CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

CO_2

contents

1. Carbacid Investment Limited - periodicals
2. Gases industry - Kenya - periodicals

notice of meeting

NOTICE IS HEREBY GIVEN that the twenty - eighth Annual General Meeting of the Company will be held at the Professional Centre (Council Chamber), Parliament Way, Nairobi on Friday, 11 December 1998 at 12 noon for the following purposes:-

1. To receive the Directors ' Report and audited financial statements for the year ended 31 July 1998.
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 1998

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
	K S N MATIBA
	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.

chairman's statement

FOR THE YEAR ENDED 31 JULY 1998

GENERAL

The company has had an excellent result for the year ended 31 July 1998.

SALES

Local and export sales have grown satisfactorily throughout the financial year.

DEVELOPMENTS

The production facilities of the Company have performed well during the year with maintenance and replacement as necessary being carried out to a high standard. The heavy rains earlier in the year have necessitated considerable expense on the road up to the mine and a fresh gas supply well has been sunk to ensure the adequacy of supply. The Company's computer facilities are being up-graded to meet the needs of the year 2000 and beyond. The industrial area property acquired last year is still at the planning stage.

DIVIDENDS

An interim dividend of 18% (1997 - 16 %) was paid in April 1998. The Directors have recommended that a final dividend of 26% (1997 - 24%) be paid in December 1998.

FUTURE PROSPECTS

The new financial year has started rather slowly due to colder than usual weather and a generally weaker economic situation. However, there are already signs of improvement and the Company expects to meet its sales and profitability targets for the current year.

STAFF

The Board of Directors and shareholders wish to extend their appreciation to all our staff for another very good year.

Nairobi
14th October 1998

S G Smith
Chairman

MAELEZO KWA UJUMLA

Kampuni ilikuwa na matokeo mazuri sana hadi Julai 31, 1998.

MAUZO

Mauzo yote ya nchini na kigeni yameendelea kuongezeka kwa hali ya kuridhisha katika kipindi chote cha matumizi ya pesa.

MAENDELEO

Mitambo na vifaa vya kazi vimefanya vyema mwakani huku uhifadhi na ununuzi inapo hitajika ukifanywa kwa hali ya juu. Mvua kubwa mwanzoni wa mwaka ilisababisha matumizi makubwa katika urekebishaji wa barabara inayo ingia kwenye mgodi pamoja na kuchimba kisima kipya cha gesi kuhakikisha utoshelezaji wa ugawaji. Mitambo ya komputa ina imarishwa ili kutimiza mahitaji ya mwaka elfu mbili na zaidi. Ardhi iliyo nunuliwa katika eneo la viwadani mwaka jana bado iko kwenye hatua ya mipango.

MIGAO YA FAIDA

Mgao wa muda wa faida wa asilimia 18 (asilimia 16 mnamo 1997) ulilipwa mnamo Aprili 1998. Wakurugenzi wamependezeka kwamba mgao wa mwisho wa faida wa asilimia 26 (asilimia 24 mnamo 1997) ulipwe mwezi Disemba 1998.

MATUMAINI YA BAADAYE

Kipindi cha matumizi ya pesa kimeanza pole pole kwa sababu ya hali ya hewa ya baridi isiyo ya kawaida pamoja na hali ya uchumi hafifu. Hata hivyo kuna dalili za kuimarika na Kampuni ina tarajia kupata makadirio ya mauzo na faida ya mwaka huu.

WAFANYA KAZI

Kwa mara nyingine Halmashauri ya Wakurugenzi na Wenye hisa wangependa kutoa shukurani zao kwa wafanyakazi wetu na kuwapongeza kwa mwaka mwingine wa fanaka.

Nairobi
Oktoba 14, 1998

S.G. Smith
Mwenyekiti

report of the directors

The directors present their report together with the group audited financial statements for the year ended 31 July 1998.

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		130,678
Taxation		49,824
Profit after taxation		80,854
Dividends - Paid	8,495	
- Proposed	12,271	20,766
Retained profit for the year transferred to revenue reserve		60,088

Dividends

An interim dividend of 18% amounting to Sh 8,495,000 (1997 - 16% amounting to Sh 7,551,000) was paid in April 1998. The directors propose a final dividend of 26% amounting to Sh 12,271,000 (1997 - 24% amounting to Sh 11,328,000) on the issued share capital. This makes total dividends of Sh 20,766,000 in respect of the year.

Directors

The directors since 1 August 1997 have been:

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

Mr K S N Matiba and Mr R A Shepherd 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
14 October 1998

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
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 1998 and of the profit and cash flows of the group for the year ended on that date.

