CARBACID INVESTMENTS plc

REPORT AND FINANCIAL STATEMENTS 2017

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2017

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CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

CORPORATE INFORMATION

DIRECTORS	D N O Awori	- Chairman
	B C Patel	
	M K R Shah	
	J M Wanjigi	
	R A Shepherd	- Deceased (7 December 2016)
	S O Mudhune	- Appointed on 7 July 2017
AUDIT & RISK COMMITTEE	S O Mudhune	- Chairperson
	B C Patel	
	M K R Shah	
SECRETARY	N P Kothari FCPS (Kenya) FCIS 2nd Floor, Apollo Centre, Vale Close, Ring Road Parklands, Westlands P O Box 764 - 00606, Sarit Centre Nairobi	
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 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	

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

CHAIRMAN'S STATEMENT

As Carbacid enters its 57th year of operation, it has been my great privilege to have taken over the chairmanship at this pivotal point in Carbacid Investments plc (formerly Carbacid Investments Limited) ("the Company") and its subsidiaries (together "the Group"), development. My sincere thanks to Hon. Maina Wanjigi for steering the Group for many years as the Chairman and for continuing to be a valuable board member.

It is my great pleasure to present my first Chairman's statement to you the shareholders of Carbacid Investments plc. On behalf of the Board of Directors, I also present the Annual Report and Audited Financial Statements for the financial year ended 31 July 2017.

The regional economic climate has been turbulent over the past year, with subdued investment and sluggish trade. The Kenyan economy recorded slow progress in the election year with economic growth projected to decelerate to 5% by the end of the calendar year. This was underpinned by modest growth in domestic demand, private consumption and investment.

Our markets have remained challenging during the financial year ended 31 July 2017, which was impacted extensively by new competition from alcohol based manufacturers of carbon dioxide as well as prolonged drought. We continue to be proactive in serving our customers' requirements 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 high quality products free of any alcohol base which happily is a particular requirement of a large segment of the market for ethical reasons. At the same time, the Group's production continues to be environmentally friendly, even as we strive to reduce our environmental impact. Our commitment to our customers is to consistently offer the highest quality CO2, delivered in full and on time. The fulfillment of this commitment maintains Carbacid as the leading brand on carbon dioxide products and with the use of new technology, we manage the full value chain from production of the highest quality, on time delivery, storage and issue of CO2 into their 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 5 to 8 details the Group's obligations.

The composition of the Board is reviewed regularly to ensure that it has the right balance of business acumen, industry sector knowledge and experience. In July 2017 the Board appointed Susan O Mudhune as an independent Director. She brings a wealth of experience and her skills complement those of the other Directors. Susan is a consultant in corporate governance and leadership and as a Board member, has already contributed significantly to our Corporate Governance policies, in Board deliberations and Board Committees.

The Board lost its valuable member, Robert (Tony) Shepherd who passed away in December 2016, after a short illness. He had served the Group since 1966 in various capacities including being Managing Director of the subsidiary, Carbacid (CO_2) Limited.

We have committed to making a positive impact on the communities we engage with. Sustainability has always been part and parcel of our business that is conducive to long-term growth. Safety considerations are paramount in all our operations and we strive to provide a safe working environment for our staff and all other stakeholders.

Sustainability is integral to us, contributing not only to our own long term development, but also to the development of our nation. We continue to ensure that we avoid the depletion of natural resources in order to maintain an ecological balance in the areas we operate. Carbon dioxide is used in a number of green applications, in food processing, greenhouse enrichment and grain fumigation.

The 2017 financial results show total revenue reduced by 29% to Sh 589 million (2016 – Sh 832 million), due to the market challenges and the business environment as explained above. By continued focus on costs and efficiency we have managed to slightly increase our operating margin without increasing prices. We achieved this despite the increased costs of doing business such as increased mining royalties, and high electricity costs due to frequent outages.

CHAIRMAN'S STATEMENT (Continued)

On the investment side, the shares listed on the Nairobi Securities Exchange (NSE) have performed better than the previous year. A slight upward trend on the NSE 20 index provided a gain on valuation of investments listed on the Nairobi and Dar-es-Salaam Stock Exchanges amounting to Shs 11 million in 2017 compared to a loss of Shs 31 million in 2016.

The gains on equity investments and on revaluation of investment properties contributed to achieving earnings per share of Sh 1.38 (2016 – Sh 1.47). Our cash flows continue to show strength despite the slow down witnessed in the year. Cash generated from operating activities was Sh 327 million compared to Sh 374 million in the previous year; Sh 72 million was spent on new assets (2016 – Sh 72 million), and a total of Sh 323 million (2016 – Sh 113 million) was invested in shares and bonds. 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 Limited.

The Group is debt free and has substantial investments in short term bank deposits. In 2016, the average return on our bank deposits was 12.5%. The Banking Amendment Act 2015 that came into effect in September 2016 regulating interest rates, restricted our returns on deposits, and our average return dropped from 12.5% to 10.1%. Your Board decided to reduce short-term investments in bank deposits and increased investments in Government Infrastructure Bonds, purchasing Sh 288 million worth of bonds this year.

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 adopted. These uses are in the areas of freezing, meat processing and insect control in grain silos. These users demand the highest quality of non-alcohol based carbon dioxide that we provide.

The Board recommends a final dividend of Sh 0.70 per share (2016: Sh 0.70 per share) to be paid as soon as practical after approval at the Annual General Meeting in December 2017.

The year 2018 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 Group continues to support school fees and university fees initiatives for deserving, talented students from the localities in which we have manufacturing operations.

Finally, I take this opportunity to thank my fellow directors for their support and for the vision, experience, challenge and guidance that they bring to the board deliberations. To our management team and employees, thank you for your hard work and dedicated efforts in ensuring the success of the Group.

Ambassador Dennis N O Awori

CHAIRMAN

8 November 2017

STATEMENT OF CORPORATE GOVERNANCE

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, 2016 ("Code"). The Group remains committed to continued implementation of these requirements.

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. The Board size and composition also recognises that relative to other listed entities Carbacid Investments plc is a smaller and less complex company.

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 Chairpersons to the Board Committees. Their contributions in the past have been immense and currently continue to be so.

The independent directors, in the context of the CMA guidelines are Amb Dennis Awori and Susan Mudhune. The Board however 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.

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. The Board held four meetings during the year. The attendance at the meetings is shown below:

		Meetings eligible to attend	**Meetings attended**
Amb D N O Awori	Chairman	4	4
Hon J M Wanjigi	Member	4	4
B C Patel	Member	4	3
M K R Shah	Member	4	4
R A Shepherd*	Member	1	1
S O Mudhune**	Member	1	1

* R A Shepherd passed away on 7 December 2016
** S O Mudhune was appointed on 7 July 2017

Board Audit & Risk Committee

The Committee, chaired by S O Mudhune, an independent Director, has two other non-executive Directors. One Committee member has relevant financial qualifications and experience.

The Committee oversees and advises the Board on the effectiveness of the Company’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 has been considered by the Board on a regular basis throughout the year. The Board Audit and Risk Committee regularly review strategic and operational risk, 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. The Chief Operating Officer and the Finance and Adminstration Manager attend the Audit and Risk committee meetings.

Board Nomination, Remuneration and Governance Committee

The Committee, chaired by D N O Awori 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 fees of the Directors and reviews the remuneration of senior management.
Note 27(d) of the Report and Financial Statements summarises fees of the Directors and remuneration of 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. The Board has established and approved formal remuneration policies and procedures that attract and retain Board Members.

