CARBACID INVESTMENTS plc

REPORT AND FINANCIAL STATEMENTS 2018

CONTENTS

Board of directors	Amb D N O Awori	Chairman
	J M Wanjigi	
	B C Patel	
	M K R Shah	
	S O Mudhune	
Company secretary	N P Kothari FCPS (Kenya) FCIS	
Audit & Risk committee	S O Mudhune	Chairperson
	B C Patel	
	M K R Shah	

Registered office

L.R. No. 1870/1/569
2nd Floor, Apollo Centre,
Vale Close, Ring Road Parklands, Westlands
P.O. Box 764 - 00606, Sarit Centre
Nairobi,
Kenya.

Registrars and transfer office

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

Independent auditor

RSM Eastern Africa
Certified Public Accountants
1st Floor, Pacis Centre,
Slip Road, off Waiyaki Way, Westlands
P.O. Box 349 - 00606, Sarit Centre
Nairobi,
Kenya.

Principal banker

Commercial Bank of Africa Limited
Upper Hill Branch
Mara &Ragati Road
P.O. Box 30437 - 00100, GPO
Nairobi,
Kenya.

Legal adviser

WainainaIreri& Company Advocates
Bruce House, 4th Floor, Standard Street
P.O. Box 42706 - 00100, GPO
Nairobi,
Kenya.

NOTICE IS HEREBY GIVEN that the forty-eighth Annual General Meeting of the Company will be held at Azure Hotel, Jasmine "B" Room, Lantana Road, Westlands, Nairobi on Tuesday, 11th December 2018 at 10.00 a.m., for the following purposes:

1 To receive the Directors' Report and audited financial statements for the year ended 31st July 2018.

2 To approve the Directors' Remuneration Policy and the Directors' Remuneration report for the financial year ended 31st July 2018.

3 To declare a final dividend of KShs 0.70 per share as recommended by the Directors to the shareholders registered on 16th November 2018.

4 To elect Directors:

(a) Mr B C Patel who is over 70 years of age retires by rotation and, being eligible, offers himself for re-election.

(b) Mr J M Wanjigi who is over 70 years of age retires by rotation and, being eligible, offers himself for re-election.

5 To appoint the Audit and Risk Committee:

Mrs S O Mudhune (Chairperson), Mr M K R Shah and Mr B C Patel being members of the Board Audit and Risk Committee be re-appointed as members of the said Committee in accordance with The Companies Act, 2015.

6 To appoint RSM Eastern Africa as auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix the remuneration of the auditors in terms of Section 721 of The Companies Act, 2015. RSM Eastern Africa were appointed as auditors of the Company by the Directors in place of Deloitte &Touche as directed by the Members at the last Annual General Meeting held on 15th December 2017.

By Order of the Board

N P Kothari
Secretary

30th October 2018

Notes

1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. A proxy form is enclosed.

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

★ ***3 Members or proxies attending the meeting will be required to produce as proof of identity, a National Identity Card or a passport and a current Central Depository Statement of Account or a Share Certificate in respect of shares held in the Company. Proxy forms must be deposited with the company as stated in 2 above.***

★ ***Wenyehisa au wakilishi wenye kuhudhuria mkutano watatakiwa kutoa cheti cha kujitambulisha,kitambulisho ama paspoti pamoja na taarifa ya hivi punde kutoka kwa Central Depository & Settlement Corporation (CDSC) au Cheti cha kumiliki hisa (Share Certificate) katika kampuni.***

On behalf of the Board of Directors I am pleased to present the Annual Report and Audited Financial Statements of Carbacid Investments plc ("Carbacid Group") for the year ended 31 July 2018.

Carbacid Group's Performance

During the year we continued to make progress with respect to our strategic priorities and in building a more customer-oriented company by providing end to end carbon dioxide stock management. This is anchored on on-time delivery, on improving customer yields, and managing customer stocks of CO2. We continue to insist on and ensuring safety for our customers, employees, and other stakeholders. We continued to manage the challenges of another difficult year due to the continued decrease in demand and increased competition against the backdrop of the impact of two elections during this period.

Carbacid Group's focus on cost efficiency, business sustainability and growing revenue organically are progressing on track. The performance is testament to our longstanding reputation as the supplier of choice with the largest quality carbon dioxide production capacity in the region, a large fleet of specialised cryogenic tankers and our customised solutions that are provided throughout the region.

Our trading revenue reduced marginally from KSh 753 million to KSh 741 million in the current year. A commendable result in a difficult year. Maintaining trading revenue and investment income during the year on the back of increasing operating and administrative costs saw the Group report a profit after tax for the year of KSh 299 million compared to KSh 352m in the previous year.

Foreign exchange losses in our investment in Tanzania of KSh 11 million and impairment losses on ARM Cement of KSh 3.7 million negatively impacted our profit for the year.

There were no outstanding borrowings and the Group's net assets remained healthy, increasing from KSh 891 million to KSh 952 million.

The Board is committed to the highest standard of corporate governance and ethical business practices. To this end the Carbacid Group has developed a detailed Board Charter and further strengthened Board Committees. The Statement of Corporate Governance on Pages 4 to 8 outlines the Group's obligations.

The Board recommends that a final dividend of KSh 0.70 per share (2017: KSh 0.70 per share) to be paid as soon as practical after approval by the Members at the Annual General Meeting in December 2018.

Our markets and capabilities

Currently, Carbacid has one of the largest quality production capability in the region with a delivery fleet to meet all requirements. With these assets and capabilities, we believe we are well placed to positively differentiate ourselves from our competitors. We continue to be FSSC 22000 certified, and Halal approved.

Looking forward

To expect growth in our existing markets will continue to be challenging as the regional economies are experiencing difficulties. Higher fuel prices, increasing power costs, mining royalty and other costs of doing business continue to add to cost of doing business.

Kenya's economy is expected to grow by 5.6% in the current year. However, significant sectors of the economy are experiencing difficulties. The average consumer's reduced purchasing power ultimately impacts our sales of food grade carbon dioxide which is used in beverages.

The NSE has seen sharp declines in values of listed companies as a result of markets sentiments that have resulted in many foreign investors exiting the Kenya market. Our investments in shares of various companies listed on the NSE have been impacted as a result. However, the Company continues to pursue its strategy with a long term approach.

Looking forward (continued)

Given the prevailing economic weakness in the region, the Group expects the operating environment to remain challenging. The volatility of the other East African currencies and intensifying local competition will continue to pose a challenge to the export business of the Group. Notwithstanding the challenges, the Group continues to remain focused in growing its core businesses and is positioned to take advantage of opportunities as and when these arise.

Backed by a strong balance sheet, the Group will continue to seek growth opportunities, locally and abroad. This includes focusing on markets and services where the Group has a competitive advantage, allocating capital where we see the ability to generate attractive risk-adjusted returns and investing where we see an opportunity to expand our market share.

Appreciation

I would like to thank my fellow directors on the Board, management team and all our employees for the enormous efforts they are making to achieve the Group's objectives. Finally, I would also like to thank all our customers, business associates and shareholders for their unwavering support.

Ambassador Dennis N O Awori

CHAIRMAN

25 October 2018

Chairman's comments

The Board of Directors of the Carbacid Investments plc ("Carbacid Group" or "Group") is committed to maintaining high standards of Corporate Governance and the disclosures in this year's report and financial statements reflect that commitment. Effective corporate governance is essential to the long term success of the 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 continues to make significant progress towards complying with the Code issued by the Capital Markets Authority under the Capital Markets Act (Cap 485A), the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("Code"). The Group remains committed to implementation of these requirements and continue to close any gaps in compliance.

The Board of Directors

The Board currently has five non-executive Directors who bring considerable knowledge, judgement and experience to the Group. The Directors are from broad industry and professional backgrounds with varied expertise. The business of the Group is technical and specialist in nature, and requires considerable knowledge and experience to manage for results. Short biographies of the Directors are set out on page 10.

Directors are subjected to a rigorous review, and after giving thorough consideration, the Board considers that the 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 Ms 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 main Board and the Board Committees receive up to date information for review in good time ahead of each meeting.

The Group Secretary acts as secretary to the Board and all committees of the Board. He is the focal point for communications and attends all Board meetings and offers additional guidance to the Board on matters relating to corporate governance and statutory matters.

One third of the members of the Board retires 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 sustainability 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 responsibilities (continued)

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. During the year, the Board held seven meetings. The attendance at the Board meetings is shown below:

		Meetings Eligible to Attend	Meetings Attended
Amb D N O Awori	Chairman, Independent Director	5	5
Hon J M Wanjigi	Non-executive Director	5	1
B C Patel	Non-executive Director	5	5
M K R Shah	Non-executive Director	5	5
S O Mudhune	Independent Director	5	5

Hon Wanjigi, with the permission of the Board, has not been able to attend all Board meetings due to medical reasons.

Board Audit and Risk Committee

The Committee, chaired by Susan Mudhune, an independent Director, has two other non-executive Directors. One Committee member has relevant financial qualifications and experience. Attendance at the Board Committee meetings is shown below.

