CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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 4450560)**
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**

UKAS QUALITY MANAGEMENT 008

Bureau Veritas Certification using the Accreditation certificate Number 008

Certificate Number: **IND91441**

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

Corporate information

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) FCIS	
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) Deloitte Place Waiyaki Way, Muthangari 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	
	Commercial Bank of Africa Limited Upper Hill Branch Mara & Ragati Road P O Box 30437 Nairobi, GPO, 00100	
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 79, 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 78, 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 71, 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 56, 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 fortieth Annual General Meeting of the shareholders of Carbacid Investments Limited will be held at the Southern Sun Mayfair (Coconut Palm), Parklands Road, Nairobi on Friday, 10th December 2010 at 10.00 a.m., for the following purposes:

1 To receive the Directors' Report and audited financial statements for the year ended 31st July 2010.

2 To declare a final dividend as recommended by the Directors to shareholders registered on 17th November 2010.

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

By Order of the Board

N P KOTHARI
Secretary
Nairobi
25 October 2010

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 2010 has been another successful year for the Company, despite global economic circumstances and the dry weather conditions in Kenya.

The growth in this period was 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 12 % and operating profits by 11%. Net profits after tax have increased by 20%. Major factors that have impacted the results for the year are:

- The growth in sales.
- The erratic supply of electricity power being provided by the power company, leading to greater use of generator power at a much higher cost.

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 continues to maintain the investments in liquid form to take advantage of any sound business opportunities as they arise.

In respect of the year ended 31 July 2010, your Board had approved the payment of an interim dividend of Shs 2/- per share in April 2010, based on the increased capital base after the 2 for 1 bonus issue in December 2009 and now recommends a final dividend of Shs 3/- per share to be paid in December 2010. The total dividend per share for the full year will, therefore, be Shs 5/- per share, based on 33,980,265 shares in issue.

With the growth in sales over the past few years arising from development of new regional markets, new uses of the gas as well as improvement in domestic markets, the Board took a strategic decision to locate and develop a second mining source and processing facility. I am pleased to report that the Company was successful in tapping a new source in the Western part of Kenya. The construction of the processing facility and installation of the refining plant at the new source is under way as I write this report. It is expected that the facility will be in full commercial production by the end of 2010. The total investment in this new facility and in continued upgrade of the existing facilities and fleet, will be in excess of Shs 400 million. 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, 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
25 October 2010

J M Wanjigi
Chairman

Nina furaha kuripoti kwamba mwaka uliomalizika Julai 31, 2010 umekuwa tena wenye mafanikio kwa Kampuni licha ya mazingira ya kiuchumi duniani na hali ya hewa iliokauka hapa 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 msingi wa wateja kuambatana na mikakati ya Kampuni ya kutafuta matumizi mapya ya gesi ya carbon dioxide. Ongezeko katika gharama ya kawi na hali utoaji wa nguvu za umeme unaopungua ulisababisha gharama ya juu ya utoaji wa bidhaa hata ingawa adhari zao zilipunguzwa na mauzo mengi.

Kwa jumla, mauzo yaliongezeka kwa asilimia kumi na mbili (12) na faida ya utenda kazi kwa asilimia kumi na moja (11). Faida baada ya kodi imeongezeka kwa asilimia ishirini (20). Sababu kuu ambazo zimesababisha matokeo haya ya mwaka ni:

- Ongezeko katika mauzo
- Usambazaji wa nguvu za umeme usiokuwa na uhakika kutoka kwa kampuni ya kusambaza umeme ikisababisha matumizi zaidi ya kawi ya jenereta kwa gharama ya juu zaidi.

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 ili kuchukua fursa na kutumia rasilimali hizi katika nafasi zozote za biashara zinapotokea.

Kuhusiana na mwaka uliomalizika Julai 31, 2009, halmashauri yenu ya wakurugenzi iliidhinisha mgao wa muda wa shilingi 2/- kwa kila hisa hapo Aprili 2010, msingi ukiwa mtaji ulioongezwa baada ya toleo la ziada (bonus) ya 2 kwa 1 hapo Disemba 2009 na sasa inapendekeza mgao wa mwisho wa shilingi 3/- kwa kila hisa kulipwa hapo Disemba 2010. Mgao wote kwa jumla kwa kila hisa kwa mwaka mzima utakuwa ni shilingi 5/- kwa kila hisa, msingi ukiwa ni kwa hisa 33,980,265 ambazo zimetolewa.

