# CARBACID INVESTMENTS LIMITED

## REPORT AND FINANCIAL STATEMENTS 2009


$CO_2$

BUREAU VERITAS
Certification

# Certification
Awarded to

## CARBACID ($CO_2$) LIMITED
**P.O BOX 30564-00100**
**NAIROBI, KENYA**

Bureau Veritas Certification certify that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below

Standards

## ISO 9001:2008

Scope of supply

## PRODUCTION AND DISTRIBUTION OF LIQUID CARBON DIOXIDE AND DRY ICE

*PERMITTED EXCLUSION (S)*
**7.3 design and development**

Original Approval Date: **19TH JULY 2006**

Subject to the continued satisfactory operation of the organisation's Management System,

This certificate is valid until: **18TH JULY 2012**

To check this certificate validity please call: **(+254 20 4450660)**
Further clarifications regarding the scope of this certificate and the applicability of the Management System requirements may be obtained by consulting the organisation.

Date: **4TH AUGUST 2009**

Certificate Number: **IND91441**

UKAS QUALITY MANAGEMENT
006

Bureau Veritas Certification using the Accreditation certificate Number 006

MANAGING OFFICE ADDRESS: Bureau Veritas Certification (Kenya) Ltd, Box 34378 Nairobi, Kenya
CERTIFICATION AUTHORITY: ICC INDIA, Bureau Veritas Certification, Marwah Centre, 6th Floor, Off Saki Vihar Road, Andheri East, Mumbai 400072

# contents

| | | |
|---|---|---|
| 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<br>Comcraft House<br>Haile Selassie Avenue<br>P O Box 30633<br>Nairobi, GPO, 00100 | |
| REGISTER OF MEMBERS AND TRANSFER OFFICE | Specialist Corporate Consultants<br>3rd Floor<br>Comcraft House<br>Haile Selassie Avenue<br>P O Box 30633<br>Nairobi, GPO, 00100 | |
| AUDITORS | Deloitte & Touche<br>Certified Public Accountants (Kenya)<br>"Kirungii", Ring Road, Westlands<br>P O Box 40092<br>Nairobi, GPO, 00100 | |
| BANKERS | CfC Stanbic Bank Limited<br>Upper Hill Medical Centre Branch<br>Ralph Bunche Road<br>P O Box 2492<br>Nairobi, City Square, 00200 | |
| | Commercial Bank of Africa Limited<br>Upper Hill Branch,<br>Mara & Ragati Road,<br>P O Box 30437<br>Nairobi, GPO, 00100 | |
| ADVOCATES | Anjarwalla & Khanna Advocates<br>P O Box 200<br>Nairobi, Sarit Centre, 00606 | |
| | Wainaina Ireri & Co. Advocates<br>P.O Box 42706<br>Nairobi, GPO, 00100 | |

JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 78, 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 77, 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 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 70, 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 55, 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 IS HEREBY GIVEN that the thirty-ninth Annual General Meeting of the shareholders of Carbacid Investments Limited will be held at the Holiday Inn, (Palm Room), Parklands Road, Nairobi on Thursday, 10th December 2009 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1 To receive the Directors' Report and audited financial statements for the year ended 31st July 2009.

2 To declare a final dividend and a special dividend as recommended by the Directors to shareholders registered on 12th November 2009.

3 To approve Directors' fees.

4 To elect Directors:

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

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

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

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions as ORDINARY RESOLUTIONS of the Company.

6 Increase of Authorised Share Capital

That the share capital of the Company be increased from KShs 60,000,000/- to KShs 250,000,000/- by the creation of 38,000,000 additional Ordinary Shares of KShs 5/- each, to rank pari passu in all respects with the existing Ordinary Shares in the capital of the Company.

7 Capitalisation of Revenue Reserves

That it is desirable to capitalise the sum KShs 113, 267,550/- being part of the amount standing to the credit of the Revenue Reserve account in the books of the Company, and accordingly that subject to the approval of the Capital Markets Authority, such sum be set free for distribution amongst the holders of the Ordinary Shares of the Company on the Register of Members at the close of business on 12th November 2009 in the proportion in which they hold such Shares respectively on that day on condition that the same be not paid in cash but be applied in paying up in full at par 22,653,510 Ordinary Shares of KShs 5/- each to be allotted, distributed and credited as fully paid up to and amongst the said holders of Ordinary Shares in the proportion of two new Ordinary Shares for every one Ordinary Share then held, save that these Shares shall not rank for dividends in respect of the year ended 31st July 2009 and the Directors shall give effect to this Resolution.

8 Fractions

That should any of the said Ordinary Shares not being issued by reason of any fractions of the Share being disregarded, the Directors be authorized to allot and issue the same to such persons and upon such terms and conditions as they may deem fit.

By Order of the Board

N P KOTHARI
Secretary
Nairobi
21 October 2009

***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 2009 has been another successful year for the Company despite the challenges brought about by the global crisis and its resultant effects on the Kenyan economy.

The growth in this period driven by increased domestic sales and increased exports. The growth was principally brought about by increased demand from existing customers and an expansion of the customer base in line with the Company's strategy of identifying new uses for carbon dioxide gas. Escalating energy costs and the fluctuating power supply resulted in higher production costs, the effect of which was fortunately countered by increased volumes.

On the whole, sales increased by 42% and operating profit by 59%. Net profit after tax has increased by 54%. Major factors that have impacted the results for the year are:

- The growth in sales.
- The erratic supply and poor quality of electricity power being provided by the power company, leading to greater use of generator power at a much higher cost.
- The fair value adjustment on the Company's equity investments, arising from the depressed stock market.

The Company's carbon dioxide facilities continue to be maintained at 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's investment portfolio registered an 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 view of the turmoil in the financial markets, the strategy being to remain liquid and use the resources to take advantage of any sound business opportunities as they arise.

