# CARBACID INVESTMENTS LIMITED

## REPORT AND FINANCIAL STATEMENTS 2003


CO2

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1. Carbacid investment Limited — Perio
2. Gase industry -- Kenya — Periodical

# corporate information

| | | |
|---|---|---|
| DIRECTORS | J M Wanjigi | Chairman |
| | B C Patel | |
| | M K R Shah | |
| | R A Shepherd | |
| | P R Simpson | |
| AUDIT COMMITTEE | R A Shepherd<br>J M Wanjigi<br>M K R Shah | |
| SECRETARY | N P Kothari, FCPS (Kenya)<br>Haile Selassie Avenue<br>P O Box 30633<br>Nairobi, GPO, 00100<br>Kenya | |
| REGISTERED OFFICE | 3rd Floor, Comcraft House<br>Haile Selassie Avenue<br>P O Box 30633<br>Nairobi, GPO, 00100<br>Kenya<br>Telephone (254-20) 225208/227989 | |
| REGISTER OF MEMBERS AND TRANSFER OFFICE | Specialist Corporate Consultants<br>3rd Floor, Comcraft House<br>Haile Selassie Avenue<br>P O Box 30633<br>Nairobi, GPO, 00100<br>Kenya<br>Telephone (254-20) 225208/227989 | |
| AUDITORS | Deloitte & Touche<br>Certified Public Accountants (Kenya)<br>"Kirungii", Ring Road, Westlands<br>P O Box 40092<br>Nairobi, GPO, 00100<br>Kenya | |
| BANKERS | Commercial Bank of Africa Limited<br>P O Box 45136<br>Nairobi, GPO, 00100<br>Kenya | |
| | CFC Bank Limited<br>CFC Centre<br>Chiromo Road<br>P O Box 72833<br>Nairobi, City Square, 00200<br>Kenya | |
| ADVOCATES | Kaplan & Stratton<br>P O Box 40111<br>Nairobi, GPO, 00100<br>Kenya | |
| | Omamo & Omamo<br>P O Box 48044<br>Nairobi, GPO, 00100<br>Kenya | |

## JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 71, 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 56, 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 71, 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.

## BALOO C PATEL

Aged 64, Mr Patel joined the Board in May 2002. He is a significant shareholder in the Company (see page 9) and has extensive business interests in the travel and tourism sectors. He is also a Director of Pan African Insurance Holdings Limited. His varied business experience has brought a wide range of additional skills to the Board.

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

Aged 49, 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 U.K. He is a former partner of the PriceWaterhouse and he is 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 the financial matters of the Group.

# notice of meeting

NOTICE IS HEREBY GIVEN that the thirty-third Annual General Meeting of the shareholders of Carbacid Investments Limited will be held at Nairobi Serena Hotel (Allamanda Room), Kenyatta Avenue, Nairobi on Thursday, 11th December 2003 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 2003.

2 To approve Directors' fees.

3 To declare a final dividend of Shs 2.25 per share to shareholders registered on 27th October 2003.

4 To elect Directors:

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

(b) Mr P R Simpson 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
18 September 2003

***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.***

The year to 31st July 2003 marked a major milestone in Kenya's history with the peaceful transition to a new government under the multiparty era of democracy. The economy has continued to perform poorly and there are expectations that with fresh direction that the new government will provide, the Kenyan economy will improve in the coming months. Once again your Company has been able to increase sales and operating profit by 25% and 60% respectively over the previous year. Net profit after tax increased by 58%.

The improvement in sales came through growth in exports and higher than normal demand for the Company's products in Kenya. At the same time, costs increases have been contained, resulting in significantly improved operating results. 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.

The Company's efforts to identify new markets and new uses for its main products continue in earnest. A strategic review of the business was undertaken during the year and additional opportunities have been identified which the management will be addressing over the next two years or so. Trials for new uses of carbon dioxide gas have been extended in order to further assess the technical acceptability and commercial viability of the products.

The Company's investment portfolio has yielded improved results in 2002/2003 because of rise in the value of investments in shares and good yields on investments in bonds and treasury instruments. However, with the rapid decline in interest rates since the beginning of this year, returns from investments in treasury bills and bank deposits will decline in the current financial year. Your Board continues to look at ways of further improving the yields on investments.

Your Board approved the payment of an interim dividend of Shs. 1.75 per share in April 2003 and now recommends a final dividend of Shs. 2.25 per share to be paid in December 2003, making a total of Shs. 4/- per share for the full year to 31st July 2003.

The current year has started off well but it is expected that the higher than normal demand experienced in Kenya during 2002/2003 may not continue. Returns on investments in treasury bills and deposits are expected to decline in line with the trends in interest rates. The expected improvement in the economy, if it materializes, should however help to counter these factors to a certain extent.