The Committee also monitors governance and compliance matters on an on-going basis.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Board Finance and Investment Committee

The Committee consists of five non-executive Directors currently chaired by Ambassador Dennis N O Awori. It monitors the integrity of the financial statements of the Group, including its annual and half-yearly reports and monthly management accounts.

The committee also formulates and proposes investment policies, objectives and strategies for the investment assets and asset allocation.

The Committee meets at least twice a year to review investment portfolios and performance.

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 to manage conflicts of interest. Should a Director become aware that he, or his connected parties, have an interest in an existing or proposed transaction with the Group, 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 and the Group Secretary is undertaken annually by the Directors. 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.

Whistle blowing

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

Personal use of Group's assets and loans to Directors

The Audit & Risk Committee reviewed and confirmed that during the year there has not been any improper personal use of Group's assets by Directors. Further, at no time during the year was there any arrangement to which the Company was a party, whereby Directors acquired benefits by means of transactions in the Company's shares. There were also no loans issued to Directors' at any time during the year.

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.

Sustainability

Business sustainability is about managing the triple bottom line that is, managing financial, social and environmental risks, obligations and opportunities. The Board has developed an Environment, Social and Corporate Governance policy to ensure sustainability so that future generations benefit from our operations.

DIRECTORS' INTEREST

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

Name	No. of Shares 2017	No. of Shares 2016
Mr J M Wanjigi (Including shares held by companies in which he has an interest)	5,530,205	5,844,785
Mr B C Patel (jointly with Mrs. A Patel)	77,496,510	77,496,510
	=========	=========

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 2017

Shareholding (No of shares)	No. of Shareholders	No. of Shares	%
Less than 500	543	89,667	0.04
501-5,000	1,052	2,022,228	0.79
5001-10,000	270	2,004,677	0.79
10,0001-100,000	696	25,692,495	10.08
100,001 - 1,000,000	136	44,034,303	17.28
Over 1,000,000	34	181,008,615	71.02
Total	**2,731**	**254,851,985**	**100**
	=====	=========	=====

b) Major Shareholders

The top 10 major shareholders as at 31 July 2017 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
Standard Chartered Nominees A/C 9230	5,722,500	2.25
Peter Kingori Mwangi	4,419,045	1.73
Brenda Clare Kampf	4,037,130	1.58
Stanbic Nominees Limited A/C NR1031010	2,800,738	1.10
Mr. R B Robson	2,426,220	0.95
Standard Chartered Nominees A/C KE10881	2,182,500	0.86
	149,051,743	58.49
2,721 other shareholders	105,800,242	41.51
	254,851,985	**100.00**
	=========	======

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report sets out the policy that the Group and Company has applied to remunerate Directors. The report has been prepared in accordance with the relevant provisions of the CMA Code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015

It is the Company's policy to fairly remunerate Directors for the role and responsibilities that they undertake for the Group and Company. The remuneration is determined by the Board Nomination, Remuneration and Governance Committee by reference to market forces. The remuneration is subject to approval by the shareholders at the Annual General meeting.

The table below provides the emoluments paid to Directors

	2017	2016
	Sh'000	Sh'000
D N O Awori	3,089	2,609
J M Wanjigi	3,809	3,629
R A Shepherd	2,954	5,455
B C Patel	2,729	2,609
M K R Shah	2,729	2,609
S O Mudhune	200	-
Total	15,510	16,911

There are formal contracts for services as Directors.

There are no share options, long term incentive schemes, pensions for current Directors nor compensation due to past Directors. There are no sums paid to third parties in respect of a Director's services.

BY ORDER OF THE BOARD

N P Kothari
Group Secretary

Nairobi
8 November 2017

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of Carbacid Investments plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 July 2017 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, processing and marketing of natural carbon dioxide gas while the other two subsidiaries, Goodison Twenty Nine Limited and Goodison Forty Seven Limited, are investment companies.

CHANGE OF COMPANY'S NAME

In compliance with the Kenyan Companies Act, 2015, Carbacid Investments Limited changed its name to Carbacid Investments plc on 6 April 2017.

GROUP FINANCIAL RESULTS

	Sh'000
Profit before taxation	456,656
Taxation charge	(104,356)
Profit for the year transferred to retained earnings	352,300

DIVIDENDS

No interim dividend was paid during the year (2016 - Sh nil). The Directors propose a final dividend of Sh 0.70 per share (2016 - Sh 0.70) amounting to Sh 178,396,390 (2016 - Sh 178,396,390).

DIRECTORS

The current board of directors is shown on page 2. S O Mudhune was appointed in the year on 7 July 2017 in place of R A Shepherd who passed away on 7 December 2016.

BUSINESS REVIEW

The regional economic climate has been turbulent over the past year, with subdued investment and sluggish trade. The Kenyan economy recorded slow progress in the election year with gross domestic product growth projected to decelerate to 5.5%. This was underpinned by modest growth in domestic demand as well as private consumption and investment.

Our markets have remained challenging during the financial year ending 31st July 2017, impacted to an extent by new competition from alcohol based manufacturers of carbon dioxide. We continue to be proactive in serving our customers' requirements 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 Company's production continues to be environmentally friendly and to reduce our environmental impact. Our commitment to our customers is to consistently offer the highest quality CO2 delivered in full and on time. The fulfillment of this commitment maintains Carbacid as the leading brand on carbon dioxide products and with the use of new technology we manage the full value chain from production of the highest quality, on time delivery, storage and issue of CO2 into their production processes for many of our customers.

OPERATING ENVIRONMENT

There was considerable increase in competition from new alcohol based manufacturers of carbon dioxide.

The Banking Amendment Act 2015 which came into effect in September 2016 regulating interest rates, restricted our returns on deposits, and our average return dropped from 12.5% to 10.1%.

ENVIRONMENTAL MATTERS

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

REPORT OF THE DIRECTORS (Continued)

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.

As at 31 July 2017, Carbacid's staff headcount stood at 74 (2016: 74) with 58 employees handling operations and 16 employees in administration.

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.

BOARD AUDIT AND RISK COMMITTEE

In accordance with the provisions of Sec 769 of the Kenyan Companies Act 2015, the Directors recommend that S O Mudhune, M K R Shah and B C Patel being members of the Board Audit Committee, be elected to continue to serve as members of the Committee.

DIRECTORS' INDEMNITIES

In line with sound governance practices, the Group maintains Directors' and officers' liability insurance, which gives appropriate cover for legal action, brought against its Directors. The Group has also granted indemnities to each of its Directors and the Group Secretary to the extent permitted by law.

DONATIONS

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

APPOINTMENT OF AUDITORS

A resolution is to be proposed at the Annual General Meeting seeking proposals from various audit firms to audit the accounts for the year ending 31 July 2018.

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 Report of Directors was approved by the Board of Directors on 8 November 2017 and signed on its behalf by the Group Secretary.

BY ORDER OF THE BOARD

N P Kothari
Group Secretary

Nairobi
8 November 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare consolidated and company financial statements for each financial year that give a true and fair view of the financial position of the Group and of the company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the company and its subsidiaries maintain proper accounting records that are sufficient to show and explain the transactions of the company and its subsidiaries and disclose, with reasonable accuracy, the financial position of the group and of the company. The Directors are also responsible for safeguarding the assets of the group, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) selecting suitable accounting policies and applying them consistently; and
(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company and its subsidiaries ability to continue as going concerns, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company and its subsidiaries ability to continue as going concerns.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 8 November 2017 and signed on its behalf by:

……………………………………	……………………………………
Ambassador Dennis N O Awori Director	Mukesh K R Shah Director

Deloitte.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

Report on the Audit of the Consolidated and Company Financial Statements

Opinion

We have audited the accompanying consolidated and company financial statements of Carbacid Investments plc (formerly 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 2017, 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.

