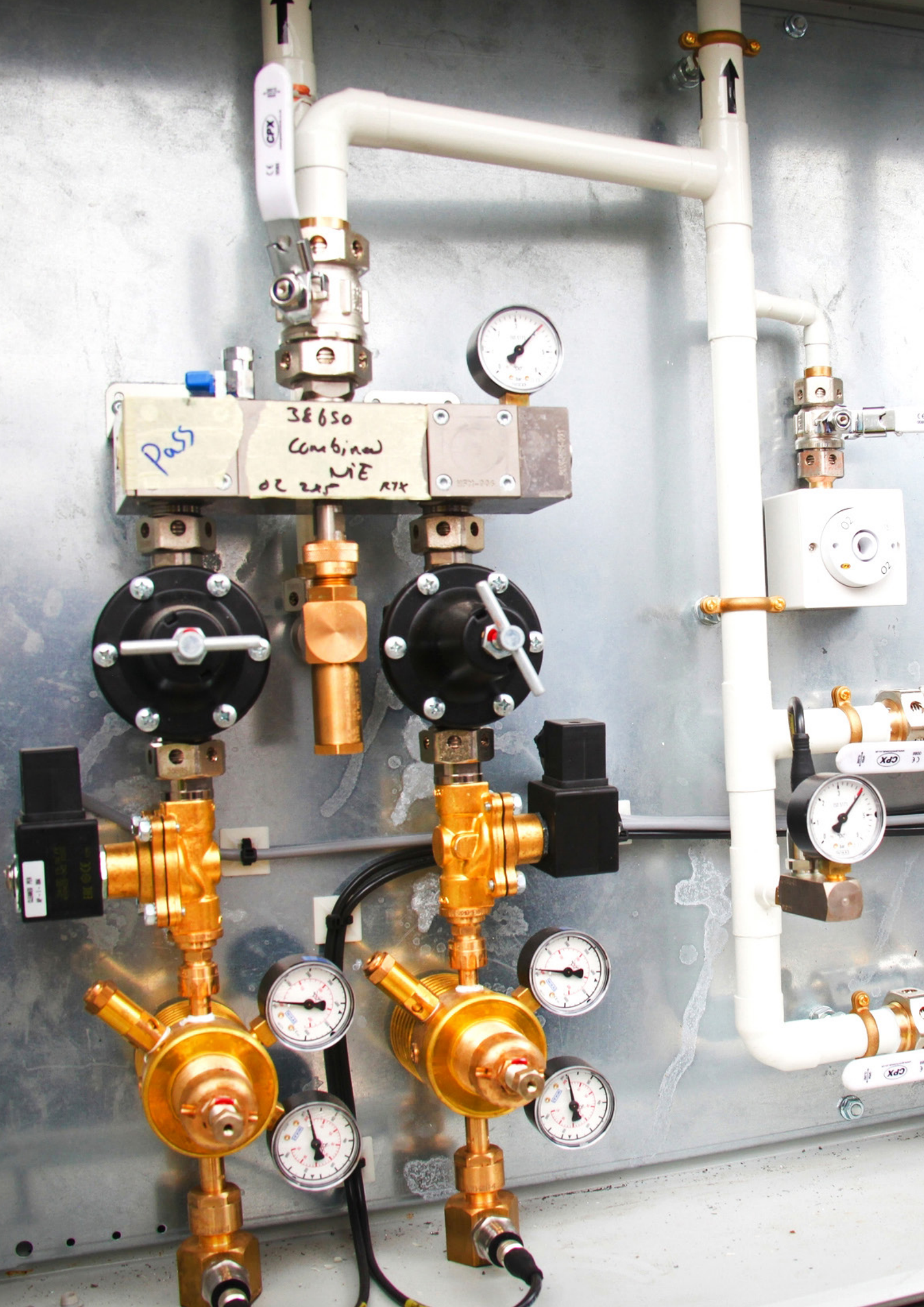


**2022** BOC KENYA  
PLC  
**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**



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## NOTICE OF THE 2023 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eighty-Second Annual General Meeting of BOC Kenya PLC will be held Virtually on 22 June 2023, 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 2022, together with the Reports of the Chairman, Directors and Auditors thereon.
2. To declare a final dividend of KES 4.45 per ordinary share, payable, net of Withholding Tax, on or about 21 July 2023 to Shareholders on the Register at the close of business on 31 May 2023.
3. To re-elect Directors:
  - (i) Mr. Robert Mbugua and Mrs. Cosima Wetende retire by rotation, and being eligible, offer themselves for re-election in accordance with Article 29 of the Articles of Association.
  - (ii) In accordance with the provisions of Section 769 of the Companies Act 2015, Mr. S. Maina, Mr. J. Ramashala and Mrs. C. Wetende being members of the Board's Audit & Risk Committee be re-elected to continue to serve as Members of the said Committee.
4. To approve the remuneration of Directors and the Directors Remuneration Report for the year ended 31 December 2022.
5. To reappoint PricewaterhouseCoopers LLP Kenya to continue in office as External Auditors of the Company by virtue of Section 721(2) of the Companies Act 2015 and to authorise the Directors to fix their remuneration.

### By Order of the Board

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

**28 April 2023**

- Notes accompanying this Notice of Annual General Meeting are contained on pages 3 to 6 of this Annual Report.
- This Notice is also available for download on the Company's website [www.boc.co.ke](http://www.boc.co.ke)

## NOTICE OF THE 2023 ANNUAL GENERAL MEETING (continued)

### NOTES:

1. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.
2. Shareholders wishing to participate in the meeting should register for the AGM online at <https://digital.candrgroup.co.ke> or via USSD using short code number \*384\*041# or via a link to the AGM Platform that will be sent to them via SMS and/or Email and follow the various prompts regarding the registration process. In order to complete the registration process, Shareholders will need to have their Shares Account Number or CDSC Account Number and the ID/Passport Number which were used to purchase their shares.
3. Registration for the AGM opens on **Monday 12 June 2023** at 08:00am and will close on **Wednesday 21 June 2023** at 12:00 Noon.
4. For assistance, Shareholders should dial the following helpline numbers: +254 20 7608216 from 8:00 a.m. to 4:00 p.m. during the registration Open Period. Any Shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke).
5. Shareholders can access the Virtual AGM using their log in credentials via the link to the AGM Platform to view the livestream, vote and submit questions. Shareholders without internet access can access the Virtual AGM and vote and submit questions via USSD using short code number \*384\*041#.
6. Shareholders wishing to raise any questions for the AGM may do so by:
  - (i) Accessing Virtual AGM via the link to the AGM platform; Select Attend Event; Select “BOC Kenya PLC AGM”; Select “Q&A” option tab and submit questions in text box provided; or
  - (ii) Accessing Virtual AGM via USSD platform using short code number \*384\*041#; Use the menu prompts to Select option for “Q&A” and submit their questions (within 160 character limit for sms text); or
  - (iii) Sending their written questions by email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke); or
  - (iv) To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company’s Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.
    - Shareholders sending questions by email or delivering to C&R Group must provide their full details (full names, Shares Account Number//CDSC Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.
    - All questions and clarification must reach the C&R Group on or before **Wednesday 21 2023 by 12:00 Noon.**
7. Shareholders wishing to vote may do so by:
  - (i) Accessing Virtual AGM via the link to the AGM platform; Select Attend Event; Select “BOC Kenya PLC AGM”; Select “Voting” option tab and vote; or
  - (ii) Accessing Virtual AGM via USSD platform; Use the menu prompts to Select option for “Voting” and follow the various prompts regarding the voting process
8. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company.

A Proxy Form is available on the Company’s website [www.boc.co.ke](http://www.boc.co.ke) Physical copies of the Proxy Form are also

## NOTICE OF THE 2023 ANNUAL GENERAL MEETING (continued)

available at the following address: Custody and Registrars Services offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.

To be valid, the Proxy Form must be duly completed by the Shareholder or his Attorney duly authorized in writing. If the Shareholder is a body corporate, the instrument appointing the proxy shall be given under its common seal (if any) or under the hand of an Officer or duly authorized Attorney of such body corporate.

A completed Form of Proxy should be emailed to [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) in pdf format or delivered to Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar or the Company Secretary not later than **12:00 Noon on 20 June 2023**.

The duly completed form must be supported by a copy of ID/ valid Passport of the Shareholder and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the Shareholder concerned no later than 21 June 2023 at 5.00 pm to allow time to address any issues.

9. The AGM will be streamed live to all Shareholders who will have registered to participate in the general meeting. Duly registered Shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers or email, 24 hours prior to the AGM as a reminder of the AGM. A second SMS/USSD prompt shall be sent two hours ahead of the AGM, reminding duly registered Shareholders and proxies that the AGM will begin in two hour's time.
10. The Annual Report and Financial Statements of the Company for the year ended 31 December 2022 have been made available on the Company's website [www.boc.co.ke](http://www.boc.co.ke) in the downloads section of the website.

## **NOTICE OF THE 2023 ANNUAL GENERAL MEETING (continued)**

### **Explanatory Notes to Resolutions proposed to be passed at the AGM to be held on 22 JUNE 2023**

#### **ORDINARY BUSINESS**

##### **Agenda Item 1 - Report and Accounts 2022**

###### **Resolution 1:**

**THAT the Report of the Directors and the Financial Statements for the year ended 31 December 2022, as audited and reported by the Company's Auditors now submitted to this meeting be and are hereby approved and adopted.**

The Report and Accounts for the year ended 31 December 2022 were approved by the Board of Directors on 28 March 2023 and are presented and proposed for adoption by Shareholders.

##### **Agenda Item 2 - Dividend**

###### **Resolution 2:**

**THAT a final dividend of KES 4.45 per ordinary share payable, net of Withholding Tax, on or about the 21 July 2023 to Shareholders on the Register at the close of business on 31 May 2023 be and is hereby approved.**

The final dividend was approved by the Board of Directors on 28 March 2023 and is recommended for approval by Shareholders.

##### **Agenda Item 3 - Re-election of Directors**

###### **Resolution 3:**

**THAT Mr. R. Mbugua be and is hereby re-elected a Director of the Company in accordance with Article 29 of the Articles of Association.**

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

###### **Resolution 4:**

**THAT Mrs. C. Wetende be and is hereby re-elected a Director of the Company in accordance with Article 29 of the Articles of Association.**

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

**In relation to the re-election of all the above named Non-Executive Directors the Nominations and Corporate Governance Committee confirmed and the Board has determined that each of them continue to perform effectively and demonstrate commitment to their roles, and that they are all influential individuals in their respective fields and backgrounds. Their balance of knowledge and skills combined with their diversity and business experience, makes a major contribution to the proper functioning of the Board and its Committees. Biographical details of the Directors seeking re-election are set out on page 31 of the Annual Report 2022.**

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

## **NOTICE OF THE 2023 ANNUAL GENERAL MEETING (continued)**

### **Explanatory Notes to Resolutions proposed to be passed at the AGM to be held on 22 JUNE 2023 (continued)**

#### **Agenda Item 3 - Directors re-election to Audit & Risk Committee**

##### **Resolution 5:**

**THAT Mr. Steve Maina, Mrs. Cosima Wetende and Mr. J. Ramashala be and are hereby elected to continue to serve as Members of the Board Audit & Risk Committee.**

In accordance with the provisions of Section 769 of the Companies Act 2015, the above-named Directors offer themselves for re-election to continue to serve as Members of the Board Audit & Risk Committee.

#### **Agenda Item 4 - Directors Remuneration and Remuneration Report**

##### **Resolution 6:**

**THAT the Directors remuneration as stated in Note 29(f) to the Financial Statement and the Remuneration Report set out on page 55 of the Company's 2022 Annual Report, be and are hereby Approved.**

Resolution 6 is an advisory vote to approve the Directors' remuneration as stated on Note 29(f) to the Financial Statements and to approve the Director's Remuneration Report as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public.

The Remuneration Report is set out on page 55 of the 2022 Annual Report posted on the Company's website [www.boc.co.ke](http://www.boc.co.ke).

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

##### **Resolution 7:**

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

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the Companies External Auditors. In accordance with the provisions of Section 721(2), PricewaterhouseCoopers LLP offer themselves for re-appointment and it is proposed that the Directors be authorized to fix their remuneration for the ensuing financial year.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

|                         |   |
|-------------------------|---|
| Mr. R. Mbugua*          | (Chairman)                                    |
| Mr. A. Kamau            | (Finance Director & Acting Managing Director) |
| Mr. J. Ramashala*       |   |
| Mrs. C. Wetende**       |   |
| Mrs. M. Gathoga-Mwangi* |   |
| Mr. S. Maina**          |   |
| Ms. R. T. Ngobi         | (Company Secretary)                           |

### AUDIT AND RISK COMMITTEE

|                         |                     |
|-------------------------|---------------------|
| Mr. S. Maina**          | (Chairman)          |
| Mr. J. Ramashala*       |                     |
| Mrs. C. Wetende**       |                     |
| Mrs. M. Gathoga-Mwangi* | (Permanent invitee) |
| Mr. A. Kamau            | (Permanent invitee) |
| Ms. R.T. Ngobi          | (Permanent invitee) |

### NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE

|                         |                     |
|-------------------------|---------------------|
| Mrs. C. Wetende **      | (Chairman)          |
| Mr. R. Mbugua*          |                     |
| Mr. J. Ramashala *      |                     |
| Mrs. M. Gathoga-Mwangi* | (Permanent invitee) |
| Mr. A. Kamau            | (Permanent invitee) |
| Ms. R.T. Ngobi          | (Secretary)         |

\* Non-Executive Directors

\*\* Independent Non-Executive Directors

### NATIONALITY WHERE NOT KENYAN

|                  |                 |
|------------------|-----------------|
| Mr. J. Ramashala | (South African) |
|------------------|-----------------|

### AUDITOR

PricewaterhouseCoopers LLP  
 PwC Tower  
 Waiyaki Way/Chiromo Road, Westlands  
 PO Box 43963 – 00100 Nairobi

### TRANSFER AGENTS

Custody & Registrar Services Limited  
 IKM Place, 1st floor Fifth Ngong Avenue  
 Nairobi

### ADVOCATES

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

J.A Guserwa & Company Advocates  
 5th Avenue Office Suits  
 PO Box 8384-00200 Nairobi

### BANKERS

Citibank N.A. Kenya  
 Standard Chartered Bank Kenya Limited  
 ABSA Bank Kenya PLC

### SECRETARY AND REGISTERED OFFICE

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

## ABOUT US

### Overview

BOC Kenya PLC (the “Company”) is a public Company formed under the laws of Kenya with its principal offices in Nairobi.

The Company set up in Kenya in 1940 and is part of the BOC organisation that was established in Britain in 1886. The Company’s immediate majority shareholder is BOC Holdings (UK) and the ultimate majority shareholder is Linde plc. Linde is a leading global industrial gases and engineering company with sales of \$31 billion (€26 billion) in the year 2021. The Group’s mission is making our world more productive every day by providing high-quality solutions, technologies and services which are making our customers more successful and helping to sustain and protect our planet.

The Linde Group serves a variety of end markets including chemicals & energy, food & beverage, electronics, healthcare, manufacturing, metals and mining. Linde’s industrial gases are used in numerous applications, from life-saving oxygen for hospitals to high-purity & specialty gases for electronics manufacturing, hydrogen for clean fuels and much more. Linde also delivers state-of-the-art gas processing solutions to support customer expansion, efficiency improvements and emissions reductions.

### Our Business

The Company’s primary products in its medical and industrial gases business are atmospheric gases (oxygen, nitrogen and argon) and process gases (carbon dioxide, helium, hydrogen, specialty gases and acetylene etc). Ancillary to this, the Company supplies gas accessories, equipment and welding products. The Company also designs and builds medical and industrial gas storage facilities and gas pipelines (engineering services).

The Company’s customer base cuts across a large spectrum and includes public and private hospitals, food processors, civil and mechanical engineering contractors, motor vehicle body builders, hotels and restaurants, the informal business sector (“Jua Kali”) and small and medium enterprises.

Our business operates with the purpose of making our world more productive by meeting the needs of our customers.

Our product range includes:

#### Bulk (Liquid) Gases

- BOC has an Air Separation Unit (ASU) in Nairobi that produces liquid oxygen and liquid nitrogen with purity levels of 99.95%.

#### Packaged (Cylinder) Gases

- These comprise the Company’s primary product line and include medical gases, industrial gases, special gases, gas mixtures and liquefied petroleum gas. Atmospheric gases, gas mixtures and acetylene are produced at the Company’s Nairobi plant while the other gases are purchased from other gas suppliers, mostly overseas.

#### Engineering Services

- Supply of medical equipment, construction of medical and other gas pipelines, LPG installations, provision of Company owned cryogenic gas storage tanks and related maintenance services.
- BOC has a team of highly qualified engineers and technicians who provide Customer Engineering Services (CES) to the highest international standards including the following: Medical Oxygen KS 2170 – 1:2009; Medical Air – KS 2170 – 2008; Medical Nitrous oxide – KS – 2170-3:2008 and Medical Carbon Dioxide – KS -2170-4:2009

## ABOUT US (continued)

### Mission and values

#### Safety, Health, Environment and Quality

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

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

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

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

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

We live the Linde mission of making our world more productive by providing high-quality solutions, technologies and services to our customers to make them more successful and helping to sustain and protect our planet.

#### *Mission:*

Our mission is to be the best performing medical gases, industrial gases welding products and welding accessories Company in our region, where our people deliver innovative and sustainable solutions for our customers in a connected world.

#### *Vision:*

Our vision is making our world more productive

#### *Strategic Direction:*

- A. Build on our individual and collective strengths across a larger global footprint.
- B. Profitably and sustainably grow our industrial and medical gases business by increasing network density.
- C. Leverage world-class engineering and technology capabilities to deliver a competitive advantage to the gases business and profitably grow with third party customers.

#### *Values and Behaviours:*

- Safety - We put safety first. We believe all incidents are preventable, and our goal is no harm to people, communities or the environment. We continuously work to improve our safety culture and performance worldwide.
- Integrity - We always strive to achieve our goals ethically, and with the highest integrity. We expect transparent and respectful interactions between management, employees and our business partners, consistent with our Code of Business Integrity.
- Accountability - We hold ourselves accountable for our performance, individually and collectively. We focus both on what we accomplish and how we accomplish it, and we are committed to delivering on individual and company goals.
- Inclusion - We embrace diversity and inclusion in order to attract, develop and retain the best talent and build high-performing teams. By hearing all voices and benefiting from diverse opinions, thoughts and perspectives, we achieve our full promise and potential; and
- Community - We are committed to improving the communities where we live and work. Our contributions support initiatives that make important and sustainable contributions to our world.

## ABOUT US (continued)

### Strategy

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

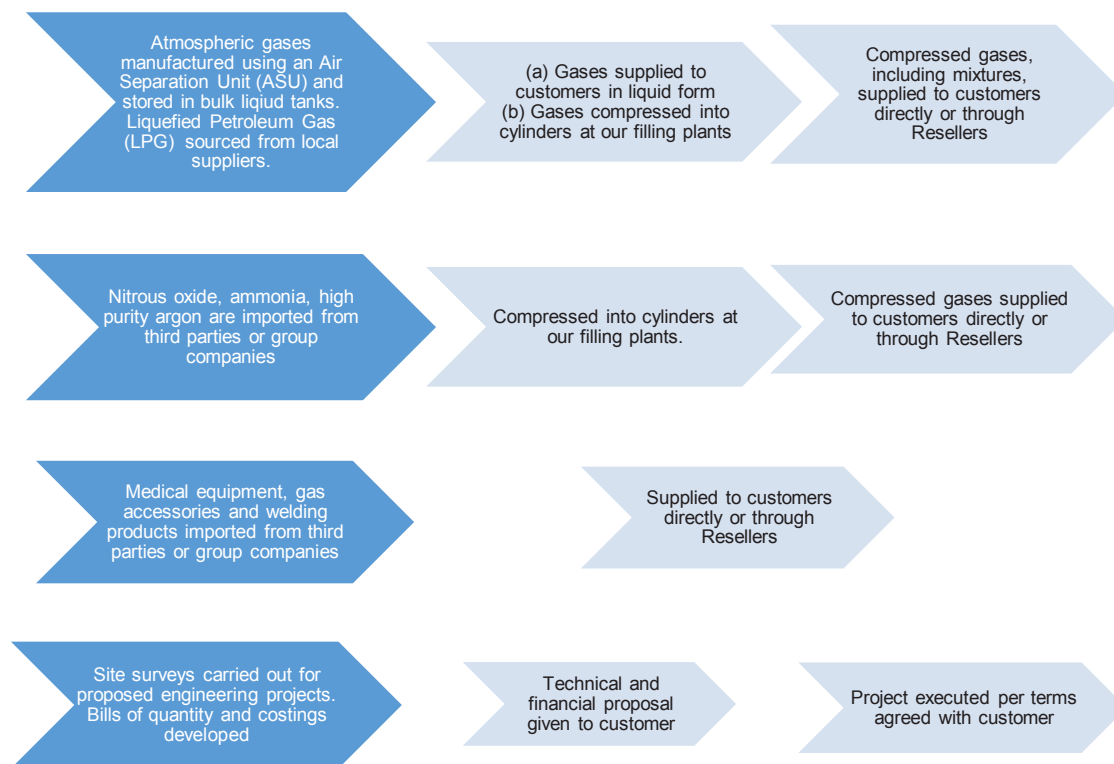
The Company acts responsibly towards its shareholders, business partners, employees, society and the environment in every one of its business areas and locations.

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

Our strategy is focussed on four pillars: (1) Protecting the base business, (2) Creating new business streams, (3) Excellence in customer service operations and the (4) Execution and people pillar.

### Business Model

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



### Gases and Manufacturing Processes

Atmospheric gases are the highest volume products produced by the Company. Using air as its raw material, the Company produces oxygen, nitrogen and argon through cryogenic air separation.

Process gases, including carbon dioxide, hydrogen, helium, specialty gases are purchased from other gas companies locally or abroad while acetylene is produced at the Company's plant by reacting calcium carbide with water.

Gases have applications in either industrial or medical sectors, or in the case of oxygen in both sectors.

## ABOUT US (continued)

### Gases Distribution

The Company uses two basic distribution methods for industrial gases:

- (i) Merchant/bulk liquid - The merchant business is generally associated with distributable liquid oxygen and nitrogen. The deliveries generally are made from the Company's Nairobi plants by tanker trucks to storage containers at the customer's site which are owned and maintained by the Company.
- (ii) Packaged or cylinder gases - Customers requiring small volumes are supplied products in metal containers called cylinders, under medium to high pressure. Packaged gases include atmospheric gases, carbon dioxide, hydrogen, helium, acetylene and related products. The Company also produces and distributes in cylinders a wide range of specialty gases and mixtures. Cylinders may be delivered to the customer's site or picked up by the customer at a Company facility or distributor store.

### Customer Engineering Services

The Company builds gas pipelines, primarily medical gas pipelines in hospitals. It also builds liquefied petroleum gas (LPG) pipelines.

For Hospitals, the Company has the competency to provide a complete gas solution encompassing supply of the medical gas in liquid or in cylinders, construction of the medical pipelines and installation of the equipment / consumables necessary to deliver the gas to the patient's bed side.

## CHAIRMAN'S STATEMENT



On behalf of the Directors', I am pleased to present to you the Annual Report and Financial Statements of the company.

### Proposed Shares Acquisition

As noted in our Annual Report and Financial Statements for 2020 and 2021, Carbacid Investments Plc and Aksaya Investments LLP published a Notice of Intention to acquire 100% of the Ordinary Shares of the Company on 26 November 2020. Arising therefrom the Directors of the Company commenced the process of facilitating the transaction in accordance applicable laws and regulations, not least the Capital Markets (Take-Overs and Mergers) Regulations 2002.

This matter remains pending before the Capital Markets Tribunal (CMT) following the lodging of an appeal at the Tribunal by a minority shareholder. Another two ancillary matters in respect of the transaction were filed at the High Court.

Consequently the proposed transaction remains in abeyance awaiting completion of these legal matters.

In the meantime the Directors have remained committed to ensuring that the Board fulfils its mandate and responsibilities under applicable law and will keep shareholders informed through public notices in the print media as well as on the company's website, as further information becomes available.

### Business overview

During the year the Company recorded a decrease in the sales volumes of medical oxygen (its core product) compared to prior year due to the transitory Covid-19 demand of prior year, 2021. Notwithstanding this decrease, the turnover for 2022 is marginally down as revenue growth was recorded sales of industrial gases and the installation of medical gases infrastructure in various hospitals.

Due to the Company's sound balance sheet, the business was able to finance the working capital requirements of this additional business albeit resulting in a significant increase in trade receivables in the short term.

Expansion of medical gases infrastructure in the health care sector has been on going for the last several years and accelerated in 2022 due to the pandemic with resultant improvement inpatients access to medical oxygen across the Country.

The Company's Consolidated Financial Statements for the year are discussed further in the Managing Director's report from page 14 to 18.

### Outlook

The Board remains concerned about the weak economic conditions prevailing in the Country, the Region as well other Countries from which the Company sources raw materials, products for resale and spare parts

## CHAIRMAN'S STATEMENT (continued)

for machinery. Rising inflation and depreciation of the Kenya shilling against the United States dollar continue to exert significant costs pressures on the business and have had an adverse impact on sales volumes when these costs are passed-on to customers.

The Board is however hopeful that conditions will begin to improve going-forward and is also pleased to note that the Company's invoiced-cost for each Kilowatt Hour of electricity consumed decreased by 4.6% in 2022, due to the Government's effort to reduce this cost and to make local manufacturing more competitive.