Your Board continues to place great emphasis on Corporate Governance. 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
18 September 2003

J M WANJIGI
Chairman

YA MWAKA ULIOMALIZIKA JULAI 31, 2003

Mwaka hadi 31 Julai 2003 ulionyesha hatua kubwa katika historia ya Kenya kwa kubadilisha mamlaka kwa amani kwa Serikali mpya chini ya enzi ya demokrasia ya vyama vingi. Uchumi umeendelea kufanya vibaya na kuna matumaini kwamba kupitia muelekeo mpya utakaotolewa na Serikali mpya, uchumi wa Kenya utaimarika katika miezi ijayo. Kwa mara nyingine tena Kampuni yenu imeweza kuongeza mauzo na faida kutokana na shuguli za kawaida kwa asilimia 25 na 60 kila moja ukilinganisha na mwaka uliopita. Faida baada ya kodi iliongezeka kwa asilimia 58.

Kuimarika katika mauzo kulitokana na ongezeko katika mauzo ya nchi za nje na mahitaji ya juu yasio ya kawaida ya bidhaa za Kampuni hapa Kenya. Kwa wakati huo ongezeko katika matumizi yameweza kuthibitiwa, ikisababisha matokeo ya shuguli za kawaida yalioimarika sana. Mitambo ya Kampuni ya kutolea gesi ya carbon dioxide imeendelea kuhifadhiwa katika viwango vya juu zaidi ili kuhakikisha utendaji kazi wa hali ya juu na kutoa bidhaa za hali ya juu zaidi katika Africa.

Juhudi za Kampuni za kutafuta soko mpya na matumizi mapya ya bidhaa zake kuu zinaendelea kwa nguvu zaidi. Mpango wa biashara wa Kampuni uliangaliwa mwaka huu na nafasi za ziada ambazo Kampuni inaweza kutumia zimetambuliwa ambazo wasimamizi wa Kampuni wata shugulikia kwa miaka kama miwili ijayo. Majaribio kuhusu matumizi mapya ya gesi ya carbon dioxide yameongezewa ili kukadiria kukubaliwa kwa matumizi na uwezo wa kibiashara wa hizo bidhaa.

Rasilimali zinazotumika kupata faida zimeleta matokeo yalioimarika katika 2002/2003 kwa sababu ya ongezeko katika thamani ya rasilimali zilizowekwa katika hisa na faida nzuri kutoka kwa hundi za Serikali. Hata hivyo, kushuka kwa haraka katika viwango vya riba tokea mwanzo wa mwaka huu, mapato kutokana na uwekezaji wa rasilimiali katika hundi za Serikali na akiba za benki yatashuka katika mwaka huu wa fedha. Halmashauri yenu ya wakurugenzi itaangalia njia zaidi za kuimarisha mapato kutokana na uwekezaji raslimali.

Halmashauri yenu ya wakurugenzi ilipitisha kulipwa kwa mgao wa muda wa faida wa Shillingi 1/75 kwa kila hisa hapo Aprili 2003 na sasa wanapendekeza kulipwa kwa mgao wa mwisho wa faida wa Shillingi 2/25 kwa kila hisa ulipwe Desemba 2003. Hii inafanya mgao wa faida kwa jumla kuwa Shillingi 4/- kwa kila hisa kwa mwaka wote hadi 31 Julai 2003.

Mwaka ulioanza sasa umeanza vyema lakini inatarajiwa kuwa mahitaji ya juu yasio ya kawaida yalio onekana hapa Kenya katika 2002/2003 huenda yasiendele. Mapato kutoka kwa uwekaji rasilimali katika hundi za Serikali na akiba yanatarajiwa kushuka kuambatana na mitindo ya viwango vya riba. Matarajio ya kuimarika kwa uchumi yakitokeya hata hivyo yatasaidia kudhofisha adhari hizo kwa kiwango fulani.

Halmashauri yenu ya wakurugenzi inaendelea kutilia mkazo kwenye desturi ya mwongozo wa mashirika. Taarifa kuhusu mwongozo wa masharika imetengwa katika ripoti ya matokeo ya mwaka.

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

Nairobi
Septemba 18, 2003

J M WANJIGI
Mwenyekiti

The directors present their report together with the group audited financial statements for the year ended 31 July 2003.

## 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 |
|---|---|
| Profit before taxation | 125,860 |
| Taxation | (37,376) |
| Net profit for the year transferred to revenue reserve | 88,484 |

## DIVIDENDS

An interim dividend of Shs 1.75 per share (2002 - Shs 1.10) was paid during the year amounting to Shs 19,821,821 (2002 - Shs 12,459,000). The Directors propose a final dividend of Shs 2.25 per share (2002 – Shs 22) amounting to Shs 25,485,198. (2002 – Shs 249,188,610).

