flame tree
GROUP

ANNUAL REPORT 2018

ROTO TANKS	JOJO Tank	RINO Tanques	CIRRUS
BM Buildmart	Zoe	ALANA	cErro
Beauty Plus	Miss Africa	Blackangel	SuzieBeauty • BY SNW •
NATURE'S OWN	Chigs	Honey Comb	gonuts
Happy's golden	PolyPlay	Sylva	

flame tree
GROUP

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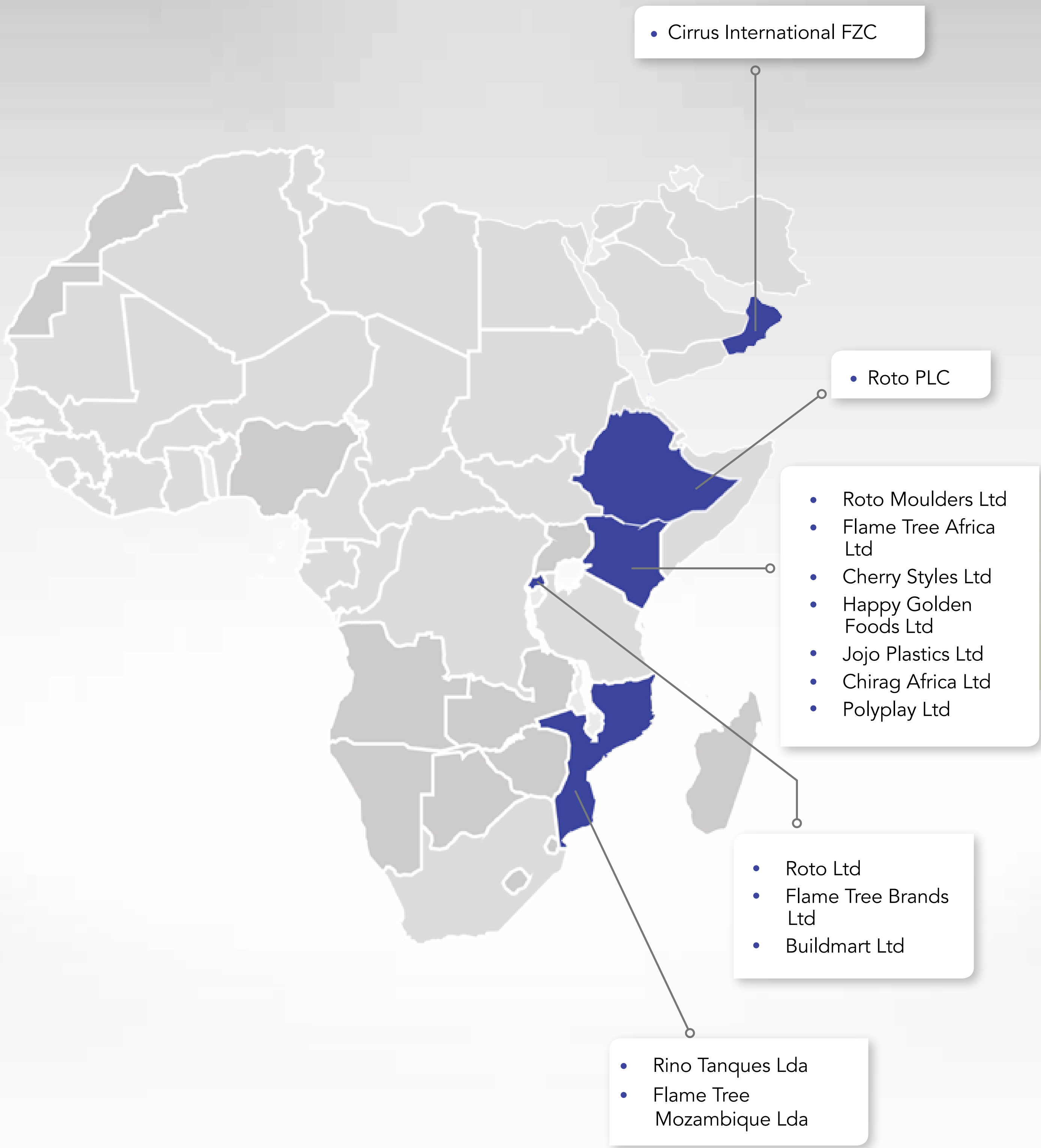

• Cirrus International FZC
• Roto PLC
• Roto Moulders Ltd
• Flame Tree Africa Ltd
• Cherry Styles Ltd
• Happy Golden Foods Ltd
• Jojo Plastics Ltd
• Chirag Africa Ltd
• Polyplay Ltd
• Roto Ltd
• Flame Tree Brands Ltd
• Buildmart Ltd
• Rino Tanques Lda
• Flame Tree Mozambique Lda

OUR BRANDS

Enriching lives through Our Brands

As Flame Group Ltd, through our wide variety of products, we connect with the African people. We offer world class quality products made in Africa for Africa. Our brands enrich their lives everyday.

Water and Sanitation Products

ROTO TANKS
JOJO Tank
RINO Tanques

Child Play

PolyPlay

Beauty

Zoe
ALANA
cErro
Blackangel
SIORA
Sylva
Miss Africa

Spices

NATURE'S OWN

Food and Nutrition

Happy's
Chigs
Honey Comb
gonuts

Trade

BM Buildmart
CIRRUS
flame tree

flame tree GROUP

Company Timeline

1989

Roto Moulders Ltd, Kenya

2000

Roto PLC, Ethiopia

Roto Ltd, Rwanda

2001

Flame Tree Brands Ltd, Rwanda

2002

Flame Tree Africa Ltd, Kenya

2008

Cirrus FZC, UAE

2009

Rino Tanques Lda, Mozambique

2010

Cherry Styles Ltd, Kenya

2011

Build Mart Ltd, Rwanda

2012

Happy Eaters Kenya Ltd, Kenya

2014

Jojo Plastics Ltd, Kenya

Suzie Beauty Ltd, Kenya

2015

Chirag Africa Ltd, Kenya

2017

PolyPlay

Sylva Ltd, Kenya

Our Vision

Creating world class African brands

Flame Tree Group is a world class corporation in the heart of Africa developing and providing quality and affordable brands.

We are a customer centric, results driven and forward thinking company.

We build long term relationships with our customers, our people and our shareholders.

Our Mission

Spreading the Flame Tree spirit of building Africa through our brands

Our Core Values

1. Commitment
2. Integrity
3. Respect and Humility
4. Teamwork
5. Continuous Improvement


roto
JOJO
Chigs
Chigs
Zoe
ALANA
ALANA
Zoe
GLYCERINE
Zoe
natural honey
Zoe
ALOE VERA
HAPPY'S
Zoe
CASTOR OIL
HAIR FOOD
CURL ACTIVATOR
OLIVE OIL
MIXED HERBS


RINO Tanques
JOJO Tank
JOJO Tank
Zoe
ALANA
Zoe
Braid Spray
Zoe
Beauty Plus
Braid Spray
Dandruff Treatment for Braids
SIORA
HAIR FOOD
OLIVE OIL
Zoe


SuzieBeauty
WITH SELF-CONFIDENCE,
MAKE-UP WILL MAKE YOU
Suziebeautiful


SuzieBeauty
• BY SNW •
SPF8
Long Stay •
Full Coverage
Vitamin E
With self-confidence, make-up will make you Suziebeautiful

Company Information

Board of Directors	Date of Appointment
Heril Bangera	27 January 2014
Gilles Kichenin	27 January 2014
Frank Ireri	17 September 2014
Imalambaal Kichenin	18 January 2014
George Theobald	13 September 2014

Administrator and Company Secretary

JurisTax Ltd
Level 3, Ebene house, Hotel Avenue
Ebene
MAURITIUS

Registered Office

C/o JurisTax Ltd
Level 3, Ebene house, Hotel Avenue
Ebene
MAURITIUS

Independent Auditor

Lamusse Sek Sum and Co (PKF Mauritius)
5 Duke of Edinburgh Avenue
Port Louis
MAURITIUS

Principal Bankers

Mauritius Commercial Bank
Sir William Newton Street
Port Louis
MAURITIUS

Diamond Trust Bank
DTB Centre, Mombasa Road
P.O. Box 61711 - 00100
Nairobi
KENYA

National Industrial Credit Bank
NIC House, Masaba Road,
Upper Hill Area
P.O. Box 10643 - 00100
Nairobi
KENYA

Nominated Advisor

Faida Investment Ltd
P.O. Box 45236 - 00100
Nairobi
KENYA

Legal Governance Auditor

Soita and Associates Advocates
PO Box 14641 - 00800
Nairobi
KENYA

Corporate Governance Auditor

Scribe Registars
P.O. Box 3085 – 00100 GPO
Nairobi
KENYA

Legal Advisors

Coulson Harney Advocates
P.O. Box 10643 - 00100
Nairobi
KENYA

Board of Directors

George Carmichael Theobald
Chairman

George ('Bimb') Theobald is currently the Chairman of the board. George has been the driving force behind the growth of a number of East African companies spread out across various sectors. George has lived in East Africa since 1983, after being a commission in the British Army and spending time in London working as a stockbroker.

He also serves as the Managing Director of publicly listed Tatepa Ltd (the largest smallholder tea and avocado producer in Tanzania). He is also the Chairman of the Kariki Group (A group of flower farmers) in Kenya and at the same time, the Chairman of Nomad Group (a chain of safari lodges) in Tanzania.

Heril Colbert Bangera
Founder and CEO

Heril Bangera began the first subsidiary of the Issuer, Roto Moulders Limited in 1989 and has since supported the growth of the Group by steering it to its current status. He is responsible for the overall running and strategic planning for the Group. Heril holds a Bachelor's Degree in Mechanical Engineering, a BMSCE from Bangalore University and has over 29 years of business experience. He has also pursued the Owners Management Program at Strathmore University.

Gilles Kichenin
Executive Director

Gilles Kichenin has over 20 year of professional experience in related aspects of financial and management consulting. He is the financial and administrative director at Turquoise Capital Management Ltd, a Wealth and Fund Manager, and also serves as the director general at Akshar and Services Trading Ltd. He is the former Chief Finance Officer of Apavou Group and has held various management positions at leading regional businesses.

Frank Ireri
Non-Executive Director

Frank Ireri has close to 30 years work experience in both the banking and the real estate sectors spread across various countries. He has worked for prestigious organisations such as Deloitte, Haskins and Sells, Murdoch, McCrae and Smith, Citibank NA, Citibank Poland, Commercial Bank of Africa Ltd, Barclays Bank of Kenya Ltd, Barclays Africa and Barclaycard Africa at various capacities. He has also served as Member of the Kenya National Payments Committee; Chairman of the Kenya Bankers' Association Operations' Committee; Treasurer of the Kenya Institute of Bankers; Chairman of the Kenya Institute of Bankers and Chairman of AIESEC Board of Advisors.

Mr. Ireri is currently an Advisory Board Member of the Sub-Saharan Africa Chamber of Commerce, a Board member at Habitat for Humanity and also a member of the AIESEC Honorary Counsel. In 2011, he was awarded the Elder of the Burning Spear by President Mwai Kibaki in recognition of his services to the nation in his various capacities. He has worked as the Managing Director for Housing Finance Corporation till 31st December, 2018.

Imalambaal Kichenin
Executive Director

Imalambaal Kichenin is the Chief Executive Officer at JurisTax Ltd. She also serves as a director at Lex Communications Ltd and Turquoise Promotion Ltd. Imalambaal is a law graduate from the University of London and is additionally an associate member of the Institute of Chartered Secretaries and Administrators (UK), Association of Trust and Management Companies, International Fiscal Association and the Mauritius Institute of Directors.

Senior Management Biographies

Heril Bangera,
Group Chief Executive Officer

Heril Bangera began the first subsidiary of the Flame Tree Group, Roto Moulders Ltd in 1989 and has since supported its growth by steering the group to its current status. He is responsible for overall running and strategic planning of the Group. Heril holds a Bachelor's degree in Mechanical Engineering, at BMSCE from Bangalore University and has over 29 years of business experience.

He has also pursued the Owners Management Program at Strathmore University.

Beatriz Meijide,
Group Financial Officer

Beatriz joined FTG in January 2019. She has a unique mix of commercial, financial, cultural and political acumen and an interest in aid development and agriculture. Beatriz is a highly skilled CFO. She holds a Master's in Business Administration (IESE Business School in Madrid, Spain) Master's in Business Law (University of Navarra in Pamplona, Spain) and a Bachelor's in Economics and Business Administration from University of San Pablo CEU, Madrid.

Beatriz has been in the financial industry for over 20 years. She has worked as the Chief financial Officer for Africa and Indian Ocean for CAMUSAT International. Her previous roles also include Finance Director position in IBERDROLA Engineering (Kenya), Group CFO and Corporate Business Transformation Director in ADVEO Group International (Spain), a listed company, with a total turnover of Euro 1300mm and operations in six European countries. She has also contributed and project managed several initiatives in Kenya related to education, hospital management and agribusiness.

Sonia Bangera,

Group Marketing Director

Sonia Bangera is the current Group Marketing Director of Flame Tree Group. A marketer with over 20 years of experience gained in managing Business Development and Strategy Formulation. She holds a Master's degree in Business Administration-Marketing from Mt. Carmel Institute, Bangalore. She also holds a Bachelor's degree in Computer Science from Bangalore University.

She brings in experience in marketing both in white goods and FMCG products and handles all the digital and social media platforms across all our brands in all our countries.

Dee-Vona Quadros,

Group Human Resource Manager

Dee-Vona Quadros joined Flame Tree Group in 2016. She is a senior Human Resources Executive seeking to create a high-performance culture emphasizing diversity, goal attainment and superior workforce optimization. Dee-Vona holds a Master's degree in Human Resources and Project Management. She also holds a Bachelor's degree in Commerce-Banking and Finance. Dee-Vona has previously worked with Aggreko International Projects Ltd as a HR Specialist in East Africa and Eritrea and as a HR Manager in East Africa, Mozambique and Eritrea. She has also worked as an Assistant Finance Administrator /HR at Johnnic Communications.

Senior Management

Name	Designation	Work Experience
Heril Bangera	Chief Executive Officer	Over 29 years
Beatriz Meijide	Group Finance Officer	Over 20 years
Sonia Bangera	Group Marketing Director	Over 20 years
Dee-Vona Quadros	Group Human Resource Manager	Over 10 years
Eric Nderitu Kanyugo	Senior Internal Auditor	Over 5 years
Jayant Nain	Kaizen Manager, Continuous improvement Specialist	Over 5 years
Shiva Sankara Kurup Gopinadha	General Manger, Roto Ltd - Rwanda, Flame Tree Brands Ltd - Rwanda and Buildmart Ltd, Rwanda	Over 20 years
Balachandra Shukla	General Manager, Chirag Africa Ltd, Kenya	Over 30 years
Raymond Goes	General Manager, Roto Moulders, Kenya	Over 30 years
Charles Shashidhar K Ananda	Country Manager, Roto Plc - Ethiopia	Over 30 years
Puliamkote Radhakrishnan	General Manager, Rino Tanques Lda, Mozambique	Over 25 years

flame tree
...naturally
ALANA
Skin
Refresh.....Rehydrate...
.........Rejuvenate
ALANA
Skin
Glycerine
200ml

CHAIRMAN'S MESSAGE

As a business, we will continue to produce good quality products, and this means investing in the right human resource and expertise to achieve this.

Dear Fellow Shareholders and partners,

It gives me great pleasure as the Chairman of the Board to update you on the performance, the competitive and regulatory environment and economic factors that impacted on our business for the year ended 31 December, 2018. We accomplished much at Flame Tree Group (FTG) in 2018, as we continued to focus on strengthening our business verticals of manufacturing and trading, while employing a disciplined approach to capital allocation. We executed on our strategy by expanding margins, and generating a record level of cash flow from operating activities.