		Meetings Eligible to Attend	Meetings Attended
S O Mudhune	Chair	3	3
M K R Shah	Member	3	3
B C Patel	Member	3	3

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 reviews strategic and operational risks, and the associated controls and mitigating factors. These include business continuity plans and procedure manuals. The Board continues to develop risk management and internal controls where necessary. The Chief Operating Officer, the Finance and Administration Manager and Internal Auditor of Carbacid (CO2) attend the Board Audit and Risk Committee meetings.

During the year, the Committee undertook a search for the replacement of the external auditor in accordance with the mandate given at the Annual General Meeting held on 15th December 2017, which process was completed when RSM Eastern Africa were appointed auditors to the Group. The Committee reviewed and were satisfied with the independence of RSM Eastern Africa and with their expertise and resources to carry out the audit of the Group and based on the recommendation the Board appointed RSM Eastern Africa as auditors of the Company

Board Nomination, Remuneration and Governance Committee

The Committee, chaired by Amb Dennis Awori, an independent Director has two other non-executive Directors. The Board has established and approved formal remuneration policies and procedures that attract and retain Board Members. Attendance at the Board Committee meetings is shown below.

		Meetings Eligible to Attend	Meetings Attended
Amb D N O Awori	Chair	2	2
Hon J M Wanjigi	Member	2	-
B C Patel	Member	2	2

The Committee meets whenever necessary to consider succession planning for Directors and other senior executives to ensure that requisite skills and expertise are available to the Board to address future challenges and opportunities.

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

External consultants are used, if required, to assist in identifying suitable 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 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 Committee continuously monitors governance and compliance matters.

Board Finance and Investment Committee

The Committee consisting of five non-executive Directors currently chaired by Amb. Dennis Awori, an independent Director. The Committee monitors the integrity of the financial statements of the Group, including its annual and half-yearly reports and monthly management statements.

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

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. Any Director upon becoming aware that they have an interest in an existing or proposed transaction with Carbacid, must 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 related parties, are conducted at arm's length basis. Directors have a continuing duty to report any changes to these conflicts.

Board performance evaluation

A performance review of the Board, its Committees, Directors and the Group Secretary is undertaken annually. The evaluation helps enhance the Board's effectiveness and maximize strengths.

The review covers all aspects of the effectiveness of the Board including composition; or, 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 dedicated and secure Whistle Blowing platform in which confidentiality is assured. This 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 Company's assets and Loans to Directors

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

Relation with shareholders

The Board's primary role is to promote the success of the Carbacid 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 simple, 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, the Company Secretary and the external auditors at the Annual General Meeting. The Board takes reasonable measures to ensure information of a sensitive nature which is not available to the market as a whole is not disseminated.

Sustainability

Business sustainability is about managing various risks including operational, financial, social and environmental as well as obligations and opportunities. The Board has developed an Environment, Social and Corporate Governance policy to ensure sustainability so that future generations benefit from the Group's operations.

Directors' interest

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

Name	No. of Shares 2018	2017
Mr. J M Wanjigi (Including shares held by companies in which he has an interest)	3,848,705	5,530,205
Mr. B C Patel (jointly with Mrs. A Patel)	87,278,510	77,496,510

Shareholders' profile

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 2018

Shareholding (No of shares)	No. of Shareholders	No. of Shares	%
Less than 500	603	97,774	0.04%
501-5,000	1,063	2,054,245	0.81%
5001-10,000	269	1,993,833	0.78%
10,0001-100,000	672	24,573,287	9.64%
100,001 - 1,000,000	127	37,578,098	14.75%
Over 1,000,000	24	188,554,748	73.99%
Total	**2,758**	**254,851,985**	**100%**

b) Major Shareholders

The top 10 major shareholders as at 31 July 2018 were as follows:

Name	No of Shares	Shares held %
Mrs A B Patel & Mr B C Patel	87,278,510	34.25
Leverton Limited	25,353,095	9.95
BOC Kenya Limited	14,850,000	5.83
Miss T I Friedman	11,275,695	4.42
Standard Chartered Nominees A/C KE 002382	7,623,600	2.99
Peter Kingori Mwangi	4,743,628	1.86
Brenda Clare Kampf	4,037,130	1.58
One Globe Holdings Limited	4,311,500	1.69
Anju Mohanlal Shah	3,263,700	1.28
Mayur Mohanlal Shah	3,256,600	1.28
	165,993,458	65.13
2,748 other shareholders	88,858,527	34.87
	254,851,985	**100**

DENNIS N O AWORI - CHAIRMAN

Aged 64, Amb. Awori joined the Board on 7th August 2014. He graduated with an honours degree in Aeronautical Engineering from the University of Manchester in 1976 and has held senior positions in the motor industry during his career. Dennis was the Ambassador of the Republic of Kenya to Japan and Korea from 2004 to 2009. Currently, he is the Chairman of both Toyota Kenya Limited and Bank of Africa Limited and is also on the Boards of several reputable companies in Kenya.

JAMES MAINA WANJIGI EGH, M.Sc, MA

Aged 87, Hon. Maina Wanjigi has been a Board Member of Carbacid Investments Plc since inception in 1970 and was Chairman of the Board until 2016. As a Member of Parliament for more than 25 years, he held very Senior Cabinet portfolios in Government such as Minister for Agriculture, Public Works and Tourism.

He has been a member of several International Organizations including SOS Children's Village International of which he was the Founder Chairman for Kenya for more than 25 years.

He is a Fulbright Scholar as well as a recipient of the prestigious award of the Elder of the Golden Heart of Kenya.

BALOO C PATEL

Aged 79, Mr. Patel joined the Board in 2002. He is a significant shareholder in the Company and has extensive business interests in Kenya. He is also a Director of Sanlam Kenya Plc along with several other unlisted companies. His varied business experience brings a wide range of additional skills to the Board.

MUKESH K R SHAH FCCA, CPA (K), CPS (K)

Aged 64, Mr. Shah joined the Board in 2002. He is a member of the Institute of Certified Public Accountants of Kenya, the Institute of Certified Public Secretaries of Kenya and a Fellow of the Association of Chartered and Certified Accountants of the UK. He is a former partner of Price Waterhouse (now Price Waterhouse Coopers) and a director of a leading consultancy firm that specialises in providing strategic and business advisory services to family-owned businesses. Mr. Shah is substantially a non-executive Director, but has certain specific responsibilities for financial matters of the Group.

SUSAN O MUDHUNE, MBS

Aged 69, Mrs Susan O Mudhune joined the Board in July 2017. She has a wealth of experience in the corporate world having served on a number of dynamic and successful Boards. She is a member of various business, professional and community service committees. Susan is a consultant in corporate governance and leadership and is a certified trainer in corporate governance. Susan holds degrees in Bachelor of Arts and Masters in Business Administration from the University of Nairobi.

The Directors' Remuneration Report sets out the remuneration arrangements the Group has applied to remunerate Directors. The report has been prepared in accordance with the Kenyan Companies Act, 2015 and the relevant provisions of the Capital Markets Authority (CMA) Code of Corporate Governance.

Policy

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 (AGM).

Remuneration

The table below provides the emoluments paid to Directors

	2018 KSh'000	2017 KSh'000
D N O Awori	3,820	3,089
J M Wanjigi	3,820	3,809
R A Shepherd	-	2,954
B C Patel	2,740	2,729
M K R Shah	2,740	2,729
S O Mudhune	2,740	200
Total	15,860	15,510

At the Annual General Meeting held on 15th December 2017, the shareholders unanimously approved the Directors' remuneration report and policy.

The Group provides Directors' and Officers' Liability Insurance cover for all directors. There were no other benefits provided to Directors.

There are formal letters of appointment for services as Directors. On termination, Directors are not entitled to compensation for loss of office.

There were no share options, long term incentive schemes, and pensions for current Directors, or compensation due to past Directors. There were no sums paid to third parties in respect of a Director's services.

BY ORDER OF THE BOARD

N P Kothari
Group Secretary

Nairobi

25 October 2018

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 2018 which disclose the state of financial affairs of the Group and the Company.

Incorporation

The Company is domiciled in Kenya where it is incorporated as a public company limited by shares under the Companies Act, 2015, Laws of Kenya. The address of the registered office is set out on page 1.

Directorate

The directors who held office during the year and to the date of this report are set out on page 1.

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.

Group financial results

	KSh '000
Profit before tax	378,938
Tax charge	(80,412)
Profit transferred to retained earnings	298,526

Recommended dividend

The Directors recommend the approval of a final dividend of KSh 0.70 per share (2017: KSh 0.70 per) amounting to KSh 178,396,390 (2017: KSh 178,396,390).

Business review

The regional economic climate has continued to be turbulent and challenging: higher fuel prices; increasing power costs, mining royalties and other costs. The cost of doing business has increased considerably.

