CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 1999

contents

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1. Carbacid Investments Limited -- Periodic
2. Gases industry -- Kenya -- Periodical

notice of meeting

NOTICE IS HEREBY GIVEN that the twenty - ninth Annual General Meeting of the Company will be held at the Professional Centre (Council Chamber), Parliament Way, Nairobi on Friday, 10 December 1999 at 12 noon for the following purposes:-

1. To receive the Directors ' Report and audited financial statements for the year ended 31 July 1999.
2. To approve Directors ' fees.
3. To declare a final dividend and a special millennium dividend.
4. To re-elect Directors.
5. To authorise the Directors to fix the remuneration of the auditors, Deloitte & Touche.

By Order of the Board

N P KOTHARI
Secretary
Nairobi
2nd November 1999

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.

2007/0785

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.

FOR THE YEAR ENDED 31 JULY 1999

GENERAL

The company has had an especially good year which ended on 31 July 1999.

SALES

Local and export sales were at excellent levels throughout the financial year.

DEVELOPMENTS

The production facilities of the Company have performed superbly to meet the demands of improved sales. Plant and machinery have been maintained to a very high standard and the company's vehicle fleet has been supplemented as necessary. I referred last year to Y2K compliance and am pleased to advise that this is now complete. Our property planning continues to be well in hand.

DIVIDENDS

An interim dividend of 20% (1998 - 18 %) was paid in April 1999. In view of the excellent results for the year the Directors have recommended that a final dividend of 30% (1998-26%) together with a special millennium dividend of 50% be paid in December 1999.

FUTURE PROSPECTS

The new financial year has started extremely well.

STAFF

The Board of Directors and shareholders wish to extend their special appreciation to all our staff for their exceptional efforts in a very good year.

Nairobi
13 October 1999

S.G. Smith
Chairman

MAELEZO KWA UJUMLA

Kampuni imekuwa na mwaka mzuri uliomalizika Julai 31, 1999.

MAUZO

Mauzo yote ya nchini na kigeni yalikuwa katika viwango vizuri sana katika kipindi chote cha matumizi ya pesa.

MAENDELEO

Mitambo na vifaa vya kazi vimefanya vyema zaidi ili kutimiza mahitaji ya mauzo yalio imarika. Kiwanda na mitambo vimehifadhiwa kwa kiwango cha juu sana na magari ya kampuni yalibadilishwa inapo hitajika mwaka uliopita, Nilitaja kuhusu kuimarishwa kwa mitambo ya komputa ili kutimiza mahitaji ya mwaka elfu mbili na nina furaha kuwajulisha kwamba hii imekamilika. Mipango ya kuimarisha ardhi ya kampuni bado inaendelea kushugulikiwa.

MIGAO YA FAIDA

Mgao wa muda wa faida wa asilimia 20 (asilimia 18 mnamo 1998) ulilipwa mnamo Aprili 1999. Kutokana na matokeo mazuri ya mwaka wakurugenzi wamependekeza kwamba mgao wa mwisho wa faida wa asilimia 30 (asilimia 26 mnamo 1998) pamoja na mgao maalum wa karne (milenia) mpya wa asilimia 50 ulipwe mwezi Disemba 1999.

MATUMAINI YA BAADAYE

Kipindi kipya cha matumizi ya pesa kimeanza vizuri sana.

WAFANYA KAZI

Kwa mara nyingine Halmashauri ya wakurugenzi na wenye hisa wangependa kutoa shukurani zao kwa wafanyakazi wote na kuwapongeza kwa juhudi zao katika mwaka mwingine wenye fanaka.

Nairobi
Oktoba 13, 1999

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 1999.

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.

Results

	Sh ' 000	Sh ' 000
Profit before taxation		169,801
Taxation		61,255
Profit after taxation		108,546
Dividends - Paid	9,439	
- Proposed	37,756	47,195
Retained profit for the year transferred to revenue reserve		61,351

Dividends

An interim dividend of 20% amounting to Sh 9,439,000 (1998 - 18% amounting to Sh 8,495,000) was paid in April 1999. The directors propose a final dividend of 30% amounting to Sh 14,158,000 (1998 - 26% amounting to Sh 12,271,000) together with a special millennium dividend of 50% on the issued share capital. This makes total dividends of Sh 47,195,000 (1998 — Sh 20,766,000) in respect of the year.

Directors

The directors since 1 August 1998 have been:

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

Mr S G Smith 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
13 October 1999

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 18 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 1999 and of the profit and cash flows of the group for the year ended on that date.