Kutokana na ongezeko katika mauzo kwa miaka michache iliyopita, kutokana na kuendelea kwa masoko katika eneo, matumizi mapya ya gesi pamoja na kuimarika kwa soko za hapa nchini, Halmashauri ya wakurugenzi imeamua mkakati kutafuta na kuendeleza mgodi wa pili pamoja na kiwanda cha usindikaji. Nina furaha kuripoti kwamba kampuni imefanikiwa kupata chanzo kipya katika sehemu moja katika Magharibi mwa Kenya. Ujenzi wa kiwanda cha usindikaji na ufungaji wa mtambo wa kusafisha katika chanzo kipya unaendelea wakati ninapoandika ripoti hii. Inatarajiwa ya kwamba mtambo utaweza kutoa bidhaa kwa uzalishaji wa kibiashara hapo mwisho 2010. Jumla ya uwekezaji katika kiwanda kipya na kuboresha kunako endelea kwa viwanda vilivyopo na magari itakuwa zaidi ya shilingi milion mia nne (400,000,000/-). Uwekezaji wa kiwango hiki ni hatua kubwa katika kuifanya kampuni kuthibiti uongozi katika sekta hii ya viwanda.

Kama sehemu ya wajibu kwa Jamii, 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 misaada ya kifedha kwa wanafunzi wanaostahili. Kampuni imefadhili mipango ya kuwahamasisha wananchi kuhusu mazingira ikishirikiana na Wizara ya Elimu.

Halmashauri yenu ya wakurugenzi inaendelea kutilia mkazo uongozi bora na taarifa kuhusu uongozi bora 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 miwili iliyopita. Ningependa pia kutoa shukrani kwa mwongozo na mchango wa wakurugenzi wenzangu.

Nairobi
Oktoba 25, 2010

J M Wanjigi
Mwenyekiti

The directors present their report together with the audited financial statements for the year ended 31 July 2010.

PRINCIPAL 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.

SHARE CAPITAL AND CAPITALIZATION

On 10th December 2009, the share capital of the Company was increased from Shs 60,000,000/- to Shs 250,000,000/- by the creation of 38,000,000 additional Ordinary Shares of Shs 5/- each. On the same date, 22,653,510 Ordinary Shares were issued by way of a capitalization issue of 2 shares for every 1 share held, increasing the issued share capital to 33,980,265 Ordinary Shares of Shs 5/- each.

RESULTS FOR THE YEAR

	Sh'000
Group profit before taxation	438,041
Taxation	(130,649)
Group profit for the year transferred to retained earnings	307,392

DIVIDENDS

An interim dividend of Sh 2.00 per share (2009 - Sh 5.00) on 33,980,265 shares (2009 – 11,326,755 shares) was paid during the year amounting to Sh 67,960,530 (2009 – Sh 56,633,775). The Directors propose a final dividend of Sh 3.00 per share (2009 – Sh 5.00) amounting to Sh 101,940,795 (2009 – Sh 56,633,775). The directors however do not recommend the payment of any special dividend in respect of the year (2009 – Sh 5.00 per share).

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
25 October 2010

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. During the year the Board had five meetings, which were well attended by the 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 established an Investment Committee whose responsibility it is to monitor the investment portfolio and to search for new investment opportunities.

Other committees in place are the Strategic Committee and the Staff Committee. The committees met as follows during 2009/10.

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

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 30.

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 2010 were as follows:

Name	No. of Shares
Mr J M Wanjigi Including shares held by a company in which he has an interest	566,450
Mr RA Shepherd	147,986
Mr BC Patel	3,714,783

Distribution of shareholders as at 31 July 2010

Shareholding (No. of shares)	No. of shares held	No. of shareholders	% shareholding
Less than 500	38,149	194	0.11
500 - 5,000	955,640	469	2.81
5,001 - 10,000	1,327,589	195	3.91
10,001 - 100,000	3,254,073	134	9.58
100,001 - 1,000,000	5,831,777	25	17.16
above 1,000,000	22,573,037	6	66.43
Total	33,980,265	1,023	100.00

Major shareholders

The top 10 major shareholders as at 31 July 2010 were as follows:

Name	No. of Shares	% Shareholding
Rasimu Limited	7,098,974	20.89
Mrs A Patel	5,097,000	15.00
Mr B C Patel	3,714,783	10.93
Leverton Limited	3,178,854	9.36
Kivuli Limited	1,980,000	5.83
Miss T I Friedman	1,503,426	4.42
Cannon Assurance (Kenya) Ltd	845,498	2.49
Estate of the late N Stubbs	752,370	2.21
Mrs B C Kampf	538,284	1.58
Mr R B Robson	323,496	0.95

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 company and its subsidiary 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 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.

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 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
25 October 2010

M K R SHAH
Director

independent auditors' report

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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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 45 which comprise the consolidated and company statements of financial position as at 31 July 2010 and the consolidated statement of comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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 as to 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 entity'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 entity'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 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with 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 statement of financial position is in agreement with the books of account.

