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Corporate
information

1. Carbacid Investments Limited -- Periodicals
2. Gases Industry Kenya -- Periodicals

DIRECTORS

J M Wanjigi Chairman
R A Shepherd
B C Patel
M K R Shah*

*British

AUDIT COMMITTEE

R A Shepherd Chairman
J M Wanjigi
B C Patel
M K R Shah

SECRETARY

N P Kothari, FCPS (Kenya)

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 Stanbic Bank Limited
Upper Hill Medical Centre Branch
Ralph Bunche Road
P O Box 2492
Nairobi, City Square, 00200

2008/1629

ADVOCATES

Anjarwalla & Khanna Advocates
P O Box 200
Nairobi, Sarit Centre, 00606

Wainaina Ireri & Co. Advocates
P O Box 42706
Nairobi, GPO, 00100

JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 77, Mr Wanjigi who is a Fulbright Scholar, has been a Board member since 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.

R A (TONY) SHEPHERD

Aged 76, Mr Shepherd joined the Group as Managing Director of Carbacid (CO₂) Limited in 1967. He retired as a Managing Director of Carbacid (CO₂) Limited in 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 69, Mr Patel joined the Board in 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.

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

Aged 54, Mr Shah joined the Board in 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.

notice
of meeting

NOTICE IS HEREBY GIVEN that the thirty-eighth Annual General Meeting of the shareholders of Carbacid Investments Limited will be held at Holiday Inn (Palm Room), Parklands Road, Nairobi on Tuesday, 9th December 2008 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 2008.
- 2 To declare a final dividend of Shs 5/- per share to shareholders registered on 19th November 2008.
- 3 To approve Directors' fees.
- 4 To elect Directors:
 - (a) Mr J M Wanjigi retires by rotation and, being eligible, offers himself for re-election.
 - (b) Mr B C Patel 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
27 October 2008

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 year ended 31st July 2008 has been a successful year for the Company despite the challenges that arose in the early part of 2008. The growth in this period has been led by exports which have for the second time in the Company's history exceeded domestic sales in value. The full benefits of this increase in exports have however been limited by the strength of the shilling against the dollar during much of the 2007/8 financial period.

On the whole, sales increased by 5 % and operating profits by 1%. Net profits after tax have increased by 7%. Major factors that have adversely impacted the results for the year are:

- The disruption of sales generally post the election period from January to March.
- The challenges of supplying to Uganda and parts of Tanzania in the period when road access was blocked in the areas beyond Nakuru
- The steep rise in the cost of fuel for transport operations
- The erratic supply and poor quality of electricity power being provided by the supplier, leading to greater use of generator power at a much higher cost.
- The strength of the Shilling against the US Dollar, resulting in lower sales realisation in Shilling terms for the export sales.

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. This has been achieved, in part, by the continued stringent application of ISO standards. The Company will continue in its efforts to expand the export market. New initiatives in the areas of cylinder testing, dry ice blasting, and expansion of the distribution chain will commence in January 2009.

The Company's investment portfolio registered only a marginal increase in terms of interest earned. This was anticipated and is in line with market interest rates. The Board continued to maintain the investments in liquid form in order to expediently pay out the special dividend upon the conclusion of the BOC transaction. In view of the current turmoil in the financial markets, the strategy is to remain liquid and use the resources to take advantage of any sound business opportunities as they will arise in the months ahead.

Your Board approved the payment of an interim dividend of Shs 5/- per share and now recommends a final dividend of Shs 5/- per share to be paid in December 2008. The total dividend per share for the full year will, therefore, be Shs 10/- per share, the same as was paid 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 continued search for new regional markets as well as some improvement in the Kenyan economy should see a growth in demand for carbon dioxide gas and related products.

The Board continues to be concerned with the delayed resolution of the dispute between BOC and the Capital Markets Authority (CMA) in respect of BOC's offer for the Carbacid shares. The dispute was referred to the Capital Markets Tribunal and a ruling in favour of BOC was made on 16th March 2007. This decision has been appealed against by the CMA on the basis of implications of the precedent, which, the CMA felt, would prejudice the long-term viability of the capital markets as well as its regulatory capacity. The matter as between BOC and the CMA has not proceeded in Court. In the meantime, your Board has repeatedly requested BOC at various times and in various discussions over the last two years, to consider the Offer lapsed or failed (or to withdraw the Offer if they do not wish to admit that the Offer is lapsed) and to make a fresh offer. The making of a fresh offer could have facilitated the completion of this transaction a very long time ago. However, BOC has not accepted this position and

Your Board considers that it is unreasonable for the shares of two listed companies with thousands of shareholders in a securities exchange of the size of the Nairobi Stock Exchange (NSE) to remain suspended for thirty five months because of a dispute between one party to a merger or takeover and the regulator. The commercial rationale that the parties had at the time of entry into the transaction has been eroded, thirty five months later, especially in the context of a capital markets transaction, where dealings in shares constitute a relatively liquid investment and where prices of shares can vary considerably.

The Board has assessed that there has been a material change in the underlying viability of both companies as illustrated by the performance of both over the last 3 years. In addition, with the collapse of the markets globally, it would only be fair to all shareholders and in the best interests of the capital markets in Kenya, that the shares are re-listed and a new reference point is found. BOC can then make a new offer if it wishes, based on the merits of the market forces.

Your Board has, therefore, requested the CMA, in the interests of the majority of the shareholders of both companies, to authorise the immediate lifting from suspension of the shares of BOC and the Company, which have been suspended since 5th December 2005, to allow their trading on the NSE with immediate effect.

