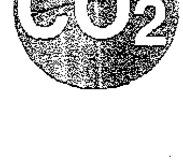
CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 1997



contents

1. Carbacid Investment Ltd -- Kn.
2. Gases industry -- Kenya -- Periodica

notice
of meeting

NOTICE IS HEREBY GIVEN that the twenty - seventh Annual General Meeting of the Company will be held at the Profes-sional Centre (Council Chamber), Parliament Way, Nairobi on Thursday, 11 December 1997 at 12 noon for the following purposes:-

1. To receive the Directors ' Report and audited financial statements for the year ended 31 July 1997.
2. To approve Directors ' fees.
3. To declare a final dividend.
4. To re-elect Directors.
5. To authorize the Directors to fix the remuneration of the auditors, Deloitte & Touche.

By Order of the Board

N P KOTHARI
Secretary
Nairobi
4 November 1997

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

Directors:	S G SMITH (*Chairman*)
	SIR PETER HEWETT, BT
	HON K S N MATIBA, MP
	R A SHEPHERD
	J M WANJIGI
Secretary:	N P KOTHARI
Registrars:	SPECIALIST CORPORATE CONSULTANTS,
	P.O. BOX 30633, NAIROBI
Auditors:	DELOITTE & TOUCHE
	P.O. BOX 40092, NAIROBI
Bankers:	COMMERCIAL BANK OF AFRICA LIMITED,
	P.O. BOX 45136, NAIROBI
	STANDARD CHARTERED BANK KENYA LIMITED,
	P.O. BOX 18081, NAIROBI.

The directors present their report together with the group audited financial statements for the year ended 31 July 1997.

Activities

The company is a holding company with one wholly owned operating subsidiary, Carbacid (CO_2) Limited, whose principal activity is the mining and sale of carbon dioxide gas.

Results

	Sh '000	Sh '000
Profit before taxation		104,576
Taxation		45,474
Profit after taxation		59,102
Dividends - Paid	7,551	
- Proposed	11,328	18,879
Retained profit for the year transferred to revenue reserve		40,223

Dividends

An interim dividend of 16% amounting to Sh 7,551,000 (1996 - 16% amounting to Sh 4,719,000) was paid in April 1997. The directors propose a final dividend of 24% amounting to Sh 11,328,000 (1996 - 24% amounting to Sh 11,327,000) on the issued share capital. This makes total dividends of Sh 18,879,000 in respect of the year.

Directors

The directors since 1 August 1996 have been:

S G Smith (Chairman)
Sir Peter Hewett Bt
Hon K S N Matiba, MP
R A Shepherd
J M Wanjigi

Sir Peter Hewett Bt and Mr J M Wanjigi retire by rotation and, being eligible, offer themselves for re-election.

Auditors

The auditors, Deloitte & Touche, having expressed their willingness, will continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap. 486).

BY ORDER OF THE BOARD

N P KOTHARI
Secretary

Nairobi
15 October 1997

report of the auditors

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Deloitte & Touche

Certified Public Accountants (Kenya)

"Kirungii", Ring Road, Westlands
P.O. Box 40092
Nairobi, Kenya
Telephone: 254-2 -441344/05-12
Facsimile: 254-2-448966
Telex: 22966
Dropping Zone Box No. 92
E-mail: admin@dtti.co.ke

We have audited the financial statements on pages 8 to 17 and have obtained all the information and explanations considered necessary for our audit.

The financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation.

In our opinion:

(i) Proper books of account have been kept by the company and the company's balance sheet is in agreement therewith.

(ii) The financial statements, which comply with the Companies Act, give a true and fair view of the state of affairs of the company and the group at 31 July 1997 and of the profit and cash flows of the group for the year ended on that date.

DELOITTE & TOUCHE
Certified Public Accountants (Kenya)

Nairobi
22 October 1997

consolidated profit and loss account

FOR THE YEAR ENDED 31 JULY 1997

	Note	1997 Sh '000	1996 Sh '000
TURNOVER		170,437	154,363
OPERATING PROFIT	2	82,561	71,988
INTEREST RECEIVABLE		21,524	18,804
DIVIDENDS RECEIVABLE		491	374
PROFIT BEFORE TAXATION		104,576	91,166
TAXATION	3	45,474	35,266
PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION	4	59,102	55,900
DIVIDENDS - gross	5	18,879	16,046
RETAINED PROFIT FOR THE YEAR	16	40,223	39,854
EARNINGS PER SHARE	6	Sh 6.26	Sh 5.92
DIVIDENDS PER SHARE	6	Sh 2.00	Sh 1.70