The Company continued to make progress in pursuit of its strategy and in building a customer-oriented company by providing end to end carbon dioxide stock management. The Company strives to achieve this through timely full delivery of quality CO_2 free of any alcohol base, a particular requirement of a large segment of the market for ethical reasons and improving customers' yields. The Company continues to place emphasis on safety of the customers, employees and other stakeholders. The performance of the Company was adversely affected by decreased demand, increased competition and the prolonged electioneering period. The Company's emphasis on cost efficiency, business sustainability and growing revenue organically are progressing in the right direction. The Company continues to be the preferred choice for highest quality CO_2 in the region, having the largest CO_2 production facility and a large fleet of specialized cryogenic tankers and offering customized solutions to the customers.

In view of the prevailing weak economic conditions in the region, the Company expects the operating environment to continue to be challenging. Intensifying local competition basically from alcohol based CO_2 and the volatility of currencies in the neighbouring countries would continue to pose a challenge to the Company's export business. However, in spite of the challenges, the Company continues to remain focused in enhancing its core business and it is well positioned to take advantage of opportunities as and when these arise.

Operating environment

The Nairobi Securities Exchange (NSE) has experienced sharp declines in values of listed companies and as a result many foreign investors have exited the Kenya market. Accordingly, the Company's investments in shares in various companies listed on NSE have been adversely impacted. However, the Company continues to pursue its strategy with a long term approach.

Environmental matters

The Company 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.

Our people

The Company 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 2018, Carbacid's staff head count stood at 68 (2017: 71) with 45 employees handling operations and 23 employees in administration.

Social community issues

The Company continues to support school fees and university fees initiatives for deserving, talented students from the localities in which we have manufacturing operations. The Company built classrooms and refurbished a school during the year under review. The Company's Corporate Social Responsibility (CSR) focus continues to be in education.

Board Audit and Risk Committee

In accordance with the provisions of Section 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 and Risk 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 Company 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

Following an authority from the shareholders, RSM Eastern Africa was appointed the auditors of the Company by the Directors in place of Deloitte and Touche. In accordance with Section 721 of the Companies Act 2015, Laws of Kenya a resolution is to be proposed at the Annual General Meeting for the appointment of RSM Eastern Africa as the auditors of the Company.

Statement as to disclosure to the Group's auditor

With respect to each Director at the time this report was approved:

(a) there is, so far as the Director is aware, no relevant audit information of which the Group's auditor is unaware; and

(b) the Director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Terms of appointment of the auditor

The Directors approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KSh 1,892,500 has been charged to profit or loss in the year.

By order of the board

Company Secretary

Nairobi 25 October 2018

The Kenyan Companies Act, 2015 requires the directors to prepare 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 keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Kenya Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with 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 Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's ability to continue as a going concern.

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 25th October 2018 and signed on its behalf by:

Director **Director**

RSM

RSM Eastern Africa
Certified Public Accountants

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off Waiyaki Way, Westlands
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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CARBACID INVESTMENTS plc

Opinion

We have audited the accompanying financial statements of Carbacid Investments plc (the Company) and its subsidiaries (together, the Group), set out on pages 18 to 52, which comprise, for both the Group and the Company, the balance sheet as at 31st July 2018, the profit and loss account and statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31st July 2018 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, 2015.

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 *Auditor's 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 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 Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed
Investment property - Investment property are stated at fair value based on valuation carried out by an independent qualified professional valuer. The valuation are dependent on the market price which involve the valuer's significant judgement. Details of valuation are disclosed in Note 15 of the financial statements. We identified the valuation investment property as key audit matter due to the significant judgement associated with determining the fair value	Our procedures in relation to the key audit matters included, among others: · Independent confirmation of the existence, completeness, ownership rights and obligation, presentation and disclosures of these properties; · Evaluating the competence, capabilities and objectivity of the valuers; · Obtaining an understanding of the valuation process and, techniques adopted by the valuers to assess if they are consistent with industry norms, and · Obtaining the valuation reports and comparing them to publicly available information of similar comparable properties.

RSM

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CARBACID INVESTMENTS plc (CONTINUED)

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 that fact. We have nothing to report in this regard.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the 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 ISAs 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 financial statements.

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

- identify and assess the risks of material misstatement of the 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 internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's 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 Group's ability to continue as a going concern. 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 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 the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

RSM

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CARBACID INVESTMENTS plc (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 entities or business activities within the Group to express an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

In our opinion,

i) the information given in the report of the directors on pages 12 and 13 is consistent with the financial statements; and
ii) the auditable part of the directors' remuneration report has been properly prepared in accordance with the Act.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Elvis Ogeto, Practising Certificate No. 2303.

RSM Eastern Africa

RSM Eastern Africa
Certified Public Accountants
Nairobi
25 October
.. 2018

309/2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST JULY 2018

	Note	2018 KSh'000	2017 KSh'000
Revenue	5	753,164	757,051
Cost of sales		(206,292)	(196,732)
Gross profit		546,872	560,319
Other income	6	9,091	15,537
(Loss)/gain on fair value of equity investments	19	(9,814)	11,115
Gain on fair value of investment property	15	12,200	25,000
Gain on disposal of financial assets		470	-
Impairment loss	9	(3,970)	(2,816)
Administrative expenses		(175,911)	(152,499)
Profit before tax	7	378,938	456,656
Tax	8	(80,412)	(104,356)
Profit for the year		298,526	352,300
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of leasehold land	17	-	49,311
Surplus on revaluation of property, plant and equipment and intangible assets	14 and 16	-	39,794
Deferred income tax relating to items that will not be reclassified		-	(13,123)
Other comprehensive income for the year, net of tax		-	75,982
Total other comprehensive income for the year		298,526	428,282
Earnings per share for profit for the year		**KSh**	**KSh**
Basic and diluted	10	1.17	1.38

COMPANY PROFIT AND LOSS ACCOUNT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST JULY 2018

	Note	2018 KSh'000	2017 KSh'000
Revenue	5	296,020	291,492
Cost of sales		-	-
Gross profit		296,020	291,492
Gain on fair value of equity investments	19	6,073	11,146
Gain on fair value gain of investment property	15	12,200	25,000
Gain on disposal of financial assets		470	-
Impairment loss	9	(3,970)	259
Administrative expenses		(9,873)	(8,879)
Profit before tax	7	300,920	319,018
Tax	8	(9,129)	(35,469)
Profit for the year		291,791	283,549
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of leasehold land	17	-	49,311
Surplus on revaluation of property, plant and equipment	14	-	1,586
Deferred income tax relating to items that will not be reclassified		-	(2,942)
Other comprehensive income for the year, net of tax		-	47,955
Total other comprehensive income for the year		291,791	331,504

CONSOLIDATED BALANCE SHEET

	Note	2018 KSh'000	2017 KSh'000
EQUITY			
Share capital	11	254,852	254,852
Share premium	11	27	27
Revaluation surplus	12	152,128	160,048
Retained earnings		2,637,207	2,509,157
Total equity		3,044,214	2,924,084
Non-current liabilities			
Deferred income tax	13	214,016	234,698
		3,258,230	3,158,782
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	14	950,995	977,385
Investment property	15	245,200	233,000
Intangible assets	16	570	793
Prepaid operating lease rentals	17	53,941	54,894
Financial assets	19	1,055,133	1,001,600
		2,305,839	2,267,672
Current assets			
Inventories	20	37,040	53,742
Trade and other receivables	21	146,606	147,680
Current tax recoverable		42,934	44,309
Financial assets	19	31,250	31,250
Short-term bank deposits	22	764,748	731,906
Cash at bank and in hand	23	42,816	30,415
		1,065,394	1,039,302
Current liabilities			
Trade and other payables	24	84,611	124,454
Dividend payable	25(ii)	28,392	23,738
		113,003	148,192
Net current assets		952,391	891,110
		3,258,230	3,158,782

The financial statements on pages 18 to 52 were authorised for issue by the board of directors on 25th October 2018 and were signed on its behalf by:

Director **Director**

COMPANY BALANCE SHEET

	Note	2018 KSh'000	2017 KSh'000
EQUITY			
Share capital	11	254,852	254,852
Share premium	11	27	27
Revaluation surplus	12	47,955	47,955
Retained earnings		1,610,623	1,497,228
Total equity		1,913,457	1,800,062
Non-current liabilities			
Deferred income tax	13	9,946	32,819
		1,923,403	1,832,881
REPRESENTED BY			
Non-current assets			
Investment property	15	245,200	233,000
Prepaid operating lease rentals	17	10,946	11,405
Investment in subsidiaries	18	3,546	3,546
Financial assets	19	853,507	805,860
		1,113,199	1,053,811
Current assets			
Trade and other receivables	21	22,377	23,594
Current tax recoverable		9,776	25,588
Financial assets	19	31,250	31,250
Short-term bank deposits	22	756,103	723,844
Cash at bank and in hand	23	23,490	5,123
		842,996	809,399
Current liabilities			
Trade and other payables	24	1,758	5,466
Dividend payable	25(ii)	28,392	23,738
Due to subsidiary companies	26(ii)	2,642	1,125
		32,792	30,329
Net current assets		810,204	779,070
		1,923,403	1,832,881

The financial statements on pages 18 to 52 were authorised for issue by the board of directors on 25th October 2018 and were signed on its behalf by:

Director **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital KSh'000	Share premium KSh'000	Revaluation surplus KSh'000	Retained earnings KSh'000	Total KSh'000
At 1st August 2016	254,852	27	92,618	2,326,701	2,674,198
Changes in equity in 2017					
Profit for the year	-	-	-	352,300	352,300
Surplus on revaluation of leasehold land	-	-	49,311	-	49,311
Surplus on revaluation of property, plant and equipment	-		39,794	-	39,794
Deferred income tax relating to components of other comprehensive income	-	-	(13,123)	-	(13,123)
Total comprehensive income for the year	-	-	75,982	352,300	428,282
Transactions with owners:					
Dividends:					
- Final for 2016	-	-	-	(178,396)	(178,396)
Transfer of excess depreciation	-	-	(12,217)	12,217	-
Deferred income tax on depreciation transfer	-	-	3,665	(3,665)	-
At 31st July 2017	254,852	27	160,048	2,509,157	2,924,084
At 1st August 2017	254,852	27	160,048	2,509,157	2,924,084
Changes in equity in 2018					
Profit for the year	-	-	-	298,526	298,526
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(178,396)	(178,396)
Transfer of excess depreciation	-	-	(11,314)	11,314	-
Deferred income tax on depreciation transfer	-	-	3,394	(3,394)	-
At 31st July 2018	254,852	27	152,128	2,637,207	3,044,214

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital KSh'000	Share premium KSh'000	Revaluation surplus KSh'000	Retained earnings KSh'000	Total KSh'000
At 1st August 2016	254,852	27	-	1,392,075	1,646,954
Changes in equity in 2017					
Profit for the year	-	-	-	283,549	283,549
Surplus on revaluation of property, plant and equipment	-	-	1,586	-	1,586
Surplus on revaluation of leasehold land	-	-	49,311	-	49,311
Deferred income tax relating to components of other comprehensive income	-	-	(2,942)	-	(2,942)
Total comprehensive income for the year	-	-	47,955	283,549	331,504
Transactions with owners:					
Dividends:					
- Final for 2016	-	-	-	(178,396)	(178,396)
At 31st July 2017	254,852	27	47,955	1,497,228	1,800,062
At 1st August 2017	254,852	27	47,955	1,497,228	1,800,062
Changes in equity in 2018					
Profit for the year	-	-	-	291,791	291,791
Transactions with owners:					
Dividends:					
- Final for 2017	-	-	-	(178,396)	(178,396)
At 31st July 2018	254,852	27	47,955	1,610,623	1,913,457

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2018 KSh'000	2017 KSh'000
Cash flows from operating activities			
Profit for the year		298,526	352,300
Adjustments for:			
Income tax expense		80,412	104,356
Depreciation of property, plant and equipment	14	53,157	76,647
Amortisation of prepaid lease rental		953	952
Amortisation of intangible assets		223	459
Gain on disposal of property, plant and equipment	6	(2,771)	(320)
Gain on disposal of available-for-sale financial assets		(470)	-
Loss/(gain) on fair value of equity investments	19	9,814	(11,115)
Gain on fair value gain of investment property	15	(12,200)	(25,000)
Dividend income- financial assets at fair value through profit or loss	5	(9,167)	(7,997)
Impairment of property, plant and equipment		-	2,176
Interest income		(151,661)	(143,407)
Operating profit before working capital changes		266,816	349,051
Decrease/(increase) in:			
Inventories		16,702	(24,388)
Trade and other receivables		1,074	30,543
(Decrease)/increase in:			
Trade and other payables		(39,843)	(21,327)
Cash generated from operations		244,749	333,879
Interest received		151,661	143,407
Income tax paid		(99,719)	(150,179)
Net cash generated from operating activities		296,691	327,107
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(34,383)	(71,913)
Proceeds from disposal of property, plant and equipment		10,387	4,685
Purchase of equity investments	19	(37,037)	(35,464)
Proceeds on redemption of corporate bond		31,250	31,250
Increase in short term bank deposits		(32,842)	192,579
Purchase of government securities		(60,067)	(288,015)
Proceeds from disposal of financial assets		2,977	-
Dividends received		9,167	7,997
Net cash used in investing activities		(110,548)	(158,881)
Cash flows from financing activities			
Dividends paid	25(ii)	(173,742)	(175,551)
Net cash used in financing activities		(173,742)	(175,551)
Net increase/(decrease) in cash and cash equivalents		12,401	(7,325)
		30,415	37,740
Cash and cash equivalents at end of year	23	42,816	30,415

COMPANY STATEMENT OF CASH FLOWS

	Note	2018 KSh'000	2017 KSh'000
Cash flows from operating activities			
Profit for the year		291,791	283,549
Adjustments for:			
Income tax expense		9,129	35,469
Amortisation of prepaid lease rental		459	459
Gain on disposal of available-for-sale financial assets		(470)	-
Gain on fair value of equity investments	19	(12,200)	(25,000)
Gain on fair value gain of investment property	15	(6,073)	(11,146)
Dividend income - financial assets at fair value through profit or loss	5	(9,167)	(7,997)
Dividend income - investment in subsidiary		(120,000)	(125,000)
Impairment of property, plant and equipment		-	-
Interest income		(150,398)	(142,228)
Operating profit before working capital changes		3,071	8,106
Decrease/(increase) in:			
Trade and other receivables		1,217	(2,476)
(Decrease)/increase in:			
Trade and other payables		(3,708)	(3,625)
Due to subsidiary companies		1,517	(155,565)
Cash generated from/(used in) operations		2,097	(153,560)
Interest received		150,398	142,228
Income tax paid		(16,190)	(56,126)
Net cash generated from/(used in) operating activities		136,305	(67,458)
Cash flows from investing activities			
Purchase of equity investments	19	(15,264)	(12,951)
Proceeds on redemption of corporate bond	19	31,250	31,250
Increase in short term bank deposits		(32,259)	193,152
Purchase of government securities		(60,067)	(288,015)
Proceeds from disposal of financial assets		2,977	-
Dividends received		9,167	7,997
Net cash used in investing activities		(64,196)	(68,567)
Cash flows from financing activities			
Dividend received from subsidiary		120,000	285,000
Dividends paid	25(ii)	(173,742)	(175,551)
Net cash (used in)/generated from financing activities		(53,742)	109,449
Net increase/(decrease) in cash and cash equivalents		18,367	(26,576)
Cash and cash equivalents at start of year		5,123	31,699
Cash and cash equivalents at end of year	23	23,490	5,123

NOTES

1. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency of the Company (see (d) below), rounded to the nearest thousand (KSh'000).

The financial statements comprise a profit and loss account (statement of profit or loss), statement of comprehensive income, balance sheet (statement of financial position), statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Group in their capacity as owners are recognised in the statement of changes in equity.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:
• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

b) New and revised standards

i) Adoption of new and revised standards

A number of amendments to standards became effective for the first time in the financial year beginning 1st August 2017 and have been adopted by the Group. None of them has had an effect on the Group's and Company's financial statements.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

b) New and revised standards (continued)

ii) New and revised standards that have been issued but are not yet effective

The Group and Company have not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1st August 2017, and the directors do not plan to apply any of them until they become effective. Note 29 lists all such new or revised standards and interpretations, with their effective dates, and provides reasonably estimable information relevant to assessing the possible impact that application of them will have on the Group's and the Company's financial statements in the period of initial application.

c) Consolidation

A subsidiary is an entity (an investee) controlled by the Company. The Company controls an investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group's financial statements incorporate the results, cash flows, assets and liabilities of the Company and its subsidiaries. All intergroup transactions, balances, income, and expenses are eliminated on consolidation. Non-controlling interests in the results and net assets of the subsidiaries are presented separately in the Group's balance sheet, profit and loss account and statement of other comprehensive income.

d) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency of the respective entity (the currency of the primary economic environment in which the entity operates), which for the Group is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the profit and loss account in the year in which they arise.

f) Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services in the course of the Group's activities. It is recognised when it is probable that future economic benefits will flow to the Group and the amount of revenue can be measured reliably. It is stated net of Value Added Tax, rebates and trade discounts. Cash discounts are included as part of finance costs.

Sale of goods are recognised upon the delivery of the product and customer acceptance and represents the value of carbon dioxide gas and/or dry ice invoiced to customers, excluding value added tax while sale of services are recognised upon performance of the service and customer acceptance based on the proportion of actual service rendered to the total services to be provided.

Rental income from operating leases is recognised on a straight line basis over the period of the lease. Dividend income is recognised when the right to receive the payment is established

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

g) Income tax

Current tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

h) Share capital and share premium

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

i) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are not recognised until they have been declared at an annual general meeting.

j) Financial instruments

Classification

The Group classifies its financial instruments into the following categories:

i) **Financial assets and financial liabilities at fair value through profit or loss,** which comprise financial assets and financial liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term or to generate short-term profit-taking;

NOTES (CONTINUED)

j) Financial instruments (continued)

Classification (continued)

ii) **Held-to-maturity investments**, which comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has a positive intention and ability to hold to maturity.