DELOITTE & TOUCHE
Certified Public Accountants
25 October 2010

Partners: S.O. Onyango F.O. Aloo H. Gadhoke* N. R. Hira* B.W. Irungu J.M. Kiarie D.M. Mbogho A.N. Muraya J. Nyang'aya J.W. Wangai
*British

Member of Deloitte Touche Tohmatsu

FOR THE YEAR ENDED 31 JULY 2010

	Notes	2010 Sh'000	2009 Sh'000
TURNOVER		620,083	552,853
COST OF SALES		(212,990)	(186,609)
GROSS PROFIT		407,093	366,244
OTHER OPERATING INCOME		33,954	19,978
ADMINISTRATIVE EXPENSES		(50,753)	(42,138)
FINANCE INCOME	4	42,872	27,718
FOREIGN EXCHANGE GAINS		4,685	19,111
FAIR VALUE GAIN/ (LOSS) ON EQUITY INVESTMENTS	15	190	(23,886)
PROFIT BEFORE TAXATION	5	438,041	367,027
TAXATION CHARGE	7	(130,649)	(110,650)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	8	307,392	256,377
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		307,392	256,377
EARNINGS PER SHARE – Basic and diluted	9	Sh 9.05	Sh 7.54

31 JULY 2010

	Notes	2010 Sh'000	2009 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11(a)	735,647	537,655
Investment property	12	45,000	45,000
Operating lease prepayments	13	21,356	21,826
Equity investments	15	67,181	64,792
Corporate bonds	16	257,877	-
		1,127,061	669,273
Current assets			
Inventories	17	58,316	34,833
Trade and other receivables	18	107,152	136,637
Taxation recoverable	7(c)	7,696	3,036
Commercial paper	19	92,649	109,985
Short term deposits	20	21,573	302,360
Bank and cash balances		97,719	120,256
		385,105	707,107
Total assets		1,512,166	1,376,380
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	22	169,902	56,634
Revaluation surplus		228,061	256,689
Retained earnings		895,794	854,271
Shareholders' equity		1,293,757	1,167,594
Non current liabilities			
Deferred taxation	23	151,851	142,237
Current liabilities			
Trade and other payables	24	66,180	36,473
Taxation payable	7(c)	378	30,076
		66,558	66,549
Total equity and liabilities		1,512,166	1,376,380

The financial statements on pages 15 to 45 were approved by the board of directors on 25 October 2010 and were signed on its behalf by:

J M WANJIGI } Directors
M K R SHAH }

	Notes	2010 Sh'000	2009 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11(b)	4,950	4,900
Investment property	12	45,000	45,000
Operating lease prepayments	13	21,329	21,799
Investment in subsidiary company	14	3,348	3,348
Equity investments	15	67,181	64,792
Corporate bonds	16	257,877	-
		399,685	139,839
Current assets			
Trade and other receivables	18	1,601	1,584
Taxation recoverable	7(c)	-	3,036
Commercial paper	19	92,649	109,985
Short term deposits	20	21,573	302,360
Due from subsidiary company	21	126,318	-
Bank and cash balances		27,192	40,657
		269,333	457,622
Total assets		669,018	597,461
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	22	169,902	56,634
Revaluation surplus		3,226	3,293
Retained earnings		464,475	521,628
Shareholders' equity		637,603	581,555
Non current liabilities			
Deferred taxation	23	4,250	5,718
Current liabilities			
Trade and other payables	24	26,787	10,188
Taxation payable	7(c)	378	-
		27,165	10,188
Total equity and liabilities		669,018	597,461

The financial statements on pages 15 to 45 were approved by the board of directors on 25 October 2010 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 2010

	Notes	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2008		56,634	269,681	698,169	1,024,484
Total comprehensive income for the year		-	-	256,377	256,377
Transfer of excess depreciation		-	(18,560)	18,560	-
Deferred tax on excess depreciation		-	5,568	(5,568)	-
Final dividend paid – 2008		-	-	(56,634)	(56,634)
Interim dividend paid – 2009	10	-	-	(56,633)	(56,633)
At 31 July 2009		56,634	256,689	854,271	1,167,594
At 1 August 2009		56,634	256,689	854,271	1,167,594
Total comprehensive income for the year		-	-	307,392	307,392
Bonus issue of shares*	22	113,268	-	(113,268)	-
Transfer of excess depreciation – prior years		-	(21,433)	21,433	-
Deferred tax on excess depreciation – prior years		-	6,430	(6,430)	-
Transfer of excess depreciation		-	(19,464)	19,464	-
Deferred tax on excess depreciation		-	5,839	(5,839)	-
Special dividend paid – 2009	10	-	-	(56,634)	(56,634)
Final dividend paid – 2009	10	-	-	(56,634)	(56,634)
Interim dividend paid – 2010	10	-	-	(67,961)	(67,961)
At 31 July 2010		169,902	228,061	895,794	1,293,757

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

*During the year, the company capitalised the sum of Sh 113,268,000 from the credit of the revenue reserve account and appropriated the amount to ordinary shareholders by way of a 2 for 1 bonus issue. The bonus issue was approved by way of an ordinary resolution at the last Annual General Meeting.

