CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

contents

Corporate information

DIRECTORS	J M Wanjigi	Chairman
	R A Shepherd	
	B C Patel	
	M K R Shah	
	D N O Awori	
AUDIT & RISK COMMITTEE	R A Shepherd	Chairman
	J M Wanjigi	
	B C Patel	
	M K R Shah	

SECRETARY

N P Kothari FCPS (Kenya) FCIS

REGISTERED OFFICE

2nd Floor,
Apollo Centre,
Vale Close, Ring Road Parklands, Westlands
P O Box 764 - 00606, Sarit Centre
Nairobi

REGISTRARS AND TRANSFER OFFICE

Axis Kenya
2nd Floor,
Apollo Centre,
Vale Close, 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

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

ADVOCATE

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

JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 85, 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 84, Mr Shepherd joined the Group as Managing Director of Carbacid (CO_2) Limited in 1967. He retired as 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 77, 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 62, 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.

D N O Awori

Aged 62, Amb Awori joined the Board on 7th August 2014. He graduated with an honours degree in Aeronautical Engineering from the University of Manchester in 1976 and has held senior positions in the motor industry during his career. Amb Awori was the Ambassador of the Republic of Kenya to Japan and Korea from 2004 to 2009. Currently, he is the Chairman of both Toyota Kenya Limited and Bank of Africa Limited and is also on the Boards of several reputable companies in Kenya.

NOTICE IS HEREBY GIVEN that the forty-sixth Annual General Meeting of the Company will be held in Palm Room, Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Wednesday, 21st December 2016 at 10.30 a.m., for the following purposes:

ORDINARY BUSINESS

1 To receive the Directors' Report and audited financial statements for the year ended 31st July 2016.

2 To declare a final dividend as recommended by the Directors to the shareholders registered on 18th November 2016

3 To approve Directors' fees.

4 To elect Directors:

   (a) Amb D N O Awori retires by rotation and, being eligible, offers himself for re-election.

   (b) Mr J M Wanjigi retires by rotation and, being eligible, offers himself for re-election.

5 To reappoint Deloitte & Touche as auditors of the Company in terms of The Companies Act, 2015 and to authorize the Directors to fix the remuneration of the auditors.

SPECIAL BUSINESS

To consider and if thought fit pass the following resolution as a Special Resolution:

That the name of the Company be changed from CARBACID INVESTMENTS LIMITED to CARBACID INVESTMENTS plc

By Order of the Board

N P Kothari
Secretary

27th October 2016

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.

On behalf of the Board of Directors it is my pleasure to present the Annual Report and Audited Financial Statements for the financial year ended 31 July 2016.

The general business environment in the region has been lackluster on the back of weak economic growth and declining disposable incomes. The 2016 GDP growth for Sub-Saharan Africa is expected to come in lower at 3%, compared to 3.4% for 2015. The East African countries averaged just over 5%. The weak growth is underpinned by drop in commodity prices, weakening currencies and underperforming stock markets.

Our markets have remained challenging during the financial year ended 31 July 2016, impacted to an extent by new competition from alcohol based manufacturers of carbon dioxide. We continue to be proactive in serving our customers' requirements of quality products in the markets that we supply as this remains a key element of our business strategy.

Our strategy as always, is to ensure that we reliably deliver the highest quality products free of any alcohol base, a particular requirement of a large segment of the market for ethical reasons. At the same time, the main subsidiary's production continues to be environmentally friendly. Our promise to our customers is to consistently offer the highest quality CO_2 delivered in full and on time. The fulfillment of this promise keeps the Carbacid brand strong. You will be pleased to know that with use of new technology we manage the full value chain from production of the highest quality, on time delivery, storage and issue of CO_2 into the production processes for many of our customers.

The Board is committed to the highest standard of corporate governance and ethical business practices. To this end the group has developed a detailed Board Charter and further strengthened Board Committees. The Statement of Corporate Governance on Pages 9 to 12 details the Group's obligations.

The 2016 financial result achieved by the group is solid. Total revenue is 3% above the previous year at Sh 831 million, despite the market challenges explained above. By continued focus on costs and efficiency, our operating margin has declined only slightly, without increasing prices. We achieved this despite the increased costs of doing business such as increased mining royalties, and high electricity costs coupled with frequent outages.

On the investment side, the shares listed on the Nairobi Securities Exchange (NSE) have performed dismally. The downward trend continues with the NSE 20 index having declined by over 25% in the last 12 months. The loss on revaluation of investments in companies listed on the Nairobi and Dar-es-Salaam Stock Exchanges increased substantially from a gain of Sh 14 million in 2015 to a loss of Sh 31 million in 2016.

Due to this loss on equity instruments, disclosed on the paragraph above, the profit before taxation reduced by 6% to Sh 547 million (2015: Sh 580 million).

The Group operating income has declined by 2% compared to 2015 and the impact of the loss in value of listed investments and of currency movements, caused earnings per share to be lower at Sh 1.47 (2015: Sh 1.55).

Cash flows however continue to show strength. Cash flow from operations was 5% over the prior year. During the year Sh 72 million was spent on new fixed assets, and a net Sh 82 million was invested in shares and bonds. In the current financial year capital expenditure of nearly Sh 110 million is budgeted. We have also continued to strengthen the Group's position in the region, notably in Tanzania where the Group is now one of the top shareholders in TOL Gases.

The Group has substantial investments in short term bank deposits. In 2016, the average return on our bank deposits was 13%. The Banking (Amendment) Act 2016 which came into effect in September 2016 will restrict our returns on deposits to around 7%. Alternative investment strategies are being considered by your Board.

With a strong cash flow, a high-quality order book, good additional revenue prospects as the applications for quality carbon dioxide grow, the Board believes the Group is well-positioned to deal with the challenging market conditions that are anticipated in the months ahead. Despite the entry of alcohol based carbon dioxide producers in the region, more uses of carbon dioxide as a clean and pure alcohol free gas are being applied. These uses are in the areas of freezing, meat processing and insect control in grain silos. Importantly, these users demand the highest quality of non-alcohol based carbon dioxide.

The Board recommends a final dividend of 70 cents per share (2015: total 70 cents per share) to be paid as soon as practical after approval at the Annual General Meeting in December 2016.

The year 2017 will be a challenging year with much uncertainty in the global economy. For Carbacid it will be particularly important that we remain clear and focused on our core strategy of investing in the business, maintaining the quality of our products and giving our best in service delivery.

As part of its Corporate Social Responsibility, your Company continues to support school fees and university fees initiatives for deserving, talented students from the localities in which we have manufacturing operations. Safety is paramount in our operations and we strive to provide a safe working environment for our staff and all other stakeholders.

Finally, I would like to record my deep appreciation to all staff and my fellow Directors who continue to work hard to deliver the group's objectives.

Nairobi
27th October 2016

Hon J M Wanjigi
Chairman

Kwa niaba ya halmashauri ya wakurugenzi nina furaha kuwasilisha Ripoti ya mwaka na taarifa za fedha zilizokaguliwa za mwaka wa fedha uliomalizika Julai 31, 2016.

Mazingira ya biashara kwa jumla katika kanda yamekuwa ya wastani ikiambatana na ukuaji dhaifu wa uchumi na kupungua kwa mapato ya ziada. Ukuaji wa pato la taifa mwaka 2016 katika nchi za kusini mwa Sahara unatarajiwa kuja chini katika asilimia 3 ikilinganishwa na asilimia 3.4 kwa mwaka 2015. Nchi za Afrika Mashariki zilikadiriwa juu ya asilimia 5. Ukuaji dhaifu unazidishwa na kushuka kwa bei za bidhaa na kudhoofika kwa sarafu na soko za hisa ambazo hazifanyi vizuri.

Masoko yetu yamebakia changamoto katika mwaka wa fedha uliomalizika Julai 31, 2016 yakiathiriwa kwa kiasi fulani na ushindani mpya kutoka kwa wazalishaji wa gesi ya carbacid dioxide msingi wake ambao ni pombe. Tunaendelea kuwa makini katika kuhudumia mahitaji ya wateja wetu ya bidhaa bora katika masoko ambayo tuna gawa bidhaa, kwa sababu hii inaendelea kuwa sehemu muhimu katika mkakati wetu wa biashara.

Mkakati wetu kama wakati wote, ni kuhakikisha kuwa tunatoa kwa uhakika bidhaa za hali ya juu zaidi ambazo hazina msingi wa pombe, ambayo ni mahitaji muhimuu ya sehemu kubwa ya soko kwa sababu za kimaadili. Wakati huo huo, uzalishaji wa kampuni unaendelea kuwa katika mazingira ya kirafiki. Ahadi yetu kwa wateja wetu ni kutoa wakati wote gesi ya carbon dioxide yenye ubora wa hali ya juu zaidi ikitolewa kwa wakati na kikamilifu. Kutimiza ahadi hii imeweka nguvu alama ya Carbacid. Utakuwa radhi kujua kwamba kwa kutumia teknolojia mpya tunaweza kusimamia mzunguko wa thamani kutoka kwa uzalishaji katika ubora wa hali ya juu zaidi, utoaji kwa wakati, kuhifadhi na kutoa gesi ya carbon dioxide kwenye michakato ya uzalishaji kwa wengi wa wateja wetu.