In our opinion, the accompanying consolidated and company financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 July 2017 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and company financial statements of the current period. This matter was addressed in the context of our audit of the consolidated and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter (continued)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of property, plant and equipment, intangible assets, leasehold land and investment properties. As at 31 July 2017, the Group and Company's property, plant and equipment, intangible assets, leasehold land (transferred to investment properties) and investment properties were professionally revalued. The net gain on revaluation of property, plant and equipment, intangible assets and leasehold land recognised in other comprehensive income was Sh. 76 million (2016 – Sh nil) for the Group and Sh 48 million (2016 – Sh nil) for the company. The gain arising from revaluation of investment properties recognised through the statement of profit and loss was Sh. 25 million (2016 – Sh nil) for both the Group and Company. These details are disclosed in notes 12, 14 and 15 to the consolidated and company financial statements. The Group and company's property plant and equipment comprise freehold land, buildings, plant and machinery, motor vehicles and office equipment held for internal use. The group's intangible assets relate to software costs. The group and company's investment properties comprise land and buildings held for rental purposes and capital appreciation. The Group uses external independent valuers for revaluation of property, plant and equipment, intangible assets, and investment properties. The fair value of freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties in the neighborhood. The fair value of buildings, other fixed assets and intangible assets were determined using depreciated replacement cost. Investment properties were revalued on an open market value basis. Significant judgement is required by the external independent valuers in determining the fair value of the property, plant and equipment, intangible assets and investment properties. We identified the valuation of the property, plant and equipment, intangible assets and investment properties as representing a key audit matter due to the significance of the balance to the consolidated and company financial statements as a whole, combined with the judgement associated with determining the fair values. The inputs with the most significant impact on these valuations include future market-related cash flows and discount rates for investment properties, and estimations of depreciation factors for buildings and other fixed assets.	We assessed the competence, capabilities and objectivity of the Group's independent valuers and verified their qualifications. In addition, we discussed the scope of their work with the directors and reviewed their terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitations upon them. We confirmed that the approaches they used are consistent with International Financial Reporting Standards (IFRS) and industry norms. We evaluated the valuers' judgements in relation to the models used and the significant assumptions made in determining the open market prices for the land and buildings as well as the depreciated replacement factor for other fixed assets. Our audit procedures also focused on reviewing the reasonableness of assumptions made and methodologies used to ensure that they are reasonable and appropriate given our understanding of similar valuations. We found that the models used for the valuation of the property, plant, equipment and investment properties were appropriate, the significant assumptions made, and methodology used to be reasonable and appropriate. In addition, the disclosures pertaining to the property, plant and equipment and investment properties were found to be appropriate and comprehensive in the financial statements.

Other information

The Directors are responsible for the other information, which comprises the Chairman's statement, the Statement of corporate governance, Report of the directors', Directors Remuneration Report and Statement of directors' responsibilities. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated and company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Company Financial Statements

The Directors are responsible for the preparation of consolidated and company 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 consolidated and company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and company financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as going concerns, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and company financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and Group's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the consolidated and company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain responsible for our audit opinion.

We communicate with the Board Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated and Company Financial Statements (Continued)

We also provide the Board Audit and Risk Committee with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated and company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

The Companies Act, 2015 requires us to carry out investigations as will enable us to form an opinion on whether:

a) the company has kept adequate accounting records, and returns adequate for the audit have been received from the branches not visited by us; and
b) the company's individual financial statements are in agreement with its accounting records and returns;

We have nothing to report in this regard.

In our opinion the information given in the report of the directors on pages 9 to 10 is consistent with the financial statements.

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

8 November 2017

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 Sh'000	2016 Sh'000
REVENUE	4(c)	589,380	831,761
DIRECT COSTS		(196,732)	(298,955)
GROSS PROFIT		392,648	532,806
OTHER INCOME	5	36,589	40,805
ADMINISTRATIVE EXPENSES		(155,315)	(173,511)
OPERATING PROFIT		273,922	400,100
FINANCE INCOME	6	143,407	175,227
NET FOREIGN EXCHANGE GAINS		3,212	3,541
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTIES	14	25,000	-
FAIR VALUE GAIN /(LOSS) ON REVALUATION OF EQUITY INVESTMENTS	17	11,115	(31,120)
PROFIT BEFORE TAXATION	7(a)	456,656	547,748
TAXATION CHARGE	10(a)	(104,356)	(172,180)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		352,300	375,568
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property, plant and equipment		39,794	-
Gain on revaluation of leasehold land		49,311	-
Deferred tax attributable to gain on revaluation of property, plant and equipment and leasehold land	24	(13,123)	-
Other comprehensive income for the year, net of tax		75,982	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		428,282	375,568
EARNINGS PER SHARE			
TO OWNERS OF THE COMPANY – Basic and diluted (Sh)	9	1.38	1.47

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 Sh'000	2016 Sh'000
OPERATING INCOME		149,264	183,004
ADMINISTRATIVE EXPENSES		(8,620)	(11,811)
OPERATING PROFIT		140,644	171,193
FINANCE INCOME	6	142,228	174,657
NET FOREIGN EXCHANGE LOSS		-	(254)
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTIES	14	25,000	-
FAIR VALUE GAIN /(LOSS) ON REVALUATION OF EQUITY INVESTMENTS	17	11,146	(37,236)
PROFIT BEFORE TAXATION	7(b)	319,018	308,360
TAXATION CHARGE	10(a)	(35,469)	(47,309)
PROFIT FOR THE YEAR		283,549	261,051
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of leasehold land		49,311	-
Gain on revaluation of property		1,586	-
Deferred tax attributable to gain on revaluation of property, plant and equipment		(2,942)	-
Other comprehensive income for the year, net of income tax		47,955	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		331,504	261,051

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Notes	2017 Sh'000	2016 Sh'000
ASSETS			
Non-current assets			
Property, plant and equipment	12(a)	977,385	981,257
Intangible assets	13	793	861
Investment properties	14	233,000	120,000
Prepaid operating lease rentals	15	54,894	62,535
Equity investments	17	364,431	317,852
Corporate bonds	18	258,125	289,375
Treasury bonds	19	410,294	121,633
		2,298,922	1,893,513
Current assets			
Inventories	20	53,742	29,354
Trade and other receivables	21	147,680	178,223
Corporate tax recoverable	10(c)	44,309	17,807
Short term bank deposits	22	731,906	924,485
Bank and cash balances		30,415	38,386
		1,008,052	1,188,255
Total assets		3,306,974	3,081,768
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	23(a)	254,852	254,852
Share premium	23(b)	27	27
Revaluation surplus		160,048	92,618
Retained earnings		2,509,157	2,326,701
Total equity		2,924,084	2,674,198
Non-current liabilities			
Deferred tax liabilities	24	234,698	239,938
Current liabilities			
Corporate tax payable	10(c)	-	958
Trade and other payables	25	124,454	145,781
Dividends payable	11(b)	23,738	20,893
		148,192	167,632
Total equity and liabilities		3,306,974	3,081,768