	Notes	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2008		56,634	3,360	337,775	397,769
Total comprehensive income for the year		-	-	297,053	297,053
Transfer of excess depreciation		-	(96)	96	-
Deferred tax on excess depreciation		-	29	(29)	-
Final dividend paid – 2008		-	-	(56,634)	(56,634)
Interim dividend paid – 2009	10	-	-	(56,633)	(56,633)
At 31 July 2009		56,634	3,293	521,628	581,555
At 1 August 2009		56,634	3,293	521,628	581,555
Total comprehensive income for the year		-	-	237,277	237,277
Bonus issue of shares*	22	113,268	-	(113,268)	-
Transfer of excess depreciation		-	(96)	96	-
Deferred tax on excess depreciation		-	29	(29)	-
Special dividend paid – 2009	10	-	-	(56,634)	(56,634)
Final dividend paid – 2009	10	-	-	(56,634)	(56,634)
Interim dividend paid – 2010	10	-	-	(67,961)	(67,961)
At 31 July 2010		169,902	3,226	464,475	637,603

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

*During the year, the company capitalised the sum of Sh 113,268,000 from the credit of the revenue reserve account and appropriated the amount to ordinary shareholders by way of a 2 for 1 bonus issue. The bonus issue was approved by way of an ordinary resolution at the last Annual General Meeting.

consolidated statement of cash flows

FOR THE YEAR ENDED 31 JULY 2010

	Note	2010 Sh'000	2009 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	25(a)	463,884	356,468
Interest received	4	42,872	27,718
Taxation paid	7(c)	(155,393)	(78,210)
Net cash generated from operating activities		351,363	305,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	11	(239,374)	(54,999)
Proceeds from disposal of plant and equipment		901	2,500
Redemption of treasury bonds		-	24,550
Purchase of corporate bonds	16	(257,877)	-
Purchase of equity investments	15	(23,974)	(10,013)
Proceeds from sale of equity investments		29,530	-
Net cash used in investing activities		(490,794)	(37,962)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	10	(181,229)	(113,267)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(320,660)	154,747
CASH AND CASH EQUIVALENTS AT START OF YEAR		532,601	377,854
CASH AND CASH EQUIVALENTS AT 31 JULY	25(b)	211,941	532,601

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

For the Kenyan companies Act reporting purposes, in these financial statements the balance sheet is represented by/ is equivalent to the statement of financial position and the profit and loss account is presented in the statement of comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

(i) Relevant standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

- *IFRS 7 Improving disclosures about financial instruments*

  The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

- *IFRS 8 'Operating segments. – effective 1 January 2009*

  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.

- *IAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009*

  A revised version of IAS 1 was issued in September 2007. It requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group has presented in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

  The Group also elected to use the titles per revised IAS 1 of 'statement of financial position' and 'statement of cash flows' to describe the 'balance sheet' and cash flow statement respectively.

- *IFRS 3 (revised) 'Business Combinations' – effective 1 July 2009*

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's

- *IAS 27, 'Consolidated and separate financial statements' – effective 1 July 2009*

  The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

1 ACCOUNTING POLICIES (continued)

(ii) Relevant standards and interpretations issued but not yet effective

The standards and interpretations expected to be relevant to the Group is detailed below:

- *IFRS 9, 'Financial instruments part 1: Classification and measurement' – effective 1 January 2013*

  IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

  Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the assets' contractual cash flows represents only payments of principal and interest (that is, it has only basic loan features). All other debt instruments are to be measured at fair value through profit or loss.

  All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

  While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

  The Group is considering the implications of the standard, the impact on the Group and the timing on its adoption by the Group.

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 2010, 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.

1 ACCOUNTING POLICIES (continued)

(iii) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2009.

Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting, as modified by the revaluation of certain assets.

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 delivery 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.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Returnable gas cylinders in circulation are recorded within the property, plant and equipment at cost net of accumulated depreciation less any 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%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with effect of any changes in estimate accounted for on a prospective basis.

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 unused tax losses and unused tax credits 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 Group'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 profit or loss as they fall due.

1 ACCOUNTING POLICIES (continued)

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 end of each reporting period.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the end of the reporting period. Transactions in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are dealt with in the profit or loss.

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, 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 profit or loss 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 profit or loss over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over their expected useful lives or where shorter, the term of the relevant lease.

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 profit or loss 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 statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification

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.

(i) Financial 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. Gains and losses arising from changes in fair value are recognised in the profit or loss.

1 ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) 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 Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Held to maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the company are classified as held to maturity investments and are measured at amortised cost using effective interest rate method less any impairment with revenue recognised on an effective yield basis.

(iv) 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 are classified as available-for-sale.

Recognition and measurement

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 Group 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 profit or loss 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 in other comprehensive income and accumulated in the investments revaluation reserve, with the exeption of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive the dividends is established.

Impairment and uncollectability of financial assets

At the end of each reporting period, all financial assets are subject to review for impairment.
If it is probable that the Group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount either directly or through use of an allowance account. The amount of the loss incurred is dealt with through profit or loss for the period.

1 ACCOUNTING POLICIES (continued)

Impairment and uncollectability of financial assets (continued)

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised in other comprehensive income is removed and recognised in the profit or loss for the period even though the financial asset has not been derecognised.