Halmashauri ya wakurugenzi imejitolea katika kiwango cha juu zaidi katika mwongozo wa mashirika. Kwa mwisho huu, kampuni imeendeleza katiba ya halmashauri ya wakurugenzi na zaidi kuongeza nguvu kamati za halmashauri ya wakurugenzi. Taarifa kuhusu mwongozo wa kampuni katika ukurasa 9 hadi 12 inatoa maelezo kuhusu majukumu ya kampuni.

Matokeo ya kifedha ya mwaka 2016 yaliopatikana na kampuni ni imara. Mapato kwa jumla ni asilimia 3 juu ya mwaka uliopita katika shilingi milioni 831, licha ya changamoto za soko zilizoelezewa hapo juu. Kwa kuendelea kuzingatia gharama na ufanisi, faida yetu kutokana na utenda kazi impengua kidogo tu bila kuongeza bei. Tumeweza kupata mafanikio haya licha ya ongezeko za gharama za kufanya biashara kama mrahaba madini na gharama za juu za nguvu za umeme pamoja na kukatika mara kwa mara.

Upande wa uwekezaji, hisa ambazo zilizo orodheshwa katika soko la hisa la Nairobi (NSE) zimefanya vibaya sana na hali ya kushuka inaendelea na kipimo cha NSE 20 ambacho kilishuka kwa zaidi ya asilimia 25 katika miezi 12 iliyopita. Hasara kutokana na kuthamani tena uwekezaji katika kampuni zilizo orodheshwa katika soko la hisa la Nairobi na Dar-es-Salaam iliongezeka kwa kiasi kikubwa kutoka kwa faida ya shilingi milioni 14 hapo mwaka 2015 hadi hasara ya shilingi milioni 31 katika mwaka wa 2016.

Kutokana na hasara kwenye hisa zilizo orodheshwa katika soko la hisa la Nairobi na hasara kutokana na ubadilishaji wa fedha za kigeni, faida kabla ya kodi ilipungua kwa asilimia 6 hadi shilingi millioni 547 (mwaka 2015 shilingi milioni 580).

Faida kutokana na utenda kazi ya kandi imeshuka kwa asilimia 2 ikilinganishwa na mwaka 2015 na athari ya hasara kwenye thamani ya uwekezaji zilizo orodheshwa na kupanda na kushuka kwa fedha, ilifanya mapato kwa kila hisa kuwa chini katika shilingi 1.47 (mwaka 2015 shilingi 1.55)

Mitiririko ya fedha hata hivyo unaendelea kuonyesha nguvu. Mtiririko wa fedha kutoka kwa utenda kazi ulikuwa asilimia 5 juu ya mwaka uliopita. Katika mwaka shilingi milioni 72 zilitumiwa kwa rasilimali zenye kutumiwa kwa muda mrefu mpya na kwa jumla shilingi milioni 82 ziliwekezwa katika hisa na hati za thamana. Katika mwaka huu wa fedha matumizi katika rasilimali za muda mrefu wa karibu shilingi milioni 110 umepangiwa. Pia tumendelea kuimarisha nafasi ya kikundi katika kanda hasa Tanzania ambapo kundi kwa sasa ni mmoja ya wanahisa wa juu katika TOL Gases.

Kundi lina uwekezaji mkubwa katika amana za benki za muda mfupi. Katika mwaka 2016, faida ya wastani kwa amana za benki ilikuwa asilimia 13. Marekebisho ya sheria ya Benki (Banking Amendment Act 2016) ambayo yalianza kutumika Septemba, 2016 yatazuia mapato kwa amana karibu na asilimia 7. Mikakati mbadala ya uwekezaji inachunguzwa.

Kutokana wa mtiririko ya fedha thabiti, kitabu cha agizo za hali ya juu, matarajio mazuri ya mapato ya ziada kwa sababu ya matumizi ya carbon dioxide bora kuongezeka, Halmashauri inaamini kundi lina nafasi nzuri ya kukabiliana na changamoto za hali ya soko ambazo inatarajiwa katika miezi ijayo. Licha ya kuingia katika kanda kwa wazalishaji wa gesi ya carbon dioxide ambayo msingi wake ni pombe. Matumizi mengi ya carbon dioxide ikiwa safi na ambayo haina pombe inaendelea kutumiwa. Haya matumizi ni katika kutia baridi, kusindika nyama na kudhibiti wadudu katika maghala ya nafaka. Muhimu, watumiaji hawa hudai ubora wa juu zaidi wa carbon dioxide ambayo msingi wake si pombe.

Halmashauri ya wakurugenzi inapendekeza mgao wa mwisho wa senti 70 kwa kila hisa (mwaka 2015 senti 70 kwa kila hisa) ilipwe haraka iwezekanavyo baada ya mkutano mkuu wa mwaka hapo Desemba 2016.

Mwaka 2017 utakuwa wenye changamoto zikiwa bila uhakika mwingi katika uchumi wa dunia. Kwa Carbacid, itakuwa muhimu kwetu kubaki wazi na makini katika msingi wa mkakati wetu wa uwekezaji katika biashara, na kudumisha ubora wa bidhaa zetu na kutoa huduma bora katika utoaji.

Kama sehemu ya wajibu kwa jamii, kampuni yenu inaendelea kusaidia katika karo za shule na ada za chuo kikuu kwa wanafunzi wanaostahili, wanafunzi wenye vipaji kutoka kwa maeneo ambayo tunafanya kazi ya uzalishaji. Usalama ni muhimu sana katika shuguli zetu na tunajitahidi kutoa mazingira salama ya kufanya kazi kwa wafanyi kazi wetu na wadau wengine wote.

Mwisho, ningependa kutoa shukrani zangu za dhati kwa wafanya kazi wote na wakurugenzi wenzangu ambao wanaendelea kufanya kazi kwa bidii ili kufanikisha malengo ya kampuni.

Nairobi	J M Wanjigi
Oktoba 27, 2016	Mwenyekiti

Chairman's Introduction

The Group is committed to maintaining high standards of Corporate Governance and the disclosures in this year's report and financial statements are in recognition of this commitment. Effective corporate governance is essential to the long term success of our business. As Chairman, my role is to guide and lead the Board, ensuring it operates effectively and contains the right balance of skills and experience to successfully execute the Group's strategy.

Code compliance

The Group has made significant progress towards complying with the Code issued by the Capital Markets Authority under the Capital Markets Act (Cap 485A), - the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("Code"). The Group remains committed to continued implementation of various requirements over the coming months.

The Board

The Board currently has five non-executive Directors who bring considerable knowledge, judgement and experience to the Group. The business of the Group is technical and specialist in nature, and requires considerable knowledge and experience to manage for results.

Directors are subjected to a rigorous review, and after giving thorough consideration, the Board considers that all these Directors' independence, skills and experience make them effective as non-executive Directors and as Chairmen to the Board Committees. Their contributions in the past have been immense and currently continue to be so.

The Board considers that all of its non-executive Directors are independent in character and judgement, and their knowledge, diversity of experience and other business interests continue to enable them to contribute significantly to the Board's effectiveness. Directors have been issued with formal letters of appointment setting out terms and conditions.

The Group Secretary attends all Board meetings and offers additional guidelines to the Board on matters relating to corporate governance and statutory matters.

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.

The Board is currently in the process of selecting additional independent directors.

Board responsibilities

The Board is responsible for major policy decisions whilst delegating more detailed matters to the Board Committees and to the Management Team. The Board is responsible for the Group's system of risk management and internal control and for monitoring implementation of its policies. The system of internal control is designed to manage risk.

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 an on-going basis.

The Board has appointed Committees to which powers have been delegated in accordance with the terms of reference for each Committee. The Committees are detailed below.

Board meetings

The Board normally meets quarterly 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. Since the approval of 2015 financial statements, the Board held four meetings, which were attended by all the Directors. The attendance at the Board meetings is shown below:

Date		**13.10.2015**	**9.3.2016**	**25.5.2016**	**22.7.2016**
Hon J M Wanjigi	Chairman	√	√	√	√
B C Patel	Member	√	√	√	√
R A Shepherd	Member	√	√	√	√
M K R Shah	Member	√	√	√	√
Amb D N O Awori	Member	√	√	√	√

Finance, Audit & Risk Committee

The Committee, chaired by Amb D N O Awori, an independent Director, has two other non-executive Directors. One Committee member has relevant financial qualifications and experience. The Finance and Administration Manager attends all Committee meetings.

Nomination & Remuneration Committee

The Committee, chaired by Hon J M Wanjigi has three other non-executive Directors. The Committee meets whenever necessary to consider succession planning for Directors and other senior executives to ensure that requisite skills and expertise are available to the Board to address future challenges and opportunities

The Committee determines the remuneration of the Directors and reviews the remuneration of senior management.
Note 27(c) of the Report and Financial Statements summarises remuneration of the Directors and key Management.