As part of its Corporate Social Responsibility and as the factory lies within the Aberdare Forest, your Company continues to support the Rhino Ark in its initiative to fence and protect the Aberdare forest, an important water catchment area. In addition, the Company has continued to support initiatives to improve facilities at the Kimende High School and to provide bursaries to qualifying students at the school. Assistance was given by way of material donations to internally displaced persons in Lari division. The Company has also sponsored environmental awareness programmes in conjunction with the Ministry of Education.

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 in a highly challenging environment over the past twelve months. I also wish to record my appreciation for the guidance and contribution of my fellow Board members.

Nairobi
27 October 2008

J M Wanjigi
Chairman

Nina furaha kuripoti kwamba mwaka uliomalizika Julai 31, 2008, umekuwa wenye mafanikio kwa Kampuni hata ingawa kulitokea changamoto nyingi mwanzoni wa mwaka 2008. Ongezeko katika kipindi hiki uliongozwa na mauzo ya nchi nje ambayo kwa mara ya pili katika historia ya Kampuni, yamepita mauzo ya hapa nchini kwa thamani. Manufaa kamili kutokana na ongezeko la mauzo ya nchi nje uliadhiriwa na kuimarika kwa shilingi dhidi ya dola kwa wakati mwingi katika mwaka wa kifedha wa 2007/2008.

Kwa jumla, mauzo yaliongezeka kwa asilimia tano (5) na faida ya utenda kazi kwa asilimia moja (1). Faida baada ya kodi iliongezeka kwa asilimia saba (7). Sababu kuu ambazo zimeathiri vibaya matokeo ya mwaka huu ni:

- Kukatizwa kwa mauzo kuanzia Januari hadi Machi, baada ya uchaguzi mkuu.
- Changamoto za usambazaji bidhaa huko Uganda na sehemu za Tanzania wakati ambapo barabara zilifungwa katika sehemu nyingi baada ya Nakuru.
- Ongezeko la juu katika gharama ya mafuta kwa shughuli za uchukuzi.
- Kiwango cha chini cha nguvu za umeme na utoaji wa umeme usioweza kutegemewa, ikisababisha matumizi zaidi ya kawi ya jenereta kwa gharama ya juu zaidi.
- Kuimarika kwa shilingi dhidi ya dola kukisababisha mauzo ya chini kwa thamani ya shilingi katika mauzo ya nchi nje.

Mitambo ya Kampuni ya carbon dioxide inaendelea kuhifadhiwa katika viwango vya juu zaidi ili kuhakikisha ngazi za juu za utenda kazi na kutoa bidhaa za hali ya juu zaidi hapa Afrika. Hii imepatikana kwa sehemu fulani kutokana na kuendelea kutumia viwango vya juu vya ISO. Kampuni itaendelea katika jitihada zake za kupanua soko la nchi za nje. Jitihada mpya katika nyanja za majaribio ya mitungi, barafu inayotokana na gesi na upanuzi wa mfumo wa usambazaji zitaanza Januari 2009.

Rasilimali za kampuni zinazotumika kupata mapato ziliweza kuonyesha ongezeko dogo katika mapato ya riba yaliopatikana. Hii ilitarajiwa, na ni kuambatana na viwango vya riba katika soko. Halmashauri ya wakurugenzi imeendelea kuweka rasilimali katika hali sawa na pesa ili kuwezesha kulipwa kwa mgao wakipekee wakati mauzo ya hisa kwa BOC itakapo kamilika. Kutokana na misukosuko katika soko za fedha, mbinu itakuwa ni kuhifadhi pesa na kutumia rasilimali kugharamia nafasi zozote za biashara thabiti zitakapotokea katika miezi ijayo.

Halmashauri yenu ya wakurugenzi ilipitisha kulipwa kwa mgao wa muda wa shilingi 5/- kwa kila hisa na sasa inapendekeza kulipwa mgao wa mwisho wa mwaka wa shilingi 5/- kwa kila hisa kulipwa hapo Desemba 2008. Mgao wote kwa jumla kwa kila hisa kwa mwaka mzima utakuwa ni shilingi 10/- kwa kila hisa sawa na ilivyolipwa mwaka uliopita.

Katika mwaka ulioanza, mapato kutoka kwa rasilimali zilizowekwa katika hundi za serikali na akiba za benki zinatarajiwa kuongezeka kuambatana na mabadiliko katika viwango vya riba. Kutafuta soko mpya katika kanda hili pamoja na kuimarika kwa uchumi wa Kenya kutaleta ongezeko katika mahitaji ya gesi ya carbon dioxide na bidhaa zinazohusiana.

Halmashauri ya wakurugenzi inaendelea kuwa na wasiwasi katika kuchelewa katika kutatua kwa mzozo baina ya BOC na halmashauri ya soko za mtaji (CMA) kuhusu toleo la BOC la kutaka kununua hisa za Carbacid. Mzozo huo ulipelekwa kwa kamati ya kutatua mizozo ya soko za mtaji (CMA Tribunal) na uamuzi uliotolewa kwa BOC hapo Machi 16, 2007. Uamuzi huu umekatwa rufaa na CMA kutokana na kile CMA iliona kungeweza kuadhiri kuendelea kwa soko za mtaji na usimamizi wa soko hili na CMA kutokana na uamuzi huo. Suala hili kati ya BOC na CMA halijaendelea kotini. Kwa wakati huu, halmashauri ya wakurugenzi imeuliza BOC mara kadha na katika majadiliano mbalimbali, kwa muda wa miaka miwili iliyopita kuamua kwamba toleo hilo limepitwa na wakati au halikufaulu (au kuondoa toleo ikiwa hawataki kukubali toleo hilo imepitwa na wakati) na kutoa toleo jipya. Kufanya toleo jipya kungeharakisha mauzo haya kitambo sana. Hata hivyo, BOC haijakubali msimamo huu na hakika ilikataa kutoa toleo jipya.

