CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

CO_2

contents

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	1st Floor, Empress Plaza, Jalaram Road / Ring Road Parklands, Westlands P O Box 764-00606, Sarit Centre Nairobi	
REGISTER OF MEMBERS AND TRANSFER OFFICE	Specialist Corporate Consultants 1st Floor Empress Plaza Jalaram Road / Ring Road Parklands, Westlands P O Box 764 - 00606, Sarit Centre Nairobi	
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P O Box 40092 – 00100, GPO Nairobi	
BANKERS	Commercial Bank of Africa Limited Upper Hill Branch Mara & Ragati Road P O Box 30437 – 00100, GPO Nairobi	
	CfC Stanbic Bank Limited Upper Hill Medical Centre Branch Ralph Bunche Road P O Box 2492 – 00200 Nairobi, City Square	
ADVOCATES	Wainaina Ireri & Co. Advocates P O Box 42706 – 00100, GPO Nairobi	

JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 81, 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 80, 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 73, 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 58, 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 forty-second Annual General Meeting of the shareholders of Carbacid Investments Limited will be held in Woodvale Room, 1st Floor, Sankara Hotel, Woodvale Grove, Westlands, Nairobi on Tuesday 11th December 2012 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 2012.

2 To declare a final dividend as recommended by the Directors to shareholders registered on 14th November 2012.

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
22 October 2012

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 31 July 2012 has been another significant milestone year in the history of the Carbacid Group. In this period the Group has recorded very significant growth in sales and in profits.

Last year I had indicated that management continues to look for new markets and sectors to supply to. I am pleased to report that the initiatives have yielded positive results in supplying to new markets in the current financial period. The demand for Carbon Dioxide from new and existing markets spurred the growth in sales and the ability to meet the additional demand from the second supply source situated in the Rift Valley of Kenya thus placing the Group in a strong position to respond to the new demand. Part of the increase in the current year also came from the fact that the supplier in Tanzania had operational challenges and as a result Carbacid was required to supply the customers in that region.

Overall, sales increased by 60% and operating profit also went up by 60%. Net profit after tax at Shs 389 million was however only 29% above the previous year. The effective tax rate in 2011 at 19.4% was lower than the normal rate of 30% due to investment allowances. Administrative expenses increased by 56%, due to a variety of factors: a full year of operations of the second supply source, the making of prudent provisions for recovery of some outstanding debts and increase in legal fees relating to defending a potential threat to the company's supply source. Other major factors that have impacted the operating results for the year are: higher operating costs due to inflation and currency fluctuations in the first half of the year, the fuel for transport and for generator power, increase in staff costs and a higher depreciation charge.

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. In August 2012 Carbacid was awarded the Food Safety Systems Certification 22000, which is an international certificate awarded to organizations in the food industry that conform to the highest standards of manufacture. The FSSC 22000 certification is a measure of excellence.Carbacidrecognises its critical supplier status as far as the beverage industry is concerned. The company has continued to invest in plant, fleet and other resources in order to ensure the continuity of reliable supplies.

The Company's investment portfolio registered an increase in terms of interest earned due to the prevailing high rates in the market. The rates have, however, started to decline in recent weeks.

In respect of the year ended 31 July 2012, your Board had approved the payment of an interim dividend of Sh3/- per share and now recommends a final dividend of Sh3/- per share to be paid in December 2012. The total dividend per share for the full year will, therefore, be Sh6/- per share, which will represent a 20% increase on the previous year's dividend.

As part of its Corporate Social Responsibility, your Company continues 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 other educational and environmental awareness programmes.

Your Board continues to look for new opportunities and markets to expand the Group's business in Kenya and the East African region. During the year a small shareholding was acquired in Tanzania Oxygen Limited.

Your Board also places 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 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	J M Wanjigi
22 October 2012	Chairman

Nina furaha kuripoti kwamba mwaka uliomalizika Julai 31, 2012 ni moja kati ya miaka yenye hatua muhimu katika historia ya kundi la Carbacid. Katika kipindi hiki, kundi la Carbacid liliandikisha ongezeko muhimu katika mauzo na katika faida.

Mwaka jana, mimi nilionyesha kwamba wa wasimamizi wanaendelea kutafuta masoko mapya na sekta mpya za ugavi. Nina furaha kuripoti ya kwamba mipango hii imeonyesha matokeo mazuri katika ugavi kwa masoko mapya katika kipindi cha sasa cha fedha. Mahitaji ya gesi ya carbon dioxide kutoka kwa masoko mapya na yaliopo ilileta maendeleo katika mauzo na uwezo wa kufikia mahitaji ya ziada kutoka kwa chanzo cha pili cha ugavi kilichoko katika Bonde la Ufa la Kenya na hii iliweka kundi la Carbacid katika nafasi ya nguvu ya kukabiliana na mahitaji mapya. Sehemu moja ya ongezeko katika mwaka huu wa kifedha pia imetokana na ukweli wa kwamba muuzaji moja huko Tanzania alikuwa na changamoto za uendeshaji na kutokana na hiyo Carbacid ilihitajika kusambaza kwa wateja katika kanda hio.

