CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

CO_2

PAGES

1. Carbacid Investment Limited -- periodic
2. Gases Industry -- Kenya -- periodicals

Corporate information

DIRECTORS	J M Wanjigi	Chairman
	B C Patel	
	M K R Shah*	
	R A Shepherd	
	P R Simpson	
	*British	
AUDIT COMMITTEE	R A Shepherd	Chairman
	J M Wanjigi	
	M K R Shah	
	B C Patel	

SECRETARY

N P Kothari, FCPS (Kenya)
Certified Public Secretary
Haile Selassie Avenue
P O Box 30633
Nairobi, GPO, 00100

REGISTERED OFFICE

3rd Floor, Comcraft House
Haile Selassie Avenue
P O Box 30633
Nairobi, GPO, 00100

REGISTER OF MEMBERS AND TRANSFER OFFICE

Specialist Corporate Consultants
3rd Floor, Comcraft House
Haile Selassie Avenue
P O Box 30633
Nairobi, GPO, 00100

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii", Ring Road, Westlands
P O Box 40092
Nairobi, GPO, 00100

BANKERS

CFC Bank Limited
CFC Centre
Chiromo Road
P O Box 72833
Nairobi, City Square, 00200

ADVOCATES

Kaplan & Stratton
P O Box 40111
Nairobi, GPO, 00100

JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 73, Mr Wanjigi who is a Fulbright Scholar, has been a Board member since July 1970. He has held very senior cabinet positions in Government and has been a member of International organizations. He is involved in overseeing his family's businesses as well as being involved in various other business and social welfare activities.

PETER R SIMPSON - Managing Director of Carbacid (CO_2) Limited

Aged 58, Mr Simpson has been with the Group since 1989, initially as General Manager of Carbacid (CO_2) Limited and then as a Director since April 2000 and Managing Director since June 2001. He has overall responsibility for the management of the Group's principal business, Carbacid (CO_2) Limited. He is a member of the Kenya and the British Institutes of Management.

R A (TONY) SHEPHERD

Aged 73, Mr Shepherd joined the Group as Managing Director of Carbacid (CO_2) Limited in 1967. He retired as a Managing Director of Carbacid (CO_2) Limited in June 2001 and has continued as a non- executive Director. His vast knowledge and experience of the business gained over the years provides the Board with valuable technical guidance.

MUKESH K R SHAH FCCA, CPA (K), CPS (K)

Aged 51, Mr Shah joined the Board in May 2002. He is a member of the Institute of Certified Public Accountants of Kenya, the Institute of Certified Public Secretaries of Kenya and a Fellow of the Association of Chartered and Certified Accountants of the UK. He is a former partner of PriceWaterhouse and a director of a leading consultancy firm that specializes in providing strategic and business advisory services to Family Owned Businesses. Mr Shah is substantially a non-executive Director, but has certain specific responsibilities for financial matters of the Group.

BALOO C PATEL

Aged 66, Mr Patel joined the Board in May 2002. He is a significant shareholder in the Company and has extensive business interests in Kenya. He is also a Director of Pan African Insurance Holdings Limited. His varied business experience brings a wide range of additional skills to the Board.

NOTICE IS HEREBY GIVEN that the thirty-fifth Annual General Meeting of the shareholders of Carbacid Investments Limited will be held at The Norfolk Hotel (South Ballroom), Harry Thuku Road, Nairobi on Friday, 11th November 2005 at 10.00 a.m., for the following purposes:

1 To consider the Directors' Report and audited financial statements for the year ended 31 July 2005.

2 To approve Directors' fees.

3 To declare a final dividend of Shs 2.75 per share to shareholders registered on 2nd November 2005.

4 To elect Directors:

(a) Mr M K R Shah retires by rotation and, being eligible, offers himself for re-election.

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

5 To authorize the Directors to fix the remuneration of the auditors, Deloitte & Touche.

By Order of the Board

N P KOTHARI
Secretary
Nairobi
29 September 2005

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. A detachable proxy form is at the end of the financial statements.

I am pleased to report that the Carbacid Group has achieved yet another successful trading result for the year to 31st July 2005. While the general improvement in the Kenyan economy has helped to create growth in demand, exports have increased due to more intense marketing activities and our pursuit of new markets. These factors coupled with a tight control of costs resulted in sales increasing by 27% and operating profits by 55%. Net profits after tax have increased by 25%.

The Company's carbon dioxide facilities continue to be maintained to the highest standards to ensure high levels of operational efficiency and to provide products of the highest quality in Africa.

There is increased focus on expanding the export markets and in identifying new markets and new uses for its main products, carbon dioxide and dry ice. In addition, your Board and the management have continued to look at strategic business acquisitions or partnerships. Your Board will continue to explore these and other opportunities to expand the business portfolio locally and regionally.