The financial statements on pages 17 to 61 were approved and authorised for issue by the board of directors on 8 November 2017 and were signed on its behalf by:

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Amb Dennis N O Awori	Mukesh K R Shah
Director	Director

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2017

	Notes	2017 Sh'000	2016 Sh'000
ASSETS			
Non current assets			
Property	12(b)	-	31,060
Investment properties	14	233,000	120,000
Prepaid operating lease rentals	15	11,405	18,553
Investment in subsidiaries	16	3,546	3,546
Equity investments	17	168,691	144,594
Corporate bonds	18	258,125	289,375
Treasury bonds	19	410,294	121,633
		1,085,061	728,761
Current assets			
Trade and other receivables	21	23,594	21,118
Due from subsidiary	27(a)	-	160,000
Corporate tax recoverable	10(c)	25,588	-
Short term bank deposits	22	723,844	916,996
Bank and cash balances		5,123	31,699
		778,149	1,129,813
Total assets		1,863,210	1,858,574
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	23(a)	254,852	254,852
Share premium	23(b)	27	27
Revaluation surplus		47,955	-
Retained earnings		1,497,228	1,392,075
Total equity		1,800,062	1,646,954
Non-current liabilities			
Deferred tax liabilities	24	32,819	23,988
Current liabilities			
Corporate tax payable	10(c)	-	958
Trade and other payables	25	5,466	9,091
Dividends payable	11(b)	23,738	20,893
Due to subsidiary companies	27(b)	1,125	156,690
		30,329	187,632
Total equity and liabilities		1,863,210	1,858,574

The financial statements on pages 17 to 61 were approved and authorised for issue by the board of directors on 8 November 2017 and were signed on its behalf by:

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Amb Dennis N O Awori
Director

Mukesh K R Shah
Director

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2017

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
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
At 1 August 2016	254,852	27	92,618	2,326,701	2,674,198
Total comprehensive income for the year	-	-	75,982	352,300	428,282
Transfer of excess depreciation	-	-	(12,217)	12,217	-
Deferred tax on excess depreciation	-	-	3,665	(3,665)	-
Final dividend declared – 2016	-	-	-	(178,396)	(178,396)
At 31 July 2017	254,852	27	160,048	2,509,157	2,924,084

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.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2017

	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
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
At 1 August 2016	254,852	27	-	1,392,075	1,646,954
Total comprehensive income for the year	-	-	47,955	283,549	331,504
Final dividend declared – 2016	-	-	-	(178,396)	(178,396)
At 31 July 2017	254,852	27	47,955	1,497,228	1,800,062

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

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 Sh'000	2016 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	26(a)(i)	333,346	499,504
Interest received	6	143,407	175,227
Taxation paid	10(c)	(150,179)	(300,657)
Net cash generated from operating activities		326,574	374,074
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12(a)	(71,913)	(71,611)
Proceeds from disposal of property, plant and equipment		4,685	10,513
Purchase of equity investments	17	(35,464)	(65,026)
Proceeds on redemption of corporate bonds	18	31,250	31,250
Purchase of treasury bonds	19	(288,128)	(48,257)
Dividends received from equity investments		7,997	7,574
Redemption of short term deposits		7,489	7,035
Additional short term deposits		(8,062)	(7,489)
Net cash used in investing activities		(352,146)	(136,011)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11(b)	(175,551)	(186,732)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(201,123)	51,331
CASH AND CASH EQUIVALENTS AT START OF YEAR		955,382	904,051
CASH AND CASH EQUIVALENTS AT END OF YEAR	26(a)(ii)	754,259	955,382

CARBACID INVESTMENTS PLC
(FORMERLY CARBACID INVESTMENTS LIMITED)

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2017

	Notes	2017 Sh'000	2016 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash used in operations	26(b)(i)	(153,447)	(230,057)
Interest received	6	142,228	174,657
Taxation paid	10(c)	(56,126)	(44,256)
Net cash generated from/ (used in) operating activities		(67,345)	(99,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property	12(b)	-	(2,986)
Purchase of equity investments	17	(12,951)	(10,850)
Proceeds on redemption of corporate bonds	18	31,250	31,250
Purchase of treasury bonds	19	(288,128)	(48,257)
Dividends received from equity investments		7,997	7,574
Net cash used in investing activities		(261,832)	(23,269)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	11(b)	(175,551)	(186,732)
Dividends received from subsidiary company		285,000	390,000
Net cash (used in)/generated from financing activities		109,449	203,268
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(219,728)	80,343
CASH AND CASH EQUIVALENTS AT START OF YEAR		948,695	868,352
CASH AND CASH EQUIVALENTS AT END OF YEAR	26(b)(ii)	728,967	948,695
		======	=======

1 REPORTING ENTITY

Carbacid Investments plc is an investment and holding company with three subsidiaries. The principal activities of the main subsidiary, Carbacid (CO2) 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 the company and consolidated financial statements where applicable.

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 2017

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 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 amendments to the standard has had no impact on the Group's and Company's financial statements.

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 2017

Annual Improvements to 2010-2012 cycle

The annual improvements to IFRSs 2012-2014 cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 5 add 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 add 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 clarify 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.

Amendments to IAS 7 Disclosure Initiative

The amendments to IAS 7 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;

b) 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;

c) 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; and

d) 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 amendments to the standard has had no impact on 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 2017

New 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
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 2: Clarification and Measurement of Share Based Payment Transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 with IFRS 4	1 January 2018
Amendments to IAS 7: Disclosure Initiative	1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 40: Transfer of Investment Property	1 January 2018
Annual Improvements to 2014-2016 cycle	1 January 2017

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

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets and
b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised 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)

Key requirements of IFRS 9:(Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes 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 fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for 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 also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Based on an analysis of the Group’s and Company’s financial assets and financial liabilities as at 31 July 2017, on the basis of the facts and circumstances that exist at that date, the directors of the Company have performed a preliminary assessment of the impact of IFRS 9 to the Group’s and Company’s financial statements as follows:

Classification and measurement

- Corporate and treasury bonds carried at amortised cost as disclosed in note 18 and 19: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9; and
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost, listed redeemable notes that will be carried at FVTOCI under IFRS 9, finance lease receivables, amounts due from customer under construction contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.
The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 15. The Company does not hold any listed redeemable notes, finance lease receivables, amounts due from customer under construction contracts or financial guarantee contracts. In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the financial assets measured at amortised cost and are currently assessing the potential impact.

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 9 Financial Instruments (Continued)

Hedge accounting

The new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items. The Group does not hold any hedging relationships, and therefore the directors do not anticipate that the application of the IFRS 9 hedge accounting requirements will have an impact on the Group's and Company's financial statements.

It should be noted that this assessment was made based on an analysis of the Group's financial assets and financial liabilities as at 31 July 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be 1 January 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.

IFRS 15 Revenue from Contracts with Customers

In May 2014, 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.

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. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter 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 do not anticipate that the application of IFRS 16 in the future will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practical to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

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)

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities. However, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with early application permitted. The Directors of the company do not anticipate that the application of these amendments will have a material impact on the consolidated financial statements.

(iv) Early adoption of standards

The Group did not early-adopt new or amended standards in 2017.

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.

2 ACCOUNTING POLICIES (Continued)

Basis of consolidation (continued)

(a) Subsidiaries (continued)

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 on 31 July.

(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.

Revenue

Income is recognised upon the dispatch of goods to customers and represents the value of carbon dioxide gas and dry ice invoiced 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 inventory. 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.