I am pleased to report that the dispute between BOC Kenya Limited (BOC) and the Capital Markets Authority (CMA) in respect of BOC's offer for the Carbacid shares was finally settled on 14 October 2009. Consequently, BOC confirmed that it has deemed the offer for the shares in Carbacid Investments Limited (CIL) to have lapsed and that it had no objection to the lifting of the suspension of trading in BOC and CIL shares at the Nairobi Stock Exchange. The CMA has since written separately to BOC and CIL advising both the companies that they were at liberty to apply for the lifting of the suspension of the shares at the Nairobi Stock Exchange. As I write this report, CIL has already submitted its application to the CMA for the lifting of suspension of trading in CIL shares and I am very hopeful that the shares will be trading on the Nairobi Stock Exchange within a matter of days. I would like to thank the CMA in bringing about a practical resolution to this long outstanding matter in the interests of the shareholders of CIL and BOC as well as the market generally.

In respect of the year ended 31 July 2009, your Board had approved the payment of an interim dividend of Shs 5/- per share in March 2009 and now recommends a final dividend of Shs 5/- per share to be paid in December 2009. The total dividend per share for the full year will, therefore, be Shs 10/- per share. In addition, your Board is also recommending a one-off special dividend of Shs 5/- per share, to be paid in December 2009. Thus the total payment in 2009 will be Shs 15/- per share.

Your Board has been reviewing the capital base of the Company and it is of the opinion that the issued capital of the Company should be increased to be consistent with the current scale of business. Consequently, your Board is recommending, subject to approval of the Capital Markets Authority and the shareholders, an increase in the authorised capital of the Company and a bonus issue of two Ordinary shares for every one Ordinary share held, by the capitalization of part of the Company's Revenue Reserves.

The prospects for the current year look strong. The continued search for new regional markets as well as improvement in domestic markets should see growth in demand for carbon dioxide gas and related products. During the next twelve to fifteen months, the Company has planned to invest nearly Shs 450 million in new plant and facilities as well as upgrading of the existing facilities so as to increase supply to cater for the expected growth. This level of investment is a major step towards consolidating the Company's leadership position in this industry sector.

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. 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 very 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
21 October 2009

J M Wanjigi
Chairman

Nina furaha kuripoti kwamba mwaka uliomalizika Julai 31, 2009 umekuwa tena wenye mafanikio kwa Kampuni hata ingawa kulikuwa na changamoto zilizoletwa na msukasuko wa kifedha duniani na adhari zake katika uchumi wa Kenya.

Ongezeko katika kipindi hiki limeongozwa na ongezeko katika mauzo ya hapa nchini na ongezeko katika mauzo ya nchi za nje. Ongezeko limetokana haswa kutoka kwa ongezeko katika mahitaji ya wateja waliopo na upanuzi wa wateja katika nyanja mbali mbali kuambatana na mfumo wa Kampuni wa kutafuta matumizi mbali mbali ya gesi ya carbon dioxide. Ongezeko katika gharama ya kawi na hali utoaji wa nguvu za umeme usioweza kutegemewa ulisababisha gharama ya juu ya utoaji wa bidhaa hata ingawa adhari zao zilipunguzwa na mauzo mengi.

Kwa jumla, mauzo yaliongezeka kwa asilimia arobaini na mbili (42) na faida ya utenda kazi kwa asilimia hamsini na tisa (59). Faida baada ya kodi imeongezeka kwa asilimia hamsini na nne (54). Sababu kuu ambazo zimesababisha matokeo haya ya mwaka ni:

- Ongezeko katika mauzo
- 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.
- Kurekebisha kwa dhamana ya uwekezaji katika mtaji uliyowekwa na Kampuni katika kampuni mbali mbali kutokana na kudorora kwa soko la mtaji.

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 Africa. Hii imepatikana kwa sehemu fulani kutokana na kuendelea kutumia viwango vya juu vya ISO.

Rasilimali za kampuni zinazotumika kupata mapato ziliandikisha ongezeko katika mapato kutokana na riba. Hii ilitarajiwa, na ni kuambatana na viwango vya riba kwenye soko. Halmashauri ya wakurugenzi imeendelea kuweka rasilimali katika hali sawa na pesa kutokana na msukosuko katika soko za fedha, mpango ukiwa kuendelea kuziweka katika hali hii na kutumia rasilimali hizi katika nafasi zozote za biashara zitakapotokea.

Ninafuraha kuripoti kwamba mzozo baina ya BOC Kenya Limited ("BOC") na halmashauri ya soko za mtaji (CMA) kuhusu toleo la BOC la kutaka kununua hisa za Carbacid ulitatuliwa hapo Oktoba 14, 2009. Kutokana na hayo, BOC imethibitisha ya kuwa imechukilia toleo la kutaka kununua hisa katika Carbacid Investments Limited (CIL) limekwisha na haina pingamizi ya kuondolewa kusimamishwa kuuzwa kwa hisa za BOC na CIL katika soko la hisa la Nairobi. CMA imeandikia kila moja wa BOC na CIL ikishauri kampuni zote mbili kwamba zina uhuru wa kuomba kundolewa kusimamishwa kuuzwa kwa hisa hizo katika soko la hisa za Nairobi. Wakati huu ninapo andika ripoti hii CIL imefanya ombi kwa CMA kwa kuondolewa kusimamishwa kwa mauzo ya hisa za CIL na nina matumaini kwamba hisa, zitaanza kuuzwa katika soko la hisa ya Nairobi katika siku chache. Ningependa kushukuru CMA kwa kuleta suluhisho mwafaka katika jambo hili ambalo lilichukuwa muda mrefu kutatua, kwa manufaa ya wenye hisa wa CIL na BOC na kwa soko lote kwa jumla.

Kuhusiana na mwaka uliomalizika Julai 31, 2009, halmashauri yenu ya wakurugenzi ilipitisha mgao wa muda wa shilingi 5/- kwa kila hisa na sasa inapendekeza mgao wa mwisho wa shilingi 5/- kwa kila hisa kulipwa hapo Disemba 2009. Mgao wote kwa jumla kwa kila hisa kwa mwaka mzima utakuwa ni shilingi 10/- kwa kila hisa. Pamoja na hayo, halmashauri yenu ya wakurugenzi vile vile inapendekeza mgao wa wakati moja wa kipekee wa shilingi 5/- kwa kila hisa ulipwe hapo Disemba 2009. Kwa hivyo, malipo yote katika 2009 itakuwa shilingi 15/- kwa kila hisa.