External consultants may be used, if required, to assist in identifying suitable external Board candidates, based on a written specification for each appointment. The Chairman is responsible for providing a shortlist of candidates for consideration by the Committee which then makes its recommendation for final approval by the Board.

Appointments to the Board, as with other positions within the Group, are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made without reference to race, religion or gender.

Investment & Governance Committee

The Committee consists of three non-executive Director and is currently chaired by Mr M K R Shah. The Committee meets at least twice a year to review investment portfolios and performance. The Committee also monitors governance and compliance matters on an on-going basis.

Chairman

There is a clear division of responsibilities between the Chairman and the Board. This is set out in the Board Charter and other Board Policies. The Chairman guides and leads the Board to ensure that the Group has appropriate objectives and an effective strategy and that the Group is operating in accordance with a high standard of corporate governance.

Directors' conflicts of interest

The Group has procedures in place for managing conflicts of interest. Should a Director become aware that he, or his connected parties, have an interest in an existing or proposed transaction with Carbacid, they notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Board performance evaluation

A performance review of the Board, its Committees Directors and the Group Secretary is undertaken annually.
The review covers all aspects of the effectiveness of the Board including composition; experience; dynamics; the Chairman's leadership; the Board's role and responsibilities with particular regard to strategy; oversight of risk; and succession planning.

Risk management

The Board is responsible for the effectiveness of the group's risk management and internal control practices. The Board sets guidelines on the general level of risk which is acceptable and has a considered approach to evaluating risk and reward.

Risk management and internal control is a continuous process and is considered by the Board risks on a regular basis throughout the year. The Finance, Audit & Risk Committee regularly reviews strategic and operational risks, and the associated controls and mitigating factors. These include business continuity plans and procedure manuals. The Board will continue to develop risk management and internal controls where necessary.

Whistle blowing

The Group has on its website a Whistle Blowing reporting tool in which confidentiality is assured. This tool is in support of the Group's commitment to achieving the highest standards of integrity in all of its business processes.

Personal use of Company's assets

The Finance, Audit & Risk Committee reviewed and confirmed that during the year there had not been any improper personal use of Company's assets by Directors.

Relations with shareholders

The Board's primary role is to promote the success of the Group and in that process, the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group. Communication with its shareholders in respect of the Group's business activities is through General Meetings, the Annual Report and Financial Statements, yearly and half yearly announcements made in the press. These announcements are presented in a consistent format focusing on making the presentations meaningful and understandable. Information is also made publicly available via the Company's website (www.carbacid.com). All shareholders have an opportunity to ask questions or represent their views to the Board at the Annual General Meeting. The Board takes care not to disseminate information of a sensitive nature which is not available to the market as a whole.

DIRECTORS' INTEREST

The interest of the Directors in the Shares of the Company as at 31 July 2016 were as follows:

Name	No. of Shares 2016	2015
Mr J M Wanjigi (Including shares held by companies and a trust in which he has an interest)	5,844,785	12,040,705
Mr B C Patel (jointly with Mrs. A Patel)	77,496,510	66,088,370

SHAREHOLDING PROFILES

The Company, through its Secretary, files returns regularly in line with Capital Markets Authority and the Nairobi Securities Exchange under the listing regulations on transactions related to shareholders.

a) Distribution of shareholders as at 31 July 2016

Shareholding (No of shares)	No. of Shareholders	No. of Shares	%
Less than 500	511	86,247	0.03
501-5,000	1,070	2,083,842	0.82
5001-10,000	279	2,068,307	0.81
10,0001-100,000	713	25,493,826	10.00
100,001 - 1,000,000	136	44,918,893	17.63
Over 1,000,000	32	180,200,870	70.71
Total	2,741	254,851,985	100

b) Major Shareholders

The top 10 major shareholders as at 31 July 2016 were as follows:

Name	No of Shares	%
Mrs A B Patel & Mr B C Patel	77,496,510	30.41
Leverton Limited	23,841,405	9.36
Kivuli Limited	14,850,000	5.83
Miss T I Friedman	11,275,695	4.42
Mr J M Wanjigi (Including shares held by companies and a trust in which he has an interest)	5,844,785	2.29
Standard Chartered Nominees A/C 9230	5,772,500	2.27
Cfc Stanbic Nominees Limited A/C NR1031010	4,277,038	1.68
Mrs B C Kampf	4,037,130	1.58
Mr Peter Kingori Mwangi	2,765,900	1.09
R B Robson (Deceased)	2,426,220	0.95
	152,587,183	59.88
2,731 other shareholders	102,264,802	40.12
	254,851,985	100.00

The directors present their report together with the audited financial statements of Carbacid Investments Limited (the "Company") and its subsidiaries (together, the "group") for the year ended 31 July 2016 which disclose the state of financial affairs of the group and the company.

PRINCIPAL ACTIVITIES

The Company is an investment and holding company with three subsidiaries. The principal activities of the main subsidiary, Carbacid (CO_2) Limited, are mining and marketing of carbon dioxide gas while the other two subsidiaries, Goodison Twenty Nine Limited and Goodison Forty Seven Limited, are investment companies.

GROUP FINANCIAL RESULTS

	Sh'000
Profit before taxation	547,748
Taxation charge	(172,180)
Profit for the year transferred to retained earnings	375,568

DIVIDENDS

The Directors propose a final dividend of Sh 0.70 per share (2015 - Sh 0.70) amounting to Sh 178,396,390 (2015 - Sh 178,396,390).

DIRECTORS

The current board of directors is shown on page 3.

BUSINESS REVIEW

The general business environment in the region has been lackluster on the back of weak economic growth and declining disposable incomes. The 2016 GDP growth for Sub-Saharan Africa is expected to come in lower at 3%, compared to 3.4% for 2015. The East African countries averaged just over 5%. The weak growth is underpinned by drop in commodity prices, weakening currencies and underperforming stock markets.

The group's markets have remained challenging during the financial year ended 31 July 2016, impacted to an extent by new competition from alcohol based manufacturers of carbon dioxide. Carbacid continues to be proactive in serving its customers' requirements in the markets which Carbacid supplies. This remains a key element of the group's business strategy.

The strategy as always, is to ensure that Carbacid reliably delivers the highest quality products free of any alcohol base, a particular requirement of a large segment of the market for ethical reasons. At the same time, the main subsidiary's production continues to be environmentally friendly. The main subsidiary's promise to its customers is to consistently offer the highest quality CO_2 delivered in full and on time. The fulfilment of this promise keeps the Carbacid brand strong. Shareholders will be pleased to know that with the use of new technology the main subsidiary manages the full value chain from production at the highest quality, on time delivery, storage and supply of CO_2 into the production processes for many of the customers.

ENVIRONMENTAL MATTERS

The Group continues to be conscious about environmental aspects and operates accordingly and is in compliance with National Environment Management Authority (NEMA) requirements. Safety is paramount in our operations and we strive to provide a safe working environment for our staff and all other stakeholders.

OUR PEOPLE

The Group believes in developing talent and in rewarding fairly for performance. We are committed to improving skills, knowledge and wellbeing of all employees. Our selection, training, development and promotion policies ensure equal opportunities for all employees.

SOCIAL COMMUNITY ISSUES

The Group continues to support school fees and university fees initiatives for deserving, talented students from the localities in which we have manufacturing operations.

DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Carbacid, they notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

DIRECTORS' INDEMNITIES

The Group maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors and the Group Secretary to the extent permitted by law. Qualifying third-party indemnity provisions (as defined by section 197 of The Companies Act, 2015 were in force during the year and remain in force, in relation to certain losses and liabilities which the Directors (or Group Secretary) may incur to third parties in the course of acting as Directors or Group Secretary or employees of the Group.

DONATIONS

Total donations made are mainly in respect of school fees and university fees.

RE-APPOINTMENT OF AUDITORS

In accordance with section 721 of The Companies Act, 2015, a resolution is to be proposed at the Annual General Meeting for reappointment of Deloitte & Touche as auditors of the Company.

DISCLOSURE OF INFORMATION TO AUDITORS

Each Director confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors' Report was approved by the Board of Directors on 27th October 2016 and signed on its behalf by the Group Secretary.