## DIRECTORS

The current board of directors is shown on page 2

Mr R A Shepherd and Mr P R Simpson 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
18 September 2003

## statement on corporate governance

The Company is committed to the maintaining standards of Corporate Governance and although some of these were already the Company's committed values, the additional 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 six meetings, and those were attended by all 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 carried 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 disclosures 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. These Committees met as follows during 2002/2003.

- Audit Committee - Four times
- Strategic Committee - Once
- Staff Committee - Once

### Business and Financial Planning

A detailed budget for the coming financial year is presented to the Board for approval at the beginning of that year. Management accounts comparing actual results against the budget and previous years and revised forecasts for the remainder of the financial year are produced each month. Significant variances from the 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 and
- 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.

### 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 2003 were as follows:

| Name | No of Shares |
|---|---|
| Mr J M Wanjigi<br>including shares held by a company in which he has an interest | 130,462 |
| Mr R A Shepherd | 960 |
| Mr P R Simpson | 1,129 |
| Mr B C Patel | 1,020,533 |

### Distribution of shareholders

| Shareholding (No of Shares) | No of shares held | No of shareholders | % Shareholding |
|---|---|---|---|
| Less than 500 | 40,224 | 187 | 0.36 |
| 500 - 5,000 | 896,323 | 484 | 7.91 |
| 5,001 - 10,000 | 241,606 | 34 | 2.13 |
| 10,001 - 100,000 | 1,378,763 | 41 | 12.17 |
| 100,001 - 1,000,000 | 3,488,825 | 10 | 30.80 |
| above 1,000,000 | 5,281,014 | 3 | 46.63 |
| Total | 11,326,755 | 759 | 100.00 |

### Major Shareholders

The top 10 major shareholders as at 31 July 2003, 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 | 1,020,533 | 9.01 |
| Mr A B Shah and Mrs A A Shah | 929,618 | 8.21 |
| Kivuli Limited | 660,000 | 5.83 |
| Miss T I Friedman | 501,142 | 4.42 |
| ICDC Investment Company Limited | 303,859 | 2.68 |
| Cannon Assurance (Kenya) Limited | 262,865 | 2.32 |
| Miss N Stubbs | 250,790 | 2.21 |
| Mrs B C Kampf | 179,428 | 1.58 |

# 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

P R SIMPSON
Director

18 September 2003

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

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

Telephone: + (254-20) 444 1344/05-12
Facsimile: + (254-20) 444 8966
Dropping Zone Box No. 92
E-mail: admin@deloitte.co.ke

Deloitte
& Touche

We have audited the financial statements on pages 12 to 30 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 2003 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 Companies Act.

DELOITTE & TOUCHE
Nairobi
18 September 2003

Deloitte
Touche
Tohmatsu

Partners: D.M. Ndonye H. Gadhoke* D.C. Hodges* J.M. Kiarie S.O. Onyango J.W. Wangai
*British

## consolidated income statement

FOR THE YEAR ENDED 31 JULY 2003

| | Note | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|---|
| TURNOVER | | 218,773 | 174,433 |
| COST OF SALES | | (106,088) | (96,126) |
| GROSS PROFIT | | 112,685 | 78,307 |
| OTHER OPERATING INCOME | | 16,742 | 13,363 |
| ADMINISTRATIVE EXPENSES | | (40,468) | (36,207) |
| OPERATING PROFIT | 3 | 88,959 | 55,463 |
| FINANCE INCOME | 5 | 36,901 | 23,396 |
| PROFIT BEFORE TAXATION | | 125,860 | 78,859 |
| TAXATION | 6 | (37,376) | (23,043) |
| NET PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS | 7 | 88,484 | 55,816 |
| EARNINGS PER SHARE – Basic and diluted | 8 | Sh 7.81 | Sh 4.93 |
| DIVIDEND PER SHARE | 9 | Sh 4.0 | Sh 23.10 |