DELOITTE & TOUCHE
Certified Public Accountants (Kenya)

Nairobi
14 October 1998

Deloitte Touche Tohmatsu

Partners:
D.M. Ndonye V.M. Allen* H. Gadhoke*
N.R. Hira S.O. Onyango J.W. Wangai
British*

consolidated profit and loss account

FOR THE YEAR ENDED 31 JULY 1998

	Note	1998 Sh '000	1997 Sh '000
TURNOVER		203,043	170,437
OPERATING PROFIT	2	96,939	82,561
INTEREST RECEIVABLE		33,192	21,524
DIVIDENDS RECEIVABLE		547	491
PROFIT BEFORE TAXATION		130,678	104,576
TAXATION	3	49,824	45,474
PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION	4	80,854	59,102
DIVIDENDS - gross	5	20,766	18,879
RETAINED PROFIT FOR THE YEAR	16	60,088	40,223
EARNINGS PER SHARE	6	Sh 8.57	Sh 6.26
DIVIDENDS PER SHARE	6	Sh 2.20	Sh 2.00

	Note	Group 1998 Sh '000	Group 1997 Sh' 000	Company 1998 Sh '000	Company 1997 Sh' 000
FIXED ASSETS	7	286,479	274,139	57,147	18,877
INVESTMENT IN SUBSIDIARY COMPANY	8	-	-	496,737	437,011
OTHER INVESTMENTS	9	1,672	1,672	1,672	1,672
CURRENT ASSETS					
Stocks	10	7,889	7,329	-	-
Debtors	11	33,680	33,308	37	-
Taxation recoverable		2,073	18	332	18
Due from subsidiary company		-	-	-	20,303
Bonds and treasury bills	12	59,987	35,577	-	-
Dividend receivable from subsidiary		-	-	18,405	17,462
Short term deposits		94,854	142,320	-	-
Commercial paper	13	19,872	6,679	-	-
Bank balances and cash		70,077	15,254	902	1,083
TOTAL CURRENT ASSETS		288,432	240,485	19,676	38,866
CURRENT LIABILITIES					
Due to subsidiary company		-	-	17,808	-
Creditors	14	20,220	16,681	1,061	1,094
Taxation payable		-	4,283	-	-
Proposed dividend - gross		12,271	11,328	12,271	11,328
TOTAL CURRENT LIABILITIES		32,491	32,292	31,140	12,422
NET CURRENT ASSETS/(LIABILITIES)		255,941	208,193	(11,464)	26,444
		544,092	484,004	544,092	484,004
Financed by:					
SHARE CAPITAL	15	47,195	47,195	47,195	47,195
RESERVES	16	496,897	436,809	496,897	436,809
SHAREHOLDERS ' FUNDS		544,092	484,004	544,092	484,004

The financial statements on pages 8 to 17 were approved by the board of directors on 14 October 1998 and were signed on its behalf by:

S G SMITH
R A SHEPHERD
} Directors

consolidated cash flow statement

FOR THE YEAR ENDED 31 JULY 1998

	Note	1998 Sh '000	1997 Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17(a)	138,916	123,932
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		26,175	16,558
Dividends paid		(19,823)	(18,878)
Dividends received from quoted investments		547	491
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		6,899	(1,829)
TAXATION PAID		(56,162)	(54,764)
INVESTING ACTIVITIES			
Purchase of fixed assets		(51,619)	(13,809)
Proceeds on disposal of fixed assets		725	3,900
Purchase of commercial paper		(29,326)	(27,216)
Redemption of commercial paper		17,000	46,500
Purchase of bonds and treasury bills		(175,779)	(36,577)
Redemption of bonds and maturity of treasury bills		156,703	1,000
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(82,296)	(26,202)
INCREASE IN CASH AND CASH EQUIVALENTS	17(b)	7,357	41,137

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	Over the remaining period of the lease
Buildings	Over 50 years, or remaining period of lease whichever is less
Boreholes	5 %
Roads	10 %
Motor vehicles	10 % -25 %
Plant and equipment	5 % - 33.3 %

The previous policy for leasehold land and buildings was 2%.

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.

Deferred taxation is accounted for to the extent that it is probable that the relevant timing differences will reverse in the foreseeable future.

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

	1998 Sh '000	1997 Sh '000
The operating profit is arrived at after charging:		
Directors' emoluments		
Fees	1,535	1,337
Other emoluments	12,400	12,190
Auditors' remuneration	930	811
Depreciation	39,184	38,549
Loss on foreign exchange	2,425	-
and after crediting:		
Gain on foreign exchange	-	2,635
Profit on disposal of fixed assets	630	1,750
Rent receivable	3,390	3,071

3 TAXATION

	1998 Sh '000	1997 Sh '000
Based on adjusted profit for the year at 32.5% (1997 - 35%)	49,790	46,245
Adjustment in respect of prior years	34	(798)
	49,824	45,447
Withholding tax - qualifying dividends	-	27
	49,824	45,474

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

At 31 July 1998, the subsidiary company had a potential deferred tax liability on timing differences amounting to approximately Sh 62,684,000 (1997 - Sh 67,961,000).

4 PROFIT AFTER TAXATION

Of the group profit for the year after taxation, Sh 21,128,000 (1997 - Sh 26,228,000) has been dealt with in the financial statements of the holding company, Carbacid Investments Limited.