The Group and Company have not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1st August 2017, and the directors do not plan to apply any of them until they become effective. Note 28 lists all such new or revised standards and interpretations, with their effective dates, and provides reasonably estimable information relevant to assessing

iv) **Financial liabilities,** which comprise all financial liabilities.

A subsidiary is an entity (an investee) controlled by the Company. The Company controls an investee when the

- Demand and term deposits with banking institutions and trade and other receivables were classified as 'loans and receivables'.
- Government securities and corporate bonds were classified as 'held-to-maturity investments'.
- Investments in quoted securities were classified as financial assets at fair value through profit and loss financial assets.
- Trade and other liabilities were classified as financial liabilities.

Financial assets:

All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale. Financial assets carried at fair value through profit or loss are initially recognised at fair value and the transaction costs are expensed in the profit and loss account. All other categories of financial assets are recorded at the fair value of the consideration given plus the transaction cost.

Subsequent measurement

Subsequently, held-to-maturity investments and loans and receivables are carried at amortised cost using the effective interest method, while all other financial assets are carried at their fair values, without deduction for transaction costs that may be incurred on sale. However, investments in equity shares classified as available-for-sale assets for which there is no active market and whose fair value cannot be reliably measured are carried at cost less impairment.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. If any such evidence exists, an impairment loss is recognised. Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. In the case of held-to-maturity investments and loans and receivables, the recoverable amount is the present value of the expected future cash flows, discounted using the asset's effective interest rate.

Changes in fair value of financial assets at fair value through profit or loss are recognised in the profit and loss account.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

j) Financial instruments (continued)

Subsequent measurement (continued)

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the profit and loss account. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the profit or loss account as a reclassification adjustment.

Changes in the carrying values and impairment losses of held-to-maturity investments and loans and receivables are recognised in the profit and loss account. Trade and other receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

Financial liabilities:

All financial liabilities are recognised initially at the fair value of the consideration given less the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Presentation

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the balance sheet date, those which the directors have the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expire.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

k) Leases

Operating leases

Leases of assets where a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made/received under operating leases are charged/credited to the profit and loss account on a straight line basis over the lease period. Prepaid operating lease rentals are recognised as assets and are subsequently amortised over the lease period.

l) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

m) Post-employment benefit obligations

The Group operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme managed by an insurance Group. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The Group's contributions are charged to the profit and loss account in the year to which they relate.

The Group and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Group's contributions are charged to the profit and loss account in the year to which they relate.

n) Short term employee benefits

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an employment cost accrual.

o) Property, plant and equipment

All categories of property, plant and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment. Items of property, plant and equipment are subsequently carried at a revalued amount, based on 3 year intervals by external independent valuers, less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the company over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

o) Property, plant and equipment (continued)

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate - %
Leasehold land and buildings	Over 50 years or remaining lease period whichever is less
Freehold land	Nil
Boreholes	5
Roads	10
Motor vehicles	10 - 25
Plant and equipment	5 - 33.3

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item, is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

p) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 25%.

q) Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the balance sheet date determined by annual valuations carried out by external registered valuers (Level 2). Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate.

Subsequent expenditure on investment property where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

r) Investment in subsidiaries

In the Company's balance sheet, investments in subsidiaries are measured at cost less accumulated impairment

s) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES (CONTINUED)

1. Summary of significant accounting policies (continued)

t) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw material, direct labour, other direct costs, variable production overheads and an allocation of fixed production overheads based on normal operating capacity, but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

u) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

a) Significant judgements made in applying the Group's accounting policies

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

i) Whether the Group has the ability to hold 'held-to maturity' investments until they mature. If the Group were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

ii) Judgement made by management in determining royalties payable by Carbacid (CO_2) Limited to the Ministry of Mining.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Impairment losses on financial assets

Estimates made in determining the impairment losses on trade receivables and short term deposits. Such estimates include the determination of the net realisable value or the recoverable amount of the assets. The movement on the impairment provision is set out in Note 9.

ii) Provision for inventories

Estimates made in determining the provision for slow moving and obsolete inventory. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. The movement on the impairment provision is set out in Note 20.

iii) Fair value of investment property

Estimates made in determining the fair value of investment property. Such estimates include the determination of the open market value of investment property. The company engaged a registered valuer C.P Robertson - Dunn Valuer& Estate Agent to carry out the valuation. The movement on fair value gain is set out in Note 15.

NOTES (CONTINUED)

3. Risk management objectives and policies

a) Financial risk management

The Group's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Group's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Group's performance by setting acceptable levels of risk. The Group does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis. The Group does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting a credit limit and credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the Group and the Company to credit risk as at the balance sheet date is as follows:

Group	**Fully performing**	**Past due but not impaired**	**Impaired**	**Total**
31st July 2018	**KSh'000**	**KSh'000**	**KSh'000**	**KSh'000**
Financial assets	697,236	-	-	697,236
Trade and other receivables	132,347	-	-	132,347
Short term bank deposits	764,748	-	-	764,748
Cash at bank	42,816	-	-	42,816
Maximum exposure to credit risk	1,637,147	-	-	1,637,147
31st July 2017				
Financial assets	668,419	-	-	668,419
Trade and other receivables	139,383	-	-	139,383
Short term bank deposits	728,206	-	3,700	731,906
Cash at bank	30,415	-	-	30,415
Maximum exposure to credit risk	1,566,423	-	3,700	1,570,123

Company				
31st July 2018				
Financial assets	697,236	-	-	697,236
Trade and other receivables	21,817	-	-	21,817
Short term bank deposits	756,103	-	-	756,103
Cash at bank	23,490	-	-	23,490
Maximum exposure to credit risk	1,498,646	-	-	1,498,646

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

a) Financial risk management (continued)

i) Credit risk (continued)

Company (continued)	**Fully performin KSh'000**	**Past due but not impaired KSh'000**	**Impaired KSh'000**	**Total KSh'000**
31st July 2017				
Financial assets	668,419	-	-	668,419
Trade and other receivables	23,269	-	-	23,269
Short term bank deposits	720,144	-	3,700	723,844
Cash at bank	5,123	-	-	5,123
Maximum exposure to credit risk	1,416,955	-	3,700	1,420,655

Trade debtors are not impaired and continue to be paid. An impairment provision of KSh 12,086,000 (2016: KSh 22,113,000) and KSh 270,000 (2017: KSh Nil) is held against the impaired receivables by the Group and the Company respectively. The Group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Group's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

Group	**Less than one month KSh'000**	**Between 1-3 months KSh'000**	**Between 3-12 months KSh'000**	**Over 1 year KSh'000**
31st July 2018				
Trade and other payables	70,059	7,213	7,339	-
Dividend payable	28,392	-	-	-
	98,451	7,213	7,339	-
31st July 2017				
Trade and other payables	124,454	-	-	-
Dividend payable	23,738	-	-	-
	148,192	-	-	-

Company	**Less than one month KSh'000**	**Between 1-3 months KSh'000**	**Between 3-12 months KSh'000**	**Over 1 year KSh'000**
31st July 2018				
Trade and other payables	1,758	-	-	-
Due to related parties	-	2,642	-	-
	1,758	2,642	-	-
31st July 2017				
Trade and other payables	5,466	-	-	-
Due to related parties	-	1,125	-	-
	5,466	1,125	-	-

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the group's financial condition may be adversely affected as a result of changes in interest rate levels. The Group's interest rate risk arises from deposits with banking institutions and investments in corporate and government bonds. This exposes the company to cash flow interest rate risk. Management consider that a change in interest rates of 1 percentage points in the year ending 31st July 2018 is reasonably possible. If the interest rates on the group's deposit with financial institution at the year-end were to increase/decrease by this number of percentage points, with all other factors remaining constant, the post tax profit and equity of the Group would be higher/lower by KSh 5,353,000 (2017: KSh 5,123,000) and of the Company would decrease/increase by KSh 5,293,000 (2017: KSh 5,067,000) respectively.

Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The Group has trade receivables and trade payables that are denominated in foreign currency.

The Company did not have any foreign currency denominated monetary assets and liabilities at the balance sheet date.

The significant exposure in respect of each currency is as follows:

	Group		
	US$	**TZ Shs**	**Total**
	KSh'000	**KSh'000**	**KSh'000**
Year ended 31st July 2018			
Trade receivables	48,725		48,725
Financial assets	-	201,626	201,626
Cash and bank	14,207	-	14,207
Trade payables	(763)	-	(763)
Net exposure	62,169	201,626	263,795
Year ended 31st July 2017			
Trade receivables	66,724	-	66,724
Financial assets	-	195,740	195,740
Cash and bank	25,086	-	25,086
Net exposure	91,810	195,740	287,550

Management consider that an appreciation of the United States Dollar and the Tanzania Shillings against the Kenya Shilling of 1% and 5% respectively or a depreciation of the United States Dollar and the Tanzania Shillings against the Kenya Shilling of 5% and 1% respectively in the year ending 31st July 2019 are both reasonably possible. If the United States Dollar and the Tanzania were to appreciate/depreciate against the Kenya Shilling by the said percentages, with all other factors remaining constant, the post tax profit and equity of the Group would be lower/higher by KSh 7,492,000/ KSh 3,587,000 (2017: KSh 7,494,000 and KSh 4,584,000) respectively.