	Note	Group 1997 Sh '000	Group 1996 Sh' 000	Company 1997 Sh '000	Company 1996 Sh' 000
FIXED ASSETS	7	274,139	301,029	18,877	19,252
INVESTMENT IN SUBSIDIARY COMPANY	8	-	-	437,011	410,091
OTHER INVESTMENTS	9	1,672	1,672	1,672	1,672
CURRENT ASSETS					
Stocks	10	7,329	7,813	-	-
Debtors	11	33,308	35,510	-	257
Taxation recoverable		18	-	18	-
Due from subsidiary company		-	-	20,303	12,761
Bonds and treasury bills	12	35,577	-	-	-
Dividend receivable from subsidiary		-	-	17,462	17,281
Short term deposits		142,320	109,932	-	-
Commercial paper	13	6,679	23,683	-	-
Bank balances and cash		15,254	6,505	1,083	923
		240,485	183,443	38,866	31,222
CURRENT LIABILITIES					
Creditors	14	16,681	17,481	1,094	871
Taxation payable		4,283	13,555	-	304
Proposed dividend - gross		11,328	11,327	11,328	11,327
		32,292	42,363	12,422	12,502
NET CURRENT ASSETS		208,193	141,080	26,444	18,720
		484,004	443,781	484,004	449,735
Financed by:					
SHARE CAPITAL	15	47,195	29,497	47,195	29,497
RESERVES	16	436,809	414,284	436,809	420,238
SHAREHOLDERS ' FUNDS		484,004	443,781	484,004	449,735

The financial statements on pages 8 to 17 were approved by the board of directors on 15 October 1997 and were signed on its behalf by:

SIR PETER HEWETT BT }
R A SHEPHERD } Directors

consolidated cash flow statement

FOR THE YEAR ENDED 31 JULY 1997

	Note	1997 Sh '000	1996 Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(a)	123,932	108,179
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		16,558	18,119
Dividends paid		(18,878)	(11,208)
Dividends received from quoted investments		491	374
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,829)	7,285
TAXATION PAID		(54,764)	(32,253)
INVESTING ACTIVITIES			
Purchase of fixed assets		(13,809)	(41,220)
Proceeds on disposal of fixed assets		3,900	5,638
Purchase of investments		-	(503)
Purchase of commercial paper		(27,216)	(104,512)
Redemption of commercial paper		46,500	98,600
Purchase of bonds and treasury bills		(36,577)	-
Redemption of bonds		1,000	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(26,202)	(41,997)
INCREASE IN CASH AND CASH EQUIVALENTS	18(b)	41,137	41,214

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The group prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of certain fixed assets.

CONSOLIDATION

The consolidated financial statements include the assets, liabilities and revenue results of the company and its wholly owned subsidiary company, Carbacid (CO_2) Limited, made up to 31 July.

TURNOVER

Turnover represents the value of carbon dioxide gas and dry ice invoiced to customers, excluding value added tax.

DEPRECIATION

Depreciation is calculated to write off the cost or valuation of fixed assets in equal instalments over their estimated useful lives at the following annual rates:

Short leasehold land and buildings	2 % - 5 %
Boreholes	5 %
Roads	10 %
Motor vehicles	10 % -25 %
Plant and equipment	5 % - 33.3 %

INVESTMENTS

Investments are stated at the lower of cost and net realisable value. Income from these investments is accounted for when received.

STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and labour, together with the relevant production overheads.

TAXATION

Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit and loss account.

2 OPERATING PROFIT

The operating profit is arrived at after charging:

	1997 Sh '000	1996 Sh '000
Directors' emoluments		
Fees	1,337	1,216
Other emoluments	12,190	12,674
Auditors' remuneration	811	741
Depreciation	38,549	36,080
and after crediting:		
Gain on foreign exchange	2,635	4,384
Profit on disposal of fixed assets	1,750	1,800
Rent receivable	3,071	2,580

3 TAXATION

	1997 Sh '000	1996 Sh '000
Based on adjusted profit for the year at 35%	46,245	41,135
Adjustment for prior years	(798)	(2,833)
	45,447	38,302
Withholding tax - qualifying dividends	27	32
Transfer from tax equalisation account (Note 17)	-	(3,068)
	45,474	35,266

The profit for taxation purposes is significantly higher than the profit before taxation mainly due to the excess of depreciation over capital allowances.

4 PROFIT AFTER TAXATION

Of the group profit for the year after taxation, Sh 26,228,000 (1996 - Sh 22,956,000) has been dealt with in the financial statements of the holding company, Carbacid Investments Limited.

5 DIVIDENDS

Dividends are shown gross and comprise:

	1997 Sh '000	1996 Sh '000
Interim paid	7,551	4,719
Final proposed	11,328	11,327
	18,879	16,046

6 EARNINGS PER SHARE AND DIVIDENDS PER SHARE

Earnings per share is based on the profit after taxation for the year and on the shares in issue at 31 July.