DELOITTE & TOUCHE
Certified Public Accountants (Kenya)

Nairobi
13 October 1999

Deloitte Touche
Tohmatsu

consolidated
profit and loss account

FOR THE YEAR ENDED 31 JULY 1999

	Note	1999 Sh '000	1998 Sh '000
TURNOVER		212,008	203,043
OPERATING PROFIT	2	139,771	96,939
INTEREST RECEIVABLE	3	29,493	33,192
DIVIDENDS RECEIVABLE		537	547
PROFIT BEFORE TAXATION		169,801	130,678
TAXATION	4	61,255	49,824
PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION	5	108,546	80,854
DIVIDENDS - gross	6	47,195	20,766
RETAINED PROFIT FOR THE YEAR	17	61,351	60,088
EARNINGS PER SHARE	7	Sh 11.50	Sh 8.57
DIVIDENDS PER SHARE	7	Sh 5.00	Sh 2.20

	Note	Group 1999 Sh '000	Group 1998 Sh' 000	Company 1999 Sh '000	Company 1998 Sh' 000
FIXED ASSETS	8	268,770	286,479	56,018	57,147
INVESTMENT IN SUBSIDIARY COMPANY	9	-	-	557,904	496,737
OTHER INVESTMENTS	10	1,648	1,672	1,648	1,672
CURRENT ASSETS					
Stocks	11	8,178	7,889	-	-
Debtors	12	40,578	33,680	37	37
Taxation recoverable		348	2,073	348	332
Bonds and treasury bills	13	116,136	59,987	-	-
Dividend receivable from subsidiary		-	-	44,362	18,405
Short term deposits		173,730	94,854	-	-
Commercial paper	14	29,211	19,872	-	-
Bank balances and cash		38,052	70,077	1,078	902
		406,233	288,432	45,825	19,676
CURRENT LIABILITIES					
Due to subsidiary company		-	-	17,063	17,808
Creditors	15	26,456	20,220	1,133	1,061
Taxation payable		6,996	-	-	-
Proposed dividend - gross		37,756	12,271	37,756	12,271
		71,208	32,491	55,952	31,140
NET CURRENT ASSETS/(LIABILITIES)		335,025	255,941	(10,127)	(11,464)
		605,443	544,092	605,443	544,092
Financed by:					
SHARE CAPITAL	16	47,195	47,195	47,195	47,195
RESERVES	17	558,248	496,897	558,248	496,897
SHAREHOLDERS ' FUNDS		605,443	544,092	605,443	544,092

The financial statements on pages 8 to 18 were approved by the board of directors on 13 October 1999 and were signed on its behalf by:

S G SMITH } Directors
R A SHEPHERD }

consolidated
cash flow statement

FOR THE YEAR ENDED 31 JULY 1999

	Note	1999 Sh '000	1998 Sh '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	18(a)	176,148	138,916
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		31,290	26,175
Dividends paid		(21,710)	(19,823)
Dividends received from quoted investments		537	547
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		10,117	6,899
TAXATION PAID		(52,534)	(56,162)
INVESTING ACTIVITIES			
Purchase of fixed assets		(22,149)	(51,619)
Proceeds on disposal of fixed assets		1,384	725
Proceeds on disposal of other investments		24	-
Purchase of bonds		(72,726)	(58,972)
Redemption of bonds		27,100	66,753
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(66,367)	(43,113)
INCREASE IN CASH AND CASH EQUIVALENTS	18(b)	67,364	46,540

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 %

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

	1999 Sh '000	1998 Sh '000
The operating profit is arrived at after charging:		
Directors' emoluments		
Fees	1,674	1,535
Other emoluments	14,428	12,400
Auditors' remuneration	1,020	930
Depreciation	39,765	39,184
Losses on foreign exchange (net)	-	2,425
and after crediting:		
Gains on foreign exchange (net)	39,201	-
Profit on disposal of fixed assets	1,291	630
Rent receivable	3,342	3,390

3 INTEREST RECEIVABLE

	1999 Sh '000	1998 Sh '000
Bonds and treasury bills	13,169	15,198
Short term deposits	9,960	16,152
Commercial paper	6,141	1,809
Current account	223	33
	29,493	33,192

4 TAXATION

	1999 Sh '000	1998 Sh '000
Based on adjusted profit for the year at 32.5%	61,395	49,790
Adjustment in respect of prior years	(167)	34
	61,228	49,824
Withholding tax - qualifying dividends	27	-
	61,255	49,824

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 1999, the subsidiary company had a potential deferred tax liability on timing differences amounting to approximately Sh 54,116,000 (1998 - Sh 62,684,000).

5 PROFIT AFTER TAXATION AVAILABLE FOR APPROPRIATION

Of the group profit for the year after taxation, Sh 47,379,000 (1998 - Sh 21,128,000) has been dealt with in the financial statements of the holding company, Carbacid Investments Limited.

6 DIVIDENDS

Dividends are shown gross and comprise:

	1999 Sh '000	1998 Sh '000
Interim paid	9,439	8,495
Final proposed	37,756	12,271
	47,195	20,766

7 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.