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Halmashauri yenu ya wakurugenzi inachukulia kuwa haina maana kwa hisa za kampuni mbili zilizo orodheshwa na zenye maelfu ya wenyehisa katika soko la hisa la ukubwa kama soko la hisa la Nairobi (NSE) kuendelea kusimamishwa kwa miezi thelathini na mitano kwa sababu ya mzozo baina ya upande mmoja katika kuungana au kuchukuliwa kwa kampuni na shirika la usimamizi. Wazo la kibiashara ambalo, pande hizo zilikuwa nayo, wakati wa toleo hilo lime didimia, miezi thelathini na tano baadaye, hasa katika muktadha wa biashara katika soko za mtaji, ambapo mauzo katika hisa ni uwekezaji sawa na pesa na ambapo bei za hisa zinaweza kubadilika kwa kiwango kikubwa.

Halmashauri ya wakurugenzi imekadiria na kutambua ya kwamba kumekuwa na badiliko kubwa katika uwezo wa kunawiri wa kampuni zote mbili kama ilivyo onyeshwa katika matokeo ya pande zote katika miaka mitatu iliyopita. Pamoja na kuporomoka kwa soko ulimwenguni, itakuwa sawa kwa wenyehisa wote na kwa manufaa ya soko la mtaji hapa Kenya kwa hisa kuorodheshwa tena katika soko na kigezo kipya cha kurejelewa kibuniwe. BOC inaweza kutoa toleo jipya ikipenda, kuambatana na hali nzuri ya soko.

Halmashauri yenu ya wakurugenzi imeuliza CMA, kwa manufaa ya wenyehisa wengi katika kampuni zote, kuidhinisha kuondolewa mara moja usimamishaji wa hisa za BOC na Kampuni, ambazo zilisimamishwa tangu Desemba 5, 2005, zikubaliwe kuuzwa katika soko la hisa la Nairobi (NSE) mara moja.

Kama sehemu ya wajibu kwa jamii (CSR) na kwa kuwa kiwanda kiko katika eneo la msitu wa Aberdare, Kampuni yenu inaendelea kuunga mkono mradi wa Rhino Ark katika mpango wa kuweka ua na kulinda msitu wa Aberdare ambao ni chemichemi muhimu ya maji. Vile vile, Kampuni inaendelea kuchangia katika miradi ya kuimarisha vifaa katika shule ya upili ya Kimende na kutoa usaidizi kwa wanafunzi wanaohitaji katika shule. Usaidizi pia ulitolewa kwa njia ya msaada wa vitu kwa wahasiriwa wa ghasia baada ya uchaguzi (IDPs) katika taarafa ya Lari. Kampuni ikishirikiana na Wizara ya Elimu, imefadhili mipango ya kuwahamasisha wananchi kuhusu mazingira.

Halmashauri yenu ya wakurugenzi inaendelea kutilia mkazo kwenye Desturi ya Mwongozo wa Mashirika na 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 mwingine wenye mafanikio kwa kampuni yenu, katika mazingira yenye changamoto katika miezi kumi na mbili iliyopita. Ningependa pia kutoa shukrani kwa mwongozo na mchango wa wakurugenzi wenzangu.

Nairobi
Oktoba 27, 2008

J M Wanjigi
Mwenyekiti

The directors present their report together with the group audited financial statements for the year ended 31 July 2008.

ACTIVITIES

The company is an investment and holding company with one wholly owned operating subsidiary, Carbacid (CO₂) Limited, whose principal activity is the mining and sale of carbon dioxide gas.

RESULTS

	Sh'000
Profit before taxation	241,940
Taxation	(75,180)
Profit for the year transferred to retained earnings	<u>166,760</u>

DIVIDENDS

An interim dividend of Shs 5/- per share (2007 - Shs 5/-) was paid during the year amounting to Shs 56,633,775 (2007 - Shs 56,633,775). The Directors propose a final dividend of Shs 5/- per share (2007 - Shs 5/-) amounting to Shs 56,633,775 (2007 - 56,633,775).

DIRECTORS

The current board of directors is shown on page 2.

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

27 October 2008

The Company is committed to the maintaining high standards of Corporate Governance and the disclosures in this year's financial statements 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. The Board meetings held during the year were attended by all Directors.

Composition of the Board

The composition of the Board is given on Page 2 of this report. 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.

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 2007/8.

- Audit Committee - Once
- Strategic Committee - Thrice (combined with the main Board meeting)
- Staff Committee - Once

Business and Financial Planning

A detailed budget for each 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. The initiatives supported during the year are highlighted in the Chairman's statement.

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 27.

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 2008 were as follows:

Name	No. of Shares
Mr J M Wanjigi	168,081
Including shares held by a company in which he has an interest	
Mr B C Patel	1,116,033

Distribution of shareholders as at 31 July 2008

Shareholding (No. of shares)	No. of shares held	No. of shareholders	% shareholding
Less than 500	47,982	220	0.43
500 - 5,000	925,758	491	8.17
5,001 - 10,000	297,800	40	2.63
10,001 - 100,000	1,529,472	46	13.50
100,001 - 1,000,000	2,089,611	7	18.44
above 1,000,000	6,436,132	4	56.83
Total	<u>11,326,755</u>	<u>808</u>	<u>100.00</u>

Major shareholders

The top 10 major shareholders as at 31 July 2008 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	9.86 ✓
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	237,271	2.09 ✓
Mrs B C Kampf	179,428	1.58
Estate of the late Carin Maria Parfitt	153,148	1.35

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 that 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 are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment 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 of the company and of the group's 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 going concerns for at least the next twelve months from the date of this statement.