BY ORDER OF THE BOARD

N P Kothari
Group Secretary
27 October 2016
Nairobi

The Kenyan Companies Act requires the directors to prepare consolidated and company financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of their operating results 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. The directors 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 that 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 of the company and of their 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
Director
27 October 2016

M K R SHAH
Director

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
P.O. Box 40092 - GPO 00100
Nairobi
Kenya

Tel: (+254 20) 423 0000
Cell: (+254 20) 0719 039 000
Dropping Zone No. 92
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www.deloitte.com

Report on the Financial Statements

We have audited the accompanying financial statements of Carbacid Investments Limited ("the Company") and its subsidiaries (together "the Group"), set out on pages 17 to 61, which comprise the consolidated and company statements of financial position as at 31 July 2016, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements 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 of the 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 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation 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 effectiveness of 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 consolidated and company financial statements give a true and fair view of the financial position of Carbacid Investments Limited and its subsidiaries as at 31 July 2016 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

The engagement partner responsible for the audit resulting in this independent auditors' report is ***CPA Fredrick Okwiri – P/No 1699.***

Certified Public Accountants (Kenya)
Nairobi, Kenya
27 October 2016

Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 JULY 2016

	Notes	2016 Sh'000	2015 Sh'000
TURNOVER	4(c)	831,761	809,719
DIRECT COSTS		(298,955)	(276,473)
GROSS PROFIT		532,806	533,246
OTHER INCOME	5	40,805	29,866
ADMINISTRATIVE EXPENSES		(173,511)	(168,475)
FINANCE INCOME	6	175,227	117,884
NET FOREIGN EXCHANGE GAINS		3,541	21,296
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTIES	14	-	32,500
FAIR VALUE (LOSS)/GAIN ON REVALUATION OF EQUITY INVESTMENTS	17	(31,120)	14,150
PROFIT BEFORE TAXATION	7(a)	547,748	580,467
TAXATION CHARGE	10(a)	(172,180)	(186,604)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		375,568	393,863
OTHER COMPREHENSIVE LOSS:			
Items that will not be reclassified subsequently to profit or loss			
Deferred tax attributable to gain on revaluation of freehold land	24	-	(547)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		375,568	393,316
EARNINGS PER SHARE ON PROFIT ATTRIBUTABLE TO SHAREHOLDERS – Basic and diluted (Sh)	9	1.47	1.55

company statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 31 JULY 2016

	Notes	2016 Sh'000	2015 Sh'000
OPERATING INCOME		183,004	402,360
ADMINISTRATION EXPENSES		(11,811)	(23,376)
FINANCE INCOME	6	174,657	117,126
FOREIGN EXCHANGE LOSS		(254)	-
FAIR VALUE LOSS ON REVALUATION OF EQUITY INVESTMENTS	17	(37,236)	(17,627)
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTIES	14	-	32,500
PROFIT BEFORE TAXATION	7(b)	308,360	510,983
TAXATION CHARGE	10(a)	(47,309)	(54,874)
PROFIT FOR THE YEAR		261,051	456,109
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		261,051	456,109

AS AT 31 JULY 2016

	Notes	2016 Sh'000	2015 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(a)	981,257	991,457
Intangible assets	13	861	1,372
Investment properties	14	120,000	120,000
Prepaid operating lease rentals	15	62,535	63,488
Equity investments	17	317,852	283,946
Corporate bonds	18	289,375	320,625
Treasury bonds	19	121,633	73,148
		1,893,513	1,854,036
Current assets			
Inventories	20	29,354	32,858
Trade and other receivables	21	178,223	168,659
Corporate tax recoverable	10(c)	17,807	2,088
Short term bank deposits	22	924,485	869,193
Bank and cash balances		38,386	41,893
		1,188,255	1,114,691
Total assets		3,081,768	2,968,727
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	23(a)	254,852	254,852
Share premium	23(b)	27	27
Revaluation surplus		92,618	103,639
Retained earnings		2,326,701	2,118,508
Shareholders' funds		2,674,198	2,477,026
Non-current liabilities			
Deferred tax liability	24	239,938	244,575
Current liabilities			
Corporate tax payable	10(c)	958	109,079
Trade and other payables	25	145,781	108,818
Dividends payable	11(b)	20,893	29,229
		167,632	247,126
Total equity and liabilities		3,081,768	2,968,727

The financial statements on pages 17 to 61 were approved and authorised for issue by the board of directors on 27 October 2016 and were signed on its behalf by:

J M WANJIGI
Director

M K R SHAH
Director

company statement of financial position

FOR THE YEAR ENDED 31 JULY 2016

	Notes	2016 Sh'000	2015 Sh'000
ASSETS			
Non current assets			
Property	12(b)	31,060	28,720
Investment properties	14	120,000	120,000
Prepaid operating lease rentals	15	18,553	19,012
Investment in subsidiaries	16	3,546	3,546
Equity investments	17	144,594	170,980
Corporate bonds	18	289,375	320,625
Treasury bonds	19	121,633	73,148
		728,761	736,031
Current assets			
Trade and other receivables	21	21,118	20,068
Due from subsidiary	27(a)	160,000	390,000
Corporate tax recoverable	10(c)	-	2,088
Short term bank deposits	22	916,996	862,158
Bank and cash balances		31,699	6,194
		1,129,813	1,280,508
Total assets		1,858,574	2,016,539
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	23(a)	254,852	254,852
Share premium	23(b)	27	27
Retained earnings		1,392,075	1,309,420
Shareholders' funds		1,646,954	1,564,299
Non-current liabilities			
Deferred tax liability	24	23,988	23,981
Current liabilities			
Corporate tax payable	10(c)	958	-
Trade and other payables	25	9,091	10,379
Dividends payable	11(b)	20,893	29,229
Due to subsidiary companies	27(b)	156,690	388,651
		187,632	428,259
Total equity and liabilities		1,858,574	2,016,539

The financial statements on pages 17 to 61 were approved and authorised for issue by the board of directors on 27 October 2016 and were signed on its behalf by:

J M WANJIGI
Director

M K R SHAH
Director

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2014	254,852	27	121,041	1,784,246	2,160,166
Total comprehensive(loss)/ income for the year	-	-	(547)	393,863	393,316
Transfer of excess depreciation	-	-	(16,138)	16,138	-
Deferred tax on excess depreciation	-	-	4,841	(4,841)	-
Revaluation surplus realized on write off of property	-	-	(5,558)	5,558	-
Final dividend declared – 2014	-	-	-	(76,456)	(76,456)
At 31 July 2015	254,852	27	103,639	2,118,508	2,477,026
At 1 August 2015	254,852	27	103,639	2,118,508	2,477,026
Total comprehensive income for the year	-	-	-	375,568	375,568
Transfer of excess depreciation	-	-	(11,546)	11,546	-
Deferred tax on excess depreciation	-	-	3,464	(3,464)	-
Revaluation surplus realized on disposal of property, plant and equipment	-	-	(2,939)	2,939	-
Final dividend declared – 2015	-	-	-	(178,396)	(178,396)
At 31 July 2016	254,852	27	92,618	2,326,701	2,674,198

The revaluation surplus is not distributable and represents the cumulative surplus arising from the revaluation of property, plant and equipment and intangible assets, net of related deferred taxation.

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2014	254,852	27	5,558	924,209	1,184,646
Total comprehensive income for the year	-	-	-	456,109	456,109
Revaluation surplus realized on write off of property	-	-	(5,558)	5,558	-
Final dividend declared – 2014	-	-	-	(76,456)	(76,456)
At 31 July 2015	254,852	27	-	1,309,420	1,564,299
At 1 August 2015	254,852	27	-	1,309,420	1,564,299
Total comprehensive income for the year	-	-	-	261,051	261,051
Final dividend declared – 2015	-	-	-	(178,396)	(178,396)
At 31 July 2016	254,852	27	-	1,392,075	1,646,954

The revaluation surplus is not distributable and represents the cumulative surplus arising from the revaluation of property, plant and equipment, net of related deferred taxation.

FOR THE YEAR ENDED 31 JULY 2016

	Notes	2016 Sh'000	2015 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	26(a)(i)	499,504	476,998
Interest received	6	175,227	117,884
Taxation paid	10(c)	(300,657)	(34,504)
Net cash generated from operating activities		374,074	560,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	12(a)	(71,611)	(113,623)
Proceeds from disposal of property, plant and equipment		10,513	7,157
Proceeds from sale of equity investments		-	16,758
Purchase of equity investments	17	(65,026)	(18,795)
Purchase of corporate bonds	18	-	(180,000)
Proceeds on redemption of corporate bonds	18	31,250	31,250
Purchase of treasury bonds	19	(48,257)	(73,148)
Dividends received from equity investments		7,574	5,955
Redemption of short term deposits		7,035	6,459
Additional short term deposits		(7,489)	(7,035)
Net cash used in investing activities		(136,011)	(325,022)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11(b)	(186,732)	(74,121)
Net cash used in financing activities		(186,732)	(74,121)
INCREASE IN CASH AND CASH EQUIVALENTS		51,331	161,235
CASH AND CASH EQUIVALENTS AT START OF YEAR		904,051	742,816
CASH AND CASH EQUIVALENTS AT END OF YEAR	26(a)(ii)	955,382	904,051

FOR THE YEAR ENDED 31 JULY 2016

	Notes	2016 Sh'000	2015 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash (used in)/generated from operations	26(b)(i)	(230,057)	243,756
Interest received	6	174,657	117,126
Taxation paid	10(c)	(44,256)	(30,647)
Net cash (used in)/generated from operating activities		(99,656)	330,235
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	12(b)	(2,986)	(28,306)
Proceeds from sale of equity investments		-	16,758
Purchase of equity investments	17	(10,850)	(18,795)
Purchase of corporate bonds	18	-	(180,000)
Proceeds on redemption of corporate bonds	18	31,250	31,250
Purchase of treasury bonds	19	(48,257)	(73,148)
Dividends received from equity investments		7,574	5,955
Net cash used in investing activities		(23,269)	(246,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11(b)	(186,732)	(74,121)
Dividends received from subsidiary		390,000	160,000
Net cash from financing activities		203,268	85,879
INCREASE IN CASH AND CASH EQUIVALENTS		80,343	169,828
CASH AND CASH EQUIVALENTS AT START OF YEAR		868,352	698,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	26(b)(ii)	948,695	868,352

1 REPORTING ENTITY

Carbacid Investments Limited is an investment and holding company with three subsidiaries. The principal activities of the main subsidiary, Carbacid (CO_2) Limited, are mining and marketing of carbon dioxide gas while the other two subsidiaries, Goodison Twenty Nine Limited and Goodison Forty Seven Limited, are investment companies. All the three subsidiaries are incorporated and domiciled in Kenya.