| | Note | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|---|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 10 | 229,020 | 266,286 |
| Investment property | 11 | 17,379 | 17,379 |
| Operating lease prepayments | 12 | 24,654 | 25,135 |
| Equity investments | 14 | 17,404 | 5,486 |
| Bonds and treasury bills | 15 | 102,609 | 66,457 |
| | | 391,066 | 380,743 |
| Current assets | | | |
| Inventories | 16 | 9,422 | 10,034 |
| Trade and other receivables | 17 | 46,605 | 32,532 |
| Taxation recoverable | | - | 10,892 |
| Bonds and treasury bills | 15 | 64,241 | 29,602 |
| Commercial paper | 18 | 28,864 | 26,407 |
| Short term investments | 19 | - | 213,708 |
| Short term deposits | 20 | 35,329 | 43,254 |
| Bank and cash balances | | 23,714 | 19,499 |
| | | 208,175 | 385,928 |
| Total assets | | 599,241 | 766,671 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 21 | 56,634 | 56,634 |
| Capital reserves | | 122,922 | 129,028 |
| Revenue reserves | | 285,023 | 235,740 |
| Proposed dividend - gross | | 25,485 | 249,189 |
| | | 490,064 | 670,591 |
| Non current liabilities | | | |
| Deferred income taxes | 22 | 61,706 | 75,271 |
| Current liabilities | | | |
| Trade and other payables | 23 | 22,863 | 20,809 |
| Taxation payable | | 24,608 | - |
| | | 47,471 | 20,809 |
| Total equity and liabilities | | 599,241 | 766,671 |



The financial statements on pages 12 to 30 were approved by the board of directors on 18 September 2003 and were signed on its behalf by:

J M WANJIGI
P R SIMPSON
} Directors

## company balance sheet

31 JULY 2003

| | Note | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|---|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 10 | 12,634 | 12,839 |
| Investment property | 11 | 17,379 | 17,379 |
| Operating lease prepayments | 12 | 24,626 | 25,106 |
| Investment in subsidiary company | 13 | 186,058 | 242,022 |
| Equity investments | 14 | 17,404 | 5,486 |
| Bonds and treasury Bills | 15 | 102,609 | 66,457 |
| | | 360,710 | 369,289 |
| Current assets | | | |
| Interest receivable | 17 | 3,266 | 2,035 |
| Bonds and treasury bills | 15 | 64,241 | 28,355 |
| Commercial paper | 18 | 28,864 | 26,407 |
| Short term investments | 19 | - | 213,708 |
| Short term deposits | 20 | 35,329 | 43,254 |
| Bank and cash balances | | 8,987 | 2,768 |
| | | 140,687 | 316,527 |
| Total assets | | 501,397 | 685,816 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 21 | 56,634 | 56,634 |
| Capital reserves | | 176,817 | 232,930 |
| Revenue reserves | | 231,128 | 131,838 |
| Proposed dividend - gross | | 25,485 | 249,189 |
| | | 490,064 | 670,591 |
| Non current liabilities | | | |
| Deferred income taxes | 22 | 5,422 | 7,605 |
| Current liabilities | | | |
| Trade and other payables | 23 | 4,383 | 2,845 |
| Taxation payable | | 1,528 | 4,775 |
| | | 5,911 | 7,620 |
| Total equity and liabilities | | 501,397 | 685,816 |

The financial statements on pages 12 to 30 were approved by the board of directors on 18 September 2003 and were signed on its behalf by:

J M WANJIGI
P R SIMPSON } Directors

FOR THE YEAR ENDED 31 JULY 2003

| | Share capital Sh'000 | Capital reserves Sh'000 | Revenue reserves Sh'000 | Proposed dividend Sh'000 | Total Sh'000 |
|---|---|---|---|---|---|
| At 1 August 2001 | 56,634 | 136,394 | 434,206 | 18,689 | 645,923 |
| Transfer of excess depreciation | - | (10,523) | 10,523 | - | - |
| Deferred tax thereon | - | 3,157 | (3,157) | - | - |
| Net profit for the year | - | - | 55,816 | - | 55,816 |
| Final dividend paid - 2001 | - | - | - | (18,689) | (18,689) |
| Interim Dividend paid - 2002 | - | - | (12,459) | - | (12,459) |
| *Proposed final dividend - 2002* | - | - | (249,189) | 249,189 | - |
| At 31 July 2002 | 56,634 | 129,028 | 235,740 | 249,189 | 670,591 |
| At 1 August 2002 | 56,634 | 129,028 | 235,740 | 249,189 | 670,591 |
| Transfer of excess depreciation | - | (8,723) | 8,723 | - | - |
| Deferred tax thereon | - | 2,617 | (2,617) | - | - |
| Net profit for the year | - | - | 88,484 | - | 88,484 |
| Final dividend paid - 2002 | - | - | - | (249,189) | (249,189) |
| Interim dividend paid - 2003 | - | - | (19,822) | - | (19,822) |
| *Proposed final dividend - 2003* | - | - | (25,485) | 25,485 | - |
| At 31 July 2003 | 56,634 | 122,922 | 285,023 | 25,485 | 490,064 |

The capital reserves are not distributable and represent the surplus arising from the revaluation of property, plant and equipment.