2 ACCOUNTING POLICIES (Continued)

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 Group'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.

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 recognised in profit or loss.

Properties in the course of construction for production, distribution or administrative purposes are initially measured at cost. 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 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.

2 ACCOUNTING POLICIES (Continued)

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 as determined by external independent valuers. The valuations are conducted whenever management believes there have been significant change in value of the asset. 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.

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.

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 recognised 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.

2 ACCOUNTING POLICIES (Continued)

Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave balances outstanding 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

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 of impairment. 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.

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 consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held to maturity investments

Financial assets with fixed or determinable payments and fixed maturity where the Group has the positive intent and ability to hold to maturity other than loans and receivables originated by the 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.

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.

2 ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets

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.

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.

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.

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.

2 ACCOUNTING POLICIES (Continued)

Segmental reporting (Continued)

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

Valuation of investment properties

The Group uses external independent valuers for 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. The valuations are performed whenever management believes that there has been a significant change in value of 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
2017			
Revenue	589,380	-	589,380
Finance income	1,179	142,228	143,407
Fair value gain on investment property	-	25,000	25,000
Profit before taxation	265,860	319,018	456,656
Segment assets	1,362,569	2,163,017	3,306,974
Segment liabilities	319,924	278,002	382,890
Income tax expense	68,891	35,465	104,356
Depreciation	75,855	646	76,647
Amortisation of intangible assets	459	-	459
Amortisation of prepaid operating lease rentals	-	952	952
Capital expenditure	56,650	15,263	71,913
	=======	=======	=======

4 SEGMENTAL INFORMATION (Continued)

(b) Segment revenues and results, assets and liabilities (Continued)

	Trading Sh'000	Investments Sh'000	Group Sh'000
2016			
Revenue	831,761	-	831,761
Finance income	570	174,657	175.227
Profit before taxation	394,177	313,571	547,748
Segment assets	1,298,835	2,121,932	3,081,768
Segment liabilities	351,829	391,307	407,570
Income tax expense	124,875	47,305	172,180
Depreciation	67,884	646	68,530
Amortisation of intangible assets	511	-	511
Amortisation of prepaid operating lease rentals	-	953	953
Capital expenditure	50,666	20,945	71,611
	=======	=======	=======

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.

(c) Turnover-geographical distribution

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

	2017 Sh'000	2016 Sh'000
Domestic sales – Kenya	308,346	344,567
Export sales – other African countries	281,034	487,194
	589,380	831,761
	=======	=======

5 OTHER INCOME

GROUP:

Rent receivable	16,267	15,430
Dividends received from equity investments	7,997	7,574
Sundry income	9,749	18,879
Sale of machine spares	2,256	1,690
Gain/(loss) on disposal of property, plant and equipment	320	(2,768)
	36,589	40,805
	=======	=======

		2017 Sh'000	2016 Sh'000
6	FINANCE INCOME		
	GROUP:		
	Interest income from held to maturity investments:		
	- Short term investments and deposits	66,105	127,082
	- Treasury bonds	42,649	9,555
	- Corporate bonds	34,653	38,590
		143,407	175,227
	COMPANY:		
	Interest income from held to maturity investments:		
	- Short term investments and deposits	64,926	126,512
	- Treasury bonds	42,649	9,555
	- Corporate bonds	34,653	38,590
		142,228	174,657
7 (a)	PROFIT BEFORE TAXATION - GROUP		
	The profit before taxation is arrived at after charging:		
	Staff costs (note 8)	116,722	125,633
	Depreciation of property, plant and equipment (note 12(a))	76,647	68,530
	Directors' fees	15,510	16,911
	Auditors' remuneration	3,529	3,757
	Amortisation of operating lease prepayments (note15)	952	953
	Direct operating expense on investment property	687	947
	Amortisation of intangible assets (note 13)	459	511
	(Gain) /loss on disposal of property, plant and equipment	(320)	2,768
7 (b)	PROFIT BEFORE TAXATION - COMPANY		
	The profit before taxation is arrived at after charging:		
	Directors' fees	1,316	1,645
	Auditors' remuneration	625	664
	Depreciation of property, plant and equipment (note 12(b))	646	646
	Amortisation of operating lease prepayments (note15)	459	459
8	STAFF COSTS - GROUP		
	Salaries and wages	103,073	111,847
	Pension costs - defined contribution plan (note 29)	7,696	7,466
	Other staff costs	7,962	6,247
	National Social security Fund costs (NSSF) (note 29)	182	192
	Leave pay provision credit (note 25)	(2,191)	(119)
		116,722	125,633

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.

	2017	2016
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh' 000)	352,300	375,568
	=========	=========
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)	1.38	1.47
	=========	=========

The calculation of basic and diluted earnings per share is based on profits attributable to the shareholders.

There were no potentially dilutive shares outstanding at 31 July 2017 or at 31 July 2016.

10 TAXATION

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
(a) Taxation charge				
Current taxation based on taxable profit at 30%	122,719	176,817	29,580	47,302
Deferred taxation (note 24)				
- Current year (credit)/charge	(6,164)	(4,637)	6,572	7
- Prior year over provision	(12,199)	-	(683)	-
Taxation charge	104,356	172,180	35,469	47,309
	======	======	======	======
(b) Reconciliation of taxation charge to expected tax based on accounting profit before taxation				
Accounting profit before taxation	456,656	547,748	319,018	308,360
	=======	=======	=======	=======
Tax at the applicable rate of 30%	136,997	164,324	95,705	92,508
Tax effect of expenses not deductible for tax purposes	832	66,016	183	59,163
Tax effect of income not taxable	(21,274)	(58,160)	(59,736)	(104,362)
Prior year over provision				
- Deferred taxation	(12,199)	-	(683)	-
Taxation charge	104,356	172,180	35,469	47,309
	=======	=======	=======	=======

10 TAXATION (Continued)

(c) **Corporate tax recoverable/(payable)**

	GROUP 2017 Sh'000	GROUP 2016 Sh'000	COMPANY 2017 Sh'000	COMPANY 2016 Sh'000
At beginning of year	16,849	(106,991)	(958)	2,088
Charge for the year	(122,719)	(176,817)	(29,580)	(47,302)
Taxation paid	150,179	300,657	56,126	44,256
At end of year	44,309	16,849	25,588	(958)
Comprising of:				
Corporate tax recoverable	44,309	17,807	25,588	-
Corporate tax payable	-	(958)	-	(958)
	44,309	16,849	25,588	(958)

11 DIVIDENDS

(a) **Dividends per share**

	2017 Sh	2016 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. No interim dividend was declared during the year (2016 - Sh nil). The Directors propose a final dividend of Sh 0.70 per share (2016- Sh 0.70) amounting to Sh 178,396,390 (2016 – Sh 178,396,390).