Economic Outlook, Industry and Company Position

The global economy started 2018 with a strong, synchronized growth. Locally, 2018, was a year characterized by the recovery of the Kenyan economy after a fraught 2017 marked by the spectre of drought and ofcourse the political uncertainity fostered by protracted elections. Not surprisingly, GDP growth expanded by an estimated 6.0 per cent year-on-year in 2018.

According to International Monetary Fund (IMF), the East Africa economies had the best rate of economic growth on the continent. Recording one of the best performances in terms of Gross Domestic Product (GDP) growth in 2018, a ranking in which Ethiopia ranks first with 7.8% growth, followed by Rwanda 7.1% and then Tanzania 6.7%, while Kenya expanded by 6%. The strong GDP growth witnessed in the first three quarters of 2018 in Kenya was driven by a rebound in the two largest sectors of the economy, namely agriculture and manufacturing.

Company Performance

The positive economic climate, with favorable demand in most of our segments and in most of the countries we operate in, has, without a doubt, helped us prosper. Therefore it gives me great pleasure in sharing with you that the business has shown clear improvements with Kshs. 42.1million, a 2% growth in profit before Tax compared to

Kshs. 41.4 million for the same period in FY 2017. This growth was contributed greatly by sales growth in our main markets, Kenya which recorded a 16% and Rwanda 10% growth in sales compared to same period in 2017. Calculations come from conso workings.

Specifically, new business lines showed tremendous growth in sales. Cosmetics by 23% on the other hand, Snacks and Spices by 44% compared to the same period in 2017.

We experienced a decline in sales and profits in our trading company in Dubai, Cirrus, whose main clients experienced business slow down environment which greatly affected its performance. Without the impact of Cirrus, the company would have reported a sales growth of 7% and 132% increase in Profit before Tax.

Business Outlook

In line with our strategic plan and aspiration of **Creating World Class African Brands,** our FMCG vertical of cosmetics, snacks and spices have seen consistent growth and as the results in this annual report indicate, As a business, we will continue to produce good quality products, and this means investing in the right human resource and expertise to achieve this.

We have strengthened our internal management procedures, controls and corporate governance. We are 100% committed to Good Governance Practices, transparency and accountability in all levels of management. I am happy to report that for the second year in a row FTG has passed the recommended Capital Markets Authority (CMA) Corporate Governance and new legal audit recommendations.

This was greatly helped by the successful implementation of the Kaizen principles across all our companies achieving great improvements and KPIs especially in our manufacturing sites where we achieved important savings as compared to 2017 as well as significant synergies in the procurement and centralization of corporate services which will continue through 2019.

Ushering in a significant shift in accounting for financial instruments. IFRS 9 is an International accounting standard that specifies how an entity should classify and measure financial assets and liabilities including impairment. The mandatory global compliance date was January 1st, 2018.

I am happy to report that FTG has complied with all requirements of IFRS9, all potential bad debt have been provided for and outstanding invoices classified according to Expected Credit Loss (ECL) guidelines as per IFRS9. Total amount of bad debt provision in the balance sheet is Kshs. 162.2million giving a clean outlook for the future as the risk of default of current debt has already been provided.

We have also began an independent asset valuation that has already brought an additional Kshs. 202.7million to the value of our land and building increasing the value of our assets. This valuation exercise will continue through 2019, and new value not currently recognized in our balance sheet will be added as the valuation exercise continues.

As a group, Flame Tree remains committed to driving returns on investments, our appreciation goes to all our shareholders, employees, customers, consumers, suppliers, bankers and other business partners whose support has been key in enabling the transformation of our company and the achievement of our goals. We look forward to a rewarding 2019 as we complete our strategic business plan.

Sincerely

George Theobald
Chairman

CEO'S MESSAGE

Dear Fellow Shareholders and partners,

I am greatly privileged to present the FY 2018 results. It has been a fairly great year in which the business was driven by a robust economy while market forces and the ever changing stakeholder demands challenged us to be innovative, diversify and adapt to remain competitive. I am pleased to say that Flame Tree Group Holdings (FTGH), your company, remains among the leading and largest manufacturer of plastic water tanks, and diversified FMCG having charted a new path of growth, operational efficiency and excellence in management.

In line with our transformational strategy and the diversification of our business, the group reported a consolidated increment in profit before tax from Kshs. 41.4 million (2%) to Kshs. 42.14 million, this is +2% round in FY 2017. The total business expenses also reduced to Kshs. 670.7million, a 6.45% reduction from Kshs. 717million in FY2017. These great performances was driven by increased sales in all business lines with reported growth in all verticals, plastics sales grew by 5%, cosmetics by 23% and snacks & spices by 44%. Our total expenses also reduced by 6.45%.

Balancing the need for near-term profitability and long-term growth has been the guiding philosophy in our strategy for resource deployment and this remains Flame Tree Group's short term priority even as we focus on new growth opportunities for longer term. We focused on freeing our business from the dependence on

"We focused on freeing our business from the dependence on conventional business so that we can enhance our revenue sources and in so doing pursue profitability to support the business."

conventional business so that we can enhance our revenue sources and in so doing, pursue profitability to support the business.

Mozambique saw a decline in sales by 7% due to tough economic indicators in the country that have affected the demand. We are addressing this by moving our presence closer to customers to reduce on the high logistics costs and will soon be opening a third manufacturing site in Tete, to save logistics and distribution costs. Ethiopia saw a sales decline by 16% mainly affected by unavailability of forex currency in the country, preventing the importation of raw materials.

2018 Business Investments Highlights

Despite these challenges, we have committed important investments in 2018 to increase capacity and operational efficiency. In Mozambique we are finalizing the completion of our third plastic tank plant in Tete in central Mozambique.

We believe this strategy will enable us to grow our market share in these two growth markets while meeting our customer needs faster. In terms of investments, in the FY 2018, we opened four new branches in Rwanda distributing plastic water tanks and other products. In Kenya, we invested in a new peanut roasting machine, which has increased our capacity by 150%.

We also invested more in new product development and packaging formats, that saw our snacks and spices division perform really well, with the number of clients increasing by 56%, sales orders grew by 30%. Our investment in PolyPlay the playground tools has shown steady growth with orders increasing.

Apart from injecting new capital towards new machines for our cosmetic division, we conducted several trainings on product knowledge category merchandizing and supervising. For the cosmetic division, we launched new products into the Kenyan market including ZOE, men's lotion which became a top selling lotion in its category in our retail partner stores.

As a listed business, our fundamentals remain strong, we continue to focus on business development and searching for new markets for our products.

Our financial position is strong and we have updated our financial projections for the period 2019-2021, and I can confirm that the free cash flow generation each year will adequately support our growth and debt repayment. This is why I feel strongly that FTG remains a great investment opportunity not only as a diversified company operating in several countries, but a company that is increasing its exports, brand recognition and reputation and firming a presence in new growth markets in all our categories of FMCG and plastic manufacturing.

Flame Tree Group is on the right track and subject to the realities of its environment and the Company's speed in responding to challenges, it will succeed. Looking ahead, we will focus our efforts on putting customers first, delivering relevant products and operational excellence.

In conclusion, I would like to thank all customers for their support during the year and want to assure you that you will continue to get the best from us in the years to come.

I would also like to thank our Board for their guidance during the period.

Finally, I must thank our staff for their commitment to the business by doing their best to ensure our customers enjoy a conducive environment whenever they visit our premises or interact with our brand.

Sincerely

Heril Bangera
CEO, Flame Tree Group

The Directors' Remuneration Report

FTGH is pleased to present the Director's remuneration report for the year ended 31 December 2018. The Board is committed to full compliance of all the relevant laws including, The code of Corporate Governance Practices for issuers of securities to the public in Kenya issued by the Capital Markets Authority in December 2015 under Cap. 485A of the Capital Markets Authority Act, and reflects the disclosure requirements under IFRS.

The Group's remuneration principles is aligned to shareholders' long-term sustainable interests. The remuneration structure is designed to recognize the skills and experience of the Directors competitive market.

Directors' remuneration as key management for the year ended 31 December 2018

The following table shows a summary of remuneration for the Non-Executive Directors, in respect of qualifying services for the year ended 31 December 2018, together with comparative figures:

Executive Directors	Gross Salary		
	Kshs '000		
	2018	2017	2016
Heril Colbert Bangera	22,907	22,461	22,046
Imalambaal Kichenin	72	72	71
Giles Kichenin	72	72	71

Non -Executive Directors	Fixed Retainer			Sitting Allowance		
	Kshs '000			Kshs '000		
	2018	2017	2016	2018	2017	2016
George Theobald	1015	1035	873	495	362	101
Frank Ireri	500	500	230	1071	400	120

Corporate Governance

Governance is the means by which the affairs of an institution are directed and managed thereby promoting corporate accountability and business aptness to achieve an optimal shareholder value, whilst simultaneously taking into consideration the interests of other stakeholders. It is premised on the principles of integrity, accountability, prudence and openness.

The Board of directors of FTG Holdings Limited is at the core of the Group's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Group. Good corporate governance is regarded as critical to the success of the business of the Group and the board is unreservedly committed to applying the fundamental principles of good governance – transparency, integrity, accountability and responsibility - in all dealings by, in respect of and on behalf of the Group.

The Board accordingly embraces the principles of good governance as set out in a number of governance frameworks including the Principles for Corporate Governance in Kenya. The board develops and maintains reporting and meeting procedures for itself and its committees. Regular board meetings are held once per quarter. Board meetings take place at the Group's offices unless otherwise decided by the board.

The Board may form committees of its members and may delegate any of its powers to any such committee. The frequency of the committee meetings are determined by the individual committee, as stated in the terms of reference for each committee.

The quorum necessary for the transaction of the business of the board is at least three executive directors present either personally or by alternate.

The Annual General Meeting of members elects directors on the basis of their professional competencies, personal qualities and the contribution they can make to the governance of the organization.

In accordance with the principles of good corporate governance, each director undertakes:

- To act first, foremost and always in the best interest of the Company and not for any other collateral purpose;
- To exercise his/her power in the executive duties in good faith; and
- To act with the care a prudent person would take when acting on their own behalf.

Each director undertakes that, in arriving at a decision on any issue, he or she shall strive to ensure that the decision is in the best interest of the Company and is not driven by any other interests.

Each director is fully aware of the importance of regular attendance and effective participation at meetings. Each director undertakes to do everything with their power to attend all meetings.

Board deliberations give rise to consensus or formal votes covering matters of importance to the organization.

Each director shall be attentive to and respectful of the delineation and exercise of powers and responsibilities attributed to the Company's respective decision-making organs. Directors shall however ensure that no single person can exercise uncontrolled discretionary powers.

They shall support the proper functioning of Board Committees and pay particular attention to ensure that the Company's internal controls are effective and that its auditors perform their mission in a satisfactory manner.

At regular intervals, not exceeding twelve months, the Board of Directors shall undertake an evaluation of its functioning as a collective agency and as individual directors. Where necessary, the Board may obtain the services of an external facilitator to guide the evaluation.

All the directors of FTG Holdings have completed the Directors Induction Programme as at the date of the Listing.

Composition of the Board of Directors

The Board includes a fair balance between executive and Non-Executive Directors so that no individual or company of individuals' interests will dominate the Board's decision making process.

The following issues are considered in determining the Board's composition:

- Attaining a desirable ratio of and balance between the number of executive and non-executive directors.
- Ensuring that the board collectively contains the skills, experience and mix of personalities appropriate to the strategic direction of the Group and necessary to secure its sound performance.
- Experience, knowledge, skills and personal attributes of current and prospective Directors in relation to the needs of the Board as a whole.

Irrespective of a Director's special expertise or knowledge and regardless of whether a Director is an Executive or Non-Executive Director, all members of the Board recognize that they are collectively responsible to Shareholders for the performance of the Group.

Board Effectiveness and Evaluation

Each director further undertakes to prepare sufficiently for meetings by carefully considering board papers and attachments thereto, and where necessary seeking clarifications. Where a director is unable to attend a meeting, each director undertakes to communicate through the Chairman or the Chief Executive Officer any concerns or issues they would wish considered.

At regular intervals, not exceeding twelve months, the Board of Directors shall undertake an evaluation of its functioning as a collective agency and as individual directors.

Where necessary, the Board may obtain the services of an external facilitator to guide the evaluation.

There are also no arrangements or understandings with the majority shareholder, customers, suppliers or others, pursuant to which any person was selected as a Director or member of senior management.

Remuneration of the Directors

The Nomination and Human Resource Committee is responsible for reviewing Non-Executive Directors' remuneration and recommending the necessary changes from time to time. In making these recommendations, due consideration must be given to the Board's expectations from Directors in terms of time commitments, degree of responsibility and financial condition of the Group.

The Committee may request management or external consultants to provide necessary information upon which the Board may make its determination.

Directors' remuneration is presented for approval at the Annual General Meeting.

In determining the compensation for Non-Executive Directors, the Nomination and Human Resource Committee shall consider the following:

- The level of fees currently earned by Directors in their professional capacity.
- The number of hours spent by Directors in preparing for and attending meetings, as well as travel to meeting venues.
- Current market rates applicable to organizations of similar size and in the same industry.
- The complexity of the Group's operations and the extent to which directors have to incur additional cost in research on industry developments and other Group related matters.
- The number of meetings in a year.

The remuneration recommended by the Nomination and Human Resource Committee shall apply to all Directors and no Director should be involved in fixing their own individual remuneration.

Responsibilities of the Board

The Board should specifically exercise leadership, enterprise, integrity and judgment in directing the affairs of the Group in order to achieve continuing prosperity for the Group and its Shareholders, and shall at all times act in the best interests of the Group in a manner based on transparency, integrity, accountability and responsibility.

The Board must specifically:

- Define and chart out the Group's vision, mission and values and has ultimate responsibility for the attainment of the Group's values.
- Determine the business strategies and plans that underpin the corporate strategy.
- Discuss and approve strategic plans and annual budgets.
- Retain full and effective control over the Group, and monitor Management's implementation of the strategic plans and financial objectives as defined by the Board.
- Define levels of materiality, reserving specific powers to itself and delegating other matters with the necessary written authority to management.
- Continually monitor the exercise of delegated power by Management.
- Ensure that a comprehensive system of policies and procedures is in place, and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Group.
- Ensure that the business of the Group is managed with a view to ensuring that the Group is ethical in all its dealings and exercises corporate social responsibility.
- Ensure compliance by the Group with all relevant laws and regulations, audit and accounting principles and such other principles as may be established by the Board from time to time.
- Identify key risks, opportunities and strengths relating to the Group.
- Ensure that the Group's organizational structure and capability are appropriate for implementing the chosen strategies.
- Determine monitoring criteria to be used by the Board.

- Set policies on internal control and obtain regular assurance that the system is functioning effectively and is effective in managing risks.
- Nominate board members who will add value to the board processes and arrange for their induction.
- Appoint the Managing Director, senior staff, external auditors and other consultants.
- Discuss, agree and approve annual accounts and reports
- Communicate key policies and strategy issues to senior management.
- Identify all stakeholders and ensure effective communication with Shareholders and stakeholders.

Board Committees

The Board has established the following three (3) committees, whose mandates and terms of reference are spelt out as follows:

i. Audit Committee

The Audit Committee is a standing Committee of the Board and its purpose is to assist the Board in assessing the integrity of financial statements and the effectiveness of financial reporting, and to conduct risk management assessment.

The composition of the committee is as follows:

- George Theobald
- Frank Ireri
- Shilpa Haria
- Authorized Representative of the Nominated Adviser

ii. Finance Committee

The Finance and Audit Committee is a standing Committee of the Board and its purpose is to assist the Board of FTG Holdings Limited in financial risk management, policy formulation, reviewing and approving major financial transactions.

The composition of the committee is as follows:

- Heril Bangera
- Shilpa Haria
- Frank Ireri

iii. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a standing Committee of the Board and its purpose is to assist the Board of FTG Holdings Limited to propose new nominees for the board as and when required and to assess the performance and effectiveness of Directors in the Group.

The Nomination and remuneration Committee is responsible for reviewing Non-Executive Directors' remuneration and recommending the necessary changes from time to time.