Dividends per share is based on the gross dividends for the year and on the shares in issue at 31 July.

7 FIXED ASSETS

GROUP:

	Short leasehold land, buildings and boreholes Sh '000	Roads Sh '000	Motor vehicles Sh '000	Plant and equipment Sh '000	Total Sh '000
COST OR VALUATION					
At 1 August 1996	41,523	6,413	70,307	255,671	373,914
Additions	48	-	13,317	444	13,809
Disposals	-	-	(3,700)	-	(3,700)
At 31 July 1997	41,571	6,413	79,924	256,115	384,023
Comprising:					
Valuation - 1994	40,748	4,716	7,940	237,997	291,401
Cost	823	1,697	71,984	18,118	92,622
	41,571	6,413	79,924	256,115	384,023
DEPRECIATION					
At 1 August 1996	2,442	1,113	24,555	44,775	72,885
Charge for the year	1,220	641	15,055	21,633	38,549
Eliminated on disposals	-	-	(1,550)	-	(1,550)
At 31 July 1997	3,662	1,754	38,060	66,408	109,884
NET BOOK VALUE					
At 31 July 1997	37,909	4,659	41,864	189,707	274,139
At 31 July 1996	39,081	5,300	45,752	210,896	301,029

7 FIXED ASSETS (continued)

COMPANY:

	1997 Sh '000	1996 Sh '000
COST OR VALUATION		
At 1 August and 31 July	20,000	20,000
Comprising:		
Valuation in 1994	20,000	20,000
DEPRECIATION		
At 1 August	748	374
Charge for the year	375	374
At 31 July	1,123	748
NET BOOK VALUE		
At 31 July	18,877	19,252

Fixed assets in the holding company comprise of leasehold land and buildings.

8 INVESTMENT IN SUBSIDIARY COMPANY

Shares at net asset valuation	437,011	410,091

9 OTHER INVESTMENTS

GROUP AND COMPANY

Quoted investments - Cost	1,672	1,672
- Market value	7,195	6,332

10 STOCKS

GROUP

Carbon dioxide gas and dry ice	602	814
Spare parts, fuel and chemicals	6,727	6,999
	7,329	7,813

11 DEBTORS

	Group		Company	
	1997 Sh '000	1996 Sh '000	1997 Sh '000	1996 Sh '000
Trade debtors	24,852	22,053	-	-
Prepayments	299	7,889	-	-
Other debtors	8,157	5,568	-	257
	33,308	35,510	-	257

12 BONDS AND TREASURY BILLS

GROUP

Government treasury bills	31,000	-
Premium paid	627	-
	31,627	-
East African Development Bank bonds	4,000	-
Less: Unearned discount	(50)	-
	3,950	-
Total	35,577	-

13 COMMERCIAL PAPER

GROUP

Lonrho Motors East Africa Ltd - due 30 October 1997	7,000	25,000
Less: Unearned discount	321	1,317
	6,679	23,683

14 CREDITORS

	Group		Company	
	1997 Sh '000	1996 Sh '000	1997 Sh '000	1996 Sh '000
Trade creditors	2,045	2,182	-	-
Cylinder deposits	3,808	4,126	-	-
Unclaimed dividends	894	701	894	701
Other creditors	9,934	10,472	200	170
	16,681	17,481	1,094	871

15 SHARE CAPITAL

	1997 Sh '000	1996 Sh '000
Authorised:		
10,000,000 (1996 - 6,000,000) ordinary shares of Sh 5 each	50,000	30,000
Issued and fully paid:		
9,438,963 (1996 - 5,899,352) ordinary shares of Sh 5 each	47,195	29,497

At the annual general meeting of 13 December 1996, the shareholders resolved by an ordinary resolution, to increase the share capital of the company from Sh 30,000,000 divided into 6,000,000 ordinary shares of Sh 5 each to Sh 50,000,000 by the creation of further 4,000,000 ordinary shares of Sh 5 each to rank pari passu with the existing ordinary shares.

At the same general meeting, the shareholders resolved to capitalise a sum of Sh 17,698,055 forming part of the amount standing to the credit of the revenue reserve and to apply this sum towards the issue of bonus shares to the existing shareholders in the ratio of 3 shares for every 5 shares held. These bonus shares were issued during the year and ranked for the final dividend in respect of the year ended 31 July 1996.