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

	2017 Sh'000	2016 Sh'000
At beginning of the year	20,893	29,229
Final dividend declared	178,396	178,396
	199,289	207,625
Dividends paid to shareholders	(172,590)	(172,740)
Dividends paid to the Unclaimed Financial Assets Authority	(2,961)	(13,992)
Dividends paid	(175,551)	(186,732)
At the end of the year	23,738	20,893

12 (a) PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold buildings and 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 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
At 1 August 2016	146,942	35,959	31,190	161,907	734,964	1,110,962
Additions	11,933	13,463	-	14,520	31,997	71,913
Disposals	-	-	-	(4,850)	-	(4,850)
Revaluation adjustment	(25,951)	5,123	(8,459)	(47,961)	(89,216)	(166,464)
Asset impairment*	(2,176)	-	-	-	-	(2,176)
Transfer to investment properties (note 14)**	(32,000)	-	-	-	-	(32,000)
At 31 July 2017	98,748	54,545	22,731	123,616	677,745	977,385
COMPRISING:						
Valuation – 2017	27,524	18,123	6,741	2,023	49,909	104,320
Cost	71,224	36,422	15,990	121,593	627,836	873,065
	98,748	54,545	22,731	123,616	677,745	977,385
DEPRECIATION						
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 disposals	-	-	-	(1,820)	-	(1,820)
At 31 July 2016	6,283	-	6,169	31,746	85,507	129,705

12 (a) PROPERTY, PLANT AND EQUIPMENT – GROUP (Continued)

	Leasehold buildings and boreholes Sh'000	Freehold land Sh'000	Roads Sh'000	Motor vehicles Sh'000	Plant and equipment Sh'000	Total Sh'000
DEPRECIATION						
At 1 August 2016	6,283	-	6,169	31,746	85,507	129,705
Charge for the year	3,665	-	3,119	21,824	48,039	76,647
Eliminated on disposals	-	-	-	(485)	-	(485)
Revaluation adjustment	(9,948)	-	(9,288)	(53,085)	(133,546)	(205,867)
At 31 July 2017	-	-	-	-	-	-
NET BOOK VALUE						
At 31 July 2017	98,748	54,545	22,731	123,616	677,745	977,385
At 31 July 2016	140,659	35,959	25,021	130,161	649,457	981,257
NET BOOK VALUE (cost basis)						
At 31 July 2017	89,196	38,477	12,821	92,432	574,951	807,877
At 31 July 2016	112,712	25,014	14,647	95,211	601,500	849,084

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 fair value measurements of the Group's property, plant and equipment as at 31 July 2017 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 has been no change to the valuation technique since last revaluation on 31 July 2014.

*Asset impairment relates to a building held by the Group that was valued at a lower amount than its carrying value. The amount of loss is in excess of the revaluation surplus held in respect of the asset and has been recognised through the statement of profit or loss.

** Transfer to investment properties relates to two godowns on Factory Street, Nairobi, which are held for rental purposes. The transfer was effected on 31 July 2017.

12 (b) PROPERTY – COMPANY

	BUILDINGS	
	2017	2016
	Sh'000	Sh'000
COST OR VALUATION		
At beginning of year	32,292	29,306
Additions	-	2,986
Revaluation adjustment	(292)	-
Transfer to investment properties (note 14)*	(32,000)	-
At end of year	-	32,292
DEPRECIATION		
At beginning of year	1,232	586
Charge for the year	646	646
Eliminated on revaluation	(1,878)	-
At end of year	-	1,232
NET BOOK VALUE		
At end of year	-	31,060

The Company's property is 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 fair value measurements of the Company's property as at 31 July 2017 was performed by C P Robertson Dunn Valuers and Estate Agents, independent valuers not related to the Company. 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 values of buildings was determined using the depreciated replacement cost basis.

*The transfer to investment properties relates to two godowns on Factory Street, Nairobi, which are held for rental purposes. The transfer was done on 31 July 2017.

	GROUP	
	2017	2016
	Sh'000	Sh'000
13 INTANGIBLE ASSETS		
COST OR VALUATION		
At beginning and end of year	1,829	1,829
Revaluation adjustment	(1,036)	-
COMPRISING:		
Valuation – 2017/4	793	1,829
Cost	-	-
	793	1,829
AMORTISATION		
At beginning of year	968	457
Amortisation for the year	459	511
Eliminated on revaluation	(1,427)	-
At end of year	-	968
NET BOOK VALUE		
At end of year	793	861
NET BOOK VALUE (cost basis)		
At end of year	228	433

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 fair value measurements of the Group's intangible assets as at 31 July 2017 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.

		GROUP		COMPANY	
		2017	2016	2017	2016
		Sh'000	Sh'000	Sh'000	Sh'000
14	INVESTMENT PROPERTIES				
	At fair value:				
	At beginning of year	120,000	120,000	120,000	120,000
	Fair value gain	25,000	-	25,000	-
	Transfer from property, plant and equipment [note12(a) and 12(b)]	32,000	-	32,000	-
	Transfer from prepaid operating lease rentals (note15)	56,000	-	56,000	-
	At end of year	233,000	120,000	233,000	120,000

Investment properties relate to land and buildings held for rental purposes. The original cost of the buildings was Sh 49,671,000 (2016 - Sh 17,379,000). The buildings are constructed on leasehold land.

The transfer from property, plant and equipment and prepaid operating lease rentals relates to two godowns on Factory Street, Nairobi that are rented out to third parties. The transfer was effected on 31 July 2017.

The properties were revalued by C P Robertson Dunn Valuers and Estate Agents, registered valuers on an open market value basis on 31 July 2017. The fair values of buildings transferred to investement properties were determined using the depreciated replacement cost basis. No fair value changes were recognised in the previous year as the property valuation was determined to be the same as in the preceding year.

Rent income from the investment properties in the year amounted to Sh 16,267,000 (2016: Sh 15,430,000). The related property expenses amounted to Sh 687,000 (2016: Sh 947,000).

		GROUP		COMPANY	
		2017	2016	2017	2016
		Sh'000	Sh'000	Sh'000	Sh'000
15	PREPAID OPERATING LEASE RENTALS				
	COST				
	At beginning of year	74,963	74,963	27,523	27,523
	Revaluation gain on portion transferred to investment property	45,827	-	45,827	-
	Transfers to investment property	(56,000)	-	(56,000)	-
	At end of year	64,790	74,963	17,350	27,523
	ACCUMULATED AMORTISATION				
	At beginning of year	12,428	11,475	8,970	8,511
	Charge for the year	952	953	459	459
	Eliminated on revaluation of portion transferred to investment property	(3,484)	-	(3,484)	-
	At end of year	9,896	12,428	5,945	8,970
	NET BOOK VALUE				
	At end of year	54,894	62,535	11,405	18,553

The prepaid operating lease rentals relate to parcels of leasehold land held by the Company and its subsidiaries. The leasehold land transferred to investment property in the year relates to the piece of land on which two godowns reclassified to investment property are situated. The land was valued on 31 July 2017 by an independent valuer on the basis of open market value.

	COMPANY 2017 Sh'000	COMPANY 2016 Sh'000
16 INVESTMENT IN SUBSIDIARIES		
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 2017*	*31 July 2016*
Carbacid (CO_2) Limited	Before 1950	56,340,000	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 2017, the net assets of Carbacid (CO_2) Limited amounted to Sh 1,040,501,000 (2016: Sh 947,006,000). 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.

	GROUP 2017 Sh'000	GROUP 2016 Sh'000	COMPANY 2017 Sh'000	COMPANY 2016 Sh'000
17 EQUITY INVESTMENTS				
At fair value through profit or loss:				
At beginning of the year	317,852	283,946	144,594	170,980
Purchases during the year	35,464	65,026	12,951	10,850
Fair value gain/(loss)	11,115	(31,120)	11,146	(37,236)
At end of year	364,431	317,852	168,691	144,594

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

	2017 Sh'000	2016 Sh'000
Held to maturity – at amortised cost:		
Kenya Electricity Generating Company Limited - Public Infrastructure Bond	78,125	109,375
Commercial Bank of Africa Limited	180,000	180,000
	258,125	289,375
Maturing within one year	-	-
	258,125	289,375
Movement in corporate bonds:		
At beginning of the year	289,375	320,625
Redemption	(31,250)	(31,250)
At end of year	258,125	289,375

The effective interest rate during the year was 12.63% (2016 – 12.5%).