The composition of the committee is as follows:

- George Theobald
- Heril Bangera
- Gilles Kichenin
- Imalambaal Kichenin

Shareholding Profiles

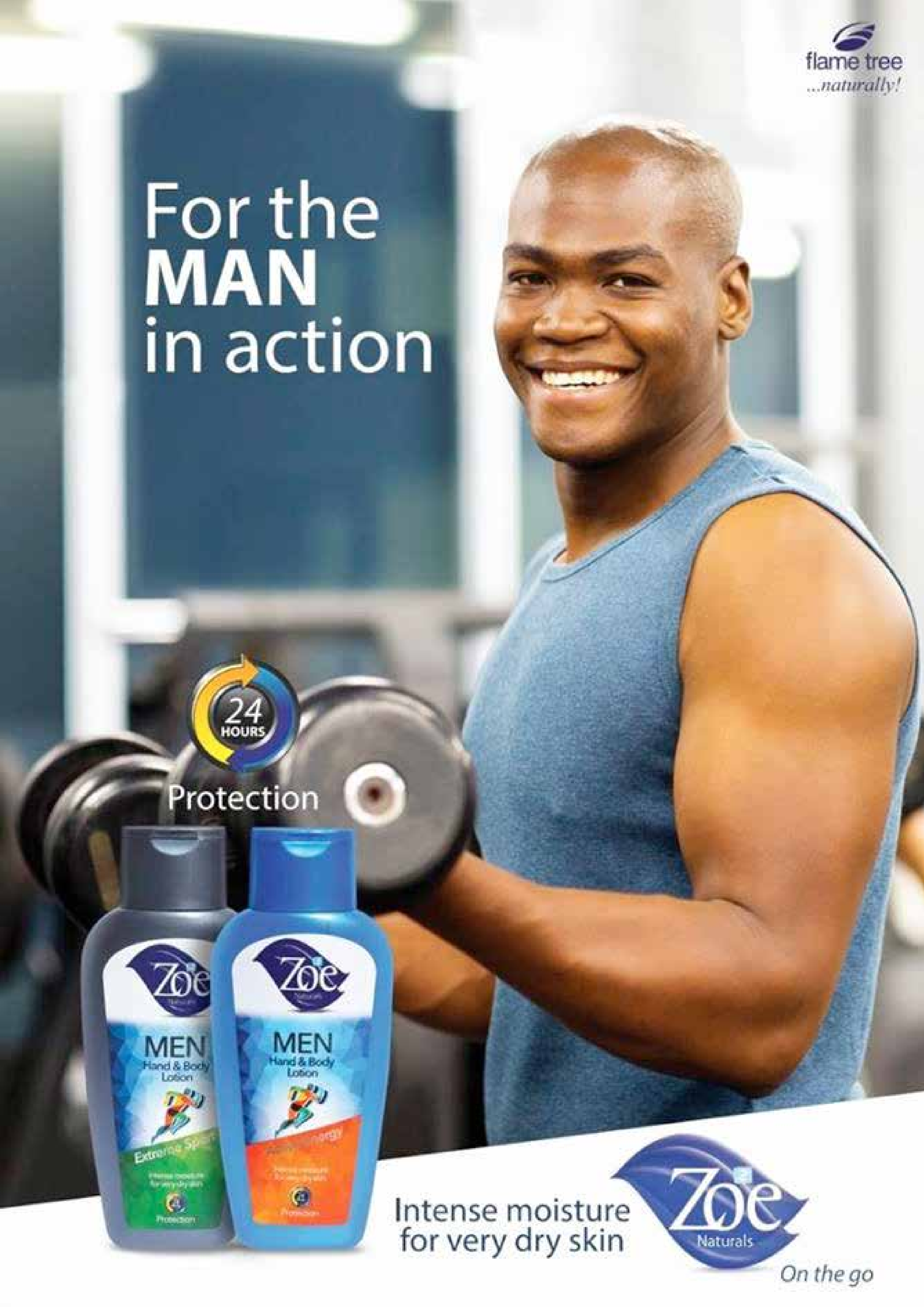
The Company through it's registrar files returns regularly in line with the Capital Markets Authority and the Nairobi Securities Exchange under the listings regulations on transactions related to stakeholders.

Flame Tree Group Holdings Summary of Shareholders as at 31 December, 2018

Industry	Sum of Shares	% Holding	No. of Holders	% Holders
East African Community Partner States Individuals	160,810,843	90.32	1,377	94.06
East African Community Partner States Institutions	12,864,769	7.23	72	4.92
Foreign Institutions	3,318,994	1.86	2	0.14
Foreign Individual	1,058,880	0.59	13	0.89
Totals	**178,053,486**	**100**	**1,464**	**100**

Top 20 Shareholders

No.	Holder Names	Shares	% Holding
1	Bangera Heril Colbert	149,577,242	84.01
2	Stanbic Nominees Ltd A/C NR1030823	3,289,734	1.85
3	Mukumbu Japheth Mulinge	2,400,407	1.35
4	Old Mutual Life Assurance Company Ltd	1,330,093	0.75
5	NIC Custodial Services A/C 020	1,320,093	0.74
6	Kenya Commercial Bank Nominees Ltd A/C 923A	1,175,588	0.66
7	Stanbic Nominees Ltd A/C R88601	1,136,213	0.64
8	Gichuki Simon Gachira	972,730	0.55
9	Goodwill (Nairobi) Limited A/C 95319	958,210	0.54
10	Kenya Commercial Bank Nominees Limited A/C 900A	731,551	0.41
11	Standard Chartered Nominees A/C 9675C	731,111	0.41
12	NIC Custodial Services A/C 013	665,047	0.37
13	Kestrel Capital Nominees Limited A/C 009	647,160	0.36
14	NIC Custodial Services A/C 008	532,037	0.3
15	Cooperative Bank of Kenya Custody A/C 3005B	519,421	0.29
16	Burbidge Edward Lyndon Lovell	424,930	0.24
17	Kenya Commercial Bank Nominees Limited A/C 779	332,523	0.19
18	Gacheru Charles Kiai	332,523	0.19
19	Dawid Dominikus Johannes	327,600	0.18
20	Stanbic Nominees Ltd A/C R35101	273,628	0.15


flame tree
...naturally!
For the
MAN
in action
24
HOURS
Protection
Zoe
MEN
Hand & Body
Lotion
Zoe
MEN
Hand & Body
Lotion
Intense moisture
for very dry skin
Zoe
Naturals
On the go

FTG Brands Overview

Leading Brand Recognition and Reputation

- **Roto Tanks** recognised as the leading water tank manufacturer in East Africa with a reputation for long lasting quality and outstanding service levels. In Ethiopia, it has been recognized as a "Public Brand" becoming a generic name for water tank and in Kenya it was awarded as the "superbrand" status in 2007.
- **Zoe and Alana** brands of cosmetics enjoy high visibility in the beauty industry
- **Suzie Beauty** is Kenya´s first beauty brand created for the everyday African woman, offering full range of quality make-up, skin care and accessories. It has been severally awarded and recognized in the local and international media i.e (CNN, BBC among others).
- **Nature´s Own:** is the leader in the spices market, with a large loyal customer base attracted by the quality and formats offered by the brand's (100 and 50grams, new PET bottles with flip cap for convenience)
- **Honeycomb:** The Home made cookies of this brand, using all natural ingredients, have become a specialty product, available in all major supermarkets and deli outlets in Kenya.
- **Polyplay:** is the leading playground manufacturer and distributor, the only one in Africa unrivalled, offering of products and services.

Efficient logistics offering, leading fulfilment rates and ability to offer dealers direct delivery to their customers

Several marketing campaigns and promotions take place along different months across all business lines, to bring our products closer to the public and collaborate with our dealers to boost their sales.

Wide range of products

The Group has a wide range of products under its plastics, cosmetics and food processing business lines, that cater for different consumer segments and varying consumer needs. This enables FTG to stabilize its revenues and reduce dependency on one industry.

The water tank industry has historically been able to sustain resilient sales growth and stable margins regional manufacturing presence.

The Group has presence in 4 African countries and Dubai. Direct manufacturing presence helps the Group offer products at competitive prices due to avoidance of import duties and third-party margins.

> **The Group has presence in 4 African countries and Dubai**

All our products are manufactured within the Group, giving us full visibility on cost control and quality assurance.

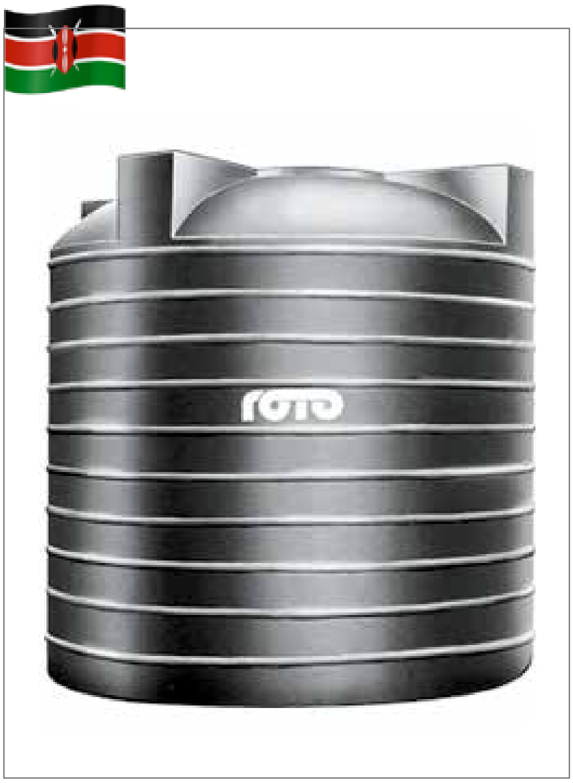
Significant operational upside through strategic initiatives in place

- Grow high-potential product groups (e.g. FMCG, own-brand products, playgrounds.
- New sales channels from new international supermarket chains entering in East Africa (Carrefour, Game, Shoprite) and expansion of local and regional supermarkets, new clients in all distribution regions (corporate clients, NGO, Parastatals, hotels and restaurants, farmers groups and digital market places)
- Cost reduction programme and ongoing investment in operational efficiency. Examples of this are new machines in food processing lines that have increased productivity five times and reduced unit production costs.
- New machine for the cosmetics line allows us to manufacture our own bottles and caps, reducing costs and giving us control over the production as per demand requirements.

1 WATER

Kenya

Kenya, like other countries in Africa still faces considerable challenges in reaching its water and sanitation Millennium Development Goals (MDGs). 13 million Kenyans lack access to improved water supply and 19 million lack access to improved sanitation. Water shortages are experienced by users across the country. Kenya is plagued with chronic cycles of flooding and drought that are increasing in frequency and severity. The sector still needs more resources. There is a rapidly growing demand for water for multi-sectoral uses and for development of artificial storage capacity.



Roto Tanks Kenya, has continued to supply water tanks to water scarce regions such as Turkana and Garissa in line with its goal to increase availability of its water tanks and sanitation products amongst those with little access to clean water. Our Roto septic and Roto underground tanks continue to help ensure hygiene among families and villages in 2018. Further, Roto hired a dedicated salesman to focus on selling our much needed sanitation products across the country. Our buckets and crates topped the fastest moving items in our over 200-product portfolio.

Amongst other achievements the company invested much time in revamping its operations with the completion of a new dispatch facility to reduce the turn-around-time of its fleet. Previously taking 2-3 hours, trucks now typically load within the hour to increase the number of tanks we sell per month by 10%. Further a dedicated material re-processing team has helped reduce raw material expenses by 10% while still ensuring that only the highest quality of material is accepted.

Finally, as part of its Kaizen campaign, Roto started a 5S competition that recognizes employees who have improved their workplaces to ensure better productivity and safety. This innovative incentive scheme has helped instill a culture of innovation within the company with at least seven new ideas suggested and implemented in 2018. The expectation is for many more to follow.

Jojo Plastics has had a fruitful 2018. The plastic tank industry becoming excessively competitive day by day and price dropping drastically affecting profits. Jojo Plastics launched new lines of business in view of the market gap it saw.

Jojo Plastic products are supplied throughout the country. It is able to make deliveries to every corner, from corporates to your mama's shamba upcountry. We are able to deliver directly to your door step.

As we commit to improving our environment step by step. Jojo products are 100% recyclable. We have built in facilities to recycle all the materials generated. We encourage new commitments to reduce plastic pollution and supporting the transition to a more circular economy. We also have a buy-back policy in place where we are willing to purchase back damaged products for the material. Through this, we are able to effectively recycle all the plastics we are generating.

Mozambique

Rino Tanques is well placed to support Mozambique's key development goals addressing several of the African Development Bank's High 5s - "Feed Africa," "Integrate Africa," "Industrialize Africa," "Improve the Quality of Life for the People of Africa." Each goal is closely related to water safety where Rino Tanques plays a key role in bettering each family's life. Rino Tanques has placed itself strategically in key locations across the wide country. With factories in Maputo and Nampula and a depot setup in Tete, Rino Tanques is able to cover the country effectively supplying water tanks to every corner. We had a 35% sales increase in Nampula due to the business coming from our newly established Tete depot and the Chimoio region. The additional point of sale has greatly added to our accessibility and is in-line with our increased targets to be achieved.

TANKS

Rwanda

The Government of Rwanda has the ambition to improve the quality of life of its population by provision of adequate water supply and sanitation services and has also made good progress in extending water supply and sanitation coverage in the past few years. This is under clear political commitment to three complementary sets of targets: the Economic Development and Poverty Reduction Strategy (2012), Millennium Development Goals (2015) and Vision 2020.

Rwanda, supported by continued export diversification base and public investment, the country's medium-term macroeconomic outlook remains favorable and real GDP growth remains strong, Private-sector investment and more resilient agriculture due to extensive agriculture irrigation has favored the strong performance of the Rwanda's economy, reflecting in strong industrial activity, notably construction.

Roto Tanks, Rwanda has supplied various projects with Roto water tanks and Roto Pipes. This has also extended to undertaking installation deep in the interior regions of Rwanda, helping achieve water and hygiene safety to some of the poorest regions of the country.

Ethiopia

In Ethiopia, investment in rural water supply forms a major plank of the government's poverty reduction efforts. The challenge is huge. Ethiopia's 2008 Plan for Accelerated and Sustained Development to End Poverty (PASDEP) progress report, based on sector data, records rural water coverage at 54% and the country has the highest absolute number of people without

access to improved water supply and sanitation in Sub-Saharan Africa.

To meet the challenge, the Roto tanks, Ethiopia works with the private sector as well as various donor organisations supplying water tanks through this providing water and food security to the untapped regions.

Despite progress, however, significant obstacles remain.

These obstacles can, at least in part, be explained by the nature of governance and politics in the sector, which present barriers to imports of raw materials.The water sector will continue to be a priority with governments in any African nation. This can be attained by having them as part of their Millenum Development Goals to achieve a better life for its citizens.

FTG is well placed with state of the art manufacturing units in various sites i.e Ethiopia, Kenya, Mozambique - Nampula, Maputo and Tete and Rwanda with the latest technology providing quality and lasting water solutions to the population at large. Water, sanitation and hygiene safety helps harmonise capacity building initiatives in the sector.