16 RESERVES

	Capital Sh '000	Revenue Sh '000	Total Sh '000
GROUP			
At 1 August 1996	268,204	146,080	414,284
Capitalised on issue of bonus shares (Note 15)	-	(17,698)	(17,698)
Retained profit for the year	-	40,223	40,223
Deficit on disposal of fixed assets	1,701	(1,701)	-
At 31 July 1997	269,905	166,904	436,809
COMPANY			
At 1 August 1996	418,470	1,768	420,238
Capitalised on issue of bonus shares (Note 15)	-	(17,698)	(17,698)
Retained profit for the year	-	7,349	7,349
Surplus on revaluation of investment in subsidiary company	26,920	-	26,920
At 31 July 1997	445,390	(8,581)	436,809

17 TAX EQUALISATION ACCOUNT

	1997 Sh '000	1996 Sh '000
GROUP		
At 1 August	-	3,068
Transfer to current taxation account (Note 3)	-	(3,068)
At 31 July	-	-

The tax equalisation account represented the unutilised amount previously provided for as deferred taxation, which is no longer required.

18 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1997 Sh '000	1996 Sh '000
Operating profit	82,561	71,988
Depreciation	38,549	36,080
Profit on disposal of fixed assets	(1,750)	(1,800)
Decrease/(increase) in stocks	484	(554)
Decrease/(increase) in debtors	4,888	(109)
(Decrease)/increase in creditors	(800)	2,574
Net cash inflow from operating activities	123,932	108,179

(b) Analysis of changes in cash and cash equivalents

	1997 Sh '000	1996 Sh '000	Change in the year Sh '000
Short term deposits	142,320	109,932	32,388
Bank balances and cash	15,254	6,505	(8,749)
Increase in cash and cash equivalents			41,137

19 CAPITAL COMMITMENTS

	1997 Sh '000	1996 Sh '000
GROUP		
Contracted but not provided for	47,453	36,845
Authorised but not contracted for	40,000	-

proxy form

I/We ____

of ____

being a member/s of Carbacid Investments Limited, hereby appoint ______________________

______________________ of ______________________

or failing him ____

of ______________________ or failing him the duly appointed Chairman of the meeting to be my / our proxy, to vote for me / us and on my / our behalf at the annual general meeting of the Company, to be held on Thursday, 11 December, 1997 at 12 noon, or at any adjournment thereof.

Dated ______________________ 1997 Signature ______________________

Notes:

1. A member may appoint a proxy of his own choice. If such an appointment is made, delete these words " Chairman of the meeting " and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient but the names of the joint holders should be stated.
4. To be valid, this form must be completed and deposited at the Registered Office of the Company, 4 th Floor, Comcraft House, Haile Selassie Avenue, P.O.Box 30633, Nairobi, not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.

Fold 2
Kisha Kunja Hapa

STICK
STAMP
HERE

Fold 1
Kunja Hapa Kwanza

Company Secretary
Carbacid Investments Limited
P.O. Box 30633
Nairobi
Kenya

Fold 3
Halafu Kunja Hapa

Inside flap inside
Sasa ingiza hii karatasi ndani ya
mkunjo ili ionekane kama bahasha

Fold 2
Kisa Kunja Hapa

**STICK
STAMP
HERE**

Fold 1
Kunja hapa kwanza

**Company Secretary
Carbacid Investments Limited
P.O. Box 30633
Nairobi
Kenya**

Fold 3
Halafu Kunja Hapa

Insert flap inside
Sasa Ingiza hii karatasi ndani ya
mkunjo ili ionekane kama bahasha

CARBACID INVESTMENTS LIMITED

PROXY FORM

I/We..

of ....

....being a member/s of

Carbacid Investments Limited, hereby appoint ....

.... of ....

or failing him ....

of .... or failing him the duly appointed Chairman of the meeting to be my/our proxy, to vote for me/us and on my/our behalf at the annual general meeting of the Company, to be held on Thursday, 23rd December 1993 at 12 noon, or at any adjournment thereof.

Dated .... 1993 Signature ....

Notes:

1. A proxy need not also be a member of the Company.
2. To be valid, this form must be completed and deposited at the Registered Office of the Company, 4th Floor, Comcraft House, Haile Selassie Avenue, P.O. Box 30633, Nairobi, not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.
3. In the case of a corporation the proxy must be under its common seal.

NOTES TO THE ACCOUNTS *Continued*

14 RESERVES

	Capital K£	Revenue K£	Total K£
GROUP			
At 1st August 1992	4,303,755	2,415,204	6,718,959
Retained profit for the year	—	930,660	930,660
Revaluation surplus realised on disposal of fixed assets	(3,598)	3,598	—
At 31st July 1993	4,300,157	3,349,462	7,649,619
COMPANY			
At 1st August 1992	6,680,830	38,129	6,718,959
Retained profit for the year	—	105,761	105,761
Surplus on revaluation of investment in subsidiary	824,899	—	824,899
At 31st July 1993	7,505,729	143,890	7,649,619

