149,824 |
| Trade payables | 167,607 | 109,077 | 151,321 | 105,476 |
| Amounts due to related companies (Note 32(c)) | 72,803 | 79,245 | 70,262 | 68,866 |
| Accruals and other payables | 184,042 | 181,396 | 177,396 | 160,228 |
| Total | 606,850 | 553,132 | 548,159 | 484,394 |

Notes to the financial statements continued



28 CASH GENERATED FROM OPERATIONS

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

| | Note | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Profit before tax | | 221,721 | 277,984 | 221,489 | 263,787 |
| Adjustments for: | | | | | |
| Depreciation | 14 | 70,186 | 48,560 | 62,265 | 45,407 |
| Amortisation of intangible assets | 15 | 1,291 | 550 | 1,291 | 550 |
| Operating lease charges | 18 | 97 | 105 | 97 | 105 |
| Profit on sale of property and equipment | 7 | (3,228) | (2,671) | (1,978) | (2,349) |
| Effect of foreign currency translations | | 3,694 | 2,507 | - | - |
| Interest income | 9(a) | (63,948) | (53,767) | (54,842) | (42,557) |
| Dividend income | 9(a) | (10,395) | (10,395) | (10,395) | (10,395) |
| Unrealised profit on closing stock | | 1,815 | 149 | - | - |
| - trade and other receivables | | (36,923) | 2,395 | (84,982) | 1,613 |
| - inventories | | 24,884 | (5,314) | 17,386 | (1,888) |
| - trade and other payables | | 53,718 | (40,723) | 63,765 | (37,679) |
| - Interest receivable | | 1,721 | (7,018) | 1,682 | (7,059) |
| Cash generated from operating activities | | 264,633 | 212,362 | 215,698 | 209,535 |

29 CONTINGENT LIABILITIES

At 31 December 2015, the Company's Bankers had issued various guarantees in favour of third parties (primarily the Company's public sector customers) amounting KShs 13,245,728 (31 December 2014: KShs 749,875).

There are certain pending legal claims brought against the Company as at 31 December 2015 for which a provision has been made in the books. In the opinion of the Directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts already provided in these financial statements.

30 CAPITAL COMMITMENTS

At 31 December 2015, the Company had capital commitments of KShs 65,118,311 (2014: KShs 70,324,830).



Notes to the financial statements continued

31 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 | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Not later than one year | 8,537 | 4,961 | 1,000 | 1,000 |
| Between 1 and 5 years | 8,937 | 13,200 | 4,000 | 4,000 |
| Longer than five years | 27,000 | 28,000 | 27,000 | 28,000 |
| Total | 44,474 | 46,161 | 32,000 | 33,000 |

32 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 Limited through common shareholdings or common Directorships.

The following transactions were carried out with related parties:

(a) Purchase of goods and services from related parties – Group

| Group | 2015 KShs'000 | 2014 KShs'000 |
|------------------------|------------------|------------------|
| BOC Group plc | 21,626 | 20,094 |
| African Oxygen Limited | 89,809 | 93,064 |
| Cryostar France | 6,070 | 1,170 |
| Afrox Zambia Limited | - | 116 |
| Total | 117,505 | 114,444 |

| Company | 2015 KShs'000 | 2014 KShs'000 |
|------------------------|------------------|------------------|
| BOC Group plc | 21,626 | 20,094 |
| African Oxygen Limited | 72,614 | 85,762 |
| Cryostar France | 6,070 | 1,170 |
| Afrox Zambia Limited | 43 | 116 |
| Total | 100,353 | 107,142 |

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.

Notes to the financial statements continued



32 RELATED PARTY TRANSACTIONS Continued

(b) Outstanding balances included in receivables

| | 2015 KShs'000 | 2014 KShs'000 |
|----------------------------------|------------------|------------------|
| Due to BOC Kenya Limited: | | |
| BOC Tanzania Limited | 60,022 | 26,109 |
| BOC Uganda Limited | 75,221 | 27,954 |
| Total | 135,243 | 54,063 |

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

| | Group | | Company | |
|------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| BOC Group plc | 49,586 | 42,467 | 49,585 | 42,467 |
| African Oxygen Limited | 20,126 | 33,671 | 17,586 | 23,292 |
| Afrox Zambia Limited | - | 55 | - | 55 |
| Linde A.G | 3,091 | 3,048 | 3,091 | 3,048 |
| BOC Zimbabwe Limited | - | 4 | - | 4 |
| Total | 72,803 | 79,245 | 70,262 | 68,866 |

(d) Key management compensation

| Group and Company | 2015 KShs'000 | 2014 KShs'000 |
|----------------------------------|------------------|------------------|
| Salaries and short term benefits | 39,691 | 39,930 |

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

(e) Directors' remuneration

| Group and Company | Group | | Company | |
|----------------------------------|------------------|------------------|------------------|------------------|
| | 2015 KShs'000 | 2014 KShs'000 | 2015 KShs'000 | 2014 KShs'000 |
| Fees | 5,454 | 4,405 | 4,986 | 4,150 |
| Salaries and short term benefits | 34,318 | 36,594 | 34,318 | 36,594 |
| Total | 39,772 | 40,999 | 39,304 | 40,744 |

(f) Dividends paid

| | 2015 KShs'000 | 2014 KShs'000 |
|---------------|------------------|------------------|
| BOC Group Plc | 66,381 | 61,275 |

33 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.