2 PACKAGING

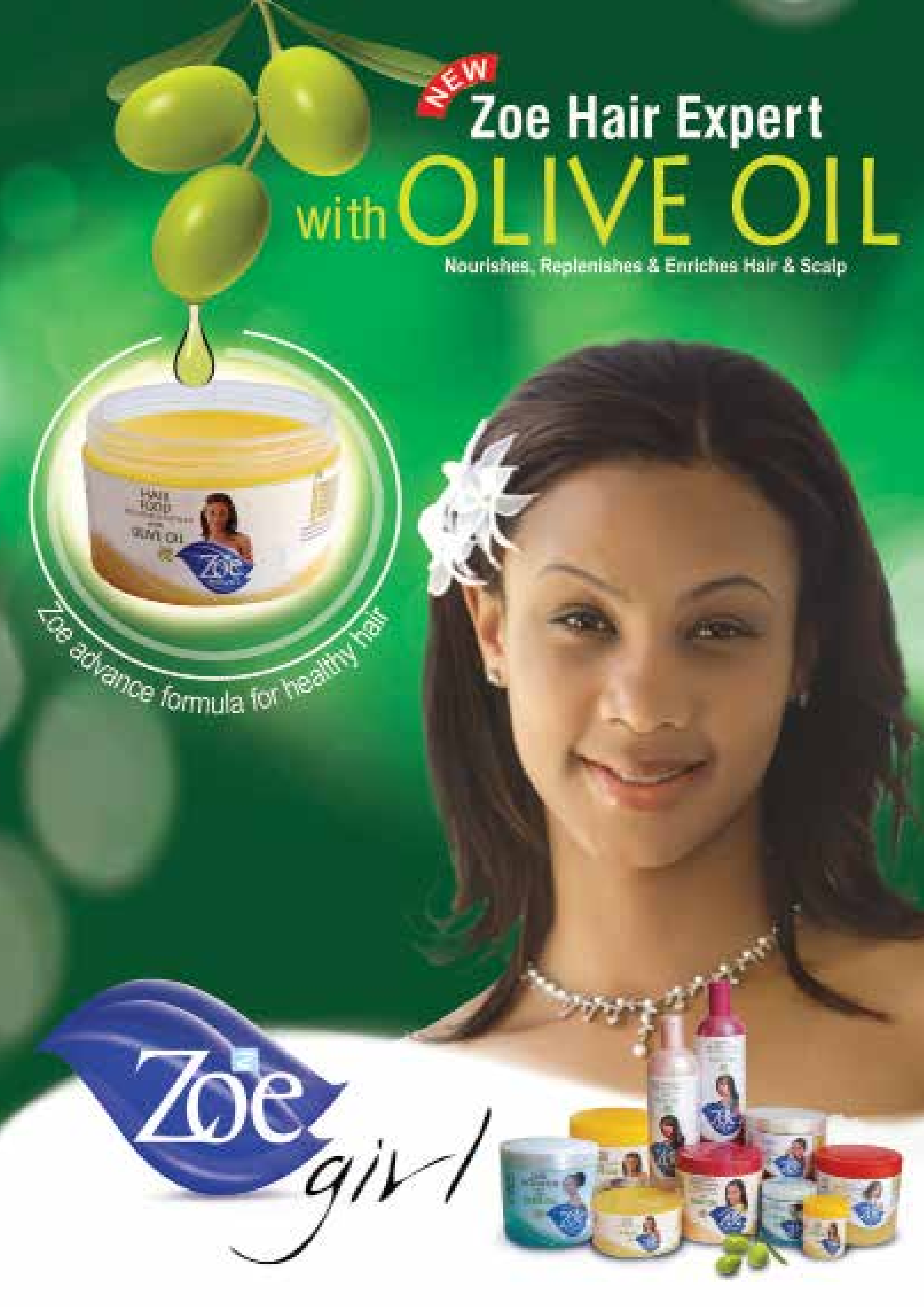
Plastics are a material of choice in packaging applications because of their performance, cost effectiveness and durability. All our packaging solutions are useful and safely protects and delivers a quality product from the manufacturer to the consumer. For personal care products, plastics are a material of choice for manufacturing shatterproof and "no-spill" bottles, jars and tubs, caps and closures. Our food and cosmetic packagings are 100% recyclable. We have seen increasing recycling rates for bottle and containers every year.

Jojo Plastics

Jojo Plastics in addition to making water tanks that sells at a competitive price point fighting the price sensitive industry, we also manufacture smaller bottles for the FMCG industry, cosmetic bottles and spice jars. This has helped us effectively backward integrate and we are able

to supply our sister FMCG companies with the products they require, thus keeping the profits inhouse. Sales of our packaging increased. We introduced an injection process of machinery to further reduce our FMCG dependence on outside suppliers. Through this, we were able to increase our revenue as well as reduce our sister company expenses by providing packaging at competitive prices.

Jojo Nets was launched in July 2018. With the plastic carrier bags being phased out because of the NEMA directive, fruit nets saw a surge in demand. As Jojo Plastics, we identified the gap and effectively introduced the Jojo Nets. From the onset sales in the Jojo Nets has been positive and the company has consistently grown on the same revenue month after month. By the end of the year, we had even put in an order to purchase additional capacity.



NEW
Zoe Hair Expert
with OLIVE OIL
Nourishes, Replenishes & Enriches Hair & Scalp
Zoe advance formula for healthy hair
Zoe girl

3 BEAUTY

Against the backdrop of a fairly stable economic, political and social climate the beauty sector continues to generally perform well, experiencing a 5% growth on the previous year, as emerging disruptive and digital players entice younger consumers and as older populations envisage the possibilities of healthy ageing.

Flame Tree Africa stands ideally placed to capitalize on this market and make its presence felt. With brands like **Zoe and Alana** as part of its portfolio in the skincare and hair care sectors.

There are unique circumstances that continue to prop up the beauty industry, consumers, mostly women, are on a journey of exploration. They are enjoying new products and finding new brands. SuzieBeauty, Zoe and Alana are ideally placed to capitalize on this trend, being the local face of the brands in their market segments.

Zoe and Alana skin care are performing well with the marketing and promotions effected during the year. Gaining lost ground and building on shelf presence and visibility. We continue to actively promote, market and educate consumers about our skin care products and the benefits they can provide, which is helping to drive category growth. With rising urbanisation and a growing middle class more consumers in Kenya are showing a growing interest in skin care products, with an expanding modern retailing landscape helping to support demand.

There was increased demand for products with natural ingredients in 2017/8, such as aloe vera and cocoa butter. Consumers are prioritising products which are affordable and natural. Zoe body lotions is in the right space with our aloe vera, Natural honey, and olive oil offerings.

Zoe launched a men's range of skincare in November 2018 identifying the gap in the industry and the opening up of a new market

Alana and Zoe

Zoe and Alana are one of the fastes growing brands in the market. They continue to actively promote, market and educate consumers about skin care products and benefits they can provide.

segment to cater for the men. The surprising trend in beauty skincare sales growing the fastest among men's grooming products. This product has been showing good potential since its launch. The event took place with the much acclaimed Churchill Show at AthiRiver with a packed audience of over 1,000 people.

Kenya also benefits from a dynamic private sector in which the country seems to have become the regional leader. Therefore, we present promising opportunities in the beauty and cosmetics sector by offering avenues for greater regional expansion through our well-developed infrastructure. In the coming five years, beauty and personal care market is expected to see a steady increase in volume, increased competition among local and international players and widening of product base to suit varying consumer profiles.

Our increasing reach of retail outlets in residential areas and their ease of accessibility for local residents have made these the preferred channels of distribution to reach consumers in Kenya's urban centres. In recent years, the rising popularity of mall-culture among the Kenya's urban population has further strengthened the value of this important distribution channel to reach Kenya's rising middle class.

However, most middle and lower income group consumers still purchase their products from outdoor markets and supermarkets, which stock a wide variety of products at affordable prices, as well as door to door selling, piece by piece in the retail markets and smaller towns to get the product out to every corner of the region. With depots set up in the smaller towns in Rwanda our reach has grown in the country and we envisage growth in double digits in these markets.

Sylva

Sylva is a premium quality white petroleum jelly that was acquired by Flame Tree in 2017. It is available in four variations.

- **Sylva Cocoa Butter, White Petroleum Jelly**

  Sylva Cocoa Butter has become one of the fast selling petroleum jelly, and the perfume has attracted many of our customers towards it. Sylva Cocoa butter has many advantages especially for dry skin and can be applied by the whole family.

- **Sylva Pure White Petroleum Jelly**

  Sylva pure jelly is without any perfume therefore it is perfect for those with allergies, sensitive skin and babies.

- **Sylva Scented White Petroleum Jelly**

  This was our first perfumed jelly which was used to target towards the generic market and especially those who like perfume and scents.

- **Sylva Strength White Petroleum Jelly**

  Sylva Strength was our first product aimed specifically for men. Sylva Strength is very good aftershave as it soothes shaving cuts and bruises.

Cerro sells under Flame Tree Africa a kaleidoscope of vibrant nail colors. With Cerro nail polish, you will always find a shade to express exactly how you feel, rich true colors in a range of shades and textures.

Cerro was launched in 2004. It is one of the few locally manufactured nail polishes available in the country. Formulated with the European technology, it gives you colours with a long lasting gloss that do not fade or chip easily. Cerro nail polish are dermatologically tested and therefore non-toxic. It's stable formulation ensures a smooth and uniform application, leaving your nails looking beautiful. Cerro's distribution is countrywide. Cerro is of international quality and excellence.

cErro

Miss Africa

Hair care is made easier with the range of braid sprays made available in this brand together with non-sticky hair food products and lotions. This is the only brand among the few, which has kids' braid sprays. It is also the only brand to incorporate Olive oil, Jojoba oil and Castor oil in the production process. We have gone to great lengths to give our customers a wide variety with various benefits in each product.

This line is specifically manufactured to meet multiple hair-care needs with consideration made to weaves and braided hair.

The manufacturing process includes coconut and sunflower extract and specifically been made with a mild scent. These product gives the user instant result, making it the most preferred brand.

Blackangel

Beauty Plus

The brand has three products to choose from:-

- Hair food
- Braid spray
- Pink lotion

We are happy to offer good quality and a pocket-friendly Olive oil-deep conditioning treatment and a solution to hair dandruff. Attractive packaging and good quality is maintained as we seek to meet our customers through availability in most supermarkets and cosmetic shops countrywide. This in turn has given us customer loyalty and an all inclusive satisfaction.

SuzieBeauty is a revolutionary line of beauty products and is Kenya's first make-up brand, as well as a global trailblazer in creating a bespoke product for the African woman, by an African woman.

We have evolved into an independent make-up brand which aims to offer consumers a high-quality brand at an affordable price. We directly compete with international brands in the market and stand out for our incredible textures and colour ranges custom-created for the African woman. Our fair pricing keeps our loyal clientele coming back for more.

SuzieBeauty is Kenya's first locally designed make-up brand. It is created for the African woman in all her shades and skin types and our environment.

It has been developed and designed by a beauty industry professional, Suzie Wokabi who fully understands the cosmetics needs of the African woman, colours that work, and textures that will work best in our climates.

She has designed products and colour shades keeping in pace with the latest technology, science and trends, giving special attention to quality in texture, contents and packaging. She has received numerous awards for her work.

SuzieBeauty competes with the top ranking international brands in quality, but the pricing is much more affordable and the product available locally.

Our initial product line included facial cosmetics, including foundation, concealer, eye-shadow and liner, mascara, lip-gloss,

Suzie Beauty

SuzieBeauty is Kenya's first locally designed make-up brand. It is created for the African woman in all her shades and skin types and our environment.

blush, lipstick, powder and a full line of applicator brushes. As our footprint in Kenya we have a stand-alone shop at Two Rivers mall and kiosks placed in key traffic areas in malls around the city. We also distribute our products countrywide through online portals like Jumia as well as cosmetic shops in the city.

The year 2018 started on a high note with a number of activations with make overs and skin consultations held at our various outlets in Thika Road Mall (TRM), Yaya Centre Store among others. In addition, we activated additional stockists in counties outside Nairobi, increasing our distribution reach.

On 27th February, 2018, SuzieBeauty officially went live on Jumia, Kenya's leading online portal. Through this, we were able to increase our distribution country-wide. SuzieBeauty introduced nine new product lines in the market, marking our first leap after acquisition three years ago.

In May, The matte lipstick "Oooh Mama" was launched on Mother's Day at the Junction Mall and in June, The four SuzieBeauty Skin care products were officially launched in a grand party held at Le' Greiner a' Pain in Westlands. The event was graced by the 'who's who' of society. The four skincare products that were launched are; Make Up Remover, Cream Cleanser, Toner and Moisturizer.

Amongst the latest launches are a make-up remover, cleanser, moisturiser and other facial products. Products like the 2in1 Bronzer/Highlighter, Perfect lashes Mascara, BBcream.

As we continue to build on our brand through intense social media marketing - Suzie Wokabi and Joanna Kinuthia, a youtube vlogger, held a meet and greet with both their fans at our Two Rivers mall flagship shop. Around 100 and more people turned out for the event.

CNN also did a piece on Suzie Wokabi and SuzieBeauty dubbed "The Face of African Beauty," Suzie has also done interviews with Talk Central, K24 TV hosted by Kalekye Mumo and the TC Gang; on Capital FM with Amina and Maqbul; Live on Alfajiri; on NTV, Living with Ess; on Ebru TV Interview dubbed, "The Millionaire Mind"; to name a few.

4 FOOD

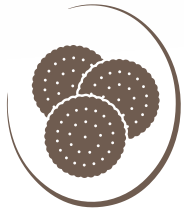
Chirag Africa Ltd is Flame Tree Group's food/snack/spice manufacturing division, manufacturing snack items like potato crisps, nuts, fried mixed snacks and cookies. Operating in over 15000sq feet capacity factory producing over many tonnes weight of potatoes yearly, Chirag has grown from success to significance year on year.

Snack foods have emerged as an alternative to full-fledged meals with the paradigm shift in consumer behavior patterns. The higher disposable incomes as a result of the growing urbanization and increasing preference for convenience food have triggered the growth of the snack food industry, however the rising health consciousness among consumers are restraining the growth of snack food consumption to some extent.

Capitalising on the improved production of our machine installed in 2017, the Happys range of potato crisps doubled its sales posting a growth of over 102%.

Chigs

Chigs brand uses the highest manufacturing standards, with the best quality ingredients and we continuously keep improving them. We provide great tasting packs for a few moments of pure taste indulgence.



Our **Honeycomb brand** of cookies target the niche premium market, made from all natural ingredients it caters to the health conscious consumer. Savory snacks contribute to more than one-fifth of snack sales in certain markets. Premiumization has been a major driver of growth in the snack industry. Demand is primarily driven by taste and health aspects, and consumers are not willing to compromise on either. Globally, the savory snack segment has seen a sharper rise in sales than their sweet counterparts reflecting this same trend with our chevda brand lines.

Chirag Ltd made a big turnaround in 2018 and has grown its business by 40% on our topline and meeting the target customers. Despite the fall of giant retail chains in Kenya in 2017, Chirag Ltd continued its growth at 40% which stands higher than the industry growth markers. The booming retail sector, increasing penetration of international brands and distinctive distribution channels adopted by players are expected to help the market grow at a continuous pace. By improving our distribution network and in terms of direct coverage doubled our presence in the outlets from 330 shops to 700 shops and increased our indirect coverage by over 280 shops. Chirag Ltd took up the challenge of listing all our business lines in all key supermarkets and have surpassed all our listing targets.

Honeycomb

Grandma's secret is out and it's in every rich, crunchy, melt in your mouth Honeycomb cookie. Made from a delicious mixture of quality, handpicked ingredients, years of experience and lots of love, our tasty heartwarming treats charm you with flavour and fullfilment.

Keeping in line with the advancing trends in packing, our **Gonuts,** nuts brands was repackaged in trendy, nitrogen sealed foil packs. This new pack in addition to its trendy look also aids in a faster packaging by automatic machines, improving the freshness and shelf time of our Gonuts. with the additional roaster and roll packaging system our nuts production capability has increased and Gonuts was able to post an increase in sales by over 86% and the Happys range of nuts posted a growth of over 69%.

We have built on our relations with the key accounts, We also invited the shelf stockers and supervisors of major supermarkets for a training. This has helped us to build relations, the shelf stockers started detailing our products to consumers and also increased shelf space. We have reaped the benefit by being present at the various activities designed by the key retailers. For example, Tuskys supermarkets invites us to all new branches openings, Christmas celebration. Naivas supermarkets has also invited us to all their new branches openings. On the other hand, Tumaini supermarkets too has invited us to attend their inauguration of Christmas bonanza to consumers.