NOTES (CONTINUED)

3. Risk management objectives and policies (continued)

iii) Market risk (continued)

Other price risk

Other price risk arises on financial instruments because of changes in the price of a financial instrument. The Group is exposed to other price risk on its investment in quoted shares. Management consider that a change in the market prices of its quoted shares of 10% either way in the year ending 31st July 2019 is reasonably possible. If the price of available-for-sale financial assets decreased/increased by the said percentage, with other factors remaining constant, the profit after tax of the Group would decrease/increase by KSh 38,915,000 (2017: KSh 36,443,000), and of the Company would decrease/increase by KSh 18,752,000 (2017: KSh 16,869,000).

b) Capital management

The Group's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The Group is not subject to any external capital requirements.

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 the 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:

i) Trading
ii) Investments

b) Segment revenues and results, assets and liabilities

The segment report provided to the Group's board of directors for the reportable segments is as follows:

Year 2018	**Trading KSh' 000**	**Investment KSh' 000**	**Group KSh' 000**
Operating revenue	565,508	-	565,508
Interest income	1,263	150,398	151,661
Fair value gain on investment property	-	12,200	12,200
Profit before tax	213,647	165,291	378,938
Segment assets	1,351,011	2,020,222	3,371,233
Segment liabilities	281,990	45,029	327,019
Tax	67,241	13,171	80,412
Depreciation of property, plant and equipment	53,157	-	53,157
Amortisation of intangible assets	223	-	223
Amortisation of prepaid lease rental	-	953	953
Capital expenditures	34,383	-	34,383

NOTES (CONTINUED)

4. Segmental information (continued)

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

Year 2017	**Trading KSh' 000**	**Investment KSh' 000**	**Group KSh' 000**
Operating revenue	589,380	-	589,380
Interest income	1,179	142,228	143,407
Fair value gain on investment property	-	25,000	25,000
Profit before tax	265,860	190,796	456,656
Segment assets	1,362,569	2,163,017	3,306,974
Segment liabilities	319,924	63,148	382,890
Tax	68,891	35,465	104,356
Amortisation of intangible assets	459	-	459
Amortisation of prepaid lease rental	-	952	952
Depreciation of property, plant and equipment	75,855	646	76,647
Capital expenditures	56,650	15,263	71,913

Revenue reported above represent revenue generated from external customers. There were no revenue derived from transactions with a single customer that amount to 10% of the group's revenue.

c) Turnover - geographical distribution

The sale of carbon dioxide is derived from sale in the following markets:

	2018 KSh' 000	**2017 KSh' 000**
Domestic sales	279,272	308,346
Export sales	286,236	281,034
	565,508	589,380

	Group		**Company**	
5. Revenue	**2018 KSh'000**	**2017 KSh'000**	**2018 KSh'000**	**2017 KSh'000**
Operating revenue	565,508	589,380	-	-
Rental income	26,828	16,267	16,455	16,267
Dividend income				
- Financial assets at fair value through profit or loss	9,167	7,997	9,167	7,997
- Investment in subsidiary	-	-	120,000	125,000
Interest income - Held-to-maturity	151,661	143,407	150,398	142,228
	753,164	757,051	296,020	291,492

6. Other income - Group	**2018 KSh'000**	**2017 KSh'000**
Sale of machine spares	2,267	2,256
Gain on disposal of property, plant and equipment	2,771	320
Sundry income	6,473	9,749
Net foreign exchange (loss)/gain	(2,420)	3,212
	9,091	15,537

NOTES (CONTINUED)

7. Profit before tax

	Group		Company	
	2018 KSh'000	2017 KSh'000	2018 KSh'000	2017 KSh'000
(a) Items charged				
The following items have been charged in arriving at profit before tax expense/income:				
Manufacturing expenses	206,292	196,732	-	-
Employee benefits expense (Note 7(b))	144,196	134,299	-	-
Net foreign exchange loss/(gain)	2,420	(3,212)	-	-
Depreciation of property, plant and equipment	53,157	76,647	-	-
Amortisation of prepaid operating lease rental	953	952	459	459
Amortisation of intangible assets	223	459	-	-
(b) Employee benefits expense				
The following items are included in employee benefits expense:				
Wages and salaries	136,204	126,421	-	-
Retirement benefit costs:			-	-
- Defined contribution scheme	7,825	7,696	-	-
- National Social Security Fund	167	182	-	-
	144,196	134,299	-	-

The average numbers of persons employed during the year, by category, were:

	Group		Company	
	Number	Number	Number	Number
Production	27	26	-	-
Sales and distribution	18	22	-	-
Management and administration	23	23	-	-
Total	68	71	-	-

8. Tax

	Group		Company	
	2018 KSh'000	2017 KSh'000	2018 KSh'000	2017 KSh'000
Current income tax	101,094	122,719	32,002	29,580
Deferred income tax (Note 13)	(20,682)	(18,363)	(22,873)	5,889
Income tax expense	80,412	104,356	9,129	35,469
The tax on the Group's and Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:				
Profit before income tax	378,938	456,656	300,920	319,018
Tax calculated at the statutory tax rate of 30%	113,681	136,997	90,276	95,705
Tax effect of:				
Income not subject to tax	(21,426)	(21,274)	(57,426)	(59,736)
Income subject to tax at 5%	(3,050)	-	(3,050)	-
Expenses not deductible for tax purposes	8,301	832	1,873	183
Deferred tax asset not recognised	9,758	-	9,758	-
Over-provision of tax in prior year - Deferred tax	(26,852)	(12,199)	(32,302)	(683)
Income tax expense	80,412	104,356	9,129	35,469

NOTES (CONTINUED)

9. Impairment loss

	Group		Company	
	2018	**2017**	**2018**	**2017**
	KSh'000	**KSh'000**	**KSh'000**	**KSh'000**
Impairment loss on trade and other receivables	270	2,816	270	(259)
Impairment loss on short term deposits	3,700	-	3,700	-
	3,970	2,816	3,970	(259)

10. Earnings per share - basic and diluted

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

	2018	**2017**
	KSh'000	**KSh'000**
Profit for the year (KSh ' 000)	298,526	352,300
Number of ordinary shares (thousands) - Note 11	254,852	254,852
Earnings per share - Basic and diluted (KSh)	1.17	1.38

There were no potentially dilutive shares outstanding at either 31st July 2018 or 31st July 2017.

11. Share capital

	Group and Company		
	No. of ordinary shares	**Issued and fully paid up capital KSh'000**	**Share premium KSh'000**
At 1st August 2017 and 31st July 2018	254,851,985	254,852	27
At 1st August 2016 and 31st July 2017	254,851,985	254,852	27

The total number of authorised ordinary shares is 1,000,000,000 (2017: 1,000,000,000) with a par value of KSh 1

12. Revaluation surplus

The revaluation surplus arose on the revaluation of items of property, plant and equipment and is stated net of deferred income tax. The surplus is not distributable.

13. Deferred income tax

Deferred income tax is calculated using the enacted tax rate of 30% except for capital gains, for which the enacted tax rate of 5% is used (2017: 30% and 5%).

NOTES (CONTINUED)

13. Deferred income tax (continued)

Deferred tax assets/ (liabilities), and the deferred tax charge/(credit) in the profit and loss account and in other comprehensive income are attributable to the following items:

Group	At 1st August 2017 KSh'000	(Credited)/ charged to profit or loss KSh'000	At 31st July 2018 KSh'000
Year ended 31st July 2018			
Property, plant and equipment	219,382	(3,134)	216,248
Investment property	38,286	(27,134)	11,152
Unrealised exchange gains	238	(964)	(726)
Provision for impairment of receivables and short term deposit	(6,467)	1,731	(4,736)
Leave pay	(558)	98	(460)
Other general provision	(3,281)	(1,569)	(4,850)
Provision for inventories	(3,144)	532	(2,612)
Tax losses carried forward	(9,758)	-	9,758
Deferred tax not recognised	-	(9,758)	(9,758)
Net deferred tax liability	234,698	(40,198)	214,016

	At 1st August 2016 KSh'000	(Credited)/charged to profit or loss KSh'000	Charged to other comprehensive income KSh'000	At 31st July 2017 KSh'000
Year ended 31st July 2017				
Property, plant and equipment	230,427	(24,168)	13,123	219,382
Investment property	30,786	7,500	-	38,286
Unrealised exchange gains	1,138	(900)	-	238
Provision for impairment of receivables and short term deposits	(6,975)	508	-	(6,467)
Leave pay	(1,215)	657	-	(558)
Other general provision	(3,946)	665	-	(3,281)
Provision for inventories	(2,843)	(301)	-	(3,144)
Tax losses carried forward	(7,434)	(2,324)	-	(9,758)
Net deferred tax liability	239,938	(18,363)	13,123	234,698

The (credit)/charge to other comprehensive income relates to:	2018 KSh'000	2017 KSh'000
Items that will not be reclassified subsequently to profit or loss:		
Surplus/(deficit) on revaluation of property, plant and equipment	-	(13,123)

In addition, deferred tax of KSh 3,394,000 (2017: KSh 3,665,000) was transferred from the revaluation surplus to retained earnings. This relates to the difference between the actual depreciation of the revalued carrying amounts of items of property, plant and equipments the equivalent depreciation based on the historical cost of those assets (the excess depreciation).

