CARBACID INVESTMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

contents

Corporate information

DIRECTORS	J M Wanjigi — Chairman R A Shepherd B C Patel M K R Shah* D N O Awori (Appointed 7th August 2014) *British
AUDIT & RISK COMMITTEE	R A Shepherd — Chairman J M Wanjigi B C Patel M K R Shah*
SECRETARY	N P Kothari FCPS (Kenya) FCIS
REGISTERED OFFICE	2nd Floor, Apollo Centre, Vale Close, Ring Road Parklands, Westlands P O Box 764 - 00606, Sarit Centre Nairobi
REGISTRAR'S AND TRANSFER OFFICE	Axis Kenya 2nd Floor, Apollo Centre, Vale Close, Ring Road Parklands, Westlands P O Box 764 - 00606, Sarit Centre Nairobi
AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place Waiyaki Way, Muthangari P O Box 40092 - 00100, GPO Nairobi
BANKERS	Commercial Bank of Africa Limited Upper Hill Branch Mara & Ragati Road P O Box 30437 - 00100, GPO Nairobi CfC Stanbic Bank Limited Upper Hill Medical Centre Branch Ralph Bunche Road P O Box 2492 - 00200 Nairobi, City Square
ADVOCATES	Wainaina Ireri & Co. Advocates P O Box 42706 - 00100, GPO Nairobi

JAMES MAINA WANJIGI EGH, MSc, MA - CHAIRMAN

Aged 83, Mr Wanjigi who is a Fulbright Scholar, has been a Board member since 1970. He has held very senior cabinet positions in Government and has been a member of International organizations. He is involved in overseeing his family's businesses as well as being involved in various other business and social welfare activities.

R A (TONY) SHEPHERD

Aged 82, Mr Shepherd joined the Group as Managing Director of Carbacid (CO_2) Limited in 1967. He retired as a Managing Director of Carbacid (CO_2) Limited in 2001 and has continued as a non- executive Director. His vast knowledge and experience of the business gained over the years provides the Board with valuable technical guidance.

BALOO C PATEL

Aged 75, Mr Patel joined the Board in 2002. He is a significant shareholder in the Company and has extensive business interests in Kenya. He is also a Director of Pan African Insurance Holdings Limited. His varied business experience brings a wide range of additional skills to the Board.

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

Aged 60, Mr Shah joined the Board in 2002. He is a member of the Institute of Certified Public Accountants of Kenya, the Institute of Certified Public Secretaries of Kenya and a Fellow of the Association of Chartered and Certified Accountants of the UK. He is a former partner of PriceWaterhouse and a director of a leading consultancy firm that specializes in providing strategic and business advisory services to Family Owned Businesses. Mr Shah is substantially a non-executive Director, but has certain specific responsibilities for financial matters of the Group.

D N O Awori

Aged 60, 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.

notice
of meeting

NOTICE IS HEREBY GIVEN that the forty-fourth Annual General Meeting of the Company will be held in Conference Room, Hotel Royal Orchid Azure, Lantana Road, Westlands, Nairobi on Tuesday, 16th December 2014 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 2014.

2 To declare a final dividend as recommended by the Directors to the shareholders registered on 10th November 2014.

3 To approve Directors' fees.

4 To elect Directors:

   (a) Amb D N O Awori, who was appointed a Director of the Company with effect from 7th August 2014, retires in accordance with the Company's Articles of Association and being eligible offers himself for re-election.

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

   (c) Mr B C Patel retires by rotation and, being eligible, offers himself for re-election.

5 To authorize the Directors to fix the remuneration of the auditors, Deloitte & Touche.

By Order of the Board

N P Kothari
Secretary

16th October 2014

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

I am pleased to report that the year ended 31 July 2014 has been yet another successful year for the Carbacid Group despite new challenges faced in the year.

Although the Group recorded a reduction in sales, we have enjoyed significant increases in investment income. The investment company, Carbacid Investments Ltd, did exceptionally well with a considerable increase in investment income and gains arising from the revaluation of investment properties. Earnings per share for the year is Sh 1.93, a 3% increase from Sh 1.87 last year.

During the year a new state of the art plant was successfully commissioned at Kagwe. The new plant produces excellent quality of Carbon Dioxide while at the same time achieveing reductions of operational costs.

Carbacid's competitive advantages include consistence of product quality and timely delivery. With our large fleet of tankers, we are able to ensure that customers are always supplied in time. Equally, our state of the art machinery ensures that we remain at the forefront to supply the highest purity food grade Carbon Dioxide.

Carbacid recognizes its critical supplier status for the food and beverage industry. The Company's production facilities continue to be maintained at the highest standards to ensure high levels of operational efficiency and to provide products of the highest quality in Africa. Carbacid maintains the Food Safety Systems Certification 22000, which is an international certificate awarded to organizations in the food industry that conform to the highest standards of manufacture.

We have achieved positive cash flows which has enabled us to invest in the new plant and to also reward our Shareholders. Trading conditions have continued to become more challenging. However, the fundamentals of the business are solid and we believe we will weather the challenges.

Group sales had reduced by 13% and operating profit had declined by 6% and net profit after tax being 3% above the previous year. Administrative expenses had reduced by 13%, due to our cost cutting exercises. Net assets had increased by 12%.

Other major factors that have impacted the results for the year at the gross margin level are higher operating costs due to inflation, the higher cost of transport, higher cost of power and an increase in staff costs. A major recent new cost is the higher level of mining royalty levied by Ministry of Mines.

We welcomed a new Board member this year. We were pleased to have been able to appoint Amb. Dennis Awori as an independent Director. Dennis has already made a significant contribution to the Board deliberations.

Our commitment to creating shareholder value remains strong. At the last Annual General Meeting the shareholders approved a bonus of 1 share for every 2 shares held, thereafter, each share was subdivided into five shares. Thus each share held by our shareholder became 7.5 shares, making the shares more tradable. This action has significantly increased the number of our shareholders to 2,395. I very much welcome the new shareholders.

In respect of the year ended 31 July 2014, your Board had approved the payment of an interim dividend of 40 cents per share and now recommends a final dividend of 30 cents per share to be paid in December 2014. The total dividend per share for the full year will, therefore, be 70 cents per share, on 254,851,988 shares in issue.

As part of its Corporate Social Responsibility, your Company continues to provide bursaries to qualifying students in the neighbourhood of our mines in Kagwe and Sosiani. The Company continues to pay school fees and university fees for indigent talented students from areas in which we operate.

Your Board believes that a business that places emphasis on the principles of good governance is more likely to succeed over the long term. We have responded constructively to an increased number of government and regulatory requirements and we recognize that this is an important investment for the Group. A Statement on Corporate Governance is included in the Annual Report.

I would like to thank all our employees for their commitment in helping us to deliver some of the most time critical, complex solutions to meet our clients' needs. We have a highly engaged and competent team of people who continue to work together as a team.

As we look forward to the new financial year, we are confident of making further progress towards our strategic goals. While our markets and clients' needs are constantly evolving, we will continually seek ways to deliver their requirements effectively and efficiently.

On behalf of the Board of Directors, I would like to convey my appreciation to our management and staff for their dedicated service. I also wish to record my great appreciation for the guidance and contribution of my fellow Board members.

Nairobi	J M Wanjigi
16 October 2014	Chairman

Nina furaha kuripoti ya kwamba mwaka ulomalizika Julai 31, 2014 umekuwa bado mwaka mwengine wenye mafanikio kwa kundi la Carbacid licha ya kukabiliwa na changamoto mpya katika mwaka.

Ingawa, kundi liliandikisha mauzo yaliopungua sisi tulifurahia ongezeko kubwa katika mapato kutokana na uwekezaji. Kampuni ya uwekezaji, Carbacid Investments Limited ilifanya vizuri sana ikipata ongezeko kubwa katika mapato kutokana na uwekezaji na faida kutokana na thamani tena kwa mali ya uwezekaji. Mapato kwa kila hisa kwa mwaka ni Shillingi 1.93, ongezeko la asilimia 3 kutoka kwa shilingi 1.87 mwaka jana.