The Company's investment portfolio has yielded improved results in 2004/5 in terms of interest earned (up by 95%) because of good yields on investments in bonds and treasury instruments. The significant rise in the value of investments in shares and the investment portfolio that was recorded in the previous year does not feature this year hence the overall finance income shows a reduction.

Your Board declared the payment of an interim dividend of Shs 2.25 per share in May 2005 and now recommends a final dividend of Shs 2.75 per share to be paid in November 2005, making a total of Shs 5 per share for the full year to 31st July 2005, compared to Shs 4 for the previous year.

In the current year, returns on investments in treasury bills and deposits are expected to increase in line with the trends in interest rates. The expected further improvement in the Kenyan economy and the export markets should also help to improve demand for carbon dioxide gas and related products.

Your Board continues to place great emphasis on Corporate Governance and a statement on Corporate Governance is included in the Annual Report.

Finally, on behalf of the Board of Directors, I would like to extend my appreciation to all our staff for their efforts in helping achieve another successful year for your Company. I would also like to record my appreciation for the guidance and contribution of my fellow Board members.

Nairobi
29 September 2005

J M Wanjigi
Chairman

Nina furaha kuripoti ya kwamba kundi la Carbacid limeweza kupata kwa mara nyingine matokeo ya biashara yenye mafanikio ya mwaka hadi Julai 31 2005. Hata ingawa kuimarika kwa jumla katika uchumi wa Kenya kumesaidia kuleta ongezeko katika mahitaji, mauzo katika nchi za nje yameongezeka kutokana na jitihada za juu zaidi katika shuguli za kutafuta soko mpya. Sababu hizi pamoja na kuthibiti matumizi kumeleta ongezeko katika mauzo kwa asilimia 27 na faida kutokana na utenda kazi kwa asilimia 55. Faida baada ya ushuru imeongezeka kwa asilimia 25.

Mitambo ya Kampuni ya carbon dioxide imeendelea kuhifadhiwa katika viwango vya juu ili kuhakikisha ngazi za juu za utenda kazi na kutoa bidhaa za hali ya juu zaidi katika Afrika.

Kuna kuangazia zaidi katika upanuzi katika soko za nje na kutambua soko mpya na matumizi mapya kwa bidhaa yake kubwa, carbon dioxide na barafu kavu. Pamoja na hayo, halmashauri yenu na wasimamizi wanaendelea kutafuta biashara muhimu ama biashara za ushirikiano. Halmashauri yenu itaendelea kutambua hizi na nafasi zingine za kupanua biashara zake hapa nchini na katika eneo.

Rasilimali za Kampuni zinazotumika kupata faida zimeleta matokeo yalioimarika katika 2004/5 katika mapato ya riba (juu kwa asilimia 95) kwa sababu ya mapato mazuri kutoka kwa hundi za serikali. Ongezeko kubwa katika thamani ya hisa na rasilimali zingine zinazotumika kupata faida ambazo zilionekana mwaka uliopita hazikupatikana mwaka huu ikisababisha mapato yaliopungua kutoka kwa uwekezaji wa rasilimali za fedha.

Halmashauri yenu ya wakurugenzi ilipitisha kulipwa kwa mgao wa muda wa shillingi 2/25 kwa kila hisa hapo Mei 2005 na sasa wanapendekeza mgao wa mwisho wa mwaka wa shillingi 2/75 ulipwe Novemba 2005. Hii inafanya jumla ya shillingi 5 kwa kila hisa kwa mwaka wote hadi Julai 31 2005 ukilinganisha na shillingi 4 kwa mwaka uliopita.

Katika mwaka ulioanza, mapato kutoka kwa rasilimali kutoka kwa hundi za serikali na akiba za benki yanatarajiwa kuongezeka kuambatana na mabadiliko katika viwango vya riba. Matumaini ya kuimarika zaidi katika uchumi wa Kenya na soko za nchi za nje itawezesha kuimarisha mahitaji ya carbon dioxide na bidhaa zinazohusiana.

Halmashauri yenu ya wakurugenzi inaendelea kutilia mkazo kwenye desturi ya mwongozo wa mashirkia. Taarifa kuhusu mwongozo wa mashirika imejumlishwa katika ripoti ya mwaka.

Mwisho, kwa niaba ya halmashauri ya wakurugenzi, ningependa kutoa shukrani zangu kwa wafanyi kazi wote kwa juhudi zao katika kusaidia kupata mwaka mwengine wenye mafanikio kwa Kampuni yenu. Ningependa pia kutoa shukrani kwa mwongozo na mchango wa wakurugenzi wenzangu.

Nairobi
Septemba 29, 2005

J M Wanjigi
Mwenyekiti

The directors present their report together with the group audited financial statements for the year ended 31 July 2005.

ACTIVITIES

The company is an investment and 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
Profit before taxation	158,650
Taxation	(45,315)
Net profit for the year transferred to revenue reserve	113,335

DIVIDENDS

An interim dividend of Shs 2.25 per share (2004 – Shs 1.75) was paid during the year amounting to Shs 25,485,199 (2004 – Shs 19,821,821). The Directors propose a final dividend of Shs 2.75 per share (2004 – Shs 2.25) amounting to Shs 31,148,576 (2004 – Shs 25,485,199).