NOTES (CONTINUED)

13. Deferred income tax (continued)

Company

Year ended 31st July 2018	**At 1st August 2017 KSh'000**	**(Credited)/charged to profit or loss KSh'000**	**At 31st July 2018 KSh'000**
Investment property	39,655	(28,503)	11,152
Revaluation of property, plant and equipment	2,942	(2,942)	-
Software allowance	(20)	5	(15)
Provision for impairment of receivables and short term deposit	-	(1,191)	(1,191)
Tax losses carried forward	(9,758)	-	(9,758)
Deferred tax assets not recognised	-	9,758	9,758
Net deferred tax liability	32,819	(22,873)	9,946

Year ended 31st July 2017	**At 1st August 2016 KSh'000**	**(Credited)/charged to profit or loss KSh'000**	**Charged to other comprehensive income KSh'000**	**At 31st July 2017 KSh'000**
Investment property	31,422	8,233	-	39,655
Revaluation of property, plant and equipment	-	-	2,942	2,942
Software allowance		(20)	-	(20)
Tax losses carried forward	(7,434)	(2,324)	-	(9,758)
Net deferred tax liability	23,988	5,889	2,942	32,819

The deferred tax asset has not been recognised on deductible temporary differences and tax losses carried forward amounting to KSh 9,758,000 (2017: KSh Nil) due to lack of certainty of availability of future taxable profits against which such deductible temporary differences and tax losses could be utilised. Under the Kenyan Income Tax Act, tax losses are allowable as a deduction only in the nine years succeeding the year in which they occurred. The tax losses of KSh 32,527,329 carried forward will expire by 31st July 2026.

NOTES (CONTINUED)

14. Property, plant and equipment - Group

	Leasehold land buildings and boreholes KSh'000	Freehold land KSh'000	Road KSh'000	Motor vehicles KSh'000	Plant and equipment KSh'000	Total KSh'000
At 1st August 2016						
Cost or valuation	146,942	35,959	31,190	161,907	734,964	1,110,962
Accumulated depreciation	(6,283)	-	(6,169)	(31,746)	(85,507)	(129,705)
Net carrying amount	140,659	35,959	25,021	130,161	649,457	981,257
Year ended 31st July 2017						
Opening carrying amount	140,659	35,959	25,021	130,161	649,457	981,257
Revaluation surplus	(16,003)	5,123	829	5,124	44,330	39,403
Additions	11,933	13,463	-	14,520	31,997	71,913
Disposals	-	-	-	(4,365)	-	(4,365)
Impairment loss	(2,176)	-	-	-	-	(2,176)
Transfer to investment property (Note 14)	(32,000)	-	-	-	-	(32,000)
Depreciation charge	(3,665)	-	(3,119)	(21,824)	(48,039)	(76,647)
Closing carrying amount	98,748	54,545	22,731	123,616	677,745	977,385
At 31st July 2017						
Cost or valuation	98,748	54,545	22,731	123,616	677,745	977,385
Accumulated depreciation	-	-	-	-	-	-
Net carrying amount	98,748	54,545	22,731	123,616	677,745	977,385
Year ended 31st July 2018						
Opening carrying amount	98,748	54,545	22,731	123,616	677,745	977,385
Additions	232	-	-	6,003	28,148	34,383
Disposals	-	-	-	(7,616)	-	(7,616)
Reclassification of assets	61,506	-	1,130	(7,133)	(55,503)	-
Depreciation charge	(2,858)	-	(2,386)	(11,018)	(36,895)	(53,157)
Closing carrying amount	157,628	54,545	21,475	103,852	613,495	950,995
At 31st July 2018						
Cost or valuation	160,486	54,545	23,861	114,870	650,390	1,004,152
Accumulated depreciation	(2,858)	-	(2,386)	(11,018)	(36,895)	(53,157)
Net carrying amount	157,628	54,545	21,475	103,852	613,495	950,995

All items of property, plant and equipment were valued (Level 2) on 31st July 2017 by C. P Robertson Dunn Valuers and Estate Agents, independent valuers, on the basis of open market value. The carrying amount of the asset was restated to the revalued amount of the asset, and the resulting surplus arising on revaluation net of deferred income tax was recognised in other comprehensive income and credited to the revaluation surplus in equity.

NOTES (CONTINUED)

14. Property, plant and equipment - Group (continued)

If the freehold land, leasehold land and buildings and plant and machinery were stated on the historical cost basis, the Carrying values would be as follows:

	Leasehold buildings and boreholes	Freehold land	Road	Motor vehicles	Plant and equipment	Total
	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000	KSh'000
31st July 2018						
Cost	117,483	36,422	31,190	161,907	766,961	1,113,963
Accumulated depreciation	(10,202)	-	(10,570)	(62,328)	(162,294)	(245,394)
Net book amount	107,281	36,422	20,620	99,579	604,667	868,569
31st July 2017						
Cost	117,483	36,422	31,190	161,907	766,961	1,113,963
Accumulated depreciation	(7,632)	-	(9,288)	(53,085)	(133,546)	(203,551)
Net book amount 2017	83,396	36,422	12,821	92,432	633,415	858,486

Property plant and equipment - Company

At 1st August 2016	**Buildings**
	KSh'000
Cost or valuation	32,292
Accumulated depreciation	(1,232)
Net carrying amount	31,060
Year ended 31st July 2017	
Opening carrying amount	31,060
Revaluation surplus	1,586
Transfer to investment property (Note 15)	(32,000)
Depreciation charge	(646)
Closing carrying amount	-

15. Investment property

	Group		Company	
	2018	2017	2018	2017
	KSh'000	KSh'000	KSh'000	KSh'000
At beginning of the year	233,000	120,000	233,000	120,000
Transfers from property, plant and equipment (Note 14)	-	32,000	-	32,000
Transfers from prepaid operating lease	-	56,000	-	56,000
Fair value gain	12,200	25,000	12,200	25,000
At the end of year	245,200	233,000	245,200	233,000

The fair value of the investment property is based on the valuation carried out on 31st July 2018 by C.P Robertson-Dunn Valuers& Estate Agents, independent valuers, on the basis of open market value (Level 2). The valuer is a registered valuer and has recent experience in the location and the category of the investment property being valued.

NOTES (CONTINUED)

16. Intangible assets - Group

	2018 KSh'000	2017 KSh'000
Cost		
At 1st August	793	1,829
Revaluation surplus	-	(1,036)
At 31st July	793	793
Amortisation		
At 1st August	-	968
Charge for the year	223	459
Revaluation surplus	-	(1,427)
At 31st July	223	-
Net book amount		
At 31st July	570	793

Intangible assets relate to computer software and fleet management software.

17. Prepaid operating lease rentals

Prepaid operating lease rentals are recognised at historical cost and subsequently amortised over the lease period. The movement in prepaid operating lease rentals is as follows:

	Group		Company	
Cost	**2018 KSh'000**	**2017 KSh'000**	**2018 KSh'000**	**2017 KSh'000**
At 1st August	64,790	74,963	17,350	27,523
Revaluation gain on portion transferred to investment property	-	45,827	-	45,827
Transfer to investment property	-	(56,000)	-	(56,000)
At 31st July	64,790	64,790	17,350	17,350
Amortisation				
At 1st January	9,896	12,428	5,945	8,970
Amortisation charge	953	952	459	459
Elimination on revaluation of portion transferred to investment property	-	(3,484)	-	(3,484)
At 31st July	10,849	9,896	6,404	5,945
Net book amount				
At 31st July	53,941	54,894	10,946	11,405

NOTES (CONTINUED)

18. Investment in subsidiaries (Company)

	Holding	Share capital	Place of incorporation and operation	2018	2017
	%	KSh		KSh'000	KSh'000
Carbacid (CO_2) Limited	100	56,340,000	Kenya	3,348	3,348
Goodison Twenty Nine Limited	100	100,000	Kenya	99	99
Goodison Forty Seven Limited	100	100,000	Kenya	99	99
				3,546	3,546

19. Financial assets

	Group		Company	
	2018	2017	2018	2017
	KSh'000	KSh'000	KSh'000	KSh'000
Non-current				
Held-to-maturity investments				
Government securities	470,361	410,294	470,361	410,294
Corporate bonds	195,625	226,875	195,625	226,875
Financial assets at fair value through profit or loss				
Equity investments	389,147	364,431	187,521	168,691
	1,055,133	1,001,600	853,507	805,860
Current				
Held-to-maturity investments				
Corporate bonds	31,250	31,250	31,250	31,250
	1,086,383	1,032,850	884,757	837,110

The fair values of the held-to-maturity assets at the balance sheet date were:

	2018	2017
	KSh'000	KSh'000
Government securities	506,434	434,540
Corporate bonds	231,302	261,270
	737,736	695,810

The fair values of held-to-maturity investment securities are based on prices published by brokers. Fair values of term deposits are based on discounted cash flows using a discount rate based on current market rates offered for deposits with similar maturity dates.