Kwa jumla, mauzo yaliongezeka kwa asilimia sitini (60) na faida ya utenda kazi ikapanda kwa asilimia sitini (60). Faida baada ya kodi katika shilingi milioni mia tatu na themanini na tisa (389) ilikuwa hata hivyo tu asilimia ishirini na tisa (29) juu ya mwaka uliopita. Kiwango halisi cha kodi hapo 2011 katika asilimia kumi na tisa nukta nne (19.4) ilikuwa chini ya kiwango cha kawaida cha asilimia thelathini (30) kutokana na posho ya uwekezaji. Uliopita. Gharama za uendeshaji kazi ziliongezeka kwa asilimia hamsini na sita(56) kutokana na sababu mbali mbali: uendeshaji wa chanzo cha pili cha ugavi kwa mwaka mzima, utoaji wenye busara katika kukoa madeni mengine yenye shaka na ongezeko katika ada za kisheria kutokana na kutetea tishio kwa chanzo cha ugavi cha kampuni. Sababu zingine kubwa ambazo zimechangia matokeo ya mwaka ni : matumizi ya juu ya uendeshaji kazi kutokana na ongezeko katika mfumuko wa bei na mageuzi ya fedha za kigeni katika nusu ya kwanza ya mwaka, mafuta katika usafirishaji na kawi ya jenereta, ongezeko katika gharama ya wafanyakazi na malipo ya juu ya uchakavu.

Mitambo ya kampuni ya carbon dioxide inaendelea kuhifadhiwa katika viwango vya juu zaidi ili kuhakikisha viwango vya juu vya utendaji kazi na kutoa bidhaa za ubora wa juu zaidi hapa Africa. Hapo Agosti 2012, Carbacid ilipatiwa cheti cha Food Safety Systems Certification 22000 (FSSC 22000) ambacho ni cheti cha kimataifa kinachotuzwa mashirika katika sekta ya chakula ambayo yanajilainisha na viwango vya juu vya utengenezaji. Kutuzwa FSSC 22000 ni kipimo cha ubora. Carbacid inatambua hali yake muhimu sana kama muuzaji hasa kwa sekta ya vinywaji inapohusika . Kampuni imeendelea kufanya uwekezaji katika mitambo, magari, na rasilimali zingine ili kuhakikisha ugavi unaoendelea na wa kuaminika.

Uwekezaji wa kampuni kwingineko uliandikisha ongezeko katika riba iliyopatikana kutokana na viwango vya juu katika soko. Hata hivyo, viwango vilianza kushuka wiki za hivi karibuni.

Kuhusiana na mwaka uliomalizika Julai 31, 2012, halmashauri yenu ya wakurugenzi iliidhiinisha mgao wa muda wa shilingi 3/- kwa kila hisa na sasa inapendekeza mgao wa mwisho wa shilingi 3/- kwa kila hisa kulipwa hapo Disemba 2012. Mgao wote kwa jumla kwa kila hisa kwa mwaka mzima utakuwa ni shilingi 6/- kwa kila hisa, hii ikiwakilisha ongezeko la asilimia ishirini (20) kwa mgao wa mwaka jana.

Kama sehemu ya wajibu kwa jamii, Kampuni yenu inaendelea kuchangia katika miradi ya kuboresha vifaa katika shule ya upili ya Kimende na kutoa misaada ya kifedha kwa wanafunzi wanaostahili katika shule hiyo. Kampuni pia imefadhili mipango mingine ya kielimu na miradi ya kuwahamasisha wananchi kuhusu mazingira.

Halmashauri ya wakurugenzi inaendelea kutafuta fursa mpya na masoko ili kupanua biashara ya kampuni hapa Kenya na katika kanda ya Afrika Mashariki. Katika mwaka, hisa kidogo zilinunuliwa katika Tanzania Oxygen Limited.

Halmashauri yenu ya wakurugenzi inaendelea kutilia mkazo uongozi bora na taarifa kuhusu Uongozi wa Kampuni imejumlishwa katika Ripoti ya Mwaka.

Mwisho, kwa niaba ya halmashauri ya wakurugenzi, ningependa kutoa shukrani zangu kwa wafanyi kazi wote kwa juhudi zao katika katika mazingira yenye changamoto katika miezi kumi na miwili liyopita. Ningependa pia kutoa shukrani kwa mwongozo na mchango wa wakurugenzi wenzangu.

Nairobi
Oktoba 20, 2012

J M Wanjigi
Mwenyekiti

The directors present their report together with the audited financial statements for the year ended 31 July 2012.

PRINCIPAL ACTIVITIES

The company is an investment and holding company with three subsidiaries. The principal activities of Carbacid (CO2) Limited involve the mining and sale of carbon dioxide gas while Goodison Twenty Nine Limited and Goodison Forty Seven Limited are investment companies.

RESULTS FOR THE YEAR

	Sh'000
Group profit before taxation	535,444
Taxation charge	(146,157)
Group profit for the year transferred to retained earnings	389,287

DIVIDENDS

An interim dividend of Sh 3.00 per share (2011 - Sh 2.00) on 33,980,265 shares (2011 – 33,980,265 shares) was paid during the year amounting to Sh 101,940,795 (2011 – Sh 67,960,530). The Directors propose a final dividend of Sh 3.00 per share (2011-Sh 3.00) amounting to Sh 101,940,795 (2011 - Sh 101,940,795).

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 Kenyan Companies Act (Cap. 486).

By Order of the Board

N P KOTHARI
Secretary
Nairobi
20 October 2012

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.

Other committees in place are the Strategic Committee, Investment Committee and the Staff Committee which meet as and when neccessary.

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 and circulated to the Board. 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 33.