DIRECTORS

The current board of directors is shown on page 2.

Mr M K R Shah and Mr R A Shepherd retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

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

By Order of the Board

N P KOTHARI
Secretary
Nairobi
29 September 2005

statement on corporate governance

The Company is committed to the maintaining high standards of Corporate Governance and the disclosures in this year's accounts are in recognition of this commitment.

The role of the Board

The Board is responsible for the long-term growth and profitability of the Carbacid Group. The Board charts the direction of the group and monitors management's performance on behalf of the shareholders. A critical role of the Board is to ensure that the group is pursuing a strategy that increases profitability and shareholders' value.

Board meetings

The Board normally meets quarterly each year for scheduled meetings and on other occasions to deal with specific matters that require attention between scheduled meetings. Scheduled meetings include annual strategic reviews, review of quarterly performance and monitoring of business and operational issues. During the year the Board had five meetings, most of which were attended by all the directors.

Composition of the Board

The composition of the Board is given on Page 3 of this report. The Board will continue to have substantial majority of independent directors. There are currently four non-executive Directors, Mr Wanjigi, Mr Patel, Mr Shepherd and Mr Shah. All non- executive Directors are considered by the Board to be independent of management and free from any business, interest or other relationship, which could materially interfere with the exercise of their independent judgement.

One third of the members of the Board retire by rotation each year and may offer themselves for re-election if eligible in accordance with the Company's Articles of Association. Any Director appointed by the Board will be subject to election by shareholders at the first opportunity after his or her appointment and will not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Board Committees

The Board carries out certain of its duties by delegation to Board Committees from time to time. These Committees meet regularly and make recommendations to the Board on issues delegated to them. The Committees operate under Terms of Reference approved by the Board and their duties extend across the Group.

Audit Committee- The Committee assists the Company's Board to discharge its corporate governance responsibilities, including the group's relationship with, and the independence of, the external auditors; the reliability and appropriateness of the disclosure in the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliances and internal controls.

Other committees in place are the Strategic Committee and the Staff Committee. The committees met as follows during 2004/5.

- Audit Committee - Four times
- Staff Committee - Once

Business and Financial Planning

A detailed budget for the forthcoming financial year is presented to the Board for approval at the beginning of that year. Management accounts comparing actual results against budget and previous years and revised forecasts for the remainder of the financial year are produced each month. Significant variances from budget are highlighted and explained and, where appropriate, corrective action is indicated.

The Board attaches great importance to maintaining a strong control environment and the system of internal controls includes the assessment of non-financial risks and controls.

The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

Communications with shareholders

The Company is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about its performance
- Complying with continuous obligations contained in applicable Listing Rules and the Capital Markets Authority Act applicable in Kenya.

Information is communicated to the shareholders through the distribution of the annual report and press notices following release of the half-yearly results and whenever there are other significant developments to report on.

Corporate Social Responsibility

The Company believes that it has a responsibility to contribute to the improvement of the community where possible. In this regard, the Company has given Carbacid Scholarships to the three best students each term in Forms I to IV of Kimende High School, Matathia. The school is located close to the Company's production facility.

Directors' benefits and loans

Since the last Annual General Meeting of the Company to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts received under employment contracts.

The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed on page 22.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Group is a party whereby Directors might acquire benefits by means of the acquisition of shares in the Group. There were no Directors' loans at any time during the year.

Directors' interest

The interest of the Directors in the shares of the Company as at 31 July 2005 were as follows:

Name	No. of Shares
Mr J M Wanjigi Including shares held by a company in which he has an interest	130,462
Mr P R Simpson	1,129
Mr B C Patel	1,116,033

Distribution of shareholders

Shareholding (No. of Shares)	No. of shares held	No. of shareholders	% shareholding
Less than 500	46,414	213	0.41
500 - 5,000	899,853	483	7.94
5,001 - 10,000	320,616	43	2.83
10,001 - 100,000	1,546,979	44	13.66
100,001 - 1,000,000	2,076,761	7	18.34
above 1,000,000	6,436,132	4	56.82
Total	11,326,755	794	100.00

Major shareholders

The top 10 major shareholders as at 31 July 2005, were as follows:

Name	No. of Shares	% Shareholding
Alliance Nominees Limited	2,561,481	22.61
Mrs A Patel	1,699,000	15.00
Mr B C Patel	1,116,033	9.85
Leverton Limited	1,059,618	9.36
Kivuli Limited	660,000	5.83
Miss T I Friedman	501,142	4.42
Miss N Stubbs	250,790	2.21
Cannon Assurance (Kenya) Ltd	224,421	1.98
Mrs B C Kampf	179,428	1.58
Mrs C M Parfitt	153,148	1.35

statement of directors' responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires the directors to ensure the group and the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain a going concern for at least the next twelve months from the date of this statement.