Katika kipindi cha mwaka, mtambo mpya wa kisiasa ulifanikiwa kuanzishwa kufanya kazi hapo Kagwe. Mtambo mpya unatoa gesi ya Carbon Dioxide ya kiwango cha juu na wakati huo huo kufikia kupunguza gharama za uendeshaji.

Makali ya ushindani ya Carbacid ni pamoja na uthabiti wa ubora wa bidhaa na usambazaji kwa wakati. Na meli yetu kubwa ya magari, tuna uwezo wa kuhakikisha kwamba wateja daima wanapata gesi kwa wakati. Sawa na hiyo, mitambo yetu ya kisasa inahakikisha sisi tunabaki katika mstari wa mbele katika usambazaji wa gesi ya Carbon Dioxide ya daraja ya chakula iliyo na usafi wa juu zaidi.

Carbacid inatambua umuhimu wake katika ugavi kwenye viwanda vya chakula na vinywaji, Mitambo ya kampuni inaendelea kuhifadhiwa katika viwango vya juu zaidi na kutoa bidhaa za ubora wa juu zaidi hapa Africa. Carbacid inadumisha cheti cha Food Safety Systems Certification 22000 ambacho ni cheti cha kimataifa kinachotunukiwa mashirika katika sekta ya chakula ambayo yanajilainisha na viwango vya juu vya utengenezaji.

Tumeweza kufikia mitiriko mizuri ya fedha ambayo imetuwezesha kuwekeza katika mtambo mpya na kuzawadia wanahisa wetu. Hali za biashara zimendelea kuwa na changamoto zaidi. Hato hivyo, misingi ya biashara ni imara na tunaamini tutawezeza kustahimili changamoto hizi.

Mauzo ya kundi yalipunguwa kwa asilimia 13 na faida kutokana na utenda kazi ilipungua kwa asilimia 6 na faida baada ya kodi ikiwa chini kwa asilimia 3 juu ya mwaka uliopita. Gharama za utawala zilipungua kwa asilimia 13 kutokana na mazoezi ya kupunguza matumizi. Mali baada ya makato ziliongezeka kwa asilimia 12.

Sababu nyingine ambazo zimeathiri matokeo ya mwaka katika kiwango cha faida kwa jumla ni gharama kubwa za utenda kazi kutokana na mfumuko wa bei, gharama ya juu ya usafirishaji, gharama ya juu ya kawi na ongezeko katika gharama za wafanya kazi. Gharama kubwa katika siku za hivi karibuni ni kiwango cha juu cha mrahaba wa madini inayotozwa na wizara ya madini.

Tulimkaribisha mwanachama mpya katika halmashauri, ya wakurugenzi mwaka huu. Tulifurahi kwa kuweza kuteua Balozi Dennis Awori kama mkurugenzi huru. Dennis tayari ametoa mchango mkubwa katika majadiliano ya halmashauri ya wakurugenzi.

Azimio letu katika kuleta thamani kwa wenye hisa bado linabaki thabiti. Katika mkutano mkuu wa mwaka, wenye hisa waliidhinisha toleo la ziada la hisa moja kwa kila hisa mbili zilizoandikishwa baada ya hapo, kila hisa moja iliganywa katika hisa tano. Hii ilifanya hisa moja iliyoandikishwa kwa mwenye hisa ikawa hisa 7.5, hii ikifanya hisa kufanyiwa biashara zaidi. Hatua hii imefanya kwa kiasi kikubwa kuongeza idadi ya wenye hisa hadi 2,395. Nina wakaribisha sana wenye hisa wapya.

Kuhusiana na mwaka uliomalizika Julai 31, 2014, halmashauri yenu wakurugenzi, iliidhinisha mgao wa muda wa senti 40 kwa kila hisa na sasa inapendekeza mgao wa mwisho wa senti 30 kwa kila hisa kulipwa hapo Disemba 2014. Mgao wote kwa jumla kwa mwaka mzima, kwa hivyo utakuwa ni senti 70 kwa kila hisa kwenye hisa 254,851,988 ambazo zimetolewa.

Kama sehemu ya wajibu kwa jamii (CSR), kampuni yenu inaendelea kutoa misaada ya kifedha kwa wanafunzi wanaostahili katika sehemu zinazopakana na migodi ya Kimende na Sosiani, Kampuni pia inaendelea kulipa karo za chuo kikuu kwa wanafunzi wenye vipaji katika sehemu ambazo tunafanya kazi.

Halmashauri yenu ya wakurugenzi inaamini biashara inayo weka mkazo katika misingi ya utawala bora ina uwezo wa kufanikiwa kwa muda mrefu. Tumejibu kwa njia mwafaka kwa mahitaji ya serikali na mashirika ya udhibiti na tunatambua ya kwa huu ni uwekezaji kwa Kundi. Taarifa kuhusu uongozi bora imejumlishwa katika ripoti ya mwaka.

Ningependa kuwashukuru wafanyakazi wetu kwa dhamira yao katika kupata suluhu tata katika nyakati muhimu ili kutimiza mahitaji ya wateja wetu. Tuna timu inayohusika na uwezo na ambayo inaendelea kufanya kazi pamoja kama timu.

Tunapo angalia mbele kwa mwaka mpya wa fedha, Tuna ujasiri tutaweza kupiga maendeleo zaidi kutimiza malengo yetu ya kimkakati. Hata ingawa mahitaji ya masoko na wateja wetu zinaendelea kubadilika, tutaendelea kutafuta njia za kutoa mahitaji kwa ufanisi.

Kwa niaba ya halmashauri ya wakurugenzi, ningependa kutoa shukrani zangu kwa wafanyi kazi wote kwa huduma ya kujitolea. Ningependa pia kutoa shukrani zangu kubwa kwa mwongozo na mchango wa wakurugenzi wenzangu.

Nairobi	J M Wanjigi
Oktoba 16, 2014	Mwenyekiti

Corporate Governance is the process and structure used to direct and manage the business affairs of the Group towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders.

The Group is committed to the maintaining high standards of Corporate Governance and the disclosures in this year's financial statements are in recognition of this commitment. The Board of Directors is of the opinion that the Group has complied with corporate governance guidelines as issued by the Capital Markets Authority.

BOARD OF DIRECTORS

The role of the Board

The Board is responsible for the long-term growth and profitability of the Carbacid Group. The Board charts the direction of the Group and monitors management's performance on behalf of the shareholders. A critical role of the Board is to ensure that the Group is pursuing a strategy that increases profitability and shareholders' value.

Board meetings

The Board normally meets quarterly each year for scheduled meetings and on other occasions to deal with specific matters that require attention between scheduled meetings. Scheduled meetings include annual strategic reviews, review of quarterly performance and monitoring of business and operational issues. During the year, the Board held four meetings, which were well attended by the Directors.

Board of directors

The names of the Directors who held office during the year and to the date of this report are given on Page 2 of this report. There are currently five non-executive Directors, Mr Wanjigi, Mr Patel, Mr Shepherd, Mr Awori and Mr Shah. Four of the non- executive Directors are considered by the Board to be independent of management as defined by Corporate Governance Guidelines.

The Board is comprised of Directors of a mix of skills and experience, and its constitution fairly reflects the Company's shareholding structure and thus representing minority shareholding. The Group Secretary attends all Board meetings and offers additional guidelines to the Board on matters relating to corporate governance and statutory matters.

One third of the members of the Board 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.

COMMITTEES OF THE BOARD

The Board carries out certain of its duties by delegation to Board Committees from time to time. These Committees meet regularly and make recommendations to the Board on issues delegated to them. The Committees operate under Terms of Reference approved by the Board and their duties extend across the Group.

Audit & Risk Committee

The Audit & Risk Committee is chaired by a non-executive director, Mr. R A Shepherd. The committee assists the Company's Board to discharge its corporate governance responsibilities, including the Group's relationship with, and the independence of, the external auditors; the reliability and appropriateness of the disclosure in the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliances and effectiveness of internal controls.

Other committees in place are the Board Nomination Committee, Board Remuneration Committee, Board Strategic Committee and Board Investment Committee which meet at least once a year and more often when necessary. At least two independent Directors are members of each of these Committees.

Business and Financial Planning

A detailed budget for each financial year is presented to the Board for approval at the beginning of that year. Management accounts comparing actual results against budget and previous years and revised forecasts for the remainder of the financial year are produced each month and circulated to the Board. Significant variances from budget are highlighted and explained and, where appropriate, corrective action is taken.