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 2012 were as follows:

Name	No. of Shares
Mr J M Wanjigi Including shares held by companies in which he has an interest	1,167,850
Mr R A Shepherd	97,986
Mr B C Patel	3,714,783

Distribution of shareholders as at 31 July 2012

Shareholding (No. of shares)	No. of shares held	No. of shareholders	% shareholding
Less than 500	55,246	286	0.16
500 - 5,000	1,181,696	564	3.48
5,001 - 10,000	1,540,109	218	4.53
10,001 - 100,000	5,380,153	189	15.83
100,001 - 1,000,000	10,348,998	43	30.46
above 1,000,000	15,474,063	5	45.54
Total	33,980,265	1,305	100.00

Major shareholders

The top 10 major shareholders as at 31 July 2012 were as follows:

Name	No. of Shares	% Shareholding
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
Standard Chartered Nominees A/C 9230	803,000	2.36
Standard Chartered Nominees Non-Resd A/C 9598	660,000	1.94
Java Investments Limited	564,200	1.66
Rasimu Limited	547,874	1.61
Mrs B C Kampf	538,284	1.58

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 subsidiaries 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

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 subsidiaries 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
20 October 2012	

independent auditors' report

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Carbacid Investments Limited and its subsidiaries set out on pages 7 to 42, which comprise the consolidated and company statements of financial position as at 31 July 2012 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 information.

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, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Group's preparation of financial statements that give a true and fair view 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 financial position of the company and its subsidiaries as at 31 July 2012 and of the Group's 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 and regulatory 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 (balance sheet) is in agreement with the books of account.

Certified Public Accountants (Kenya)

2012

Nairobi

consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 Sh'000	2011 Sh'000
TURNOVER		921,753	576,092
COST OF SALES		(365,913)	(230,406)
GROSS PROFIT		555,840	345,686
OTHER OPERATING INCOME		27,583	30,887
ADMINISTRATIVE EXPENSES		(109,018)	(69,747)
FINANCE INCOME	4	65,488	37,330
FOREIGN EXCHANGE (LOSSES)/GAINS		(9,057)	10,432
FAIR VALUE GAIN ON EQUITY INVESTMENTS	15	4,608	4,622
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTY	12	-	15,000
PROFIT BEFORE TAXATION	5	535,444	374,210
TAXATION CHARGE	7	(146,157)	(72,015)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	8	389,287	302,195
OTHER COMPREHENSIVE INCOME			
REVALUATION SURPLUS		-	59,022
DEFERRED TAX ON REVALUATION SURPLUS		-	(17,707)
		-	41,315
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		389,287	343,510
EARNINGS PER SHARE – Basic and diluted	9	Sh 11.46	Sh 8.89

consolidated statement of financial position

31 JULY 2012

	Notes	2012 Sh'000	2011 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11(a)	905,033	867,409
Investment property	12	60,000	60,000
Operating lease prepayments	13	66,347	67,311
Equity investments	15	107,673	91,152
Corporate bonds	16	234,375	250,000
		1,373,428	1,335,872
Current assets			
Inventories	17	27,203	31,798
Trade and other receivables	18	184,388	147,593
Taxation recoverable	7(c)	3,327	72,325
Short term deposits	19	363,210	97,154
Bank and cash balances		61,260	55,243
		639,388	404,113
Total assets		2,012,816	1,739,985
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	21	169,902	169,902
Revaluation surplus		237,410	255,608
Retained earnings		1,245,458	1,041,783
Shareholders' equity		1,652,770	1,467,365
Non current liabilities			
Deferred taxation	22	209,880	226,922
Current liabilities			
Trade and other payables	23	44,235	28,549
Taxation payable	7(c)	87,221	-
Unclaimed dividends	10(b)	18,710	17,149
		150,166	45,698
Total equity and liabilities		2,012,816	1,739,985

The financial statements on pages 15 to 51 were approved by the board of directors on 21 October 2012 and were signed on its behalf by:

J M WANJIGI
M K R SHAH } Directors

	Notes	2012 Sh'000	2011 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11(b)	12,705	13,000
Investment property	12	60,000	60,000
Operating lease prepayments	13	20,389	20,859
Investment in subsidiaries	14	3,546	3,546
Equity investments	15	95,761	91,152
Corporate bonds	16	234,375	250,000
		426,776	438,557
Current assets			
Trade and other receivables	18	19,155	11,078
Taxation recoverable	7(c)	3,327	7,928
Short term deposits	19	363,210	97,154
Due from subsidiary	20	1,032	173,487
Bank and cash balances		18,887	24,463
		405,611	314,110
Total assets		832,387	752,667
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	21	169,902	169,902
Revaluation surplus		8,764	8,870
Retained earnings		629,231	549,813
Shareholders' equity		807,897	728,585
Non current liabilities			
Deferred taxation	22	3,842	3,931
Current liabilities			
Trade and other payables	23	1,938	3,002
Unclaimed dividends	10(b)	18,710	17,149
		20,648	20,151
Total equity and liabilities		832,387	752,667

The financial statements on pages 15 to 48 were approved by the board of directors on 21 October 2011 and were signed on its behalf by:

J M WANJIGI
M K R SHAH
} Directors

consolidated statement of changes in equity

FOR THE YEAR ENDED 31 JULY 2012

	Notes	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2010		169,902	228,061	895,794	1,293,757
Total comprehensive income for the year		-	41,315	302,195	343,510
Transfer of excess depreciation		-	(19,565)	19,565	-
Deferred tax on excess depreciation		-	5,869	(5,869)	-
Final dividend declared – 2010	10	-	-	(101,941)	(101,941)
Interim dividend declared – 2011	10	-	-	(67,961)	(67,961)
At 31 July 2011		169,902	255,680	1,041,783	1,467,365
At 1 August 2011		169,902	255,680	1,041,783	1,467,365
Total comprehensive income for the year		-	-	389,287	389,287
Transfer of excess depreciation		-	(26,100)	26,100	-
Deferred tax on excess depreciation		-	7,830	(7,830)	-
Final dividend declared – 2011	10	-	-	(101,941)	(101,941)
Interim dividend declared – 2012	10	-	-	(101,941)	(101,941)
At 31 July 2012		169,902	237,410	1,245,458	1,652,770

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 2012

	Notes	Share capital Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2010		169,902	3,226	464,475	637,603
Total comprehensive income for the year		-	5,707	255,177	260,884
Transfer of excess depreciation		-	(90)	90	-
Deferred tax on excess depreciation		-	27	(27)	-
Final dividend declared – 2010	10	-	-	(101,941)	(101,941)
Interim dividend declared – 2011	10	-	-	(67,961)	(67,961)
At 31 July 2011		169,902	8,870	549,813	728,585
At 1 August 2011		169,902	8,870	549,813	728,585
Total comprehensive income for the year		-	-	283,194	283,194
Transfer of excess depreciation		-	(151)	151	-
Deferred tax on excess depreciation		-	45	(45)	-
Final dividend declared – 2011	10	-	-	(101,941)	(101,941)
Interim dividend declared – 2012	10	-	-	(101,941)	(101,941)
At 31 July 2012		169,902	8,764	629,231	807,897

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

consolidated statement of cash flows

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 Sh'000	2011 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24(a)	513,716	338,081
Interest received		65,488	37,330
Taxation paid	7(c)	(6,980)	(79,658)
Net cash generated from operating activities		572,224	295,753
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	11	(102,812)	(121,347)
Purchase of leasehold land	13	-	(47,413)
Proceeds from disposal of property, plant and equipment		1,270	2,569
Proceeds on redemption of corporate bonds	16	15,625	7,877
Purchase of equity investments	15	(11,913)	(19,349)
Net cash used in investing activities		(97,830)	(177,663)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	10(b)	(202,321)	(177,634)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		272,073	(59,544)
CASH AND CASH EQUIVALENTS AT START OF YEAR		152,397	211,941
CASH AND CASH EQUIVALENTS AT END OF YEAR	24(b)	424,470	152,397

1 ACCOUNTING POLICIES

Statement of compliance

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

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

Application of new and revised International Financial Reporting Standards (IFRSs)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 July 2012

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)	The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group continued to disclose such items in the statement of changes in equity and the amendment had no effect on the Group's financial statements.
IAS 24 Related Party Disclosures (as revised in 2009)	IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Group is not a government-related entity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.
Amendments to IAS 32 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

1 ACCOUNTING POLICIES (continued)

Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)

(i) Relevant new standards and amendments to published standards effective for the year ended 31 July 2012

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement	IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments had no material effect on the Group's financial statements
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.
Improvements to IFRSs issued in 2010	The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the Group's financial statements.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 July 2012.

	Effective for annual periods beginning on or after
New and Amendments to standards	
IFRS 9, Financial Instruments – Classification and Measurement (2010)	1 January 2015
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 1, Presentation of Financial Statements – presentation of items of other comprehensive income	1 July 2012
IAS 19, Employee Benefits (2011)	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 30 June 2012 and future annual periods

IFRS 9, Financial Instruments

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group will classify financial assets as subsequently measured at either amortised cost or fair value). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 July 2012 and future annual periods *(continued)*

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation – Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 13 Fair Value Measurements

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 July 2012 and future annual periods *(continued)*

IFRS 13 Fair Value Measurements (Continued)

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

The standard is effective for annual periods beginning on or after 1 January 2013. The directors anticipate that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Group is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2013.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)

These amend IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The above amendments are generally effective for annual periods beginning on or after 1 January 2012. The Group will apply this amendment prospectively. The directors anticipate no material impact to the Group's financial statements currently. However, the Group would have to apply this standard to any such arrangements entered into in the future.

IAS 27 (as revised in 2011) - Separate Financial Statements

IAS 27 has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements.

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 July 2012 and future annual periods *(Continued)*

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

These amend IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft

- Require entities to Group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified

- Require tax associated with items presented before tax to be shown separately for each of the two Groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The above amendments are generally effective for annual periods beginning on or after 1 July 2012. The Group will apply the amendments prospectively. The directors anticipate no material impact to the Group's financial statements.

IAS 19 (as revised in 2011) - Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may not have an impact on the financial statements.

(iv) Early adoption of standards

The Group did not early-adopt new or amended standards in 2012.

1 ACCOUNTING POLICIES (continued)

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

Subsidiaries 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 companies have been eliminated.

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiaries, Carbacid (CO2) Limited, Goodison Twenty Nine Limited and Goodison Forty Seven Limited, whose financial years 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.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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 are stated at cost or at professionally revalued amounts less accumulated depreciation and any accumulated impairment loss. Revaluations are performed with sufficient regularity, every 3 – 5 years, such that the carrying amounts do not differ materially from those that would be determined using the value at the end of the reporting period. The basis of valuation is depreciated replacement cost.