J M WANJIGI
Director

M K R SHAH
Director

29 September 2005

independent auditors' report

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
"Kirungii"
Ring Road, Westlands
P.O. Box 40092 - GPO 00100
Nairobi
Kenya

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Dropping Zone No. 92
E-mail: admin@deloitte.co.ke

We have audited the financial statements on pages 12 to 30 for the year ended 31 July 2005 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors
As described on page 10, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing. Those 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. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion:

(a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;

(b) the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 July 2005 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

DELOITTE & TOUCHE

Nairobi
29 September 2005

FOR THE YEAR ENDED 31 JULY 2005

	Note	2005 Sh'000	2004 Sh'000
TURNOVER		271,688	213,104
COST OF SALES		(108,745)	(108,435)
GROSS PROFIT		162,943	104,669
OTHER OPERATING INCOME		9,456	16,716
ADMINISTRATIVE EXPENSES		(38,902)	(35,418)
OPERATING PROFIT	3	133,497	85,967
FINANCE INCOME - NET	5	25,153	38,201
PROFIT BEFORE TAXATION		158,650	124,168
TAXATION	6	(45,315)	(33,702)
NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	7	113,335	90,466
EARNINGS PER SHARE – Basic and diluted	8	Sh 10.01	Sh 7.99
DIVIDEND PER SHARE	9	Sh 5.00	Sh 4.00

	Note	2005 Sh'000	2004 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	10	496,283	521,616
Investment property	11	28,000	28,000
Operating lease prepayments	12	23,705	24,175
Equity investments	14	23,442	35,408
Bonds and treasury bills	15	42,761	71,050
		614,191	680,249
Current assets			
Inventories	16	12,221	10,539
Trade and other receivables	17	60,178	44,075
Taxation recoverable		924	2,023
Bonds and treasury bills	15	71,961	28,300
Commercial paper	18	79,525	51,693
Short term deposits	19	80,390	98,120
Bank and cash balances		76,570	25,250
		381,769	260,000
Total assets		995,960	940,249
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	20	56,634	56,634
Revaluation reserve		251,815	267,776
Revenue reserve		476,260	403,598
Proposed dividend - gross		31,149	25,485
Shareholders' equity		815,858	753,493
Non current liabilities			
Deferred income taxes	21	142,506	151,679
Current liabilities			
Trade and other payables	22	27,282	33,152
Taxation payable		10,314	1,925
		37,596	35,077
Total equity and liabilities		995,960	940,249

The financial statements on pages 12 to 30 were approved by the board of directors on 29 September 2005 and were signed on its behalf by:

J M WANJIGI
M K R SHAH } Directors

company balance sheet

31 JULY 2005

	Note	2005 Sh'000	2004 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	10	2,940	3,000
Investment property	11	28,000	28,000
Operating lease prepayments	12	23,678	24,147
Investment in subsidiary company	13	447,335	421,017
Equity investments	14	23,442	35,408
Bonds and treasury bills	15	42,761	71,050
		568,156	582,622
Current assets			
Bonds and treasury bills	15	71,961	28,300
Trade and other receivables	17	2,525	69
Taxation recoverable		924	2,023
Commercial paper	18	79,525	51,693
Short term deposits	19	80,390	98,120
Bank and cash balances		23,697	2,213
		259,022	182,418
Total assets		827,178	765,040
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	20	56,634	56,634
Revaluation reserve		431,295	405,019
Revenue reserve		296,780	266,355
Proposed dividend - gross		31,149	25,485
Shareholders' equity		815,858	753,493
Non current liabilities			
Deferred income taxes	21	5,693	5,904
Current liabilities			
Trade and other payables	22	5,627	5,643
Total equity and liabilities		827,178	765,040

The financial statements on pages 12 to 30 were approved by the board of directors on 29 September 2005 and were signed on its behalf by:

J M WANJIGI
M K R SHAH } Directors

	Share capital Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 August 2003	56,634	122,922	285,023	25,485	490,064
Surplus on revaluation of property and equipment	-	311,813	-	-	311,813
Deferred tax thereon	-	(93,543)	-	-	(93,543)
Transfer of excess depreciation - prior year	-	(69,367)	69,367	-	-
- current year	-	(5,784)	5,784	-	-
Deferred tax on excess depreciation	-	1,735	(1,735)	-	-
Net profit for the year	-	-	90,466	-	90,466
Final dividend paid - 2003	-	-	-	(25,485)	(25,485)
Interim Dividend paid - 2004	-	-	(19,822)	-	(19,822)
Proposed final dividend - 2004	-	-	(25,485)	25,485	-
At 31 July 2004	56,634	267,776	403,598	25,485	753,493
At 1 August 2004	56,634	267,776	403,598	-	753,493
Transfer of excess depreciation	-	(22,801)	22,801	-	-
Deferred tax on excess depreciation	-	6,840	(6,840)	-	-
Net profit for the year	-	-	113,335	-	113,335
Final dividend paid - 2004	-	-	-	(25,485)	(25,485)
Interim Dividend paid - 2005	-	-	(25,485)	-	(25,485)
Proposed final dividend - 2005	-	-	(31,149)	31,149	-
At 31 July 2005	56,634	251,815	476,260	31,149	815,858