### Board of Directors

At the end of 2021 Marion Gathoga-Mwangi resigned as the Company's Managing Director following her appointment as the Director for Health Care at African Oxygen (Pty) Limited, our Linde sister company in South Africa. She remains a Non-Executive Director of the Company and I wish to thank her for her continued service to the Company.

There have been no other changes on the Board of Directors since our annual report for 2021.

### Appreciation

I wish to thank our customers across the various industries for trusting us to supply your requirements for gases, medical gases pipelines, welding products as well as gas accessories. Our aspiration remains to continue meeting your expectations with products that are of the highest quality and safety standards.

Finally, we recognize and acknowledge our employees', distributors and other partners who in different ways contribute to the business and its success. We look forward to developing these partnerships further in the coming years as we seek to be of better service to our customers. Our shareholders can be assured of the Board's commitment to strengthen the business in the coming years.

**Robert Mbugua**  
Chairman

28 April 2023

## MANAGING DIRECTOR'S REPORT



### Vision and Mission

BOC Kenya's vision is to be the best performing medical and industrial gases company in East Africa, where our people deliver innovative and sustainable solutions for our customers in a connected world.

In line with the Linde Group Mission, we seek to make our world more productive. This reflects our commitment to continually increase efficiency in our own operations while enabling our customers to become more successful by improving their financial and environmental performance.

### Strategic Direction

Our Strategic Direction provides specific guidance on how we should prioritize our efforts so that we advance on these fronts:

- Leverage on One Linde's world-class engineering and technology capabilities to deliver a competitive advantage to the gases business and profitably grow with customers; and
- Profitably and sustainably grow our industrial and medical gases business by increasing density

### Continuous Improvement

Since 2018, we have established our culture of Continual Improvement (CI) using various KAIZEN tools. KAIZEN which means change for better has led the way we manage Projects and the way we treat each other when going through tremendous change. In 2019, we implemented four new projects around Inventory Management, Planned Maintenance, Autonomous and Total Flow Management project in Customer Service. These projects will continue to impact our operations in a positive manner and will produce sustainable efficiencies and savings.

### Key performance indicators

#### Revenue streams

The Company's core products are oxygen (which has both medical and non-medical applications), nitrogen and dissolved acetylene (DA). Oxygen and nitrogen are supplied to customers either in liquid form or packaged (compressed) into high pressure cylinders. The Company also constructs pipelines for the gases that it supplies - especially medical gases pipelines in health care facilities - and procures and installs storage tanks for such gases.

Gas sales in liquid form comprise medical oxygen supplied to hospitals that have cryogenic storage that are either owned by the Company or by the customer. The oxygen is then delivered to the patient at the bedside through medical pipelines in their wards and other patient care areas. Liquid oxygen and liquid nitrogen is supplied to customers and is likewise piped to the point of use. Filler materials constitute welding products.

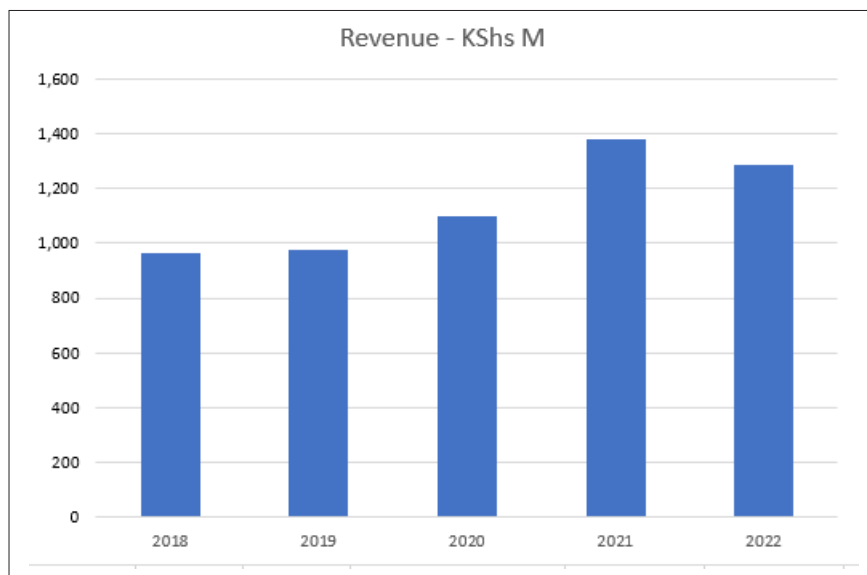
#### Sales revenues

Though there was a significant drop in sales volumes of medical oxygen in 2022 due to negligible demand arising from Covid-19 compared to



## MANAGING DIRECTOR'S REPORT (continued)

the prior year, revenue decreased marginally due to compensating revenue arising from the installation of medical oxygen bulk tanks and ancillary infrastructure.



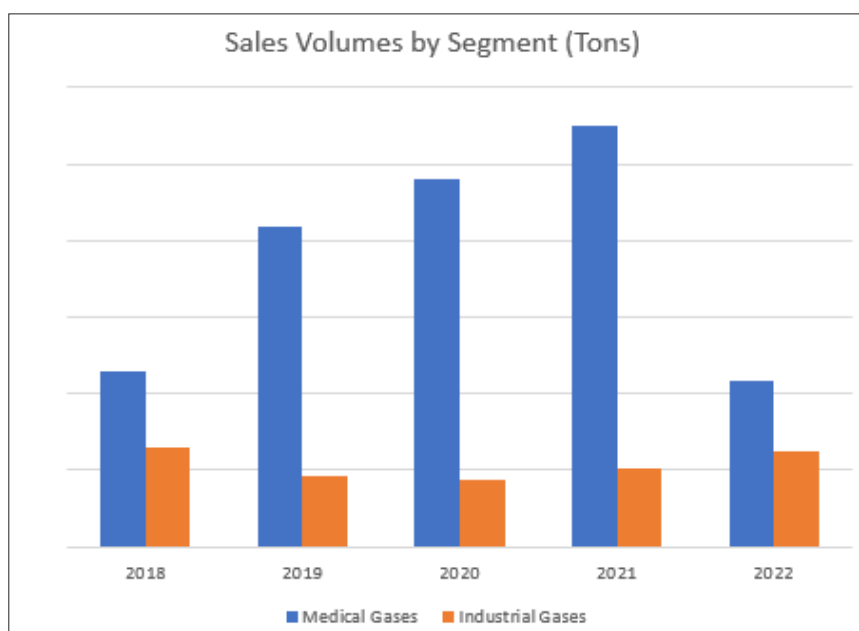
### Sales volumes

#### Medical Gases

In 2022 the Company recorded decreased sales volumes of medical gases due to dissipation of the 2021 once-off Covid-19 demand for medical oxygen. Volumes were also high in 2019 and 2020 because of annual tender business won.

#### Industrial Gases

On the other hand, sales volumes of Industrial gases increased in 2022 on improved availability and customer demand.

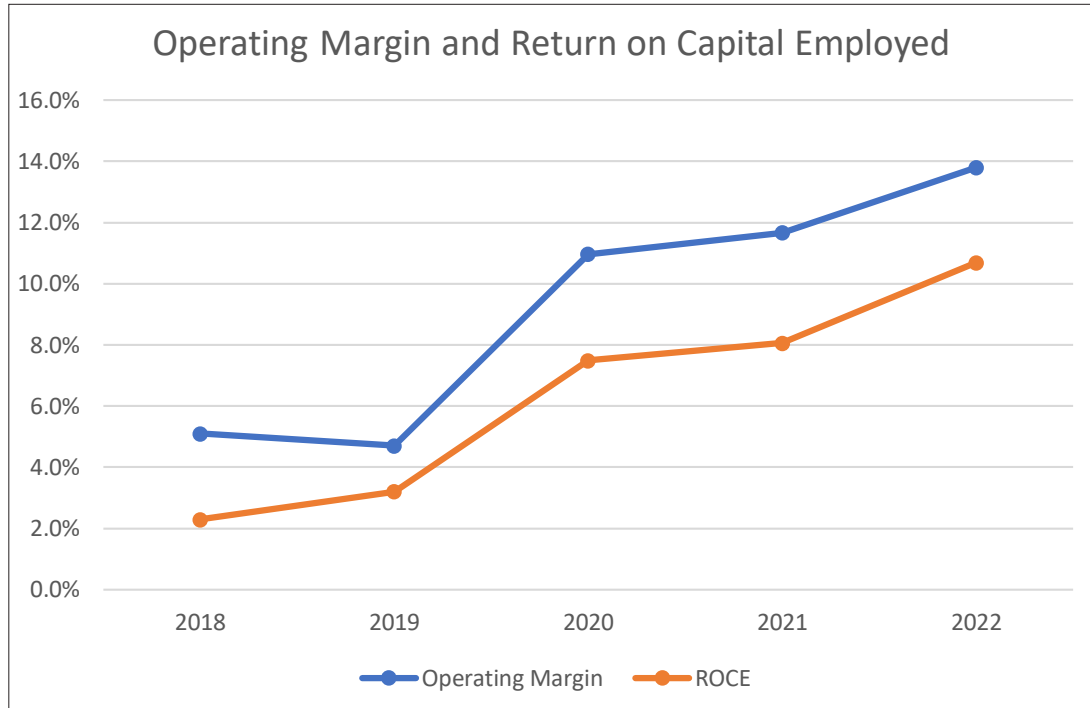


## MANAGING DIRECTOR'S REPORT (continued)

### Key performance indicators (continued)

#### Profitability and Return on Capital Employed (ROCE)

Operating Profit increased by 40% due to the net impact of the Company not having to import oxygen in the year (negligible Covid-19 demand), reduction in the cost of electricity and a write-back to income of cylinder deposits arising from cylinders lost or not returned by customers.



## MANAGING DIRECTOR'S REPORT (continued)

Additional financial performance KPIs are presented on the table.

|                        | 2018    | 2019    | 2020      | 2021      | 2022      |
|------------------------|---------|---------|-----------|-----------|-----------|
| Revenue                | 966,543 | 975,863 | 1,098,104 | 1,381,768 | 1,287,250 |
| Gross profit           | 49.7%   | 44.0%   | 43.8%     | 40.5%     | 40.7%     |
| Distribution costs     | 110,693 | 95,268  | 102,374   | 105,122   | 130,709   |
| Selling & Admin costs  | 305,987 | 298,008 | 266,890   | 204,781   | 329,571   |
| Operating profit       | 49,315  | 37,349  | 120,388   | 128,144   | 177,587   |
| Operating profit/sales | 5.1%    | 3.9%    | 11.0%     | 9.3%      | 13.8%     |

|                           |         |         |         |         |         |
|---------------------------|---------|---------|---------|---------|---------|
| Quick assets <sup>2</sup> | 667,388 | 497,436 | 560,541 | 585,794 | 277,118 |
| Quick ratio               | 1.1     | 0.9     | 1.2     | 1.5     | 0.9     |
| Liquidity ratio           | 1.9     | 2.0     | 2.5     | 2.9     | 3.9     |
| Debt to equity ratio      | 0.41    | 0.38    | 0.30    | 0.3     | 0.2     |
| Long term debt            | Nil     | Nil     | Nil     | Nil     | Nil     |

|                           |         |        |        |        |         |
|---------------------------|---------|--------|--------|--------|---------|
| Dividends                 | 101,532 | 45,885 | 81,031 | 85,912 | 118,129 |
| Dividend per share (KShs) | 5.20    | 2.35   | 4.15   | 4.40   | 6.05    |
| Capital expenditure       | 73,503  | 83,500 | 40,352 | 52,212 | 89,106  |
| Return on total assets    | 2.3%    | 1.9%   | 5.8%   | 6.4%   | 9.0%    |

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

### Outlook

Ongoing improvements in oxygen infrastructure in the healthcare sector in the Country post the Covid 19 pandemic is leading to increased demand for medical oxygen across the Country. During the last two years the Company has had opportunity to install a large portion of this infrastructure, primarily comprising of bulk oxygen storage tanks and the related gas pipelines. We have done this to prescribed technical standards. The Company will continue to support this sector by ensuring the infrastructure remains in serviceable condition and medical grade oxygen remains available.

The industrial gases sector also performed relatively well in the year. Though the sector is increasingly competitive and price sensitive as it includes small and medium size businesses involved welding and fabrication, the quality and safety of our products continues to hold us in good stead.

The Company is continuing with its focus on productivity, driven primarily by Continuous Improvement initiatives. This will aid in ensuring its high product quality of many years will be maintained, no compromises are made on Safety and operations are efficient to ensure competitiveness in the marketplace.

## MANAGING DIRECTOR'S REPORT (continued)

### Appreciation

I would like to acknowledge and thank the customers, vendors and other stakeholders for their support in 2022. We look forward to a continued working relationship with you in the coming years to our mutual benefit.

I would also like to thank members of our Board of Directors for their invaluable guidance and our shareholders who have placed their investment in our hands. We will continue to strive towards greater achievements in the years that lie ahead.

**Arthur Kamau**  
Managing Director (Acting)

28 April 2023

## SUSTAINABILITY REPORT

### About this report

BOC Kenya PLC, a company passionate about sustainability in both its operations and practices, is committed to safeguarding the environment, building an inclusive society and promoting economic prosperity.

In our fourth sustainability report, the first in accordance with the Global Reporting Initiative (GRI) framework, we demonstrate our performance and progress with respect to Environment, Social and Governance (ESG)-related aspects. We report against our impacts in our identified material topics, which were identified through a comprehensive stakeholder engagement process and will guide our strategic focus for 2023.

### Our impacts and material topics

#### Economic/Governance

- Economic performance
- Governance & business conduct / ethics / transparency
- Innovation capabilities & management

#### Environment

- Climate change
- Waste management & circular principles
- Energy stewardship

#### Social

- Diversity, inclusion & people development
- Employee safety, health & wellbeing
- Human rights
- Local community development

This report has been prepared in reference to the GRI Standards.

#### Frameworks applied

- GRI Standards
- UN Global Compact
- Sustainable Development Goals (SDGs)

### Reporting principles for defining report content

- Stakeholder inclusiveness – BOC has identified its stakeholders and has engaged them to identify their reasonable expectations and interests.
- Sustainability context
- Materiality - The information in this report covers topics and indicators that reflect BOC's significant economic, environmental and social impacts or that would substantially influence the assessments and decision of stakeholders
- Completeness – The material topics and indicators are sufficiently captured in the report to enable stakeholders to assess the reporting organization's performance in the reporting period of 1st January 2022 to 31st December 2022.

### Reporting principles for defining report quality

- Accuracy - The reported information is sufficiently truthful and detailed for stakeholders to assess the reporting organization's performance.
- Balance - The report reflects the positive and negative aspects of the organization's performance to enable an analytic assessment of overall performance on the environmental, social and economic aspects.
- Clarity - The information is availed in a way that stakeholders can understand and easily access the report.
- Comparability – The reported information is presented in a manner that empowers stakeholders to analyze

## SUSTAINABILITY REPORT (continued)

changes in BOC's performance over time, and could support analysis in relation to other organizations.

- Reliability - The processes used in the preparation of this report ensures quality of the information and especially in how it is collected, detailed, compiled, analyzed, and to allow for scrutiny.
- Timeliness - the reporting occurs on a regular schedule, annually for BOC Kenya PLC and as such the information is available in time for stakeholders to make informed decisions. Additionally, it means that there is close proximity of the timing of the report's release to the actual events described in the report.

### The year in review

#### Remarks From Leadership

It is an honor to present our stakeholders with our very first Sustainability Report prepared in reference to the Global Reporting Initiative. Over the years we have captured our environmental, social and economic and social progress through an annual review that gave an overview of the business' impact since 2019. This year however, has seen the business venture into meeting international standards and preparing this detailed report as a continued commitment to the pursuit of Sustainability excellence. We are proud to be the first in our industry and pledge to seek balance in profit, planet and people.

*- Robert Mbugua Chairman of the Board*

Our first GRI Sustainability Report is a testament of our continued commitment to Sustainability at BOC Kenya PLC. The report highlights our ESG progress and gives an insight into our journey in Sustainability.

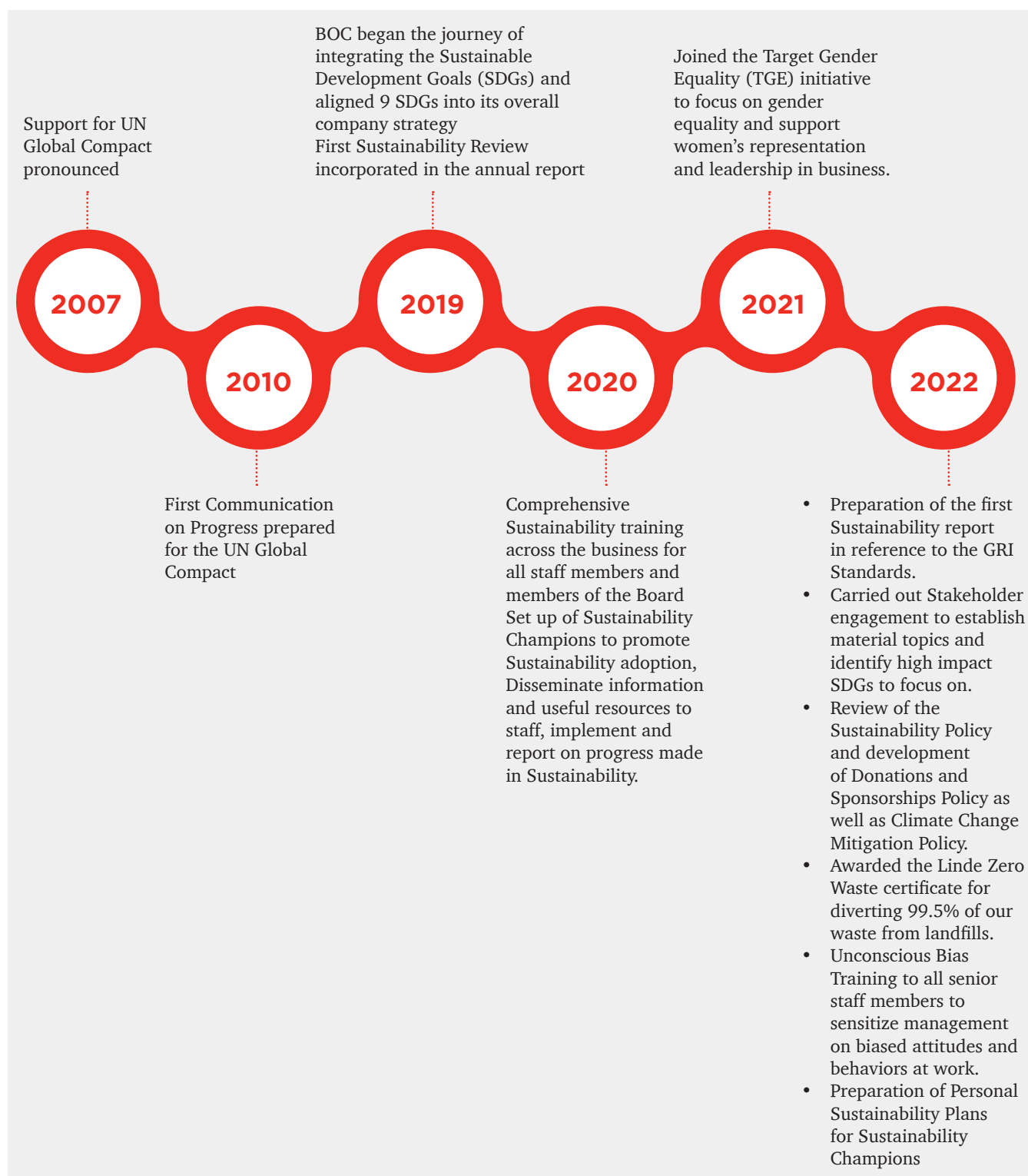
*- Arthur Kamau – Acting Managing Director*

We are pleased with the tremendous strides made in Sustainability in the last year. The team of Sustainability Champions at BOC has put in great efforts in ensuring consistent results, delivery of timely information and efficient implementation of our Sustainability commitments. In the past year, BOC Kenya undertook the bold step of Personal Sustainability, an in depth look at employee behaviour and how that affects the workplace implementation of Sustainability. From that our Champions were able to prepare Personal Sustainability plans that guide their daily behaviors and creates self-awareness on individual action. Further, since we joined the Target Gender Equality Initiative, we are actively working towards a 30% female work force by 2030. In 2022, we were awarded the Linde Zero Waste certificate for diverting 99.5% of our waste from landfills. The report clearly demonstrates the achievements made this year and our commitment to continue to pursue Sustainability.

*- Catherine Kamau – Human Resources Manager*

## SUSTAINABILITY REPORT (continued)

### Our sustainability journey



### Stakeholder engagement

Stakeholder engagement is the process by which an organization maintains productive and purposeful relationships through dialogue, needs assessment and finding amicable solutions. The process begins with Stakeholder Mapping.

## SUSTAINABILITY REPORT (continued)

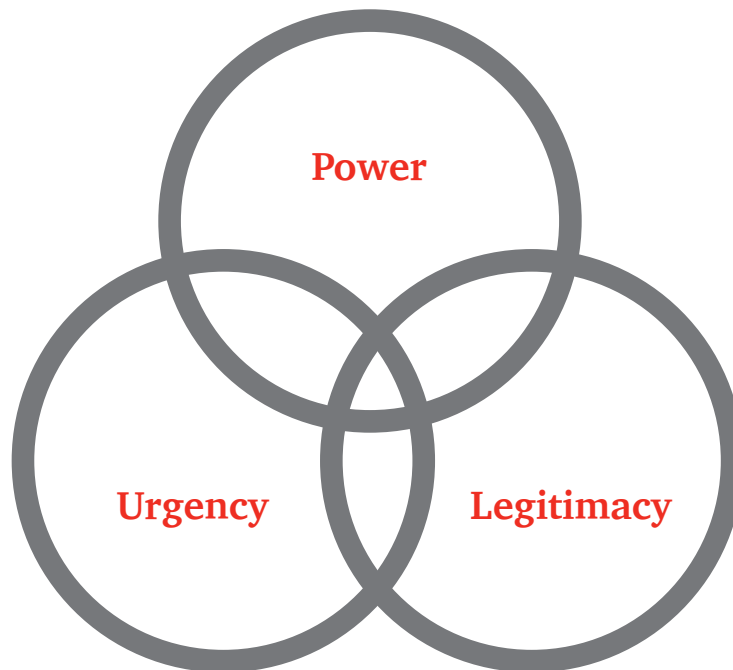
### Stakeholder Mapping

The Stakeholder Mapping process yields a visual representation of the different stakeholders within and without the organization. This began with the identification of the stakeholders of BOC Kenya PLC. This was carried out through interviews with specific Sustainability Champions about the different Stakeholder groups. The diagram below shows BOC's identified stakeholders.



### The Salience model

The Salience model was preferred to group the different stakeholders based on their need for attention, their power and level of involvement. This model thus gives the degree to which management gives priority to competing stakeholder's claims.



- The Stakeholder with power has the ability to impose their will.
- The involvement with a Stakeholder with legitimacy is appropriate.
- Urgent stakeholders need immediate attention.