The Board attaches great importance to maintaining a strong control environment and the system of internal controls includes the assessment of non-financial risks and controls.

The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

COMMUNICATIONS WITH SHAREHOLDERS

The Group is committed to:
- Ensuring that shareholders and the financial markets are provided with full and timely information about its performance
- Complying with Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya issued by the Capital Markets Authority (''the CMA guidelines'') and the Nairobi Securities Exchange Continuing Listing Requirements.

Information is communicated to the shareholders through the distribution of the annual report and press notices following release of the half-yearly and yearly results and whenever there are other significant developments to report on.

CORPORATE SOCIAL RESPONSIBILITY

The Group believes that it has a responsibility to contribute to the improvement of the community where possible. The initiatives supported during the year are highlighted in the Chairman's statement.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed on page 38.

Since the last Annual General Meeting of the Company to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Group is a party whereby Directors might acquire benefits by means of the acquisition of shares in the Company. There were no Directors' loans at any time during the year.

There have been no material significant related party transactions between the Group and the Directors or Management except those disclosed in Note 24.

OTHER DECLARATIONS

The Group has in place a policy requiring Directors to make full disclosure of any matters in which they have a personal interest that could result in a conflict of interest. There are no material contracts involving any of the Director's interests.

Retained earnings shown in the statement of financial position are available for future corporate decisions such as issue of bonuses and distribution of dividends. Revaluation Surplus is not distributable.

DIRECTORS' INTEREST

The interest of the Directors in the Shares of the Company as at 31 July 2014 were as follows:

Name	No. of Shares
Mr J M Wanjigi Including shares held by companies in which he has an interest	3,869,080
Mr R A Shepherd	620,145
Mr B C Patel	27,860,870

SHAREHOLDING PROFILES

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

a) Distribution of shareholders as at 31 July 2014

Shareholding (No. of shares)	No. of Shareholders	No. of Shares	%
Less than 500	294	54,099	0.02
501-5,000	928	1,927,186	0.76
5001-10,000	246	1,824,480	0.72
10,0001-100,000	747	27,039,195	10.61
100,001 - 1,000,000	144	42,138,220	16.53
Over 1,000,000	36	181,868,805	71.36
Total	2,395	254,851,985	100.00

b) Major Shareholders

The top 10 major shareholders as at 31 July 2014 were as follows:

Name	No. of Shares	%
Mrs A Patel	38,227,500	15.00
Mr B C Patel	27,860,870	10.93
Leverton Limited	23,841,405	9.36
Kivuli Limited	14,850,000	5.83
Miss T I Friedman	11,275,695	4.42
Standard Chartered Nominees A/C 9230	5,772,500	2.27
Standard Chartered Nominees Non - Resd A/C 9598	4,748,400	1.86
Java Investments Limited	4,231,500	1.66
Rasimu Limited	4,109,055	1.61
Mrs B C Kampf	4,037,130	1.58

The directors present their report together with the audited financial statements of Carbacid Investments Limited (the "Company") and its subsidiaries (together, the "group") for the year ended 31 July 2014 which disclose the state of financial affairs of the group and the Company.

PRINCIPAL ACTIVITIES

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

SHARE CAPITAL

On 10 December 2013, the authorised share capital of the company was increased from Sh 250,000,000 to Sh 1,000,000,000 by the creation of 150,000,000 additional ordinary shares of Sh 5 each.

On the same day, the company made a capitalization issue of 16,990,132 ordinary shares of Sh 5 each.

On 10 December 2013, the 200,000,000 ordinary shares of Sh 5 each were then subdivided into 1,000,000,000 ordinary shares of Sh 1 each.

GROUP FINANCIAL RESULTS

	Sh'000
Profit before taxation	597,262
Taxation charge	(106,621)
Profit for the year transferred to retained earnings	490,641

DIVIDENDS

An interim dividend of Sh 0.4 per share (2013 - Sh 3.00) on 254,851,985 shares (2013 - 33,980,265 shares) was paid during the year amounting to Sh 101,940,794 (2013 - Sh 101,940,795). The Directors propose a final dividend of Sh 0.3 per share (2013 - Sh 3.00) amounting to Sh 76,455,596 (2013 - Sh 101,940,795).

DIRECTORS

The current Board of Directors is shown on page 2. Amb Dennis N O Awori was appointed to the Board on 7th August 2014.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office in accordance with the provisions of section 159 (2) of the Kenyan Companies Act (Cap. 486).

BY ORDER OF THE BOARD

N P Kothari
Secretary
16 October 2014
Nairobi

The Kenyan Companies Act requires the Directors to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the Group's operating results for that year. It also requires the directors to ensure that the company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company. They are also responsible for safeguarding the assets of the Group.

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

J M WANJIGI
Director
16 October 2014

M K R SHAH
Director

independent auditors' report

TO THE MEMBERS OF
CARBACID INVESTMENTS LIMITED

Deloitte.

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

Tel: +254 (20) 423 0000
Cell: +254 (0) 719 039 000
Fax: +254 (20) 444 8966
Dropping Zone No. 92
Email: admin@deloitte.co.ke
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Report on the Financial Statements

We have audited accompanying financial statements of Carbacid Investments Limited and its subsidiaries, set out on pages 15 to 57, which comprise the consolidated and company statements of financial position as at 31 July 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Group and of the company as at 31 July 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

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

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)

16 October 2014
Nairobi, Kenya

FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 Sh'000	2013 Sh'000
TURNOVER		826,360	952,836
COST OF SALES		(346,696)	(372,861)
GROSS PROFIT		479,664	579,975
OTHER INCOME		28,085	28,748
ADMINISTRATIVE EXPENSES		(104,451)	(119,709)
FINANCE INCOME	4	89,023	86,035
NET FOREIGN EXCHANGE GAINS		3,841	3,991
FAIR VALUE GAIN ON EQUITY INVESTMENTS	15	73,600	55,646
FAIR VALUE GAIN ON REVALUATION OF INVESTMENT PROPERTY	12	27,500	-
PROFIT BEFORE TAXATION	5	597,262	634,686
TAXATION CHARGE	7	(106,621)	(159,145)
PROFIT FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		490,641	475,541
OTHER COMPREHENSIVE LOSS:			
Items that will not be reclassified subsequently to profit or loss			
Loss on revaluation of property, plant and equipment and intangible assets		(77,615)	-
Deferred tax attributable to loss on revaluation of property, plant and equipment and intangible assets		23,283	-
		(54,332)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		436,309	475,541
EARNINGS PER SHARE ON PROFIT ATTRIBUTABLE TO SHAREHOLDERS– Basic	9	Sh 1.93	Sh 13.99
EARNINGS PER SHARE ON PROFIT ATTRIBUTABLE TO SHAREHOLDERS – Diluted	9	Sh 1.93	Sh 1.87

31 JULY 2014

	Notes	2014 Sh'000	2013 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11(a)	955,270	817,480
Intangible assets	11(b)	1,829	1,911
Investment property	12	87,500	60,000
Prepaid operating lease rentals	13	64,441	65,394
Equity investments	15	269,664	164,422
Corporate bonds	16	171,875	203,125
Deferred tax asset	21	1,896	-
		1,552,475	1,312,332
Current assets			
Inventories	17	36,155	36,883
Trade and other receivables	18	178,833	149,551
Corporate tax recoverable	7(c)	16,425	8,699
Short term bank deposits	19	690,046	641,881
Bank and cash balances	23(b)	59,229	55,053
		980,688	892,067
Total assets		2,533,163	2,204,399
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	20	254,852	169,902
Share premium	20	27	-
Revaluation surplus		117,758	209,492
Retained earnings		1,784,246	1,545,035
Shareholders' funds		2,156,883	1,924,429
Non current liabilities			
Deferred tax liability	21	220,523	191,553
Current liabilities			
Trade and other payables	22	128,863	64,689
Dividends payable	10(b)	26,894	23,728
		155,757	88,417
Total equity and liabilities		2,533,163	2,204,399

The financial statements on pages 15 to 57 were approved and authorised for issue by the Board of Directors on 16 October 2014 and were signed on its behalf by:

J M WANJIGI
Director

M K R SHAH
Director

	Notes	2014 Sh'000	2013 Sh'000
ASSETS			
Non current assets			
Property, plant and equipment	11(c)	9,000	12,445
Investment property	12	87,500	60,000
Prepaid operating lease rentals	13	19,471	19,930
Investment in subsidiaries	14	3,546	3,546
Equity investments	15	188,475	149,703
Corporate bonds	16	171,875	203,125
Deferred tax asset	21	1,896	-
		481,763	448,749
Current assets			
Trade and other receivables	18	19,201	19,127
Due from subsidiary	24(a)	13,797	1,640
Corporate tax recoverable	7(c)	438	3,742
Short term bank deposits	19	683,587	641,881
Bank and cash balances		14,937	14,367
		731,960	680,757
Total assets		1,213,723	1,129,506
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	20	254,852	169,902
Share premium	20	27	-
Revaluation surplus		5,558	8,582
Retained earnings		924,209	919,629
Shareholders' funds		1,184,646	1,098,113
Non current liabilities			
Deferred tax liability	21	-	3,764
Current liabilities			
Trade and other payables	22	2,183	3,901
Dividends payable	10(b)	26,894	23,728
		29,077	27,629
Total equity and liabilities		1,213,723	1,129,506

The financial statements on pages 15 to 57 were approved and authorised for issue by the Board of Directors on 16 October 2014 and were signed on its behalf by:

J M WANJIGI
Director

M K R SHAH
Director

consolidated statement of changes in equity

FOR THE YEAR ENDED 31 JULY 2014

	Notes	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2012		169,902	-	237,410	1,245,458	1,652,770
Total comprehensive income for the year		-	-	-	475,541	475,541
Transfer of excess depreciation		-	-	(39,883)	39,883	-
Deferred tax on excess depreciation		-	-	11,965	(11,965)	-
Final dividend declared – 2012	10(b)	-	-	-	(101,941)	(101,941)
Interim dividend declared – 2013	10(b)	-	-	-	(101,941)	(101,941)
At 31 July 2013		169,902	-	209,492	1,545,035	1,924,429
At 1 August 2013		169,902	-	209,492	1,545,035	1,924,429
Share premium		-	27	-	-	27
Bonus shares		84,950	-	-	(84,950)	-
Profit for the year		-	-	-	490,641	490,641
Other comprehensive loss for the year		-	-	(54,332)	-	(54,332)
Total comprehensive (loss)/income for the year		-	-	(54,332)	490,641	436,309
Transfer of excess depreciation		-	-	(53,431)	53,431	-
Deferred tax on excess depreciation		-	-	16,029	(16,029)	-
Final dividend declared – 2013	10(b)	-	-	-	(101,941)	(101,941)
Interim dividend declared – 2014	10(b)	-	-	-	(101,941)	(101,941)
At 31 July 2014		254,852	27	117,758	1,784,246	2,156,883

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

	Notes	Share capital Sh'000	Share premium Sh'000	Revaluation surplus Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 August 2012		169,902	-	8,764	629,231	807,897
Total comprehensive income for the year		-	-	-	494,098	494,098
Transfer of excess depreciation		-	-	(260)	260	-
Deferred tax on excess depreciation		-	-	78	(78)	-
Final dividend declared – 2012	10	-	-	-	(101,941)	(101,941)
Interim dividend declared – 2013	10	-	-	-	(101,941)	(101,941)
At 31 July 2013		169,902	-	8,582	919,629	1,098,113
At 1 August 2013		169,902	-	8,582	919,629	1,098,113
Share premium		-	27	-	-	27
Bonus shares		84,950	-	(84,950)	-	
Profit for the year		-	-	-	293,318	293,318
Other comprehensive loss for the year		-	-	(2,930)	-	(2,930)
Total comprehensive loss for the year		-	-	(2,930)	293,318	290,388
Transfer of excess depreciation		-	-	(134)	134	-
Deferred tax on excess depreciation		-	-	40	(40)	-
Final dividend declared – 2013	10(b)	-	-	-	(101,941)	(101,941)
Interim dividend declared – 2014	10(b)	-	-	-	(101,941)	(101,941)
At 31 July 2014		254,852	27	5,558	924,209	1,184,646

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

consolidated statement of cash flows

FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 Sh'000	2013 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23(a)	508,310	631,331
Interest received		89,023	86,035
Taxation paid	7(c)	(63,989)	(270,065)
Net cash generated from operating activities		533,344	447,301
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment	11(a)	(290,444)	(17,808)
Purchase of intangible assets	10(b)	(403)	-
Proceeds from disposal of property, plant and equipment		4,430	2,071
Proceeds from disposal of assets previously written off		362	-
Proceeds on redemption of corporate bonds	16	31,250	31,250
Purchase of equity investments	15	(33,112)	(1,103)
Proceeds from sale of equity investments	15	1,470	-
Dividends received from equity investments	23(d)	6,133	9,617
Long term deposit placed with financial institution	23(d)	(6,459)	-
Net cash (used in)/generated from investing activities		(286,773)	24,027
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	10(b)	(200,716)	(198,864)
Proceeds from issue of share capital	20	27	(198,864)
Net cash used in financiang activities		(200,689)	(198,864)
INCREASE IN CASH AND CASH EQUIVALENTS		45,882	272,464
CASH AND CASH EQUIVALENTS AT START OF YEAR		696,934	424,470
CASH AND CASH EQUIVALENTS AT END OF YEAR	23(b)	742,816	696,934

1 ACCOUNTING POLICIES

Statement of compliance

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

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

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 July 2014

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

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities	The amendments to IFRS 7 amend the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. In addition, the amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The application of the amendment had no effect on the Group's financial statements as the Group did not have any offsetting arrangements in place.
New and revised standards on consolidation joint arrangements, associates and disclosures	In May 2011, a package of five standards in consolidation joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities,* IASs 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures.* Subsequent to the issue of these standards amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.
IFRS 10 Consolidated Financial Statements	IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control; irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has: Power over the investee, Exposure, or rights, to variable returns from its involvement with the investee, and The ability to use its power over the investee to affect the amount of the returns.

1 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 July 2014 (continued)

IFRS 11 Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures: A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly) A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted. The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Group's consolidated financial statements.
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. In high-level terms, the required disclosures are grouped into the following broad categories: • Significant judgements and assumptions - such as how control, joint control, significant influence has been determined. • Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on • Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) • Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities Other than the additional disclosures, the application of IFRS 12 has not had any material impact on the amounts recognised in the financial statements.

1 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 July 2014 (continued)

IFRS 13 Fair Value Measurement	The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.
Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)	The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. The application of the amendment had no effect on the Group financial statements as the Group did not restate any balances during the year.

1 ACCOUNTING POLICIES (continued)

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

(i) Relevant new standards and amendments to published standards effective for the year ended 31 July 2014 (continued)

IAS 19 Employee Benefits (as revised in 2011)	IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The above amendments are generally effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The directors anticipate that the amendments to IAS 19 will be adopted in the Group's financial statements for the annual period beginning 1 August 2014; however the directors do not anticipate significant impact.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 July 2014.

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 9, Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to IAS 19 Defined Benefit Plans :Employee Contributions	1 July 2014
Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements 2011-2013 Cycle	1 July 2014
Amendments to IFRS 11. Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38. Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	1 January 2016

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 31 July 2014

- **IFRS 9, Financial Instruments (2014)**

  IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

  - Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

  - Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

  - Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

  - Derecognition - The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

  IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

- **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

  In May 2012, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2012) and IAS 28 (as revised in 2012). Key requirements of these five Standards are described below.

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

  IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements.

  IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 31 July 2014 (continued)

- **IFRS 9, Financial Instruments (continued)**

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

These amendments are effective for accounting periods beginning on or after 1 January 2014.

The directors of the company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

In June 2013, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2014, with earlier application permitted provided all of these standards are applied at the same time. The Group will apply these amendments prospectively.

The directors anticipate that the application of IFRS 10 and IFRS 11 will have no material impact to the Group's financial statements currently. However, the Group would have to apply this standard to any such arrangements entered in the future. The directors anticipate that the application of IFRS 12 will result in more extensive disclosures in the financial statements.