J M WANJIGI
Director

M K R SHAH
Director

27 October 2008

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)

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Report on the financial statements

We have audited the accompanying financial statements of Carbacid Investments Limited and its subsidiary set out on pages 15 to 40 which comprise the group and parent company balance sheets as at 31 July 2008, and the group income statement, group and parent company statements of changes in equity and group cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the company and its subsidiaries as at 31 July 2008 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) The company's balance sheet and profit and income statement are in agreement with the books of account.

DELOITTE & TOUCHE
Certified Public Accountants

27 October 2008

Audit . Tax . Consulting . Financial Advisory.

A member firm of
Deloitte Touche Tohmatsu

consolidated
income statement

FOR THE YEAR ENDED 31 JULY 2008

	Note	2008 Sh'000	2007 Sh'000
TURNOVER		387,115	369,659
COST OF SALES		(157,826)	(142,943)
GROSS PROFIT		229,289	226,716
OTHER OPERATING INCOME		19,038	13,116
FAIR VALUE GAIN OF INVESTMENT PROPERTY	12	17,000	-
ADMINISTRATIVE EXPENSES		(38,304)	(40,559)
FINANCE INCOME - NET	4	14,917	27,523
PROFIT BEFORE TAXATION	5	241,940	226,796
TAXATION	7	(75,180)	(71,562)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	8	166,760	155,234
EARNINGS PER SHARE – Basic and diluted	9	Sh 14.72	Sh 13.70
DIVIDEND PER SHARE	10	Sh 10.00	Sh 10.00

consolidated
balance sheet

31 JULY 2008

ASSETS	Note	2008 Sh'000	2007 (restated) Sh'000
Non current assets			
Property, plant and equipment	11	518,417	445,107
Investment property	12	45,000	28,000
Operating lease prepayments	13	22,296	22,765
Equity investments	15	78,665	54,691
Bonds and treasury bills	16	-	24,550
		<u>664,378</u>	<u>575,113</u>
Current assets			
Inventories	17	26,533	13,378
Trade and other receivables	18	106,315	78,804
Taxation recoverable	7	9,913	5,170
Bonds and treasury bills	16	24,550	2,520
Commercial paper	19	153,579	109,348
Short term deposits	20	92,413	175,854
Bank and cash balances		131,862	130,830
		<u>545,165</u>	<u>515,904</u>
Total assets		<u>1,209,543</u>	<u>1,091,017</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	22	56,634	56,634
Revaluation surplus		269,681	243,039
Retained earnings		698,169	623,518
Shareholders' equity		<u>1,024,484</u>	<u>923,191</u>
Non current liabilities			
Deferred income taxes	23	146,750	127,951
Current liabilities			
Trade and other payables	24	38,309	33,781
Taxation payable	7	-	6,094
		<u>38,309</u>	<u>39,875</u>
Total equity and liabilities		<u>1,209,543</u>	<u>1,091,017</u>

The financial statements on pages 15 to 40 were approved by the board of directors on 27 October 2008 and were signed on its behalf by:

J M WANJIGI
M K R SHAH

} Directors

company
balance sheet

31 JULY 2008

	Note	2008 Sh'000	2007 (restated) Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11	5,000	2,820
Investment property	12	45,000	28,000
Operating lease prepayments	13	22,269	22,738
Investment in subsidiary company	14	3,348	3,348
Equity investments	15	78,665	54,691
Bonds and treasury bills	16	-	24,550
		<u>154,282</u>	<u>136,147</u>
Current assets			
Bonds and treasury bills	16	24,550	2,520
Trade and other receivables	18	268	191
Taxation recoverable		5,866	5,170
Commercial paper	19	153,579	109,348
Short term deposits	20	92,413	175,854
Due from subsidiary company	21	-	38,677
Bank and cash balances		26,261	9,613
		<u>302,937</u>	<u>341,373</u>
		<u>457,219</u>	<u>477,520</u>
Total assets			
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	22	56,634	56,634
Revaluation surplus		3,360	1,818
Retained earnings		337,775	407,198
		<u>397,769</u>	<u>465,650</u>
Shareholders' equity			
Non current liabilities			
Deferred income taxes	23	10,722	5,035
Current liabilities			
Due to subsidiary company	21	39,465	-
Trade and other payables	24	9,263	6,835
		<u>48,728</u>	<u>6,835</u>
		<u>457,219</u>	<u>477,520</u>
Total equity and liabilities			

The financial statements on pages 15 to 40 were approved by the board of directors on 27 October 2008 and were signed on its behalf by:

J M WANJIGI

Directors

consolidated
statement
of changes in equity

FOR THE YEAR ENDED 31 JULY 2008

	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2006				
As previously stated	56,634	246,463	557,364	860,461
Prior year adjustment	-	-	(1,890)	(1,890)
As restated	56,634	246,463	555,474	858,571
Transfer of excess depreciation - prior year net	-	11,817	(11,817)	-
- current year	-	(21,772)	21,772	-
Deferred tax on excess depreciation	-	6,531	(6,531)	-
Profit for the year	-	-	155,234	155,234
Final dividend paid - 2006	-	-	(33,980)	(33,980)
Interim dividend paid - 2007	-	-	(56,634)	(56,634)
At 31 July 2007	56,634	243,039	623,518	923,191
At 1 August 2007				
As previously stated	56,634	243,039	625,408	925,081
Prior year adjustment	-	-	(1,890)	(1,890)
As restated	56,634	243,039	623,518	923,191
Transfer of excess depreciation	-	(30,225)	30,225	-
Deferred tax on excess depreciation	-	9,067	(9,067)	-
Surplus on revaluation	-	68,212	-	68,212
Deferred tax on revaluation surplus:				
- current year	-	(20,463)	-	(20,463)
- prior years' overprovision	-	51	-	51
Profit for the year	-	-	166,760	166,760
Final dividend paid - 2007	-	-	(56,634)	(56,634)
Interim dividend paid - 2008	-	-	(56,633)	(56,633)
At 31 July 2008	56,634	269,681	698,169	1,024,484