## SUSTAINABILITY REPORT (continued)

### Disclosure 102 – 40, 102 – 44

#### List of stakeholder groups and key topics and concerns raised

The table below illustrates the various stakeholder engagement channels, as well as the topics and issues that each stakeholder group is most concerned about. This information helps make sure everyone's interests are addressed and represented.

| Stakeholder                  | Why we engage   | How we engage   | Key topics & concerns discussed  |
|------------------------------|---|---|--|
| <b>Our Customers</b>         | We always strive to stay attuned to what our customers are looking for and anticipate the upcoming market trends by engaging with them. That way, we can continue to develop top-notch products and services to meet their needs and exceed their expectations.   | <ul style="list-style-type: none"> <li>• Key account manager relationships – ongoing dialogue.</li> <li>• One on one engagement sessions through regular site visits.</li> </ul>                                    | <ul style="list-style-type: none"> <li>• Product quality &amp; safety and best use</li> <li>• Innovation capabilities &amp; management</li> <li>• Environmental &amp; social performance</li> <li>• Ethics / transparency/ Governance &amp; business conduct</li> <li>• Climate change</li> <li>• Human rights</li> </ul>                |
| <b>Our Partner Suppliers</b> | Our suppliers are true allies as we work together towards achieving a successful relationship through mutual growth. By engaging in open communication and collaboration, our suppliers ensure high ethical standards of business such as respect for people and the environment. We work together towards a brighter future. | <ul style="list-style-type: none"> <li>• Direct engagement with supplier relationship managers</li> <li>• Correspondence through invoices, LPOs and Memos</li> <li>• Information briefings at onboarding</li> </ul> | <ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Climate change</li> <li>• Human rights</li> <li>• Innovation capabilities &amp; management</li> <li>• Ethics / transparency/ Governance &amp; business conduct</li> <li>• Raw material availability</li> <li>• Responsible sourcing and traceability</li> </ul> |

## SUSTAINABILITY REPORT (continued)

### Disclosure 102 – 40, 102 – 44 (continued)

#### List of stakeholder groups and key topics and concerns raised (continued)

| Stakeholder                             | Why we engage   | How we engage  | Key topics & concerns discussed   |
|---|---|--|---|
| <b>Our Employees and their families</b> | We are committed to creating a healthy and collaborative workspace where everyone can have open dialogue, resolve conflicts, and suggest innovative ideas that can help drive our business forward. We believe in the power of unity and collaboration – together, we can reach our goals! With a workplace that feels like home, we know that all of us will be able to thrive and grow. | <ul style="list-style-type: none"> <li>Employee engagement surveys</li> <li>Annual performance dialogue</li> <li>Talent management processes</li> <li>Continuous learning and development opportunities</li> <li>On-going dialogue with Sustainability Champions</li> <li>Internal platforms including E-mail, Face-to-face interactions, Video conferencing, Phone calls, Messages, Management briefs and Collective Bargaining Agreements</li> </ul> | <ul style="list-style-type: none"> <li>Climate change</li> <li>Diversity and inclusion</li> <li>People development</li> <li>Employee health, safety &amp; wellness</li> <li>Ethics / transparency/ Governance &amp; business conduct</li> <li>Human rights</li> <li>Economic performance</li> <li>Innovation capabilities &amp; management</li> </ul> |
| <b>Our Shareholders and investors</b>   | Our active conversation with our shareholders helps us maintain a level of transparency and encourages us to continually improve our reporting techniques. Moreover, it builds strong relationships with investors and banks granting us access to the necessary funds for growth and expansion.  | <ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Emails, reports, presentations and letters</li> <li>Information / notices</li> </ul>  | <ul style="list-style-type: none"> <li>Economic performance</li> <li>Climate change</li> <li>Diversity, inclusion &amp; people development</li> <li>Environmental, Social &amp; Governance</li> <li>Ethics / transparency/ Governance &amp; business conduct</li> <li>Innovation capabilities &amp; management</li> </ul>                             |
| <b>Our Community</b>                    | Open discussions create positive relationships and allow us an opportunity to work together with our communities and neighborhoods for projects, causes, and initiatives that will have a positive impact in our local areas. We can support those living in the area and aid the local community as a whole.   | <ul style="list-style-type: none"> <li>Community needs assessment</li> <li>Local annual community engagement (Bumbanani day)</li> <li>Ongoing dialogue with local community organizations</li> <li>Employees engaged in social activities within the communities in which we operate</li> </ul>  | <ul style="list-style-type: none"> <li>Local community development</li> <li>Climate change</li> <li>Diversity and Inclusion</li> <li>People Development</li> <li>Ethics / transparency/ Governance &amp; business conduct</li> <li>Human rights</li> <li>Environmental &amp; Social Performance</li> </ul>  |

## SUSTAINABILITY REPORT (continued)

### Material topics

#### Disclosure 102 – 46

##### Defining report content and topic boundaries

Making sure we meet our stakeholders' expectations and help create positive change in society is a fundamental goal. We used our materiality assessment as a tool to identify and prioritize the issues of paramount importance. We strived to ensure that each step of the process was conducted with inclusivity, environmental responsibility, and completeness according to the GRI Standards—setting our company up for success now and into the future.

##### Materiality assessment

We took the initiative in 2022 to better engage with stakeholders and deepen our understanding of sustainability by conducting a materiality assessment based on the GRI framework. We want to use this information to make sure that our sustainability goals and approach are aligned with people's expectations and ensure that what we report is meaningful.

We have developed our materiality assessment with the help of a third-party expert. Starting from desk research, the same has undergone a review of peers as well as internal reviews with selected BOC staff. The final list of material topics that might be relevant to our stakeholders is found below. There was a summation of the material topics to exclude purely financial and operational issues.

We will be updating our assessment using direct inputs from internal and external stakeholders over the next two years.

#### Disclosure 102 – 47

##### Key material topics

Our list of material topics is mapped against the GRI Standards topics, the United Nations Global Compact (UNGC) Principles and the United Nations' Sustainable Development Goals (SDGs) to remain fully consistent with the most commonly used sustainability frameworks. The list of all material aspects identified in this process is as follows:

| Materiality topic | Equivalent GRI topic   | UNGC Principles   | SDGs mapping  |
|-------------------|--|-------------------|---------------|
| Climate change    | GRI 201–2: Financial implications and other risks and opportunities due to climate change<br>GRI 301: Materials<br>GRI 302: Energy<br>GRI 303: Water and Effluents<br>GRI 305: Emissions<br>GRI 306: Waste | Principle 7, 8, 9 | SDG 12 and 15 |

## SUSTAINABILITY REPORT (continued)

### Disclosure 102 – 47 (continued)

#### Key material topics (continued)

| Materiality topic                                    | Equivalent GRI topic   | UNGC Principles         | SDGs mapping    |
|--|--|-------------------------|-----------------|
| Diversity, inclusion & people development            | GRI 102–8: Information on employees and other workers<br>GRI 202: Market presence<br>GRI 401: Employment<br>GRI 404: Training and education<br>GRI 405: Diversity and equal opportunity<br>GRI 406: Non-discrimination                                 | Principle 6             | SDG 5, 8 and 17 |
| Employee safety, health & wellbeing                  | GRI 403: Occupational health and safety  |                         | SDG 3 and 8     |
| Economic performance                                 | GRI 201: Economic performance  |                         | SDG 8 and 9     |
| Ethics / transparency/ Governance & business conduct | GRI 102–11: Precautionary Principle or approach<br>GRI 102–16: Values, principles, standards, and norms of behaviour<br>GRI 102–17: Mechanisms for advice and concerns about ethics<br>GRI 102–18: Governance structure<br>GRI 205: Anti-corruption    |                         | SDG 16          |
| Human rights   | GRI 102–41: Collective bargaining agreements<br>GRI 402: Labour/management relations<br>GRI 407: Freedom of association and collective bargaining<br>GRI 408: Child labour<br>GRI 409: Forced or compulsory labour<br>GRI 412: Human rights assessment | Principle 1, 2, 3, 4, 5 | SDG 5, 8 and 16 |
| Innovation capabilities & management                 |  | Principle 8, 9          | SDG 8 and 12    |
| Local community development                          | GRI 203: Indirect economic impacts<br>GRI 413: Local communities   | Principle 1             | SDG 8 and 17    |

## SUSTAINABILITY REPORT (continued)

### Disclosure 102–50

#### Reporting period

Making sure we meet our stakeholders' expectations and help create positive change in society is a fundamental goal. The reporting period covers the full year 2022 which includes environmental data, employee numbers and safety data.

#### Key partnerships

### Disclosure 102–12 External initiatives

BOC Kenya PLC is proud to partner with external organizations, businesses, and non-profits to find sustainable solutions for our most material sustainability issues. Working together lets us drive results faster and farther, which is why we're committed to engaging in collaborations to support meaningful efforts. This chapter provides some examples, but there are many more opportunities out there! Let's keep working together — the future depends on it.

#### *United Nations Global Compact (UNGC)*

The United Nations Global Compact (UNGC) is the world's largest movement for private sector engagement in Sustainability. It calls for businesses to commit to aligning their operations and strategies with the 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

UNGC's mission to bring sustainable practices into the corporate world and achieve the Sustainable Development Goals by 2030 is a goal worth striving for, and we fully support their efforts.

We have been a signatory since August 2007, and BOC is guided in assessing Sustainability progress on its principles. We are also involved with the UNGC Kenya Network, allowing us to participate in initiatives such as Target Gender Equality, trainings and share best practices with other members. Our GRI report will complement our annual communication on progress and detail the progress made on these principles and to the SDGs in general.

<https://unglobalcompact.org/>

#### *The Global Reporting Initiative*

GRI empowers organizations to be transparent and accountable for their impacts by establishing an internationally recognized language for reporting. With informed dialogue, decision making becomes more effective than ever before.

By implementing GRI Standards, BOC can enhance comparability and transparency while also increasing accountability. These standards are in line with other widely recognized guidelines such as Sustainable Development Goals set by UN, UNGC's Ten Principles and the United Nations Guiding Principles on Business and Human Rights Adopting these standards helps BOC to achieve its sustainability goals effectively.

We have adopted the GRI framework as it is the leading and most widely adopted global frameworks for sustainability reporting, since 2010.

[www.globalreporting.org](http://www.globalreporting.org)

#### *Kenya Association of Manufacturers (KAM)*

As the premier association for manufacturing industries in Kenya, KAM plays a pivotal role as an intermediary between its members and government officials. By advocating on behalf of its esteemed members to relevant authorities, we foster collaboration, communication and comprehension that are vital components towards achieving mutual goals.

### Economic performance

### Disclosure 103–1

#### Explanation of the material topic and its boundary

Economic performance for BOC refers to our ability to generate and sustain profits in the business while ensuring the long-term sustainability of our business model. As a responsible and sustainable company, we strive to achieve this by positively impacting society and environment while meeting stakeholder expectations. Our short- and mid-term goals

## SUSTAINABILITY REPORT (continued)

### Economic performance (continued)

#### Disclosure 103-1 (continued)

##### Key material topics (continued)

are aligned with both financial targets as well as longer-term ambitions related to our purpose. We aim to collaborate with customers in creating inspiring products that promote happier, healthier lives while advancing towards our goal of being leaders in innovation, safety, people development and community engagement.

#### Disclosure 103-2, 103-3

##### Management approach

Our priority is to innovate sustainable solutions for the customers we serve within a digitally connected world. This is anchored on maximizing efficiency in our operations while also helping customers become financially secure whilst protecting our environmental impact.

Our strategy is focused on four pillars:

- Protecting the base business
- Creating new business streams
- Excellence in customer service operations and
- Execution and people pillar.

#### Disclosure 201-1

##### Direct economic value generated and distributed

Our economic value is recognized as the economic worth generated by our organization and its personnel. This benefit is allocated to cover costs including providers of capital, governments, workers through salaries and benefits, in addition to the supply chain. This is demonstrated below:

|                             | 2022 (KES)    | 2021 (KES)   |
|-----------------------------|---------------|--------------|
| Revenue                     | 1,376,116,580 | 1,281,248,92 |
| Salaries and other benefits | 267,648,240   | 239,833,016  |
| Income Tax - Company        | 65,325,423    | 60,865,000   |
| Value Added Tax (VAT)       | 81,863,665    | 54,421,320   |
| Income Tax - PAYE           | 58,358,416    | 57,880,049   |

#### Disclosure 204-1

##### Proportion of spending on local suppliers

We strongly encourage sourcing from local suppliers, which we define as those who operate within the same country as our BOC facility. This not only supports businesses in our community but also helps to reduce transportation costs and minimize environmental impact. Our total spend for the year 2022 on local suppliers was KES 648,033,836.00 out of a total spend of KES 957,144,873.00. This represents 67.7% of the total spend on suppliers.

#### Disclosure 201-2

##### Financial implications and other risks and opportunities due to climate change

Climate change is one of the most pressing issues of our time and its financial implications are far-reaching. The impact of climate change on BOC is both positive and negative. On one hand, the business may face increased costs due to rising energy prices, water shortages, or damage from natural disasters such as floods. On the other hand, there may be opportunities for new products and services related to renewable energy. In order to fully understand the financial implications of climate change, the business must take a long-term view and plan ahead for potential risks and opportunities.

## **SUSTAINABILITY REPORT (continued)**

### **Disclosure 201–2 (continued)**

#### **Financial implications and other risks and opportunities due to climate change (continued)**

One way that BOC is preparing for changes in the climate is by investing in adaptation and mitigation strategies. Initiating this conversation by crafting a policy for climate change mitigation provides the necessary framework to guide the business in adopting efficient technologies and green infrastructure to help reduce energy costs while also helping to reduce emissions. The business is also considering investing in insurance policies to protect against losses due to extreme weather events.

BOC is considering how operations might be impacted by changing consumer tastes or preferences resulting from climate change. As public opinion shifts towards sustainability, consumers are increasingly likely to purchase products or services that have been produced with less environmental impact in mind. It is imperative that we stay ahead of consumer trends and ensure our operations are as sustainable as possible and that we continuously and candidly communicate the efforts made optimizing our operations.

Overall, it's important for businesses to familiarize themselves with the potential impacts of climate change on their operations and take steps to mitigate any potential risks or capitalize on any opportunities that arise from it. BOC is well aware of this and going forward in our journey to becoming climate positive, we will continue to make necessary changes to our business.

### **Disclosure 201–3**

#### **Defined benefit plan obligations and other retirement plans**

BOC Kenya operates a defined benefit and defined contribution plan for all employees. The corresponding assets are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees of a minimum of 5% and 5% contributed by the employer.

### **Ethics / transparency/ Governance & business conduct**

#### **Disclosure 103–1**

##### **Explanation of the Material Topic and its Boundary**

As businesses strive to achieve success and growth, it is crucial that they prioritize ethics and good governance. This is especially important for BOC Kenya PLC as we have a responsibility to our direct stakeholders and the wider public.

It is essential that we prioritize ethics because it can have a significant impact on reputation, brand image, and our great financial performance. Unethical behavior can lead to negative publicity, loss of investor confidence, legal action, and even bankruptcy. Moreover, ethical behavior creates a positive corporate culture that attracts top talent and fosters innovation. It helps the business to build strong relationships with stakeholders such as customers, suppliers, and employees.

##### **Good Governance**

Good governance refers to the processes and structures in place that ensure a company is managed effectively and transparently. As a listed company we adhere to numerous regulations regarding governance practices. Good governance is essential because it promotes accountability, fairness, and transparency and ensures that decisions are made in the best interests of stakeholders rather than just the board or management team. This leads to better decision-making, improved risk management, and increased trust from investors.

By prioritizing ethics and good governance practices, BOC is building a strong reputation that attracts investors while also fostering innovation within their organization.

## SUSTAINABILITY REPORT (continued)

### Management Approach

#### Ethics and integrity

Our approach focuses on 3 things : setting clear expectations and policies, developing effective training and education programs for all employees and providing effective oversight and enforcement of those policies.

By using a management approach to ethics and integrity, BOC can ensure that our employees are well-informed about what is expected of them in terms of ethical behavior. They can also help develop the skills needed to make good ethical decisions in difficult situations. And finally, they can provide the oversight and enforcement needed to ensure that policies are followed.

This is achieved by ensuring that all employees receive mandatory training upon joining the business and subsequently attend refresher classes every year.

By prioritizing ethics and integrity at every level of the organization, BOC continues to maintain trust with stakeholders, create a positive work environment, and ultimately achieve long-term success.



## BOARD OF DIRECTORS

### BOARD OF DIRECTORS AND DIRECTORS' PROFILES

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



**MR. ROBERT N.  
MBUGUA (AGE 55)**

*Non-Executive  
Chairman*  
KENYAN

**Position:** Chairman since June 2018; Non-Executive Director since May 2012.

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

**Key Appointments:** He holds directorships in Co-op Bank Fleet Africa and Old Mutual Holdings Limited.



**MRS. MARION  
GATHOGA-MWANGI  
(AGE 51)**

*Non-Executive Director*  
KENYAN

**Position:** Non-Executive Director since 1 January 2022.

**Skills and experience:** Mrs. Gathoga-Mwangi is an accomplished Senior Executive with over 21 years of local and international experience in Commercial and General Management predominantly in the manufacturing sector. She returned to Kenya in 2017 after a successful tour of duty with Groupe Lactalis – Parmalat Botswana (Pty) where she served as Country Head. Other key roles that Ms. Gathoga-Mwangi has previously held include Country Director of Cadbury Kenya and East Africa Limited and General Manager at Unga Limited (Sea board Corporation). Ms. Gathoga-Mwangi also had a long and distinguished career with Bayer East Africa. She joined BOC Kenya Plc as Managing Director in July 2018 and held the position until 31 December 2021 when she took up an executive role with another Linde company namely Africa Oxygen Limited as Director Healthcare Business. She has remained on the Board as a Non-Executive Director.

Ms. Gathoga-Mwangi holds a Bachelor of Science (Honours) Degree in International Business Administration from the United States International University (USIU) Kenya. She is a full member of Women Corporate Directors (Kenya Chapter), Women on Boards Network and Institute of Directors of South Africa (IODOSA).

**Key Appointments:** She holds directorship in British American Tobacco Kenya Plc.

## BOARD OF DIRECTORS (continued)

### BOARD OF DIRECTORS AND DIRECTORS' PROFILES (continued)



**MR. ARTHUR  
KAMAU (AGE 57)**

*Finance Director*  
KENYAN

**Position:** Appointed Finance Director in December 2010.

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

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

**NOTE:** Following the resignation of Mrs. M. Gathoga-Mwangi effective 31 December 2021, Mr. Kamau assumed the position of Acting Managing Director of the Company.



**MR. JOSEPH  
RAMASHALA (AGE 55)**

*Non-Executive Director*  
SOUTH AFRICAN

**Position:** Appointed to the Board in September 2021. He is a Member of the Audit & Risk Committee and the Nominations and Corporate Governance Committee.

**Skills and experience:** Mr. Ramashala is based at African Oxygen Limited, BOC's sister Company in South Africa, and is the Director responsible for Emerging Africa with regional responsibility for general management, profitability, and new business development across a number of countries in Sub-Saharan Africa. He brings to the Board a wealth of experience gained over twenty seven years in the industrial gas industry and Food and Beverage industries. He holds a Bachelor of Commerce Degree (Law) from the University of Durban-Westville and a Bachelor of Commerce Degree (Business Management) from the University of South Africa.

**Key Appointments:** Mr. Ramashala holds directorships in BOC Zimbabwe Limited and Les Gaz Industriels Limited in Mauritius.



**MRS. COSIMA  
WETENDE (AGE 48)**

*Independent  
Non-Executive Director*  
KENYAN

**Position:** Appointed to the Board in March 2016. She is Chairman of the Nominations and Corporate Governance Committee and a Member of the Audit & Risk Committee.

**Skills and experience:** : Mrs. Wetende is an Advocate of the High Court of Kenya of 20 years standing and is currently a Partner in the firm of Kaplan & Stratton Advocates. She practices mainly in areas relating to civil and commercial litigation, arbitration and mediation.

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

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

## BOARD OF DIRECTORS (continued)

### BOARD OF DIRECTORS AND DIRECTORS' PROFILES (continued)



**MR. STEPHEN MAINA**  
(AGE 53)

*Independent  
Non-Executive Director*  
KENYAN

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

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

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



**MS. R. T. NGOBI**  
(AGE 62)

*Company Secretary*  
KENYAN

**Position:** Company Secretary since August 2014.

**Skills and experience:** Ms. Ngobi was educated in both Kenya and the UK. She holds a Batchelor of Laws Degree from the University of Kent, a Master of Laws Degree from the University of Cambridge and is a Certified Public Secretary and an accredited Governance Auditor. She is also an Advocate of the High Court of Kenya of 37 years standing with 24 years' experience as in-house Legal Counsel and Company Secretary of large global corporations with offices and agencies throughout Sub-Saharan Africa such as Unilever Kenya Limited and British American Tobacco Kenya Limited. In 2010 she founded Cosec Solutions Limited which provides company secretarial services and corporate governance solutions to various companies.

**Key Appointments:** She was a Non-Executive Director on the Board of Kenya Industrial Estates Limited.

## BOARD OF DIRECTORS (continued)

### DIVERSITY OF SKILLS, QUALIFICATIONS AND EXPERIENCE

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

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

### BOARD MEMBERSHIP CRITERIA, REFRESHMENT AND SUCCESSION PLANNING

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

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

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

### BOARD DIVERSITY

The Nominations and Corporate Governance Committee considers individuals with a broad range of business experience. The Nominations and Corporate Governance Committee considers individuals with a broad range of business experience and varied backgrounds and strives to identify candidates with diverse backgrounds in line with the BOC Board Diversity Policy and the Policy on Appointments to the Board. The Committee and Board recognise the value of overall diversity and considers members' and candidates' opinions, perspectives, personal and professional experiences, and backgrounds, including gender, race, age and country of origin. The Board believes that the judgement and perspectives offered by a diverse Board of Directors improves the quality of decision making and enhances the

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## **BOARD OF DIRECTORS (continued)**

### **BOARD DIVERSITY (continued)**

Company's business performance. The Board believes that such diversity assists the Board to respond more effectively to the needs of customers, shareholders, employees, suppliers, and other stakeholders.

The BOC Board Diversity Policy and the Policy on Appointments to the Board are posted on the Company's website [www.boc.co.ke](http://www.boc.co.ke)

## DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements of BOC Kenya PLC (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2022.

### 1 Principal activities

The principal activity of the Group is the manufacture and sale of industrial gases, medical gases, gas mixtures, sale of welding products and the installation of pipelines and storage tanks for the gases that it trades in.

### 2 Results and Dividend

The net profit for the year of KShs 147,992,000 (2021: KShs 108,349,000) has been added to retained earnings.

During the year an interim dividend of KShs 1.60 per share amounting to KShs 31,240,714 was paid (2021: 29,288,169).

The Directors recommend approval at the next Annual General Meeting of a final dividend of KShs 4.45 per ordinary share amounting to a total of KShs 86,888,235, payable, net of Withholding Tax, on or about the 21 July 2023, to Shareholders on the Register at the close of business on 31 May 2020 (2022: 2.90 per share amounting to KShs. 56,623,793).

The total dividend for the year is therefore KShs 6.05 per share (2020 KShs 4.40) amounting to a total of KShs 118,128,948 (2021: KShs 4.40 per share amounting to KShs. 85,911,962).

### 3 Board of Directors

The Directors who held office during the year and to the date of this Report are set out on page 7. No changes have taken place in the Board of Directors since the last Annual General Meeting.

### 4 Business overview and outlook

Following the dissipation of Covid-19 induced demand for medical oxygen towards the end of 2021, sales volumes reverted to normal levels in 2022. However, revenue growth was realised from medical oxygen infrastructure projects in various hospitals as many hospitals sought to increase the availability of oxygen in their facilities. The projects comprised installation of oxygen bulk tanks and construction of medical gas pipelines.

The industrial gases sector also performed relatively well in the year. Though the sector is increasingly competitive and price sensitive, the quality and safety of our products continues to hold us in good stead.

Profit before tax increased by 26% due to the net impact of the Company not having to import oxygen in the year as demand returned to normal levels, a modest reduction in the cost of electricity.

Cash generated from operations was negative due to the funding requirements of new tender business won in the second half of the year with total current assets remaining at nearly the same level.

The business outlook is discussed in the Managing Director's Report.

### 5 Terms of appointment of the auditor

PricewaterhouseCoopers LLP, having expressed their willingness, will be in office in accordance with the provisions of section 721 of the Companies Act, 2015.

The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

## **DIRECTORS' REPORT (continued)**

### **6 Statement as to disclosure to the Group's auditor**

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

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

### **7 Approval of the Financial Statements**

The financial statements set out on pages 64 to 119 were approved and authorised for issue by the Directors on 28 April 2023.

**By order of the Board**

**R.T. Ngobi (Ms.)**  
**Company Secretary**

**28 April 2023**

## GOVERNANCE REPORT

### LEADERSHIP AND RESPONSIBILITIES

#### Overview

BOC Kenya PLC (BOC) is committed to the highest standards of corporate governance and has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the organization. Throughout the year ended 31 December 2022 and to the date of this Annual Report, the Company endeavored to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the CMA Code). The Company however believes that the most potent form of corporate governance comes from within, with external guides and codes being overlays to the standards that we, as a Group, set ourselves. Those standards are codified in our own Code of Business Integrity (formerly referred to as Code of Ethics) which every company within the Linde Group and every employee is expected to live up to.

#### The Role of the Board

The Board's principal collective duty is to create and deliver sustainable shareholder value through setting the Company's strategy and overseeing its implementation. In so doing, due regard is paid to matters that will affect the future of BOC, such as the effect the Board's decisions may have on employees, the environment, surrounding communities and relationships with customers and suppliers.

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

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

#### The key responsibilities of the Board include:

- To provide overall strategic direction and major corporate actions to be taken by the Company;
- Approval and adoption of the strategic and annual business plans, the setting of objectives and review of key risk and performance areas;
- Approval of commitments outside the authority delegated to the executive management, committees and individual directors;
- To review, at regular Board meetings, Management's performance against annual business plans and set objectives;
- To review periodic financial reports and approve the Annual Report;
- Declaring an interim dividend and recommending final dividends;
- Reviewing risk management, internal controls and business continuity plans;
- Reviewing the going concern ability of the Company;
- To establish appropriate systems of corporate governance in the Company;
- Ensuring work place policies and practices align with values and support sustainable success;
- Effective engagement, as appropriate, with shareholders, staff and under stakeholders;
- Establishing and monitoring compliance with the CMA Code, Company's Code of Business Integrity, other Group Policies, programs and procedures for safety, health and environment and laws and regulations; and
- Reviewing and agreeing Board succession plans and those of Senior Management Staff.

#### Board Governance framework

The Board has developed a Board Charter in order to document its corporate governance practices and principles, in recognition of the role of good governance in corporate performance, maximisation of shareholder value and protection of investors' rights, and also to promote the Company's standards of self-regulation. The objective of the Charter is to also ensure that all Board members are aware of their duties and responsibilities and that they act in the best interest of the Company and its stakeholders. The Board Charter was last reviewed by the Board on 27 March 2023 and is published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).



## **GOVERNANCE REPORT (continued)**

### **Board Governance framework (continued)**

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

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

### **Division of Responsibilities**

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

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

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

### **Non-Executive Directors**

The Board had five (5) Non-Executive Directors as at 31 December 2022 and as at the date of this Report. The role of the Non-Executive Director is to help develop strategy, review management proposals, and scrutinize performance of Management, to bring an external perspective to the Board, monitor reporting of performance and to be available to meet with shareholders and key stakeholders as appropriate.