Increases in the carrying amount arising on revaluations are recognised in other comprehensive income and accumulated in the revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to profit or loss. Each year, excess depreciation representing the additional depreciation following revaluations of property, plant and equipment over depreciation based on historical cost is transferred from revaluation reserve to retained earnings.

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment (Continued)

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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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.

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 tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

1 ACCOUNTING POLICIES (continued)

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.

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.

1 ACCOUNTING POLICIES (continued)

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.

(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 exception 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.

1 ACCOUNTING POLICIES (continued)

Financial assets (Continued)

Derecognition of financial assets

Financial assets are derecognized 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.

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.

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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

1 ACCOUNTING POLICIES (Continued)

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).

Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

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.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Taxes

The group is subjected to a number of taxes and levies by various government and quasi-government regulations bodies. As a rule of thumb, the group recognises liabilities for the anticipated taxes/levies payable with most care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management in one way or other, that the initially recorded liability was different, such differences will impact on the income and liabilities in the period in which such differences are determined.

Valuation of investment property

The Group has developed certain criteria based on IAS 40 in making judgements on the valuation of investment property. The fair value of investment property is based on current prices in an active market for properties of a similar nature, condition or location – suitably adjusted. Recent prices for similar properties on less active markets, with suitable adjustments for differences, are also used for the estimation of the fair values. External valuation for the investment property is performed when management believes they have been a significant change in the value of the asset.

(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.

Impairment

Determining whether assets are impaired requires an estimation of the value of the assets.

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 2011. 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)

(a) Adoption of IFRS 8 Operating segments (Continued)

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.

(b) 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
2012			
Turnover	912,753	-	912,753
Profit before taxation	461,142	293,958	535,444
Segment assets	1,405,687	832,387	2,012,816
Segment liabilities	555,522	24,490	360,046
Depreciation	63,007	295	63,448
Amortisation	-	470	964
Capital expenditure	102,812	-	102,812
2011			
Turnover	576,092	-	576,092
Profit before taxation	310,429	265,069	375,198
Segment assets	1,191,934	752,667	1,740,973
Segment liabilities	448,518	24,081	272,620
Depreciation	44,248	103	44,643
Amortisation	-	470	1,458
Capital expenditure	111,992	-	111,992

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.

(c) Geographical information

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

	2012 Sh'000	2011 Sh'000
Domestic sales – Kenya	306,256	273,230
Export sales – other African countries	606,497	302,862
	912,753	576,092

	2012 Sh'000	2011 Sh'000
4 INVESTMENT INCOME		
Interest receivable from held to maturity investments:		
- Corporate bonds	30,762	31,250
- Short term investments and deposits	34,534	6,026
Bank current account	192	54
	65,488	37,330
5 PROFIT BEFORE TAXATION		
The profit before taxation is arrived at after charging:		
Directors' remuneration - fees	12,586	9,182
- other emoluments	-	400
Auditors' remuneration	2,219	2,019
Staff costs (note 6)	107,211	80,442
Depreciation (note 11)	63,448	44,643
Amortisation of operating lease prepayment (note13)	964	1,458
Loss on disposal of property, plant and equipment	3,159	3,159
6 STAFF COSTS		
Salaries and wages	101,655	75,831
Social security costs	222	192
Pension costs - defined contribution plan	4,003	3,872
Leave pay expense	1,331	547
	107,211	80,442

7 TAXATION

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
(a) Taxation charge				
Current taxation based on taxable profit at 30%	166,921	14,651	10,853	12,657
Deferred taxation (note 22)				
- Current year	(16,818)	60,156	(89)	-
- Prior year over provision	(224)	(2,792)	-	(2,765)
Net taxation charge	146,157	72,015	10,764	9,892

7 TAXATION (continued)

	GROUP 2012 Sh'000	GROUP 2011 Sh'000	COMPANY 2012 Sh'000	COMPANY 2011 Sh'000
(b) Reconciliation of expected tax based on accounting profit to tax expense				
Accounting profit before taxation	535,444	374,210	293,958	265,069
Tax at the applicable rate of 30%	160,633	112,263	88,188	79,521
Tax effect of expenses not deductible for tax purposes	1,103	1,974	209	172
Tax effect of income not taxable	(11,633)	(7,036)	(77,633)	(67,036)
Prior year (over)/ under provision	(3,946)	(2,792)	-	(2,765)
Tax effect of investment deduction exceeding 100% of cost	-	(32,394)	-	-
	146,157	72,015	10,764	9,892
(c) Taxation (payable)/ recoverable				
At start and end of year	72,325	7,318	7,928	(378)
Charge for the year	(166,921)	(14,651)	(10,853)	(12,657)
	(94,596)	(7,333)	(2,925)	(13,035)
Taxation paid	6,980	79,658	6,252	20,963
Prior year over provision	3,722	-	-	-
At end of year	(83,894)	72,325	3,327	7,928
Comprising of:				
Taxation payable	(87,221)	-	-	-
Taxation recoverable	3,327	72,325	3,327	7,928
	83,894	72,325	3,327	7,928

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the company financial statements of Carbacid Investments Limited amounted to Sh 283,194,000 (2011 – Sh 255,177,000).

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.

	2012	2011
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh' 000)	389,287	302,195
Weighted average number of ordinary shares		
At start and end of year	33,980,265	33,980,265
Earnings per share		
Basic (Sh) and diluted (Sh)	11.46	8.89

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.

There were no potentially dilutive shares outstanding at 31 July 2012 or at 31 July 2011.