To keep our company operating for years to come, we target to stay on top of the latest trends and deliver what consumers want, making 2019 the year to really listen to our customers and respond to their snacking needs. To meet our customers, we designed two programs and accordingly, we invited the school kids for industrial exposure. More than 600 students visited our factory and majority of them turned to be our loyal customers.

Chirag Ltd is a trendsetter in terms of developing its people from 2017. In 2018, the four stalwarts have made it to take the higher responsibilities.

We have an in-house innovated the peanuts packaging machine to our requirement, improving the machine output four fold by adding additional package sizes in to the production. These contributions go a long way in building our company.

Gonuts and Happy's

Gonuts is our nuts brand; we handpick the freshest nuts to tickle your taste buds in salted and masala flavours.

Global organic spice market is expected to surpass USD 40 billion by 2024. This is according to a new research report by Global Market Insights, Inc. Rising awareness among consumers regarding the medicinal properties and health advantages of natural spices consumption will primarily drive the industry growth. Shifting preference towards chemical free ingredients owing to their notable health benefits including anti-inflammation and pain-relieving properties is expected to propel the organic spice market growth.

The global demand for a variety of spices has continued to rise in the past few years owing to the vast rise in the consumption of convenience foods, snacks and confectionary. The widened market for processed and ready-to-eat food products has also had a vast positive impact on the overall global consumption of a variety of spice. Increasing demand of meat, soups and poultry products is expected to raise the demand of spice market globally.

Nature's Own Spice is a brand leader in the country with a country-wide market presence. CAL also launched a number of additional products in its Nature's Own brand of spices. The whole spice range of items packed in our new see-through jars with a easy-to-use flip-top cap has been well accepted.

Natures Own Spices

Our Nature's Own spices and spice mixes are a cook's gateway to culinary delight. They add flavor to your variety of dishes. They are carefully prepared to give every dish an appetizing flavor and tantalizing taste, turning it into a delicacy.

5 TRADING

CIRRUS

Cirrus International FZC is our general trading companies in the Middle East. We deal in plastic raw material and various other materials as per our customer requirements. Cirrus is a trusted company, backed by over 20 years of valuable group experience. We pride ourselves in value creation for our clients and suppliers. We are able to source quality products at competitive rates strategically. A leader in the field, we enjoy a reputation for reliability internationally.

Flame Tree Rwanda is involved in the distribution of the brands Zoe and Alana within the Rwandan market. In addition to Zoe, we also introduced Alana lotions like Glycerin, Lanolin, Cocoa Butter and Body Milk ranging from 100ml, 200ml and 400 ml packages in the Rwandan market.

flame tree

Buildmart

Buildmart Rwanda is a trading depot for various hardware products. We operate from three locations in Rwanda. Our distributor agreement with Henkel has been positive and we have been able to successfully gain market share. We have also introduced HDPE pipes, the machine that has production capacity of various sizes such as PN8, PN10, PN12.5, PN16, PN20 and PN 25. We have launched all ranges of HDPE Pipes from 25 Dia – 110 Dia in the local market as new ranges. This has had a positive impact on our turnover. As we work towards easy availability of materials, better price and 100% customer response we are sure that we will make good progress in the coming years.

6 PLAYGROUNDS

It is essential that young children get frequent and regular opportunities to explore and learn in the outdoor environment. There is strong emphasis on the importance and value of daily outdoor experiences for children's learning and development. In recent years there has been a cultural shift in our society that has reduced the access and use of outdoors for many young children. Contributory factors include increased fear amongst adults in relation to children's safety and technological advances leading to an overwhelming prominence of more sedentary indoor activities, such as television, video and computer games.

PolyPlay
Great Fun For Every One

Polyplay embraces and enhances the wonderful world of kids. It's a colourful playful, learning and fun world. Our motto is, 'Great fun for Everyone.' We uphold this motto through the design and production of a wide variety of multipurpose multi-coloured toys and outdoor activity equipment. We combine both the aspects of play and learning through all our designs.

Learning outside the classroom supports the development of healthy and active lifestyles by offering children opportunities for physical activity, freedom and movement, and promoting a sense of well-being. Learning outside the classroom gives children contact with the natural world and offers them experiences that are unique to outdoors, such as direct contact with the weather and the seasons. Playing and learning outside also helps children to understand and respect nature, the environment and the interdependence of humans, animals, plants, and lifecycles. Outdoor play also supports children's problem-solving skills and nurtures their creativity, as well as providing rich opportunities for their developing imagination, inventiveness and resourcefulness. The outdoor environment offers space and therefore is particularly important to those children who learn best through active movement. Very young children learn predominately through their sensory and physical experiences which supports brain development and the creation of neural networks.

Children need an outdoor environment that can provide them with space, both upwards and outwards, and places to explore, experiment, discover, be active and healthy, and to develop their physical capabilities.

As the premier outdoor playgrounds manufacturer in the industry today and the only manufacturer in Africa, Polyplay is committed to providing high quality outdoor play equipment to schools and various organizations. Simply put, we believe the world needs play and we are strategically placed to provide the continent with our products improving the learning and development of our children.

Polyplay

'Great fun for Everyone.' We uphold this motto through the design and production of a wide variety of multipurpose multi-coloured toys and outdoor activity equipment. We combine both the aspects of play and learning through all our designs.


Let your child grow with us
Give your child all the fun in the universe, Outdoor Playground, Toys, Kindergarten Furniture, Kindergarten Beds, School Furniture and many more.....
P.O. Box 18358-00500 MBL 0718551100 0733551100
info@polyplay.co.ke www.polyplay.co.ke
PolyPlay
Great Fun For Every One

Corporate Social Responsibility CSR

Creating value is fundamental to how we do business at FTG. We believe that our company will be successful in the long term by creating value for both our shareholders and for society. Our activities and products should make a positive difference to society while contributing to FTG's continuing success.

CSR Activities

1 Roto Moulders donated 20 white canes worth Kshs. 30,000/= (February 2018) towards the blind walk scheduled on 12th May 2018

Roto Moulders continuously support the Kenya Society of the Blind. This year in March 2018, Roto donated 20 white canes worth Ksh. 30,000/= ahead of the blind walk scheduled on 12th May 2018.

2 Roto Moulders donated 24,000 litres tank to Nyumba ya wazee situated on Thika Road

3 Roto Moulders participated in the Mt. Longonot climbing organized by the Kenya Society of the blind

Roto participated in the Mt. Longonot climbing organized by the Kenya Society of the blind - Phylis and Eliza participated on 22nd September 2018

4 Donations to four children homes in August 2018

Morning star Children's home in Kiambu, God with us Children's home in Kahawa West, Grace Community Children's home in Kahawa West and Alphablessed Children's home in Kahawa West. FGT donated tanks, food and clothes to these schools.

Mombasa Tanks donated

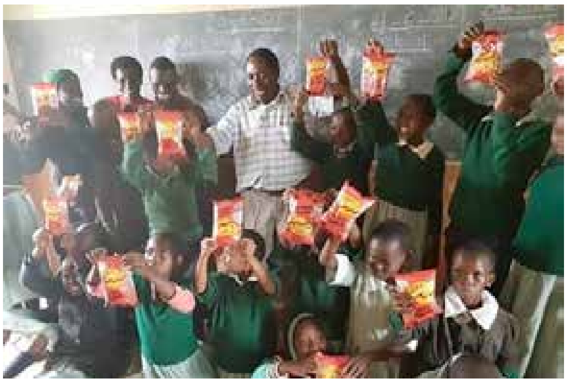

Alpha blessed childrens home


Morning Star Childrens home donated clothes and food

Grace community childrens home

5 Gachororo Primary School - Juja, June 2018

We had an opportunity to groom the needy pupils. We also trained them about good grooming. We gave the physically challenged students each a pack of Chigs crisps and Zoe petroleum jelly. All lower primary pupils each got a Zoe petroleum jelly and upper primary got Zoe lotion 1 piece each. The best pupil in each class got a gift hamper. The School also got a water storage tank for the physically challenged from Roto Moulders. Our presence was really felt as we are able to touch the heart of the needy in our society.



6 On Great Run 2018 donated for Joyfull Life birr 17,400.00

7 Tigray region St. Geberal church Roto Plc, Ethiopia donated a 10,000ltrs water tank.

8 Addis Ababa orthodox Medaneyalem church Roto Plc Ethiopia, donated 10,000ltrs water tank

9 Commercial bank of Ethiopia, Kality branch staff social club Birr 4,000.00

10 Akaki Kality wored 05 women's children's secretary office Birr 10,000.00

11 On Great Run 2018 donated for Joyfull Life birr 17,400.00

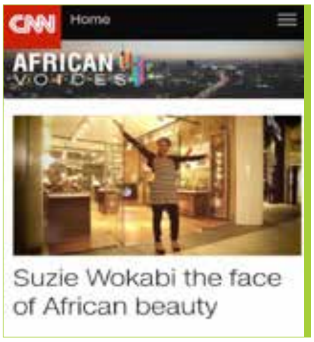
Our Environment and Us

Across FTG we reduce and recycle. All our sites have recycling machinery in place. We aim to improve our environment while growing our business. By educating the future generations on healthier practices to strengthening our inhouse management of recycling and reduction by implementing Kaizen through all our sites and by investing in machinery, technology and culture change to effectively reduce and working towards recycling 100% of all plastic waste generated and towards zero environmental impact in our operations.

Our PERFORMANCE 2018

Year 2018 Milestones

JANUARY



- SuzieBeauty on CNN - Suzie Wokabi as The face of African Beauty
- Roto Kenya launched the 20 and 40 user ECO-Toilet

FEBRUARY

- SuzieBeauty launched on Jumia online shopping portal
- Jojo Plastics installed a new machine to start a new line of fruit nets

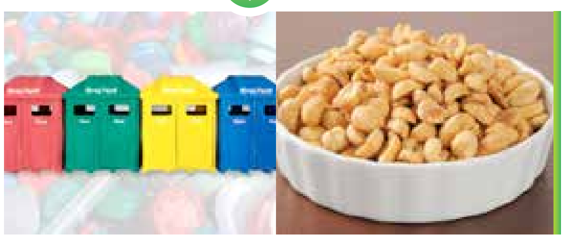
MARCH

- SuzieBeauty on TalkCentral K24
- Jojo Plastics installed a new line of plastic production on Injection Caps
- Nature's Own introduced 40g Whole Spice jars
- Roto Rwanda -installed a new HDPE pipe line with production capacity from 25 dia – 110 dia of various sizes
- Chigs upgraded packaging in tomato and salted flavours

APRIL

- SuzieBeauty - Suzie Wokabi meet and greet with Joan Kinuthia famed vlogger
- Chigs snacks updated packaging

MAY



- SuzieBeauty launch of 'Ooh Mama' Matte lipstick on Mother's Day
- Roto Kenya launched the environment friendly Re-cycle Dustbin
- Gonuts and Happys peanuts additional production by way of a roasting machine

Year 2018 Milestones

JUNE

- SuzieBeauty launched a new range of SB skincare at LGP
- Suzie Wokabi Live interview on K24-Alfajiri
- Gonuts rebranded its packaging and launched
- Scrap material at Roto Kenya brought down to Zero - Kaizen Initiative

JULY

- SuzieBeauty launches 6 products - week on week between July to October - BBCreams, 2in1 Bronzer/Highlighter, Primer, Mascara, Eyebrow Kit

AUGUST

- Suzie Wokabi on NTV with Living with Ess
- Chigs snacks packaging re-designed
- Peanuts automated filling machine installed at Chirag Ltd. doubles the production
- Additional garage for vehciles in Roto Kenya- centralising the repair of the entire fleet of vehicles for the group

NOVEMBER

- Suzie Wokabi of SB on Style with Crystal on KTN
- Zoe launched its new range on Zoe for Men on the Churchill Show
- Zoe launched its new range on Zoe Glycerine gel - in CocoaButter, Pure and Kids ranges

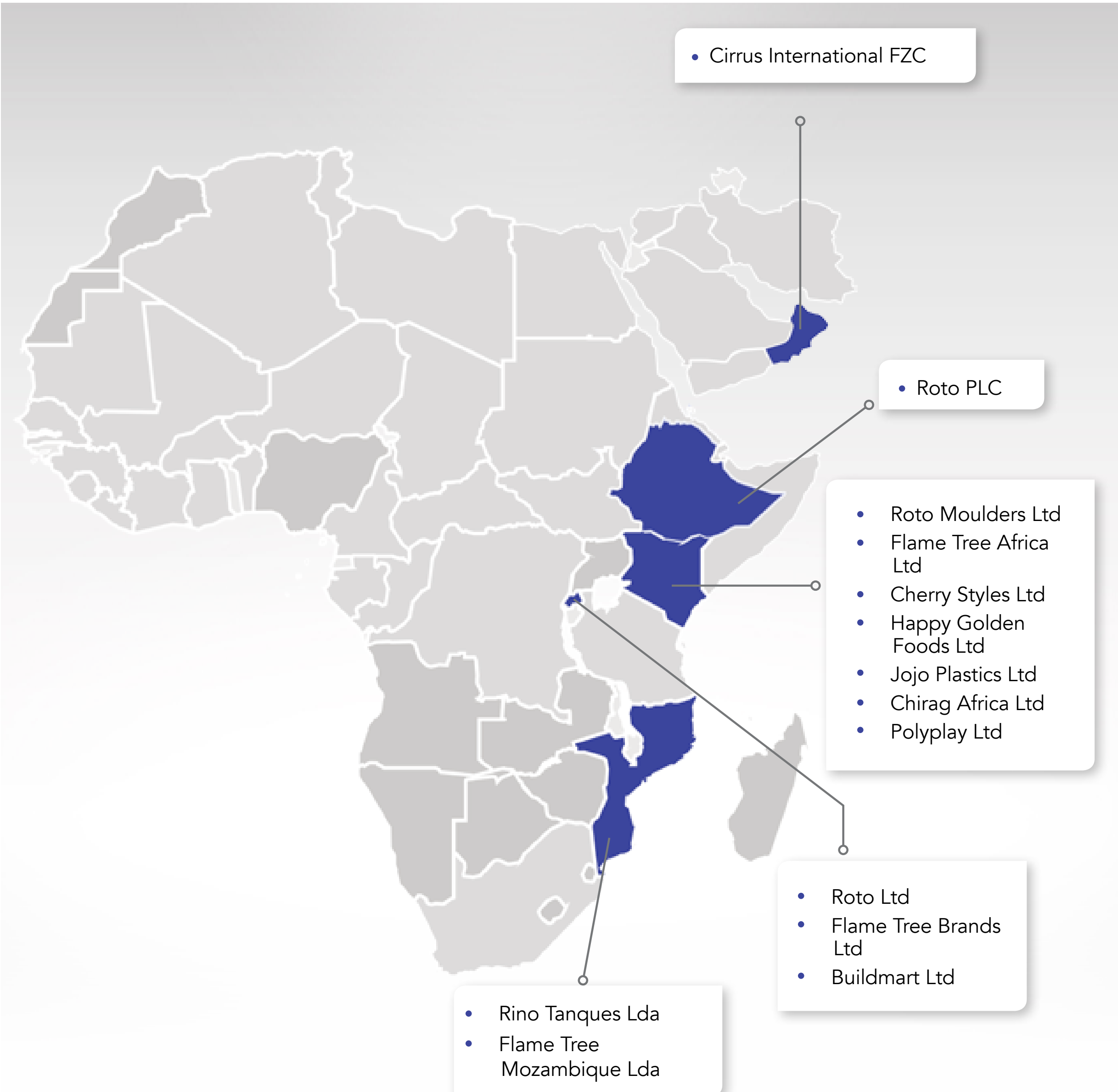
DECEMBER

- Jojo Plastics installed its 2nd fruit net machine, doubling its production capability
- Achieved 5S Kaizen initiative in RotoKenya engineering store reducing search time for an item by 99%