### **The Company Secretary**

The Company Secretary is a member in good standing with the Institute of Certified Secretaries. The Company Secretary provides a central source of guidance and advice to the Board on matters of governance, statutory compliance and compliance with the regulators. The roles and responsibilities of the Company Secretary are more specifically delineated in the Board Charter published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

### **The Executive Team**

The Executive team, led by the Managing Director, is responsible for overseeing the implementation of the strategy and policies set by the Board, and for creating the framework for their successful day-to-day operation.

Principle Executive Team roles includes:

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

## GOVERNANCE REPORT (continued)

### BOARD EFFECTIVENESS

#### Overview of the Board

##### Composition of the Board of Directors

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

The Board comprises of the Chairman, who is a Non-Executive Director, two (2) Executive Directors, and three (3) Non-Executive Directors. As at the date of this Annual Report the composition of the Board is as set out on pages 31 to 33 above and includes the declaration that the Finance Director is currently Acting Managing Director.

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

The Directors biographies containing their relevant skills and experience, Board Committee membership and other principal appointments can be found on pages 31 to 33. The service contracts for the Executive Directors and the letters of appointment for the Chairman and Non-Executive Directors are available for inspection, upon Notice, at the Company's registered office.

##### Independence of Directors

The Independence of the Non-Executive Directors is considered annually by the Board Nominations and Corporate Governance Committee (NCG Committee) using the independence criteria set out in the Code. In 2022 the NCG Committee assessed and confirmed to the Board the independence of Board Directors as follows:

- Mr. R. Mbugua - Non-Executive Director
- Mr. A. Kamau\* - Executive Director
- Mrs. C. Wetende - Independent Non-Executive Director
- Mr. S. Maina - Independent Non-Executive Director
- Mr. J. Ramashala - Non-Executive Director
- Mrs. M. Gathoga-Mwangi - Non- Executive Director

*\*Mr. A. Kamau is currently the Finance Director and Acting Managing Director pending recruitment of a Managing Director.*

##### Board Diversity

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

## GOVERNANCE REPORT (continued)

### BOARD EFFECTIVENESS (continued)

#### Re-election

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

In accordance with the Articles of Association of the Company, all Directors offer themselves for re-election at regular intervals. At this year's AGM, on 22 June 2023, Mr. R. Mbugua and Mrs. C. Wetende will retire by rotation and being eligible, offer themselves to re-election.

#### Board Work Plan

The Board's work plan for the ensuing year is approved by the Board typically at the last meeting of the year. The work plan is designed to enable the Board to drive the strategic agenda forward across all the elements of the Company's business model. The key Board activities in 2022 are set out on page 42. The 2023 Board work plan was approved by the Board on 24 November 2022.

#### Board Information

The Board receives high-quality, up to date information for review in good time ahead of each meeting. The Company Secretary ensures timely information dissemination within the Board and its Committees and between the Non-Executive Directors and Senior Management as appropriate. Intermittent updates from Management on the business are consistently disseminated to the Board in-between scheduled Board meetings.

#### Attendance at Board and Annual General Meetings

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

In 2022 Members attended Board meetings held in April, June, August and November in addition to the Annual General Meeting held in June 2022 as disclosed in the table below.

| Name                             | Meetings Attended | Meetings Eligible to Attend |
|----------------------------------|-------------------|-----------------------------|
| Mr. R. Mbugua (Chairman)         | 5                 | 5                           |
| Mr. A. Kamau* (Finance Director) | 5                 | 5                           |
| Mr. J. Ramashala                 | 5                 | 5                           |
| Mrs. C. Wetende                  | 5                 | 5                           |
| Mr. S. Maina                     | 5                 | 5                           |
| Mrs. M. Gathoga-Mwangi           | 5                 | 5                           |

\*Mr. A. Kamau is Finance Director and was Acting Managing Director in 2022 pending recruitment of a Managing Director.

#### Board Induction

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

- Introduction to the Board;
- Introductions to Senior Management;
- Business Overview Presentations;
- Sessions with the Board Chairman, Board Committee Chairmen, the Company Secretary and the External Auditors

## GOVERNANCE REPORT (continued)

### BOARD EFFECTIVENESS (continued)

#### Board Induction (continued)

- as appropriate; and
- A Factory Tour.

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

There were no appointments to the Board during the course of 2022.

#### Training and development

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

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

During 2022, the majority of Directors were able to secure more than twelve hours training on areas of governance from the Company and other credible sources as prescribed by the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

Trainings received by individual Directors from the Company and other credible sources during 2022 included but were not limited to the following topics:

|   |   |                |
|---|---|----------------|
| Leading the Board, Emerging Governance Issues                 | - | January 2022   |
| Professional Ethics   | - | January 2022   |
| Environment, Social and Governance Training                   | - | July 2022      |
| Digital Risks and Emerging Trends                             | - | September 2022 |
| NSE ESG Disclosures & Sustainability Integration Master Class | - | October 2022   |
| Medical Systems Training                                      | - | November 2022  |
| Board Audit & Risk Chairperson Conference                     | - | November 2022  |

#### Access to independent advice

The Board recognises that there may be occasions when one or more Directors consider it necessary to take independent advice on various matters such as legal or financial advice, at the Company's expense. This is provided for in the Board Charter and the terms of reference of each committee.

#### 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 full Board with a view to acknowledging the Board's strengths and most importantly identifying and recommending areas for improvement which, if thought fit are approved.

The evaluation for 2022 was conducted by the Board during the month of March 2023. The full Board joined the Nominations and Corporate Governance Committee in evaluating the results. The Board recognized the outstanding effort of the Acting Managing Director and his Executive Team throughout a very challenging year. Directors appreciated the regularity of updates to the Board in between scheduled meetings.

## **GOVERNANCE REPORT (continued)**

### **BOARD EFFECTIVENESS (continued)**

#### **Board Evaluation (continued)**

During 2022, additional time was reserved on the Board Agenda for deep dives on strategic objectives and review of major initiatives. Further emphasis is planned in the Board Agenda on market analysis, competitor performance and emerging issues.

The Board's monitoring of key risks and oversight of compliance during 2022 was considered to be effective.

The Board and Committee meetings were considered to be chaired effectively, with Company Secretariat support well regarded. Although the fully virtual meeting format adopted in 2020 worked well for the Board that year a hybrid format was employed during 2022 and will be adopted going forward.

The evaluation for 2022 identified opportunities for improvement with recommendations together with fresh action points identified for implementation and tracking throughout the course of 2023.

All Directors 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 performance of the Chairman, the Managing Director and Company Secretary during 2022 was given to them by the Nominations and Corporate Governance Committee.

#### **Time Commitment**

It is expected that in order to discharge their responsibilities effectively all Directors allocate sufficient time to their roles on the Board. Before appointing prospective Directors, the Board takes into account their other commitments and significant time commitments are established and disclosed prior to appointment.

Directors are expected to attend, and to be well prepared for, all Board and Board Committee meetings, as well as making time to understand the business, meet with executives and regulators as appropriate, and complete ongoing training. The Chairman and other Non-Executive Directors endeavor to ensure that they have adequate time to discharge their responsibilities to the Board effectively. The Letters of Appointment issued to the Chairman and Non-Executive Directors set out the expectation that additional external appointments following appointment to the Board require prior notification to the Board (in the case of the Chairman) and the Chairman in the case of other Non-Executive Directors.

During 2022 the Chairman and the Board was not notified of any new significant external appointments for consideration and approval.

#### **Conflict of Interest**

The Board has formal procedures for managing conflict of interest in accordance with the Board Charter, the Companies Act 2015 and the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015.

Any conflict of interest or apparent conflict of interest between the Company and its Directors is avoided. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the BOC Group. Any circumstances which may give rise to actual or potential conflicts of interest are disclosed to the Board upon appointment and subsequent changes highlighted as they arise. A Conflict of Interest Register is maintained for that purpose. Directors are also given the opportunity, at the start of every Board meeting, to declare any actual or potential conflict of interest with their role as Directors. During the course of 2022 no conflict of interest was declared by any Director. The Board Conflict of Interest Policy can be read on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)). A Conflict of Interest Policy is also maintained for all employees of the Company.

## GOVERNANCE REPORT (continued)

### BOARD EFFECTIVENESS (continued)

#### Financial and Business Reporting

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

#### Risk Management and Internal Control

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

The Directors have also defined procedures and financial controls to ensure that the Group's system of internal controls provide reasonable assurance that the assets are safeguarded, transactions are authorized and recorded properly, and that material errors and irregularities are either prevented or detected within a reasonable period of time. There is a clearly defined organizational 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 & Risk Committee, senior management and external auditors. Areas accorded high-risk profiles are given urgent attention by Management. At every Board meeting the status of mitigations against identified business risks is reviewed to ensure timely implementation of corrective actions.

The Board, with advice from its Audit & Risk Committee, completed its annual review of the effectiveness of the system of risk management and internal control for the financial period ending 31 December 2022. No significant failings or weaknesses were identified and the Board is satisfied that, where specific areas for improvement have been identified, processes are in place to ensure that the necessary remedial action is taken and that progress is monitored.

#### Remuneration

The Board assumes responsibility for the consideration and recommendation of the remuneration arrangements of the Chairman, Executive Directors, Non-Executive Directors, other senior executives and certain Group employees. The Board as a whole considers recommendations on the fees to be paid to Non-Executive Directors. The Directors Remuneration Report is on page 55 of this Report.

#### Communication with Shareholders and Stakeholders

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

**Financial reporting:** - The Board strives to ensure that shareholders (including institutional investors), regulators, other key stakeholders and the financial markets are provided with full and timely information about its performance. The Company aims to deliver all financial and strategic communications in a consistent and open way and to ensure that such disclosures are easily intelligible and present a balanced and understandable assessment of the Company's position and prospects. During 2022 the half-year and annual results were released in the local press, the Company's website and through distribution of the 2021 Annual Report.

## GOVERNANCE REPORT (continued)

### BOARD EFFECTIVENESS (continued)

#### Communication with Shareholders and Stakeholders (continued)

**Annual General Meeting (AGM) participation:** - The Board and the Executive Team continue to consider the AGM as a key date in the diary. The AGM provides a useful opportunity to the Board to engage with shareholders on key issues facing the Group and any questions they may have. The 2022 AGM was conducted virtually on 23 June 2022. The Chairman, all Directors and Executive Team members attended the AGM. 402 Shareholders together holding 15,395,894 shares representing 82.30% of total shareholding registered for the AGM. All resolutions which were proposed at the 2022 AGM were passed unanimously. Questions and or concerns raised by shareholders during question time were further considered and discussed by the Board at its subsequent meeting held in August 2022.

The 2023 AGM will be held virtually on 22 June 2023. The Notice of the AGM is on page 2 of this Report.

**Institutional investors:** - The Company is committed to managing relationships with institutional investors. The Company endeavours to conduct an Investor Briefing Session at least once a year following publication of either end year and or half year financial results to update investors on the Company's business and strategy.

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

#### Directors Loans

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

#### Governance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015, the Board appointed Ms. Catherine Musakali, of Dorion Associates LLP, to conduct the Company's 2021 Governance Audit. The 2021 Report of the Independent Governance Auditor was disclosed in the 2021 Annual Report. An unqualified opinion was issued which opinion was presented to the shareholders at the 2022 Annual General Meeting. The Report is also available on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)). Implementation of recommendations made by the Governance Auditor are tracked by the Nominations and Corporate Governance Committee on behalf of the Board. By arrangement with the Capital Market's Authority, the next Governance Audit will be conducted in 2024.

#### Legal and Compliance Audit

In compliance with the CMA Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and the Company's Legal and Compliance Policy, the Board appointed Munyao, Muthama & Kashindi Advocates to conduct the Legal & Compliance Audit for the year ended 31 December 2021. In the Legal Compliance Auditor's opinion the Board has established internal procedures and monitoring systems to promote compliance with the existing legal and regulatory framework and in line with international best practices in risk management for the interest of stakeholders and shareholders. That fact notwithstanding, the audit revealed weaknesses and gaps for the Company to address. The Audit therefore recommended appropriate action for every specific finding. Implementation of the recommendations are tracked by the Audit & Risk Committee behalf of the Board.

The overall Executive Summary emanating from the 2021 Legal and Compliance Audit Report was published on the Company's website [www.boc.ke.co](http://www.boc.ke.co). The Legal and Compliance Policy is also published on the Company's website.

## GOVERNANCE REPORT (continued)

### STRATEGIC BOARD ACTIVITIES IN 2022

Strategic Board activities conducted in 2022 include the following:

- Reviewing and agreeing a re-articulation of the Company's strategy;
- Approval of Budget and oversight of resource allocation activities to support strategy execution;
- Endorsing the direction and activities proposed by Management to achieve the strategy and ensuring that Management was on track to deliver the Company's strategy;
- Discussing and improving the Board's understanding of key risks facing the Company and considering the potential impact on the business of specific risk factors in consultation with the Board Audit and Risk Committee;
- Keeping the Company's trading and performance against the 2022 Budget and the previous year under review and monitoring operational key performance indicators;
- Reviewing half-year results, trading updates, year-end results and the Annual Report;
- Keeping the competitive landscape under review;
- Reviewing the Company's Business Continuity Management process and Business Continuity Plans as well as the implementation of the improvement areas;
- Monitoring Safety, Health, Environment and Quality (SHEQ) incidents;
- Exploring savings and productivity opportunities;
- Reviewing operations of the subsidiary companies, BOC Tanzania Limited and BOC Uganda Limited;
- Monitoring the status of the Company's litigation proceedings;
- Monitoring compliance with the Companies Act 2015 and the CMA Code;
- Monitoring compliance with the Company's Code of Business Integrity;
- Reviewing the talent pipeline and succession planning for key roles in the organization;
- Reviewing strategies for securing safe on-site environments, effective connectivity for remote working (as appropriate) and for supporting Staff wellbeing;
- Reviewing succession planning at Board Level including Executive Directors and the Executive Team;
- Determining the independence of Non-Executive Directors and proposing Directors for re-appointment at the Company's 2022 AGM;
- Reviewing shareholder concerns raised at the AGM held on 23 June 2022;
- Reviewing the outcomes of the evaluation of the effectiveness of the Board and its Committees in 2022;
- Reviewing and approving submission to the Capital Markets Authority (CMA) on 31 April 2022, of the Company's CMA Reporting Template.

### BOARD COMMITTEES

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

#### Audit and Risk Committee

##### Current Members

Mr. S. Maina (Chairman)  
Mr. J. Ramashala  
Mrs. C. Wetende  
Ms. R.T. Ngobi (Secretary)

In 2022 Members attended Committee meetings held during the months of March, August and November as disclosed in the table below.



## GOVERNANCE REPORT (continued)

### BOARD COMMITTEES (continued)

#### Audit and Risk Committee (continued)

#### Attendance at meetings in 2022

| Name                     | Meetings Attended | Meetings Eligible to Attend |
|--------------------------|-------------------|-----------------------------|
| Mr. S. Maina             | 4                 | 4                           |
| Mr. J. Ramashala         | 2                 | 4                           |
| Mrs. C. Wetende          | 4                 | 4                           |
| Mrs. M. Gathoga-Mwangi** | 4                 | 4                           |
| Mr. A. Kamau**           | 4                 | 4                           |
| Ms. N. Nakana**          | 2                 | 4                           |

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

#### Mandate and Role of the Audit and Risk Committee

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

The Board Audit and Risk Committee is comprised of two Independent Non-Executive Directors and one Non-Executive Director. The Chairman of the Committee, Mr. S. Maina, is an Independent Non-Executive Director. The Committee met four times during 2022. Attendance included internal and external auditors, as well as permanent invitees from Management.

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

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

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

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

The Committee Chairman, Members of the Committee and the Company Secretary endeavor to meet with the external auditors at the end of meetings without Management, to discuss relevant issues as well as the progress of the audit.

## GOVERNANCE REPORT (continued)

### BOARD COMMITTEES (continued)

#### Audit and Risk Committee (continued)

#### Key Audit and Risk Committee activities in 2022

The Board Audit & Risk Committee's agenda in 2022 continued to include its responsibilities for overseeing the performance and effectiveness of internal and external audit. The Committee also continued to exercise its responsibilities for ensuring the integrity of BOC's published financial information by debating and challenging the judgements made by Management and the assumptions upon which they are based.

#### Standing items of business considered by the Committee during 2022:

- Progress on the 2022 Internal Audit Plan;
- Periodic reports from the Group Internal Audit Manager on both local and regional process audits, the Management responses and action plans being put in place to address any concerns raised;
- Updates on key risks facing the business and mitigating steps put in place with deep dives into specific risk topics;
- The Company's 2021 results, 2022 half-year results, the external auditors' reports for these, and interim management statements;
- The steps taken to validate the 'Going Concern' assessment at half year and year-end;
- A report from the Finance Director on the information flows, and drafting and approval processes for the preparation of the Annual Report, facilitating the Committee's advice to the Board that the 2021 Annual Report was fair, balanced and understandable.
- Quarterly reports on internal controls and compliance;
- Monitoring and tracking of implementation of findings from the Legal & Compliance Audit;
- Quarterly reports on security risks, frauds and losses;
- Updates on significant legal cases, Safety, Health, Environment and Quality issues;
- Reports on compliance with the Company's Code of Business Integrity;
- Whistleblowing reports;
- 2023 External Auditor's Audit plan and fees for recommendation to the Board; and
- Annual review of external auditors' independence;

#### External Auditors Effectiveness

The Audit and Risk Committee, on behalf of the Board, is responsible for the relationship with the external auditors. The Committee carries out an annual evaluation of the external auditors, covering qualification, expertise and resources and objectivity and independence, as well as the effectiveness of the audit process. The evaluation takes into account the Committee's interactions with the external auditors in addition to the following:

- experience and expertise of the external auditors in their direct communication with, and support to the Committee;
- their professional skepticism;
- their effectiveness in completing the agreed external audit plan;
- content, quality and robustness of the external auditors' reports; and
- their provision of non-audit services and any other matters that may impact independence.

No material issues were identified from the evaluation of the external auditors for the year 2022. The Committee remains satisfied with the effectiveness of the external auditors including qualification, experience, resources, objectivity and independence. The Committee has recommended to the Board the proposed re-appointment of PricewaterhouseCoopers at the 2023 AGM.

#### External Auditor Independence

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

## GOVERNANCE REPORT (continued)

### BOARD COMMITTEES (continued)

#### Audit and Risk Committee (continued)

##### External Auditor Independence (continued)

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

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

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

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

PwC reconfirmed its independence in 2022 and is expected to do so on an annual basis.

#### Nominations and Corporate Governance Committee

##### Current Members

Mrs. C. Wetende (Chairman)

Mr. R. Mbugua

Mr. J. Ramashala

Mrs. Gathoga-Mwangi

Ms. R. T. Ngobi (Secretary)

In 2022 Members attended the Committee meetings held during the months of April and November 2022.

##### Attendance at meetings in 2022

| Name                   | Meetings Attended | Meetings Eligible to Attend |
|------------------------|-------------------|-----------------------------|
| Mrs. C. Wetende        | 2                 | 2                           |
| Mr. R. Mbugua          | 2                 | 2                           |
| Mrs. J. Ramashala      | 2                 | 2                           |
| Mrs. M. Gathoga-Mwangi | 2                 | 2                           |
| Mr. A. Kamau*          | 1                 | 2                           |

\*Mr. A. Kamau attended as a Permanent Invitee.

##### Mandate and Role of the Nominations and Corporate Governance Committee

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

The process of identification of candidates to fill vacancies to the Board is guided by the Board's Policy on Appointments to the Board and includes reviewing the structure, size and composition of the Board to ensure it has an appropriate

## **GOVERNANCE REPORT (continued)**

### **BOARD COMMITTEES (continued)**

#### **Nominations and Corporate Governance Committee (continued)**

#### **Mandate and Role of the Nominations and Corporate Governance Committee (continued)**

balance of skills, expertise, knowledge and independence prior to recruitment.

For Non-Executive Director vacancies to be filled, the selection process will generally involve interviews of suitable prospective candidates by the Committee and its Chairman and thereafter recommendation to the Board for appointment.

The services of specialist external search firms are used for identification and shortlisting of appropriate candidates to take up Executive Director roles.

No Executive or Non-Executive appointments were made in 2022.

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

The Committee also evaluates and makes recommendations with regard to the composition of all Board Committees. Following the introduction, by the CMA, of annual Governance Audits and compliance reporting the Committee provides oversight of implementation of the CMA Code and Compliance Reporting.

The Committee, on behalf of the Board, monitored implementation of recommendations that emanated from the last Governance Audit Report and the recommendations from the CMA to the Company's Compliance Report submitted on 30 April 2021. The Compliance Report is available on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

#### **Key Nominations and Corporate Governance Committee activities in 2022**

- Reviewing succession planning for the Board Executive Directors and Non-Executive Directors;
- Reviewing the effectiveness of the Board following the Board Evaluation exercise and making recommendations to the Board on actions to be adopted towards improvement;
- Monitoring implementation of the recommendations adopted by the Board following the Board Evaluation exercise;
- Reviewing the Committee's effectiveness in 2021, following the Committee evaluation process;
- Reviewing and recommending approval, by the Board, of submission of the CMA Compliance Report as completed by the Company;
- Monitoring implementation of the recommendations from the Governance Audit Report;
- Monitoring implementation of recommendations made by the CMA from the CMA Compliance Report submitted by the Company;
- Reviewing the Independence of Directors against the criteria set under the CMA Code;
- Making recommendations to the Board in relation to Directors' annual appointment and re-election at the AGM;
- Reviewing the Corporate Governance Statement for the 2021 Annual Report;
- Reviewing the Composition of the Board's Committees;
- Review of the Boards' Diversity Policy and the Nominations Committee's Terms of Reference.

#### **Retirement and Remuneration**

The Board determines (upon recommendation of Management), the remuneration policies of the Company, and the terms and conditions of employment of the Executive Directors and Senior Management. The Board ensures that compensation for all employees is performance-driven and appropriately benchmarked against other companies in Kenya.

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

## GOVERNANCE REPORT (continued)

### BOARD COMMITTEES (continued)

#### Retirement and Remuneration (continued)

benefit structures for the Company.

Remuneration of Non-Executive Directors is also reviewed by the Board to ensure that the levels of remuneration and compensation are appropriate. Information on the aggregate amounts of emoluments and fees paid to Directors is disclosed in Note 29(f) of the financial statements. The Directors Remuneration Report is on page 55 of this Report.

#### Key Retirement and Remuneration activities in 2022

- Reviewing the application and continuing impact of the Remuneration Policy during 2022;
- Reviewing succession planning of Executive Directors and the Executive Team and the talent pipeline;
- Reviewing the development of leaders in the Company and in particular activities to embed a high-performance leadership culture;
- Approval of annual salary increments;
- Approval of Non-Executive remuneration;
- Reviewing Staff Training and development plans for 2022;
- Review and monitoring of the performance of the Company's two retirement funds; and
- Review and approval of HR related policies.

#### Employment Equity

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

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

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

The Board also ensures that manpower plans are implemented timeously.

## GOVERNANCE POLICIES

### Board Charter and Committee Terms of Reference

The Board is governed by a Board Charter which stipulates the roles and responsibilities of the Board and its members, the composition of the Board and its Committees and respective Terms of Reference. The Board Charter and Committee Terms of Reference are periodically reviewed to ensure that they remain current and were most recently reviewed in March 2023. The Board Charter and Committee Terms of Reference are published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

### Code of Business Integrity

Inextricably linked to good corporate governance is the Company's Code of Business Integrity. 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 Business Integrity assists in detailing the standards and priorities within The Linde Group, as well as specific rules

## **GOVERNANCE REPORT (continued)**

### **GOVERNANCE POLICIES (continued)**

#### **Code of Business Integrity (continued)**

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 Business Integrity is the starting point from which employees draw inspiration and guidance for behaviour within a group, society or the organization. An integrity line has been established to enable employees to report contraventions of the Code of Business Integrity.

#### **Whistle Blowing and Staff Helpline**

The Company has a Whistleblowing Policy which enables staff, in confidence, to raise concerns and to report incidents they consider to be against our established code of conduct without fear of reprisal. This facility is managed by an independent third party organization to further protect confidentiality. The Committee receives periodic reports on whistleblowing incidents, if any. The Audit & Risk Committee remains satisfied that the Company's policy and procedures enable proportionate and independent investigation of matters raised and ensures that appropriate follow-up action is taken. No whistleblowing incidents were reported during 2022.

The Whistleblowing Policy is published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

#### **Procurement Policy**

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

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

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

#### **Statement on Insider Dealing**

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

In compliance with the Companies Act, 2015, the Company communicates 'open' and 'closed' periods for trading in its shares to the Directors and its employees at key periods during the year. To the best of the Company's knowledge, there were no insider dealings during the 2021 financial year.

The Company's Share Trading Policy is published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

#### **Board Related Party Transactions Policy**

The Board Related Party Transaction Policy enables the Board of BOC Kenya PLC to consider the approval and reporting of transactions between the Company and any of its Directors, Executive Officers or Significant Shareholders or certain entities or persons related to them. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in its Annual Report certain transactions

## **GOVERNANCE REPORT (continued)**

### **GOVERNANCE POLICIES (continued)**

#### **Board Related Party Transactions Policy (continued)**

between the Company and Related Parties as well as its policies concerning transactions with Related Parties. In addition, the Board reviews any Related Party Transactions involving Non-Executive Directors as part of the annual determination of their independence.

The Board Related Party Transactions Policy is published on the Company's website [www.boc.co.ke](http://www.boc.co.ke).

During 2022 there were no reports of transactions between the Company and any of its Directors, Executive Directors and other staff. Transactions between the Company and its parent company and associated companies are disclosed under Note 29 to the Financial Statements on Page 118 and 119.