Halmashauri yenu ya wakurugenzi imekuwa ikitafakari kina cha mtaji wa Kampuni na inaonelea mtaji uliotolewa na Kampuni unafaa uongozewe kuambatana na kiwango cha sasa cha biashara. Kutokana na hayo, halmashauri yenu ya wakurugenzi inapendekeza, kama itapitishwa na wenye hisa na pia halmashauri ya soko za mtaji (CMA), ongezeko katika mtaji wa Kampuni na toleo la ziada (bonus issue) la hisa mbili kwa kila hisa ilioandikishwa kwa kufanywa mtaji hifadhi ya faida ya Kampuni.

Matumaini mwakani yanaoneka ni thabiti. Jitihada za kutafuta soko mpya katika kanda na kuboresha mauzo ya hapa nchini inatarajiwa kuona ongezeko katika mahitaji ya gesi ya carbon dioxide na bidhaa zinazohusiana. Katika miezi kumi na miwili na kumi na tano ijayo kampuni imepanga kuwekeza karibu shilingi milioni mia nne hamsini (450) katika mtambo mpya na vifaa pamoja na kuboresha vifaa ambavyo vipo ili kuongeza utoaji utakao timiza ongezeko linalotarajiwa. Uwekezaji wa kiwango hiki ni hatua kubwa katika kuifanya Kampuni kuthibiti uongozi katika sehemu hii ya viwanda.

Kama sehemu ya wajibu kwa jammi (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. Kampuni imefadhili mipango ya kuwahamasisha wananchi kuhusu mazingira ikishirikiana na Wizara ya Elimu.

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 21, 2009

J M Wanjigi
Mwenyekiti

The directors present their report together with the group audited financial statements for the year ended 31 July 2009.

## ACTIVITIES

The company is an investment and 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 FOR THE YEAR

| | Sh'000 |
|---|---|
| Group profit before taxation | 367,027 |
| Taxation | (110,650) |
| Group profit for the year transferred to retained earnings | 256,377 |

## DIVIDENDS

An interim dividend of Shs 5 /- per share (2008 - Shs 5/-) was paid during the year amounting to Shs 56,633,775 (2008 – Shs 56,633,775). The Directors propose a final dividend of Shs 5/- per share (2008 – Shs 5/-) amounting to Shs 56,633,775 (2008 – 56,633,775) and a special dividend of Shs 5/- per share (2008 – nil).

## DIRECTORS

The current board of directors is shown on page 2.

## AUDITORS

Deloitte & Touche, have expressed their willingness to 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
21 October 2009

**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.

As from August 2009, the Board has established an Investment Committee whose responsibility it is to monitor the investment portfolio and to explore new investment opportunities.

Other committees in place are the Strategic Committee and the Staff Committee. The Committees met as follows during 2008/9.

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

### 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 2009 were as follows:

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

## Distribution of shareholders as at 31 July 2009

| Shareholding (No. of shares) | No. of shares held | No. of shareholders | % shareholding |
|---|---|---|---|
| Less than 500 | 48,005 | 221 | 0.43 |
| 500 - 5,000 | 913,578 | 487 | 8.07 |
| 5,001 - 10,000 | 297,800 | 40 | 2.63 |
| 10,001 - 100,000 | 1,541,652 | 47 | 13.61 |
| 100,001 - 1,000,000 | 2,089,611 | 7 | 18.44 |
| above 1,000,000 | 6,436,109 | 4 | 56.82 |
| Total | 11,326,755 | 806 | 100.00 |

## Major shareholders

The top 10 major shareholders as at 31 July 2009 were as follows:

| Name | No. of Shares | % Shareholding |
|---|---|---|
| Rasimu Limited | 2,561,458 | 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 Kenyan 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 Kenyan 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 | M K R SHAH |
| Director | Director |
| 21 October 2009 | |

## independent auditors' report

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

**Deloitte.**

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

Tel: +254 (20) 423 0000
+254 (20) 444 1344/05-12
Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
www.deloitte.com

### 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 consolidated and company balance sheets as at 31 July 2009 and the consolidated income statement, consolidated and company statements of changes in equity and consolidated 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 subsidiary as at 31 July 2009 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 is in agreement with the books of account.

DELOITTE & TOUCHE
Certified Public Accountants

21 October 2009

Member of Deloitte Touche Tohmatsu

FOR THE YEAR ENDED 31 JULY 2009

| | Note | 2009<br>Sh'000 | 2008<br>Sh'000 |
|---|---|---|---|
| TURNOVER | | 552,853 | 387,115 |
| COST OF SALES | | (186,609) | (157,826) |
| GROSS PROFIT | | 366,244 | 229,289 |
| OTHER OPERATING INCOME | | 19,978 | 19,038 |
| FAIR VALUE GAIN OF INVESTMENT PROPERTY | 12 | - | 17,000 |
| ADMINISTRATIVE EXPENSES | | (42,138) | (38,304) |
| FINANCE INCOME | 4 | 27,718 | 24,429 |
| FOREIGN EXCHANGE GAINS/ (LOSSES) | | 19,111 | (2,381) |
| FAIR VALUE LOSS ON EQUITY INVESTMENTS | 15 | (23,886) | (7,131) |
| PROFIT BEFORE TAXATION | 5 | 367,027 | 241,940 |
| TAXATION CHARGE | 7 | (110,650) | (75,180) |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS | 8 | 256,377 | 166,760 |
| EARNINGS PER SHARE – Basic and diluted | 9 | Sh 22.63 | Sh 14.72 |
| DIVIDEND PER SHARE | 10 | Sh 15 | Sh 10 |