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

The prior year adjustment relates to part redemption of Mabati Rolling Mills Limited Floating Rate Notes in 2006 financial year which was erroneously recognised as interest income.

company statement
of changes in equity

FOR THE YEAR ENDED 31 JULY 2008

	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2006	56,634	1,860	344,426	402,920
As previously stated	-	-	(1,890)	(1,890)
Prior year adjustment	<u>56,634</u>	<u>1,860</u>	<u>342,536</u>	<u>401,030</u>
As restated	-	(60)	60	-
Transfer of excess depreciation	-	18	(18)	-
Deferred tax on excess depreciation	-	-	155,234	155,234
Profit for the year	-	-	(33,980)	(33,980)
Final dividend paid - 2006	-	-	(56,634)	(56,634)
Interim dividend paid - 2007	<u>56,634</u>	<u>1,818</u>	<u>407,198</u>	<u>465,650</u>
At 31 July 2007				
At 1 August 2007	56,634	1,818	409,088	467,540
As previously stated	-	-	(1,890)	(1,890)
Prior year adjustment	<u>56,634</u>	<u>1,818</u>	<u>407,198</u>	<u>465,650</u>
As restated	-	(60)	60	-
Transfer of excess depreciation	-	18	(18)	-
Deferred tax on excess depreciation	-	2,190	-	2,190
Surplus on revaluation	-	-	-	-
Deferred tax on revaluation surplus:	-	(657)	-	(657)
- current year	-	51	-	51
- prior years' over provision	-	-	43,802	43,802
Profit for the year	-	-	(56,634)	(56,634)
Final dividend paid - 2007	-	-	(56,633)	(56,633)
Interim dividend paid - 2008	<u>56,634</u>	<u>3,360</u>	<u>337,775</u>	<u>397,769</u>
At 31 July 2008				

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

The prior year adjustment relates to part redemption of Mabati Rolling Mills Limited Floating Rate Notes in 2006 financial year which was erroneously recognised as interest income.

consolidated
cash flow statement

FOR THE YEAR ENDED 31 JULY 2008

	Note	2008 Sh'000	2007 Sh'000
OPERATING ACTIVITIES			
Cash generated from operations	25(a)	207,002	231,018
Interest received		24,429	25,754
Taxation paid	7	(87,681)	(71,652)
Net cash generated from operating activities		143,750	185,120
INVESTING ACTIVITIES			
Purchase of plant and equipment		(50,854)	(9,631)
Proceeds from disposal of plant and equipment		10,778	374
Redemption of bonds		2,520	15,553
Purchase of equity investments		(31,105)	(27,116)
Net cash used in investing activities		(68,661)	(20,820)
FINANCING ACTIVITIES			
Dividends paid		(113,267)	(90,614)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(38,178)	73,686
CASH AND CASH EQUIVALENTS AT START OF YEAR		416,032	342,346
CASH AND CASH EQUIVALENTS AT 31 JULY	25(b)	377,854	416,032

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below:

Adoption of new and revised international financial reporting standards

Standards and Interpretations effective in the current period

In the current year, the company has adopted IFRS 7 Financial Instruments: Disclosures which is effective for annual periods beginning on or after 1 January 2007 and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the group's financial instruments and management of capital (see note 19).

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are:

- *IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;*
- *IFRIC 8 Scope of IFRS 2;*
- *IFRIC 9 Reassessment of Embedded Derivatives; and*
- *IFRIC 10 Interim Financial Reporting and Impairment*

The adoption of these interpretations has not led to any changes in the group's accounting policies.

(ii) Standards and interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

- *IAS 23 (Revised) Borrowing costs (effective for accounting periods beginning on or after 1 January 2009);*
- *IFRS 8 Operating Segments 1 (effective for accounting periods beginning on or after 1 January 2009);*
- *IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007);*
- *IFRIC 12 Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008);*
- *IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008); and*
- *IFRIC 14 IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for accounting periods beginning on or after 1 January 2008).*

The directors anticipate that the adoption of these standards and interpretations, when effective, will have no material impact on the financial statements of the group.

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting, as modified by the revaluation of investment property and investment in subsidiary.

FOR THE YEAR ENDED 31 JULY 2008

1 ACCOUNTING POLICIES (continued)

(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 (CO2) 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 income**

Dividend income from equity investments is recognised when the company's right to receive dividends as a shareholder is established.

(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. The cost of other inventories is determined on the weighted average cost basis.

(f) **Property, plant and equipment**

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

(g) **Depreciation**

Depreciation is calculated to write off the cost or valuation of property, plant and equipment in equal instalments over its 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 the revaluation surplus to the retained earnings.

(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.

1 ACCOUNTING POLICIES (continued)**(i) Investment in subsidiary company**

Investment in subsidiary company is stated at cost less provision for impairment where applicable.

(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.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(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 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)

(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.

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.

Trade payables

Trade payables are stated at their nominal value.

The group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

1 ACCOUNTING POLICIES (continued)

(p) Financial instruments (continued)

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

(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.

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.

(r) Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

(s) 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).