#### **Safety Health and Environment Policy**

*Our principles:*

Health, safety and care for the environment (HSE) are foundational principles of our businesses.

The health and safety of our colleagues, customers, business partners and communities in which we do business is our number one priority.

Personal ownership for HSE through visible, demonstrated leadership and accountability at all levels throughout Group. HSE principles shall be reflected in 100% of our behaviour, 100% of the time.

*Our vision:*

Zero incidents.

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

*Our commitment:*

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

The Board is committed to the implementation of this HSE policy.

#### **Corporate Social Responsibility and Investment Policy**

The Company's Corporate Social Responsibility and Investment Policy focuses on activities that are of material importance to the business and are of interest to our stakeholders and shareholders.

The Company combines long-term business success with environmental and social responsibility and considers sustainability to be an important part of its Corporate Strategy. It is aware of the potential adverse impacts of its business to on people, especially on safety and ensures that its operations and products meet the highest safety standards and that employees, contractors, business partners and customers receive continuous training.

## **GOVERNANCE REPORT (continued)**

### **GOVERNANCE POLICIES (continued)**

#### **Corporate Social Responsibility and Investment Policy (continued)**

The Company seeks to enhance the safety awareness of customers through product knowledge training with the objective of ensuring that they do not come to harm whilst using its products which include gases at cryogenic temperatures (*below minus 150 degrees C*), flammable gases and high-pressure cylinders and other gas containers. The Corporate Social Responsibility and Investment Policy is published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

#### **Information Technology Policy**

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

#### **Transparency and Disclosure Policy**

BOC Kenya PLC's Transparency and Disclosure Policy recognizes that transparency and disclosure are integral to its business in addition to facilitating accountability, oversight and building trust with its various stakeholder. The Policy sets out the basic guiding principles, regulatory requirements and best practices for the Company when disclosing information to the public. The Transparency and Disclosure Policy was approved by the Board in March 2023 and is published on the Company's website ([www.boc.co.ke](http://www.boc.co.ke)).

#### **Operational Policies**

There are other broad operation policies that guide Management in executing of the Company's operations in an efficient and socially responsible manner. The policies cover various operational functions across the Company including human resources, risk management, financial management, sustainability, environment, safety and health.



## DIRECTORS' REMUNERATION REPORT 2022

### Information not subject to audit

The Directors Remuneration Policy and Remuneration Report for the Executive and Non-Executive Directors applicable in 2022 were approved by the Shareholders at the 2020 Annual General Meeting held on 24 June 2021. The Report has been prepared in accordance with the relevant provisions of both the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) on Directors remuneration and the Kenyan Companies Act, 2015.

### Principles of remuneration policy 2022

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

### Executive Directors

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

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

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

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

## DIRECTORS' REMUNERATION REPORT 2022 (continued)

Information not subject to audit (continued)

| Reward                     | Purpose and link to strategy   | Mechanics of Reward   | Performance metrics   |
|----------------------------|--|---|---|
| Basic Salary               | Attract and retain high calibre individuals to deliver the Company's strategic plans by offering market competitive remuneration to reflect an individual's skills and experience.   | <ul style="list-style-type: none"> <li>- Paid in 12 equal monthly instalments during the year and is pensionable.</li> <li>- Reviewed annually with salary changes effective from April depending on performance.</li> </ul>  | Individual and business performance                                     |
| Pension                    | Provide competitive post-retirement benefit arrangements so as to attract and retain high calibre talent to drive delivery of strategy.  | Annual contribution up to the 10% of basic salary.  | None  |
| Other benefits             | Provide market competitive benefits which: <ul style="list-style-type: none"> <li>- facilitate the attraction and retention of high calibre talent to deliver the Group's strategic plans; and</li> <li>- recognise that such talent is global in source and that the availability of certain benefits are key enablers for attraction and retention.</li> </ul> | Range of benefits include: <ul style="list-style-type: none"> <li>- Housing allowance</li> <li>- Transport allowance</li> <li>- Medical insurance</li> <li>- Personal life and accident insurance</li> </ul>  | None  |
| Short term Incentives Plan | Incentivise the attainment of corporate targets aligned to the strategic objectives of the Group on an annual basis.   | <ul style="list-style-type: none"> <li>- Payout is done annually in April after measurements and approval of results.</li> <li>- 100% of the bonus is paid in cash.</li> <li>- Payout is 25% of annual Salary for Managing Director and 15% for Finance Director</li> </ul> | Targets are set annually based on the group and company business plans. |

### Service contracts – Executive Directors

|  |  |
|--|--|
| Duration of current contracts                | The Managing Director and the Finance Director are on permanent and pensionable contracts of employment.   |
| Notice Period                                | Three months   |
| Provision for early termination of contracts | <p>On early termination of contracts, the executive directors are eligible for redundancy packages as follows:</p> <ul style="list-style-type: none"> <li>- Salary in lieu of notice (if notice is not given)</li> <li>- Redundancy payment as per Kenya's labour laws</li> </ul> <p>In the event that the contract is terminated for cause (such as gross misconduct), the Company may terminate the contract with immediate effect and no compensation would be payable.</p> |

## DIRECTORS' REMUNERATION REPORT 2022 (continued)

### Audited information

#### Executive Directors' remuneration and compensation for the year ended 31 December 2022

The following table shows a summary of remuneration for the Executive Directors in respect of qualifying services as directors and compensation as key management for the year ended 31 December 2022 together with comparative figures for 2021:

| Name          | Basic salary |        | Housing & Other allowances |        | Retirement benefits |       | Bonus |       | Grand total |        |
|---------------|--------------|--------|----------------------------|--------|---------------------|-------|-------|-------|-------------|--------|
|               | 2022         | 2021   | 2022                       | 2021   | 2022                | 2021  | 2022  | 2021  | 2022        | 2021   |
| Arthur Kamau  | 9,654        | 9,654  | 5,574                      | 4,465  | 1,428               | 1,414 | 3,017 | 1,748 | 19,673      | 17,281 |
| Marion Mwangi | -            | 11,600 | -                          | 7,774  | -                   | 1,940 | 4,292 | 2,709 | 4,292       | 24,023 |
|               | 9,654        | 21,254 | 5,574                      | 12,239 | 1,428               | 3,354 | 7,309 | 4,457 | 23,965      | 41,304 |

All figures in KShs' 000

#### The Chairman and Non-Executive Directors

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

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

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

| Reward | Purpose and link to strategy   | Mechanics of Reward   | Performance metrics             |
|--------|--|---|---------------------------------|
| Fees   | ees for Non-Executive Directors need to be sufficient to attract, motivate and retain individuals with skills and senior-level experience to drive the Company's strategy forward. | <ul style="list-style-type: none"> <li>Fixed monthly retainer</li> <li>Sitting allowance for every committee or board meeting.</li> <li>Reviewed annually and adjusted as required</li> </ul> | As per Annual Board Evaluation. |

#### Other terms: Non-Executive Directors

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

## DIRECTORS' REMUNERATION REPORT 2022 (continued)

### Audited information (continued)

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

| Name              | Category               | 2022             |                                  |                   | 2021             |                                  |                   |
|-------------------|------------------------|------------------|----------------------------------|-------------------|------------------|----------------------------------|-------------------|
|                   |                        | Fees<br>KShs 000 | Sitting<br>allowance<br>KShs 000 | Total<br>KShs 000 | Fees<br>KShs 000 | Sitting<br>allowance<br>KShs 000 | Total<br>KShs 000 |
| Robert Mbugua     | Chairman Non-Executive | 2,280            | 560                              | 2,840             | 2,280            | 550                              | 2,830             |
| Cosima Wetende    | Non-Executive          | 1,680            | 865                              | 2,545             | 1,680            | 760                              | 2,440             |
| Steve Maina       | Non-Executive          | 1,680            | 775                              | 2,455             | 1,680            | 550                              | 2,230             |
| Marion Mwangi     | Non-Executive          | 2,170            | 280                              | 2,450             | -                | -                                | -                 |
| Joseph Ramashala* | Non-Executive          | -                | -                                | -                 | -                | -                                | -                 |
| <b>Totals</b>     |                        | <b>7,810</b>     | <b>2,480</b>                     | <b>10,290</b>     | <b>5,640</b>     | <b>1,860</b>                     | <b>7,500</b>      |

- Joseph Ramashala is a Director nominated by the Company's Shareholder (BOC Holdings, UK) and did not earn any personal remuneration for being on the Board. Joseph is a senior member of management at African Oxygen Limited, South Africa (Afrox), a sister company of BOC Kenya Plc.

By order of the Board

R.T. Ngobi (Ms.)  
 Company Secretary

28 April 2023

## SHAREHOLDING STRUCTURE AT 31 MARCH 2023

### Major shareholders

| Shareholder Name                                   | Total Shares      | Percentage Shareholding |
|--|-------------------|-------------------------|
| BOC Holdings (UK)                                  | 12,765,582        | 65.38%                  |
| Kiuna Ngugi  | 1,671,526         | 8.56%                   |
| Standard Chartered Kenya Nominees Ltd A/C Ke002670 | 1,046,600         | 5.36%                   |
| Standard Chartered Kenya Nominees Ltd A/C Ke004630 | 905,400           | 4.64%                   |
| Allied Storage Limited                             | 127,479           | 0.65%                   |
| Standard Chartered Kenya Nominees Ltd A/C Ke004667 | 121,056           | 0.62%                   |
| Mrs Carolyn Anne Gray Rosso                        | 110,143           | 0.56%                   |
| Ngugi, Margaret Wambui                             | 100,281           | 0.51%                   |
| Ogango, John Okuna                                 | 85,800            | 0.44%                   |
| Shah, Minesh Mulchand                              | 80,108            | 0.41%                   |
| <b>Total for Top Ten</b>                           | <b>17,013,975</b> | <b>87.14%</b>           |
| Other Shareholders                                 | 2,511,471         | 12.86%                  |
| <b>Total Shares Issued</b>                         | <b>19,525,446</b> | <b>100.00%</b>          |

### Domicile analysis

| Domicile            | Shares            | %              | Number of Shareholders |
|---------------------|-------------------|----------------|------------------------|
| Foreign Companies   | 14,838,738        | 76.00%         | 5                      |
| Foreign Individuals | 275,797           | 1.41%          | 24                     |
| Local Companies     | 424,370           | 2.17%          | 73                     |
| Local Individuals   | 3,986,541         | 20.42%         | 874                    |
| <b>Total</b>        | <b>19,525,446</b> | <b>100.00%</b> | <b>976</b>             |

### Analysis by number of shares

| Number of shares    | Shares            | %              | Number of Shareholders |
|---------------------|-------------------|----------------|------------------------|
| 1 - 500             | 89,991            | 0.46%          | 540                    |
| 501 – 5,000         | 610,877           | 3.13%          | 335                    |
| 5,001 – 10,000      | 278,174           | 1.42%          | 39                     |
| 10,001 – 100,000    | 1,698,337         | 8.70%          | 54                     |
| 100,001 – 1,000,000 | 1,364,359         | 6.99%          | 5                      |
| >1,000,000          | 15,483,708        | 79.30%         | 3                      |
| <b>Totals</b>       | <b>19,525,446</b> | <b>100.00%</b> | <b>976</b>             |

### Directors' shareholding

None of the directors holds shares in the Company.

## STATEMENT OF DIRECTORS RESPONSIBILITIES

The Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the Group and Company maintain proper accounting records that are sufficient to show and explain the transactions of the Group and of the Company and disclose, with reasonable accuracy, their financial position. The directors are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Companies Act. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgments that are reasonable in the circumstances.

Having assessed the Group's and Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 28 April 2023 and signed on its behalf by:

**Robert Mbugua**  
Chairman

**Arthur Kamau**  
Ag. Managing Director

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOC KENYA PLC

### Report on the audit of the financial statements

#### *Our opinion*

We have audited the accompanying financial statements of BOC Kenya Plc (the Company) and its subsidiaries (together, the Group) set out on pages 64 to 119, which comprise the consolidated statement of financial position at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2022, the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

#### *Key audit matters*

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

We have determined that there are no key audit matters to communicate in our report.

#### *Other information*

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri  
R Njoroge S O Norbert's B Okundi K Saiti

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOC KENYA PLC (CONTINUED)**

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BOC KENYA PLC (CONTINUED)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on other matters prescribed by the Companies Act, 2015**

#### *Report of the directors*

In our opinion the information given in the report of directors' report on pages 36 and 37 is consistent with the financial statements.

#### *Directors' remuneration report*

In our opinion the auditable part of the directors' remuneration report on pages 55 to 58 has been properly prepared in accordance with the Companies Act, 2015.

**CPA Brian Ngunjiri, Practicing Certificate Number 2451**  
**Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP**  
**Certified Public Accountants**  
**Nairobi**

**28 April 2023**

## GROUP AND COMPANY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|   | Note | GROUP            |                  | COMPANY          |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Revenue   | 6    | 1,287,250        | 1,381,768        | 1,281,249        | 1,376,117        |
| Cost of sales   | 7    | (763,096)        | (821,875)        | (761,088)        | (819,130)        |
| <b>Gross profit</b>   |      | 524,154          | 559,893          | 520,161          | 556,987          |
| Other income/(expense)  | 7    | 1,079            | (920)            | 1,080            | 47               |
| Distribution costs  | 7    | (130,709)        | (105,122)        | (124,363)        | (103,814)        |
| Selling and administrative expenses                                     | 7    | (204,781)        | (329,571)        | (243,596)        | (322,827)        |
| Impairment provision (charge) /credit                                   |      | (12,156)         | 3,864            | (20,604)         | 19,988           |
| <b>Operating profit</b>   |      | 177,587          | 128,144          | 132,678          | 150,381          |
| Finance income  | 8    | 36,896           | 41,859           | 36,896           | 41,859           |
| Finance costs   | 8    | (1,057)          | (1,010)          | (1,057)          | (1,010)          |
| <b>Profit before income tax</b>   |      | 213,426          | 168,993          | 168,517          | 191,230          |
| Income tax expense  | 9    | (65,434)         | (60,644)         | (50,141)         | (60,641)         |
| <b>Profit for the year</b>  |      | 147,992          | 108,349          | 118,376          | 130,589          |
| <b>Other comprehensive income</b>                                       |      |                  |                  |                  |                  |
| <i>Items that may be reclassified to profit or loss:</i>                |      |                  |                  |                  |                  |
| Translation differences arising from foreign operations                 |      | (2,161)          | (451)            | -                | -                |
| Change in fair value of investments held at FVOCI (Note 16)             |      | 14,850           | (16,335)         | 14,850           | (16,335)         |
| <b>Total other comprehensive income /(loss) for the year net of tax</b> |      | 12,689           | (16,786)         | 14,850           | (16,335)         |
| <b>Total comprehensive income for the year</b>                          |      | 160,681          | 91,563           | 133,226          | 114,254          |
| <b>Earnings per share (KShs per share)</b>                              |      |                  |                  |                  |                  |
| Basic and diluted   | 10   | 7.58             | 5.55             | 6.06             | 6.69             |

## GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

|                                     | Note | GROUP            |                  | COMPANY          |                  |
|-------------------------------------|------|------------------|------------------|------------------|------------------|
|                                     |      | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>ASSETS</b>                       |      |                  |                  |                  |                  |
| <b>Non-current assets</b>           |      |                  |                  |                  |                  |
| Property, plant and equipment       | 12   | 569,630          | 624,557          | 580,387          | 628,448          |
| Right-of-use asset                  | 13   | 10,308           | 10,698           | 10,308           | 10,698           |
| Investments in subsidiaries         | 15   | -                | -                | 60               | 60               |
| Equity investment                   | 16   | 178,200          | 163,350          | 178,200          | 163,350          |
| Deferred income tax                 | 17   | 47,260           | 43,044           | 47,260           | 43,044           |
| <b>Total non-current assets</b>     |      | <b>805,398</b>   | <b>841,649</b>   | <b>816,215</b>   | <b>845,600</b>   |
| <b>Current assets</b>               |      |                  |                  |                  |                  |
| Inventories                         | 18   | 202,687          | 206,705          | 202,687          | 205,809          |
| Trade and other receivables         | 19   | 657,220          | 348,866          | 647,193          | 330,544          |
| Current income tax                  | 20   | 8,458            | 14,094           | 8,458            | -                |
| Cash and cash equivalents           | 21   | 277,118          | 585,794          | 277,048          | 562,817          |
| <b>Total current assets</b>         |      | <b>1,145,483</b> | <b>1,155,459</b> | <b>1,135,386</b> | <b>1,099,170</b> |
| <b>TOTAL ASSETS</b>                 |      | <b>1,950,881</b> | <b>1,997,108</b> | <b>1,951,601</b> | <b>1,944,770</b> |
| <b>EQUITY AND LIABILITIES</b>       |      |                  |                  |                  |                  |
| <b>Equity</b>                       |      |                  |                  |                  |                  |
| Share capital                       | 22   | 97,627           | 97,627           | 97,627           | 97,627           |
| Share premium                       | 22   | 2,554            | 2,554            | 2,554            | 2,554            |
| Other reserves                      | 23   | 100,805          | 88,116           | 128,473          | 113,623          |
| Retained earnings                   |      | 1,460,642        | 1,400,515        | 1,425,040        | 1,394,529        |
| <b>Total equity</b>                 |      | <b>1,661,628</b> | <b>1,588,812</b> | <b>1,653,694</b> | <b>1,608,333</b> |
| <b>Non-current liability</b>        |      |                  |                  |                  |                  |
| Lease liabilities                   | 24   | 7,678            | 7,726            | 7,678            | 7,726            |
| <b>Current liabilities</b>          |      |                  |                  |                  |                  |
| Lease liabilities                   | 24   | 1,052            | 1,052            | 1,052            | 1,052            |
| Current income tax                  | 20   | 1,149            | 3,289            | -                | 3,289            |
| Trade and other payables            | 25   | 279,374          | 396,229          | 289,177          | 324,370          |
| <b>Total current liabilities</b>    |      | <b>281,575</b>   | <b>400,570</b>   | <b>290,229</b>   | <b>328,711</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>1,950,881</b> | <b>1,997,108</b> | <b>1,951,601</b> | <b>1,944,770</b> |

The financial statements on pages 64 to 119 were approved and authorised for issue by the Board of Directors' on 28 April 2023.

**Robert Mbugua**  
Chairman

**Arthur Kamau**  
Ag. Managing Director

## GROUP STATEMENT OF CHANGES IN EQUITY

|  | SShare capital<br>KShs'000 | Share premium<br>KShs'000 | Fair value reserve<br>KShs'000 | Foreign currency translation reserve<br>KShs'000 | Retained earnings<br>KShs'000 | Total equity<br>KShs'000 |
|--|----------------------------|---------------------------|--------------------------------|--|-------------------------------|--------------------------|
| <b>Year ended 31 December 2022</b>             |                            |                           |                                |  |                               |                          |
| At start of year                               | 97,627                     | 2,554                     | 114,558                        | (26,442)   | 1,400,515                     | 1,588,812                |
| Profit for the year                            | -                          | -                         | -                              | -  | 147,992                       | 147,992                  |
| <b>Other comprehensive income, net of tax</b>  |                            |                           |                                |  |                               |                          |
| Foreign currency translation differences       | -                          | -                         | -                              | (2,161)  | -                             | (2,161)                  |
| Change in fair value of investments at FVOCI   | -                          | -                         | 14,850                         | -  | -                             | 14,850                   |
| Total other comprehensive income               | -                          | -                         | 14,850                         | (2,161)  | -                             | 12,689                   |
| <b>Total comprehensive income for the year</b> | -                          | -                         | 14,850                         | (2,161)  | 147,992                       | 160,681                  |
| <b>Transactions with owners</b>                |                            |                           |                                |  |                               |                          |
| Dividends to equity holders                    |                            |                           |                                |  |                               |                          |
| - Final dividend paid for 2021                 | -                          | -                         | -                              | -  | (57,445)                      | (57,445)                 |
| - Interim dividend paid for 2022               | -                          | -                         | -                              | -  | (30,420)                      | (30,420)                 |
| <b>Total transactions with owners</b>          | -                          | -                         | -                              | -  | (87,865)                      | (87,865)                 |
| <b>At end of year</b>                          | <u>97,627</u>              | <u>2,554</u>              | <u>129,408</u>                 | <u>(28,603)</u>                                  | <u>1,460,642</u>              | <u>1,661,628</u>         |

## GROUP STATEMENT OF CHANGES IN EQUITY (continued)

|  | Share capital<br>KShs'000 | Share premium<br>KShs'000 | Fair value reserve<br>KShs'000 | Foreign currency translation reserve<br>KShs'000 | Retained earnings<br>KShs'000 | Total<br>KShs'000 |
|--|---------------------------|---------------------------|--------------------------------|--|-------------------------------|-------------------|
| <b>Year ended 31 December 2021</b>             |                           |                           |                                |  |                               |                   |
| At start of year                               | 97,627                    | 2,554                     | 130,893                        | (25,991)   | 1,402,485                     | 1,607,568         |
| Profit for the year                            | -                         | -                         | -                              | -  | 108,349                       | 108,349           |
| <b>Other comprehensive income, net of tax</b>  |                           |                           |                                |  |                               |                   |
| Foreign currency translation differences       | -                         | -                         | -                              | (451)  | -                             | (451)             |
| Change in fair value of investments at FVOCI   | -                         | -                         | (16,335)                       | -  | -                             | (16,335)          |
| Total other comprehensive income               | -                         | -                         | (16,335)                       | (451)  | -                             | (16,786)          |
| <b>Total comprehensive income for the year</b> | -                         | -                         | (16,335)                       | (451)  | 108,349                       | 91,563            |
| <b>Transactions with owners</b>                |                           |                           |                                |  |                               |                   |
| Dividends to equity holders                    |                           |                           |                                |  |                               |                   |
| - Final dividend paid for 2020                 | -                         | -                         | -                              | -  | (81,031)                      | (81,031)          |
| - Interim dividend paid for 2021               | -                         | -                         | -                              | -  | (29,288)                      | (29,288)          |
| <b>Total transactions with owners</b>          | -                         | -                         | -                              | -  | (110,319)                     | (110,319)         |
| <b>At end of year</b>                          | <u>97,627</u>             | <u>2,554</u>              | <u>114,55</u>                  | <u>(26,442)</u>                                  | <u>1,400,515</u>              | <u>1,588,812</u>  |

## COMPANY STATEMENT OF CHANGES IN EQUITY

|  | Share capital<br>KShs'000 | Share premium<br>KShs'000 | Fair value reserve<br>KShs'000 | Retained earnings<br>KShs'000 | Total equity<br>KShs'000 |
|--|---------------------------|---------------------------|--------------------------------|-------------------------------|--------------------------|
| <b>Year ended 31 December 2022</b>             |                           |                           |                                |                               |                          |
| At start of year                               | 97,627                    | 2,554                     | 113,623                        | 1,394,529                     | 1,608,333                |
| Profit for the year                            | -                         | -                         | -                              | 118,376                       | 118,376                  |
| <b>Other comprehensive income, net of tax</b>  |                           |                           |                                |                               |                          |
| Change in fair value of investments at FVOCI   | -                         | -                         | 14,850                         | -                             | 14,850                   |
| <b>Total comprehensive income for the year</b> |                           |                           |                                |                               |                          |
|  | -                         | -                         | 14,850                         | 118,376                       | 133,226                  |
| <b>Transactions with owners</b>                |                           |                           |                                |                               |                          |
| Dividends to equity holders                    |                           |                           |                                |                               |                          |
| - Final for 2021 paid                          | -                         | -                         | -                              | (57,445)                      | (57,445)                 |
| - Interim for 2022 paid                        | -                         | -                         | -                              | (30,420)                      | (30,420)                 |
| <b>Total transactions with owners</b>          |                           |                           |                                |                               |                          |
|  | -                         | -                         | -                              | (87,865)                      | (87,865)                 |
| <b>At end of year</b>                          |                           |                           |                                |                               |                          |
|  | 97,627                    | 2,554                     | 128,473                        | 1,425,040                     | 1,653,694                |

## COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

|  | Share capital<br>KShs'000 | Share premium<br>KShs'000 | Fair value reserve<br>KShs'000 | Retained earnings<br>KShs'000 | Total equity<br>KShs'000 |
|--|---------------------------|---------------------------|--------------------------------|-------------------------------|--------------------------|
| <b>Year ended 31 December 2021</b>             |                           |                           |                                |                               |                          |
| At start of year                               | 97,627                    | 2,554                     | 129,958                        | 1,374,259                     | 1,604,398                |
| Profit for the year                            | -                         | -                         | -                              | 130,589                       | 130,589                  |
| <b>Other comprehensive income, net of tax</b>  |                           |                           |                                |                               |                          |
| Change in fair value of investments at FVOCI   | -                         | -                         | (16,335)                       | -                             | (16,335)                 |
| <b>Total comprehensive income for the year</b> | -                         | -                         | (16,335)                       | 130,589                       | 114,254                  |
| <b>Transactions with owners</b>                |                           |                           |                                |                               |                          |
| Dividends to equity holders                    | -                         | -                         | -                              | (81,031)                      | (81,031)                 |
| - Final for 2020 paid                          | -                         | -                         | -                              | (29,288)                      | (29,288)                 |
| - Interim for 2021 paid                        | -                         | -                         | -                              | -                             | -                        |
| <b>Total transactions with owners</b>          | -                         | -                         | -                              | (110,319)                     | (110,319)                |
| <b>At end of year</b>                          | <u>97,627</u>             | <u>2,554</u>              | <u>113,62</u>                  | <u>1,394,529</u>              | <u>1,608,333</u>         |

## GROUP AND COMPANY STATEMENTS OF CASH FLOWS

|   | Note  | GROUP            |                  | COMPANY          |                  |
|---|-------|------------------|------------------|------------------|------------------|
|   |       | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>Cash flows from operating activities:</b>                          |       |                  |                  |                  |                  |
| Cash generated from operating activities                              | 26    | (99,736)         | 210,455          | (79,618)         | 213,793          |
| Tax paid  | 20    | (66,104)         | (68,853)         | (66,104)         | (68,347)         |
| <b>Net cash flows from operating activities</b>                       |       | <u>(165,840)</u> | <u>141,602</u>   | <u>(145,722)</u> | <u>145,446</u>   |
| <b>Cash flows from investing activities:</b>                          |       |                  |                  |                  |                  |
| Purchase of property, plant and equipment                             | 12    | (89,106)         | (52,211)         | (89,106)         | (52,212)         |
| Proceeds from disposal of equipment                                   |       | 1,619            | 5,291            | 1,080            | 1,132            |
| Proceeds from maturing debt investments                               |       | -                | 245,043          | -                | 245,043          |
| Interest received   |       | 11,651           | 33,633           | 11,651           | 33,633           |
| Dividends received  |       | 25,245           | 10,395           | 25,245           | 10,395           |
| <b>Net cash flows from investing activities:</b>                      |       | <u>(50,591)</u>  | <u>242,151</u>   | <u>(51,130)</u>  | <u>237,991</u>   |
| <b>Cash flows from financing activities:</b>                          |       |                  |                  |                  |                  |
| Payment of lease liabilities  | 24(d) | (1,052)          | (1,052)          | (1,052)          | (1,052)          |
| Dividends paid  |       | (87,865)         | (110,319)        | (87,865)         | (110,319)        |
| <b>Net cash flows from financing activities</b>                       |       | <u>(88,917)</u>  | <u>(111,371)</u> | <u>(88,917)</u>  | <u>(111,371)</u> |
| <b>(Decrease) /increase in cash and cash equivalents</b>              |       | <u>(305,348)</u> | <u>272,382</u>   | <u>(285,769)</u> | <u>272,066</u>   |
| Cash and cash equivalents at start of year                            |       | 585,794          | 315,498          | 562,817          | 290,751          |
| Effects of exchange rate changes on foreign cash and cash equivalents |       | (3,328)          | (2,086)          | -                | -                |
| <b>Cash and cash equivalents at end of year</b>                       | 21    | <u>277,118</u>   | <u>585,794</u>   | <u>277,048</u>   | <u>562,817</u>   |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Reporting entity

The Company is incorporated as a limited liability company under the Kenyan Companies Act, 2015 and is domiciled in Kenya. Its registered address is at Kitui Road, PO Box 18010 – 00500 Nairobi Industrial Area. The consolidated financial statements of the Group comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily is involved in the manufacture and sale of industrial and medical gases and welding products.