31 JULY 2009

| | Note | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|---|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 11 | 537,655 | 518,417 |
| Investment property | 12 | 45,000 | 45,000 |
| Operating lease prepayments | 13 | 21,826 | 22,296 |
| Equity investments | 15 | 64,792 | 78,665 |
| | | 669,273 | 664,378 |
| Current assets | | | |
| Inventories | 17 | 34,833 | 26,533 |
| Trade and other receivables | 18 | 136,637 | 106,315 |
| Taxation recoverable | 7(c) | 3,036 | 9,913 |
| Bonds and treasury bills | 16 | - | 24,550 |
| Commercial paper | 19 | 109,985 | 153,579 |
| Short term deposits | 20 | 302,360 | 92,413 |
| Bank and cash balances | | 120,256 | 131,862 |
| | | 707,107 | 545,165 |
| Total assets | | 1,376,380 | 1,209,543 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 22 | 56,634 | 56,634 |
| Revaluation surplus | | 256,689 | 269,681 |
| Retained earnings | | 854,271 | 698,169 |
| Shareholders' equity | | 1,167,594 | 1,024,484 |
| Non current liabilities | | | |
| Deferred income taxes | 23 | 142,237 | 146,750 |
| Current liabilities | | | |
| Trade and other payables | 24 | 36,473 | 38,309 |
| Taxation payable | 7(c) | 30,076 | - |
| | | 66,549 | 38,309 |
| Total equity and liabilities | | 1,376,380 | 1,209,543 |

The financial statements on pages 15 to 40 were approved by the board of directors on 21 October 2009 and were signed on its behalf by:

| | |
|---|---|
| J M WANJIGI<br>M K R SHAH | Directors |

| | Note | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|---|
| ASSETS | | | |
| Non current assets | | | |
| Property, plant and equipment | 11 | 4,900 | 5,000 |
| Investment property | 12 | 45,000 | 45,000 |
| Operating lease prepayments | 13 | 21,799 | 22,269 |
| Investment in subsidiary company | 14 | 3,348 | 3,348 |
| Equity investments | 15 | 64,792 | 78,665 |
| | | 139,839 | 154,282 |
| Current assets | | | |
| Bonds and treasury bills | 16 | - | 24,550 |
| Trade and other receivables | 18 | 1,584 | 268 |
| Taxation recoverable | | 3,036 | 5,866 |
| Commercial paper | 19 | 109,985 | 153,579 |
| Short term deposits | 20 | 302,360 | 92,413 |
| Bank and cash balances | | 40,657 | 26,261 |
| | | 457,622 | 302,937 |
| Total assets | | 597,461 | 457,219 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 22 | 56,634 | 56,634 |
| Revaluation surplus | | 3,293 | 3,360 |
| Retained earnings | | 521,628 | 337,775 |
| Shareholders' equity | | 581,555 | 397,769 |
| Non current liabilities | | | |
| Deferred income taxes | 23 | 5,718 | 10,722 |
| Current liabilities | | | |
| Due to subsidiary company | 21 | - | 39,465 |
| Trade and other payables | 24 | 10,188 | 9,263 |
| | | 10,188 | 48,728 |
| Total equity and liabilities | | 597,461 | 457,219 |

The financial statements on pages 15 to 40 were approved by the board of directors on 21 October 2009 and were signed on its behalf by:

J M WANJIGI } Directors
M K R SHAH }

# consolidated statement of changes in equity

FOR THE YEAR ENDED 31 JULY 2009

| | Share capital Sh'000 | Revaluation surplus Sh'000 | Retained earnings Sh'000 | Total Sh'000 |
|---|---|---|---|---|
| At 1 August 2007 | 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 |
| At 1 August 2008 | 56,634 | 269,681 | 698,169 | 1,024,484 |
| Transfer of excess depreciation | - | (18,560) | 18,560 | - |
| Deferred tax on excess depreciation | - | 5,568 | (5,568) | - |
| Profit for the year | - | - | 256,377 | 256,377 |
| Final dividend paid – 2008 | - | - | (56,634) | (56,634) |
| Interim dividend paid – 2009 | - | - | (56,633) | (56,633) |
| At 31 July 2009 | 56,634 | 256,689 | 854,271 | 1,167,594 |

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

FOR THE YEAR ENDED 31 JULY 2009



| | Share capital Sh'000 | Revaluation surplus Sh'000 | Retained earnings Sh'000 | Total Sh'000 |
|---|---|---|---|---|
| At 1 August 2007 | 56,634 | 1,818 | 407,198 | 465,650 |
| Transfer of excess depreciation | - | (60) | 60 | - |
| Deferred tax on excess depreciation | - | 18 | (18) | - |
| Surplus on revaluation | - | 2,190 | - | 2,190 |
| Deferred tax on revaluation surplus: | | | | |
| - current year | - | (657) | - | (657) |
| - prior years' over provision | - | 51 | - | 51 |
| Profit for the year | - | - | 43,802 | 43,802 |
| Final dividend paid - 2007 | - | - | (56,634) | (56,634) |
| Interim dividend paid - 2008 | - | - | (56,633) | (56,633) |
| At 31 July 2008 | 56,634 | 3,360 | 337,775 | 397,769 |
| At 1 August 2008 | 56,634 | 3,360 | 337,775 | 397,769 |
| Transfer of excess depreciation | - | (96) | 96 | - |
| Deferred tax on excess depreciation | - | 29 | (29) | - |
| Profit for the year | - | - | 297,053 | 297,053 |
| Final dividend paid – 2008 | - | - | (56,634) | (56,634) |
| Interim dividend paid – 2009 | - | - | (56,633) | (56,633) |
| At 31 July 2009 | 56,634 | 3,293 | 521,628 | 581,555 |

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

FOR THE YEAR ENDED 31 JULY 2009

| | Note | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash generated from operations | 25(a) | 356,468 | 207,002 |
| Interest received | 4 | 27,718 | 24,429 |
| Taxation paid | 7(c) | (78,210) | (87,681) |
| Net cash generated from operating activities | | 305,976 | 143,750 |
| INVESTING ACTIVITIES | | | |
| Purchase of plant and equipment | 11 | (54,999) | (50,854) |
| Proceeds from disposal of plant and equipment | | 2,500 | 10,778 |
| Redemption of bonds | 16 | 24,550 | 2,520 |
| Purchase of equity investments | 15 | (10,013) | (31,105) |
| Net cash used in investing activities | | (37,962) | (68,661) |
| FINANCING ACTIVITIES | | | |
| Dividends paid | 10 | (113,267) | (113,267) |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 154,747 | (38,178) |
| CASH AND CASH EQUIVALENTS AT START OF YEAR | | 377,854 | 416,032 |
| CASH AND CASH EQUIVALENTS AT 31 JULY | 25(b) | 532,601 | 377,854 |

## 1 ACCOUNTING POLICIES

### Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards.