10 DIVIDENDS

(a) Dividends per share

	2012 Sh	2011 Sh
Interim dividend paid	3	2
Proposed dividend		
- Final	3	3
	6	5

Proposed dividends are not accounted for until they have been ratified at the Annual General meeting. An interim dividend of Sh 3.00 per share (2011 - Sh 2.00) on 33,980,265 shares (2011 – 33,980,265 shares) was paid during the year amounting to Sh 101,940,795 (2011 – Sh 67,961,000). The Directors propose a final dividend of Sh 3 per share (2011-Sh 3.00) amounting to Sh 101,940,795 (2011 – Sh 101,940,795).

(b) The movement in the dividends payable account is as follows:

	2012 Sh'000	2011 Sh'000
At beginning of the year	17,149	24,881
Interim dividends declared	101,941	67,961
Final dividends declared – 2011/2010	101,941	101,941
	221,031	194,783
Dividends paid	(202,321)	(177,634)
At the end of the year	18,710	17,149

11 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold buildings & boreholes Sh'000	Freehold land 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 2011	62,753	-	21,000	93,815	492,807	147,732	818,107
Additions	8,057	2,055	-	14,175	17,952	79,108	121.347
Disposals	-	-	-	(4,862)	(55)	-	(4,917)
Transfers	12,544	-	-	-	214,296	(226,840)	-
Revaluation adjustment	6,786	-	(4,095)	8,141	(77,668)	-	(66,836)
At 31 July 2012	90,140	2,055	16,905	111,269	647,332	-	867,701
COMPRISING:							
Valuation – 2011	53,100	2,055	16,905	75,774	294,280	-	442,114
Cost	37,040	-	-	35,495	353,052	-	425,587
	90,140	2,055	16,905	111,269	647,332	-	867,701
As at 1 August 2011	90,140	2,055	16,905	111,269	647,332	-	867,701
Additions	-	-	-	68,326	34,486	-	102,812
Disposals	-	-	-	(3,608)	(821)	-	(4,429)
Transfers from inventory	-	-	-	-	2,689	-	2,689
At 31 July 2012	90,140	2,055	16,905	175,987	683,686	-	968,773
COMPRISING:							
Valuation – 2011	53,100	2,055	16,905	75,774	294,280	-	442,114
Cost	37,040	-	-	100,213	389,406	-	526,659
	90,140	2,055	16,905	175,987	683,686	-	968,773
DEPRECIATION							
As at 1 August 2011	2,933	-	12,600	16,035	50,892	-	82,460
Charge for the year	1,777	-	2,100	11,002	29,764	-	44,643
Eliminated on disposal	-	-	-	(912)	(41)	-	(953)
Eliminated on revaluation	(4,418)	-	(14,700)	(26,125)	(80,615)	-	(125,858)
At 31 July 2012	292	-	-	-	-	-	292
As at 1 August 2011	292	-	-	-	-	-	292
Charge for the year	1,917	-	1,691	19,506	40,334	-	63,448
At 31 July 2012	2,209	-	1,691	19,506	40,334	-	63,740

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

	Leasehold buildings & boreholes Sh'000	Freehold land 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 2012	87,931	2,055	15,214	156,481	643,352	-	905,033
At 31 July 2011	89,848	2,055	16,905	111,269	647,332	-	867,409
NET BOOK VALUE (cost)							
At 31 July 2012	52,213	2,055	8,400	81,809	415,470	-	559,947
At 31 July 2011	51,304	2,055	9,653	63,535	369,632	-	496,179

The assets were last valued by C P Robertson Dun Valuers and Estate Agents, at 31 July 2011 on a depreciated replacement cost basis.

During the year, management reviewed items carried in inventories and identified certain major spare parts qualifying as items of property, plant and equipment as provided under IAS 16 Property, Plant and Equipment. These items have been transferred from inventory to property, plant and equipment at a carrying cost of Shs 2,689,000 (2011 – nil).

(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Buildings 2012 Sh'000	Buildings 2011 Sh'000
COST OR VALUATION		
At start of year	13,000	5,150
Revaluation adjustment	-	7,850
At end of year	13,000	13,000
DEPRECIATION		
At start of year	-	200
Charge for the year	295	103
Eliminated on revaluation	-	(303)
At end of year	295	-
NET BOOK VALUE		
At end of year	12,705	13,000
NET BOOK VALUE (cost basis)	99	199

12 INVESTMENT PROPERTY

	GROUP 2012 Sh'000	GROUP 2011 Sh'000	COMPANY 2012 Sh'000	COMPANY 2011 Sh'000
FAIR VALUE				
At start of year	60,000	45,000	60,000	45,000
Fair value gain	-	15,000	-	15,000
At end of year	60,000	60,000	60,000	60,000

The property was valued by C P Robertson Dun Valuers and Estate Agents, registered valuers on an open market value basis on 31 July 2011. Management believes that the value of the investment property has not changed significantly to require a valuation in the current year.