The Company’s shares are listed on the Nairobi Securities Exchange (NSE).

The ultimate holding company of BOC Kenya Plc is Linde Plc, which is an Irish-domiciled multinational chemical company formed by the merger of Linde AG of Germany (founded in 1879) and Praxair (founded in 1907 as Linde Air Products Company) of the United States.

### 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### (a) Basis of preparation

The consolidated and separate financial statements (the ‘financial statements’) have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2015. The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments which have been measured at fair value.

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 3 – *Critical accounting estimates and judgements*.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (a) Basis of preparation (continued)

#### Changes in accounting policies

(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2022

#### IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment

Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.

#### Annual improvements cycle 2018 -2020

#### Annual periods beginning on or after 1 January 2022 (Published May 2020)

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

#### Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

Annual periods beginning on or after 1 January 2022 (Published May 2020)

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (a) Basis of preparation (continued)

##### Changes in accounting policies (continued)

##### Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Annual periods beginning on or after 1 January 2022 (Published May 2020)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

##### Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity.

Annual periods beginning on or after 1 January 2022 (Published May 2020)

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.

The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The above do not have a material impact on the Group.

*(ii) Relevant new and revised standards and amendments in issue but not yet effective for the year ended 31 December 2022*

##### IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023. The Directors of the Group do not anticipate that the application of the standard in the future will have an impact on the consolidated and company financial statements.

The above is considered to have no material impact on the Group.

#### (b) Basis of consolidation

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in operating expenses. When the

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (a) Basis of consolidation (continued)

Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the purchase consideration paid is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. If the aggregate of the consideration transferred is in excess of the amount recognised for non-controlling interests and any previous interest held over fair value of the net identifiable assets acquired and liabilities assumed, then goodwill is recognised initially at cost and subsequently assessed for impairment on an annual basis.

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

#### (c) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Kenya Shillings, which is the Company's Functional and Presentation currency.

##### (i) Transactions and balances in Group entities

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

Non-monetary items that are measured on historical cost basis in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from retranslation of equity investments are recognised in other comprehensive income.

##### (ii) Foreign operations

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

- Assets and liabilities for each Group entity are translated at the closing rate at the reporting date; and
- 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).
- 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 FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (d) Revenue

The Group recognises revenue from the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue at a point in time or over time as and when it satisfies a performance obligation by transferring control of a product or service to a customer.

The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as value-added tax (VAT), returns and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

- i. Sale of gases, equipment, welding products and accessories are recognised in the period in which the Group delivers products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured.
- ii. Revenue from cylinder rentals and facility charges on cryogenic gas tanks installed at Customer premises is recognised at the end of every month.
- iii. The Company follows the 5-step model of IFRS 15 (Revenue from contracts with customers) to determine how much revenue and at what time, or over which period of time, it will recognize revenue in respect of Customer Engineering Services (CES).

#### (e) Finance income and finance costs

Finance income comprises interest income on funds invested (including fair value through other comprehensive income), dividend income, gains on the disposal of fair value through other comprehensive income 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 overdraft and unwinding of the discount on lease liabilities. 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.

#### (f) Income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

##### (i) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (f) Income tax (continued)

##### (ii) Deferred income tax (continued)

business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### (g) Property, plant and equipment

All items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

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, fixtures and equipment | 3 - 10 years                           |
| Right of use assets               | Over the remaining period of the lease |

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.

#### (h) 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).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (h) Intangible assets (continued)

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).

#### (i) Inventories

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

#### (j) Cash and cash equivalents

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

#### (k) Financial instruments

Financial instruments include balances with banks, term deposits, equity and debt investments, trade and other receivables, trade and other liabilities, lease liabilities and inter-company balances.

##### *(i) Recognition and measurement*

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

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

##### *(ii) Classification and subsequent measurement*

##### *Financial assets*

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (k) Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

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

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

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

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

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

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

|                                    |  |
|------------------------------------|--|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The Group does not have any financial assets measured at FVTPL.   |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.<br><br>The Group measures recognises trade receivables, cash, deposits, amounts due from related parties, certain investment securities, and other receivables at amortised cost. |
| Debt investments at FVOCI          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.   |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (k) Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

|                             |  |
|-----------------------------|--|
| Equity investments at FVOCI | <p>These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.</p> <p>The Group classifies its equity investments at FVOCI.</p> |
|-----------------------------|--|

#### Financial liabilities

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

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

The Group classifies all its financial liabilities as subsequently measured at amortised cost

##### (iii) Derecognition

#### Financial assets

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

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

#### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (k) Financial instruments (continued)

##### *(v) Impairment*

After initial recognition, a financial asset is measured in accordance with its category - at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

##### *Subsequent measurement of receivables*

Receivables are generally subsequently measured at amortized cost (Except for receivables that are not classified within the AC category). Therefore, in accordance, the Company recognizes loss allowances for expected credit losses on its receivables. No loss allowance is recognized for secured parts of a receivable and for VAT, where VAT is easily recoverable on VAT returns.

##### *Subsequent measurement of other assets and other receivables*

A loss allowance for other assets and other receivables is recognized in accordance with the general impairment approach.

##### *Individual loss allowance*

In addition to the loss allowances for expected credit losses, all receivables which are considered as being material are assessed individually with regard to the probability of degree of recoverability.

The individual loss allowance for a credit-impaired receivable is the amount which will most probably be unrecoverable. If a range of equally probable alternative amounts exists, an unbiased and probability-weighted amount that is determined by evaluating the existing range of possible outcomes shall be considered.

The individual loss allowance is the full carrying amount when there is a high probability that the amount outstanding can no longer be recovered. If applicable, contractually secured parts for the outstanding amount or collaterals such as credit insurances are considered.

##### *Expected Credit Loss for Trade Receivables and Contract Assets*

The loss allowance for trade receivables and contract assets at initial recognition is measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are weighted average credit losses with the respective risks of default occurring as the weights that result from all possible default events over the expected life of a financial instrument.

The lifetime expected credit loss rates, that are used to impair the respective assets, are determined by using historical loss rates adjusted – if necessary – for forward looking information.

##### *Historical Loss Rates*

The historical loss rates for each entity within the Group is based on an aging analysis over the expected life of the trade receivables.

They are calculated as ratio between uncollected receivables outstanding (generated in the reference period) and the total historical population of trade receivables in the reference period. This historical population of receivables is defined as the total population of trade receivables generated in two annual periods t-1 and t-2 (reference period) before the fiscal year of the respective balance sheet date.

The assessment is made once a year at the year-end and is reviewed quarterly.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (k) Financial instruments (continued)

##### (v) Impairment (continued)

###### *Expected Credit Loss Rates*

Historical loss rates are adjusted for changes in the economic environment of the respective financial asset in order to make a determination of the Expected Credit Loss rates (ECL rates). The following parameters are considered:

- Changes in GDP level
- Changes in government policies
- Changes in economic sectors.

###### *Recognition of loss allowances*

The determined and adjusted - for forward looking information - loss rates are applied on the current population of trade receivable by each Entity as Expected Credit Loss (ECL) rates. Secured parts of trade receivables as well as VAT (if easily recoverable) are not considered for the determination of the loss allowances.

The recognition of the loss allowances is as follows:

###### Reversal of an impairment

Recoveries of receivables from impairments are reversed by adjusting the respective loss allowance account i.e. the profit or loss. However, the reversal should not result in a carrying amount that exceeds the original invoice amount respectively what amortized cost would have been (at the date of the reversal) had the impairment not been recognized.

###### Write-off Policy

The Company will directly reduce the gross carrying amount of a financial asset when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

This is generally the case when the Company determines that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off, e.g. in the following cases:

- liquidation / bankruptcy proceedings for customer are finalized;
- (further) enforcement activities have been stopped without reasonable expectation of recovery of the amounts subject to the write-off

If the criteria for a write-off are fulfilled, the respective amounts subject to the write-off are derecognized from the balance sheet.

The derecognition of receivables is as follows:

- In advance of a write-off the respective receivable was - in general - subject to an impairment of 100% of its carrying amount due to the significant increase of credit loss which lead to a credit-impaired receivable or the passage of time (e.g. the receivable was overdue more than 365 days).
- The actual write-off of the receivable is recognized by reducing the allowance against the receivable so that the amount of the write-off does not exceed the gross carrying amount of the receivable.

Write-offs do not have an impact on profit or loss, because the amounts written off are reflected in the loss allowance.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (k) Financial instruments (continued)

##### (v) Impairment(continued)

##### *Presentation of allowance for ECL in the statement of financial position*

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

##### (vi) Write-off

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

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

#### (l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### (m) Provisions

Provisions are recognised when the Group and Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

#### (n) Employee benefits

##### (l) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies

#### (n) Employee benefits (continued)

##### *(ii) Termination benefits*

Termination benefits are recognised as an expense at the earlier of the following dates:

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

##### *(iii) Other Short-term employee benefits*

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

#### (o) Earnings per share

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

#### (p) Dividends

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

#### (q) 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.

#### (r) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

##### *i) Group as a lessee*

The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For leases of real estate for which the group is a lessee, it has elected to separate lease and non-lease components and instead accounted for them as separate component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 2 Summary of significant accounting policies (continued)

#### (k) Financial instruments (continued)

##### (v) Impairment(continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

##### (ii) Group as lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before income tax expense), which reflects a constant periodic rate of return. Payments received under operating lease are charged to profit or loss on a straight-line basis over the period of the lease.

#### (s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director who makes operational decisions.

Segment profitability is presented in respect of the Group's distinguishable business segments at gross profit level. Segment distribution and selling expenses as well as segment assets and liabilities are not presented as doing so would necessitate apportionment or allocation with the resultant financial information not being meaningful.

### 3 Critical accounting estimates and judgements

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

#### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### i) Cylinder impairment

At each reporting date the Group makes an assessment of cylinders that have been issued to customers which might no longer be accessible to the Company because the Customers are dormant, and they cannot be located at their last known address or contacted through the account detail forms with the Company. In the circumstances

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### (a) Critical accounting estimates and assumptions (continued)

the Group impairs and removes from the fixed asset register the book value of the cylinders now deemed to be lost.

The Group reviews its cylinder holdings to assess for impairment at least on an annual basis. In determining whether an impairment loss should be recognised in profit or loss the Group makes judgement as to whether there is any measurable data indicating a loss has occurred. The methodology or assumption used for estimating loss rate is based on actual loss experience for different type of customer. Were the loss rate differing by +/-10% the impairment loss would have been Shs 3,452,123.

### 4 Financial risk management

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risks which mainly comprise effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. This note presents information about the Group's exposure to financial risks, the Group's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout these financial statements.

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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

### **4 Financial risk management (continued)**

#### **(a) Credit risk (continued)**

##### *Trade and other receivables (continued)*

The Group establishes an allowance for impairment that represents its estimate of expected 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 expected credit losses. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

##### *Investments*

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

##### *Write-off policy*

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



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

The maximum exposure to credit risk at the reporting date was:

|                                     | Group            |                  | Company          |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Receivables (Note 19):              |                  |                  |                  |                  |
| Third party trade receivables       | 638,859          | 288,764          | 632,127          | 289,811          |
| Related party trade receivables     | 4,511            | -                | 4,511            | -                |
| Other receivables                   | 9,859            | 53,482           | 6,563            | 34,153           |
| Deposit and bank balances (Note 21) | 277,118          | 585,794          | 277,048          | 562,817          |
| <b>Total</b>                        | <b>930,347</b>   | <b>928,040</b>   | <b>920,249</b>   | <b>886,781</b>   |

No collateral is held on any of the above assets. None of the above assets was impaired except for the following:

|                                   | Group            |                  | Company          |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <i>Trade receivables</i>          |                  |                  |                  |                  |
| Third party:                      |                  |                  |                  |                  |
| Not past due                      | 43,052           | 44,637           | 50,992           | 67,943           |
| Past due 0-30 days                | 62,317           | 44,994           | 60,892           | 44,994           |
| Past due 31-90 days               | 296,994          | 70,830           | 308,725          | 69,701           |
| More than 90 days                 | 365,948          | 244,984          | 331,175          | 209,797          |
|                                   | 768,311          | 405,445          | 751,784          | 392,435          |
| Add Related Parties:              | 4,511            | -                | 31,945           | 23,864           |
| <b>Total receivables</b>          | <b>772,822</b>   | <b>405,445</b>   | <b>783,729</b>   | <b>416,299</b>   |
| Expected credit losses (Note 19): |                  |                  |                  |                  |
| Third Parties                     | (129,452)        | (116,681)        | (119,657)        | (102,624)        |
| Related Parties                   | -                | -                | (27,434)         | (23,864)         |
|                                   | (129,452)        | (116,681)        | (147,091)        | (126,488)        |
| <b>Net trade receivables</b>      | <b>643,370</b>   | <b>288,764</b>   | <b>636,638</b>   | <b>289,811</b>   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

Analysis of impairment provision

#### Group

|                 | Rental<br>KShs'000 | Government<br>KShs'000 | Non-<br>government<br>KShs'000 | Government<br>national<br>KShs'000 | Total<br>KShs'000 |
|-----------------|--------------------|------------------------|--------------------------------|------------------------------------|-------------------|
| Year ended 2022 | 323,830            | 106,701                | 337,780                        | 4,511                              | 772,822           |
| Loss rate       | 2.2%               | 38.1%                  | 24.1%                          | 0.0%                               | 16.8%             |
| Loss allowance  | 7,286              | 40,642                 | 81,524                         | -                                  | 129,452           |

#### Group

|                 | Rental<br>KShs'000 | Government<br>KShs'000 | Non-<br>government<br>KShs'000 | Government<br>national<br>KShs'000 | Total<br>KShs'000 |
|-----------------|--------------------|------------------------|--------------------------------|------------------------------------|-------------------|
| Year ended 2021 | 94,231             | 90,142                 | 221,073                        | (1)                                | 405,445           |
| Loss rate       | 8.3%               | 30.0%                  | 37.0%                          | 0.0%                               | 28.8%             |
| Loss allowance  | 7,832              | 27,018                 | 81,831                         | -                                  | 116,681           |

#### Company

|                 | Rental<br>KShs'000 | Government<br>KShs'000 | Non-<br>government<br>KShs'000 | Government<br>national<br>KShs'000 | Total<br>KShs'000 |
|-----------------|--------------------|------------------------|--------------------------------|------------------------------------|-------------------|
| Year ended 2022 | 323,830            | 106,701                | 321,252                        | 31,946                             | 783,729           |
| Loss rate       | 2.2%               | 38.1%                  | 22.3%                          | 85.9%                              | 18.8%             |
| Loss allowance  | 7,286              | 40,642                 | 71,729                         | 27,434                             | 147,091           |

#### Company

|                 | Rental<br>KShs'000 | Government<br>KShs'000 | Non-<br>government<br>KShs'000 | Government<br>national<br>KShs'000 | Total<br>KShs'000 |
|-----------------|--------------------|------------------------|--------------------------------|------------------------------------|-------------------|
| Year ended 2021 | 94,231             | 90,142                 | 208,062                        | 23,864                             | 416,299           |
| Loss rate       | 8.3%               | 30.0%                  | 35.1%                          | 77.8%                              | 30.4%             |
| Loss allowance  | 7,832              | 27,018                 | 73,070                         | 18,568                             | 126,488           |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

#### (a) Credit risk (continued)

The movement in expected credit losses in the year is as follows:

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| At start of year                                   | 116,681          | 120,131          | 126,488          | 146,476          |
| Addition / (release) impairment charge in the year | 16,447           | (3,864)          | 21,103           | (19,988)         |
| Effect of exchange rates                           | 615              | 414              | -                | -                |
| Bad debts recovered                                | (4,291)          | -                | (500)            | -                |
| At end of year                                     | <u>129,452</u>   | <u>116,681</u>   | <u>147,091</u>   | <u>126,488</u>   |
| Comprising:  |                  |                  |                  |                  |
| Allowance on third party receivables               | 129,452          | 116,681          | 119,657          | 102,624          |
| Allowance on related party receivables             | -                | -                | 27,434           | 23,864           |
| Total  | <u>129,452</u>   | <u>116,681</u>   | <u>147,091</u>   | <u>126,488</u>   |

#### Cash balances held by financial institutions

The Company recognises loss allowances on cash balances at an amount equal to 12-month expected credit losses. The expected credit losses on cash balances are assessed by reference to external credit ratings such as Standard & Poor's Credit Rating Agency if available or historical information about counterparty default rates. The ECL was not material to the financial statements.

|   | Credit rating or classification | 2022          | 2021           |
|---|---------------------------------|---------------|----------------|
|   |                                 | Shs'000       | Shs'000        |
| Bank balances with financial institutions |                                 |               |                |
| Citi Bank                                 | BB                              | 35,420        | 118,883        |
| Standard Chartered Bank                   | BB                              | 25,474        | 12,847         |
| KCB Bank Kenya Limited                    | BB                              | 4,702         | -              |
| Total                                     |                                 | <u>65,596</u> | <u>131,730</u> |

#### Intercompany receivables

Management assesses whether the individual intercompany debtors are in significant financial difficulty based on the net asset value of each entity. The net liquid position was therefore measured against the outstanding receivable and impairment losses booked as appropriate.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The table below analyses liabilities into relevant maturity groupings based on the remaining period at 31 December 2022 and 2021 to the contractual maturity date.

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

| Group                      | Less than 1 year | 1-5 years    | Over 5 years  | Total          |
|----------------------------|------------------|--------------|---------------|----------------|
| <b>At 31 December 2022</b> |                  |              |               |                |
| Lease liabilities          | 1,052            | 4,208        | 22,606        | 27,866         |
| Trade and other payables   | 279,374          | -            | -             | 279,374        |
| <b>Total</b>               | <b>280,426</b>   | <b>4,208</b> | <b>22,606</b> | <b>307,240</b> |
| <b>At 31 December 2021</b> |                  |              |               |                |
| Lease liabilities          | 1,052            | 4,208        | 23,658        | 28,918         |
| Trade and other payables   | 396,229          | -            | -             | 396,229        |
| <b>Total</b>               | <b>397,074</b>   | <b>4,208</b> | <b>22,606</b> | <b>423,888</b> |
| <b>Company</b>             |                  |              |               |                |
| <b>At 31 December 2022</b> |                  |              |               |                |
| Lease liabilities          | 1,052            | 4,208        | 22,606        | 27,866         |
| Trade and other payables   | 289,177          | -            | -             | 289,177        |
| <b>Total</b>               | <b>290,229</b>   | <b>4,208</b> | <b>22,606</b> | <b>317,043</b> |
| <b>At 31 December 2021</b> |                  |              |               |                |
| Lease liabilities          | 1,052            | 4,208        | 23,658        | 28,918         |
| Trade and other payables   | 324,370          | -            | -             | 324,370        |
| <b>Total</b>               | <b>325,422</b>   | <b>4,208</b> | <b>23,658</b> | <b>353,288</b> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

#### (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).

A 10 percent strengthening of the Kenyan Shilling against the following currencies at 31 December 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 2022 and 2021.

|                          | Profit or loss / equity |                   |
|--------------------------|-------------------------|-------------------|
|                          | 2022<br>KShs '000       | 2021<br>KShs '000 |
| <b>As at 31 December</b> |                         |                   |
| US Dollar                | (6)                     | (872)             |
| GBP                      | (121)                   | (210)             |
| Euro                     | (126)                   | (408)             |
| Rand                     | <u>(1,076)</u>          | <u>(67)</u>       |
| <b>Net impact</b>        | <u>(1,329)</u>          | <u>(1,557)</u>    |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 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.

#### Group

|                               | Effective interest rate % | Less than a year KShs'000 | Due between 1 and 5 years KShs'000 | Over 5 years KShs'000 | Non-interest bearing KShs'000 | Total KShs'000 |
|-------------------------------|---------------------------|---------------------------|------------------------------------|-----------------------|-------------------------------|----------------|
| <b>As at 31 December 2022</b> |                           |                           |                                    |                       |                               |                |
| <b>ASSETS</b>                 |                           |                           |                                    |                       |                               |                |
| Equity investment             | -                         | -                         | -                                  | -                     | 178,200                       | 178,200        |
| Trade and other receivables   | -                         | -                         | -                                  | -                     | 657,220                       | 657,220        |
| Cash and cash equivalents     | 3.25%                     | 202,201                   | -                                  | -                     | 74,917                        | 277,118        |
|                               |                           | 202,201                   | -                                  | -                     | 910,337                       | 1,112,538      |
| <b>LIABILITIES</b>            |                           |                           |                                    |                       |                               |                |
| Lease liabilities             | 13.0%                     | 54                        | 296                                | 8,380                 | -                             | 8,730          |
| Trade and other payables      |                           | -                         | -                                  | -                     | 279,374                       | 279,374        |
|                               |                           | 54                        | 296                                | 8,380                 | 279,374                       | 288,104        |
| <b>As at 31 December 2021</b> |                           |                           |                                    |                       |                               |                |
| <b>ASSETS</b>                 |                           |                           |                                    |                       |                               |                |
| Equity investment             | -                         | -                         | -                                  | -                     | 163,350                       | 163,350        |
| Trade and other receivables   | -                         | -                         | -                                  | -                     | 348,866                       | 348,866        |
| Cash and cash equivalents     | 3.0%                      | 445,111                   | -                                  | -                     | 140,683                       | 585,794        |
|                               |                           | 445,111                   | -                                  | -                     | 652,899                       | 1,098,010      |
| Lease liabilities             | 13.0%                     | 47                        | 262                                | 8,469                 | -                             | 8,778          |
| Trade and other payables      |                           | -                         | -                                  | -                     | 396,229                       | 396,229        |
| Lease liabilities             |                           | 47                        | 262                                | 8,469                 | 396,229                       | 405,007        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

#### Company

|                               | Effective interest rate % | Less than 1 year KShs'000 | Due between 1 and 5 years KShs'000 | Over 5 years KShs'000 | Non-interest bearing KShs'000 | Total KShs'000 |
|-------------------------------|---------------------------|---------------------------|------------------------------------|-----------------------|-------------------------------|----------------|
| <b>As at 31 December 2022</b> |                           |                           |                                    |                       |                               |                |
| <b>ASSETS</b>                 |                           |                           |                                    |                       |                               |                |
| Equity investment             | -                         | -                         | -                                  | -                     | 178,200                       | 178,200        |
| Trade and other receivables   | -                         | -                         | -                                  | -                     | 647,193                       | 647,193        |
| Cash and cash equivalents     | 3.25%                     | 202,201                   | -                                  | -                     | 74,847                        | 277,048        |
|                               |                           | 202,201                   | -                                  | -                     | 900,240                       | 1,102,441      |
| <b>LIABILITIES</b>            |                           |                           |                                    |                       |                               |                |
| Lease liabilities             | 13.0%                     | 54                        | 296                                | 8,380                 | -                             | 8,730          |
| Trade and other payables      | -                         | -                         | -                                  | -                     | 289,177                       | 289,177        |
|                               |                           | 54                        | 296                                | 8,380                 | 289,177                       | 297,907        |
| <b>As at 31 December 2021</b> |                           |                           |                                    |                       |                               |                |
| <b>ASSETS</b>                 |                           |                           |                                    |                       |                               |                |
| Equity investment             | -                         | -                         | -                                  | -                     | 163,350                       | 163,350        |
| Trade and other receivables   | -                         | -                         | -                                  | -                     | 330,544                       | 330,544        |
| Cash and cash equivalents     | 3.0%                      | 445,111                   | -                                  | -                     | 117,706                       | 562,817        |
|                               |                           | 445,111                   | -                                  | -                     | 611,600                       | 1,056,711      |
| <b>LIABILITIES</b>            |                           |                           |                                    |                       |                               |                |
| Lease liabilities             | 13.0%                     | 47                        | 262                                | 8,469                 | -                             | 8,778          |
| Trade and other payables      | -                         | -                         | -                                  | -                     | 324,370                       | 324,370        |
|                               |                           | 47                        | 262                                | 8,469                 | 324,370                       | 333,148        |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 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 2021.