Financial liabilities

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are carried at cost which is measured at the fair or contracted value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the Group.

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 profit or loss.

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

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group Board of Directors). The directors then allocate resources to and assess the performance of the operating segments of the Group.

The operating segments are based on the Group's internal reporting structure. In accordance with IFRS 8, the Group has the following operating segments; trading and investments.

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).

1 ACCOUNTING POLICIES (continued)

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 Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances. They are detailed below:

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group's accounting policies

Held to maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity financial assets. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these assets to maturity, for example selling an insignificant amount close to maturity, it will be required to classify the entire class as available-for-sale. The assets would therefore have to be measured at fair value and not amortised cost with the difference arising from this change in valuation being a corresponding entry in the fair value reserve in shareholders' equity.

(ii) Key sources of estimation uncertainty

Property, plant and equipment

Critical estimates are made by directors in determining the useful lives and residual values to property, plant and equipment based on the intended use of the assets and the economic lives of those assets. Subsequent changes in circumstances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

3 SEGMENTAL INFORMATION

(a) Adoption of IFRS 8 Operating segments

The Group has adopted IFRS 8 Operating Segments which became effective for annual periods beginning on or after 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

3 SEGMENTAL INFORMATION (continued)

(b) Products and services from which reportable segments derive their revenues

Information reported to the Group's chief operating decision maker (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focussed on the principal activities of the Group. The principal activities of the Group are mining and sale of carbon dioxide gas and investments. These are organised in the following operating segments:

- Trading
- Investments.

(c) Segment revenues and results, assets and liabilities

The segment information provided to the Group's Board of Directors for the reportable segments is as follows:-

	CO_2 trading Sh'000	Carbacid Investments Sh'000	Group Sh'000
2010			
Turnover	620,083	-	620,083
Profit before taxation	381,961	56,080	438,041
Segment assets	782,267	669,018	1,451,285
Segment liabilities	165,711	31,415	197,126
Depreciation	40,572	100	40,672
Amortisation	-	470	470
Capital expenditure	239,224	150	239,374
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

Revenue reported above represents revenue generated from external customers.

There were no revenues deriving from transactions with a single external customer that amount to 10% or more of the Group's revenue.

(d) Geographical information

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

	2010 Sh'000	2009 Sh'000
Domestic sales – Kenya	334,834	313,338
Export sales – other African countries	285,249	239,515
	620,083	552,853

		2010 Sh'000	2009 Sh'000
4	**FINANCE INCOME**		
	Interest receivable from held to maturity investments:		
	- corporate bonds	23,288	-
	- commercial paper	9,131	14,732
	- short term investments and deposits	9,586	10,131
	- bank current account	867	2,855
		42,872	27,718
5	**PROFIT BEFORE TAXATION**		
	The profit before taxation is arrived at after charging/(crediting):		
	Directors' remuneration - fees	8,638	4,910
	- other emoluments	-	-
	Auditors' remuneration	1,876	1,788
	Staff costs (note 6)	70,550	61,162
	Depreciation (note 11)	40,672	33,249
	Amortisation of operating lease prepayment (note13)	470	470
	(Gain)/loss on disposal of property, plant and equipment	(191)	12
	Gain on sale of equity investments	(7,755)	-
6	**STAFF COSTS**		
	Salaries and wages	66,087	57,825
	Social security costs	185	148
	Pension costs - defined contribution plan	3,223	3,121
	Leave pay expense	1,055	68
		70,550	61,162

		GROUP		COMPANY	
		2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
7	**TAXATION**				
	(a) TAXATION CHARGE				
	Current taxation based on taxable profit at 30%	121,035	115,163	15,420	8,729
	Deferred taxation (note 23)				
	- Current year	8,389	(4,568)	(1,468)	(5,004)
	- Prior year under provision	1,225	55	-	-
	Net taxation charge	130,649	110,650	13,952	3,725

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
7 TAXATION (continued)				
(b) RECONCILIATION OF EXPECTED TAX BASED ON ACCOUNTING PROFIT TO TAX EXPENSE				
Accounting profit before taxation	438,041	367,027	251,229	300,778
Tax at the applicable rate of 30%	131,412	110,108	75,369	90,233
Tax effect of expenses not deductible for tax purposes	1,169	950	227	171
Tax effect of income not taxable	(3,157)	(463)	(61,644)	(86,679)
Prior year under provision	1,225	55	-	-
	130,649	110,650	13,952	3,725
(c) TAXATION RECOVERABLE/ (PAYABLE)				
At start and end of year	(27,040)	9,913	3,036	5,866
Charge for the year	(121,035)	(115,163)	(15,420)	(8,729)
	(148,075)	(105,250)	(12,384)	(2,863)
Taxation paid	155,393	78,210	12,006	5,899
At end of year	7,318	(27,040)	(378)	3,036
Comprising of:				
Taxation payable	(378)	(30,076)	(378)	-
Taxation recoverable	7,696	3,036	-	3,036
	7,318	(27,040)	(378)	3,036

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Carbacid Investments Limited is Sh 237,277,000 (2009 – Sh 297,053,000).