# company statement of changes in equity

FOR THE YEAR ENDED 31 JULY 2003

| | Share capital Sh'000 | Capital reserves Sh'000 | Revenue reserves Sh'000 | Proposed dividend Sh'000 | Total Sh'000 |
|---|---|---|---|---|---|
| At 1 August 2001 | 56,634 | 555,358 | 15,242 | 18,689 | 645,923 |
| Deficit on revaluation of investment in subsidiary | - | (322,428) | - | - | (322,428) |
| Net profit for the year | - | - | 378,244 | - | 378,244 |
| Final dividend paid - 2001 | - | - | - | (18,689) | (18,689) |
| Interim Dividend paid - 2002 | - | - | (12,459) | - | (12,459) |
| Proposed final dividend - 2002 | - | - | (249,189) | 249,189 | - |
| At 31 July 2002 | 56,634 | 232,930 | 131,838 | 249,189 | 670,591 |
| At 1 August 2002 | 56,634 | 232,930 | 131,838 | 249,189 | 670,591 |
| Deficit on revaluation of investment in subsidiary | - | (55,964) | - | - | (55,964) |
| Transfer of excess depreciation | - | (213) | 213 | - | - |
| Deferred tax thereon | - | 64 | (64) | - | - |
| Net profit for the year | - | - | 144,448 | - | 144,448 |
| Final dividend paid-2002 | - | - | - | (249,189) | (249,189) |
| Interim dividend paid-2003 | - | - | (19,822) | - | (19,822) |
| Proposed final dividend - 2003 | - | - | (25,485) | 25,485 | - |
| At 31 July 2003 | 56,634 | 176,817 | 231,128 | 25,485 | 490,064 |

The capital reserves are not distributable and represent the movement arising from the revaluation of the investment in subsidiary and property, plant and equipment.

FOR THE YEAR ENDED 31 JULY 2003

| | Note | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash generated from operations | 24(a) | 133,746 | 94,569 |
| Interest received | | 16,653 | 18,936 |
| Taxation paid | | (15,441) | (2,485) |
| Net cash generated from operating activities | | 134,958 | 111,020 |
| INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | | (13,599) | (26,061) |
| Proceeds from disposal of plant and equipment | | 4,470 | 1,087 |
| Purchase of bonds | | (75,970) | (52,964) |
| Redemption of bonds | | 43,500 | 35,600 |
| Dividends received | | 1,519 | 677 |
| Purchase of equity investments | | (2,710) | - |
| Net cash used in investing activities | | (42,790) | (41,661) |
| FINANCING ACTIVITIES | | | |
| Dividends paid | | (269,011) | (31,148) |
| (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (176,843) | 38,211 |
| CASH AND CASH EQUIVALENTS AT 1 AUGUST | | 328,991 | 290,780 |
| CASH AND CASH EQUIVALENTS AT 31 JULY | 24(b) | 152,148 | 328,991 |

## 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:

**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 and investment property.

**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 subsidiary, Carbacid ($CO_2$) Limited, whose financial year ends on 31 July.

**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.

**Dividend receivable**

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

**Commercial paper, treasury bills and bonds**

Investments in commercial paper, treasury bills and bonds are stated at face value less unearned discounts. Discounts on purchase are recognised to income over the period of maturity of the related investments.

**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.

**Property, plant and equipment**

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

**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% |

1 ACCOUNTING POLICIES (continued)

Excess depreciation is transferred annually from the revenue reserve to revaluation reserve.

**Leasehold land**

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

**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.

**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.

**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 operates an unregistered non-contributory scheme for its senior management.

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.

**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.

**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.

**Impairment**

At each balance sheet date, the group reviews the carrying amounts of its financial assets, tangible and intangible assets 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.

1 ACCOUNTING POLICIES (continued)

**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.

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.

**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.

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.

**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.

## 1 ACCOUNTING POLICIES (continued)

**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 period (property, plant and equipment).

## 2 SEGMENTAL INFORMATION

(a) Primary reporting format - Business segments

| | $CO_2$ trading Sh'000 | investment Sh'000 | Group Sh'000 |
|---|---|---|---|
| 2003 | | | |
| Turnover | 218,733 | - | 218,733 |
| Profit before taxation | 90,524 | 35,336 | 125,860 |
| Segment assets | 283,902 | 31,339 | 599,241 |
| Segment liabilities | 97,844 | 11,333 | 109,177 |
| Depreciation | 49,427 | - | 49,427 |
| Capital expenditure | 13,599 | - | 13,599 |
| 2002 | | | |
| Turnover | 174,433 | - | 174,433 |
| Profit before taxation | 57,761 | 21,098 | 78,859 |
| Segment assets | 327,652 | 439,019 | 766,671 |
| Segment liabilities | 85,630 | 10,450 | 96,080 |
| Depreciation | 41,861 | - | 41,861 |
| Capital expenditure | 23,981 | - | 23,981 |