- **IFRS 13, Fair Value Measurement**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope

IFRS 13 is effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Group is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on 1 August 2014.

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 31 July 2014 (continued)

- **Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures**

  The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

  The directors of the company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the company's financial statements as the company does not have any financial assets and financial liabilities that qualify for offset.

- **IAS 19, Employee Benefits**

  Amendments IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

  The amendments are effective for accounting periods beginning on or after 1 July 2014.
  The directors anticipate that the amendments to IAS 19 will be adopted in the Group's financial statements for the annual period beginning 1 July 2014; however, the directors are yet to assess the full impact of the amendment.

- **Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)**

  These amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

  The amendments are effective for accounting periods beginning on or after 1 January 2014.

  The directors of the company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the company's financial statements.

1 ACCOUNTING POLICIES (continued)

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

(iii) Impact of relevant new and revised IFRSs in issue but not yet effective for the year ended 31 July 2014 (continued)

- **Annual Improvements to IFRSs 2009 – 2012 Cycle issued in May 2013**

  The annual improvements 2010-2012 cycle makes amendments to the following standards:

  - IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
  - IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
  - IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
  - IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
  - IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
  - IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

  These IFRS improvements are effective for accounting periods beginning on or after 1 July 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

- **Annual Improvements 2011-2013 Cycle**

  Makes amendments to the following standards:

  - IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
  - IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
  - IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

  These IFRS improvements are effective for accounting periods beginning on or after 1 July 2014.

(iv) Early adoption of standards

The Group did not early-adopt new or amended standards in 2014.

Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting, as modified by the revaluation of certain assets. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out herein.

1 ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

1 ACCOUNTING POLICIES (continued)

Turnover

Income is recognised upon delivery of goods to customers and represents the invoiced value of goods and services provided to customers, excluding value added tax.

Dividend income

Dividend income from equity investments is recognised when the Group's right to receive dividends as a shareholder is established.

Interest income

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

Rental income

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

Inventories

Carbon dioxide gas and dry ice inventories are stated at the lower of cost and net realisable value. Cost comprises materials and, where appropriate, labour and attributable overheads. Net realisable value is the selling price in the ordinary course of business after due regard for obsolete and slow moving stocks. The cost of other inventories is determined on the weighted average cost basis. Obsolete and defective inventories are fully provided for. Spare parts are fully provided for if not used for 2 years and over.

Property, plant and equipment

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

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

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

1 ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Depreciation

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

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

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

Intangible assets

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

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

Leasehold land

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

Investment in subsidiary company

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

1 ACCOUNTING POLICIES (continued)

Taxation

Current taxation is provided for on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred income tax is provided for, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

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

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

Retirement benefit obligations

The Group operates a defined contribution pension scheme for eligible non-unionisable employees. The scheme is externally administered and is funded by contributions from both the Company and employees.

The Group also contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The Group's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Sh 200 per employee per month.

The Group's obligations to these schemes are recognised in the profit or loss as they fall due.

Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the end of each reporting period.

Foreign currencies

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

Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

1 ACCOUNTING POLICIES (continued)

Leases

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

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

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

Financial instruments

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

Financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held to maturity investments

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

(iv) Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity are classified as available-for-sale.

1 ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the Group's right to receive the dividends is established.

Derecognition of financial assets

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

Impairment and uncollectability of financial assets

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

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

Financial liabilities

Bank borrowings

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

Trade payables

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

1 ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Investment properties

Investment properties are treated as long term investments and are carried at market value determined, on a periodic basis, by external independent valuers. Investment properties are not subject to depreciation. Changes in their carrying amounts are dealt with in the profit or loss.

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

Dividends payable

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

Segmental reporting

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

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

Segment results include revenue and expenses directly attributable to a segment.

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

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

Cash and cash equivalents

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

Comparatives

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances. They are detailed below:

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

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

Held to maturity investments

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

Taxes

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

Valuation of investment property

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

(ii) Key sources of estimation uncertainty

Property, plant and equipment

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

(ii) Key sources of estimation uncertainty

Impairment

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

3 SEGMENTAL INFORMATION

(a) Adoption of IFRS 8 Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.
Information reported to the Group's chief operating decision maker (the Board of Directors) for the purposes of resource allocation and assessment of segment performance is focused on the principal activities of the Group.

The principal activities of the Group are mining and sale of carbon dioxide gas and investments. These are organised in the following operating segments:

- Trading
- Investments.

(b) Segment revenues and results, assets and liabilities

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

	Trading Sh'000	Investments Sh'000	Group Sh'000
2014			
Turnover	826,360	-	826,360
Profit before taxation	410,236	310,079	597,262
Segment assets	1,434,410	1,098,753	2,533,163
Segment liabilities	344,078	32,202	376,280
Depreciation	67,874	406	68,280
Amortisation of prepaid operating lease rentals	-	459	459
Capital expenditure	284,444	6,000	290,444
2013			
Turnover	952,836	-	952,836
Profit before taxation	497,113	505,315	634,686
Segment assets	1,437,974	766,425	2,204,399
Segment liabilities	248,444	31,256	279,970
Depreciation	94,494	1,361	95,855
Amortisation of prepaid operating lease rentals	-	459	459
Capital expenditure	17,808	-	17,808

Revenue reported above represents revenue generated from external customers.

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

3 SEGMENTAL INFORMATION (continued)

	2014 Sh'000	2013 Sh'000
(b) Geographical information		
The Group's revenues are derived from sales in the following markets:		
Domestic sales – Kenya	392,872	375,122
Export sales – other African countries	433,488	577,714
	826,360	952,836

4 FINANCE INCOME

	GROUP	
	2014 Sh'000	2013 Sh'000
Interest receivable from held to maturity investments:		
- Corporate bonds	23,438	27,311
- Short term investments and deposits	64,901	58,617
Bank current accounts	684	107
	89,023	86,035

5 PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging:

	2014 Sh'000	2013 Sh'000
Directors' fees	14,650	12,655
Directors' emoluments	-	-
Auditors' remuneration	3,035	3,248
Staff costs (note 6)	110,133	112,220
Depreciation of property, plant and equipment (note 11(a))	67,224	94,900
Amortisation of intangible assets (note 11(b))	1,056	955
Amortisation of operating lease prepayments (note13)	953	953
Loss on disposal of property, plant and equipment	2,002	5,524

6 STAFF COSTS

	2014 Sh'000	2013 Sh'000
Salaries and wages	102,405	108,428
Social security costs (NSSF)	354	231
Pension costs - defined contribution plan	6,054	4,487
Leave pay provision/(credit) (note 22)	1,320	(926)
	110,133	112,220

7 TAXATION

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
(a) Taxation charge				
Current taxation based on taxable profit at 30%	56,263	183,194	21,166	17,017
- Prior year over provision	-	(5,722)	-	(5,722)
Deferred taxation (note 21)				
- Current year charge/(credit)	65,682	(18,327)	(3,801)	(78)
- Prior year over provision	(15,324)	-	(604)	-
Net taxation charge	106,621	159,145	16,761	11,217
(b) Reconciliation of taxation charge to expected tax based on accounting profit before taxation				
Accounting profit before taxation	597,262	634,686	310,079	505,315
Tax at the applicable rate of 30%	216,095	190,406	93,024	151,595
Tax effect of expenses not deductible for tax purposes	1,677	1,877	216	137
Tax effect of income not taxable	(95,827)	(27,416)	(75,875)	(134,793)
Prior year over provision				
- Current taxation	-	(5,722)	-	(5,722)
- Deferred taxation	(15,324)	-	(604)	-
Net taxation charge	106,621	159,145	16,761	11,217
(c) Corporate tax recoverable				
At beginning and end of year	8,699	(83,894)	3,742	3,327
Charge for the year	(56,263)	(183,194)	(21,166)	(17,017)
Taxation paid	63,989	270,065	17,862	11,710
Prior year overprovision	-	5,722	-	5,722
At end of year	16,425	8,699	438	3,742
Comprising of:				
Taxation recoverable	16,425	8,699	438	3,742

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders dealt with in the stand alone financial statements of Carbacid Investments Limited amounted to Sh 293,318,000 (2013 – Sh 494,098,000).