	1993 K£	1992 K£
15 TAX EQUALISATION ACCOUNT		
GROUP		
At 1st August	891,800	1,156,800
Transfer to current taxation account	(195,847)	(265,000)
At 31st July	695,953	891,800
16 CAPITAL COMMITMENTS		
GROUP		
Contracted but not provided for in these accounts	378,814	—

NOTES TO THE ACCOUNTS *Continued*

10 STOCKS

GROUP

	1993 K£	1992 K£
Carbon dioxide gas and dry ice	15,812	15,041
Spare parts, fuel and chemicals	323,624	197,536
	339,436	212,577

	GROUP		COMPANY	
	1993 K£	1992 K£	1993 K£	1992 K£
11 DEBTORS				
Trade debtors	458,333	343,441	—	—
Prepayments	153,818	—	—	—
Other debtors	102,557	46,055	393	870
	714,708	389,496	393	870
12 CREDITORS				
Trade creditors	58,916	35,306	—	—
Cylinder deposits	187,076	150,647	—	—
Unclaimed dividends	36,447	40,709	36,447	40,709
Other creditors	282,978	108,379	2,400	2,715
	565,417	335,041	38,847	43,424

13 SHARE CAPITAL

	1993 K£	1992 K£
Authorised:		
3,200,000 ordinary shares of sh 5 each	800,000	800,000
Issued and fully paid:		
3,009,873 ordinary shares of sh 5 each	752,468	752,468

NOTES TO THE ACCOUNTS *Continued*

7 FIXED ASSETS *Continued*

COMPANY

	Short leasehold land and buildings K£
COST	
At 1st August 1992 and 31st July 1993	429,080
DEPRECIATION	
At 1st August 1992	—
Charge for the year	7,743
At 31st July 1993	7,743
NET BOOK VALUE	
At 31st July 1993	421,337
At 31st July 1992	429,080

	1993 K£	1992 K£
8 SUBSIDIARY		
Shares at net asset valuation	7,673,166	6,848,267
Amount due by subsidiary	257,888	177,732
	7,931,054	7,025,999
9 INVESTMENTS		
GROUP AND COMPANY		
Quoted investments — Cost	32,470	11,030
— Market value	102,220	49,751

NOTES TO THE ACCOUNTS *Continued*

7 FIXED ASSETS

GROUP

	Short leasehold land, buildings and boreholes K£	Roads K£	Motor vehicles K£	Plant and equipment K£	Total K£
COST OR VALUATION					
At 1st August 1992	925,521	58,783	903,173	6,510,377	8,397,854
Additions	21,660	130,792	28,455	97,025	277,932
Disposals	—	—	(26,062)	(14,783)	(40,845)
At 31st July 1993	947,181	189,575	905,566	6,592,619	8,634,941
Comprising:					
Valuation at 1st September 1990	—	—	77,538	—	77,538
Valuation at 31st July 1990	490,001	25,000	355,250	6,167,298	7,037,549
Valuation at 31st July 1986	—	—	—	445	445
Valuation at 31st July 1983	—	—	—	1,322	1,322
Cost	457,180	164,575	472,778	423,554	1,518,087
	947,181	189,575	905,566	6,592,619	8,634,941
DEPRECIATION					
At 1st August 1992	38,835	8,378	364,752	1,076,563	1,488,528
Charge for the year	28,398	18,958	184,140	535,663	767,159
Eliminated on disposals	—	—	(26,061)	(1,714)	(27,775)
At 31st July 1993	67,233	27,336	522,831	1,610,512	2,227,912
NET BOOK VALUE					
At 31st July 1993	879,948	162,239	382,735	4,982,107	6,407,029
At 31st July 1992	886,686	50,405	538,421	5,433,814	6,909,326

At 31st July 1993, certain assets stated at cost or valuation of K£ 22,345 (1992 - K£ 39,078) had been fully depreciated. The normal annual depreciation charge would have been K£ 6,130 (1992 - K£ 10,624).

NOTES TO THE ACCOUNTS *Continued*

3 TAXATION

	1993 K£	1992 K£
Income tax on adjusted profit for the year at 35% (1992 - 45%)	855,144	629,771
Withholding tax - qualifying dividends	741	587
Transfer from tax equalisation account	(195,847)	(265,000)
	660,038	365,358

The taxable profit is materially greater than the accounting profit mainly due to the excess of depreciation over capital allowances.

At 31st July 1993, there were trading tax losses amounting to K£ 36,067 (1992 - K£ 20,106) carried forward in respect of the holding company.

4 PROFIT AFTER TAXATION

Of the group profit for the year after taxation K£ 385,679 (1992 - K£ 198,496) has been dealt with in the accounts of the holding company.