#### Effect in Kenyan Shillings thousands

|                         | Profit or loss/equity |              |              |              |
|-------------------------|-----------------------|--------------|--------------|--------------|
|                         | Group                 |              | Company      |              |
|                         | 2022<br>KShs          | 2021<br>KShs | 2022<br>KShs | 2021<br>KShs |
| Interest bearing assets | <u>2,022</u>          | <u>4,451</u> | <u>2,022</u> | <u>4,451</u> |

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 2022 and 31 December 2021 is as follows:

|                             | 2021<br>KShs   | 2020<br>KShs   |
|-----------------------------|----------------|----------------|
| <b>Group and Company</b>    |                |                |
| Equity investment (Note 16) | <u>178,200</u> | <u>163,350</u> |

#### 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  |                 |
|--------------------------|-----------------|-----------------|
|                          | 2022<br>KShs    | 2021<br>KShs    |
| <b>Group and company</b> |                 |                 |
| Equity investment        | <u>(17,820)</u> | <u>(16,335)</u> |

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 FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

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

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

| Group                        | Financial assets at amortised cost<br>KShs '000 | Financial assets at FVOCI<br>KShs '000 | Other amortised cost<br>KShs '000 | Total carrying value<br>KShs '000 | Fair value<br>KShs '000 |
|------------------------------|---|--|-----------------------------------|-----------------------------------|-------------------------|
| <b>2022</b>                  |   |  |                                   |                                   |                         |
| <b>Financial assets</b>      |   |  |                                   |                                   |                         |
| Equity investment            | -   | 178,200                                | -                                 | 178,200                           | 178,200                 |
| Trade and other receivables  | 657,220   | -                                      | -                                 | 657,220                           | 657,220                 |
| Cash and cash equivalents    | 277,118   | -                                      | -                                 | 277,118                           | 277,118                 |
| <b>Total</b>                 | <b>934,338</b>                                  | <b>178,200</b>                         | <b>-</b>                          | <b>1,112,538</b>                  | <b>1,112,538</b>        |
| <b>Financial liabilities</b> |   |  |                                   |                                   |                         |
| Trade and other payables     | -   | -                                      | 279,374                           | 279,374                           | 279,374                 |
| Lease liabilities            | -   | -                                      | 8,730                             | 8,730                             | 8,730                   |
| <b>Total</b>                 | <b>-</b>  | <b>-</b>                               | <b>288,104</b>                    | <b>288,104</b>                    | <b>288,104</b>          |
| <b>2021</b>                  |   |  |                                   |                                   |                         |
| <b>Financial assets</b>      |   |  |                                   |                                   |                         |
| Equity investment            | -   | 163,350                                | -                                 | 163,350                           | 163,350                 |
| Trade and other receivables  | 348,866   | -                                      | -                                 | 348,866                           | 348,866                 |
| Cash and cash equivalents    | 585,794   | -                                      | -                                 | 585,794                           | 585,794                 |
| <b>Total</b>                 | <b>934,660</b>                                  | <b>163,350</b>                         | <b>-</b>                          | <b>1,098,010</b>                  | <b>1,098,010</b>        |
| <b>Financial liabilities</b> |   |  |                                   |                                   |                         |
| Trade and other payables     | -   | -                                      | 396,229                           | 396,229                           | 396,229                 |
| Lease liabilities            | -   | -                                      | 8,778                             | 8,778                             | 8,778                   |
| <b>Total</b>                 | <b>-</b>  | <b>-</b>                               | <b>405,007</b>                    | <b>405,007</b>                    | <b>405,007</b>          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Financial risk management (continued)

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

| Company                      | Financial assets at amortised cost<br>KShs '000 | Financial assets at FVOCI<br>KShs '000 | Other amortised cost<br>KShs '000 | Total carrying value<br>KShs '000 | Fair value<br>KShs '000 |
|------------------------------|---|--|-----------------------------------|-----------------------------------|-------------------------|
| <b>2022</b>                  |   |  |                                   |                                   |                         |
| <b>Financial assets</b>      |   |  |                                   |                                   |                         |
| Equity investment            | -   | 178,200                                | -                                 | 178,200                           | 178,200                 |
| Trade and other receivables  | 647,193   | -                                      | -                                 | 647,193                           | 647,193                 |
| Cash and cash equivalent     | 277,048   | -                                      | -                                 | 277,048                           | 277,048                 |
|                              | <u>924,241</u>                                  | <u>178,200</u>                         | <u>-</u>                          | <u>1,102,441</u>                  | <u>1,102,441</u>        |
| <b>Financial liabilities</b> |   |  |                                   |                                   |                         |
| Trade and other payables     | -   | -                                      | 289,177                           | 289,177                           | 289,177                 |
| Lease liabilities            | -   | -                                      | 8,730                             | 8,730                             | 8,730                   |
|                              | <u>-</u>  | <u>-</u>                               | <u>297,907</u>                    | <u>297,907</u>                    | <u>297,907</u>          |
| <b>2021</b>                  |   |  |                                   |                                   |                         |
| <b>Financial assets</b>      |   |  |                                   |                                   |                         |
| Equity investment            | -   | 163,350                                | -                                 | 163,350                           | 163,350                 |
| Trade and other receivables  | 330,544   | -                                      | -                                 | 330,544                           | 330,544                 |
| Cash and cash equivalent     | 562,817   | -                                      | -                                 | 562,817                           | 562,817                 |
|                              | <u>893,361</u>                                  | <u>163,350</u>                         | <u>-</u>                          | <u>1,056,711</u>                  | <u>1,056,711</u>        |
| <b>Financial liabilities</b> |   |  |                                   |                                   |                         |
| Trade and other payables     | -   | -                                      | 324,370                           | 324,370                           | 324,370                 |
| Lease liabilities            | -   | -                                      | 8,778                             | 8,778                             | 8,778                   |
|                              | <u>-</u>  | <u>-</u>                               | <u>333,148</u>                    | <u>333,148</u>                    | <u>333,148</u>          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 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   | None  | 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:

##### Group and Company

|                                  | Level 1<br>KShs'000 | Level 2<br>KShs'000 | Level 3<br>KShs'000 | Total<br>KShs'000 |
|----------------------------------|---------------------|---------------------|---------------------|-------------------|
| <b>31 December 2022:</b>         |                     |                     |                     |                   |
| <b>Financial assets at FVOCI</b> |                     |                     |                     |                   |
| Equity investment                | 178,200             | -                   | -                   | 178,200           |
| <b>Total assets</b>              | <u>178,200</u>      | <u>-</u>            | <u>-</u>            | <u>178,200</u>    |
| <b>31 December 2021:</b>         |                     |                     |                     |                   |
| <b>Financial assets at FVOCI</b> |                     |                     |                     |                   |
| Equity investment                | 163,350             | -                   | -                   | 163,350           |
| <b>Total assets</b>              | <u>163,350</u>      | <u>-</u>            | <u>-</u>            | <u>163,350</u>    |

#### (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 FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 5 Segment information

The Management and the Board is the Group's chief operating decision-maker. The chief operating decision - maker considers the business from a customer-sector perspective. Performance is measured based on each segment's gross profit percentage relative to budget and prior years.

A segment is a distinguishable component of the Group that is engaged in providing products or services and which is subject to risks and rewards that are different from those of other segments.

The Company's operations consist of three major distinguishable components

- (a) Medical gases business
- (b) Industrial gases business
- (c) Projects and Engineering services

Other than revenue and cost of sales, it is not practicable to segregate selling, distribution and administration expenses or apportion assets and liabilities for each product and service as any apportionment would not result in meaningful information for decision making purposes.

Management and the Board review internal management reports based on the above segments. Information regarding the results of each reportable segment is presented below. Other Revenue comprises sales of gas equipment and accessories and welding products. These are not treated as a reporting segment for financial reporting purposes because of quantitative thresholds.

|                                     | Atmospheric<br>Gases | Special<br>Gases | Service<br>& other<br>revenue | Total     |
|-------------------------------------|----------------------|------------------|-------------------------------|-----------|
| <b>Year ended 31 December 2022:</b> |                      |                  |                               |           |
| Revenue                             | 600,595              | 284,298          | 402,357                       | 1,287,250 |
| Cost of sales                       | 246,427              | 173,629          | 343,040                       | 763,096   |
| Gross profit                        | 354,168              | 110,669          | 59,317                        | 524,154   |
| Gross profit %                      | 59%                  | 39%              | 15%                           | 45%       |
| <b>Year ended 31 December 2021:</b> |                      |                  |                               |           |
| Revenue                             | 910,545              | 275,278          | 195,945                       | 1,381,768 |
| Cost of sales                       | 489,597              | 179,265          | 153,013                       | 821,875   |
| Gross profit                        | 420,948              | 96,013           | 42,932                        | 559,893   |
| Gross profit %                      | 46%                  | 35%              | 22%                           | 44%       |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 6 Revenue

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Sale of medical and industrial gases      | 846,571          | 1,144,036        | 841,939          | 1,141,547        |
| Equipment and facilities rentals          | 333,462          | 129,137          | 333,789          | 128,472          |
| Equipment, accessories & welding products | 67,611           | 73,285           | 65,915           | 70,788           |
| Service and delivery revenue              | 39,606           | 35,310           | 39,606           | 35,310           |
|   | <u>1,287,250</u> | <u>1,381,768</u> | <u>1,281,249</u> | <u>1,376,117</u> |
| <i>Recognised at a point in time</i>      | 920,782          | 1,220,982        | 914,781          | 1,215,331        |
| <i>Recognised over time</i>               | <u>366,468</u>   | <u>160,786</u>   | <u>366,468</u>   | <u>160,786</u>   |
|   | <u>1,287,250</u> | <u>1,381,768</u> | <u>1,281,249</u> | <u>1,376,117</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 7 Other operating income and expenses

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>(a) Other income</b>                                    |                  |                  |                  |                  |
| Profit/(loss) on disposal of property, plant and equipment | 1,079            | (920)            | 1,080            | 47               |
| <b>(b) Expenses by function comprise:</b>                  |                  |                  |                  |                  |
| Cost of sales  | 763,096          | 821,875          | 761,088          | 819,130          |
| Distribution costs   | 130,709          | 105,122          | 124,363          | 103,814          |
| Selling and administrative expenses                        | 204,781          | 329,571          | 243,596          | 322,827          |
|  | <u>1,098,586</u> | <u>1,256,568</u> | <u>1,129,047</u> | <u>1,245,771</u> |
| <b>Expenses by nature comprise:</b>                        |                  |                  |                  |                  |
| Product costs  | 481,172          | 521,853          | 479,270          | 519,141          |
| Employee benefits and other staff costs                    | 239,755          | 267,648          | 239,833          | 267,648          |
| Electricity costs  | 118,778          | 126,227          | 118,778          | 126,225          |
| Depreciation on property, plant and equipment (Note 12)    | 92,552           | 95,913           | 86,100           | 93,881           |
| Fleet costs  | 58,629           | 41,642           | 58,629           | 41,358           |
| Repairs & maintenance                                      | 29,132           | 35,479           | 29,132           | 35,479           |
| Security and cleaning services                             | 16,073           | 15,496           | 16,072           | 15,385           |
| Travel and accommodation                                   | 14,505           | 11,692           | 14,505           | 11,332           |
| Legal and professional fees                                | 3,575            | 45,512           | 11,509           | 41,394           |
| Directors' fees  | 10,584           | 7,499            | 10,584           | 7,499            |
| Foreign currency exchange losses                           | 6,711            | 13,423           | 3,644            | 13,900           |
| Insurance  | 6,582            | 5,653            | 6,582            | 5,653            |
| Management fee   | 5,668            | 27,580           | 5,669            | 27,510           |
| Auditor's remuneration                                     | 5,533            | 5,095            | 4,640            | 4,316            |
| Other expenses   | 9,175            | 41,365           | 43,710           | 40,778           |
| Depreciation on right of use asset                         | 390              | 391              | 390              | 390              |
| Impairment: Other financial assets                         | (228)            | (5,900)          | -                | (6,118)          |
|  | <u>1,098,586</u> | <u>1,256,568</u> | <u>1,129,047</u> | <u>1,245,771</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 7 Other operating income and expenses (continued)

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>(c) Employee benefit expense</b>                  |                  |                  |                  |                  |
| The following items are included within staff costs: |                  |                  |                  |                  |
| Social security benefits                             | 164              | 162              | 164              | 162              |
| Retirement benefits costs:                           |                  |                  |                  |                  |
| - defined contribution scheme                        | <u>14,220</u>    | <u>14,506</u>    | <u>14,220</u>    | <u>14,506</u>    |

The average number of employees at Company and Group in 2022 was 68 (68 in 2021).

### 8 Finance income and finance costs

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>(a) Finance income</b>                  |                  |                  |                  |                  |
| Dividend income                            | 25,245           | 23,760           | 25,245           | 23,760           |
| Interest income                            | <u>11,651</u>    | <u>18,099</u>    | <u>11,651</u>    | <u>18,099</u>    |
| <b>Total</b>                               | <u>36,896</u>    | <u>41,859</u>    | <u>36,896</u>    | <u>41,859</u>    |
| <b>(b) Finance costs</b>                   |                  |                  |                  |                  |
| Interest on lease liabilities (Note 24(a)) | 1,004            | 1,010            | 1,004            | 1,010            |
| Interest on overdraft                      | <u>53</u>        | <u>-</u>         | <u>53</u>        | <u>-</u>         |
| <b>Total</b>                               | <u>1,057</u>     | <u>1,010</u>     | <u>1,057</u>     | <u>1,010</u>     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 9 Income tax expense

|                             | Note | Group            |                  | Company          |                  |
|-----------------------------|------|------------------|------------------|------------------|------------------|
|                             |      | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>Current tax expense:</b> |      |                  |                  |                  |                  |
| Current income tax charge   | 20   | 69,650           | 70,421           | 54,357           | 70,418           |
| Deferred income tax credit  | 17   | (4,216)          | (9,777)          | (4,216)          | (9,777)          |
| <b>Income tax expense</b>   |      | <u>65,434</u>    | <u>60,644</u>    | <u>50,141</u>    | <u>60,641</u>    |

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

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Profit before income tax                 | <u>213,426</u>   | <u>168,993</u>   | <u>168,517</u>   | <u>191,230</u>   |
| Tax calculated at 30%                    | 61,368           | 55,550           | 50,554           | 57,369           |
| Alternative minimum tax                  | 6                | 4                | -                | -                |
| Tax effect of:                           | (6,311)          | (5,940)          | (6,311)          | (5,940)          |
| Dividend income taxed at 5%              |                  |                  |                  |                  |
| Expenses not deductible for tax          | 5,898            | 8,229            | 5,898            | 8,229            |
| Impairment of tax recoverable*           | 15,285           | -                | -                | -                |
| Prior year under provision               | -                | 983              | -                | 983              |
| Deferred tax income asset not recognised | <u>(10,812)</u>  | <u>1,818</u>     | <u>-</u>         | <u>-</u>         |
| <b>Income tax expense</b>                | <u>65,434</u>    | <u>60,644</u>    | <u>50,141</u>    | <u>60,641</u>    |

\* The impairment relates to with holding tax from BOC Uganda which have been considered irrecoverable.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 10 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 2022 or 31 December 2021. Therefore, the dilutive earnings per share and the calculation thereof equals the basic earnings per share.

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2022<br>'000  | 2021<br>'000  | 2022<br>'000  | 2021<br>'000  |
| Net profit attributable to shareholders                      | 147,992       | 108,349       | 118,376       | 130,589       |
| Weighted average number of ordinary shares in issue (Number) | <u>19,525</u> | <u>19,525</u> | <u>19,525</u> | <u>19,525</u> |
| Basic and dilutive earnings per share (KShs)                 | <u>7.58</u>   | <u>5.55</u>   | <u>6.06</u>   | <u>6.69</u>   |

### 11 Dividends per share

At the next Annual General Meeting a final dividend in respect of the year ended 31 December 2022 of KShs. 4.45 per share amounting to a total of KShs 86,888,235 is to be proposed.

An Interim dividend of KShs 1.60 per share amounting to KShs 31,240,714 was paid in 2022 (2021 29,288,169).

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 12 Property, plant and equipment

#### (a) Group

| 2022                       | Land & Buildings KShs' 000 | Plant & Machinery KShs' 000 | Motor Vehicles KShs' 000 | Cylinders KShs' 000 | Furniture & Equipment KShs' 000 | Work in progress KShs' 000 | Total KShs' 000    |
|----------------------------|----------------------------|-----------------------------|--------------------------|---------------------|---------------------------------|----------------------------|--------------------|
| Cost:                      |                            |                             |                          |                     |                                 |                            |                    |
| At 1 January 2022          | 102,884                    | 718,883                     | 187,053                  | 682,556             | 46,947                          | 21,584                     | 1,759,907          |
| Currency translation       | -                          | 756                         | -                        | 1,548               | 92                              | -                          | 2,396              |
| Additions                  | -                          | -                           | -                        | -                   | -                               | 89,106                     | 89,106             |
| Transfers                  | 2,054                      | 47,603                      | -                        | 54,124              | 837                             | (104,618)                  | -                  |
| Impairment                 | -                          | (12,591)                    | -                        | (182,130)           | (1,696)                         | -                          | (196,417)          |
| Disposals                  | -                          | (8,649)                     | -                        | (1,939)             | -                               | -                          | (10,588)           |
| <b>At 31 December 2022</b> | <b>104,938</b>             | <b>746,002</b>              | <b>187,053</b>           | <b>554,159</b>      | <b>46,180</b>                   | <b>6,072</b>               | <b>1,644,404</b>   |
| Depreciation:              |                            |                             |                          |                     |                                 |                            |                    |
| At 1 January 2022          | (70,117)                   | (534,262)                   | (132,510)                | (354,876)           | (43,585)                        | -                          | (1,135,350)        |
| Currency translation       | -                          | (216)                       | -                        | (287)               | (22)                            | -                          | (525)              |
| Charge for the year        | (2,745)                    | (31,111)                    | (17,906)                 | (38,402)            | (2,388)                         | -                          | (92,552)           |
| Impairment                 | -                          | 12,054                      | -                        | 129,990             | 1,625                           | -                          | 143,669            |
| Disposals                  | -                          | 8,649                       | -                        | 1,335               | -                               | -                          | 9,984              |
| <b>At 31 December 2022</b> | <b>(72,862)</b>            | <b>(544,886)</b>            | <b>(150,416)</b>         | <b>(262,240)</b>    | <b>(44,370)</b>                 | <b>-</b>                   | <b>(1,074,774)</b> |
| <b>Carrying value:</b>     |                            |                             |                          |                     |                                 |                            |                    |
| <b>At 31 December 2022</b> | <b>32,076</b>              | <b>201,116</b>              | <b>36,637</b>            | <b>291,919</b>      | <b>1,810</b>                    | <b>6,072</b>               | <b>569,630</b>     |

During the year, the Group received KShs 1,619,308 (2021 – KShs 5,292,404) from third parties for lost cylinders and disposal of trucks. The net book value of the disposed assets was KShs 603,477.

Work in progress comprises costs incurred on assets under construction. Such costs are capitalised when the asset has been completed and brought into use.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 12 Property, plant and equipment (continued)

#### (a) Group (continued)

| 2021                       | Land & Buildings<br>KShs' 000 | Plant & Machinery<br>KShs' 000 | Motor Vehicles<br>KShs' 000 | Cylinders<br>KShs' 000 | Furniture & Equipment<br>KShs' 000 | Work in progress<br>KShs' 000 | Total<br>KShs' 000 |
|----------------------------|-------------------------------|--------------------------------|-----------------------------|------------------------|------------------------------------|-------------------------------|--------------------|
| Cost:                      |                               |                                |                             |                        |                                    |                               |                    |
| At 1 January 2021          | 102,884                       | 687,749                        | 199,940                     | 646,014                | 43,725                             | 40,821                        | 1,721,133          |
| Currency translation       | -                             | 586                            | 543                         | 1,356                  | 85                                 | -                             | 2,570              |
| Additions                  | -                             | -                              | -                           | -                      | -                                  | 52,211                        | 52,211             |
| Transfers                  | -                             | 30,548                         | -                           | 37,763                 | 3,137                              | (71,448)                      | -                  |
| Disposals                  | -                             | -                              | (13,430)                    | (2,577)                | -                                  | -                             | (16,007)           |
| <b>At 31 December 2021</b> | <b>102,884</b>                | <b>718,883</b>                 | <b>187,053</b>              | <b>682,556</b>         | <b>46,947</b>                      | <b>21,584</b>                 | <b>1,759,907</b>   |
| Depreciation:              |                               |                                |                             |                        |                                    |                               |                    |
| At 1 January 2021          | (67,379)                      | (496,775)                      | (119,285)                   | (322,975)              | (40,801)                           | -                             | (1,047,215)        |
| Currency translation       | -                             | (581)                          | (328)                       | (987)                  | (85)                               | -                             | (1,981)            |
| Charge for the year        | (2,738)                       | (36,906)                       | (21,165)                    | (32,406)               | (2,699)                            | -                             | (95,914)           |
| Disposals                  | -                             | -                              | 8,268                       | 1,492                  | -                                  | -                             | 9,760              |
| <b>At 31 December 2021</b> | <b>(70,117)</b>               | <b>(534,262)</b>               | <b>(132,510)</b>            | <b>(354,876)</b>       | <b>(43,585)</b>                    | <b>-</b>                      | <b>(1,135,350)</b> |
| <b>Carrying value:</b>     |                               |                                |                             |                        |                                    |                               |                    |
| <b>At 31 December 2021</b> | <b>32,767</b>                 | <b>184,621</b>                 | <b>54,543</b>               | <b>327,680</b>         | <b>3,362</b>                       | <b>21,584</b>                 | <b>624,557</b>     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 12 Property, plant and equipment (continued)

#### (b) Company

| 2022   | Land & Buildings<br>KShs' 000 | Plant & Machinery<br>KShs' 000 | Motor Vehicles<br>KShs' 000 | Cylinders<br>KShs' 000 | Furniture & Equipment<br>KShs' 000 | Work in progress<br>KShs' 000 | Total<br>KShs' 000 |
|--|-------------------------------|--------------------------------|-----------------------------|------------------------|------------------------------------|-------------------------------|--------------------|
| Cost:  |                               |                                |                             |                        |                                    |                               |                    |
| At 1 January 2022                              | 102,884                       | 717,804                        | 187,054                     | 656,526                | 45,343                             | 21,585                        | 1,731,196          |
| Additions                                      | -                             | -                              | -                           | -                      | -                                  | 89,106                        | 89,106             |
| Transfers                                      | 2,054                         | 47,603                         | -                           | 54,124                 | 837                                | (104,618)                     | -                  |
| Impairment                                     | -                             | -                              | -                           | (156,492)              | -                                  | -                             | (156,492)          |
| Disposals                                      | -                             | (8,649)                        | -                           | -                      | -                                  | -                             | (8,649)            |
| <b>At 31 December 2022</b>                     | <b>104,938</b>                | <b>756,758</b>                 | <b>187,054</b>              | <b>554,158</b>         | <b>46,180</b>                      | <b>6,073</b>                  | <b>1,655,161</b>   |
| Depreciation:                                  |                               |                                |                             |                        |                                    |                               |                    |
| At 1 January 2022                              | (70,119)                      | (522,528)                      | (132,513)                   | (335,608)              | (41,980)                           | -                             | (1,102,748)        |
| Charge for the year                            | (2,745)                       | (31,005)                       | (17,906)                    | (32,055)               | (2,388)                            | -                             | (86,099)           |
| Impairment                                     | -                             | -                              | -                           | 105,424                | -                                  | -                             | 105,424            |
| Disposal                                       | -                             | 8,649                          | -                           | -                      | -                                  | -                             | 8,649              |
| <b>At 31 December 2022</b>                     | <b>(72,864)</b>               | <b>(544,884)</b>               | <b>(150,419)</b>            | <b>(262,239)</b>       | <b>(44,368)</b>                    | <b>-</b>                      | <b>(1,074,774)</b> |
| <b>Carrying value:<br/>At 31 December 2022</b> | <b>32,074</b>                 | <b>211,874</b>                 | <b>36,635</b>               | <b>291,919</b>         | <b>1,812</b>                       | <b>6,073</b>                  | <b>580,387</b>     |