### Adoption of new and revised International Financial Reporting Standards

*(i) Standards and interpretations effective in the current period*

There has been no change in the accounting policy as a result of interpretations and new standards effective in the current period.

*(ii) New and revised standards and interpretations in issue but not yet effective*

At the date of authorisation of these financial statements, various revised standards and interpretations were in issue but not yet effective. The following standards will be relevant to the financial statements of the company, when effective:

### Impact of the new and revised standards and interpretations in issue but not yet effective

The following standards, in particular, will be of considerable relevance to the financial statements of the group and company, when effective:

*IFRS 3 (Revised), Business Combinations*

IFRS 3 (Revised) "Business Combinations" was issued in January 2008 and will apply to business combinations occurring on or after 1 April 2010. The revised standard introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that a business acquisition occurs and future reported results. Assets and liabilities arising from business combinations before 1 April 2010 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, this standard is likely to have a significant impact on the accounting for business acquisitions post adoption.

*IAS 1 (Revised), Presentation of financial statements*

IAS 1 (Revised) "Presentation of Financial Statements" was issued in September 2007 and will be effective for annual periods beginning on or after 1 January 2009. The revised standard introduces the concept of a statement of comprehensive income, which enables users of the financial statements to analyse changes in a company's equity resulting from transactions with owners separately from non-owner changes. The revised standard provides the option of presenting items of income and expense and components of other comprehensive income either as a single statement of comprehensive income or in two separate statements. The group does not currently believe the adoption of this revised standard will have a material impact on the consolidated results or financial position of the group.

*IAS 27 (Revised), Consolidated and Separate Financial Statements*

An amendment to IAS 27 "Consolidated and Separate Financial Statements" was issued in January 2008 and is effective for annual periods beginning on or after 1 July 2009. The amendment requires that when a transaction occurs with non-controlling interests in group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. Transactions occurring before 1 April 2010 will not be restated and thus there will be no effect on the group's results or financial position on adoption. However, the group has historically entered into transactions that are within the scope of this standard and may do so in the future.

## 1 ACCOUNTING POLICIES (continued)

*IFRS 8, Operating segments*

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments will be reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

### Impact of other standards and interpretations

The directors anticipate that the adoption of the other standards and interpretations and amendments resulting from the International Accounting Standards Board (IASB)'s annual improvements project published in May 2008 and April 2009, when effective, will have no material impact on the financial statements of the group.

The IASBs annual improvements process deals with non-urgent, minor amendments to standards.

### Basis of preparation

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

### Basis of consolidation

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

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

### Turnover

Income is recognised upon despatch of goods to customers and represents the invoiced value of goods and services provided to customers, excluding value added tax.

### Dividend income

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

### 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.

### Property, plant and equipment

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

1 ACCOUNTING POLICIES (continued)

**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.

**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**

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

**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.

**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.

**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**

Monetary 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.

## 1 ACCOUNTING POLICIES (continued)

### 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.

### 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.

### 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.

1 ACCOUNTING POLICIES (continued)

## Financial instruments (continued)

*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.

*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.

## 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.

## 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.

## 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

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).

The group is currently organised into two divisions. These divisions are the basis on which the group reports its primary segment information. The two divisions are:

- Trading and
- Investments.

The table below shows the group's revenue, expenses, segment assets, segment liabilities, capital expenditure and depreciation analysed by primary segments.

| | $CO_2$ trading Sh'000 | Carbacid Investments Sh'000 | Group Sh'000 |
|---|---|---|---|
| **2009** | | | |
| Turnover | 552,853 | - | 552,853 |
| Profit before taxation | 353,539 | 13,488 | 367,027 |
| Segment assets | 943,860 | 562,794 | 1,506,654 |
| Segment liabilities | 56,480 | 15,906 | 72,386 |
| Depreciation | 33,149 | - | 33,149 |
| Amortisation | - | 100 | 100 |
| Capital expenditure | 54,999 | - | 54,999 |
| **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 |

## 3 SEGMENTAL INFORMATION (continued)

(b) Secondary reporting – geographical segments

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

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Domestic sales – Kenya | 313,338 | 186,333 |
| Export sales – other African countries | 239,515 | 200,782 |
| | 552,853 | 387,115 |

## 4 FINANCE INCOME

| | 2009 | 2008 |
|---|---|---|
| Interest receivable from - bonds and treasury bills | - | 3,547 |
| - commercial paper | 14,732 | 9,936 |
| - Short term investments and deposits | 10,131 | 7,864 |
| - bank current account | 2,855 | 3,082 |
| | 27,718 | 24,429 |

## 5 PROFIT BEFORE TAXATION

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

| | 2009 | 2008 |
|---|---|---|
| Directors' emoluments -fees | 4,910 | 4,578 |
| Auditors' remuneration | 1,763 | 1,659 |
| Staff costs (note 6) | 61,162 | 50,285 |
| Depreciation (note 11) | 33,249 | 37,183 |
| Amortisation of operating lease prepayment (note13) | 470 | 469 |
| Loss/(gain) on disposal of property, plant and equipment | 12 | (2,155) |

## 6 STAFF COSTS

| | 2009 | 2008 |
|---|---|---|
| Salaries and wages | 57,825 | 46,853 |
| Social security costs | 148 | 149 |
| Pension costs - defined contribution plan | 3,121 | 3,777 |
| Leave pay expense/ (write back) | 68 | (494) |
| | 61,162 | 50,285 |

## 7 TAXATION

(a) TAXATION CHARGE

| | 2009 | 2008 |
|---|---|---|
| Current taxation based on taxable profit at 30% | 115,163 | 76,844 |
| Deferred tax credit (note 23) | (4,568) | (1,664) |
| Prior year deferred tax under provision (note 23) | 55 | - |
| Net taxation charge | 110,650 | 75,180 |