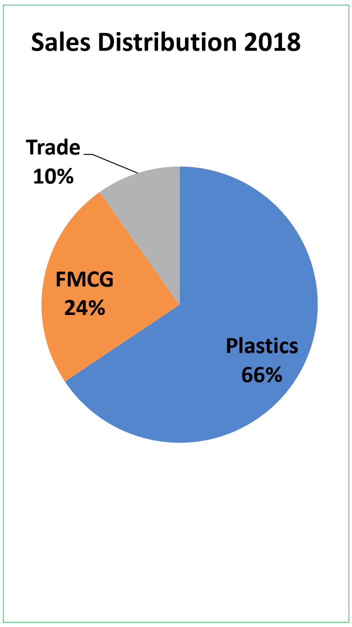
Our Business Today

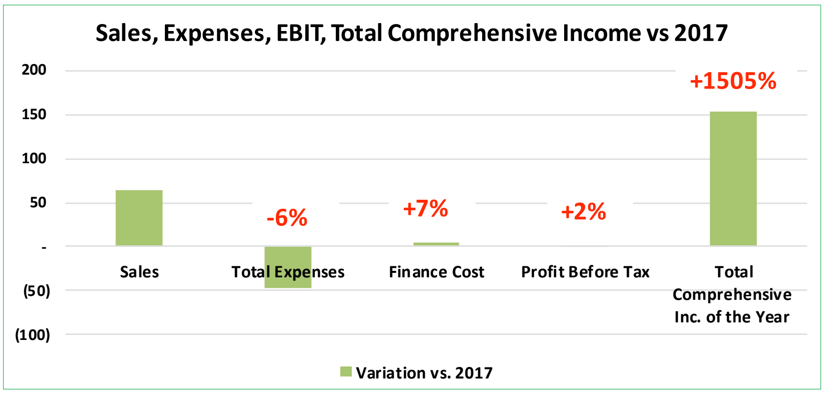
FTG is among the largest manufacturers of plastic water tanks in East Africa, and has successfully positioned its brands in the cosmetics and food industries

- Factories in Kenya, Ethiopia, Rwanda and Mozambique
- Successfully adapted its business model to its distinct African markets, while retaining the benefits of scale in terms of procurement and transfer of best practice
- Market leader in the East African water tank products wholesale and retail markets
- Over the time the Group, in line with its vision, has been at the forefront of innovation and service delivery

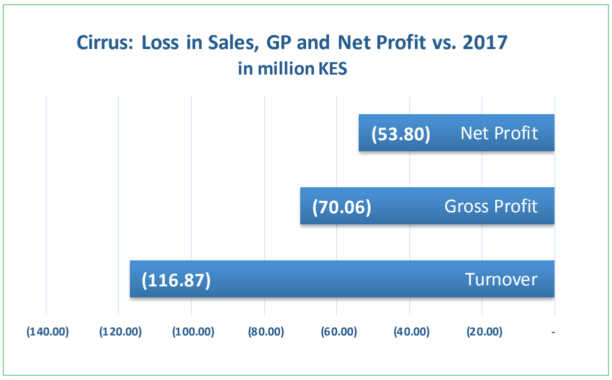


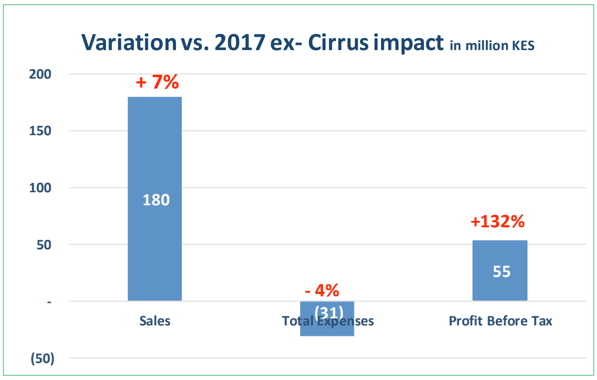
Our Performance 2018



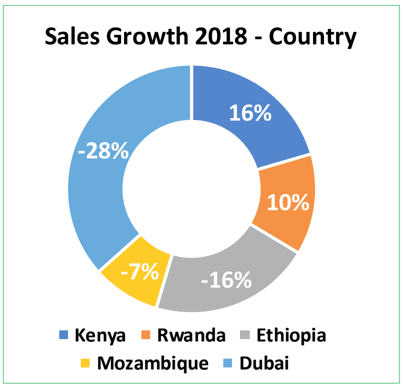


Consolidated Statement (pg 75)	2018	2017	Variation vs. 2017	Var. %
Sales	2,489	2,425	64	3%
Total expenses	671	717	(46)	-6%
Finance Cost	65	61	4	7%
Profit before Tax	42	41	1	2%
Total Comprehensive Inc. of the Year	**163**	**10**	**153**	**1505%**





Sales by Country



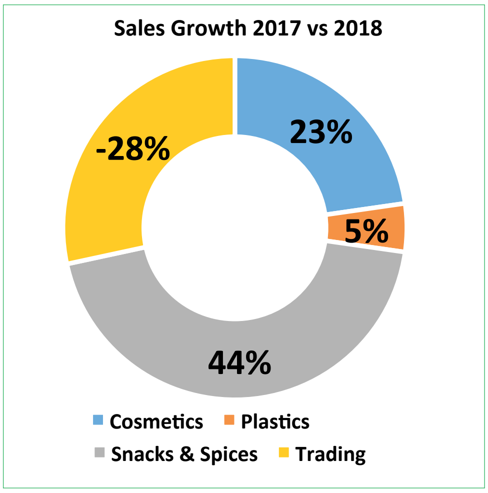
- Good performance in our main markets, Kenya (+16%) and Rwanda (+10%).
- **Mozambique:** Decline in sales by 7%, due to tough economic indicators in the country, that have affected the demand. However, we are opening a third manufacturing site in Tete, to save logistics and distribution costs .
- **Ethiopia:** Decrease in sales mainly affected by unavailability of forex currency in the country, preventing the importation of raw materials.

Sales by Business Line

- In line with the Strategic Plan, we continue to grow in non-plastic business lines.
- Strong growth in Snacks and Spices **(+44%)** and Cosmetics **(+23%)**
- Plastics, our core business lines, has grown 5% vs 2017, gaining market share to competitors.

Our main market continues to be Kenya, but we are increasing sales and developing new business opportunities through our companies abroad and export deals to various other countries in Africa.

We foresee this trend to be continued in the future, in line with our Strategic Plan, and our motto: Creating World Class African Brands



Balance Sheet and Key Financial Ratios

Balance Sheet			
	2018	**2017**	**Var.%**
Non-current assets	706,120,707	539,165,983	31.0%
Current assets	1,133,151,101	1,141,603,805	-0.7%
Total Assets	**1,839,271,808**	**1,680,769,788**	**9.4%**
Equity	813,034,474	731,460,183	11.2%
Non-current liability	35,334,216	64,796,358	-45.5%
Current liabilities	990,903,118	884,513,247	12%
Total Equity + Liabilities	**1,839,271,808**	**1,680,769,788**	**9.4%**
Borrowing	2018	2017	Var.%
Long term	35,334,216	64,796,358	-45.5%
Short term	387,961,692	358,141,888	8.3%
Total Debt	**423,295,908**	**422,938,246**	**0.08%**
Cash and cash equivalents	58,431,055	86,757,913	-32.7%
Net financial debt	364,864,853	336,180,333	8.5%
	2018	2017	
Equity	813,034,474	731,460,183	11.2%
Net financial debt/Equity	44.9%	46.0%	

Asset revaluation of property and building for Kshs. 202.7million. Valuation report by independent valuer made in December 2018. Revaluation of assets will continue in 2019, in line with IAS16, to reflect correct value in our Balance.

Full Compliance with IFRS9

All potential bad debt have been provided for and all outstanding invoices classified according to ECL (Expected Credit Loss) guidelines as per IFRS9). Total amount of bad debt provision in the Balance is Kshs. 162.2million. This gives a clean outlook for the future, as the risk of payment default of current debt has been already provided for.

- Overall asset value has increased by **9.4%**
- Net financial debt has increased by **8.5%,** however Net Debt/EBITDA ratio remains low: x 2.
- Total equity, including results FY18, has increased 11.2%, which has resulted in a lower Net Financial Debt/ Equity ratio.

Conclusion

The Group has strengthen its financial position vs 2017, and presents a very healthy balance.

This gives the Group the opportunity to apply for additional debt to finance the expansion of the Group and boost growth in the coming years, in accordance with our Business Plan and Financial Projections.

Key Financial Ratios		
	2018	**2017**
EBITDA	178,641,789	231,736,473
EBIT	107,318,712	102,398,069
Net Debt	364,864,712	336,180,333
Net Debt/EBITDA	2.0	1.5
Total Net Debt/EBITDA	3.4	3.3
Return on Equity (EBITDA)	22%	32%
Return on Equity (EBIT)	13%	14%
Revenue growth	2.6%	-5%
Gross margin	31%	33%
EBIT margin	4.3%	4.2%
EBITDA margin	7.2%	9.6%
EBIT/Interest expense	1.8	2.1
EBITDA/Interest expense	3.02	4.70
Total Net Debt/Total Equity	0.45	0.46
Total comprenhensive income for the year	**162,866,207**	**10,144,470**

- Decrease in EBITDA is mainly due to impact of bad debt provision, which was higher last year.
- Increase of debt has been used to finance new machines for higher production capacity and assets (mainly vehicles), as well as seeing up of new manufacturing sites in Ethiopia and Mozambique.
- Increase in OCI, +1505 %, as a result of asset revaluation.

Highlights of 2018

Increase in Profit before Tax in main markets

Kenya +160.9%, Rwanda: +48.4%

Water Tanks

- Four new branches opened in Rwanda in 2018.
- New manufacturing and depot site ongoing in Mozambique.
- Relocation to a new modern factory in Ethiopia expected to be completed in quarter two, 2019.

Snacks and Spices

- Increase number of clients, +56% Increase number of Sales Orders, +30%.
- New peanut roasting machine, increased capacity by 150%.
- New product developments and packaging formats.
- Conducted several trainings on product knowledge to Category Merchandisers and Supervisors.
- 600 students came to visit and learn about industrial manufacturing and our products.

Plastics

- New cap injection machine to insource production of caps and bottles for our Cosmetics division in Jojo Kenya.
- Filling machine-Semi automatic table top machine
- New net machine in Jojo Kenya.
- New pipe machine in Rwanda.

Cosmetics

- Launching of new products to the market, including the top seller Zoe Men's Lotion, becoming a customer's favourite brand in this category.
- Full listing of Suzie Beauty in Carrefour, and new distribution agreements with retail shops.

Playgrounds

Increase number of Sales Orders by +49%.

KAIZEN

KAIZEN Project system implementation and trainings conducted to achieve continuous improvements in manufacturing and management processes. Full deployed in all companies will be completed in 2019. Dedicated Kaizen Project Manager in charge.

	Dec-17	Dec-18
OTIF (On Time in Full delivery of orders)	63%	92%
Rejection	1.3%	0.8%
5S Score (measure of workplace organization)	40%	87%

Corporate Governance

Our Group is 100% committed to Good Governance Practices, transparency and accountability in all levels of management.

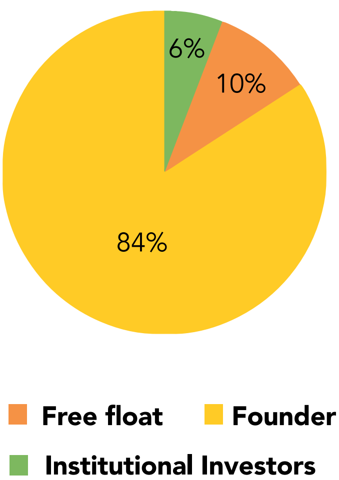
Flame Tree Group is comprised of 13 subsidiaries. Each of them has independent management teams making the key man risk at individual company levels very low. Corporate Directors are ensuring at Group level the coordination of the various entities and the effective implementation of the Strategy.

- Independent, external yearly Corporate Governance Audits have been completed by Scribe Registrars.
- New policies have been framed and implemented.
- Legal Audit for FY 2018 was completed, in compliance with the recommendations of the Capital Markets Authority.
- Internal Audit Department, led by a Senior Auditor. 64 processes audited in different companies, produced a number of policies, and identified 264 specific risk factors (risk drivers, actions, responsible parties) in several areas i.e sales, fraud, cashflow, staff, health and safety, technology, reputation and supply chain.

There is a specific Committee in the Board of Directors that minds Corporate Governance matters, to whom the Senior Internal Auditor reports.

Share FTGH

Great investment opportunity: Current price of share is way below the assets of the company and has not factored the financial projections and future growth.



Free Float	10%	
Founder	84%	
Institutional Investors	6%	
Number of Shares	178,053,486	Market cap.
Listing Price (November 2014)	8	
Market Price 31/12/18	2.5	445,133,715
Total Assets	1,839,271,808	24.2%
Total Net Assets	813,034,474	54.7%

flame tree
...naturally
Zoe
Shampoo
...with natural extracts
*Available in 2 in 1, Anti Dandruff, Apple, Egg, Creme White & Creme Yellow in 500ml,1Ltr & 5Ltrs.

flame tree
GROUP

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Report of the Directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2018, which disclose the state of affairs of the company and the group.

PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activities of the group are those of manufacturing of plastics and allied products, plastic water tanks, mobile toilets, septic tanks, PVC pipes, paints, fibre glasses, iron products, cosmetic products, synthetic hair, snacks, spice products, general trading and construction related activities.

The company is an investment holding company.

	Group		Company	
	2018	2017	2018	2017
RESULTS	Shs	Shs	Shs	Shs
Profit/(loss) before tax	42,147,311	41,409,855	(8,744,718)	(11,693,607)
Tax	(8,362,243)	(1,655,346)	-	-
Profit/(loss) for the year	33,785,068	39,754,509	(8,744,718)	(11,693,607)

The subsidiary companies are:

COUNTRY	NAME OF COMPANY
Kenya	Roto Moulders Limited
Kenya	Flame Tree Africa Limited
Kenya	Happy Golden Foods Limited
Kenya	Chirag Africa Limited
Kenya	Cherry Styles Limited
Kenya	Jojo Plastics Limited
Kenya	Polyplay Limited
Rwanda	Roto Ltd
Rwanda	Flame Tree Brands Ltd
Rwanda	Build Mart Ltd
Mozambique	Rino Tanques Limitada
Mozambique	Flame Tree Mozambique Limitada
Ethiopia	Roto Private Limited Company
United Arab Emirates	Cirrus International FZC

DIVIDEND

During the year, no dividend was paid.

Report of the Directors (Contd.)

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Group and the Company. In preparing these financial statements, they are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

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

INDEPENDENT AUDITOR

The Group's auditors, PKF (Mauritius) have indicated their willingness to continue in office until the next Annual Meeting.

____
DIRECTOR

24th. April ____________ 2019

flame tree
GROUP

Certificate from the Secretary

JurisTax
Since 2008

4

SECRETARY'S CERTIFICATE ISSUED UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We, JurisTax Ltd, being the Company Secretary of FTG Holdings Ltd (the "Company"), hereby certify that the Company has filed with the Registrar all such returns as are required by the Company under the Companies Act 2001, for the year ended 31 December 2018.

....
Mr. Logadarshen Rungien
For and on behalf of JurisTax Ltd
Secretary

Date: 24 APR 2019

Level 3, Ebene House , Hotel Avenue , 33 Cybercity, Ebene, 72201, Republic of Mauritius
Tel: +(230) 465 5526 |+ (230) 943 5526 | Fax: +(230) 468 1886 | Email: [illegible] | Website: www.juristax.com
BRN: C08080123 | VAT: 20455368

Report of the Independent Auditor

PKF (Mauritius)

PKF

Accountants & business adv

INDEPENDENT AUDITORS' REPORT

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TO THE MEMBERS OF FTG HOLDINGS LTD

This report is made solely to the company's members, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Company's members, those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

Opinion

We have audited the financial statements of **FTG Holdings Ltd** (the "Company") and its subsidiaries (the "Group") set out on pages 9 to 50 which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and of their financial performance and of their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the Mauritius Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (IESBA Code) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The matters as described below were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. Our description of how our audit addressed the matters is provided in that context.