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property, plant and equipment.

company statement of changes in equity

FOR THE YEAR ENDED 31 JULY 2005

	Share capital Sh'000	Revaluation reserve Sh'000	Revenue reserve Sh'000	Proposed dividend Sh'000	Total Sh'000
At 1 August 2003	56,634	176,817	231,128	25,485	490,064
Surplus on revaluation of investment in subsidiary	-	234,959	-	-	234,959
Deficit on revaluation of property and equipment	-	(9,428)	-	-	(9,428)
Deferred tax thereon	-	2,829	-	-	2,829
Transfer of excess depreciation – prior year	-	(226)	226	-	-
Deferred tax thereon	-	68	(68)	-	-
Net profit for the year	-	-	80,376	-	80,376
Final dividend paid - 2003	-	-	-	(25,485)	(25,485)
Interim Dividend paid - 2004	-	-	(19,822)	-	(19,822)
Proposed final dividend - 2004	-	-	(25,485)	25,485	-
At 31 July 2005	56,634	405,019	266,355	25,485	753,493
At 1 August 2004	56,634	405,019	266,355	25,485	753,493
Surplus on revaluation of investment in subsidiary	-	26,318	-	-	26,318
Transfer of excess depreciation	-	(60)	60	-	-
Deferred tax on excess depreciation	-	18	(18)	-	-
Net profit for the year	-	-	87,017	-	87,017
Final dividend paid - 2004	-	-	-	(25,485)	(25,485)
Interim Dividend paid - 2005	-	-	(25,485)	-	(25,485)
Proposed final dividend - 2005	-	-	(31,149)	31,149	-
At 31 July 2005	56,634	431,295	296,780	31,149	815,858

The revaluation surplus is not distributable and represents the movement arising from the revaluation of the investment in subsidiary and property, plant and equipment.

	Note	2005 Sh'000	2004 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	23(a)	141,667	133,727
Interest received		20,851	10,695
Taxation paid		(45,000)	(61,978)
Net cash generated from operating activities		117,518	82,444
INVESTING ACTIVITIES			
Purchase of plant and equipment		(11,937)	(21,899)
Proceeds from disposal of plant and equipment		1,483	5,345
Purchase of bonds		(20,001)	-
Redemption of bonds		34,100	3,259
Dividends received		1,588	1,059
Proceeds on sale of equity investments		43,745	-
Purchase of equity investments		(24,590)	(5,252)
Net cash generated from/(used in) investing activities		24,388	(17,488)
FINANCING ACTIVITIES			
Dividends paid		(51,013)	(45,307)
INCREASE IN CASH AND CASH EQUIVALENTS		90,893	19,649
CASH AND CASH EQUIVALENTS AT 1 AUGUST		175,063	155,414
CASH AND CASH EQUIVALENTS AT 31 JULY	23(b)	265,956	175,063

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted remain unchanged from the previous year and are set out below:

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting as modified for the revaluation of certain items of property, plant and equipment, investment property and investment in subsidiary.

(b) Basis of consolidation

Subsidiary undertakings, being those companies in which the Group either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated as from the date of disposal. All inter company balances and unrealised surpluses and deficits on transactions with the subsidiary company have been eliminated.

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiary, Carbacid (CO_2) Limited, whose financial year ends on 31 July.

(c) Turnover

Income is recognised upon despatch of goods to customers and represents the value of carbon dioxide gas and dry ice invoiced to customers, excluding value added tax.

(d) Dividend receivable

Dividend income from quoted investments is recognised when received and dividends from the subsidiary company are recognised when declared.

(e) Inventories

Carbon dioxide gas and dry ice inventories are stated at the lower of cost and net realisable value. Cost comprises materials and, where appropriate, labour and attributable overheads. Net realisable value is the selling price in the ordinary course of business. Cost of other inventories is determined on the weighted average cost basis.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and impairment losses.

(g) Depreciation

Depreciation is calculated to write off the cost or valuation of property, plant and equipment in equal instalments over their estimated useful lives at the following annual rates:

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%

Excess depreciation, representing the additional depreciation based on revalued amounts over depreciation based on historical costs, is transferred annually from revaluation reserve to revenue reserve.

1 ACCOUNTING POLICIES (continued)

(h) Leasehold land

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and amortised over the term of the lease.

(i) Investment in subsidiary company

The investment in subsidiary company is stated at the net asset value of the subsidiary at the balance sheet date. The surplus or deficit on revaluation of the investment in the subsidiary is dealt with in the statement of changes in equity.