9 EARNINGS PER SHARE – BASIC & DILUTED

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

	2010	2009
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh' 000)	307,392	256,377
Weighted average number of ordinary shares		
At start of year	33,980,265	11,326,755
Effect of bonus shares issued	-	22,653,510
At end of year	33,980,265	33,980,265
Earnings per share		
Basic (Sh) and diluted (Sh)	9.05	7.54

The calculation of basic and diluted earnings per share is based on continuing operations attributed to the ordinary shareholders. There were no discontinued operations during the year.

During the year, the company issued bonus shares in the ratio of two shares for every one share held. The bonus issue was made through capitalisation of retained earnings and was approved by way of an ordinary resolution at the last Annual General Meeting. Because the bonus issue was without consideration, it is treated as if it had occurred before the beginning of 2009, the earliest period presented.

There were no potentially dilutive shares outstanding at 31 July 2010 or at 31 July 2009.

10 DIVIDEND PER SHARE

	2010 Sh	2009 Sh
Interim dividend paid	2	5
Proposed dividend		
- Final	3	5
- Special	-	5
	3	10
	5	15

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting.
An interim dividend of Sh 2.00 per share (2009 - Sh 5.00) on 33,980,265 shares (2009 – 11,326,755 shares) was paid during the year amounting to Sh 67,961,000 (2009 – Sh 56,634,000). The Directors propose a final dividend of Sh 3.00 per share (2009 – Sh 5.00) amounting to Sh 101,940,795 (2009 – Sh 56,634,000). The directors however do not recommend the payment of any special dividend in respect of the year (2009 – Sh 5.00 per share amounting to Sh 56,634,000).

The financial statements for the year ended 31 July 2010 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 2011. During the year, the company paid dividends amounting to Sh 181,228,000 (2009 – Sh 113,268,000).

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 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
As at 1 August 2009	62,603	21,000	86,365	398,573	11,025	579,566
Additions	150	-	8,250	79,332	151,642	239,374
Disposals	-	-	(800)	(33)	-	(833)
Transfers	-	-	-	14,935	(14,935)	-
At 31 July 2010	62,753	21,000	93,815	492,807	147,732	818,107
COMPRISING:						
Valuation – 2008	46,314	-	72,495	372,003	-	490,812
Valuation - 2004	-	21,000	-	-	-	21,000
Cost	16,439	-	21,320	120,804	147,732	306,295
	62,753	21,000	93,815	492,807	147,732	818,107
DEPRECIATION						
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
As at 1 August 2009	1,466	10,500	7,513	22,432	-	41,911
Charge for the year	1,467	2,100	8,642	28,463	-	40,672
Eliminated on disposal	-	-	(120)	(3)	-	(123)
At 31 July 2010	2,933	12,600	16,035	50,892	-	82,460

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 2010	59,820	8,400	77,780	441,915	147,732	735,647
At 31 July 2009	61,137	10,500	78,852	376,141	11,025	537,655
NET BOOK VALUE (cost)						
At 31 July 2010	21,530	1,945	45,188	193,451	147,732	409,846
At 31 July 2009	21,936	2,593	43,854	112,993	10,191	192,401

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 setting up of a new processing facility in Kenya. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate property, plant and equipment categories once the project is completed and commissioned.

(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Buildings 2010 Sh'000	Buildings 2009 Sh'000
COST OR VALUATION		
At start of year	5,000	5,000
Additions	150	-
At end of year	5,150	5,000
DEPRECIATION		
At start of year	100	-
Charge for the year	100	100
At end of year	200	100
NET BOOK VALUE		
At end of year	4,950	4,900
NET BOOK VALUE (cost basis)	343	208

12 INVESTMENT PROPERTY – GROUP AND COMPANY

	2010 Sh'000	2009 Sh'000
FAIR VALUE		
At start and 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. The directors have re-assessed the market value at 31 July 2010 by comparing it to the prices of similar properties sold in similar locations within a recent period of time with the assumption that the property is worth what it will sell for, in the absence of undue stress and if reasonable time is given. In their opinion, this has not changed significantly since the last valuation in 2008.

13 OPERATING LEASE PREPAYMENTS

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
COST				
At start and end of year	27,550	27,550	27,523	27,523
ACCUMULATED AMORTISATION				
At start of the year	5,724	5,254	5,724	5,254
Charge for the year	470	470	470	470
At end of year	6,194	5,724	6,194	5,724
Net book value	21,356	21,826	21,329	21,799

14 INVESTMENT IN SUBSIDIARY COMPANY

	2010 Sh'000	2009 Sh'000
Carbacid (CO_2) Limited – 100% owned	3,348	3,348

Investment in subsidiary company is stated at cost. As at 31 July 2010, the net assets of Carbacid (CO_2) Limited amounted to Sh 661,645,000 (2009 – Sh 589,268,000).