Key audit matters	How our audit addressed the key audit matters
Trade and other receivables The Group has Trade and other receivables amounting to Shs 735,813,098 as at 31 December 2018. Significant assumptions and estimates have been made by management in arriving at the numbers for Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) in building up the models for the purposes of making provisions as required by IFRS 9.	• We reviewed the methodology and judgement applied in assessing impairment. • We questioned the key assumptions and estimates used to build up the model for the purpose of making provisions as required by IFRS 9.

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Lamusse Sek Sum & Co 5 Duke of Edinburgh Ave Port Louis Republic of Mauritius BRN P07005092

Report of the Independent Auditor (Contd.)

PKF (Mauritius)

PKF

Accountants & business advisers

INDEPENDENT AUDITORS' REPORT

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TO THE MEMBERS OF FTG HOLDINGS LTD

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of Property, plant and equipment Note 12 of the financial statements discloses revaluation of Leasehold land and buildings. The Group measures its Leasehold land and buildings at fair value. The fair valuation, which is a significant accounting estimate, is dependent on a range of judgemental assumptions and has required the use of independent external valuers. Due to the level of judgement involved in the valuation of Leasehold land and buildings as well as the significance of these assets to the Group's statement of financial position, this is considered to be a key audit matter.	We have tested management's controls and systems in place for the existence and valuation of Leasehold land and buildings. Our procedures in relation to the valuation of Leasehold land and buildings included: • Evaluation of the independent external valuer's competence, capabilities and objectivity. • Assessment of the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry. • Assessment of the appropriateness of presentation in the financial statements.
Recoverability of goodwill and investment in subsidiaries In the Company's financial statements, investment in subsidiaries are carried at cost less impairment. The carrying amount of investments in subsidiaries stood at Shs 545,531,392. Goodwill recognised in the consolidated financial statements stood at Shs 71,851,809. Management makes an impairment assessment on the investment in subsidiaries and goodwill when an indication of impairment is noted and at the end of each reporting date. As detailed in Note 13 of the financial statements, the Group's goodwill is allocated to cash generating units (CGUs). The valuation and recoverability of goodwill involves complex judgements, estimates and discount rate assumptions. These assumptions can have a material impact on the valuation and impairment decisions reflected in the consolidated financial statements of the Group. The same discounted cash flow (DCF) models as used for testing of goodwill are used to assess impairment on the investments in subsidiaries and involve complex judgements and estimates.	We assessed and tested the design and operating effectiveness of selected key controls over management's process for modelling recoverability of goodwill and investment in subsidiaries. In relation to the particular matters set out above, our substantive testing procedures included the following: • We corroborated the justification of the CGUs defined by management for goodwill allocation; • We evaluated the methodology used for the calculation of the value in use and recoverable amount of goodwill; • We tested the design and integrity of the Group's discounted cash flow model that supports the value-in-use calculations;

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Report of the Independent Auditor (Contd.)

PKF (Mauritius)

PKF
Accountants & business advisers

INDEPENDENT AUDITORS' REPORT

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TO THE MEMBERS OF FTG HOLDINGS LTD

Other Information

The directors are responsible for the other information. The other information comprises the Company Information, Report of the Directors and Certificate from the Secretary. The other information does not include the financial statements and our auditor's report thereon.

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

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

Director's Responsibilities for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and in compliance with requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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Report of the Independent Auditor (Contd.)

PKF (Mauritius)

Accountants & business advisers

INDEPENDENT AUDITORS' REPORT

8

TO THE MEMBERS OF FTG HOLDINGS LTD

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

We have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacity as auditors.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

PKF (Mauritius)

PKF (MAURITIUS)
PUBLIC ACCOUNTANTS
Port Louis
MAURITIUS

Christine Sek Sum

CHRISTINE SEK SUM, CPA
(Licensed by FRC)

Date: 24 April 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 Shs	2017 Shs
Revenue	3	2,488,610,130	2,425,090,214
Cost of sales		(1,727,327,066)	(1,626,812,792)
Gross profit		761,283,064	798,277,422
Other operating income	4	15,164,548	18,315,442
Selling and distribution costs		(314,158,975)	(321,826,823)
Administrative expenses		(295,652,238)	(335,379,894)
Other operating expenses		(60,856,701)	(59,685,127)
Operating profit before gain on disposal of property, plant and equipment		105,779,698	99,701,020
Gain on disposal of property, plant and equipment		1,539,014	2,697,049
Operating profit after gain on disposal of property, plant and equipment	5	107,318,712	102,398,069
Finance costs	7	(65,171,401)	(60,988,214)
Profit before tax		42,147,311	41,409,855
Tax	8	(8,362,243)	(1,655,346)
Profit for the year		33,785,068	39,754,509
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		(12,847,892)	(29,610,039)
Items that will not be reclassified subsequently to profit or loss:			
- Gain on revaluation	12	202,755,759	-
- Deferred tax on revaluation gain		(60,826,728)	-
		129,081,139	(29,610,039)
Total comprehensive income for the year		162,866,207	10,144,470
Earnings per share - profit for the year	26	0.19	0.22
Earnings per share - total comprehensive income for the year	26	0.91	0.06

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.

Report of the independent auditor on pages 71 to 74.

Company Statement of Profit or Loss and Other Comprehensive Income (Contd.)

	Notes	2018 Shs	2017 Shs
Revenue	3	19,158,429	55,352,316
Cost of sales		-	-
Gross profit		19,158,429	55,352,316
Other operating income	4	18,520	247
Selling and distribution expenses		(197,023)	(121,737)
Administrative expenses		(12,352,035)	(59,467,323)
Other operating expenses		(633,606)	(736,726)
Operating profit/(loss)	5	5,994,285	(4,973,223)
Finance costs	7	(14,739,003)	(6,720,384)
Loss before tax		(8,744,718)	(11,693,607)
Tax	8	-	-
Loss for the year		(8,744,718)	(11,693,607)
Other comprehensive income		-	-
Total comprehensive loss for the year		(8,744,718)	(11,693,607)

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.
Report of the independent auditor on pages 71 to 74.

Consolidated Statement of Financial Position

	Notes	As at 31 December 2018 Shs	2017 Shs
Equity			
Share capital	9	146,894,092	146,894,092
Share premium		152,450,453	152,450,453
Legal reserves		3,665,461	3,665,461
Retained earnings		372,238,133	419,744,981
Revaluation reserve		141,929,031	-
Translation reserve		(4,142,696)	8,705,196
Total equity		813,034,474	731,460,183
Non-current liability			
Borrowings	10	35,334,216	64,796,358
		848,368,690	796,256,541
Non-current assets			
Deferred tax	11	21,678,721	49,332,168
Property, plant and equipment	12	529,073,548	334,342,405
Goodwill	13	71,851,809	71,851,809
Intangible assets	14	83,516,629	83,639,601
		706,120,707	539,165,983
Current assets			
Inventories	16	338,906,948	270,510,616
Trade and other receivables	17	735,813,098	784,335,276
Cash and cash equivalents	18	58,431,055	86,757,913
		1,133,151,101	1,141,603,805
Current liabilities			
Borrowings	10	387,961,692	358,141,888
Trade and other payables	19	596,249,416	524,928,198
Current tax		6,692,010	1,443,161
		990,903,118	884,513,247
Net current assets		142,247,983	257,090,558
		848,368,690	796,256,541

The consolidated financial statements on pages 83 to 116 were approved and authorised for the issue by the Board of Directors on 24, April 2019 and were signed on its behalf by:

_____________ DIRECTOR   _____________ DIRECTOR

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.
Report of the independent auditor on pages 71 to 74.

Company Statement of Financial Position

	Notes	As at 31 December 2018 Shs	2017 Shs
Equity			
Stated capital	9	146,894,092	146,894,092
Share premium		152,450,453	152,450,453
Accumulated losses		(50,578,351)	(41,833,633)
Total equity		248,766,194	257,510,912
Non-current liability			
Borrowings	10	673,992	1,305,082
		249,440,186	258,815,994
Non-current asset			
Investment in subsidiaries	15	545,531,392	520,372,963
Current assets			
Trade and other receivables	17	150,458,765	105,829,797
Cash and cash equivalents	18	18,352,607	18,753,733
		168,811,372	124,583,530
Current liabilities			
Borrowings	10	82,271,030	128,497,024
Trade and other payables	19	382,631,548	257,643,475
		464,902,578	386,140,499
Net current liabilities		(296,091,206)	(261,556,969)
		249,440,186	258,815,994

The consolidated financial statements on pages 83 to 116 were approved and authorised for the issue

by the Board of Directors on 24, April on its behalf by:

_______________ DIRECTOR _______________ DIRECTOR

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.
Report of the independent auditor on pages 71 to 74.

Consolidated Statement of Changes in Equity

	Share capital Shs	Share premium Shs	Legal reserves* Shs	Retained earnings** Shs	Translation reserve*** Shs	Revaluation reserve Shs	Total equity Shs
Year ended 31 December 2017							
At start of year	133,540,084	152,450,453	3,665,461	391,195,569	38,315,235	-	719,166,802
Issue of bonus shares ****	13,354,008	-	-	(13,354,008)	-	-	-
On acquisition of subsidiary	-	-	-	2,148,911	-	-	2,148,911
Total comprehensive income/(loss) for the year	-	-	-	39,754,509	(29,610,039)	-	10,144,470
At end of year	146,894,092	152,450,453	3,665,461	419,744,981	8,705,196	-	731,460,183
Year ended 31 December 2018							
At start of year	146,894,092	152,450,453	3,665,461	419,744,981	8,705,196	-	731,460,183
Translation reserve movements	-	-	-	-	(12,847,892)	-	(12,847,892)
IFRS 9 adjustment	-	-	-	(81,291,916)	-	-	(81,291,916)
Revaluation for the year	-	-	-	-	-	141,929,031	141,929,031
Profit for the year	-	-	-	33,785,068	-	-	33,785,068
At end of year	146,894,092	152,450,453	3,665,461	372,238,133	(4,142,696)	141,929,031	813,034,474

* The legal reserve relates to a portion of retained earnings that have been put into a separate reserve as required by the Companies Act of Ethiopia. The reserve is not distributable.

** These represent the shareholders' funds of the various entities whose financial statements have been combined.

*** On combination of the financial statements, the translation reserve arises from translation of foreign currency balances of the group companies. The reserve is not distributable.

**** On 29 June 2017, the shareholders approved a bonus share issue of 1 share for every 10 fully paid up shares held as at that date.

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.
Report of the independent auditor on pages 71 to 74.

Company Statement of Changes in Equity

	Share capital Shs	Share premium Shs	Accumulated losses Shs	Total equity Shs
Year ended 31 December 2017				
At start of year	133,540,084	152,450,453	(16,786,018)	269,204,519
Issue of bonus shares*	13,354,008	-	(13,354,008)	-
Loss for the year	-	-	(11,693,607)	(11,693,607)
At end of year	146,894,092	152,450,453	(41,833,633)	257,510,912
Year ended 31 December 2018				
At start of year	146,894,092	152,450,453	(41,833,633)	257,510,912
Loss for the year	-	-	(8,744,718)	(8,744,718)
At end of year	146,894,092	152,450,453	(50,578,351)	248,766,194

* On 29 June 2017, the shareholders approved a bonus share issue of 1 share for every 10 fully paid up shares held as at that date.

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.
Report of the independent auditor on pages 71 to 74.

Consolidated Statement of Cash Flows

Operating activities	Notes	2018 Shs	2017 Shs
Cash from operations	20	118,444,075	240,581,800
Interest paid		(59,144,691)	(49,323,014)
Tax paid		(36,286,675)	(48,314,402)
Net cash from operating activities		23,012,709	142,944,384
Investing activities			
Purchase of property, plant and equipment	12	(52,324,182)	(97,447,609)
Acquisition of subsidiary		-	(74,000,000)
Proceeds from disposal of property, plant and equipment		1,829,490	1,930,028
Interest received		83,969	239,131
Net cash used in investing activities		(50,410,723)	(169,278,450)
Financing activities			
Net movement in borrowings		1,857,193	(129,310,737)
Changes in restricted cash balances		-	10,128,628
Net cash from/(used in) financing activities		1,857,193	(119,182,109)
Decrease in cash and cash equivalents		(25,540,820)	(145,516,175)
Movement in cash and cash equivalents			
At start of year		(252,215,396)	(101,713,065)
Decrease		(25,540,820)	(145,516,175)
Effect of exchange rate changes		(1,286,507)	(4,986,156)
At end of year	18	(279,042,724)	(252,215,396)

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.
Report of the independent auditor on pages 71 to 74.

Company Statement of Cash Flows

Operating activities	Notes	2018 Shs	2017 Shs
Cash from/(used in) operations	20	86,334,870	(32,294,570)
Interest paid		(15,958,249)	(5,945,415)
Net cash from/(used in) operating activities		70,376,621	(38,239,985)
Investing activities			
Purchase of subsidiaries	15	(25,158,429)	(54,500,000)
Interest received		2,692	247
Net cash used in investing activities		(25,155,737)	(54,499,753)
Financing activities			
Net movement in borrowings	10	(631,090)	(3,354,942)
Net cash used in financing activities		(631,090)	(3,354,942)
Increase/(decrease) in cash and cash equivalents		44,589,794	(96,094,680)
Movement in cash and cash equivalents			
At start of year		(109,743,291)	(12,873,641)
Increase/(decrease)		44,589,794	(96,094,680)
Effect of exchange rate changes		1,235,075	(774,970)
At end of year	18	(63,918,423)	(109,743,291)

Report of the independent auditor on pages 71 to 74.

The notes on pages 83 to 116 form an integral part of the consolidated financial statements.

Notes

General information

FTG Holdings Ltd was incorporated on 18 January 2012 as a category 1 Global Business Company under the Companies Act 2001 and is governed by the Financial Services Act 2007.

The principal activity of the company is that of an investment holding company.

1. **Significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) **Basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention as modified by revaluation of leasehold land and buildings and are in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements comprise the results of the following entities:

Entity	Country of incorporation of entity	% shares of FTG Holdings Ltd	Principal activity
Roto Moulders Limited	Kenya	100	Manufacture and trade of plastic products
Flame Tree Africa Limited	Kenya	100	Manufacture and trade of cosmetic products
Happy Golden Foods Limited	Kenya	100	Manufacture and trade of snacks.
Cherry Styles Limited	Kenya	100	Manufacture and trade of cosmetic products
Jojo Plastics Limited	Kenya	100	Manufacture and trade of plastic products
Chirag Africa Limited	Kenya	100	Manufacture and trade of snacks.
Polyplay Limited	Kenya	100	Manufacturing plastics and allied products
Roto Ltd	Rwanda	100	Manufacture and trade of plastic products
Flame Tree Brands Ltd	Rwanda	100	Trading in cosmetics
Build Mart Limited	Rwanda	100	Trading in construction material
Rino Tanques Limitada	Mozambique	100	Manufacture and trade of plastic products
Flame Tree Mozambique Limitada	Mozambique	100	Manufacture and trade of cosmetic products
Roto Private Limited Company	Ethiopia	100	Manufacture and trade of plastic products
Cirrus International FZC	United Arab Emirates	100	Trading in commodities

Going concern

The financial performance of the group is set out in the report of the directors and in the consolidated statement of profit or loss and other comprehensive income. The financial position of the group is set out in the consolidated statement of financial position. Disclosures in respect of capital and risk management are set out in Notes 22 and 23.

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

Notes (Contd.)

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New and amended standards adopted by the company and the group

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2018 have been adopted by the group. Of those, the following has had an effect on the group's financial statements:

International Financial Reporting Standards 9 (IFRS 9): Financial Instruments

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

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

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

The group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The group did not early adopt IFRS 9 in previous periods.