## 7 TAXATION (continued)

| | | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|---|
| (b) | RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE | | |
| | Accounting profit before taxation | 367,027 | 241,940 |
| | Tax at the applicable rate of 30% | 110,108 | 72,582 |
| | Tax effect of expenses not deductible for tax purposes | 950 | 2,832 |
| | Tax effect of income not taxable | (463) | (234) |
| | Prior year underprovision | 55 | - |
| | | 110,650 | 75,180 |
| (c) | TAXATION (PAYABLE)/RECOVERABLE | | |
| | At start of the year | 9,913 | (924) |
| | Charge for the year | (115,163) | (76,844) |
| | | (105,250) | (77,768) |
| | Taxation paid | 78,210 | 87,681 |
| | At end of the year | (27,040) | 9,913 |
| | Comprising of: | | |
| | Taxation payable | (30,076) | - |
| | Taxation recoverable | 3,036 | 9,913 |
| | | (27,040) | 9,913 |

## 8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Carbacid Investments Limited is Sh 297,053,000 (2008 – Sh 43,802,000).

## 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.

| | 2009 | 2008 |
|---|---|---|
| **Earnings** | | |
| Earnings for purposes of basic and diluted earnings per share (Sh 000') | 256,377 | 166,760 |
| **Number of shares** | | |
| Number of ordinary shares | 11,326,755 | 11,326,755 |
| **Earnings per share** | | |
| Basic (Sh) and diluted (Sh) | 22.63 | 14.72 |

There were no potentially dilutive shares outstanding at 31 July 2009 or 31 July 2008.

## 10 DIVIDEND PER SHARE

| | 2009 | 2008 |
|---|---|---|
| | Sh | Sh |
| Interim dividend paid | 5 | 5 |
| Proposed dividend | | |
| - Final | 5 | 5 |
| - Special | 5 | - |
| | 10 | 10 |
| | 15 | 10 |

Proposed dividends are not accounted for until they have been ratified at the Annual General meeting. An interim dividend of Sh 5.00 per share (2008 – Sh 5.00 ) was paid during the year amounting to Sh 56,633,775 (2008 – Sh 56,633,775). The Directors propose a final dividend of Sh 5.00 per share (2008 – Sh 5.00) amounting to Sh 56,633,775 (2008 – Sh 56,633,775) and a special dividend of Sh 5.00 per share (2008 – nil).

The financial statements for the year ended 31 July 2009 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 2010.

During the year, the company paid dividends amounting to Sh 113,267,550 (2008 – Sh 113,267,550).

## 11 PROPERTY, PLANT AND EQUIPMENT - GROUP

| | 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 |
|---|---|---|---|---|---|---|
| COST OR VALUATION | | | | | | |
| As at 1 August 2007 | 37,316 | 21,000 | 97,593 | 389,004 | - | 544,913 |
| Additions | 642 | - | 13,583 | 26,438 | 10,191 | 50,854 |
| Disposals | - | - | (4,977) | (5,781) | - | (10,758) |
| Revaluation adjustment | 8,356 | - | (33,704) | (32,582) | - | (57,930) |
| At 31 July 2008 | 46,314 | 21,000 | 72,495 | 377,079 | 10,191 | 527,079 |
| COMPRISING: | | | | | | |
| Valuation - 2008 | 46,314 | - | 72,495 | 372,003 | - | 490,812 |
| Valuation - 2004 | - | 21,000 | - | - | - | 21,000 |
| Cost | - | - | - | 5,076 | 10,191 | 15,267 |
| | 46,314 | 21,000 | 72,495 | 377,079 | 10,191 | 527,079 |
| As at 1 August 2008 | 46,314 | 21,000 | 72,495 | 377,079 | 10,191 | 527,079 |
| Additions | 12,742 | - | 16,382 | 21,494 | 4,381 | 54,999 |
| Disposals | - | - | (2,512) | - | - | (2,512) |
| Transfers | 3,547 | - | - | - | (3,547) | - |
| At 31 July 2009 | 62,603 | 21,000 | 86,365 | 398,573 | 11,025 | 579,566 |
| COMPRISING: | | | | | | |
| Valuation – 2008 | 46,314 | - | 72,495 | 372,003 | - | 490,812 |
| Valuation - 2004 | - | 21,000 | - | - | - | 21,000 |
| Cost | 16,289 | - | 13,870 | 26,570 | 11,025 | 67,754 |
| | 62,603 | 21,000 | 86,365 | 398,573 | 11,025 | 579,566 |
| DEPRECIATION | | | | | | |
| As at 1 August 2007 | 2,490 | 6,300 | 25,647 | 65,369 | - | 99,806 |
| Charge for the year | 945 | 2,100 | 10,736 | 23,402 | - | 37,183 |
| Eliminated on disposal | - | - | (1,645) | (490) | - | (2,135) |
| Eliminated on revaluation | (3,435) | - | (34,738) | (88,019) | - | (126,192) |
| At 31 July 2008 | - | 8,400 | - | 262 | - | 8,662 |
| As at 1 August 2008 | - | 8,400 | - | 262 | - | 8,662 |
| Charge for the year | 1,466 | 2,100 | 7,513 | 22,170 | - | 33,249 |
| At 31 July 2009 | 1,466 | 10,500 | 7,513 | 22,432 | - | 41,911 |

## 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 2009 | 61,137 | 10,500 | 78,852 | 376,141 | 11,025 | 537,655 |
| At 31 July 2008 | 46,314 | 12,600 | 72,495 | 376,817 | 10,191 | 518,417 |
| NET BOOK VALUE (cost) | | | | | | |
| At 31 July 2009 | 25,574 | 2,594 | 52,622 | 104,497 | 10,191 | 195,478 |
| At 31 July 2008 | 5,353 | 3,242 | 34,083 | 101,522 | 10,191 | 154,391 |

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

Capital work in progress relates to costs incurred in the construction of a new mine in Eldoret.