(b) Secondary reporting - geographical segments

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

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Domestic sales | 141,564 | 121,700 |
| Export sales | 77,209 | 52,733 |
| | 218,773 | 174,433 |

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| **3 OPERATING PROFIT** | | |
| The operating profit is arrived at after charging: | | |
| Directors' emoluments | | |
| Fees | 2,247 | 1,235 |
| Other emoluments | 10,446 | 17,771 |
| Auditors' remuneration | 1,150 | 1,098 |
| Staff costs (note 4) | 29,637 | 34,918 |
| Depreciation | 49,427 | 42,064 |
| Amortisation of operating lease prepayment | 481 | 472 |
| and after crediting: | | |
| Profit on disposal of plant and equipment | 4,123 | 1,163 |
| **4 STAFF COSTS** | | |
| Salaries and wages | 27,284 | 31,360 |
| Social security costs | 109 | 81 |
| Pension costs - defined contribution plan | 1,118 | 1,002 |
| - unregistered non contributory scheme | 665 | 2,037 |
| Terminal benefits | 186 | 84 |
| Leave pay expense | 275 | 354 |
| | 29,637 | 34,918 |
| The average weekly number of staff employed by the group during the year was as follows: | No. | No. |
| Administration | 14 | 14 |
| Production | 34 | 32 |
| | 48 | 46 |
| **5 FINANCE INCOME** | | |
| Interest receivable from - bonds and treasury bills | 14,377 | 9,333 |
| - commercial paper | 555 | 2,943 |
| - Short term investments and deposits | 2,070 | 4,450 |
| - current account | 734 | 331 |
| - other sources | - | 2,046 |
| | 17,736 | 19,103 |
| Net foreign exchange gains | 8,742 | 3,982 |
| Capital loss on sale of foreign investment | (304) | - |
| Dividends receivable - gross | 1,519 | 677 |
| Surplus/(deficit) arising from revaluation of equity investments | 9,208 | (366) |
| | 36,901 | 23,396 |

## 6 TAXATION

(a) TAX CHARGE

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Current taxation based on taxable profit at 30% | 48,136 | 21,002 |
| Prior years' under provision | 2,805 | - |
| | 50,941 | 21,002 |
| Deferred tax (credit)/charge | (13,565) | 2,041 |
| | 37,376 | 23,043 |

(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Accounting profit before taxation | 125,860 | 78,859 |
| Tax at the applicable rate of 30% | 37,758 | 23,657 |
| Tax effect of expenses not deductible for tax purposes | 525 | 392 |
| Tax effect of income not taxable | (3,712) | (1,006) |
| Prior years' under provision | 2,805 | - |
| | 37,376 | 23,043 |

## 7 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Carbacid Investments Limited is Sh 144,448,000 (2002 - Sh 378,244,000).

## 8 BASIC EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to shareholders for the year of Sh 88,484,000 (2002 - Sh 55,816,000) and on the 11,326,755 (2002 – 11,326,755) shares in issue during the year.

There were no potentially dilutive shares outstanding at 31 July 2003 or 31 July 2002.

## 9 DIVIDEND PER SHARE

| | 2003 Sh | 2002 Sh |
|---|---|---|
| Interim dividend paid | 1.75 | 1.10 |
| Final dividend proposed | 2.25 | 22.00 |
| | 4.0 | 23.10 |

## 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 2002 | 36,602 | 23,453 | 95,752 | 395,292 | 551,099 |
| Additions | 70 | - | 13,361 | 168 | 13,599 |
| Disposals | - | - | (16,532) | (17,306) | (33,838) |
| At 31 July 2003 | 36,672 | 23,453 | 92,581 | 378,154 | 530,860 |
| COMPRISING: | | | | | |
| Valuation - 1994 | 18,836 | 4,716 | 7,940 | 237,294 | 268,786 |
| Cost | 17,836 | 18,737 | 84,641 | 140,860 | 262,074 |
| | 36,672 | 23,453 | 92,581 | 378,154 | 530,860 |
| DEPRECIATION | | | | | |
| As at 1 August 2002 | 6,064 | 12,508 | 79,404 | 186,837 | 284,813 |
| Charge for the year | 785 | 2,345 | 10,421 | 35,876 | 49,427 |
| Eliminated on disposals | - | - | (16,531) | (15,869) | (32,400) |
| At 31 July 2003 | 6,849 | 14,853 | 73,294 | 206,844 | 301,840 |
| NET BOOK VALUE | | | | | |
| At 31 July 2003 | 29,823 | 8,600 | 19,287 | 171,310 | 229,020 |
| At 31 July 2002 | 30,538 | 10,945 | 16,348 | 208,455 | 266,286 |
| NET BOOK VALUE (cost basis) | | | | | |
| At 31 July 2003 | 5,264 | 8,489 | 18,030 | 119,266 | 151,049 |
| At 31 July 2002 | 7,530 | 10,823 | 16,353 | 146,124 | 180,830 |