5 DIVIDENDS

Dividends are shown gross and comprise:

	1998 Sh '000	1997 Sh '000
Interim paid	8,495	7,551
Final proposed	12,271	11,328
	20,766	18,879

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 1997	41,571	6,413	79,924	256,115	384,023
Additions	39,924	7,379	3,572	744	51,619
Disposals	-	-	(2,504)	(625)	(3,129)
At 31 July 1998	81,495	13,792	80,992	256,234	432,513
Comprising:					
Valuation - 1994	40,748	4,716	7,940	237,997	291,401
Cost	40,747	9,076	73,052	18,237	141,112
	81,495	13,792	80,992	256,234	432,513
DEPRECIATION					
At 1 August 1997	3,662	1,754	38,060	66,408	109,884
Charge for the year	1,491	1,379	15,076	21,238	39,184
Eliminated on disposals	-	-	(2,504)	(530)	(3,034)
At 31 July 1998	5,153	3,133	50,632	87,116	146,034
NET BOOK VALUE					
At 31 July 1998	76,342	10,659	30,360	169,118	286,479
At 31 July 1997	37,909	4,659	41,864	189,707	274,139

7 FIXED ASSETS (continued)

COMPANY:

	1998 Sh '000	1997 Sh '000
COST OR VALUATION		
At 1 August	20,000	20,000
Additions	39,319	-
At 31 July	59,319	20,000
Comprising:		
Valuation in 1994	20,000	20,000
At cost	39,319	-
	59,319	20,000
DEPRECIATION		
At 1 August	1,123	748
Charge for the year	1,049	375
At 31 July	2,172	1,123
NET BOOK VALUE		
At 31 July	57,147	18,877

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

8 INVESTMENT IN SUBSIDIARY COMPANY

Shares at net asset valuation	496,737	437,011

9 OTHER INVESTMENTS

GROUP AND COMPANY

Quoted investments - Cost	1,672	1,672
- Market value	7,125	7,195

10 STOCKS

GROUP

Carbon dioxide gas and dry ice	707	602
Spare parts, fuel and chemicals	7,182	6,727
	7,889	7,329

11 DEBTORS

	Group		Company	
	1998 Sh '000	1997 Sh '000	1998 Sh '000	1997 Sh '000
Trade debtors	29,294	24,852	-	-
Prepayments	50	299	-	-
Other debtors	4,336	8,157	37	-
	33,680	33,308	37	-

12 BONDS AND TREASURY BILLS

GROUP

Government treasury bills	60,750	31,000
(Discount)/premium	(3,133)	627
	57,617	31,627
East African Development Bank bonds	2,400	4,000
Less: unearned discount	(30)	(50)
	2,370	3,950
At 31 July	59,987	35,577

13 COMMERCIAL PAPER

GROUP

Mabati Rolling Mills Limited - 10m due 1 September 1998 - 6m due 14 August 1998	16,000	-
Less: unearned discount	(869)	-
	15,131	-
Athi River Mining Limited - due 29 September 1998	5,000	-
Less: unearned discount	(259)	-
	4,741	-
Lonrho Motors East Africa Limited - due 29 October 1997	-	7,000
Less: unearned discount	-	(321)
	-	6,679
At 31 July	19,872	6,679

14 CREDITORS

	Group 1998 Sh '000	Group 1997 Sh '000	Company 1998 Sh '000	Company 1997 Sh '000
Trade creditors	2,490	2,045	-	-
Cylinder deposits	3,898	3,808	-	-
Unclaimed dividends	814	894	814	894
Other creditors	13,018	9,934	247	200
	20,220	16,681	1,061	1,094

15 SHARE CAPITAL

	Company 1998 Sh '000	Company 1997 Sh '000
Authorised:		
10,000,000 ordinary shares of Sh 5 each	50,000	50,000
Issued and fully paid:		
9,438,963 ordinary shares of Sh 5 each	47,195	47,195

16 RESERVES

	Capital Sh '000	Revenue Sh '000	Total Sh '000
GROUP			
At 1 August 1997	269,905	166,904	436,809
Retained profit for the year	-	60,088	60,088
Revaluation surplus realised on disposal of fixed assets	(88)	88	-
At 31 July 1998	269,817	227,080	496,897
COMPANY			
At 1 August 1997	445,390	(8,581)	436,809
Retained profit for the year	-	362	362
Surplus on revaluation of investment in subsidiary company	59,726	-	59,726
At 31 July 1998	505,116	(8,219)	496,897

17 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	1998 Sh '000	1997 Sh '000
Operating profit	96,939	82,561
Depreciation	39,184	38,549
Profit on disposal of fixed assets	(630)	(1,750)
(Increase)/decrease in stocks	(560)	484
Decrease in debtors	444	4,888
Increase/(decrease) in creditors	3,539	(800)
Net cash inflow from operating activities	138,916	123,932

(b) Analysis of changes in cash and cash equivalents

	1998 Sh '000	1997 Sh '000	Change in the year Sh '000
Short term deposits	94,854	142,320	(47,466)
Bank balances and cash	70,077	15,254	54,823
Increase in cash and cash equivalents			7,357

18 CAPITAL COMMITMENTS

	1998 Sh '000	1997 Sh '000
GROUP		
Contracted but not provided for	2,500	47,453
Authorised but not contracted for	14,500	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 Friday, 11 December, 1998 at 12 noon, or at any adjournment thereof.

Dated ______________________ 1998 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

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