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**  
**12 Property, plant and equipment (continued)**

**(b) Company (continued)**

|                            | Land & Buildings<br>KShs' 000 | Plant & Machinery<br>KShs' 000 | Motor Vehicles<br>KShs' 000 | Cylinders<br>KShs' 000 | Furniture & Equipment<br>KShs' 000 | Work in progress<br>KShs' 000 | Total<br>KShs' 000 |
|----------------------------|-------------------------------|--------------------------------|-----------------------------|------------------------|------------------------------------|-------------------------------|--------------------|
| <b>2021</b>                |                               |                                |                             |                        |                                    |                               |                    |
| Cost:                      |                               |                                |                             |                        |                                    |                               |                    |
| At 1 January 2021          | 102,884                       | 687,256                        | 187,054                     | 621,340                | 42,206                             | 40,821                        | 1,681,561          |
| Additions                  | -                             | -                              | -                           | -                      | -                                  | 52,212                        | 52,212             |
| Transfers                  | -                             | 30,548                         | -                           | 37,763                 | 3,137                              | (71,448)                      | -                  |
| Disposals                  | -                             | -                              | -                           | (2,577)                | -                                  | -                             | (2,577)            |
| <b>At 31 December 2021</b> | <b>102,884</b>                | <b>717,804</b>                 | <b>187,054</b>              | <b>656,526</b>         | <b>45,343</b>                      | <b>21,585</b>                 | <b>1,731,196</b>   |
| Depreciation:              |                               |                                |                             |                        |                                    |                               |                    |
| At 1 January 2021          | (67,381)                      | (485,657)                      | (112,322)                   | (305,718)              | (39,281)                           | -                             | (1,010,359)        |
| Charge for the year        | (2,738)                       | (36,871)                       | (20,191)                    | (31,382)               | (2,699)                            | -                             | (93,881)           |
| Disposal                   | -                             | -                              | -                           | 1,492                  | -                                  | -                             | 1,492              |
| <b>At 31 December 2021</b> | <b>(70,119)</b>               | <b>(522,528)</b>               | <b>(132,513)</b>            | <b>(335,608)</b>       | <b>(41,980)</b>                    | <b>-</b>                      | <b>(1,102,748)</b> |
| <b>Carrying value:</b>     |                               |                                |                             |                        |                                    |                               |                    |
| <b>At 31 December 2021</b> | <b>32,765</b>                 | <b>195,276</b>                 | <b>54,541</b>               | <b>320,918</b>         | <b>3,363</b>                       | <b>21,585</b>                 | <b>628,448</b>     |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 13 Right-of-use assets

#### Group and company

Right-of-use asset related to leased land.

|   | Note | 2022<br>KShs'000     | 2021<br>KShs'000     |
|---|------|----------------------|----------------------|
| <b>Cost:</b>                              |      | <u>11,089</u>        | <u>11,089</u>        |
| <b>Depreciation:</b>                      |      |                      |                      |
| Brought forward                           |      | (391)                | -                    |
| Charge for the year                       | 7(b) | <u>(390)</u>         | <u>(391)</u>         |
| <b>Net carrying amount at end of year</b> |      | <u><u>10,308</u></u> | <u><u>10,698</u></u> |

### 14 Intangible assets

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <b>Cost:</b>                              |                  |                  |                  |                  |
| At start of the year                      | <u>16,857</u>    | <u>16,857</u>    | <u>16,622</u>    | <u>16,622</u>    |
| <b>Accumulated amortisation</b>           |                  |                  |                  |                  |
| At start of year                          | (16,857)         | (16,857)         | (16,560)         | (16,560)         |
| Charge for the year                       | <u>-</u>         | <u>-</u>         | <u>(62)</u>      | <u>(62)</u>      |
| At end of year                            | <u>(16,857)</u>  | <u>(16,857)</u>  | <u>(16,622)</u>  | <u>(16,622)</u>  |
| <b>Net carrying amount at 31 December</b> | <u><u>-</u></u>  | <u><u>-</u></u>  | <u><u>-</u></u>  | <u><u>-</u></u>  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 15 Investment in subsidiaries

| Company              | Percentage shareholding | 2022<br>KShs'000 | 2021<br>KShs'000 |
|----------------------|-------------------------|------------------|------------------|
| BOC Tanzania Limited | 100%                    | 10               | 10               |
| BOC Uganda Limited   | 100%                    | 50               | 50               |
| Kivuli Limited       | 100%                    | -                | -                |
| <b>Total</b>         |                         | <u>60</u>        | <u>60</u>        |

BOC Tanzania Limited and BOC Uganda Limited are incorporated in Tanzania and Uganda respectively. Both Companies are dormant.

Kivuli Limited, a structured consolidated entity, is incorporated in Kenya and previously held quoted shares held by BOC Kenya PLC in Carbacid Investment Plc (Note 16). These are now held directly by BOC and Kivuli Limited is dormant.

### 16 Equity and debt investments - Group and Company

|                                   | 2022<br>KShs'000 | 2021<br>KShs'000 |
|-----------------------------------|------------------|------------------|
| At start of year                  | 163,350          | 179,685          |
| Increase/(decrease) in fair value | <u>14,850</u>    | <u>(16,335)</u>  |
| At end of year                    | <u>178,200</u>   | <u>163,350</u>   |

The balances relates to the fair value pf equity shares held on Carabacid Investments Plc, which is quoted at the Nairobi Securities Exchange. The fair value is based on the quoted market prices at the year end.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 17 Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021 – 30%).

|                     | Group            |                  | Company          |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Deferred income tax | 47,260           | 43,044           | 47,260           | 43,044           |

The movement on the deferred tax account is as follows:

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| At start of year                         | 43,044           | 33,267           | 43,044           | 33,267           |
| Recognised in profit or loss<br>(Note 9) | 4,216            | 9,777            | 4,216            | 9,777            |
| <b>At end of year</b>                    | <b>47,260</b>    | <b>43,044</b>    | <b>47,260</b>    | <b>43,044</b>    |

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

Deferred income tax asset of KShs 10,812,000 (2021 – KShs 1,818,000) relating to tax losses and taxable temporary differences in a subsidiary Company have not been recognised in these financial statements following a strategic decision to wind up the subsidiary company.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 17 Deferred income tax (continued)

#### Group and Company:

|                                      | At<br>1 January<br>Kshs '000 | Recognised in<br>profit or loss<br>Kshs '000 | At<br>31 December<br>Kshs '000 |
|--------------------------------------|------------------------------|--|--------------------------------|
| <b>Year ended 31 December 2022</b>   |                              |  |                                |
| Property, plant and equipment        | (22,071)                     | 5,773  | (16,298)                       |
| Accrued expenses and provisions      | <u>65,115</u>                | <u>(1,557)</u>                               | <u>63,558</u>                  |
| <b>Net deferred income tax asset</b> | <u><u>43,044</u></u>         | <u><u>4,216</u></u>                          | <u><u>47,260</u></u>           |
|                                      | At<br>1 January<br>Kshs '000 | Recognised in<br>profit or loss<br>Kshs '000 | At<br>31 December<br>Kshs '000 |
| <b>Year ended 31 December 2021</b>   |                              |  |                                |
| Property, plant and equipment        | (26,177)                     | 4,106  | (22,071)                       |
| Accrued expenses and provisions      | <u>59,444</u>                | <u>5,671</u>                                 | <u>65,115</u>                  |
| <b>Net deferred income tax asset</b> | <u><u>33,267</u></u>         | <u><u>9,777</u></u>                          | <u><u>43,044</u></u>           |

### 18 Inventories

|   | Group                 |                       | Company               |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2022<br>KShs'000      | 2021<br>KShs'000      | 2022<br>KShs'000      | 2021<br>KShs'000      |
| Finished goods and other saleable stock | 141,143               | 143,882               | 136,284               | 138,449               |
| Spare parts                             | 88,018                | 74,607                | 88,018                | 74,607                |
| Raw materials                           | 19,499                | 8,694                 | 19,499                | 8,694                 |
| Goods in transit                        | 13,957                | 28,250                | 12,989                | 27,354                |
| Impairment allowance                    | <u>(59,930)</u>       | <u>(48,728)</u>       | <u>(54,103)</u>       | <u>(43,295)</u>       |
|   | <u><u>202,687</u></u> | <u><u>206,705</u></u> | <u><u>202,687</u></u> | <u><u>205,809</u></u> |

The cost of inventory recognised as an expense and included in cost of sales amounted to KShs 480,248,609 (2021 – KShs 522,119,318) for Group and KShs 479,270,050 (2021 – KShs 519,140,994) for Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 18 Inventories (continued)

The inventories balance is net of the following provisions for slow moving and obsolete

|                            | Group            |                  | Company          |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| At start of year           | 48,728           | 45,765           | 43,295           | 40,767           |
| Addition impairment charge | 10,235           | 2,963            | 10,808           | 2,528            |
| <b>At end of year</b>      | <b>58,963</b>    | <b>48,728</b>    | <b>54,103</b>    | <b>43,295</b>    |

### 19 Trade and other receivables

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Third party receivables:                |                  |                  |                  |                  |
| Trade receivables                       | 484,046          | 386,936          | 467,519          | 373,926          |
| Contract assets                         | 284,265          | 18,509           | 284,265          | 18,509           |
| Sub-total                               | 768,311          | 405,445          | 751,784          | 392,435          |
| Allowance for expected credit losses    | (129,452)        | (116,681)        | (119,657)        | (102,624)        |
| Net of impairment allowance             | 638,859          | 288,764          | 632,127          | 289,811          |
| Related party receivables (Note 29(c)): |                  |                  |                  |                  |
| Trade receivables                       | 4,511            | -                | 31,945           | 23,864           |
| Allowance for expected credit losses    | -                | -                | (27,434)         | (23,864)         |
| Net of impairment allowance             | 4,511            | -                | 4,511            | -                |
| Other receivables                       | 9,859            | 53,482           | 6,563            | 34,153           |
| Deposits and prepayments                | 3,991            | 6,620            | 3,992            | 6,580            |
| <b>Total</b>                            | <b>657,220</b>   | <b>348,866</b>   | <b>647,193</b>   | <b>330,544</b>   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 20 Current income tax

|                      | Note | Group            |                  | Company          |                  |
|----------------------|------|------------------|------------------|------------------|------------------|
|                      |      | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| At Start of year     |      | 10,805           | 11,547           | (3,289)          | (1,218)          |
| Tax paid             |      | 66,104           | 68,853           | 66,104           | 68,347           |
| Charge for the year  | 9    | (69,650)         | (70,421)         | (54,357)         | (70,418)         |
| Currency translation |      | 50               | 826              | -                | -                |
| At end of year       |      | <u>7,309</u>     | <u>10,805</u>    | <u>8,458</u>     | <u>(3,289)</u>   |
| Tax recoverable      |      | 8,458            | 14,094           | 8,458            | -                |
| Tax payable          |      | <u>(1,149)</u>   | <u>(3,289)</u>   | -                | <u>(3,289)</u>   |
| At end of year       |      | <u>7,309</u>     | <u>10,805</u>    | <u>8,338</u>     | <u>(3,289)</u>   |

### 21 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          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Short term bank balances | 202,201          | 445,111          | 202,201          | 445,111          |
| Cash at bank             | <u>74,917</u>    | <u>140,683</u>   | <u>74,847</u>    | <u>117,706</u>   |
|                          | <u>277,118</u>   | <u>585,794</u>   | <u>277,048</u>   | <u>562,817</u>   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 22 Share capital and share premium

#### (a) Share capital

|                                     | Number of shares  | Share capital KShs'000 |
|-------------------------------------|-------------------|------------------------|
| <b>Group and Company:</b>           |                   |                        |
| Authorised (ordinary shares)        | 20,000,000        | 100,000                |
| Issued and fully paid 2022 and 2021 | <u>19,525,446</u> | <u>97,627</u>          |

The total authorised and issued number of ordinary shares is 19,525,446 with a par value of Shs 5 per share. 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.

### 23 Other reserves

|                                      | Group            |                  | Company          |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Fair value reserve                   | 129,408          | 114,558          | 128,473          | 113,623          |
| Foreign currency translation reserve | <u>(28,603)</u>  | <u>(26,442)</u>  | -                | -                |
| <b>Total</b>                         | <u>100,805</u>   | <u>88,116</u>    | <u>128,473</u>   | <u>113,623</u>   |

#### (a) Fair value reserve

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

#### (b) Foreign currency translation reserve

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 24 Lease liabilities

The Company leases land in Nairobi Industrial Area where its offices and production facilities are located as well as in Mombasa and Kisumu where it has branch offices. Information on these leases for which the Company is a lessee is presented below.

|   |      | Group and Company |                      |
|---|------|-------------------|----------------------|
|   | Note | KShs'000<br>2022  | KShs'000<br>2021     |
| <b>(a) Lease liabilities</b>                            |      |                   |                      |
| At start of year  |      | 8,778             | 8,820                |
| Interest on lease                                       | 8(b) | 1,004             | 1,010                |
| Payment/payable in the year                             |      | <u>(1,052)</u>    | <u>(1,052)</u>       |
| <b>At end of year</b>                                   |      | <u>8,730</u>      | <u>8,778</u>         |
| Non-current   |      | 7,678             | 7,726                |
| Current   |      | <u>1,052</u>      | <u>1,052</u>         |
|   |      | <u>8,730</u>      | <u>8,778</u>         |
| <b>(b) Leases terms</b>                                 |      |                   |                      |
|   |      | Lease Term        | Unexpired Lease Term |
| Nairobi   |      | 99 years          | 27 years             |
| Mombasa   |      | 55 years          | 26 years             |
| Kisumu  |      | 99 years          | 69 years             |
| <b>(c) Amounts recognised in profit or loss</b>         |      |                   |                      |
| Depreciation of right-of-use assets                     | 13   | 390               | 391                  |
| Interest on lease liabilities                           | 8(b) | <u>1,004</u>      | <u>1,010</u>         |
| <b>(d) Amount recognised in statement of cash flows</b> |      |                   |                      |
| Total cash outflows for leases                          |      | <u>1,052</u>      | <u>1,052</u>         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 25 Trade and other payables

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Cylinder deposits                                | 109,985          | 181,668          | 104,721          | 146,039          |
| Trade payables                                   | 60,913           | 45,226           | 60,912           | 41,763           |
| Amounts due to related companies<br>(Note 29(d)) | 12,275           | 41,315           | 30,638           | 41,315           |
| Accruals and other payable                       | 96,201           | 128,020          | 92,906           | 95,253           |
| <b>Total</b>                                     | <u>279,374</u>   | <u>396,229</u>   | <u>289,177</u>   | <u>324,370</u>   |

### 26 Cash generated from operations

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

|  | Note | Group            |                  | Company          |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Profit before income tax                           |      | 213,426          | 168,993          | 168,517          | 191,230          |
| Adjustments for:                                   |      |                  |                  |                  |                  |
| Depreciation on PPE                                | 12   | 92,552           | 95,913           | 86,099           | 93,881           |
| Depreciation on ROU asset                          | 13   | 390              | 391              | 390              | 391              |
| (Profit)/loss on sale of property and<br>equipment |      | (1,079)          | 955              | (1,080)          | (47)             |
| Impairment of PPE                                  | 12   | 51,068           | -                | 51,068           | -                |
| Effect of foreign currency translations            |      | 990              | 222              | -                | -                |
| Interest income                                    | 8    | (11,651)         | (17,089)         | (11,651)         | (17,089)         |
| Interest on overdraft                              |      |                  |                  |                  |                  |
| Interest on lease liability                        | 24   | 1,004            | 1,010            | 1,004            | 1,010            |
| Dividend income                                    |      | (25,245)         | (23,760)         | (25,245)         | (23,760)         |
| Changes in working capital:                        |      |                  |                  |                  |                  |
| Trade and other receivables                        |      | (308,354)        | 105,902          | (316,649)        | 97,826           |
| Inventories  |      | 4,018            | (46,693)         | 3,122            | (48,463)         |
| Trade and other payables                           |      | (116,855)        | (75,389)         | (35,193)         | (81,186)         |
| <b>Cash generated from operating activities</b>    |      | <u>(99,736)</u>  | <u>210,455</u>   | <u>(79,618)</u>  | <u>213,793</u>   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 27 Contingent liabilities

At 31 December 2022, the Group and Company's bankers had issued various guarantees in favour of third parties (primarily the Group and Company's public sector customers) amounting KShs 103,530,978 (31 December 2021 – KShs 25,211,046).

The Company has the following bank facilities:

| Facility description                                     | Currency | Limit (US\$) |           |
|--|----------|--------------|-----------|
|  |          | 2022         | 2021      |
| Trade Finance, Bonds and Guarantees                      | USD      | 1,561,000    | 1,561,000 |
| Open-ended Bonds and Guarantees                          | KES      | 100,000      | 100,000   |
| Overdrafts and advances                                  | USD      | 1,000,000    | 1,000,000 |
| Pre-settlement Exposure on Foreign Currency Transactions | USD      | 500,000      | 500,000   |

The facilities above were reviewed in 2022 and aligned with current business needs.

There are certain pending routine tax reconciliations with the tax authorities and labour-related legal claims for which provision has not been made in the books as the Directors are of the opinion that the possibility of payment is remote.

### 28 Capital commitments

At 31 December 2022, the Group had capital commitments of KShs 19,013,894 (2021 – KShs 22,888,377).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 29 Related party transactions

The ultimate parent of the Group is Linde plc a company incorporated and domiciled in Ireland while the immediate parent is BOC Holdings (UK). There are other companies that are related to BOC Kenya Plc through common shareholdings or common Directorships.

The following transactions were carried out with related parties:

#### (a) Purchase of goods and services

|                             | 2022<br>KShs'000 | 2021<br>KShs'000 |
|-----------------------------|------------------|------------------|
| <b>Group</b>                |                  |                  |
| African Oxygen Limited      | 98,220           | 73,899           |
| Cryostar SAS France         | 2,387            | 25,245           |
| BOC Northern Technical (UK) | 7,356            | 714              |
| Linde AG                    | 1,370            | -                |
| <b>Total</b>                | <u>109,333</u>   | <u>99,858</u>    |

#### (b) Sales to subsidiaries

|                               | Company          |                  |
|-------------------------------|------------------|------------------|
|                               | 2022<br>KShs'000 | 2021<br>KShs'000 |
| <i>Sales to subsidiaries:</i> |                  |                  |
| BOC Uganda Limited            | <u>3,474</u>     | <u>2,847</u>     |

#### (c) Outstanding balances included in receivables

|                          | Group            |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| Due to BOC Kenya Plc:    |                  |                  |                  |                  |
| BOC Tanzania Limited     | -                | -                | 27,434           | 23,864           |
| African Oxygen Limited   | 4,511            | -                | 4,511            | -                |
|                          | <u>4,511</u>     | <u>-</u>         | <u>31,945</u>    | <u>23,864</u>    |
| Allowance for impairment | -                | -                | (27,434)         | (23,864)         |
| <b>Net of impairment</b> | <u>4,511</u>     | <u>-</u>         | <u>4,511</u>     | <u>-</u>         |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 29 Related party transactions (continued)

#### (d) Outstanding balances included in payables

|                        | Group            |                  | Company          |                  |
|------------------------|------------------|------------------|------------------|------------------|
|                        | 2022<br>KShs'000 | 2021<br>KShs'000 | 2022<br>KShs'000 | 2021<br>KShs'000 |
| BOC Uganda Limited     | -                | -                | 18,363           | -                |
| African Oxygen Limited | 11,013           | 25,803           | 11,013           | 25,803           |
| Linde                  | 1,262            | -                | 1,262            | -                |
| Cryostar SAS France    | -                | 15,512           | -                | 15,512           |
| <b>Total</b>           | <u>12,275</u>    | <u>41,315</u>    | <u>30,638</u>    | <u>41,315</u>    |

#### (e) Key management compensation

##### Group and Company

|                                  | 2022<br>KShs'000 | 2021<br>KShs'000 |
|----------------------------------|------------------|------------------|
| Salaries and short-term benefits | <u>31,322</u>    | <u>31,765</u>    |

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

#### (f) Directors' remuneration

|                                  | Group and Company |                  |
|----------------------------------|-------------------|------------------|
|                                  | 2022<br>KShs'000  | 2021<br>KShs'000 |
| Fees                             | 10,290            | 7,500            |
| Salaries and short-term benefits | <u>23,965</u>     | <u>41,304</u>    |
| <b>Total</b>                     | <u>34,255</u>     | <u>48,804</u>    |

#### (g) Dividends paid

| Group and Company | Company          |                  |
|-------------------|------------------|------------------|
|                   | 2022<br>KShs'000 | 2021<br>KShs'000 |
| BOC Group Plc     | <u>57,445</u>    | <u>72,126</u>    |

## BOC KENYA PLC

### PROXY FORM FOR THE 2023 ANNUAL GENERAL MEETING

I/We \_\_\_\_\_

of P.O. Box \_\_\_\_\_

Share Account No. \_\_\_\_\_ being a Shareholder/Shareholders of the above-named Company hereby appoint:

Proxy Name: \_\_\_\_\_

Proxy P O Box \_\_\_\_\_

Proxy Mobile No. \_\_\_\_\_

Proxy Emil address: \_\_\_\_\_

and failing him/her the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the and failing him/her 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 Virtually on Thursday 22 June 2023 at 11.00 a.m., and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

Signature(s)/Seal: \_\_\_\_\_

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

#### NOTES:

11. Any Member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.
12. Shareholders wishing to participate in the meeting should register for the AGM online at <https://digital.candrgroup.co.ke> or via USSD using short code number \*384\*041# or via a link to the AGM Platform that will be sent to them via SMS and/or Email and follow the various prompts regarding the registration process. In order to complete the registration process, Shareholders will need to have their Shares Account Number or CDSC Account Number and the ID/Passport Number which were used to purchase their shares.
13. Registration for the AGM opens on **Monday 12 June 2023** at 08:00am and will close on **Wednesday 21 June 2023** at 12:00 Noon.
14. For assistance, Shareholders should dial the following helpline numbers: +254 20 7608216 from 8:00 a.m. to 4:00 p.m. during the registration Open Period. Any Shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke).
15. Shareholders can access the Virtual AGM using their log in credentials via the link to the AGM Platform to view the livestream, vote and submit questions. Shareholders without internet access can access the Virtual AGM and vote and submit questions via USSD using short code number \*384\*041#.

## PROXY FORM FOR THE 2023 ANNUAL GENERAL MEETING (continued)

16. Shareholders wishing to raise any questions for the AGM may do so by:
- (v) Accessing Virtual AGM via the link to the AGM platform; Select Attend Event; Select “BOC Kenya PLC AGM”; Select “Q&A” option tab and submit questions in text box provided; or
  - (vi) Accessing Virtual AGM via USSD platform using short code number \*384\*041#; Use the menu prompts to Select option for “Q&A” and submit their questions (within 160 character limit for sms text); or
  - (vii) Sending their written questions by email to [digital@candrgroup.co.ke](mailto:digital@candrgroup.co.ke); or
  - (viii) To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company’s Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.
    - *Shareholders sending questions by email or delivering to C&R Group must provide their full details (full names, Shares Account Number//CDSC Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.*
    - *All questions and clarification must reach the C&R Group on or before Wednesday 21 2023 by 12:00 Noon.*

17. Shareholders wishing to vote may do so by:

- (iii) Accessing Virtual AGM via the link to the AGM platform; Select Attend Event; Select “BOC Kenya PLC AGM”; Select “Voting” option tab and vote; or
- (iv) Accessing Virtual AGM via USSD platform; Use the menu prompts to Select option for “Voting” and follow the various prompts regarding the voting process

18. In accordance with Section 298(1) of the Companies Act, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company.

A Proxy Form is available on the Company’s website [www.boc.co.ke](http://www.boc.co.ke) Physical copies of the Proxy Form are also available at the following address: Custody and Registrars Services offices, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.

To be valid, the Proxy Form must be duly completed by the Shareholder or his Attorney duly authorized in writing. If the Shareholder is a body corporate, the instrument appointing the proxy shall be given under its common seal (if any) or under the hand of an Officer or duly authorized Attorney of such body corporate.

A completed Form of Proxy should be emailed to [proxy@candrgroup.co.ke](mailto:proxy@candrgroup.co.ke) in pdf format or delivered to Custody and Registrars Services, IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar or the Company Secretary not later than **12:00 Noon on 20 June 2022**.

The duly completed form must be supported by a copy of ID/ valid Passport of the Shareholder and include the ID/Passport, email or telephone number of the proxy to facilitate registration. Any proxy registration that is rejected will be communicated to the Shareholder concerned no later than **21 June 2022 at 5.00 pm** to allow time to address any issues.

19. The AGM will be streamed live to all Shareholders who will have registered to participate in the general meeting. Duly registered Shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers or email, 24 hours prior to the AGM as a reminder of the AGM. A second SMS/USSD prompt shall be sent two hours ahead of the AGM, reminding duly registered Shareholders and proxies that the AGM will begin in two hours’ time.
20. The Annual Report and Financial Statements of the Company for the year ended 31 December 2022 have been made available on the Company’s website [www.boc.co.ke](http://www.boc.co.ke) in the downloads section of the website.










VID-19  
EMERGENCY  
RESPONSE PROJECT



**BOC GASES**

**Liquid Oxygen**

**No Smoking**  
**No naked lights**  
**Use no oil or grease**

**BOC Kenya Plc**

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