The address of the Company's registered office is as follows:-

2nd Floor, Apollo Centre
Vale Close, Ring Road Parklands, Westlands
P O Box 764 - 00606, Sarit Centre
Nairobi

2 ACCOUNTING POLICIES

Statement of compliance

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenyan Companies Act.

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 profit or loss and other comprehensive income.

The accounting policies apply to both to company and consolidated financial statements.

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 2016

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 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances: a) when the intangible asset is expressed as a measure of revenue; or b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. Currently, the Group uses the straight-line method for depreciation and amortisation for its property and equipment, and intangible assets respectively.

2 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 2016

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 Joint Arrangements requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

a) apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11

b) disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). Currently, the Group does not hold any interest in Joint Operations.

The application of these amendments has had no material impact on the disclosures or on the amounts recognised on the Group's and Company's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and

b) clarification that an entity's share of Other Comprehensive Income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1

The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's and Company's financial statements.

Annual Improvements 2012-2014 Cycle

The amendments to IFRS 5 adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

The amendments to IFRS 7 adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. Clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements.

The amendments to IAS 19 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendment to IAS 34 clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's and Company's financial statements.

2 ACCOUNTING POLICIES (continued)

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

ii) Relevant new and amended standards in issue but not yet effective in the year ended 31 July 2016

New standards and amendments to standards	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 12 Deferred Tax	1 January 2017

(iii) Impact of new and amended standards on the financial statements for future annual periods

IFRS 9 Financial Instruments

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change 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. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

2 ACCOUNTING POLICIES (continued)

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

(iii) Impact of new and amended standards and interpretations on the financial statements for future annual periods (continued)

IFRS 9 Financial Instruments (continued)

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2014. The project is under redeliberation at the time of writing.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

- the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
- hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The directors of the Group do not anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's and Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2 ACCOUNTING POLICIES (continued)

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

(iii) Impact of new and amended standards on the financial statements for future annual periods (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors of the Group are assessing the impact of the application of IFRS 15 in the future. It is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

IFRS 16 Leases

IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Directors of the Group are assessing the impact of the application of IFRS 16 in the future. It is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments to IAS 12 Income Taxes clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The Directors of the Group do not anticipate that the application of the amendments in IAS 12 in the future may have a significant impact on amounts reported in respect of the Group's and Company's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IAS 12 until a detailed review has been completed.

(iv) Early adoption of standards

The Group did not early-adopt new or amended standards in 2016.

2 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. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out herein.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 Financial Instruments either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its wholly owned subsidiaries, Carbacid (CO_2) Limited, Goodison Twenty Nine Limited and Goodison Forty Seven Limited whose financial years end of 31 July.

2 ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 Group's right to receive dividends as a shareholder is established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable unless collectability is in doubt.

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 after due regard for obsolete and slow moving stocks. The cost of other inventories is determined on the weighted average cost basis. Obsolete and defective inventories are fully provided for. Spare parts are fully provided for if not used for 2 years and over.

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, in accordance with the company's policy of revaluing all items of property, plant and equipment, 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.

2 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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

No depreciation is provided on freehold land. Depreciation is calculated to write off the cost or valuation of other property, plant and equipment in equal instalments over their estimated useful lives at the following annual rates:

Buildings	Over 50 years, or remaining period of lease whichever is less
Boreholes	5%
Roads	10%
Motor vehicles	10% - 25%
Plant and equipment	5% - 33.3%

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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost or at professionally revalued amounts less accumulated depreciation and any accumulated impairment loss. The useful life of the assets depends on the duration of the licences. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Leasehold land

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

2 ACCOUNTING POLICIES (continued)

Investment in subsidiary companies

Investment in subsidiary companies are stated at cost less provision for impairment where applicable. Where there has been an impairment loss in the value of an investment, it is recognized as an expense in the period in which the impairment is identified.

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.

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 Group 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 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. Recoverable amount is the higher of fair value less costs of disposal and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2 ACCOUNTING POLICIES (continued)

Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge are included in other long term payables. The interest element of the finance charge is charged to the profit or loss over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over their expected useful lives or where shorter, the term of the relevant lease.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on the straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets

Classification

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

(i) Financial assets at fair value through profit or loss

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

(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 Group 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.

2 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss

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

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.

2 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

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 properties held to earn rentals and/or for capital appreciation . Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at market value in determined, on a periodic basis, by external independent valuers. Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Dividends payable

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

Segmental reporting

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

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

Segment results include revenue and expenses directly attributable to a segment.
Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property, plant and equipment).

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.

3 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.

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, or only sell 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.

Taxes

The Group is subjected to a number of taxes and levies by various Government and regulatory bodies. In practice, 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 properties

The Group has developed criteria based on IAS 40 in making judgements on the valuation of investment properties. The fair value of investment properties 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 properties 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.

4 SEGMENTAL INFORMATION

(a) Operating segments

Operating segments are 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.

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 focused 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:-

	Trading Sh'000	Investments Sh'000	Group Sh'000
2016			
Turnover	831,761	23,004	831,761
Profit before taxation	394,177	308,360	547,748
Segment assets	1,455,376	1,858,574	3,082,176
Segment liabilities	507,807	219,704	415,141
Depreciation	67,884	646	68,530
Amortisation of intangible assets	484	-	484
Amortisation of prepaid operating lease rentals	-	459	953
Capital expenditure	50,666	2,986	71,611
2015			
Turnover	809,719	-	809,719
Profit before taxation	429,106	541,361	580,467
Segment assets	1,654,970	2,016,539	2,968,727
Segment liabilities	817,266	167,945	491,701
Depreciation	62,263	732	62,995
Amortisation of intangible assets	457	-	457
Amortisation of prepaid operating lease rentals	-	459	953
Capital expenditure	85,317	28,306	113,623

Revenue reported above represents revenue generated from external customers.

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

4 SEGMENTAL INFORMATION (continued)

(c) Turnover-geographical distribution

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

	2016 Sh'000	2015 Sh'000
Domestic sales – Kenya	344,567	386,513
Export sales – other African countries	487,194	423,206
	831,761	809,719

5 OTHER INCOME

GROUP:	2016 Sh'000	2015 Sh'000
Rent receivable	15,430	6,405
Dividends received from equity investments	7,574	5,955
(Loss)/gain on disposal of property, plant and equipment	(2,768)	716
Sale of machine spares	1,690	972
Sundry income	18,879	15,818
	40,805	29,866

6 FINANCE INCOME

GROUP:	2016 Sh'000	2015 Sh'000
Interest receivable from held to maturity investments:		
- Short term investments and deposits	127,082	81,136
- Corporate bonds	38,590	33,503
- Treasury bonds	9,555	2,460
Bank current accounts	-	785
	175,227	117,884

COMPANY:		
Interest receivable from held to maturity investments:		
- Short term investments and deposits	126,512	81,136
- Corporate bonds	38,590	33,503
- Treasury bonds	9,555	2,460
Bank current accounts	-	27
	174,657	117,126

7 (a) PROFIT BEFORE TAXATION - GROUP

The profit before taxation is arrived at after charging:

	2016 Sh'000	2015 Sh'000
Directors' fees	16,911	16,323
Auditors' remuneration	3,757	3,292
Staff costs (note 8)	119,386	113,069
Depreciation of property, plant and equipment (note 12(a))	68,530	62,995
Amortisation of intangible assets (note 13)	511	457
Amortisation of operating lease prepayments (note15)	953	953
Loss on disposal of property, plant and equipment	2,768	7,284
Loss on disposal of equity investments	-	1,905

7 (b) PROFIT BEFORE TAXATION - COMPANY

The profit before taxation is arrived at after charging:

	2016 Sh'000	2015 Sh'000
Directors' fees	1,645	1,590
Auditors' remuneration	664	897
Depreciation of property, plant and equipment (note 12(b))	646	586
Amortisation of operating lease prepayments (note15)	459	459
Loss on disposal of equity investments	-	1,905

8 STAFF COSTS - GROUP

	2016 Sh'000	2015 Sh'000
Salaries and wages	111,847	106,511
National Social Security Fund costs (NSSF) (note 29)	192	200
Pension costs - defined contribution plan (note 29)	7,466	6,816
Leave pay provision credit	(119)	(458)
	119,386	113,069

9 EARNINGS PER SHARE – BASIC AND 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.

	2016	2015
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh' 000)	375,568	393,863
Weighted average number of ordinary shares		
At start and end of year	254,851,985	254,851,985
Earnings per share		
Basic and diluted (Sh)	1.47	1.55

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 2016 or at 31 July 2015.