15 EQUITY INVESTMENTS – GROUP AND COMPANY

	2010 Sh'000	2009 Sh'000
At fair value through profit and loss		
At start of year	64,792	78,665
Purchased during the year	23,974	10,013
Gain/(loss) on revaluation	190	(23,886)
Disposals	(21,775)	-
At end of year	67,181	64,792

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 profit or loss.

16 CORPORATE BONDS - GROUP & COMPANY

Held to maturity	2010 Sh'000	2009 Sh'000
At amortized cost	257,877	-
Maturing within one year	-	-
Maturing over one year	257,877	-

Movement on the corporate bonds is as follows:

At start of year	-	-
Redeemed during the year	-	-
Additions during the year	257,877	-
At end of year	257,877	-

The average interest rate during the year was 12% (2009 – nil).

17 INVENTORIES – GROUP

	2010 Sh'000	2009 Sh'000
Spare parts and materials	54,670	32,449
Fuel and chemicals	2,109	1,344
Carbon dioxide gas and dry ice	807	829
Oxygen gas	309	211
Other industrial gases	421	-
	58,316	34,833

18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2010 Sh'000	2009 Sh'000	2010 Sh'000	2009 Sh'000
Trade receivables	97,519	121,227	1,192	1,358
Prepayments	586	6,817	409	226
Other receivables	9,047	8,593	-	-
	107,152	136,637	1,601	1,584

19 COMMERCIAL PAPER – GROUP AND COMPANY

	2010 Sh'000	2009 Sh'000
Held to maturity		
At amortised cost	92,649	109,985
Maturing within 90 days	92,649	109,985

The average interest rate during the year was 10.10% (2009 – 10.10%).

20 SHORT TERM DEPOSITS – GROUP AND COMPANY

	2010 Sh'000	2009 Sh'000
At amortised cost		
Fixed deposits		
- Local currency	21,573	257,265
- Foreign currency	-	45,095
	21,573	302,360

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

20 SHORT TERM DEPOSITS – GROUP AND COMPANY (continued)

	2010	2009
Weighted average effective interest rates on deposits during the year were as follows:	%	%
Local currency	7.00	7.20
Foreign currency	-	6.00

21 DUE FROM SUBSIDIARY

	2010 Sh'000	2009 Sh'000
Carbacid (CO_2) Limited	126,318	-

The balances arise out of payments made on behalf of the subsidiary.

22 SHARE CAPITAL

	2010 Sh'000	2009 Sh'000
Authorised:		
50,000,000 (2009: 12,000,000) ordinary shares of Sh 5 each	250,000	60,000
Issued and fully paid:		
33,980,265 (2009:11,326,755) ordinary shares of Sh 5 each	169,902	56,634

Movement in share capital is analysed as follows:

	Number of shares	Sh'000	Sh'000
Authorised:			
As at 1 August	12,000,000	60,000	60,000
Bonus issue	38,000,000	190,000	-
As at 31 July	50,000,000	250,000	60,000
Issued and fully paid:			
As at 1 August	11,326,755	56,634	56,634
Bonus issue	22,653,510	113,268	-
As at 31 July	33,980,265	169,902	56,634

During the year, the company capitalised the sum of Sh 113,267,550 from the credit of the revenue reserve account and appropriated the amount to ordinary shareholders by way of a 2 for 1 bonus issue. The bonus issue was approved by way of an ordinary resolution at the last Annual General Meeting in December 2009.

23 DEFERRED TAXATION

Deferred taxation is 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	
	2010	2009	2010	2009
	Sh'000	Sh'000	Sh'000	Sh'000
Accelerated capital allowances	51,244	31,264	-	-
Leave pay provision	(708)	(391)	-	-
Unrealised exchange (losses)/gain	(790)	3,477	(1,496)	-
Revaluation surplus - investment property	4,367	4,311	4,367	4,311
Revaluation surplus - property and equipment	97,738	103,576	1,379	1,407
	151,851	142,237	4,250	5,718
The movement on the deferred tax account is as follows:				
At start of year	142,237	146,750	5,718	10,722
Profit or loss charge/ (credit) (note 7)	8,389	(4,568)	(1,468)	(5,004)
Prior year under provision (note 7)	1,225	55	-	-
At end of year	151,851	142,237	4,250	5,718

24 TRADE AND OTHER PAYABLES

Trade payables	14,691	6,398	1,745	979
Unclaimed dividends	24,881	8,256	24,881	8,256
Other payables and accruals	24,251	20,517	161	953
Leave pay provision	2,357	1,302	-	-
	66,180	36,473	26,787	10,188