5 DIVIDENDS

Dividends are shown gross and comprise:

	1993 K£	1992 K£
Interim paid	90,296	75,247
Final proposed	189,622	112,870
	279,918	188,117

6 EARNINGS PER SHARE AND DIVIDENDS PER SHARE

Earnings per share is based on the profit after taxation for the year and on the shares in issue at 31st July.

Dividends per share is based on the gross dividends for the year and on the shares in issue at 31st July.

NOTES TO THE ACCOUNTS *Continued*

(h) TAX EQUALISATION ACCOUNT

The tax equalisation account balance represents the unutilised amount previously provided for as deferred taxation, which is no longer required. The movement in the balance on this account represents an annual transfer to taxation account of an amount *equal to the excess of the actual taxation charge over the derived current taxation* charge on the accounting profit at the ruling tax rate.

(i) FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings *at the rates of exchange ruling at the balance sheet date. Foreign currency trading* transactions are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit and loss account.

2 *CONSOLIDATED PROFIT BEFORE TAXATION*

	1993 K£	1992 K£
The consolidated profit before taxation is arrived at after charging:		
Directors' emoluments		
Emoluments as directors	26,687	23,209
Other emoluments	105,202	76,685
Auditors' remuneration	17,500	13,553
Depreciation	767,159	730,735
and after crediting:		
Dividends from quoted investments	6,081	3,911
Gain on foreign exchange	73,432	—
Interest on loan	3,195	69,403
Interest on deposits	367,747	203,961
Profit on disposal of fixed assets	19,331	20,201
Rent receivable	94,500	4,500

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JULY 1993

1 ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The group prepares its accounts on the historical cost basis of accounting, modified to include the revaluation of certain fixed assets.

(b) CONSOLIDATION

The consolidated accounts include the assets, liabilities and revenue results of the company and its subsidiary company made up to 31st July.

(c) TURNOVER

Turnover represents the value of carbon dioxide gas and dry ice invoiced to customers, excluding value added tax.

(d) DEPRECIATION

Depreciation is calculated to write off the cost or valuation of fixed assets in equal instalments over their estimated useful lives at the following annual rates:

Short leasehold land and buildings	2% - 5%
Boreholes	5%
Roads	10%
Motor vehicles	25%
Plant and equipment	5% - 33.33 %

(e) INVESTMENTS

Investments are stated at the lower of cost and net realisable value. Income from these investments is accounted for when received.

(f) STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and labour, together with the relevant production overheads.

(g) TAXATION

Current taxation is provided for on the basis of results for the year as shown in the accounts, adjusted in accordance with tax legislation.

CARBACID INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31ST JULY 1993

	1993 K£	1992 K£
SOURCE OF FUNDS		
Profit before taxation	1,870,616	806,428
Adjustments for items not involving the movement of funds:		
Depreciation	767,159	730,735
Profit on disposal of fixed assets	(19,331)	(20,201)
Loss on disposal of investments	—	357
Total generated from operations	2,618,444	1,517,319
Loan repaid	—	360,000
Proceeds on disposal of fixed assets	32,401	68,062
Proceeds on disposal of investments	—	160,000
INFLOW OF FUNDS	2,650,845	2,105,381
APPLICATION OF FUNDS		
Taxation paid	652,025	847,481
Dividends paid	203,166	188,117
Fixed assets purchased	277,932	658,736
Investments purchased	21,440	—
OUTFLOW OF FUNDS	1,154,563	1,694,334
NET INFLOW OF FUNDS	1,496,282	411,047
Represented by:		
MOVEMENT IN WORKING CAPITAL:		
Stocks	126,859	44,950
Debtors	325,212	(4,658)
Creditors	(230,376)	(22,547)
	221,695	17,745
Movement in net liquid funds:		
Short term deposits	1,038,540	400,485
Bank balances and cash	236,047	(7,183)
	1,274,587	393,302
	1,496,282	411,047

CARBACID INVESTMENTS LIMITED

BALANCE SHEETS 31ST JULY 1993

	Note	GROUP 1993 K£	GROUP 1992 K£	COMPANY 1993 K£	COMPANY 1992 K£
FIXED ASSETS	7	6,407,029	6,909,326	421,337	429,080
SUBSIDIARY	8	—	—	7,931,054	7,025,999
INVESTMENTS	9	32,470	11,030	32,470	11,030
CURRENT ASSETS					
Stocks	10	339,436	212,577	—	—
Debtors	11	714,708	389,496	393	870
Dividend receivable from subsidiary		—	—	258,000	128,000
Short term deposits		2,699,218	1,660,678	—	—
Bank balances and cash		296,651	60,604	14,878	32,742
		4,050,013	2,323,355	273,271	161,612
CURRENT LIABILITIES					
Creditors	12	565,417	335,041	38,847	43,424
Taxation		636,433	432,573	27,576	—
Proposed dividend (gross)		189,622	112,870	189,622	112,870
		1,391,472	880,484	256,045	156,294
NET CURRENT ASSETS		2,658,541	1,442,871	17,226	5,318
		9,098,040	8,363,227	8,402,087	7,471,427
Financed by:					
SHARE CAPITAL	13	752,468	752,468	752,468	752,468
RESERVES	14	7,649,619	6,718,959	7,649,619	6,718,959
SHAREHOLDERS' FUNDS		8,402,087	7,471,427	8,402,087	7,471,427
TAX EQUALISATION ACCOUNT	15	695,953	891,800	—	—
		9,098,040	8,363,227	8,402,087	7,471,427