10 TAXATION

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
(a) Taxation charge				
Current taxation based on taxable profit at 30%	176,817	157,920	47,302	28,997
Deferred taxation (note 24)				
- Current year (credit)/charge	(4,637)	8,358	7	5,706
- Prior year under provision	-	20,326	-	20,171
Taxation charge	172,180	186,604	47,309	54,874
(b) Reconciliation of taxation charge to expected tax based on accounting profit before taxation				
Accounting profit before taxation	547,748	580,467	308,360	510,983
Tax at the applicable rate of 30%	164,324	174,140	92,508	153,295
Tax effect of expenses not deductible for tax purposes	66,016	10,068	59,163	6,805
Tax effect of income not taxable	(58,160)	(17,930)	(104,362)	(125,397)
Prior year under provision				
- Deferred taxation	-	20,326	-	20,171
Taxation charge	172,180	186,604	47,309	54,874
(c) Corporate tax recoverable/(payable)				
At beginning of year	(106,991)	16,425	2,088	438
Charge for the year	(176,817)	(157,920)	(47,302)	(28,997)
Taxation paid	300,657	34,504	44,256	30,647
At end of year	16,849	(106,991)	(958)	2,088
Comprising of:				
Corporate tax recoverable	17,807	2,088	-	2,088
Corporate tax payable	(958)	(109,079)	(958)	-
	16,849	(106,991)	(958)	2,088

11 DIVIDENDS

(a) Dividends per share

	2016 Sh	2015 Sh
Proposed dividend per share - Final	0.7	0.7

Proposed dividends are not accounted for until they have been ratified at the Annual General meeting. The Directors propose a final dividend of Sh 0.70 per share (2015- Sh 0.70) – Sh 178,396,390 (2015 – Sh 178,396,390).

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

	2016 Sh'000	2015 Sh'000
At beginning of the year	29,229	26,894
Final dividend declared	178,396	76,456
	207,625	103,350
Dividends paid to shareholders	(172,740)	(74,121)
Dividends paid to the Unclaimed Financial Assets Authority	(13,992)	-
At the end of the year	20,893	29,229

12 (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	Total Sh'000
COST OR VALUATION						
At 1 August 2014	119,685	18,000	30,500	131,800	655,285	955,270
Additions	29,099	-	-	24,294	60,230	113,623
Assets written off	(8,000)	-	-	(6,441)	-	(14,441)
At 31 July 2015	140,784	18,000	30,500	149,653	715,515	1,054,452
COMPRISING:						
Valuation – 2014	55,359	13,000	15,200	2,649	54,123	140,331
Cost	85,425	5,000	15,300	147,004	661,392	914,121
	140,784	18,000	30,500	149,653	715,515	1,054,452
At 1 August 2015	140,784	18,000	30,500	149,653	715,515	1,054,452
Additions	6,158	17,959	690	27,355	19,449	71,611
Disposals	-	-	-	(15,101)	-	(15,101)
At 31 July 2016	146,942	35,959	31,190	161,907	734,964	1,110,962
COMPRISING:						
Valuation – 2014	55,359	13,000	15,200	2,649	54,123	140,331
Cost	91,583	22,959	15,990	159,258	680,841	970,631
	146,942	35,959	31,190	161,907	734,964	1,110,962
DEPRECIATION						
At 1 August 2014	-	-	-	-	-	-
Charge for the year	3,080	-	3,050	15,357	41,508	62,995
At 31 July 2015	3,080	-	3,050	15,357	41,508	62,995

12 (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	Total Sh'000
At 1 August 2015	3,080	-	3,050	15,357	41,508	62,995
Charge for the year	3,203	-	3,119	18,209	43,999	68,530
Eliminated on disposal	-	-	-	(1,820)	-	(1,820)
At 31 July 2016	6,283	-	6,169	31,746	85,507	129,705
NET BOOK VALUE						
At 31 July 2016	140,659	35,959	25,021	130,161	649,457	981,257
At 31 July 2015	137,704	18,000	27,450	134,296	674,007	991,457
NET BOOK VALUE (cost basis)						
At 31 July 2016	112,712	25,014	14,647	95,211	601,500	849,084
At 31 July 2015	109,757	7,055	17,076	102,986	610,873	847,747

The Group's property, plant and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The last fair value measurements of the Group's property, plant and equipment as at 31 July 2014 were performed by C P Robertson Dunn Valuers and Estate Agents, independent valuers not related to the Group. C P Robertson Dunn Valuers and Estate Agents are members of the Institute of Valuers of Kenya, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties in the neighbourhood.

The fair values of buildings and the other fixed assets were determined using the depreciated replacement cost basis. The significant inputs included the estimated construction and purchase costs and other ancillary expenditures, and appropriate depreciation factors. A slight increase in the depreciation factor would result in a significant decrease in the fair value of the assets, and a slight increase in the estimated construction and purchase costs would result in significant increase in the fair value of the assets, and vice versa.

There was no valuation carried out during the year.

No assets have been charged to secure any banking facilities granted to the Group (2015: nil). There are also no assets on finance lease.

12 (b) PROPERTY – COMPANY

	BUILDINGS 2016 Sh'000	BUILDINGS 2015 Sh'000
COST		
At beginning of year	29,306	9,000
Additions	2,986	28,306
Assets written off	-	(8,000)
At end of year	32,292	29,306
AMORTISATION		
At beginning of year	586	-
Amortisation for the year	646	586
At end of year	1,232	586
NET BOOK VALUE		
At end of year	31,060	28,720

13 INTANGIBLE ASSETS

	GROUP	
	2016 Sh'000	2015 Sh'000
COST OR VALUATION		
At beginning and end of year	1,829	1,829
COMPRISING:		
Valuation – 2014	1,829	1,829
Cost	-	-
	1,829	1,829
AMORTISATION		
At beginning of year	457	-
Prior year under provision	27	-
Amortisation for the year	484	457
At end of year	968	457
NET BOOK VALUE		
At end of year	861	1,372
NET BOOK VALUE (cost basis)		
At end of year	433	944

Intangible assets relate to computer software and fleet management software.

The Group's intangible assets are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment. The last fair value measurements of the Group's intangible assets as at 31 July 2014 were performed by C P Robertson Dunn Valuers and Estate Agents, independent valuers not related to the Group. C P Robertson Dunn Valuers and Estate Agents are members of the Institute of Valuers of Kenya, and they have appropriate qualifications and recent experience in the fair value measurement of assets.

The fair values of intangible assets were determined using the depreciated replacement cost basis.

There was no valuation carried out during the year.

14 INVESTMENT PROPERTIES

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
At fair value:				
At beginning of year	120,000	87,500	120,000	87,500
Fair value gain	-	32,500	-	32,500
At end of year	120,000	120,000	120,000	120,000

Investment properties relate to land and buildings held for rental purposes. The original cost of the buildings was Sh 17,379,000. The buildings are constructed on leasehold land.

The properties were last revalued by C P Robertson Dunn Valuers and Estate Agents, registered valuers on an open market value basis on 31 July 2016. No fair value changes were recognised in the current year as the property valuation remained the same as in the prior year.

Rent income from the investment properties in the year amounted to Sh 15,430,000 (2015: Sh 6,405,000). The related property expenses amounted to Sh 947,000 (2015: Sh 4,186,000).

15 PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
COST				
At beginning and end of year	74,963	74,963	27,523	27,523
ACCUMULATED AMORTISATION				
At beginning of year	11,475	10,522	8,511	8,052
Charge for the year	953	953	459	459
At end of year	12,428	11,475	8,970	8,511
NET BOOK VALUE				
At end of year	62,535	63,488	18,553	19,012

The prepaid operating lease rentals relate to parcels of leasehold land held by the company and its subsidiaries.