13 OPERATING LEASE PREPAYMENTS

	GROUP 2012 Sh'000	GROUP 2011 Sh'000	COMPANY 2012 Sh'000	COMPANY 2011 Sh'000
COST				
At start and end of year	74,963	27,550	27,523	27,523
Additions	-	47,413	-	-
	74,963	74,963	27,523	27,523
ACCUMULATED AMORTISATION				
At start of the year	7,652	6,194	6,664	6,194
Charge for the year	964	1458	470	470
At end of year	8,616	7,652	7,134	6,664
NET BOOK VALUE	66,347	67,311	20,389	20,859

14 INVESTMENT IN SUBSIDIARIES

	COMPANY 2012 Sh'000	COMPANY 2011 Sh'000
Carbacid (CO2) Limited – 100% Owned	3,348	3,348
Goodison Twenty Nine Limited – 100% Owned	99	99
Goodison Forty Seven Limited – 100% Owned	99	99
	3,546	3,546

As at 31 July 2012, the net assets of Carbacid (CO2) Limited amounted to Sh 850,165,000 (2011: Sh 743,416,000). Goodison Twenty Nine Limited and Goodison Forty Seven Limited are investment companies and have not yet commenced operations.

15 EQUITY INVESTMENTS

	GROUP 2012 Sh'000	GROUP 2011 Sh'000	COMPANY 2012 Sh'000	COMPANY 2011 Sh'000
At fair value through profit and loss				
At start of year	91,152	67,181	91,152	67,181
Purchased during the year	11,913	19,349	-	19,349
Gain on revaluation	4,608	4,622	4,609	4,622
At end of year	107,673	91,152	95,761	91,152

Equity investments comprise marketable securities in various companies which are revalued annually at the close of business on 31 July by reference to Securities Exchange quoted prices. The group's shareholding in each of these companies is less than 1%. 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 – at amortised cost	2012 Sh'000	2011 Sh'000
Kenya Electricity Generating Company Limited		
- Public Infrastructure Bond	234,375	250,000
Maturing within one year	-	-
Maturing over one year	234,375	250,000
Movement in corporate bonds:		
At start of year	250,000	257,877
Redemption	(15,625)	(7,877)
At end of year	234,375	250,000

The effective interest rate during the year was 12.5% (2011 – 11.25%).

17 INVENTORIES – GROUP

	2012 Sh'000	2011 Sh'000
Spare parts and materials	21,855	29,181
Fuel and chemicals	1,799	1,707
Carbon dioxide gas and dry ice	2,457	447
Oxygen gas	845	148
Other industrial gases	247	315
	27,203	31,798

As detailed in note 11, inventories with a carrying cost of Shs 2,689,000 (2011: nil) have satisfied the criteria for classification as plant and equipment in accordance with the provisions of IAS 16 and have therefore been transferred to property, plant and equipment.

18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Trade receivables	175,304	129,211	3,773	11,078
Provision for bad debts	(32,294)	(5,375)	-	-
	143,010	123,836	3,773	11,078
Prepayments	14,840	475	185	-
Other receivables	26,538	23,282	15,197	-
	184,388	147,593	19,155	11,078
Movements on the provision for bad debts:				
At beginning of year	5,375	557	-	-
Provision for the year	26,919	4,818	-	-
At end of year	32,294	5,375	-	-

19 SHORT TERM DEPOSITS – GROUP AND COMPANY

	2012 Sh'000	2011 Sh'000
At amortised cost		
Fixed deposits		
-Local currency	363,210	97,154

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

Weighted average effective interest rates on deposits during the year was 15.69 % (2011 – 8.94%)

20 DUE FROM SUBSIDIARY

	2012 Sh'000	2011 Sh'000
Carbacid (CO_2) Limited	1,032	173,487

21 SHARE CAPITAL

	2012 Sh'000	2011 Sh'000
Authorised:		
50,000,000 ordinary shares of Sh 5 each	250,000	250,000
Issued and fully paid:		
33,980,265 ordinary shares of Sh 5 each	169,902	169,902

Issued and fully paid ordinary shares, which have a par value of Shs 5, carry one vote per share and carry a right to dividend.

22 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	
	2012 Sh'000	2011 Sh'000	2012 Sh'000	2011 Sh'000
Accelerated capital allowances	115,393	109,114	-	-
Leave pay provision	(1,270)	(871)	-	-
Bad debt provision	(9,688)	-	-	-
Unrealised exchange gain/(loss)	(2,231)	3,129	-	-
Revaluation surplus - property and equipment	107,676	115,550	3,842	3,931
	209,880	226,922	3,842	3,931
The movement on the deferred tax account is as follows:				
At start of year	226,922	151,851	3,931	4,250
Profit or loss (credit)/ charge (note 7)	(16,818)	60,156	(89)	-
Prior year (over)/ under provision (note 7)	(224)	(2,792)	-	(2,765)
Debited direct to equity	-	17,707	-	2,446
At end of year	209,880	226,922	3,842	3,931

23 TRADE AND OTHER PAYABLES

	GROUP 2012 Sh'000	GROUP 2011 Sh'000	COMPANY 2012 Sh'000	COMPANY 2011 Sh'000
Trade payables	6,258	11,198	1,813	2,841
Other payables and accruals	33,742	14,447	125	161
Leave pay provision	4,235	2,904	-	-
	44,235	28,549	1,938	3,002
Movement in leave pay provision is as follows:				
At beginning of year	2,904	2,357	-	-
Provision for the year	1,331	547	-	-
	4,235	2,904	-	-

24 NOTES TO THE CASH FLOW STATEMENT - GROUP

(a) RECONCILIATION OF PROFIT TO CASH GENERATED FROM OPERATIONS

	Notes	2012 Sh'000	2011 Sh'000
Profit before taxation		535,444	374,210
Finance income recognized in profit for the year	4	(65,488)	(37,330)
Depreciation	11	63,448	44,643
Amortisation	13	964	1,458
Loss on disposal of plant and equipment		3,159	1,395
Gain on revaluation of equity investments	15	(4,608)	(4,622)
Gain on revaluation of investment properties		-	(15,000)
Operating profit before working capital changes		532,919	364,754
Decrease in inventories	24(b)	1,906	26,518
Increase in trade and other receivables		(36,795)	(40,441)
Increase/ (decrease) in trade and other payables		15,686	(12,750)
Cash generated from operations		513,716	338,081