19 TREASURY BONDS - GROUP AND COMPANY

	2017 Sh'000	2016 Sh'000
Held to maturity – at amortised cost:		
Maturing over one year		
Government of Kenya infrastructure bond	410,294	121,633
	=======	======
Movement in treasury bonds:		
At beginning of year	121,633	73,148
Purchases during the year	288,128	48,257
Amortised discount	533	228
At end of year	410,294	121,633
	=======	======

The effective interest rate during the year was 11.75% (2016 – 11.26%).

20 INVENTORIES – GROUP

	2017 Sh'000	2016 Sh'000
Spare parts and materials	59,702	33,618
Carbon dioxide gas and dry ice	2,717	4,272
Fuel and chemicals	1,803	944
Provision for obsolete inventories	(10,480)	(9,480)
	53,742	29,354
	=======	=======

21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2017 Sh'000	2016 Sh'000	2017 Sh'000	2016 Sh'000
Trade receivables	134,844	159,163	3,097	1,792
Provision for doubtful debts	(22,113)	(23,511)	-	(259)
	112,731	135,652	3,097	1,533
Prepayments for capital items	-	2,926	-	-
Other prepayments	8,297	17,867	325	326
Other receivables	26,652	21,778	20,172	19,259
	147,680	178,223	23,594	21,118
	=======	=======	======	=====

21 TRADE AND OTHER RECEIVABLES (Continued)

	GROUP		COMPANY	
	2017	2016	2017	2016
	Sh'000	Sh'000	Sh'000	Sh'000
Movements on the provision for doubtful debts:				
At beginning of year	23,511	23,397	259	856
Additional provisions in the year	2,816	711	-	-
Bad debts written off	(3,955)	-	-	-
Write back for the year	(259)	(597)	(259)	(597)
At end of year	22,113	23,511	-	259

22 SHORT TERM BANK DEPOSITS

	2017	2016
	Sh'000	Sh'000
Group		
Fixed deposits (Local currency)	731,906	924,485
Maturity:		
Fixed deposits	731,906	924,485
Maturing within 90 days	(723,844)	(916,996)
	8,062	7,489
Company (maturing within 90 days)	723,844	916,996

Weighted average effective interest rates on deposits during the year was 10.1% (2016 – 12.5 %).

23 (a) SHARE CAPITAL

	2017	2016
	Sh'000	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	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 2017 Sh'000	GROUP 2016 Sh'000	COMPANY 2017 Sh'000	COMPANY 2016 Sh'000
Accelerated capital allowances	169,428	193,383	1,349	636
Unrealised exchange gains	238	1,138	-	-
Leave pay accrual	(558)	(1,215)	-	-
Provision for doubtful debts	(6,467)	(6,975)	-	-
Inventory provision	(3,144)	(2,843)	-	-
Other general provisions	(3,281)	(3,946)	-	-
Tax losses	(9,758)	(7,434)	(9,758)	(7,434)
Revaluation surplus – property plant and equipment and intangible assets	49,954	37,044	2,942	-
Revaluation surplus - investment properties	38,286	30,786	38,286	30,786
Net deferred tax liability	234,698	239,938	32,819	23,988

The movement on the deferred tax account is as follows:

	GROUP 2017 Sh'000	GROUP 2016 Sh'000	COMPANY 2017 Sh'000	COMPANY 2016 Sh'000
At beginning of year	239,938	244,575	23,988	23,981
(Credit)/charge to profit or loss (note 10(a))	(6,164)	(4,637)	6,572	7
Prior year over provision (note 10(a))	(12,199)	-	(683)	-
Deferred tax attributable to surplus on revaluation of property	13,123	-	2,942	-
At end of year	234,698	239,938	32,819	23,988

As at 31 July 2017, the Group had accumulated tax losses available for carry forward and set off against future taxable profit of Sh 32,527,000 (2016: Sh 24,780,000) relating to Carbacid Investments plc. The Kenyan Tax Law allows companies to carry forward tax losses to a maximum period of 10 years with effect from 1 January 2015. Consequently, the directors having reviewed the cash flow projections, are of the opinion that the tax losses will be utilised within the relief period. Therefore, the deferred tax asset attributable to tax losses has been recognised in the statement of financial position as at 31 July 2017.

		GROUP 2017 Sh'000	GROUP 2016 Sh'000	COMPANY 2017 Sh'000	COMPANY 2016 Sh'000
25	TRADE AND OTHER PAYABLES				
	Trade payables	6,090	4,280	-	-
	Other payables and accruals	116,503	137,449	5,466	9,091
	Leave pay accrual	1,861	4,052	-	-
		124,454	145,781	5,466	9,091
	Movement in leave pay accrual is as follows:				
	At beginning of year	4,052	4,171	-	-
	Decrease during the year (note 8)	(2,191)	(119)	-	-
	At the end of the year	1,861	4,052	-	-

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

	Notes	2017 Sh'000	2016 Sh'000
(i) Reconciliation of profit before taxation to net cash generated from operations			
Profit before taxation		456,656	547,748
Finance income recognised in profit for the year	6	(143,407)	(175,227)
Dividend income from equity investments		(7,997)	(7,574)
Depreciation of property, plant and equipment	12(a)	76,647	68,530
Asset impairment	12(a)	2,176	-
Amortisation of intangible assets	13	459	511
Gain on revaluation of investment properties	14	(25,000)	-
Amortisation of prepaid operating lease rentals	15	952	953
(Gain)/loss on revaluation of equity investments	17	(11,115)	31,120
Amortisation discount on treasury bonds		(533)	(228)
(Gain)/loss on disposal of property, plant and equipment		(320)	2,768
Adjusted for working capital changes:			
(Increase)/decrease in inventories		(24,388)	3,504
Decrease/(increase) in trade and other receivables		30,543	(9,564)
(Decrease)/increase in trade and other payables		(21,327)	36,963
Net cash generated from operations		333,346	499,504
(ii) Analysis of cash and cash equivalents			
Short term deposits maturing within 3 months (note 22)		723,844	916,996
Bank and cash balances		30,415	38,386
		754,259	955,382

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	2017 Sh'000	2016 Sh'000
(i) Reconciliation of profit before taxation to net cash used in operations			
Profit before taxation		319,018	308,360
Finance income recognised in profit for the year	6	(142,228)	(174,657)
Dividend income from equity investments		(7,997)	(7,574)
Dividends from subsidiary		(125,000)	(160,000)
Depreciation of property	12(b)	646	646
Gain on revaluation of investment properties	14	(25,000)	-
Amortisation of prepaid operating lease rentals	15	459	459
(Gain)/loss on revaluation of equity investments	17	(11,146)	37,236
Amortisation discount on treasury bonds		(533)	(228)
Adjusted for working capital changes:			
Increase in trade and other receivables		(2,476)	(1,050)
Decrease in trade and other payables		(3,625)	(1,288)
Decrease in subsidiary companies balances		(155,565)	(231,961)
Net cash used in operations		(153,447)	(230,057)
(ii) Analysis of cash and cash equivalents			
Short term deposits maturing within 3 months (note 22)		723,844	916,996
Bank and cash balances		5,123	31,699
		728,967	948,695