16 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2016 Sh'000	2015 Sh'000
Unquoted investments at cost in wholly owned subsidiaries:		
Carbacid (CO_2) Limited	3,348	3,348
Goodison Twenty Nine Limited	99	99
Goodison Forty Seven Limited	99	99
	3,546	3,546

The details of the above subsidiary companies are as follows:

Company	Year of incorporation	Share capital Sh	Place of Incorporation and operation	Principal activity	Proportion of ownership, interest and voting power held by the Group 31 July 2016	31 July 2015
Carbacid (CO_2) Limited	Before 1950	56,634,000	Kenya	Mining and marketing of carbon dioxide gas	100%	100%
Goodison Twenty Nine Limited	2009	100,000	Kenya	Investment holding	100%	100%
Goodison Forty Seven Limited	2009	100,000	Kenya	Investment holding	100%	100%

As at 31 July 2016, the net assets of Carbacid (CO_2) Limited amounted to Sh 947,006,000 (2015: Sh 837,704,000). Goodison Twenty Nine Limited and Goodison Forty Seven Limited are both investment companies.

The proportion of voting rights in the subsidiaries undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The Directors of the Group conclude that the parent company has control over the subsidiary companies. None of the subsidiaries therefore have material non-controlling interest.

17 EQUITY INVESTMENTS

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
At fair value through profit or loss:				
At beginning of the year	283,946	269,664	170,980	188,475
Purchases during the year	65,026	18,795	10,850	18,795
Fair value (loss)/gain	(31,120)	14,150	(37,236)	(17,627)
Disposals during the year	-	(18,663)	-	(18,663)
At end of year	317,852	283,946	144,594	170,980

Equity investments comprise marketable securities in various companies which are revalued annually at the close of business on 31 July by reference to Nairobi Securities Exchange and Dar es Salaam Stock Exchange quoted prices. The Group's shareholding in each of these companies is less than 10% and does not have significant influence on the company. The market value approximates to fair value. Unrealised revaluation surpluses and deficits are dealt with in the profit or loss.

18 CORPORATE BONDS - GROUP AND COMPANY

	2016 Sh'000	2015 Sh'000
Held to maturity – at amortised cost:		
Kenya Electricity Generating Company Limited - Public Infrastructure Bond	109,375	140,625
Commercial Bank of Africa Limited	180,000	180,000
	289,375	320,625
Maturing within one year	-	-
	289,375	320,625
Movement in corporate bonds:		
At beginning of the year	320,625	171,875
Additions during the year	-	180,000
Redemption	(31,250)	(31,250)
At end of year	289,375	320,625

The effective interest rate during the year was 12.5% (2015 – 12.5%).

19 TREASURY BONDS - GROUP AND COMPANY

	2016 Sh'000	2015 Sh'000
Held to maturity – at amortised cost:		
Maturing over one year		
Government of Kenya infrastructure bond	121,633	73,148
Movement in treasury bonds:		
At beginning of year	73,148	-
Purchases during the year	48,257	73,148
Amortized discount	228	-
At end of year	121,633	73,148

The effective interest rate during the year was 11.75% (2015 – 11.26%).

20 INVENTORIES – GROUP

	2016 Sh'000	2015 Sh'000
Spare parts and materials	33,618	38,195
Spares in transit	-	12,411
Fuel and chemicals	944	1,565
Carbon dioxide gas and dry ice	4,272	1,829
Provision for obsolete inventories	(9,480)	(21,142)
	29,354	32,858

21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
Trade receivables	159,163	160,776	1,792	6,217
Provision for doubtful debts	(23,511)	(23,397)	(259)	(856)
	135,652	137,379	1,533	5,361
Prepayments for capital items	2,926	-	-	-
Other prepayments	17,867	9,289	326	206
Other receivables	21,778	21,991	19,259	14,501
	178,223	168,659	21,118	20,068

21 TRADE AND OTHER RECEIVABLES (continued)

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
Movements on the provision for doubtful debts:				
At beginning of year	23,397	24,352	856	856
Provisions done in the year	711	-	-	-
Bad debts written off	-	(752)	-	-
Write back for the year	(597)	(203)	(597)	-
At end of year	23,511	23,397	259	856

22 SHORT TERM DEPOSITS

	2016 Sh'000	2015 Sh'000
Group		
Fixed deposits (Local currency)		
At amortised cost	924,485	869,193
Maturity:		
Fixed deposits	924,485	869,193
Maturing within 90 days	(916,996)	(862,158)
	7,489	7,035
Company (maturing within 90 days)	916,996	862,158

Weighted average effective interest rates on deposits during the year was 13% (2015 – 9.33 %).

23 (a) SHARE CAPITAL

	2016 Sh'000	2015 Sh'000
Authorised:		
1,000,000,000 ordinary shares of Sh 1 each	1,000,000	1,000,000
Issued and fully paid:		
254,851,985 ordinary shares of Sh 1 each	254,852	254,852

(b) SHARE PREMIUM

	2016 Sh'000	2015 Sh'000
Share premium	27	27

24 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/(asset) is attributed to the following items:

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
Accelerated capital allowances	193,383	194,509	636	703
Unrealised exchange gains	1,138	4,154	-	-
Leave pay provision	(1,215)	(1,251)	-	-
Bad debt provision	(6,975)	(6,762)	-	-
Stock provision	(2,843)	(6,342)	-	-
Bonus provision	(3,946)	(3,510)	-	-
Tax losses	(7,434)	(7,508)	(7,434)	(7,508)
Revaluation surplus – property and intangible assets	36,497	39,952	-	-
Revaluation surplus - investment properties	30,786	30,786	30,786	30,786
Revaluation surplus – freehold land*	547	547	-	-
Net deferred tax liability	239,938	244,575	23,988	23,981
The movement on the deferred tax account is as follows:				
At beginning of year	244,575	215,344	23,981	(1,896)
(Credit)/charge to profit or loss (note 10(a))	(54,637)	8,358	7	5,706
Prior year under provision (note 10(a))	-	20,326	-	20,171
Deferred tax on revaluation surplus	-	547	-	-
At end of year	239,938	244,575	23,988	23,981
Comprising of:				
Deferred tax asset	-	-	-	-
Deferred tax liability	239,938	244,575	23,988	23,981
At end of year	239,938	244,575	23,988	23,981

* Deferred tax on freehold land relates to deferred tax liability on revaluation gain recognized following the re-introduction of capital gains tax in Kenya effective 1 January 2015.

25 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2016 Sh'000	2015 Sh'000	2016 Sh'000	2015 Sh'000
Trade payables	4,280	3,379	-	-
Other payables and accruals	137,449	101,268	9,091	10,379
Leave pay provision	4,052	4,171	-	-
	145,781	108,818	9,091	10,379
Movement in leave pay provision is as follows:				
At beginning of year	4,171	4,629	-	-
Decrease during the year (note 7)	(119)	(458)	-	-
At the end of the year	4,052	4,171		

26 (a) NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 Sh'000	2015 Sh'000
(i) Reconciliation of profit before taxation to net cash generated from operations			
Profit before taxation		547,748	580,467
Finance income recognized in profit for the year	6	(175,227)	(117,884)
Dividend income from equity investments		(7,574)	(5,955)
Depreciation of property, plant and equipment	12(a)	68,530	62,995
Amortisation of intangible assets	13	511	457
Gain on revaluation of investment property	14	-	(32,500)
Amortisation of operating leases	15	953	953
Loss/(gain) on disposal of property, plant and equipment		2,768	(716)
Assets written off		-	8,000
Loss on disposal of equity investments		-	1,905
Loss/(gain) on revaluation of equity investments	17	31,120	(14,150)
Amortisation discount on treasury bonds		(228)	-
Adjusted for working capital changes:			
Decrease in inventories		3,504	3,297
(Increase)/decrease in trade and other receivables		(9,564)	10,174
Increase/(decrease) in trade and other payables		36,963	(20,045)
Net cash generated from operations		499,504	476,998
(ii) Analysis of cash and cash equivalents			
Short term deposits maturing within 3 months (note 22)		916,996	862,158
Bank and cash balances		38,386	41,893
		955,382	904,051

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

26 (b) NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

	Notes	2016 Sh'000	2015 Sh'000
(i) Reconciliation of profit before taxation to net cash (used in)/generated from operations			
Profit before taxation		308,360	510,983
Finance income recognized in profit for the year	6	(174,657)	(117,126)
Dividend income from equity investments		(7,574)	(5,955)
Dividends from subsidiary		(160,000)	(390,000)
Depreciation of property, plant and equipment	12(a)	646	586
Gain on revaluation of investment property	14	-	(32,500)
Amortisation of operating leases	15	459	459
Assets written off		-	8,000
Loss on disposal of equity investments		-	1,905
Loss on revaluation of equity investments	17	37,236	17,627
Amortisation discount on treasury bonds		(228)	-
Adjusted for working capital changes:			
Increase in trade and other receivables		(1,050)	(667)
(Decrease)/increase in trade and other payables		(1,288)	8,196
(Decrease)/increase in subsidiary companies balances		(231,961)	242,248
Net cash (used in)/generated from operations		(230,057)	243,756
(ii) Analysis of cash and cash equivalents			
Short term deposits maturing within 3 months (note 22)		916,996	862,158
Bank and cash balances		31,699	6,194
		948,695	868,352

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.