Property, plant and equipment with a cost of Sh 67,877,160 (2002 - Sh 68,003,883) were fully depreciated at 31 July 2003. The normal depreciation charge in respect of these assets for the year would have been Sh 12,932,448 (2002 - Sh 13,363,423).

The assets were valued by C P Robertson – Dunn, T D Registered valuation surveyor at 31 July 1994. Land and buildings and roads were valued on an open market basis. Plant and equipment and motor vehicles were valued on a depreciated replacement cost basis.

## 10 PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

| | Buildings Sh'000 |
|---|---|
| COST | |
| At 1 August 2002 and 31 July 2003 | 13,876 |
| DEPRECIATION | |
| As at 1 August 2002 | 1,037 |
| Charge for the year | 205 |
| At 31 July 2003 | 1,242 |
| NET BOOK VALUE | |
| At 31 July 2003 | 12,634 |
| At 31 July 2002 | 12,839 |

## 11 INVESTMENT PROPERTY

GROUP AND COMPANY

| | Sh'000 |
|---|---|
| FAIR VALUE | |
| At 1 August 2002 and 31 July 2003 | 17,379 |

In the directors' opinion, the carrying value of the investment property is not materially different from its fair value at 31 July 2003.

## 12 OPERATING LEASE PREPAYMENTS

| | GROUP Sh'000 | COMPANY Sh'000 |
|---|---|---|
| As at 1 August 2002 | 25,135 | 25,106 |
| Amortisation for the year | (481) | (480) |
| At 31 July 2003 | 24,654 | 24,626 |

## 13 INVESTMENT IN SUBSIDIARY COMPANY

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Carbacid ($CO_2$) Ltd – 100% owned | 186,058 | 242,022 |

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

## 14 EQUITY INVESTMENTS

GROUP AND COMPANY

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Equity investments at market value | 17,404 | 5,486 |

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. Revaluation surpluses and deficits are dealt with in the income statement.

## 15 BONDS AND TREASURY BILLS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2003 Sh'000 | 2002 Sh'000 | 2003 Sh'000 | 2002 Sh'000 |
| Face value | 167,350 | 96,600 | 167,350 | 95,350 |
| Unearned discount | (500) | (541) | (500) | (538) |
| | 166,850 | 96,059 | 166,850 | 94,812 |
| Maturing within one year | (64,241) | (29,602) | (64,241) | (28,355) |
| Maturing after one year | 102,609 | 66,457 | 102,609 | 66,457 |

The average interest rates received were as follows:

| | GROUP AND COMPANY | |
|---|---|---|
| | 2003 | 2002 |
| Treasury bills | 8% | 9% |
| Bonds | 12% | 12% |

## 16 INVENTORIES

GROUP

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Carbon dioxide gas and dry ice | 1,868 | 1,470 |
| Spare parts and materials | 6,588 | 7,380 |
| Fuel and chemicals | 812 | 950 |
| Oxygen gas | 154 | 234 |
| | 9,422 | 10,034 |

## 17 TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2003 Sh'000 | 2002 Sh'000 | 2003 Sh'000 | 2002 Sh'000 |
| Trade receivables | 41,216 | 27,916 | - | - |
| Interest receivable | 3,266 | 2,183 | 3,266 | 2,035 |
| Prepayments | 162 | 99 | - | - |
| Other receivables | 1,961 | 2,334 | - | - |
| | 46,605 | 32,532 | 3,266 | 2,035 |

## 18 COMMERCIAL PAPER

GROUP AND COMPANY

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Face value | 29,000 | 26,550 |
| Less: Unearned discount | (136) | (143) |
| | 28,864 | 26,407 |



The average interest rate received was 7.4% (2002 – 10%).

## 19 SHORT TERM INVESTMENTS

GROUP AND COMPANY

| | | |
|---|---|---|
| Unit trust investments at market value | - | 213,708 |

Unit trust investments comprise marketable securities which are revalued annually at the close of business on 31 July by reference to the unit trust. The market value approximates to fair value. Revaluation surpluses and deficits are dealt with in the income statement.