25 NOTES TO THE CASH FLOW STATEMENT - GROUP

(a) RECONCILIATION OF PROFIT TO CASH GENERATED FROM OPERATIONS

	Notes	2010 Sh'000	2009 Sh'000
Profit before taxation		438,041	367,027
Finance income recognized in profit for the year	4	(42,872)	(27,718)
Depreciation	11	40,672	33,249
Amortisation	13	470	470
(Gain)/loss on disposal of plant and equipment		(191)	12
(Gain)/loss on revaluation of equity investments	15	(190)	23,886
Gain on sale of equity investments		(7,755)	-
Operating profit before working capital changes		428,175	396,926
Increase in inventories		(23,483)	(8,300)
Decrease/ (increase) in trade and other receivables		29,485	(30,322)
Increase/ (decrease) in trade and other payables		29,707	(1,836)
Cash generated from operations		463,884	356,468

(b) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2010 Sh'000	2009 Sh'000
Commercial paper	92,649	109,985
Short term deposits	21,573	302,360
Bank balances and cash	97,719	120,256
	211,941	532,601

For the purpose of the statement of cash flows, 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:

	2010 Sh'000	2009 Sh'000
Directors' remuneration:		
Fees for services as directors	8,638	4,910
Other emoluments	-	-
	8,638	4,910
Key management compensation:		
Salaries and other benefits	12,396	11,628

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 3,036,290 (2009 - Sh 2,062,500).

27 CAPITAL COMMITMENTS – GROUP AND COMPANY

	2010 Sh'000	2009 Sh'000
Authorised and contracted for	64,200	114,913
Authorised but not contracted for	62,520	329,250
	126,720	444,163

28 RETIREMENT BENEFIT OBLIGATIONS

The Group contributes to a Group defined contribution pension scheme and to a statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the Group plan are determined by the rules of the plan and totalled Sh 3,222,347 (2009 - Sh 3,121,127) in the year. Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2010, the Group contributed Sh 184,600 (2009 - Sh 148,000) to the statutory scheme.

29 OPERATING LEASE COMMITMENTS

GROUP AS LESSEE:

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

	2010 Sh'000	2009 Sh'000
Within one year	361	361
Within two to five years	1,442	1,442
Over five years	15,421	15,782
	17,224	17,585

GROUP AS LESSOR:

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

	2010 Sh'000	2009 Sh'000
Within one year	9,500	8,836
Within two to five years	32,100	30,678
	41,600	39,514

Leases are negotiated for an average term of five years and rentals are reviewed periodically.

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 Group. The carrying amount of financial assets recorded in the financial statements, which are stated net of impairment losses, represents the Group'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 Group'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.

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

31 July 2010	Total amount Sh'000	Fully Performing Sh'000	Past due Sh'000	Impaired Sh'000
Trade receivables	98,485	78,200	19,728	557
Bank balances	97,719	97,719	-	-
Commercial paper	92,649	92,649	-	-
Short term deposits	21,573	21,573	-	-
31 July 2009				
Trade receivables	121,227	80,694	40,374	159
Bank balances	120,256	-	-	-
Commercial paper	109,985	-	-	-
Short term deposits	302,360	-	-	-

The impaired amount represents the doubtful receivables 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.

(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 Group'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 Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of each reporting period. 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 2010:		
Trade payables	39,733	-
Other payables – cylinder deposits	8,158	-
	47,891	-
At 31 July 2009:		
Trade payables	6,398	-
Other payables - cylinder deposits	7,850	-
	14,248	-

Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

Disclosures of fair value of financial instruments not measured at fair value have not been made because the financial instruments carrying amounts is a reasonable approximation of their fair values.

(ii) Fair value hierachy

The Group specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Stock Exchange.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Fair value hierarchy (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Fair value hierachy

	Fair value measurement at end of the year using			
	Level 1	Level 2	Level 3	Total
	Sh'000	Sh'000	Sh'000	Sh'000
2010				
Quoted equities	21,356	-	-	21,826
2009				
Quoted equities	64,792	-	-	64,792

(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% (2009: 100%) of total equity investments.

The market values of the company's equity investments at the end of each reporting period are as follows:

	2010	2009
	Sh'000	Sh'000
Equity investments	67,181	64,792

At 31 July 2010, if the market prices had increased/decreased by 10% with all other variables held constant, the profit for the year would have been Sh 6,718,100 (2009:Sh 6,479,200) higher/lower.

(i) 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 Group's foreign currency denominated monetary assets and liabilities at the statement of financial position date are as follows:

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

	2010 Sh'000	2009 Sh'000
Financial assets		
Bank and cash balances USD 459,166@80.23 (2009: 892,202 @ 76.6)	36,839	68,356
Commercial paper USD 596,320@80.23 (2009: 588,708 @ 76.6)	47,843	45,095
Trade receivables USD 439,787 (2009: 680,923@76.6)	35,284	52,159
	119,966	165,610

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 2010, 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 11,996,600 (2009:Sh 16,561,000) 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 2010, the Group had no borrowings at year end.

32 COUNTRY OF INCORPORATION

The company and its subsidiary are 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 Friday, 10th December 2010 at 10.00 a.m., and at any adjournment thereof.

Dated this ______________________ day of ______________________ 2010

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