27 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. The following is a summary of the related party transactions and balances. The balances have no fixed repayment terms and are not interest bearing.

(a) Due from subsidiary

	2016 Sh'000	2015 Sh'000
Dividends receivable	160,000	390,000

27 RELATED PARTY TRANSACTIONS (continued)

(b) Due to subsidiary

	2016 Sh'000	2015 Sh'000
Due to Carbacid (CO_2) Limited	156,490	388,451
Due to Goodison Forty Seven Limited	100	100
Due to Goodison Twenty Nine Limited	100	100
	156,690	388,651

(c) Related party transactions

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

COMPANY

	2016 Sh'000	2015 Sh'000
Dividends receivable from Carbacid (CO_2) Limited	160,000	390,000
Dividends received from Carbacid (CO_2) Limited	390,000	160,000
Payments made by Carbacid (CO_2) Limited on behalf of the company	4,992	9,791
Company rent receivable utilised by Carbacid (CO_2) Limited	734	-
Carbacid (CO_2) Limited payments on behalf of Goodison Twenty Nine Limited	131	405
Carbacid (CO_2) Limited purchase of land on behalf of Goodison Twenty Nine Limited	17,959	-
Carbacid (CO_2) Limited payments on behalf of Goodison Forty Seven Limited	133	363
Carbacid (CO_2) Limited purchase of equity investments on behalf of Goodison Forty Seven Limited	54,176	-

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 4,710,000 (2015 – Sh 3,810,000).

(d) Key management compensation

GROUP & COMPANY

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

	2016 Sh'000	2015 Sh'000
Directors' remuneration:		
Fees for services as Directors - Group	16,911	15,323
Fees for services as Directors - Company	1,645	1,590
Key management compensation:		
Salaries and other benefits	36,925	30,187

28 CAPITAL COMMITMENTS – GROUP

	2016 Sh'000	2015 Sh'000
Authorised and contracted for	51,800	25,280
Authorised but not contracted for	59,172	63,720
	110,972	89,000

29 RETIREMENT BENEFIT OBLIGATIONS

Carbacid (CO_2) Limited contributes to a company defined contribution pension scheme and to a statutory defined contribution pension scheme, the National Social Security Fund.

Contributions to the Company plan are determined by the rules of the plan and totalled Sh 7,465,631 (2015 – Sh 6,815,715) in the year.

Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2016, the company contributed Sh 192,400 (2015 – Sh 200,400) to the statutory scheme.

30 OPERATING LEASE COMMITMENTS

Group and company as lessee:

The Group and Company did not have any future minimum lease payments committed under non-cancellable operating leases.

	2016 Sh'000	2015 Sh'000
Group and company as lessor:		
The future minimum lease payments receivable under operating leases are as follows:		
Within one year	15,603	15,102
Within two to five years	57,461	36,697
	73,064	51,799

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

31 CONTINGENT LIABILITIES

	2016 Sh'000	2015 Sh'000
Guarantees	6,000	6,000

The guarantee above was placed with Kenya Power and Lighting Company Limited by the Commercial Bank of Africa Limited on behalf of Carbacid (CO_2) Limited. Carbacid (CO_2) Limited in turn deposited an amount of Sh 6,000,000 with the bank, which earns an interest at the rate of 9% against this guarantee.

32 FINANCIAL RISK MANAGEMENT

(a) Credit risk management

Credit risk refers to the risk that customers will default on its contractual obligations resulting in financial loss to the Group. The carrying amount of financial assets recorded in the financial statements, which are stated net of impairment losses, represents the Group's maximum exposure to credit risk.

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

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

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

	Total amount Sh'000	Fully Performing Sh'000	Past due and not impaired Sh'000	Impaired Sh'000
31 July 2016				
Trade receivables	159,163	135,652	-	23,511
Bank balances	36,717	36,717	-	-
Corporate bonds	289,375	289,375	-	-
Treasury bonds	121,633	121,633	-	-
Short term deposits	924,485	924,485	-	-
	1,531,373	1,507,862	-	23,511
31 July 2015				
Trade receivables	160,776	137,379	-	23,397
Bank balances	40,252	40,252	-	-
Corporate bonds	320,625	320,625	-	-
Treasury bonds	73,148	73,148	-	-
Short term deposits	869,193	869,193	-	-
	1,463,994	1,440,597	-	23,397

The impaired amount represents the doubtful receivables that have been 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.

32 FINANCIAL RISK MANAGEMENT

(b) Liquidity risk management

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

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

	Within 12 months Sh'000	Over 12 months Sh'000
At 31 July 2016:		
Trade payables	4,280	-
Other payables	137,449	-
	141,729	-
At 31 July 2015:		
Trade payables	3,379	-
Other payables	101,268	-
	104,647	-

(c) Fair value of financial and non 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 hierarchy

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 Group'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 Securities 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.

32 FINANCIAL RISK MANAGEMENT (continued)

(c) 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 hierarchy

Financial and non financial assets/liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	31/07/2016 Sh'000	31/07/2015 Sh'000				
Quoted equities	317,852	283,946	Level 1	*	N/A	N/A
Leasehold buildings and boreholes	88,054	90,552	Level 2	**	N/A	N/A
Freehold land	18,000	18,000	Level 2	***	N/A	N/A
Roads and pavements	10,630	13,680	Level 2	**	N/A	N/A
Vehicles and tankers	93,171	106,099	Level 2	**	N/A	N/A
Plant machinery and equipment	388,447	426,943	Level 2	**	N/A	N/A
Intangible assets	613	1,070	Level 2	**	N/A	N/A
Investment property	120,000	120,000	Level 2	***	N/A	N/A

There were no transfers between levels 1, 2 and 3 in the period.

* Market approach - Quoted bid prices in an active market

** Market approach - Techniques that use inputs not based on observable market data

*** Market comparable approach- Highest and best use

32 FINANCIAL RISK MANAGEMENT (continued)

(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 and the Dar es Salaam Stock Exchange.

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

Listed equity securities represent 100% (2015: 100%) of total equity investments.

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

	2016 Sh'000	2015 Sh'000
Equity investments	317,852	283,946

At 31 July 2016, if the market prices had increased/decreased by 10% with all other variables held constant, the profit for the year would have been Sh 31,785,000 (2015:Sh 28,395,000) higher/lower.

(ii) Foreign currency risk

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

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

	2016 Sh'000	2015 Sh'000
Assets		
Bank and cash balances		
USD 35,213 @101.36 (2015: 272,568 @87.80)	3,569	24,518
Trade receivables		
USD 1,018,907 @101.36 (2015: 459,593 @87.80)	103,276	65,728
	106,845	90,246

32 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

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 2016, 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 10,684,000 (2015: Sh 9,024,600) higher/lower, mainly as a result of additional exchange gains or losses on translation of US Dollar and Euro bank balances and trade receivables.

(iii) Interest rate risk

The Group is exposed to interest rate risk as a result of its holdings of short term deposits with banks whose interest rates are not fixed. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate deposits.

An increase/decrease of 5% on average deposit rates would have resulted in an increase/decrease in profit before taxation of Sh 8,733,000 (2015: Sh 5,856,000).

33 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 23, as well as reserves and retained earnings.

At 31 July 2016, the Group had no borrowings and therefore it is not geared (2015: nil).

34 COUNTRY OF INCORPORATION

The company and its subsidiaries are incorporated and domiciled in Kenya under the Kenyan Companies Act. The company, Carbacid Investments Limited, is listed on the Nairobi Securities Exchange.

35 CURRENCY

These financial statements are presented in Kenya Shillings, which is the functional currency of the Group.

notes

I/We ____

of ____

being a Member(s) of CARBACID INVESTMENTS LIMITED hereby appoint ______________________

____ of ___________________________

or failing him ____

of ____

or failing him the Chairman of the Meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held in Palm Room, Southern Sun Mayfair Hotel, Parklands Road, Nairobi on Wednesday, 21st December 2016 at 10.30 a.m., and at any adjournment thereof.

Dated this ________________________________ day of ___________________________ 2016

Signature ____

Notes:

1. A member may appoint a proxy of his own choice. A proxy need not be a member of the Company.

2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

3. In the case of joint holders, the signature of any one holder will be sufficient but the names of the joint holders should be stated.

4. To be valid, this form must be completed and deposited at the Registered Office of the Company, 2nd Floor, Apollo Centre, Vale Close/Ring Road Parklands, Westlands, P O Box 764, Nairobi, Sarit Centre, 00606, not less than twenty four hours before the time fixed for holding the meeting or adjourned meeting.

Fold 2
Kisha Kunja Hapa

STICK
STAMP
HERE

Fold 1
Kunja Hapa Kwanza

Company Secretary
Carbacid Investments Limited
P.O. Box 764
Nairobi, Sarit Centre, 00606
Kenya

Fold 3
Halafu Kunja Hapa

Insert flap inside
Sasa ingiza hii karatasi ndani ya
mkunjo ili ionekane kama bahasha