Comparatives

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the company's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within current and future financial years. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical areas of accounting estimates and judgements in relation to the preparation of these financial statements are as set out below:

Impairment of assets

At each balance sheet date, the company reviews the carrying amount of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property plant and equipment.

3 SEGMENTAL INFORMATION

(a) Primary reporting format – Business segments

	CO ₂ trading Sh'000	Carbacid Investments Sh'000	Group Sh'000
2008			
Turnover	387,115	-	387,115
Profit before taxation	210,771	31,169	241,940
Segment assets	795,256	414,287	1,209,543
Segment liabilities	165,074	19,985	185,059
Depreciation	37,123	60	37,183
Amortisation	-	469	469
Capital expenditure	50,854	-	50,854
2007			
Turnover	369,659	-	369,659
Profit before taxation	197,777	29,019	226,796
Segment assets	655,522	433,495	1,091,017
Segment liabilities	155,956	11,870	167,826
Depreciation	34,841	60	34,901
Amortisation	-	470	470
Capital expenditure	9,631	-	9,631

(b) Secondary reporting – geographical segments

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

	2008 Sh'000	2007 Sh'000
Domestic sales – Kenya	186,333	173,314
Export sales – other African countries	200,782	196,345
	<u>387,115</u>	<u>369,659</u>

4 FINANCE INCOME - NET

	2008 Sh'000	2007 Sh'000
Interest receivable from - bonds and treasury bills	3,547	6,436
- commercial paper	9,936	3,873
- Short term investments and deposits	7,864	12,845
- bank current account	3,082	2,600
	<u>24,429</u>	<u>25,754</u>
Net foreign exchange losses	(2,381)	(6,469)
Unrealised market (loss)/gain on equity investments	(7,131)	8,238
	<u>14,917</u>	<u>27,523</u>

5 PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging/(crediting):

Directors' emoluments	4,578	4,356
Fees	1,659	1,566
Auditors' remuneration	50,285	45,679
Staff costs (note 6)	37,183	34,901
Depreciation	469	469
Amortisation of operating lease prepayment	(2,155)	647
Gain/(loss) on disposal of plant and equipment		

6 STAFF COSTS

Salaries and wages	46,853	43,124
Social security costs	149	146
Pension costs - defined contribution plan	3,777	2,184
Leave pay (write back)/expense	(494)	225
	<u>50,285</u>	<u>45,679</u>

7 TAXATION

(a) TAX CHARGE

Current taxation based on taxable profit at 30%

Deferred tax credit (note 23)
Prior year deferred tax under provision (note 23)
Prior year current tax under provision

76,844	73,841
(1,664)	(7,251)
-	498
-	4,474
<u>75,180</u>	<u>71,562</u>

FOR THE YEAR ENDED 31 JULY 2008

7 TAXATION (continued)

	2008 Sh'000	2007 Sh'000
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE		
Accounting profit before taxation	241,940	226,796
Tax at the applicable rate of 30%	72,582	68,039
Tax effect of expenses not deductible for tax purposes	2,832	1,198
Tax effect of income not taxable	(234)	(2,647)
Prior year deferred tax under provision	-	498
Prior year current tax under provision	-	4,474
	75,180	71,562
(c) TAXATION RECOVERABLE/ (PAYABLE)		
At 1 August	(924)	5,739
Charge for the year	(76,844)	(73,841)
Prior year current tax under provision	-	(4,474)
Taxation paid	(77,768)	(72,576)
	87,681	71,652
At 31 July	9,913	(924)
Comprising of:		
Taxation payable	-	(6,094)
Taxation recoverable	9,913	5,170
	9,913	(924)

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Carbacid Investments Limited is Sh 43,802,000 (2007 – Sh 155,234,000).

9 BASIC EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to shareholders by the number of ordinary shares in issue during the year.

Earnings

Earnings for purposes of basic and diluted earnings per share (Sh'000)

2008

2007

166,760

155,234

Number of shares

Number of ordinary shares

11,326,755

11,326,755

Earnings per share

Basic (Sh) and diluted (Sh)

14.72

13.70

There were no potentially dilutive shares outstanding at 31 July 2008 or 31 July 2007.

10 DIVIDEND PER SHARE

Interim dividend paid

Final dividend proposed

2008

2007

5.00

5.00

5.00

5.00

10.00

10.00

Proposed dividends are not accounted for until they have been ratified at the Annual General meeting. An interim dividend of Sh 5/- per share (2007 – Sh 5/-) was paid during the year amounting to Sh 56,633,775 (2007 – Sh 56,633,775). The Directors propose a final dividend of Sh 5/- per share (2007 – Sh 5/-) amounting to Sh 56,633,775 (2007 – Sh 56,633,775). The financial statements for the year ended 31 July 2008 do not reflect this resolution which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 July 2009.

During the year, the company paid dividends amounting to Sh 113,267,550 (2007 – Sh 90,614,000).

11 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP (continued)

	Leasehold buildings & boreholes Sh'000	Roads Sh'000	Motor vehicles Sh'000	Plant and equipment Sh'000	Capital work in progress Sh'000	Total Sh'000
NET BOOK VALUE						
At 31 July 2008	<u>46,314</u>	<u>12,600</u>	<u>72,495</u>	<u>376,817</u>	<u>10,191</u>	<u>518,417</u>
At 31 July 2007	<u>34,826</u>	<u>14,700</u>	<u>71,946</u>	<u>323,635</u>	<u>-</u>	<u>445,107</u>
NET BOOK VALUE (cost basis)						
At 31 July 2008	<u>5,353</u>	<u>3,242</u>	<u>34,083</u>	<u>101,522</u>	<u>10,191</u>	<u>154,391</u>
At 31 July 2007	<u>4,816</u>	<u>3,890</u>	<u>26,122</u>	<u>84,290</u>	<u>-</u>	<u>119,118</u>

The assets were valued by C P Robertson – Dunn, T D registered valuation surveyor at 31 July 2008 on a depreciated replacement cost basis.