## (b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

| | Buildings 2009 Sh'000 | Buildings 2008 Sh'000 |
|---|---|---|
| COST OR VALUATION | | |
| At 1 August 2008 | 5,000 | 3,000 |
| Revaluation adjustment | - | 2,000 |
| At 31 July 2009 | 5,000 | 5,000 |
| DEPRECIATION | | |
| At 1 August 2008 | - | 180 |
| Charge for the year | 100 | 60 |
| Eliminated on revaluation | - | (240) |
| At 31 July 2009 | 100 | - |
| NET BOOK VALUE | | |
| At 31 July 2009 | 4,900 | 5,000 |
| NET BOOK VALUE (cost basis) | 208 | 213 |

## 12 INVESTMENT PROPERTY – GROUP AND COMPANY

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| FAIR VALUE | | |
| At start of year | 45,000 | 28,000 |
| Fair value gain | - | 17,000 |
| At end of year | 45,000 | 45,000 |

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 | |
|---|---|---|---|---|
| | 2009 Sh'000 | 2008 Sh'000 | 2009 Sh'000 | 2008 Sh'000 |
| COST | | | | |
| At start and end of year | 27,550 | 27,550 | 27,523 | 27,523 |
| ACCUMULATED AMORTIZATION | | | | |
| At start of the year | 5,254 | 4,785 | 5,254 | 4,785 |
| Charge for the year | 470 | 469 | 470 | 469 |
| At end of year | 5,724 | 5,254 | 5,724 | 5,254 |
| Net book value | 21,826 | 22,296 | 21,799 | 22,269 |

## 14 INVESTMENT IN SUBSIDIARY COMPANY

| | | |
|---|---|---|
| Carbacid ($CO_2$) Limited – 100% owned | 3,348 | 3,348 |

Investment in subsidiary company is stated at cost less provision for impairment where applicable. As at 31 July 2009, the net assets of Carbacid ($CO_2$) Limited amounted to Sh 589,268,000 (2008 – Sh 630,063,000).

## 15 EQUITY INVESTMENTS – GROUP AND COMPANY

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| *At fair value through profit and loss* | | |
| At start of year | 78,665 | 54,691 |
| Purchased during the year | 10,013 | 31,105 |
| Loss on revaluation | (23,886) | (7,131) |
| At end of year | 64,792 | 78,665 |

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* | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| At amortized cost | - | 24,550 |
| Maturing within one year | - | (24,550) |
| Maturing between one and two years | - | - |



Movement on the bonds and treasury bills is as follows:

| | 2009 | 2008 |
|---|---|---|
| At start of year | 24,550 | 27,070 |
| Redeemed | (24,550) | (2,520) |
| At end of year | - | 24,550 |

The average interest rates received were as follows:

| | 2009 | 2008 |
|---|---|---|
| Bonds | Nil | 14.25% |

## 17 INVENTORIES – GROUP

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Carbon dioxide gas and dry ice | 829 | 683 |
| Spare parts and materials | 32,449 | 23,406 |
| Fuel and chemicals | 1,344 | 1,978 |
| Oxygen gas | 211 | 466 |
| | 34,833 | 26,533 |

## 18 TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2009 Sh'000 | 2008 Sh'000 | 2009 Sh'000 | 2008 Sh'000 |
| Trade receivables | [illegible]1,227 | 101,297 | 1,358 | - |
| Prepayments | 6,817 | 511 | 226 | 268 |
| Other receivables | [illegible],593 | 4,507 | - | - |
| | [illegible],637 | 106,315 | 1,584 | 268 |

## 19 COMMERCIAL PAPER – GROUP AND COMPANY

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| *Held to maturity* | | |
| Face value | 110,820 | 155,000 |
| Less: unearned discount | (835) | (1,421) |
| | 109,985 | 153,579 |

The average interest rate received was 10.1% (2008 – 9.00%).

## 20 SHORT TERM DEPOSITS – GROUP AND COMPANY

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| *At amortised cost* | | |
| Fixed deposits | | |
| - Local currency | 257,265 | 34,681 |
| - Foreign currency | 45,095 | 57,732 |
| | 302,360 | 92,413 |

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 | 7.20 | 7.25 |
| Foreign currency | 6.00 | 6.00 |

## 21 DUE TO SUBSIDIARY

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Carbacid ($CO_2$) Ltd | - | 39,465 |

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

## 22 SHARE CAPITAL

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Authorised: | | |
| 12,000,000 ordinary shares of Sh 5 each | 60,000 | 60,000 |
| Issued and fully paid: | | |
| 11,326,755 ordinary shares of Sh 5 each | 56,634 | 56,634 |

## 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 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **Sh'000** | Sh'000 | **Sh'000** | Sh'000 |
| Accelerated capital allowances | **31,264** | 29,785 | **-** | - |
| Incentive share provision | **-** | (900) | **-** | - |
| Leave pay provision | **(391)** | (370) | **-** | - |
| Unrealised exchange gain/ (losses) | **3,477** | (889) | **-** | (694) |
| Revaluation surplus - investment property | **4,311** | 9,980 | **4,311** | 9,980 |
| Revaluation surplus - property and equipment | **103,576** | 109,144 | **1,407** | 1,436 |
| | **142,237** | 146,750 | **5,718** | 10,722 |

| | GROUP 2009 Sh'000 | GROUP 2008 Sh'000 | COMPANY 2009 Sh'000 | COMPANY 2008 Sh'000 |
|---|---|---|---|---|
| The movement on the deferred tax account is as follows: | | | | |
| At start of year | **146,750** | 127,951 | **10,722** | 5,035 |
| Income statement (credit)/ charge (note 7) | **(4,568)** | (1,664) | **(5,004)** | 5,030 |
| Prior year (over)/under provision (note 7) | **55** | - | **-** | - |
| Debited directly to equity | **-** | 20,463 | **-** | 657 |
| At end of year | **142,237** | 146,750 | **5,718** | 10,722 |