The accounts on pages 9 to 18 were approved by the Board of Directors on 5th October 1993 and were signed on its behalf by:

S.G. SMITH
P.J.S. HEWETT
Directors

CARBACID INVESTMENTS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST JULY 1993

	Note	1993 K£	1992 K£
TURNOVER		3,004,869	1,958,962
PROFIT BEFORE TAXATION	2	1,870,616	806,428
TAXATION	3	660,038	365,358
PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION	4	1,210,578	441,070
DIVIDENDS	5	279,918	188, 117
RETAINED PROFIT FOR THE YEAR	14	930,660	252,953
EARNINGS PER SHARE	6	Shs 8.04	Shs 2.93
DIVIDENDS PER SHARE	6	Shs 1.86	Shs 1.25

REPORT OF THE AUDITORS
TO THE MEMBERS OF CARBACID INVESTMENTS LIMITED

We have examined the accounts on pages 9 to 18 and have obtained all the information and explanations considered necessary for our audit.

In our opinion:

1 Proper books of account have been kept by the company and the company's balance sheet is in agreement therewith.

2 The accounts, which comply with the Companies Act, give a true and fair view of the state of affairs of the company and the group at 31st July 1993 and of the profit and source and application of funds of the group for the year ended on that date.

DELOITTE & TOUCHE

Certified Public Accountants (Kenya)

Nairobi
5th October 1993

REPORT OF THE DIRECTORS *Continued*

AUDITORS

The auditors, Deloitte & Touche, will continue in office in accordance with the provisions of section 159 (2) of the Companies Act (Cap. 486).

By Order of the Board

N.P. KOTHARI
Secretary

Nairobi
5th October 1993

REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31st July 1993.

ACTIVITIES

The company is a holding company with one wholly owned operating subsidiary, Carbacid (CO_2) Limited, whose principal activity is the mining of carbon dioxide gas.

PROFIT AND DIVIDENDS

	K£
The group profit for the year before taxation was	1,870,616
Group taxation for the year amounted to	660,038
Leaving a group profit after taxation available for appropriation of	1,210,578
An interim dividend of 12% (1992 - 10%) amounting to K£ 90,296 (1992 - K£ 75, 247) was paid on 30th April 1993 and a final dividend of 18% (1992 - 15%) is proposed on the issued share capital as increased by the proposed capitalization issue of 2 shares for every 5 in issue. The dividends amount to	279,918
Leaving a retained profit for the year transferred to revenue reserve of	930,660

DIRECTORS

The directors since 1st August 1992 have been:

S.G.Smith	(Chairman)
B.A. Kampf	(Died 23rd August 1993)
R.A. Shepherd	
J.M. Wanjigi	
Hon. K.S.N. Matiba, M.P.	(Appointed 29th April 1993)
Sir Peter Hewett Bt.	(Appointed 5th October 1993)

Mr. R.A. Shepherd retires by rotation and, being eligible, offers himself for re-election.

Hon. K.S.N. Matiba, M.P. and Sir Peter Hewett Bt., who were appointed directors of the company on 29th April 1993 and 5th October 1993 respectively retire in accordance with the company's articles of association and, being eligible, offer themselves for re-election.

TAARIFA YA MWENYEKITI YA MWAKA ULIOIMALIZIKA JULAI 31 1993

MAELEZO KWA UJUMLA

Kampuni hii imefanya vyema sana katika mwaka uliomalizika Julai 31 1993.

MAUZO

Mauzo ya gesi ya carbon dioxide yamekuwa mathubuti na mauzo yake katika nchi za kigeni yamekuwa mazuri.

MASTAWISHO

Baada ya kutumia pesa nyingi kwa miaka kadhaa kuweka rasilmali katika mitambo na majengo biashara ya Kampuni hii ni imara thabiti na tunadumisha maongozi yetu ya kutimiliza na kufanyiza upya magari yetu, matangi na zana kwa ratiba ya mara kwa mara.