(j) 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 income tax is provided for, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

(k) Retirement benefit obligations

The group operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is externally administered and is funded by contributions from both the company and employees.

The group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 200 per employee per month.

The group's obligations to these schemes are recognised in the income statement as they fall due.

(l) Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

(m) 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 income statement.

(n) Impairment

At each balance sheet date, the group reviews the carrying amounts of its financial assets, tangible and intangible asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

(o) Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge are included in other long term payables. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the estimated useful life of the related assets.

1 ACCOUNTING POLICIES (continued)

(o) Leases (continued)

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on the straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(p) Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments
Investments are recognised on a trade date basis and are initially measured at cost, including transaction costs. Quoted investments and unit trusts are stated at market value. Changes in their carrying amounts are dealt with in the income statement.

Trade payables
Trade payables are stated at their nominal value.

Treasury bills
Treasury bills are stated at redemption value less unearned discounts on purchase. Discounts on purchase are recognised to income over the period to maturity of the related instruments.

Treasury bonds
Investments in treasury bonds are stated at amortised cost. Interest receivable is recognised to income on the accrual basis. Discounts and premiums on purchase are recognised in the statement of changes in net assets at the date of acquisition.

Corporate bonds
Investments in corporate bonds are stated at amortised cost. Interest receivable is recognised to income on the accrual basis.

Commercial papers
Commercial papers are stated at redemption value less unearned discounts on purchase. Discounts on purchase are recognised to income over the period to maturity of the related instruments.

(q) Investment properties

Investment properties are treated as long term investments and are carried at market value determined, on a periodic basis, by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amounts are dealt with in the income statement.

Investment properties include leasehold land as per the revised IAS 40 effective for financial periods beginning on or after 1 January 2005. The directors have decided to adopt the revised standard early as it more realistically reflects the underlying value of the assets.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

1 ACCOUNTING POLICIES (continued)

(r) Segmental reporting

Segment results include revenue and expenses directly attributable to a segment.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one financial year (property, plant and equipment).

(s) Comparatives

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

2 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

	CO_2 trading Sh'000	Carbacid Investments Sh'000	Group Sh'000
2005			
Turnover	271,688	-	271,688
Profit before taxation	130,385	28,265	158,650
Segment assets	616,117	379,843	995,960
Segment liabilities	168,782	11,320	180,102
Depreciation	33,002	60	33,062
Amortisation	-	470	470
Capital expenditure	11,937	-	11,937
2004			
Turnover	213,104	-	213,104
Profit before taxation	88,235	35,933	124,168
Segment assets	596,226	344,023	940,249
Segment liabilities	175,209	11,547	186,756
Depreciation	40,889	205	41,094
Amortisation	1	469	470
Capital expenditure	21,899	-	21,899

(b) Secondary reporting – geographical segments

The group's revenues are derived from sales in the following markets:

	2005 Sh'000	2004 Sh'000
Domestic sales - Kenya	157,776	134,276
Export sales – other East African countries	113,912	78,828
	271,688	213,104

3 OPERATING PROFIT

	2005 Sh'000	2004 Sh'000
The operating profit is arrived at after charging/(crediting)		
Directors' emoluments		
Fees	4,023	3,834
Other emoluments	9,785	8,993
Auditors' remuneration	1,208	1,150
Staff costs (note 4)	36,070	35,319
Depreciation	33,062	41,094
Amortisation of operating lease prepayment	470	479
Loss/(profit) on disposal of plant and equipment	2,725	(5,323)

4 STAFF COSTS

	2005	2004
Salaries and wages	34,177	32,737
Social security costs	131	122
Pension costs - defined contribution plan	1,822	2,818
Leave pay expense	(60)	(358)
	36,070	35,319

The average number of staff employed by the group during the year was as follows:	No.	No.
Administration, sales and marketing	19	13
Production	40	36
	59	49

5 FINANCE INCOME - NET

	Sh'000	Sh'000
Interest receivable from - bonds and treasury bills	11,596	6,785
- commercial paper	2,721	1,101
- Short term investments and deposits	5,794	2,529
- bank current account	740	280
	20,851	10,695
Net foreign exchange (losses)/gains	(4,475)	3,074
Realised gain on sale of equity investments	3,661	-
Dividends receivable - gross	1,588	1,059
Unrealised market gain on equity investments	3,528	12,752
Gain on revaluation of investment property	-	10,621
	25,153	38,201

6 TAXATION

	2005 Sh'000	2004 Sh'000
(a) TAX CHARGE		
Current taxation based on taxable profit at 30%	54,488	37,272
Deferred tax credit (note 21)	(9,173)	(3,570)
	45,315	33,702
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
Accounting profit before taxation	158,650	124,168
Tax at the applicable rate of 30%	47,596	37,250
Tax effect of expenses not deductible for tax purposes	276	351
Tax effect of income not taxable	(2,557)	(3,899)
	45,315	33,702

7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Carbacid Investments Limited is Sh 87,017,000 (2004 – Sh 80,376,000).