8 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 1998	81,495	13,792	80,992	256,234	432,513
Additions	2,507	9,604	6,266	3,772	22,149
Disposals	-	-	(6,625)	(354)	(6,979)
At 31 July 1999	84,002	23,396	80,633	259,652	447,683
Comprising:					
Cost	43,254	18,680	72,693	22,358	156,985
Valuation - 1994	40,748	4,716	7,940	237,294	290,698
	84,002	23,396	80,633	259,652	447,683
DEPRECIATION					
At 1 August 1998	5,153	3,133	50,632	87,116	146,034
Charge for the year	1,711	2,340	13,690	22,024	39,765
Eliminated on disposals	-	-	(6,625)	(261)	(6,886)
At 31 July 1999	6,864	5,473	57,697	108,879	178,913
NET BOOK VALUE					
At 31 July 1999	77,138	17,923	22,936	150,773	268,770
At 31 July 1998	76,342	10,659	30,360	169,118	286,479

8 FIXED ASSETS *(continued)*

COMPANY

	1999 Sh '000	1998 Sh '000
COST OR VALUATION		
At 1 August	59,319	20,000
Additions	-	39,319
At 31 July	59,319	59,319
Comprising:		
Valuation in 1994	20,000	20,000
At cost	39,319	39,319
	59,319	59,319
DEPRECIATION		
At 1 August	2,172	1,123
Charge for the year	1,129	1,049
At 31 July	3,301	2,172
NET BOOK VALUE		
At 31 July	56,018	57,147

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

9 INVESTMENT IN SUBSIDIARY COMPANY

	1999 Sh '000	1998 Sh '000
Shares at net asset valuation	557,904	496,737

10 OTHER INVESTMENTS

GROUP AND COMPANY

	1999 Sh '000	1998 Sh '000
Quoted investments - Cost	1,648	1,672
- Market value	8,061	7,125

11 STOCKS

GROUP

	1999 Sh '000	1998 Sh '000
Carbon dioxide gas and dry ice	800	707
Spare parts, fuel and chemicals	7,378	7,182
	8,178	7,889

12 DEBTORS

	Group 1999 Sh '000	Group 1998 Sh '000	Company 1999 Sh '000	Company 1998 Sh '000
Trade debtors	34,625	29,294	-	-
Other debtors	5,953	4,386	37	37
	40,578	33,680	37	37

13 BONDS AND TREASURY BILLS

GROUP

	1999	1998
Government treasury bills	70,500	60,750
Discount on purchase	(1,709)	(3,133)
	68,791	57,617
Government treasury bonds	37,750	-
Premium on purchase	100	-
	37,850	-
East African Development Bank bonds	9,550	2,400
Less: unearned discount	(55)	(30)
	9,495	2,370
At 31 July	116,136	59,987

14 COMMERCIAL PAPER

GROUP

	1999	1998
Mabati Rolling Mills Limited	30,000	16,000
Less: unearned discount	(789)	(869)
	29,211	15,131
Athi River Mining Limited	-	5,000
Less: unearned discount	-	(259)
	-	4,741
At 31 July	29,211	19,872

15 CREDITORS

	Group 1999 Sh '000	Group 1998 Sh '000	Company 1999 Sh '000	Company 1998 Sh '000
Trade creditors	3,571	2,490	-	-
Cylinder deposits	4,042	3,898	-	-
Unclaimed dividends	852	814	852	814
Other creditors	17,991	13,018	281	247
	26,456	20,220	1,133	1,061

16 SHARE CAPITAL

	Company 1999 Sh '000	Company 1998 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

17 RESERVES

GROUP	Capital Sh '000	Revenue Sh '000	Total Sh '000
At 1 August 1998	269,817	227,080	496,897
Retained profit for the year	-	61,351	61,351
Revaluation surplus realised on disposal of fixed assets	(60)	60	-
At 31 July 1999	269,757	288,491	558,248

COMPANY	Capital Sh '000	Revenue Sh '000	Total Sh '000
At 1 August 1998	505,116	(8,219)	496,897
Retained profit for the year	-	184	184
Surplus on revaluation of investment in subsidiary company	61,167	-	61,167
At 31 July 1999	566,283	(8,035)	558,248

18 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	1999 Sh '000	1998 Sh '000
Operating profit	139,771	96,939
Depreciation	39,765	39,184
Profit on disposal of fixed assets	(1,291)	(630)
Increase in stocks	(289)	(560)
(Increase) /decrease in debtors	(8,044)	444
Increase in creditors	6,236	3,539
Net cash inflow from operating activities	176,148	138,916

(b) Analysis of changes in cash and cash equivalents

	1999 Sh '000	1998 Sh '000	Change in the year Sh'000
Treasury bills	68,791	57,617	11,174
Commercial paper	29,211	19,872	9,339
Short term deposits	173,730	94,854	78,876
Bank balances and cash	38,052	70,077	(32,025)
Increase in cash and cash equivalents			67,364

For the purpose of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

19 CAPITAL COMMITMENTS

	1999 Sh '000	1998 Sh '000
GROUP		
Contracted but not provided for	9,729	2,500
Authorised but not contracted for	-	14,500

20 CONTINGENT LIABILITIES

	1999 Sh '000	1998 Sh '000
GROUP		
Guarantees	200	-
Disputed VAT assessment	5,852	-
	6,052	-

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, 10 December, 1999 at 12 noon, or at any adjournment thereof.

Dated ______________________ 1999 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