(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Buildings	
	2008 Sh'000	2007 Sh'000
COST OR VALUATION		
At 1 August 2007	3,000	3,000
Revaluation adjustment		
At 31 July 2008	<u>2,000</u>	<u>-</u>
	<u>5,000</u>	<u>3,000</u>
DEPRECIATION		
At 1 August 2007	180	120
Charge for the year	60	60
Eliminated on revaluation	<u>(240)</u>	<u>-</u>
At 31 July 2008	<u>-</u>	<u>180</u>
NET BOOK VALUE		
At 31 July 2008	<u>5,000</u>	<u>2,820</u>
NET BOOK VALUE (cost basis)	<u>213</u>	<u>218</u>

FOR THE YEAR ENDED 31 JULY 2008

12 INVESTMENT PROPERTY – GROUP AND COMPANY

	2008 Sh'000	2007 Sh'000
FAIR VALUE		
At start of year	28,000	28,000
Fair value surplus	17,000	-
At end of year	45,000	28,000

The property was last valued by C P Robertson – Dunn, T. D. Registered valuation surveyor at 31 July 2008.

13 OPERATING LEASE PREPAYMENTS

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
COST				
At start and end of year	27,550	27,550	27,523	27,523
ACCUMULATED AMORTIZATION				
At start of the year	4,785	4,315	4,785	4,315
Charge for the year	469	470	469	470
At end of year	5,254	4,785	5,254	4,785
Net book value	22,296	22,765	22,269	22,738

14 INVESTMENT IN SUBSIDIARY COMPANY

Carbacid (CO ₂) Ltd – 100% owned	3,348	3,348
--	-------	-------

Investment in subsidiary company is stated at cost less provision for impairment where applicable. As at 31 July 2008, the net assets of Carbacid (CO₂) Limited stood at Sh 630,063,000 (2007 – Sh 460,889,000).

15 EQUITY INVESTMENTS – GROUP AND COMPANY

	2008 Sh'000	2007 Sh'000
<i>At fair value through profit and loss</i>		
At 1 August	54,691	19,337
Purchased during the year	31,105	27,116
(Loss)/gain on revaluation	(7,131)	8,238
Equity investments at market value	78,665	54,691

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.

16 BONDS AND TREASURY BILLS - GROUP & COMPANY

Held to maturity

	2008 Sh'000	2007 Restated Sh'000
At amortized cost:		
As previously stated	24,550	28,960
Prior year adjustment	-	(1,890)
As restated	24,550	27,070
Maturing within one year	(24,550)	(2,520)
Maturing between one and two years	-	24,550

The prior year adjustment relates to part redemption of Mabati Rolling Mills Limited Floating Rate Notes in 2006 financial year which was erroneously recognised as interest income.

The average interest rates received were as follows:

	2008	2007
Bonds	14.25%	13.56%

17 INVENTORIES – GROUP

	2008 Sh'000	2007 Sh'000
Carbon dioxide gas and dry ice	683	788
Spare parts and materials	23,406	10,614
Fuel and chemicals	1,978	631
Oxygen gas	466	1,345
	26,533	13,378

18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Trade receivables	101,297	69,029	-	-
Prepayments	511	1,563	268	191
Other receivables	4,507	8,212	-	-
	106,315	78,804	268	191

FOR THE YEAR ENDED 31 JULY 2008

19 COMMERCIAL PAPER – GROUP AND COMPANY

	2008 Sh'000	2007 Sh'000
<i>Held to maturity</i>		
Face value	155,000	110,000
Less: Unearned discount	(1,421)	(652)
	<u>153,579</u>	<u>109,348</u>

The average interest rate received was 6.5 % (2007 – 6.0%).

20 SHORT TERM DEPOSITS – GROUP AND COMPANY

	2008 Sh'000	2007 Sh'000
<i>At amortised cost</i>		
Fixed deposits		
- Local currency	34,681	117,949
- Foreign currency	57,732	57,905
	<u>92,413</u>	<u>175,854</u>

All short term deposits mature within three months of the contract date.

Weighted average effective interest rates on deposits during the year were as follows:

	%	%
Local currency	3.30	5.86
Foreign currency	<u>3.16</u>	<u>3.50</u>

21 DUE (TO)/FROM SUBSIDIARY

	2008 Sh'000	2007 Sh'000
Carbacid (CO ₂) Ltd	<u>(39,465)</u>	<u>38,677</u>

The balances arise out of payments received or made on behalf.

22 SHARE CAPITAL

	2008 Sh'000	2007 Sh'000
Authorised:		
12,000,000 ordinary shares of Sh 5 each	<u>60,000</u>	<u>60,000</u>
Issued and fully paid:		
11,326,755 ordinary shares of Sh 5 each	<u>56,634</u>	<u>56,634</u>

23 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	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Accelerated capital allowances	29,785	27,138	-	-
Incentive share provision	(900)	-	-	-
Leave pay provision	(370)	(518)	-	-
Unrealised exchange losses	(889)	(1,280)	(694)	(625)
Revaluation surplus - investment property	9,980	4,880	9,980	4,880
Revaluation surplus - property and equipment	109,144	97,731	1,436	780
	<u>146,750</u>	<u>127,951</u>	<u>10,722</u>	<u>5,035</u>
The movement on the deferred tax account is as follows:				
At 1 August	127,951	134,704	5,035	5,486
Income statement charge/(credit) (note 7)	(1,664)	(7,251)	5,030	(451)
Prior year (over)/under provision (note 7)	-	498	-	-
Debited directly to equity	20,463	-	657	-
At 31 July	<u>146,750</u>	<u>127,951</u>	<u>10,722</u>	<u>5,035</u>