MIGAO YA FAIDA

Mgao wa muda wa faida asilimia 12 (asilimia 10 mnamo 1992) ulilipwa mnamo Aprili na Wakurugenzi wamependekeza kwamba mgao wa mwisho wa faida wa asilimia 18 (asilimia 15 mnamo 1992) ulipwe mnamo Desemba.

TOLEO LA RASILMALI ZA HISA

Kama ilivyotangazwa magazetini, imependekezwa, kutegemea kibali cha Usimamizi wa mauzo ya hisa, kuongeza rasilmali za hisa kwa toleo la hisa mbili mpya kwa kila hisa tano zinazohifadhiwa. Hisa hizo mpya pia zitastahili kupata mgao wa mwisho wa faida.

MATUMAINI YA BAADAYE

Kampuni yetu inaendelea kupata mafanikio katika viwango vya mauzo na faida.

BW BERNARD KAMPF

Ni kwa masikitiko makubwa kwamba natangaza kifo cha Bw Bernard Kampf kilichotokea mnamo Agosti 23, 1993 aliyekuwa mmoja wa waanzilishi wa Kampuni hii na Mkurugenzi tangu ilipoanzishwa na ambaye mawaidha yake kwa miaka mingi yalinufaisha sana Kampuni hii.

Tutamkosa sana Bw Kampf kwa huzuni kama mwanachama wa manufaa sana katika Halmashauri ya Wakurugenzi na kutoka sisi sote, Wakurugenzi, Wenyehisa pamoja na Wafanya Kazi tunapeleka risala za rambi rambi kwa jamaa ya Bw Kampf.

SIR PETER HEWETT

Tunafurahi kutangaza uteuzi wa Sir Peter Hewett kama Mkurugenzi wa Kampuni hii.

Sir Peter amekuwa rafiki na mwenzetu kwa miaka mingi na ni wakili anayeheshimiwa na mshauri wa biashara mwenye maarifa ya miaka mingi ambaye kwa niaba yetu sisi sote tunamkaribisha kwa furaha nyingi.

WAFANYA KAZI

Kwa niaba ya Wakurugenzi na Wenyehisa wetu ningependa kuwashukuru wasimamizi wote na Wafanya Kazi kwa kazi nzuri wanayoendelea kufanya.

Nairobi
Oktoba 5 1993

S G SMITH
Mwenyekiti

CARBACID INVESTMENTS LIMITED

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31ST JULY 1993

GENERAL

The Company has performed extremely well in the year ended 31st July 1993.

SALES

Sales of carbon dioxide gas have been strong and export sales have been good.

DEVELOPMENTS

After several years of heavy investment in plant and buildings the Company's business is soundly based and we maintain our policy of supplementing and renewing our vehicles, tanks and equipment on a regular basis.

DIVIDENDS

An interim dividend of 12% (1992-10%) was paid in April and the Directors have recommended that a final dividend of 18% (1992-15%) be paid in December.

CAPITALIZATION ISSUE

As announced in the press, it is proposed, subject to Exchange Control approval, to make a capitalization issue of two new shares for every five shares held. The new shares will also be entitled to the final dividend.

FUTURE PROSPECTS

Your Company continues to enjoy increases in sales volumes and profitability.

MR BERNARD KAMPF

It is with very great regret that I have to advise the death of Mr Bernard Kampf on 23rd August 1993 who was one of the founders of the Company and a Director since its inception whose advice over the years has contributed greatly to the success of the Company.

Mr Kampf will be sadly missed as a valued colleague on the Board of Directors and from all of us, Directors, Shareholders and Staff alike we extend our deepest sympathy to Mr Kampf's family.

SIR PETER HEWETT

We are very pleased to announce the appointment of Sir Peter Hewett as a Director of the Company. Sir Peter has been a friend and colleague over many years and is a respected lawyer and business adviser of long standing to whom, on behalf of us all, we extend a very warm welcome.

STAFF

On behalf of the Board of Directors and our Shareholders I wish to convey our appreciation to all management and staff for their continued good work.

Nairobi
5th October 1993

S G SMITH
Chairman

CARBACID INVESTMENTS LIMITED

Directors:	S G SMITH (Chairman)
	SIR PETER HEWETT, BT
	HON K S N MATIBA, MP
	R A SHEPHERD
	J M WANJIGI
Secretary:	N P KOTHARI
Registrars:	SPECIALIST CORPORATE CONSULTANTS, P.O. BOX 30633, NAIROBI
Registered Office:	COMCRAFT HOUSE, HAILE SELASSIE AVENUE, P.O. BOX 30633, NAIROBI
Auditors:	DELOITTE & TOUCHE P.O. BOX 40092, NAIROBI
Bankers:	KENYA COMMERCIAL BANK LIMITED, P.O. BOX 30081, NAIROBI STANDARD CHARTERED BANK KENYA LIMITED, P.O. BOX 18081, NAIROBI.