## 24 TRADE AND OTHER PAYABLES

| | GROUP 2009 Sh'000 | GROUP 2008 Sh'000 | COMPANY 2009 Sh'000 | COMPANY 2008 Sh'000 |
|---|---|---|---|---|
| Trade payables | 6,398 | 8,364 | 979 | 1,308 |
| Unclaimed dividends | 8,256 | 6,814 | 8,256 | 6,814 |
| Other payables and accruals | 20,517 | 21,897 | 953 | 1,141 |
| Leave pay provision | 1,302 | 1,234 | - | - |
| | 36,473 | 38,309 | 10,188 | 9,263 |

## 25 NOTES TO THE CASH FLOW STATEMENT - GROUP

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| **(a) RECONCILIATION OF PROFIT TO CASH GENERATED FROM OPERATIONS** | | |
| Profit before taxation | 367,027 | 241,940 |
| Amortisation | 470 | 469 |
| Depreciation | 33,249 | 37,183 |
| Loss/ (gain) on disposal of plant and equipment | 12 | (2,155) |
| Loss on revaluation of equity investments | 23,886 | 7,131 |
| Finance income recognized in profit for the year | (27,718) | (24,429) |
| Gain on revaluation of investment property | - | (17,000) |
| Operating profit before working capital changes | 396,926 | 243,139 |
| Increase in inventories | (8,300) | (13,155) |
| Increase in trade and other receivables | (30,322) | (27,511) |
| Decrease in trade and other payables | (1,836) | 4,529 |
| Cash generated from operations | 356,468 | 207,002 |
| **(b) ANALYSIS OF CASH AND CASH EQUIVALENTS** | | |
| Commercial paper | 109,985 | 153,579 |
| Short term deposits | 302,360 | 92,413 |
| Bank balances and cash | 120,256 | 131,862 |
| | 532,601 | 377,854 |

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.

## 26 RELATED PARTY TRANSACTIONS

**Key management compensation**

The remuneration of directors and other members of key management during the year were as follows:

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Directors' remuneration: | | |
| Fees for services as directors | 4,910 | 4,578 |
| Other emoluments | - | - |
| | 4,910 | 4,578 |
| Key management compensation: | | |
| Salaries and other benefits | 11,628 | 10,704 |

During the year the group contracted consultancy services from Strategic Consultants Limited, a firm related to it through common directorship. The fees charged for these services were Sh 2,062,500 (2008 - Sh 1,816,000).

## 27 CAPITAL COMMITMENTS

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Authorised and contracted for | 114,913 | 13,500 |
| Authorised but not contracted for | 329,250 | 11,163 |
| | 444,163 | 24,663 |

## 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 3,121,000 (2008 - Sh 3,777,000) in the year. Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2009, the company contributed Sh 148,000 (2008 - Sh 149,000) to the statutory scheme.

## 29 OPERATING LEASE COMMITMENTS

AS LESSEE:

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

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Within one year | 361 | 361 |
| Within two to five years | 1,442 | 1,442 |
| Over five years | 15,782 | 16,143 |
| | 17,585 | 17,946 |

AS LESSOR:

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

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Within one year | 8,836 | 7,882 |
| Within two to five years | 30,678 | 40,754 |
| | 39,514 | 48,636 |

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) Credit risk management

Credit risk refers to the risk that customers will default on its contractual obligations resulting in financial loss to the company.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 2009** | Total amount Sh'000 | Fully Performing Sh'000 | Past due Sh'000 | Impaired Sh'000 |
|---|---|---|---|---|
| Trade receivables | 121,227 | 80,694 | 40,374 | 159 |
| Bank balances | 120,256 | - | - | - |
| Commercial paper | 109,985 | - | - | - |
| Short term deposits | 302,360 | - | - | - |
| **31 July 2008** | | | | |
| Trade receivables | 101,456 | 95,855 | 5,233 | 159 |
| Bank balances | 131,862 | - | - | - |
| Bonds and treasury bills | 24,550 | - | - | - |
| Commercial paper | 153,579 | - | - | - |
| Short term deposits | 92,413 | - | - | - |

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.

The groups's credit risk is primarily attributable to liquid funds with financial institutions. The risk is low because the counter parties are banks with high credit-ratings.

### (b) 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)

### (b) Liquidity risk management (continued)

| | Within 12 months Sh'000 | Over 12 months Sh'000 |
|---|---|---|
| **At 31 July 2009:** | | |
| Trade payables | 6,398 | - |
| Other payables – Cylinder deposits | 7,850 | - |
| | 14,248 | - |
| **At 31 July 2008:** | | |
| Trade payables | 8,364 | - |
| Other payables - Cylinder deposits | 7,594 | - |
| | 15,958 | - |

### (c) Market risk

(i) Price risk

The group 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 group 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% (2008: 100%) of total equity investments.

The market values of the company's equity investments at the balance sheet date are as follows:

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| Equity investments | 64,792 | 78,665 |

At 31 July 2009, if the market prices had increased/decreased by 10% with all other variables held constant, the profit for the year would have been Sh 6,479,200 (2008:Sh 7,866,500) higher/lower.

(ii) Foreign currency risk

The group 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)

### (c) Market risk (continued)

(ii) Foreign currency risk (Continued)

| | 2009 Sh'000 | 2008 Sh'000 |
|---|---|---|
| **Assets** | | |
| *Bank and cash balances* | | |
| USD 892,202 @ 76.6 (2008: 620,138@67.32) | 68,356 | 41,748 |
| *Commercial paper* | | |
| USD 588,708 @ 76.6 (2008: 863,058 @ 67.32) | 45,095 | 57,732 |
| *Trade receivables* | | |
| USD 680,923@76.6 (2008: 849,103 @ 67.32 ) | 52,159 | 57,162 |
| | 165,610 | 156,642 |

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 2009, 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 16,561,000 (2008:Sh 15,664,200) 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 group 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 group consists of issued capital as disclosed in note 22, as well as reserves and retained earnings.

At 31 July 2009, the group had no borrowings at year end.

## 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).

## notes

## 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 Holiday Inn (Palm Room), Parklands, Nairobi on Thursday, 10th December 2009 at 10.00 a.m., and at any adjournment thereof.

Dated this ______________________ day of ______________________ 2009

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