Investment in equity investment carried at fair value are valued on the basis of open market value (Level -1)

The movement in the fair value of those assets measured at fair value based on Level 1 were as follows:

Financial assets at fair value through profit or loss

	Group		Company	
	2018	2017	2018	2017
	KSh'000	KSh'000	KSh'000	KSh'000
Equity investments				
At start of year	364,431	317,852	168,691	144,594
Purchases	37,037	35,464	15,264	12,951
Disposal	(2,507)	-	(2,507)	-
Fair value (loss)/gain	(9,814)	11,115	6,073	11,146
At end of year	389,147	364,431	187,521	168,691

NOTES (CONTINUED)

20. Inventories - Group	**2018 KSh'000**	**2017 KSh'000**
Spare parts and materials	41,198	59,702
Carbon dioxide gas and dry ice	3,025	2,717
Fuel and chemicals	1,523	1,803
Provision for obsolete inventories	(8,706)	(10,480)
	37,040	53,742

	Group		**Company**	
	2018 KSh'000	**2017 KSh'000**	**2018 KSh'000**	**2017 KSh'000**
21. Trade and other receivables				
Trade receivables	116,857	134,844	1,593	3,097
Less: provision for impairment losses	(12,086)	(22,113)	(270)	-
Net trade receivables	104,771	112,731	1,323	3,097
Prepayments	14,259	8,297	560	325
Other receivables	27,576	26,652	20,494	20,172
	146,606	147,680	22,377	23,594
The movement on the provision for impairment losses is as follows:				
At 1st August	22,113	23,511	-	259
Net increase charged to profit and loss account	270	2,816	270	-
Provisions utilised	-	(259)	-	(259)
Bad debt written off	(10,297)	(3,955)	-	-
At 31st July	12,086	22,113	270	-
22. Short-term bank deposits				
Bank deposit (maturity > 90 days)	764,748	731,906	756,103	723,844
23. Cash and cash equivalents				
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:				
Cash and current account balances	42,816	30,415	23,490	5,123
24. Trade and other payables				
Trade payables	7,906	6,090	50	-
Accruals	76,705	118,364	1,708	5,466
	84,611	124,454	1,758	5,466

NOTES (CONTINUED)

25. Dividends

i) Proposed dividend

At the forthcoming annual general meeting, a final dividend in respect of the year ended 31st July 2018 of KSh 0.70 per share amounting to KSh 178,396,390 (2017: KSh 0.7 per share amounting to KSh 178,396,390) is to be proposed. Payment of dividends to shareholders (other than companies owning more than 12.5% of the issued shares) is subject to deduction of withholding tax at a rate of 5% for residents and 10% for non-residents.

ii) The movement in the dividend payable account is as follow:	**2018 KSh'000**	**2017 KSh'000**
At the beginning of the year	23,738	20,893
Final dividend declared	178,396	178,396
	202,134	199,289
Dividend paid to shareholders	(170,095)	(172,590)
Unclaimed dividend transferred to Unclaimed Financial Asset Authority	(3,647)	(2,961)
Dividend paid	(173,742)	(175,551)
At the end of the year	28,392	23,738

26. Related party transactions

The Company is related to other companies which are related through common shareholding or common directorships. The following transactions were carried out with related parties.

	Group		**Company**	
	2018 KSh'000	**2017 KSh'000**	**2018 KSh'000**	**2017 KSh'000**
i) Dividends received from Carbacid (CO_2) Limited	-	-	120,000	125,000

ii) Outstanding balances arising from sale and purchase of goods/services	**2018 KSh'000**	**2017 KSh'000**
Other receivables to subsidiaries		
Due to Carbacid (CO_2) Limited	2,442	925
Due to Goodison Forty Seven Limited	100	100
Due to Goodison Twenty Nine Limited	100	100
	2,642	1,125

iii) Key management compensation (including directors' remuneration)

	Group		**Company**	
	2018 KSh'000	**2017 KSh'000**	**2018 KSh'000**	**2017 KSh'000**
Salaries and other employment benefits	33,275	35,443	-	-
iv) Directors' benefits and other remuneration				
- salaries	14,160	14,194	-	-
- fees	1,700	1,316	1,700	1,316
	15,860	15,510	1,700	1,316

NOTES (CONTINUED)

26. Related party transactions (continued)

v) Services

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 KSh 3,960,000 (2017: KSh 3,960,000).

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

27. Contingent liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	KSh'000	**KSh'000**	**KSh'000**	**KSh'000**
Guarantees	6,000	6,000	-	-

The guarantee was placed with Kenya Power and Lighting Company by Commercial Bank of Africa Limited on behalf of Carbacid (CO_2) Limited. Carbacid (CO_2) Limited in turn deposited an amount of KSh 6,000,000 with the bank.

28. Commitments Capital

commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as

	Group		Company	
	2018	**2017**	**2018**	**2017**
	KSh'000	**KSh'000**	**KSh'000**	**KSh'000**
Authorised and contracted for	12,330	17,010	-	-

29. New and revised financial reporting standards

The Group has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st August 2017.

IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014)

The new standard, effective for annual periods beginning on or after 1st January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

Under IFRS 15, revenue from sale of goods will be recognised when the customer obtains control of the goods. Revenue from sales of services will be recognised over time provided the consumption of the service by the customer is simultaneous with the performance of the service by the company. Having carried out a preliminary assessment, the directors do not expect there to be a material retrospective adjustment to retained earnings on initial application of the standard in the year ending 31st July 2018.

NOTES (CONTINUED)

29. New and revised financial reporting standards (continued)

IFRS 9 *Financial Instruments* (issued in July 2014)

This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1st January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition, summarised as follows:

o IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

o For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

o For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

o For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

o The derecognition provisions are carried over almost unchanged from IAS 39.

On 1st July 2019, financial assets currently classified as available-for-sale (at fair value through other comprehensive income) will be reclassified to 'fair value through profit or loss', with the consequent transfer of the balance on the fair value reserve of KSh Nil to retained earnings. In addition, provision will have to be made for either 12-month or lifetime ECLs for all financial assets measured at amortised cost. The directors expect to apply the simplified approach for trade receivables. Based on their preliminary assessment, additional provisions of KSh Nil will have to be recognised at 1st August 2019 with a corresponding decrease, net of deferred tax, in retained earnings at that date.

The Group has not applied the following new and revised standards and interpretation that have been published and are not year effective for the year beginning 1st August 2017. This new and revised standard will not have any impact on the Group's and Company's financial statements in the period of initial application.

Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014). The amendments, applicable from a date yet to be determined.

IFRS 16 Leases (issued in January 2016)

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 in 2019 will require right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the company is the lessee. The impact has not yet been quantified, but will result in an increase in non-current assets, an increase in non-current and current liabilities, and a reduction in retained earnings.

NOTES (CONTINUED)

29. New and revised financial reporting standards (continued)

Amendments to IFRS 2 titled *Classification and Measurement of Share-based Payment Transactions*

The amendments, applicable to annual periods beginning on or after 1st January 2018, clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments (SBP), the accounting for SBP transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a SBP that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to IFRS 4 titled *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016)

The amendments, applicable to annual periods beginning on or after 1st January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial assets.

Amendment to IFRS 1 - *Annual Improvements to IFRSs 2014–2016 Cycle*, issued in December 2016

The amendment, applicable to annual periods beginning on or after 1st January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

Amendments to IAS 40 titled *Transfers of Investment Property* (issued in December 2016)

The amendments, applicable to annual periods beginning on or after 1st January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

IFRIC 22 titled *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)

The Interpretation, applicable to annual periods beginning on or after 1st January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

IFRS 17 *Insurance Contracts* (issued in May 2017)

The new standard, effective for annual periods beginning on or after 1st January 2021, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Group does not issue insurance contracts.

IFRIC 23 *Uncertainty over Income Tax Treatments* (issued in June 2017)

The Interpretation, applicable to annual periods beginning on or after 1st January 2019, clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments.

Amendments to IFRS 9 titled *Prepayment Features with Negative Compensation* (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled *Long-term Interests in Associates and Joint Ventures* (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - *Annual Improvements to IFRSs 2015–2017 Cycle*, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES (CONTINUED)

29. New and revised financial reporting standards (continued)

Amendments to IFRS 11 - *Annual Improvements to IFRSs 2015–2017 Cycle* , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not remeasure its previously held interests.

Amendments to IAS 12 - *Annual Improvements to IFRSs 2015–2017 Cycle* , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - *Annual Improvements to IFRSs 2015–2017 Cycle*, issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled *Plan Amendment, Curtailment or Settlement* (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net define