9 EARNINGS PER SHARE – BASIC AND DILUTED

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

	2014	2013
Earnings		
Earnings for purposes of basic and diluted earnings per share (Sh' 000)	490,641	475,541
Weighted average number of ordinary shares		
At start of year	33,980,265	33,980,265
Effect of bonus shares issued	16,990,132	-
Effect of share split (1:5)	203,881,588	-
At end of year	254,851,985	33,980,265
Earnings per share		
Basic (Sh)	1.93	13.99
Diluted (Sh)	1.93	1.87

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

There were no potentially dilutive shares outstanding at 31 July 2014 or at 31 July 2013.

10 DIVIDENDS

(a) Dividends per share

	2014 Sh	2013 Sh
Interim dividend paid	0.4	3
Proposed dividend - Final	0.3	3
	0.7	6

Proposed dividends are not accounted for until they have been ratified at the Annual General meeting. An interim dividend of Sh 0.4 per share (2013 - Sh 3.00) on 254,851,985 shares (2013 – 33,980,265 shares) was paid during the year amounting to Sh 101,940,794 (2013 – Sh 101,940,795). The Directors propose a final dividend of Sh 0.3 per share – Sh 76,455,596 (2013-Sh 3.00) (2013 – Sh 101,940,795).

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

	2014 Sh'000	2013 Sh'000
At beginning of the year	23,728	18,710
Interim dividend declared	101,941	101,941
Final dividend declared – 2013/2012	101,941	101,941
	227,610	222,592
Dividends paid	(200,716)	(198,864)
At the end of the year	26,894	23,728

11 (a) PROPERTY, PLANT AND EQUIPMENT - GROUP

	Leasehold buildings & boreholes Sh'000	Freehold land Sh'000	Roads Sh'000	Motor vehicles Sh'000	Plant and equipment Sh'000	Total Sh'000
COST OR VALUATION						
At 1 August 2012	90,140	2,055	16,905	175,987	679,864	964,951
Additions	-	-	-	16,329	1,479	17,808
Disposals	-	-	-	(2,376)	(5,484)	(7,860)
At 31 July 2013	90,140	2,055	16,905	189,940	675,859	974,899
COMPRISING:						
Valuation – 2011	53,100	2,055	16,905	75,774	294,280	442,114
Cost	37,040	-	-	114,166	381,579	532,785
	90,140	2,055	16,905	189,940	675,859	974,899
At 1 August 2013	90,140	2,055	16,905	189,940	675,859	974,899
Additions	27,286	5,000	15,300	20,934	221,924	290,444
Disposals	-	-	-	(5,949)	(2,341)	(8,290)
Revaluation adjustment	2,259	10,945	(1,705)	(73,125)	(240,157)	(301,783)
At 31 July 2014	119,685	18,000	30,500	131,800	655,285	955,270
COMPRISING:						
Valuation – 2014	55,359	13,000	15,200	2,649	54,123	140,331
Cost	64,326	5,000	15,300	129,151	601,162	814,939
	119,685	18,000	30,500	131,800	655,285	955,270
DEPRECIATION						
At 1 August 2012	2,209	-	1,691	19,506	39,378	62,784
Charge for the year	1,882	-	1,691	20,220	71,107	94,900
Eliminated on disposal	-	-	-	(75)	(190)	(265)
At 31 July 2013	4,091	-	3,382	39,651	110,295	157,419

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

	Leasehold buildings & boreholes Sh'000	Freehold land Sh'000	Roads Sh'000	Motor vehicles Sh'000	Plant and equipment Sh'000	Total Sh'000
DEPRECIATION (continued)						
At 1 August 2013	4,091	-	3,382	39,651	110,295	157,419
Charge for the year	2,331	-	1,691	23,217	39,985	67,224
Eliminated on disposal	-	-	-	(779)	(267)	(1,046)
Revaluation adjustment	(6,422)	-	(5,073)	(62,089)	(150,013)	(223,597)
At 31 July 2014	-	-	-	-	-	-
NET BOOK VALUE						
At 31 July 2014	119,685	18,000	30,500	131,800	655,285	955,270
At 31 July 2013	86,049	2,055	13,523	150,289	565,564	817,480
NET BOOK VALUE (cost basis)						
At 31 July 2014	78,855	7,055	28,946	166,448	506,312	787,616
At 31 July 2013	51,569	2,055	13,646	151,463	299,473	518,206

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 31 July 2014 and 31 July 2013 were performed by C P Robertson Dunn Valuers and Estate Agents, independent valuers not related to the Group. C P Robertson Dunn Valuers and Estate Agents are members of the Institute of Valuers of Kenya, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

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

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

There has been no change to the valuation technique during the year.

No assets have been charged to secure any banking facilities granted to the Group (2013: Nil). There are also no assets on finance lease.

11 (b) INTANGIBLE ASSETS

	GROUP	
	2014	2013
	Sh'000	Sh'000
COST OR REVALUATION		
At beginning of year	3,822	3,822
Additions	403	-
Revaluation adjustment	(2,396)	-
At end of year	1,829	3,822
COMPRISING:		
Valuation – 2014	(2,396)	-
Cost	4,225	3,822
At end of year	1,829	3,822
AMORTISATION		
At beginning of year	1,911	956
Amortisation for the year	1,056	955
Revaluation adjustment	(2,967)	-
At end of year	-	1,911
NET BOOK VALUE		
At end of year	1,829	1,911
NET BOOK VALUE (cost basis)		
At end of year	1,359	1,911

Intangible assets relate to computer software and fleet management software.

The Group's intangible assets are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment. The fair value measurements of the Group's intangible assets as at 31 July 2014 and 31 July 2013 were performed by C P Robertson Dunn Valuers and Estate Agents, independent valuers not related to the Group. C P Robertson Dunn Valuers and Estate Agents are members of the Institute of Valuers of Kenya, and they have appropriate qualifications and recent experience in the fair value measurement of assets.

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

There has been no change to the valuation technique during the year.

11 (c) PROPERTY, PLANT AND EQUIPMENT – COMPANY

	Buildings Sh'000	Capital Work in progress Sh'000	Total Sh'000
COST OR VALUATION			
As start and end of year	13,000	-	13,000
COMPRISING:			
Valuation – 2011	7,850	-	7,850
Cost	5,150	-	5,150
	13,000	-	13,000
At 1 August 2013	13,000	-	13,000
Additions	-	1,000	1,000
Revaluation adjustment	(5,000)	-	(5,000)
At 31 July 2014	8,000	1,000	9,000
COMPRISING:			
Valuation – 2014	2,850	-	2,850
Cost	5,150	1,000	5,150
	8,000	1,000	9,000
DEPRECIATION			
At 1 August 2012	295	-	295
Charge for the year	260	-	260
At 31 July 2013	555	-	555
At 1 August 2013	555	-	555
Charge for the year	260	-	260
Revaluation adjustment	(815)	-	(815)
	-	-	-
NET BOOK VALUE			
At 31 July 2014	8,000	1,000	9,000
At 31 July 2013	12,445	-	12,445
NET BOOK VALUE (cost basis)			
At 31 July 2014	59	1,000	1,059
At 31 July 2013	79	-	79

Capital work-in-progress relates to construction works on Factory street plot. Amount incurred as at year end relates to part payment of architect fees. This amount has been included as part of Leasehold buildings and boreholes at Group level.

The Company's buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's buildings as at 31 July 2014 and 31 July 2013 were performed by C P Robertson Dunn Valuers and Estate Agents, independent valuers not related to the Company. C P Robertson Dunn Valuers and Estate Agents are members of the Institute of Valuers of Kenya, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

11 (c) PROPERTY, PLANT AND EQUIPMENT – COMPANY (continued)

The fair value of buildings was determined using the depreciated replacement cost basis. The significant inputs include the estimated construction costs and other ancillary expenditure, and a depreciation factor applied to the estimated construction cost of approximately 2%. A slight increase in the depreciation factor would result in a significant decrease in the fair value of the assets, and a slight increase in the estimated construction costs would result in significant increase in the fair value of the assets, and vice versa.

There has been no change to the valuation technique during the year.

12 INVESTMENT PROPERTY

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
FAIR VALUE				
At beginning of the year	60,000	60,000	60,000	60,000
Fair value gain	27,500	-	27,500	-
At end of year	87,500	60,000	87,500	60,000

Investment property relates to buildings held for rental purposes.