8 BASIC EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to shareholders for the year of Sh 113,335,000 (2004 - Sh 90,466,000) and on the 11,326,755 (2004 – 11,326,755) shares in issue during the year.

There were no potentially dilutive shares outstanding at 31 July 2005 or 31 July 2004.

9 DIVIDEND PER SHARE

	2005 Sh	2004 Sh
Interim dividend paid	2.25	1.75
Final dividend proposed	2.75	2.25
	5.00	4.00

10 PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings and boreholes Sh'000	Roads Sh'000	Motor vehicles Sh'000	Plant and equipment Sh'000	Total Sh'000
COST OR VALUATION					
As at 1 August 2004	36,454	21,000	83,266	380,896	521,616
Additions	725	-	9,677	1,535	11,937
Disposals	-	-	(3,018)	(1,190)	(4,208)
At 31 July 2005	37,179	21,000	89,925	381,241	529,345
COMPRISING:					
Valuation - 2004	36,454	21,000	80,248	379,983	517,685
Cost	725	-	9,677	1,258	11,660
	37,179	21,000	89,925	381,241	529,345
DEPRECIATION					
As at 1 August 2004	-	-	-	-	-
Charge for the year	830	2,100	9,223	20,909	33,062
At 31 July 2005	830	2,100	9,223	20,909	33,062
NET BOOK VALUE					
At 31 July 2005	36,309	18,900	80,702	360,332	496,283
At 31 July 2004	38,383	21,000	66,220	396,013	521,616
NET BOOK VALUE (cost basis)					
At 31 July 2005	5,027	5,557	28,760	97,202	136,546
At 31 July 2004	5,149	6,174	24,896	102,860	139,079

The assets were valued by C P Robertson – Dunn, T D Registered valuation surveyor at 31 July 2004 on a depreciated replacement cost basis.

10 PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Buildings Sh'000
COST OR VALUATION	
At 1 August 2004 and 31 July 2005	3,000
DEPRECIATION	
As at 1 August 2004	-
Charge for the year	60
At 31 July 2005	60
NET BOOK VALUE	
At 31 July 2005	2,940
At 31 July 2004	3,000
NET BOOK VALUE (cost basis)	
At 31 July 2005	225
At 31 July 2004	227

11 INVESTMENT PROPERTY – GROUP AND COMPANY

	Sh'000
FAIR VALUE	
At 1 August 2004 and 31 July 2005	28,000

12 OPERATING LEASE PREPAYMENTS

	GROUP Sh'000	COMPANY Sh'000
As at 1 August 2004	24,175	24,147
Amortisation for the year	470	469
At 31 July 2005	23,705	23,678

13 INVESTMENT IN SUBSIDIARY COMPANY

	2005 Sh'000	2004 Sh'000
Carbacid (Co_2) Ltd – 100% owned	447,335	421,017

The investment in the subsidiary is stated at the net asset value as per the subsidiary's balance sheet. Revaluation surpluses and deficits are dealt with in the statement of changes in equity.

14 EQUITY INVESTMENTS – GROUP AND COMPANY

	2005 Sh'000	2004 Sh'000
Equity investments at market value	23,442	35,408

Equity investments comprise marketable securities which are revalued annually at the close of business on 31 July by reference to Stock Exchange quoted prices. The market value approximates to fair value. Unrealised revaluation surpluses and deficits are dealt with in the income statement.

15 BONDS AND TREASURY BILLS

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Face value	116,350	99,350	116,350	99,350
Unearned discount	(1,628)	-	(1,628)	-
	114,722	99,350	114,722	99,350
Maturing within one year	(71,961)	(28,300)	(71,961)	(28,300)
Maturing after one year	42,761	71,050	42,761	71,050

The average interest rates received were as follows:

	GROUP AND COMPANY 2005	2004
Treasury bills	8.21%	3%
Bonds	8.47%	9.65%

16 INVENTORIES – GROUP AND COMPANY

	2005 Sh'000	2004 Sh'000
Carbon dioxide gas and dry ice	1,628	1,827
Spare parts and materials	9,104	7,130
Fuel and chemicals	1,279	1,189
Oxygen gas	210	393
	12,221	10,539

17 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Trade receivables	53,386	42,290	-	-
Prepayments	2,273	284	66	69
Other receivables	4,519	1,501	2,459	-
	60,178	44,075	2,525	69

18 COMMERCIAL PAPER – GROUP AND COMPANY

	2005 Sh'000	2004 Sh'000
Face value	81,000	52,000
Less: Unearned discount	(1,475)	(307)
	79,525	51,693

The average interest rate received was 7.5% (2004 – 4.2%).