## 20 SHORT TERM DEPOSITS

GROUP AND COMPANY

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Fixed deposits | 35,329 | 43,254 |

The average interest rate realised on local fixed deposits during the year was 6.4% (2002 – 9%).

## 21 SHARE CAPITAL

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Authorised:<br>12,000,000 ordinary shares of Sh 5 each | 60,000 | 60,000 |
| Issued and fully paid:<br>11,326,755 ordinary shares of Sh 5 each | 56,634 | 56,634 |

## 22 DEFERRED INCOME TAXES

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2003 Sh'000 | 2002 Sh'000 | 2003 Sh'000 | 2002 Sh'000 |
| Accelerated capital allowances | 37,559 | 46,457 | - | - |
| Leave pay provision | (651) | (568) | - | - |
| Unrealised exchange gains | 152 | 2,119 | - | 2,119 |
| Revaluation surpluses | 24,646 | 27,263 | 5,422 | 5,486 |
| | 61,706 | 75,271 | 5,422 | 7,605 |
| The movement on the deferred tax account is as follows: | | | | |
| At 1 August | 75,271 | 73,230 | 7,605 | 9,788 |
| Income statement (credit)/charge | (13,565) | 2,041 | (2,183) | (2,183) |
| At 31 July | 61,706 | 75,271 | 5,422 | 7,605 |

## 23 TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2003 Sh'000 | 2002 Sh'000 | 2003 Sh'000 | 2002 Sh'000 |
| Trade payables | 4,692 | 4,061 | - | - |
| Unclaimed dividends | 3,826 | 2,289 | 3,826 | 2,289 |
| Other payables and accruals | 12,175 | 12,564 | 557 | 556 |
| Leave pay provision | 2,170 | 1,895 | - | - |
| | 22,863 | 20,809 | 4,383 | 2,845 |

## 24 NOTES TO THE CASH FLOW STATEMENT

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| **(a) RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS** | | |
| Operating profit | 88,959 | 55,463 |
| Amortisation | 481 | 472 |
| Depreciation | 49,427 | 42,064 |
| Profit on disposal of plant and equipment | (4,123) | (1,163) |
| Net foreign exchange gains | 8,742 | 3,982 |
| Capital loss on sale of foreign investment | (304) | - |
| Discount on bonds | (203) | (105) |
| Operating profit before working capital changes | 142,979 | 100,713 |
| Decrease/(increase) in inventories | 612 | (1,197) |
| (Increase)/decrease in trade and other receivables | (11,899) | (1,917) |
| Increase/(decrease) in trade and other payables | 2,054 | (3,030) |
| Cash generated from operations | 133,746 | 94,569 |

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| **(b) ANALYSIS OF CASH AND CASH EQUIVALENTS** | | |
| Treasury bills | 64,241 | 26,123 |
| Commercial paper | 28,864 | 26,407 |
| Short term investments | - | 213,708 |
| Short term deposits | 35,329 | 43,254 |
| Bank balances and cash | 23,714 | 19,499 |
| | 152,148 | 328,991 |

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.

## 25 RELATED PARTY TRANSACTIONS

During the year, a company in which one of the directors has an interest rendered certain consultancy services to the company for which a fee of Sh 1,930,000 was charged. These transactions were at arm's length and in the normal course of business

## 26 CAPITAL COMMITMENTS

| | 2003 Sh'000 | 2002 Sh'000 |
|---|---|---|
| Authorised but not contracted for | 31,950 | 19,000 |

## 27 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 1,117,887 (2002 – Sh 1,002,495) in the year. Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2003, the company contributed Sh 109,200 (2002 – Sh 81,196) to the statutory scheme.

The company also contributes to an unregistered non-contributory scheme. During the year ended 31 July 2003, contributions to this scheme totalled Sh 664,500 (2002 – Sh 2,036,640).

## 28 OPERATING LEASE COMMITMENTS

AS LESSEE:

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

| | 2003<br>Sh'000 | 2002<br>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 | 17,946 | 18,306 |
| | 19,749 | 20,109 |

AS LESSOR:

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

| | 2003<br>Sh'000 | 2002<br>Sh'000 |
|---|---|---|
| Not later than 1 year | 3,504 | 876 |
| Later than 1 year but not later than 5 years | 14,016 | - |
| Later than 5 years | 876 | - |
| | 18,396 | 876 |

## 29 COUNTRY OF INCORPORATION

The company is incorporated in Kenya under the Companies Act.

## 30 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 Nairobi Serena Hotel (Allamanda Room), Kenyatta Avenue, Nairobi on Thursday, 11th December 2003 at 10:00 a.m., and at any adjournment thereof.

Dated this ______________________ day of ______________________ 2003

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

Fold 1
Kunja Hapa Kwanza

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