(b) MOVEMENT IN INVENTORY

	2012 Sh'000	2011 Sh'000
Decrease in inventory	4,595	26,518
Critical spares transferred from inventory (note 7)	(2,689)	-
	1,906	26,518

(c) ANALYSIS OF CASH AND CASH EQUIVALENTS

	2012 Sh'000	2011 Sh'000
Short term deposits	363,210	97,154
Bank balances and cash	61,260	55,243
	424,470	152,397

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.

25 RELATED PARTY TRANSACTIONS

(a) Related party transactions

Related company balances not settled as at the statement of financial position date are as shown in note 20. These parties are related by virtue of common shareholding and directorship. During the year the following transactions were entered into with related parties:

COMPANY

	2012 Sh'000	2011 Sh'000
Dividends receivable from Carbacid (CO_2) Limited	220,000	200,000
Dividends received from Carbacid (CO_2) Limited	200,000	195,030
Payments made by Carbacid (CO_2) Limited on behalf of the company	-	7,659
Receipts by Carbacid (CO_2) Limited on behalf of the company	2,294	49,857

GROUP

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 2,858,000 (2011 – Sh 3,878,000).

	2012 Sh'000	2011 Sh'000
Purchase of land on behalf of Goodison Twenty Nine Limited	-	54,713
Purchase of land on behalf of Goodison Forty Seven Limited	-	2,055
Purchase of Shares on behalf of Goodison Forty Seven Limited	11,914	-

(b) Key management compensation

GROUP & COMPANY

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

	2012	2011
Directors' remuneration:		
Fees for services as directors	12,586	9,182
Other emoluments	-	400
	12,586	9,582
Key management compensation:		
Salaries and other benefits	23,527	18,211

26 CAPITAL COMMITMENTS – GROUP AND COMPANY

	2012	2011
Authorised and contracted for	18,918	33,571
Authorised but not contracted for	24,928	11,553
	43,846	45,124

27 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 4,003,000 (2011 - Sh 3,872,000) in the year. Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2012, the Group contributed Sh 222,000 (2011 - Sh 192,000) to the statutory scheme.

28 OPERATING LEASE COMMITMENTS

GROUP AS LESSEE:

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

	2012 Sh'000	2011 Sh'000
Within one year	2,400	361
Within two to five years	10,560	1,442
Over five years	-	15,060
	12,960	16,863

GROUP AS LESSOR:

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

	2012 Sh'000	2011 Sh'000
Within one year	10,479	10,220
Within two to five years	41,916	39,901
	52,395	50,121

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

29 CONTINGENT LIABILITIES

	2012 Sh'000	2011 Sh'000
Guarantees	6,000	3,000

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.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk management (continued)

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

31 July 2012	Total amount Sh'000	Fully Performing Sh'000	Past due Sh'000	Impaired Sh'000
Trade receivables	175,304	108,588	34,422	32,294
Bank balances	61,260	-	-	-
Corporate bonds	234,375	234,375	-	-
Short term deposits	363,210	363,210	-	-
	834,149	706,173	34,422	32,294
31 July 2011				
Trade receivables	129,211	98,195	25,641	5,375
Bank balances	52,181	52,181	-	-
Corporate bonds	250,000	250,000	-	-
Short term deposits	97,154	97,154	-	-
	528,546	497,530	25,641	5,375

The impaired amount represents the doubtful receivables that have individually assessed as unrecoverable as the balances are over 120 days and management efforts to collect are highly unlikely to succeed. A full provision has been made against these balances.
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.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk management (continued)

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.

	Within 12 months Sh'000	Over 12 months Sh'000
At 31 July 2012:		
Trade payables	6,258	-
Other payables – cylinder deposits	11,598	-
	17,856	-
At 31 July 2011:		
Trade payables	11,000	-
Other payables - cylinder deposits	9,022	-
	20,022	-

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)

Fair value of financial assets and liabilities (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 Sh'000	Level 2 Sh'000	Level 3 Sh'000	Total Sh'000
2012				
Quoted equities	107,673	-	-	107,673
2011				
Quoted equities	91,152	-	-	91,152

(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 Securities 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% (2011: 100%) of total equity investments.

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

	2012 Sh'000	2011 Sh'000
Equity investments	107,673	91,152

At 31 July 2012, if the market prices had increased/decreased by 10% with all other variables held constant, the profit for the year would have been Sh 10,767,300 (2011:Sh 9,115,200) higher/lower.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) **Market risk** (continued)

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

	2012 Sh'000	2011 Sh'000
Financial assets		
Bank balances		
USD 377,287 @84.21 (2011: 333,893 @90.97)	31,771	30,920
Trade receivables		
USD 1,206,577 @84.21 (2011: 813,752 @ 90.97)	101,606	73,936
	133,377	104,856

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 2012, 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 13,337,700 (2011:Sh 10,485,600) 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 21, as well as reserves and retained earnings.

At 31 July 2012, the Group had no borrowings at year end.

32 COUNTRY OF INCORPORATION

The company and its subsidiaries are incorporated and domiciled in Kenya under the Companies Act.

33 CURRENCY

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