19 SHORT TERM DEPOSITS – GROUP AND COMPANY

	2005 Sh'000	2004 Sh'000
Fixed deposits		
-Local currency	64,147	81,937
-Foreign currency	16,243	16,183
	80,390	98,120

All short term deposits mature within three months of the date placed.
The average interest rate realised on local currency fixed deposits during the year was 6.53 % (2004 – 4%).
The average interest rate on the foreign currency fixed deposits was 1.9% (2004 – 1.5%)

20 SHARE CAPITAL

	2005 Sh'000	2004 Sh'000
Authorised:		
12,000,000 ordinary shares of Sh 5 each	60,000	60,000
Issued and fully paid:		
11,326,755 ordinary shares of Sh 5 each	56,634	56,634

21 DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using the currently enacted tax rate of 30%. The net deferred taxation liability is attributed to the following items:

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Accelerated capital allowances	31,491	32,202	-	-
Leave pay provision	(443)	(461)	-	-
Unrealised exchange (losses)/gains	(1,343)	297	(1)	192
Revaluation surpluses - investment property	4,880	4,880	4,880	4,880
Revaluation surplus - property and equipment	107,921	114,761	814	832
	142,506	151,679	5,693	5,904

	GROUP		COMPANY	
The movement on the deferred tax account is as follows:				
At 1 August	151,679	61,706	5,904	5,422
Income statement (credit)/charge (note 6)	(9,173)	(3,570)	(211)	3,311
Transferred directly to equity	-	93,543	-	(2,829)
At 31 July	142,506	151,679	5,693	5,904

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Trade payables	6,538	13,104	-	-
Unclaimed dividends	4,762	4,805	4,762	4,805
Other payables and accruals	14,506	13,707	865	838
Leave pay provision	1,476	1,536	-	-
	27,282	33,152	5,627	5,643

23 NOTES TO THE CASH FLOW STATEMENT

	2005 Sh'000	2004 Sh'000
(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS		
Operating profit	133,497	85,967
Amortisation	470	479
Depreciation	33,062	41,094
Loss/(profit) on disposal of plant and equipment	2,725	(5,323)
Net foreign exchange (losses)/gains	(4,475)	3,074
Operating profit before working capital changes	165,279	125,291
(Increase)/decrease in inventories	(1,682)	(1,117)
Increase in trade and other receivables	(16,103)	(736)
(Decrease)/increase in trade and other payables	(5,827)	10,289
Cash generated from operations	141,667	133,727
(b) ANALYSIS OF CASH AND CASH EQUIVALENTS		
Treasury bills	29,471	-
Commercial paper	79,525	51,693
Short term deposits	80,390	98,120
Bank balances and cash	76,570	25,250
	265,956	175,063

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.

24 RELATED PARTY TRANSACTIONS

During the year the group contracted consultancy services from a firm related to it through common directorship. The fees charged for these services were Sh 4,030,000 (2004- Sh 3,022,000). These transactions were at arm's length and in the normal course of business.

25 CAPITAL COMMITMENTS

	2005 Sh'000	2004 Sh'000
Authorised but not contracted for	30,400	19,725

26 RETIREMENT BENEFIT OBLIGATIONS

The company contributes to a company defined contribution pension scheme and to a statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the company plan are determined by the rules of the plan and totalled Sh 1,821,408 (2004 – Sh 2,817,599) in the year. Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2005, the company contributed Sh 131,200 (2004 – Sh 121,600) to the statutory scheme.

27 OPERATING LEASE COMMITMENTS

AS LESSEE:

The total of future minimum lease payments under non-cancellable operating leases are as follows:

	2005 Sh'000	2004 Sh'000
Not later than 1 year	361	361
Later than 1 year and not later than 5 years	1,442	1,442
Later than 5 years	17,224	17,585
	19,027	19,388

AS LESSOR:

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2005 Sh'000	2004 Sh'000
Not later than 1 year	3,684	3,509
Later than 1 year but not later than 5 years	14,736	14,037
Later than 5 years	-	-
	18,420	17,546

Leases are negotiated for an average term of 5 years and rentals are reviewed in the third and fourth year.

28 COUNTRY OF INCORPORATION

The company is incorporated and domiciled in Kenya under the Companies Act.

29 CURRENCY

These financial statements are presented in Kenya Shillings thousands (Sh'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 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 at The Norfolk Hotel (South Ballroom), Harry Thuku Road, Nairobi on Friday, 11th November 2005 at 10.00 a.m., and at any adjournment thereof.

Dated this ____________________ day of ____________________ 2005

Signature ____

Notes:

1. A member may appoint a proxy of his own choice. A proxy need not be a member of the Company.

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, 3rd Floor, Comcraft House, Haile Selassie Avenue, P.O. Box 30633, Nairobi, GPO, 00100, 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

Kunja Hapa Kwanza
Fold 1

Company Secretary
Carbacid Investments Limited
P.O. Box 30633
Nairobi, GPO, 00100
Kenya

Fold 3
Halafu Kunja Hapa

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