TO: The Company Secretary,
BOC Kenya Limited
P.O. Box 18010 - 00500
NAIROBI

I/We

of Box.....

being a member/members of of BOC Kenya Limited 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 22 June 2016 at the Company's Head Office and factory site, Kitui Road, Industrial Area, or at any adjournment thereof.

As witness my/our hand/s this day of 2016

Signature:

NOTES:

1. If a member is unable to attend this meeting personally this Form of Proxy should be completed and returned to reach the Registered Office of the Company OR Custody & Registrar Services Limited, Bruce House, 6th Floor, Standard Street, P. O. Box 8484-00100, Nairobi not later than 2:30 p.m. on 20 June 2016.
2. A person appointed to act as a proxy need not be a member of the Company.
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.

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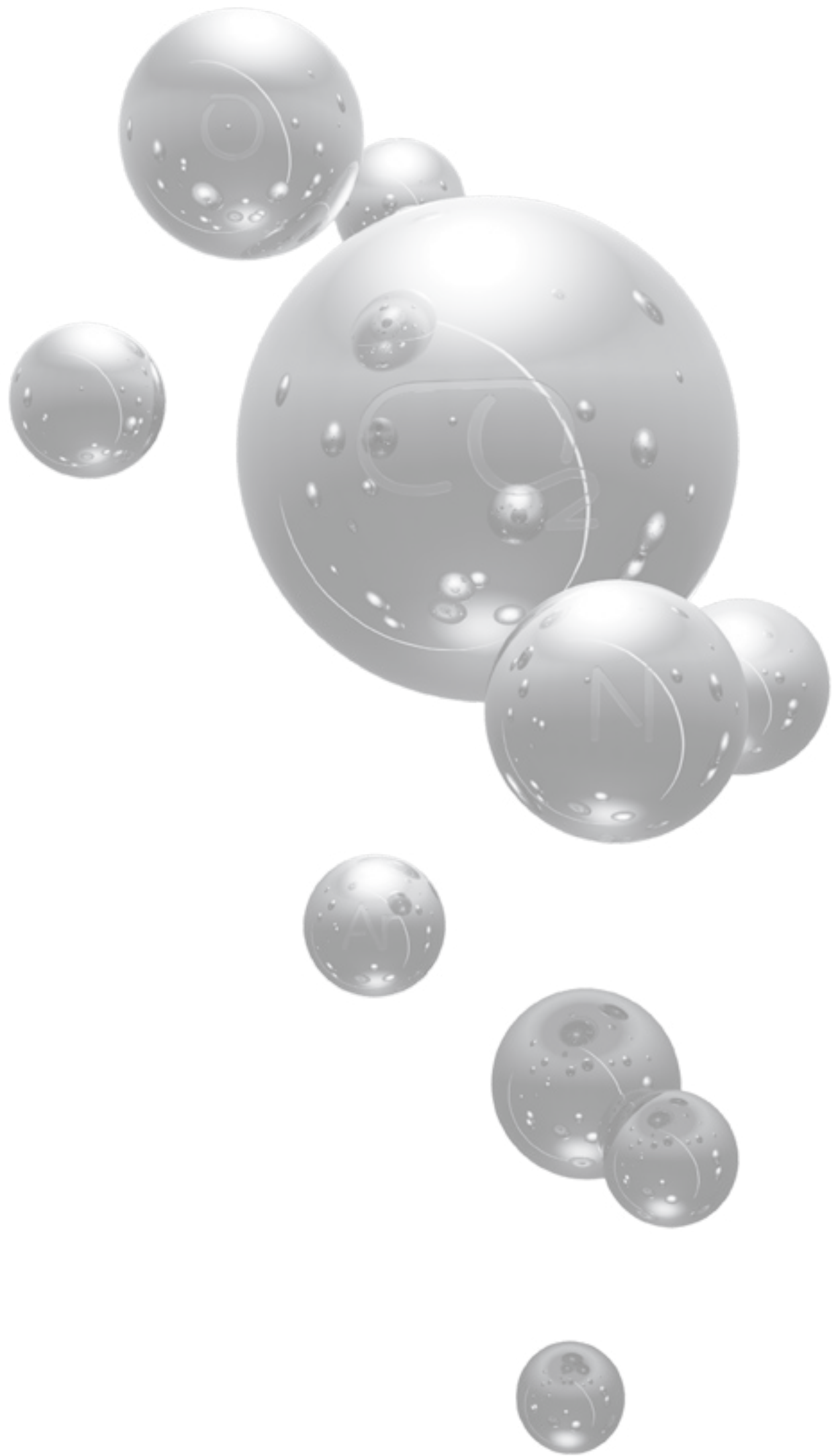
STICK
STAMP
HERE

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

Fold 1

Fold 3

Insert flap inside





 **BOC GASES**
A Member of The Linde Group

BOC Kenya Limited
Kitui Road, off Kampala Road
P.O. Box 18010
00500 Industrial Area
Nairobi, Kenya
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Safaricom +254 719 069000
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Email: boceastafrica@boc.com
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