The properties were last revalued by C P Robertson Dunn Valuers and Estate Agents, registered valuers on an open market value basis on 31 July 2014.

13 PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
COST				
At beginning and end of the year	74,963	74,963	27,523	27,523
ACCUMULATED AMORTISATION				
At beginning of the year	9,569	8,616	7,593	7,134
Charge for the year	953	953	459	459
At end of year	10,522	9,569	8,052	7,593
NET BOOK VALUE	64,441	65,394	19,471	19,930

The leasehold land interests were last revalued by C P Robertson Dunn Valuers and Estate Agents, registered valuers on an open market value basis on 31 July 2014. The revalued amounts were Sh 120,000,000 for the Company and Sh 172,700,000 for the Group.

14 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2014 Sh'000	2013 Sh'000
Unquoted investments at cost in wholly owned subsidiaries:		
Carbacid (CO_2) Limited	3,348	3,348
Goodison Twenty Nine Limited	99	99
Goodison Forty Seven Limited	99	99
	3,546	3,546

14 INVESTMENT IN SUBSIDIARIES (continued)

As at 31 July 2014, the net assets of Carbacid (CO_2) Limited amounted to Sh 1,182,451,000 (2013: Sh 829,530,000). Goodison Twenty Nine Limited and Goodison Forty Seven Limited are both investment companies. None of the subsidiaries therefore have material non-controlling interest.

The details of the above subsidiary companies are as follows:

Company	Year of incorporation	Share capital Sh	Place of Incorporation and operation	Principal activity	Proportion of ownership, interest and voting power held by the Group	
					31 July 2014	31 July 2013
Carbacid (CO_2) Limited	Before 1950	56,634,000	Kenya	Mining and marketing of carbon dioxide gas	100%	100%
Goodison Twenty Nine Limited	2009	100,000	Kenya	Investment holding	100%	100%
Goodison Forty Seven Limited	2009	100,000	Kenya	Investment holding	100%	100%

The proportion of voting rights in the subsidiaries undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The Directors of the Group conclude that the parent company has control over the subsidiary companies.

For the year ended 31 July 2014, Carbacid (CO_2) Limited, Goodison Twenty Nine Limited and Goodison Forty Seven Limited had profit before tax of Sh 410,236,000 (2013: 487,293,000), loss before tax of Sh 927,000 (2013: (680,000)) and profit before tax of Sh 37,874,000 (2013: 2,757 ,000) respectively.

15 EQUITY INVESTMENTS

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
At fair value through profit or loss				
At beginning of the year	164,422	107,673	149,703	95,761
Purchased during the year	33,112	1,103	4,398	1,103
Gain on fair valuation	73,600	55,646	35,844	52,839
Disposed during the year	(1,470)	-	(1,470)	-
At end of year	269,664	164,422	188,475	149,703

Equity investments comprise marketable securities in various companies which are revalued annually at the close of business on 31 July by reference to Nairobi Securities Exchange quoted prices. The Group's shareholding in each of these companies is less than 1%. The market value approximates to fair value. Unrealised revaluation surpluses and deficits are dealt with in the profit or loss.

16 CORPORATE BONDS - GROUP AND COMPANY

	2014 Sh'000	2013 Sh'000
Held to maturity – at amortised cost		
Kenya Electricity Generating Company Limited		
- Public Infrastructure Bond	171,875	203,125
Maturing within one year	-	-
Maturing over one year	171,875	203,125
Movement in corporate bonds:		
At beginning of year	203,125	234,375
Redemption	(31,250)	(31,250)
At end of year	171,875	203,125

The effective interest rate during the year was 12.5 % (2013 – 12.5 %).

17 INVENTORIES – GROUP

	2014 Sh'000	2013 Sh'000
Spare parts and materials	40,371	30,729
Spares in transit	8,129	12,081
Fuel and chemicals	1,153	1,114
Carbon dioxide gas and dry ice	1,612	1,528
Oxygen gas	19	208
Provision for obsolete inventories	(15,129)	(8,777)
	36,155	36,883

18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Trade receivables	127,717	161,576	1,580	9,054
Provision for bad debts	(24,352)	(38,726)	(856)	(6,432)
	103,365	122,850	724	2,622
Prepayments for capital items	45,893	-	-	-
Other prepayments	4,031	2,903	185	185
Other receivables	25,544	23,798	18,292	16,320
	178,833	149,551	19,201	19,127

18 TRADE AND OTHER RECEIVABLES (continued)

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Movements on the provision for bad debts:				
At beginning of year	38,726	32,294	6,432	-
(Write back)/provision for the year	(14,374)	6,432	(5,576)	6,432
At end of year	24,352	38,726	856	6,432

19 SHORT TERM DEPOSITS – GROUP AND COMPANY

	2014 Sh'000	2013 Sh'000
At amortised cost		
Fixed deposits (Local currency)		
Group	690,046	641,881
Company	683,587	641,881

Weighted average effective interest rates on deposits during the year was 9.18 % (2013 – 9.04%).

20 SHARE CAPITAL

	2014 Sh'000	2013 Sh'000
Authorised:		
1,000,000,000 ordinary shares of Sh 1 each	1,000,000	-
50,000,000 ordinary shares of Sh 5 each	-	250,000
Issued and fully paid:		
254,851,985 ordinary shares of Sh 1 each	254,852	-
33,980,265 ordinary shares of Sh 5 each	-	169,902
SHARE PREMIUM	27	-

The company increased its authorized share capital in the current year from Sh 250,000,000 (50,000,000 ordinary shares valued at Sh 5 each) to Sh 1,000,000,000 (1,000,000,000 ordinary shares valued at Sh 1 each).
The company further issued bonus shares and had subdivided its shares as demonstrated in note 9.

During the year, disregarded fractions of the company's shares arising from the capitalization issue were sold to an employee of Carbacid (CO_2) Limited. The shares were sold at the prevailing market price and the amount over and above the par value, which amounted to Sh 26,600, has been credited to the share premium account.

Issued and fully paid ordinary shares, which have a par value of Sh 1 (2013: Shs 5), have dividend and voting rights.

21 DEFERRED TAXATION

Deferred taxation is calculated on all temporary differences under the liability method using the currently enacted tax rate of 30%. The net deferred taxation liability/asset is attributed to the following items:

	GROUP		COMPANY	
	2014 Sh'000	2013 Sh'000	2014 Sh'000	2013 Sh'000
Accelerated capital allowances	185,274	112,452	-	-
Leave pay provision	(1,389)	(993)	-	-
Bad debt provision	(7,049)	(9,688)	-	-
Stock provision	(4,539)	-	-	-
Tax losses	(4,296)	-	(4,296)	-
Revaluation surplus - property and equipment	50,626	89,782	2,400	3,764
Net deferred tax liability/(asset)	218,627	191,553	(1,896)	3,764
The movement on the deferred tax account is as follows:				
At beginning of the year	191,553	209,880	3,764	3,842
Profit or loss charge/(credit) (note 7)	65,682	(18,327)	(3,801)	(78)
Prior year under provision (note 7)	(15,324)	-	(604)	-
Deferred tax on revaluation surplus	(23,284)	-	(1,255)	-
At end of year	218,627	191,553	(1,896)	3,764
Comprising of:				
Deferred tax asset	(1,896)	-	(1,896)	-
Deferred tax liability	220,523	191,553	-	3,764
	218,627	191,553	(1,896)	3,764

22 TRADE AND OTHER PAYABLES

	GROUP 2014 Sh'000	GROUP 2013 Sh'000	COMPANY 2014 Sh'000	COMPANY 2013 Sh'000
Trade payables	66,876	26,779	370	2,088
Other payables and accruals	57,358	34,601	1,813	1,813
Leave pay provision	4,629	3,309	-	-
	128,863	64,689	2,183	3,901
Movement in leave pay provision is as follows:				
At beginning of year	3,309	4,235	-	-
Provision /(credit) for the year	1,320	(926)	-	-
At the end of the year	4,629	3,309	-	-