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2008 Sh'000	2007 Sh'000	2008 Sh'000	2007 Sh'000
Trade payables	8,364	10,958	1,308	1,603
Unclaimed dividends	6,814	5,232	6,814	5,232
Other payables and accruals	21,897	15,863	1,141	-
Leave pay provision	1,234	1,728	-	-
	<u>38,309</u>	<u>33,781</u>	<u>9,263</u>	<u>6,835</u>

FOR THE YEAR ENDED 31 JULY 2008

27 CAPITAL COMMITMENTS

	2008 Sh'000	2007 Sh'000
Authorised and contracted for	13,500	9,800
Authorised but not contracted for	11,163	25,000
	<u>24,663</u>	<u>34,800</u>

28 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 4,675,000 (2007 - Sh 2,184,000) in the year. Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2008, the company contributed Sh 149,000 (2007 - Sh 146,000) to the statutory scheme.

29 OPERATING LEASE COMMITMENTS

AS LESSEE:

The totals of future minimum lease payments under operating leases are as follows:

	2008 Sh'000	2007 Sh'000
Within one year	361	361
Within two to five years	1,442	1,442
Over five years	16,143	16,503
	<u>17,946</u>	<u>18,306</u>

AS LESSOR:

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

	2008 Sh'000	2007 Sh'000
Within one year	7,882	3,684
Within two to five years	40,754	7,368
	<u>48,636</u>	<u>11,052</u>

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Credit risk management

Credit risk refers to the risk that customers will default on its contractual obligations resulting in financial loss to the company. Trade receivables consist of various organizations in East, Central and Southern Africa. The carrying amount of financial assets recorded in the financial statements, which are stated net of impairment losses, represents the company's maximum exposure to credit risk.

The group's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The amount that best represents the company's maximum exposure to credit risk is made up as follows:

31 July 2008	Total amount Sh'000	Fully Performing Sh'000	Past due Sh'000	Impaired Sh'000
Trade receivables	101,456	95,855	5,233	159
Other receivables	5,043	5,018	-	-
	<u>106,500</u>	<u>100,873</u>	<u>5,233</u>	<u>159</u>
31 July 2007				
Trade receivables	69,188	63,312	5,558	159
Other receivables	9,775	9,775	-	-
	<u>78,963</u>	<u>73,087</u>	<u>5,558</u>	<u>159</u>

The impaired amount represents the doubtful debtors against which full provision has been made. The customers under the fully performing category are paying their debts as they continue trading.

The receivables that are past due relate to trade receivables overdue by over 120 days. The receivables are not impaired and continue to be paid. The group's management is actively following these receivables. No collateral is held with respect to the debt.

(c) Liquidity risk management

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from financial liabilities. The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table below represent undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk management (continued)

	Within 12 months Sh'000	Over 12 months Sh'000
At 31 July 2008:		
Trade payables	8,364	-
Other payables	30,001	-
	<u>38,365</u>	<u>-</u>
At 31 July 2007:		
Trade payables	10,958	-
Other payables	22,823	-
	<u>33,781</u>	<u>-</u>

(d) Market risk

(i) Price risk

The company is exposed to equity securities price risk as a result of its holdings in quoted equity investments, classified as held at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Stock Exchange

The company uses a policy of diversification to manage the price risk arising from its investments in equity securities. The board regularly discusses amongst other issues, investment return and concentration across the company.

Listed equity securities represent 100% (2007: 100%) of total equity investments.

(ii) Foreign currency risk

The company undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. Management has in place effective policies and controls to ensure that the net exposure is kept at an acceptable level.

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the balance sheet date are as follows:

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

	2008 Sh'000	2007 Sh'000
Assets		
<i>Bank and cash balances</i>		
USD 620,138 @ 67.32 (2007: 1,418,422 @ 67.51)	41,748	95,758
<i>Commercial paper</i>		
USD 863,058 @ 67.32 (2007: 857,723 @ 67.51)	57,732	57,904
<i>Trade receivables</i>		
USD 849,103 @ 67.32 (2007: 611,215 @ 67.51)	57,162	41,263
	<u>156,642</u>	<u>194,925</u>

When reporting foreign currency risk internally to key management personnel, a sensitivity rate of 10% is used. This represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis covers only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At 31 July 2008, if the Kenya Shilling had weakened /strengthened by 10% against the US dollar with all other variables held constant, the profit for the year would have been Sh 15,664,200 (2007: Sh 19,492,500) higher/lower, mainly as a result of additional exchange gains or losses on translation of US dollar bank balances and trade receivables balances.

31 CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of issued capital as disclosed in note 11, as well as reserves and retained earnings.

At 31 July 2008 the company had no external borrowings at year end.

The company's overall strategy remains unchanged from 2007.

32 COUNTRY OF INCORPORATION

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

33 CURRENCY

These financial statements are presented in Kenya Shillings thousands (Sh'000).

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 Holiday Inn (Palm Room), Parklands, Nairobi on Tuesday, 9th December 2008 at 10.00 a.m., and at any adjournment thereof.

Dated this _____ day of _____ 2008

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

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

Fold 1
Kunja Hapa Kwanza

Fold 3
Halafu Kunja Hapa

Insert flap inside
Sasa ingiza hii karatasi ndani ya mkun-
jo ili ionekane kama bahasha