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

	2017 Sh'000	2016 Sh'000
Dividends receivable	-	160,000

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Due to subsidiary companies

	2017 Sh'000	2016 Sh'000
Due to Carbacid CO_2 Limited	925	156,490
Due to Goodison Forty Seven Limited	100	100
Due to Goodison Twenty Nine Limited	100	100
	1,125	156,690
	======	======

(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:

	2017 Sh'000	2016 Sh'000
Dividends receivable from Carbacid (CO_2) Limited	-	160,000
Dividends received from Carbacid (CO_2) Limited	285,000	390,000
Payments made by Carbacid (CO_2) Limited on behalf of the company	2,671	4,992
Carbacid (CO_2) Limited payments on behalf of Goodison Twenty Nine Limited	435	131
Carbacid (CO_2) Limited purchase of property on behalf of Goodison Twenty Nine Limited	15,465	17,959
Carbacid (CO_2) Limited payments on behalf of Goodison Forty Seven Limited	135	133
Carbacid (CO_2) Limited purchase of equity investments on behalf of Goodison Forty Seven Limited	22,513	54,176
	======	======

During the year, the Group contracted consultancy services from Strategic Consultants Limited, a firm related to it through common directorship. The fees charged for these services were Sh 3,960,000 (2016 – Sh 4,710,000).

The transactions with related parties are made at normal commercial terms.

(d) Key management compensation

GROUP & COMPANY

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

	2017 Sh'000	2016 Sh'000
Directors' remuneration:		
Fees for services as directors - Group	15,510	16,911
Fees for services as directors - Company	1,316	1,645
	======	=======
Key management compensation:		
Salaries and other benefits	35,443	36,925
	======	=======

28 CAPITAL COMMITMENTS – GROUP

	2017	2016
	Sh'000	Sh'000
Authorised and contracted for	17,010	51,800
Authorised but not contracted for	38,170	59,172
	55,180	110,972

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 7,695,760 (2016 – Sh 7,465,631) in the year.

Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2017, the company contributed Sh 181,600 (2016 – Sh 192,400) to the statutory scheme.

30 OPERATING LEASE COMMITMENTS

	2017	2016
	Sh'000	Sh'000
Group and Company as lessor:		
The future minimum lease payments receivable under operating leases are as follows:		
Within one year	12,170	15,603
Within two to five years	44,820	57,461
	56,990	73,064

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

31 CONTINGENT LIABILITIES – GROUP

	2017	2016
	Sh'000	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.

32 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk management (Continued)

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

Group:

	Total amount Sh'000	Fully Performing Sh'000	Past due not impaired Sh'000	Impaired Sh'000
31 July 2017				
Trade receivables	134,844	112,731	-	22,113
Bank balances	29,104	29,104	-	-
Corporate bonds	258,125	258,125	-	-
Treasury bonds	410,294	410,294	-	-
Short term deposits	731,906	731,906	-	-
	1,564,273	1,542,160	-	22,113
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

Company

	Total amount Sh'000	Fully Performing Sh'000	Past due not impaired Sh'000	Impaired Sh'000
31 July 2017				
Trade receivables	3,097	3,097	-	-
Bank balances	5,123	5,123	-	-
Corporate bonds	258,125	258,125	-	-
Treasury bonds	410,294	410,294	-	-
Short term deposits	723,844	723,844	-	-
	1,400,483	1,400,483	-	-
31 July 2016				
Trade receivables	1,792	1,533	-	259
Bank balances	31,699	31,699	-	-
Due from subsidiary	160,000	160,000	-	
Corporate bonds	289,375	289,375	-	-
Treasury bonds	121,633	121,633	-	-
Short term deposits	916,996	916,996	-	-
	1,521,495	1,521,236	-	259

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.

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 tables below analyse the Group's and Company'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.

Group

	Within 12 months Sh'000	Over 12 months Sh'000
At 31 July 2017:		
Trade payables	6,090	-
Other payables	116,503	-
	122,593	-
At 31 July 2016:		
Trade payables	4,280	-
Other payables	137,449	-
	141,729	-

Company

	Within 12 months Sh'000	Over 12 months Sh'000
At 31 July 2017:		
Due to subsidiary companies	1,125	-
Other payables	5,466	-
	6,591	-
At 31 July 2016:		
Due to subsidiary companies	156,690	-
Other payables	9,091	-
	165,781	-

(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.

32 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value of financial and non financial assets and liabilities (Continued)

(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.

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

Fair value hierarchy - Group

Financial and non financial assets/ liabilities	**Fair value as at** 31/07/17 Sh'000	31/07/16 Sh'000	**Fair value hierarchy**	**Valuation technique (s) and key inputs**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Quoted equities	364,431	317,852	Level 1	*	N/A	N/A
Leasehold buildings and boreholes	98,748	88,054	Level 3	**	N/A	N/A
Freehold land	54,545	18,000	Level 2	***	N/A	N/A
Roads and pavements	22,731	10,630	Level 3	**	N/A	N/A
Vehicles and tankers	123,616	93,171	Level 3	**	N/A	N/A
Plant machinery and equipment	677,745	388,447	Level 3	**	N/A	N/A
Intangible assets	793	613	Level 3	**	N/A	N/A
Investment properties	233,000	120,000	Level 2	***	N/A	N/A
	======	======	======	=======	========	========

Fair value hierarchy - Company

Quoted equities	168,691	144,594	Level 1	*	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)

(d) 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% (2016: 100%) of total equity investments.

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

	2017 Sh'000	2016 Sh'000
Group		
Equity investments	364,431	317,852
	======	======
Company		
Equity investments	168,691	144,594
	======	======

At 31 July 2017, if the market prices had increased/decreased by 10% with all other variables held constant, the Group's profit for the year would have been Sh 36,443,100 (2016: Sh 31,785,000) 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:

Group

	2017 Sh'000	2016 Sh'000
Assets		
Bank and cash balances		
USD 241,417 @ 103.91 (2016: 35,213 @101.36)	25,086	3,569
Trade receivables		
USD 642,124 @103.91 (2016: 1,018,907 @101.36)	66,724	103,276
	91,810	106,845
	======	======

The company did not have any foreign denominated monetary assets and liabilities at the statement of financial position date.

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.

32 FINANCIAL RISK MANAGEMENT (Continued)

(d) Market risk (Continued)

(ii) Foreign currency risk (continued)

At 31 July 2017, if the Kenya Shilling had weakened /strengthened by 10% against the US Dollar with all other variables held constant, the Group's profit for the year would have been Sh 9,181,000 (2016: Sh 10,684,000) 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 1% on average deposit rates would have resulted in an increase/decrease in the Group's profit before taxation of Sh 7,319,000 (2016: Sh 9,245,000).

33 CAPITAL RISK MANAGEMENT

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

Group

	2017 Sh'000	2016 Sh'000
Share capital	254,852	254,852
Share premium	27	27
Revaluation surplus	160,048	92,618
Retained earnings	2,509,157	2,326,701
	2,924,084	2,674,198

Company

	2017 Sh'000	2016 Sh'000
Share capital	254,852	254,852
Share premium	27	27
Revaluation surplus	47,955	-
Retained earnings	1,497,228	1,392,075
	1,800,062	1,646,954

At 31 July 2017, the Group had no borrowings and therefore it is not geared (2016: nil).

34 SUBSEQUENT EVENTS

No material events or circumstances have arisen between the reporting date and the date of this report that require disclosure.

35 COUNTRY OF INCORPORATION

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

36 CURRENCY

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