23 NOTES TO THE CASH FLOW STATEMENT - GROUP

		Notes	2014 Sh'000	2013 Sh'000
(a)	Reconciliation of profit before taxation to net cash generated from operations			
	Profit before taxation		597,262	634,686
	Finance income recognized in profit for the year	4	(89,023)	(86,035)
	Dividend income from equity investments		(6,133)	(9,617)
	Depreciation	11	67,224	94,900
	Amortisation of intangible assets	13	1,056	955
	Amortisation of operating leases	13	953	953
	Loss on disposal of property, plant and equipment		2,002	5,524
	Profit on disposal of assets written off		(362)	-
	Gain on revaluation of equity investments	15	(73,600)	(55,646)
	Gain on revaluation of investment property	12	(27,500)	-
	Operating profit before working capital changes		471,879	585,720
	Decrease/(increase) in inventories		728	(9,680)
	(Increase)/decrease in trade and other receivables		(28,471)	34,837
	Increase in trade and other payables		64,174	20,454
	Net cash generated from operations		508,310	631,331
(b)	Analysis of cash and cash equivalents			
	Short term deposits maturing within 3 months		683,587	641,881
	Bank balances and cash		59,229	55,053
			742,816	696,934

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

(c) During the year, the entity disposed of motor vehicles and cylinders carried at a cost of Sh 8,290,000 and net book value of Sh 7,244,000 for a total sum of Sh 5,242,000. A portion of the amount, Sh 4,430,000 was settled in cash before year end, while the balance of Sh 812,000 was settled after year end.

24 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

The following balances were outstanding at 31 July.

(a) Due from subsidiary

	2014 Sh'000	2013 Sh'000
Due to Carbacid (CO_2) Limited	(146,203)	(358,360)
Dividends receivable	160,000	360,000
Due from subsidiary	13,797	1,640

(b) Related party transactions

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

COMPANY	2014 Sh'000	2013 Sh'000
Dividends receivable from Carbacid (CO_2) Limited	160,000	360,000
Dividends received from Carbacid (CO_2) Limited	360,000	220,000
Payments made by Carbacid (CO_2) Limited on behalf of the company	16,168	-
Receipts by Carbacid (CO_2) Limited on behalf of the company	5,576	13,050

GROUP

During the year, the Group contracted consultancy services from Strategic Consultants Limited, a firm related to it through common directorship. The fees charged for these services were Sh 6,777,060 (2013 – Sh 3,119,000).

	2014 Sh'000	2013 Sh'000
Purchase of land on behalf of Goodison Twenty Nine Limited	4,500	500
Purchase of shares on behalf of Goodison Forty Seven Limited	28,444	-

(c) Key management compensation

GROUP & COMPANY

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

	2014 Sh'000	2013 Sh'000
Directors' remuneration:		
Fees for services as directors	14,650	12,655
Directors' emoluments	-	-
Key management compensation:		
Salaries and other benefits	26,551	26,862

25 CAPITAL COMMITMENTS – GROUP

	2014 Sh'000	2013 Sh'000
Authorised and contracted for	22,950	164,372
Authorised but not contracted for	103,322	102,878
	126,272	267,250

26 RETIREMENT BENEFIT OBLIGATIONS

Carbacid (CO_2) Limited contributes to a company defined contribution pension scheme and to a statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the Company plan are determined by the rules of the plan and totalled Sh 6,054,417 (2013 – Sh 4,487,440) in the year.

Contributions to the statutory scheme are determined by local statute. During the year ended 31 July 2014, Carbacid (CO_2) Limited contributed Sh 353,772 (2013 – Sh 231,000) to the statutory scheme.

27 OPERATING LEASE COMMITMENTS

GROUP AS LESSEE:

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

GROUP AS LESSOR:

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

	2014 Sh'000	2013 Sh'000
Within one year	6,224	5,658
Within two to five years	21,956	21,981
	28,180	27,639

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

28 CONTINGENT LIABILITIES

	2014 Sh'000	2013 Sh'000
Guarantees	6,000	6,000

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

29 FINANCIAL RISK MANAGEMENT

(a) Credit risk management

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

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

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

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

	Total amount Sh'000	Fully Performing Sh'000	Past due and not impaired Sh'000	Impaired Sh'000
31 July 2014				
Trade receivables	127,717	84,387	18,978	24,352
Bank balances	56,957	56,957	-	-
Corporate bonds	171,875	171,875	-	-
Short term deposits	690,046	690,046	-	-
	1,046,595	1,003,265	18,978	24,352
31 July 2013				
Trade receivables	161,576	103,872	18,978	38,726
Bank balances	50,239	50,239	-	-
Corporate bonds	203,125	203,125	-	-
Short term deposits	641,881	641,881	-	-
	1,056,821	999,117	18,978	38,726

The impaired amount represents the doubtful receivables that have been individually assessed as unrecoverable as the balances are over 120 days and management efforts to collect are highly unlikely to succeed. A full provision has been made against these balances.
The customers under the fully performing category are paying their debts as they continue trading.

The receivables that are past due relate to trade receivables overdue by over 120 days. The receivables are not impaired and continue to be paid. The Group's management is actively following these receivables. No collateral is held with respect to the debt.

(b) Liquidity risk management

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

29 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk management (continued)

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

	Within 12 months Sh'000	Over 12 months Sh'000
At 31 July 2014:		
Trade payables	66,876	-
Other payables	57,358	-
	124,234	-
At 31 July 2013:		
Trade payables	26,779	-
Other payables	34,601	-
	61,380	-

(c) Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

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

(ii) Fair value hierarchy

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

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

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

29 FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value of financial assets and liabilities (continued)

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

Fair value hierarchy

Financial assets/ liabilities	Fair value as at 31/07/2014 Sh'000	31/07/2013 Sh'000	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Quoted equities	269,664	164,422	Level 1	Quoted bid prices in an active market	N/A	N/A
Leasehold buildings and boreholes	119,685	86,049	Level 3	Techniques that use inputs not based on observable market data	N/A	N/A
Freehold land	18,000	2,055	Level 2	Market comparable approach- Highest and best use	N/A	N/A
Roads and pavements	30,500	13,523	Level 3	Techniques that use inputs not based on observable market data	N/A	N/A
Vehicles and tankers	131,800	150,289	Level 3	Techniques that use inputs not based on observable market data	N/A	N/A
Plant machinery and equipment	655,285	565,564	Level 3	Techniques that use inputs not based on observable market data	N/A	N/A
Intangible assets	1,829	1,911	Level 3	Techniques that use inputs not based on observable market data	N/A	N/A
Investment property	87,500	60,000	Level 2	Market comparable approach- Highest and best use	N/A	N/A

29 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

(i) Price risk

The Group is exposed to equity securities price risk as a result of its holdings in quoted equity investments, classified as held at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

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

Listed equity securities represent 100% (2013: 100%) of total equity investments.

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

	2014 Sh'000	2013 Sh'000
Equity investments	269,664	164,422

At 31 July 2014, if the market prices had increased/decreased by 10% with all other variables held constant, the profit for the year would have been Sh 26,966,000 (2013:Sh 14,970,000) higher/lower.

(ii) Foreign currency risk

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

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

	2014 Ksh 000	2013 Ksh 000
Assets		
Bank and cash balances		
USD 272,568 @87.80 (2013: 300,911 @87.28)	23,931	26,263
Trade receivables		
USD 459,593 @87.80 (2013: 764,996 @87.28)	40,352	66,769
	64,283	93,032

29 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

	2014 Sh'000	2013 Sh'000
Liabilities		
Trade creditors		
USD 177,237 @87.80 (2013: 312,610 @87.28)	15,561	27,285
EURO 131,498 @117.64 (2013: Nil)	15,469	-
	31,030	27,285

When reporting foreign currency risk internally to key management personnel, a sensitivity rate of 10% is used. This represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis covers only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

At 31 July 2014, if the Kenya Shilling had weakened /strengthened by 10% against the US Dollar with all other variables held constant, the profit for the year would have been Sh 6,010,313 (2013:Sh 9,303,599) higher/lower, mainly as a result of additional exchange gains or losses on translation of US Dollar bank balances and trade receivables balances.

30 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of issued capital as disclosed in note 20, as well as reserves and retained earnings.

At 31 July 2014, the Group had no borrowings and therefore it is not geared (2013: nil).

31 COUNTRY OF INCORPORATION

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

32 CURRENCY

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