The group has adopted the simplified approach for the purpose of calculating the expected credit losses. In adopting the simplified approach, the group uses a provision matrix to calculate the expected credit losses that is based on the historical credit loss experience for trade receivables to estimate the expected credit losses. The simplified approach deviates from the general approach on recognition expected credit losses where it allows for recognition only for life time credit losses at the date of each reporting date.

As permitted by the transitional provisions of IFRS 9, the group elected not to restate comparative figures. Therefore the adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening retained earnings.

Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes and disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Notes (Contd.)

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New and amended standards adopted by the company and the group (continued)

International Financial Reporting Standards 9 (IFRS 9): Financial Instruments(continued)

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the group. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 1(a) (i) and note 23 (b).

(i) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
Financial assets	**Measurement category**	**Carrying amount Shs.**	**Measurement category**	**Carrying amount Shs.**
Cash and cash equivalents	Amortised cost	86,757,913	Amortised cost	86,757,913
Trade and other receivables	Amortised cost	784,335,276	Amortised cost	703,043,360
		871,093,189		789,801,273

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. For more detailed information regarding the new classification requirements of IFRS 9, refer to note 1(a) (i).

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 Carrying amount		**IFRS 9 Carrying amount**
Amortised cost:	**31-Dec-17 Shs.**	**Re-measurement Shs.**	**1-Jan-18 Shs.**
Cash and cash equivalents			
Balance under IAS 39	86,757,913	-	86,757,913
Remeasurement: ECL allowance	-	-	-
Balance under IFRS 9	86,757,913	-	86,757,913
Trade and other receivables			
Balance under IAS 39	784,335,276	-	784,335,276
Remeasurement: ECL allowance	-	(81,291,916)	(81,291,916)
Balance under IFRS 9	784,335,276	(81,291,916)	703,043,360

Notes (Contd.)

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New and amended standards adopted by the company and the group (continued)

International Financial Reporting Standards 9 (IFRS 9): Financial Instruments (continued)

(iii) Significant and material impacts

- Total provision for impairment of trade and receivables increased by Shs. 81,291,916 from Shs. 118,072,576 as at 31 December 2017 to Shs. 199,364,492 as at 1 January 2018; and

- Overall decrease in equity due to adoption of IFRS 9 is Shs. 81,291,916.

IFRS 15: Revenue from customers

Under IFRS 15, revenue is recognised over time as the group performs its performance obligations to its customer, which is delivery of goods. The application of the standard, retrospectively, in the current year has not had a material impact on the financial position or financial performance of the group, and a prior period adjustment has, therefore, not been required.

New standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.

- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

- Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.

- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2019 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

Notes (Contd.)

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not yet effective (continued)

- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2022 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

The directors expect that the future adoption of IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other standards and interpretations will have a material impact on the financial statements in future periods. The group plans to apply the changes above from their effective dates.

b) **Critical accounting estimates and judgement**

In the application of the accounting policies, the directors are required to make the judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Measurement of expected credit losses (ECL)**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

Notes (Contd.)

1. **Significant accounting policies (continued)**

b) **Critical accounting estimates and judgement (continued)**

- **Measurement of expected credit losses (ECL) (continued)**

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The group uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

For trade receivables, the group has applied the simplified model under IFRS 9 where lifetime expected credit loss allowance is recognised on the basis of a provisioning matrix.

- **Impairment of trade receivables**

The group reviews its portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

- **Useful lives of property, plant and equipment and intangible assets**

Management reviews the useful lives and residual values of the items of property, plant and equipment and intangible assets on a regular basis. During the financial year, the directors determined that there were no significant changes in the useful lives and residual values.

Notes (Contd.)

1. **Significant accounting policies (continued)**

c) **Significant judgements made by management in applying the group's accounting policies**

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Control of entities consolidated -** The directors of FTG Holdings Ltd have assessed whether or not the group had and has control over each of the entities whose financial statements have been consolidated. In making their judgement, the directors considered for each entity, the shareholders of each entity and the level of influence of the directors on the operating and financial policies of each of the entities whose financial statements have been consolidated. The directors have concluded that the group has control over the entities whose financial statements have been consolidated.
- **Tax losses** - The group has recognised deferred tax assets on tax losses. In determining whether these tax losses will be utilised, the directors make judgement as to whether these will be utilised before they are forfeited. The forfeiture is dependent on the requirements of the respective laws of the countries where the entities that have incurred tax losses operate in.
- **Determination of functional and presentation currency** - The determination of the functional currency of the company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The books of accounts are maintained in Kenyan shillings ('Shs') which is also the currency of the primary economic environment in which the company operates (functional currency).

  In making judgement on presentation currency, the directors have considered that the company is listed in Kenya and it is a requirement of Kenyan regulations that the financial statements are presented in Kenyan Shillings. IFRS requires that the presentation currency can be in any currency in which management wants to report the annual/interim financial statements. Therefore, management have adopted Kenyan shillings as presentation currency.
- **Impairment of goodwill** - Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.
- **Impairment of intangibles - trade marks** - such intangibles are tested annually for impairment based on past and present performance and future business projections. Note 14 to the financial statements disclose the basis used by the directors in this report.

d) **Investment in subsidiaries/consolidation**

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company has power over the subsidiary; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances where including the size of the group’s voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

When the company has assessed and 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 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 controls listed above.

Notes (Contd.)

1. **Significant accounting policies (continued)**

d) **Investment in subsidiaries/consolidation (continued)**

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 the company ceases to control the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of subsidiary to bring their accounting policies into line with the group's accounting policy.

- Changes in ownership interests in subsidiaries without change of control

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

- Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred to/by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in profit or loss income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Notes (Contd.)

1. **Significant accounting policies (continued)**

d) **Investment in subsidiaries/consolidation (continued)**

- Disposal of subsidiaries

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

e) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or performance of services, in the ordinary course of business and is stated net of direct sales tax (as applicable in the various jurisdictions the group's entities operate in), rebates and discounts.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when the specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

i) Sales of goods are recognised upon delivery of products and customer acceptance.
ii) Sales of services are recognised upon performance of the services.

f) **Translation of foreign currencies**

Presentation and functional currency

The company maintains the books of accounts in Kenya Shillings (Shs), which is a currency of the primary economic environment of the company (functional currency).

Transactions in foreign currencies during the year are converted into the respective currencies of the various jurisdictions the group's entities operate in at the rates ruling at the transaction dates.

At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise except:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Notes (Contd.)

1. **Significant accounting policies (continued)**

f) **Translation of foreign currencies (continued)**

Group companies

For the purposes of preparing the consolidated financial statements the functional and presentation currency is Kenya Shillings.

The results and financial position of the group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that reporting date.
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates.
- all resulting exchange differences are recognised under a separate component of equity.

Upon consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income.

g) **Property, plant and equipment**

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost/valuation less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Leasehold land is depreciated over the remaining years of the lease.

Depreciation on all other assets is calculated on the reducing balance basis method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate %
Buildings	2 - 5 (Straight line basis)
Plant and machinery	12.5 - 20
Furniture, fixtures and office equipment	12.5 - 20
Motor vehicles	20 - 40
Computer equipment	30 - 45

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit.

Notes (Contd.)

1. **Significant accounting policies (continued)**

h) **Intangible assets**

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 5 years.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. This goodwill is included under intangible assets. Impairment tests are carried out on goodwill annually and the carrying amount in the statement of financial position is reduced by any impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

i) **Financial instruments**

Financial instruments are recognised when, and only when, the group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the group commits itself to the purchase or sale.

- **Financial assets**

The group classifies its financial assets into the following categories:

Amortised cost;
Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

At initial recognition of a financial asset, the group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the group has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the group has transferred substantially all risks and rewards of ownership, or when the group has no reasonable expectations of recovering the asset.

Impairment

The group recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost

- Cash and cash equivalents
- Trade and other receivables

Notes (Contd.)

1. **Significant accounting policies (continued)**

i) **Financial instruments (continued)**

- **Financial assets (continued)**

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:
- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The company may also,on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at amortised cost.

j) **Impairment of non-financial assets**

At the end of each reporting year, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

Notes (Contd.)

1. **Significant accounting policies (continued)**

k) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in-first-out (FIFO) method. The cost of all inventories comprises raw materials, direct labour, other direct costs and related production overheads attributable to bringing the inventory to its present location and condition (based on normal operating capacity). Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

l) **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks net of bank overdrafts.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

m) **Share capital**

Ordinary shares are classified as equity.

n) **Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax
Current tax is provided on the results for the year, for each of the entities in the group as per the requirements of the tax legislation where each of the entities operate.

Deferred tax
Deferred tax is provided 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 tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

o) **Accounting for leases**

Leases of property, plant and equipment, where the group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at cost. Each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the lease year and is included under finance costs. Such property, plant and equipment is depreciated over its useful life.

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

p) **Dividends**

Proposed dividends are disclosed as a separate component of equity until declared.

Dividends are recognised as liabilities in the year in which they are approved by the company's shareholders.

Notes (Contd.)

1. **Significant accounting policies (continued)**

q) **Segment reporting**

Operating segments are reported based on the operating activity of the group companies and in a manner consistent with the internal reporting expected to be provided to the board of directors of the group, who will be responsible for allocating resources, assessing performance of the operating segments and making strategic decisions.

r) **Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

s) **Retirement benefit obligations**

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

The group and its employees contribute to the Social Security Funds (defined contribution schemes) as required by local legislation where each of the entities operate. The group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

t) **Comparatives**

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

Notes (Contd.)

2. **Segment reporting**

Information expected to be reported to the Board of Directors of the group for the purposes of resource allocation and assessment of segment performance is focused on manufacturing and trading and as a result the group's reportable segments under IFRS 8 are as follows:

Manufacturing
Trading

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

	Manufacturing Shs	Trading Shs	Total Shs
Gross revenue	2,543,763,727	509,753,200	3,053,516,927
Eliminated on consolidation	(402,079,407)	(162,827,390)	(564,906,797)
Net sales	2,141,684,320	346,925,810	2,488,610,130
Gross profit	686,154,840	75,128,224	761,283,064
Profit before tax	32,650,773	9,496,538	42,147,311

The Group operates in 2 continents. The revenue by continent is as follows:

	Manufacturing Shs	Trading Shs	Total Shs
Africa	2,141,684,320	190,979,233	2,332,663,553
Asia	-	155,946,577	155,946,577
	2,141,684,320	346,925,810	2,488,610,130

Group combined statement of financial position as at 31 December 2018.

	Manufacturing Shs	Trading Shs	Total Shs
Total Equity	13,057,850	799,976,624	813,034,474
Non-current liabilities	15,887,445	19,446,771	35,334,216
Total equity and non-current liabilities	28,945,295	819,423,395	848,368,690
Non-current assets	677,818,684	28,302,023	706,120,707
Current assets	966,898,329	166,252,772	1,133,151,101
Current liabilities	870,895,504	120,007,614	990,903,118
Net current assets	96,002,825	46,245,158	142,247,983
Non-current assets and net current assets	773,821,509	74,547,181	848,368,690
Other segment information:			
Depreciation on property, plant and equipment	50,782,279	443,873	51,226,152
Additions to non-current assets	52,043,951	280,232	52,324,183

Notes (Contd.)

2. **Segment reporting (continued)**

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

	Manufacturing Shs	Trading Shs	Total Shs
Gross revenue	2,274,896,637	628,650,114	2,903,546,751
Eliminated on consolidation	(354,918,011)	(123,538,526)	(478,456,537)
Net sales	1,919,978,626	505,111,588	2,425,090,214
Gross profit	647,392,557	150,884,865	798,277,422
(Loss)/profit before tax	(14,655,874)	56,065,729	41,409,855

The Group operates in 2 continents.
The revenue by continent is as follows:

Africa	1,919,978,626	214,068,246	2,134,046,872
Asia	-	291,043,342	291,043,342
	1,919,978,626	505,111,588	2,425,090,214

Group combined statement of financial position as at 31 December 2017.

	Manufacturing Shs	Trading Shs	Total Shs
Total Equity	374,478,749	356,981,434	731,460,183
Non-current liabilities	57,748,974	7,047,384	64,796,358
Total equity and non-current liabilities	432,227,723	364,028,818	796,256,541
Non-current assets	469,302,483	69,863,500	539,165,983
Current assets	631,434,175	510,169,630	1,141,603,805
Current liabilities	668,508,936	216,004,311	884,513,247
Net current (liabilities)/assets	(37,074,761)	294,165,319	257,090,558
Non-current assets and net current assets	432,227,722	364,028,819	796,256,541
Other segment information:			
Depreciation on property, plant and equipment	54,879,414	697,176	55,576,590
Additions to non-current assets	97,447,609	-	97,447,609

Notes (Contd.)

	Group 2018 Shs	Group 2017 Shs	Company 2018 Shs	Company 2017 Shs
3. Revenue				
Sale of goods and services	2,488,610,130	2,425,090,214	-	-
Dividend income	-	-	19,158,429	55,352,316
Total revenue	2,488,610,130	2,425,090,214	19,158,429	55,352,316
4. Other operating income				
Miscellaneous income	6,772,437	5,082,134	-	-
Bad debts recovered	3,542,225	8,586,413	-	-
Rental income	3,006,565	-	-	-
Interest income	83,969	239,131	2,692	247
Foreign exchange gain	1,759,352	4,407,764	15,828	-
	15,164,548	18,315,442	18,520	247
5. Operating profit/(loss)				
The following items have been charged/ (credited) in arriving at the operating profit/(loss):				
Depreciation on property, plant and equipment (Note 12)	51,226,152	55,576,590	-	-
Amortisation of intangible assets (Note 14)	122,972	114,972	-	-
Repairs and maintenance	22,506,684	29,642,151	-	-
Operating lease rentals	69,506,405	57,525,671	-	-
Gain on disposal of property, plant and equipment	(1,539,014)	(2,697,049)	-	-
Auditors' remuneration				
- Current year	5,245,911	5,726,685	2,000,000	2,081,204
- (Over)/under provision in prior years	(377,414)	78,404	-	-
Provision for bad and doubtful debts	20,057,923	74,396,277	-	-
Staff costs (Note 6)	407,259,909	412,287,101	-	-
6. Staff costs				
Salaries and wages				
- direct costs	123,283,641	139,445,992	-	-
- selling and distribution	123,174,774	126,413,131	-	-
- administrative expenses	150,246,179	130,791,233	-	-
Other staff costs	10,555,315	15,636,745	-	-
	407,259,909	412,287,101	-	-
7. Finance costs				
Finance lease interest	652,687	772,893	-	-
Interest on commercial paper	15,926,648	5,893,746	15,926,648	5,893,746
Bank loan interest	20,956,801	15,550,058	31,602	-
Bank overdraft interest	21,608,555	27,616,621	-	51,669
Foreign exchange loss/(gain)	6,026,710	11,154,896	(1,219,247)	774,969
	65,171,401	60,988,214	14,739,003	6,720,384
8. Tax				
Current tax	41,535,524	44,823,715	-	-
Deferred tax (credit) (Note 11)	(33,173,281)	(43,168,369)	-	-
	8,362,243	1,655,346	-	-

Notes (Contd.)

8. **Tax (continued)**

The tax on the group's/company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Profit/(loss) before tax	42,147,311	41,409,855	(8,744,718)	(11,693,607)
Tax calculated at a tax rate of 3% (2017: 3%)	1,264,419	1,242,296	(262,342)	(350,808)
Tax effect of:				
- differential tax rates	(12,055,654)	(41,445,313)	-	-
- expenses not deductible for tax purposes	19,153,478	41,862,269	262,342	350,808
- deferred tax assets not recognised	-	(3,906)	-	-
Tax charge	8,362,243	1,655,346	-	-

The domestic tax rates applicable to profits in the countries concerned are as follows:

Country	**Tax rate on taxable profits**	**Withholding tax on dividend payments**
Kenya	30%	5%
Rwanda	30%	15%
Mozambique	32%	20%
Ethiopia	30%	10%
United Arab Emirates	0%	0%

9. **Share capital**

	Group and Company	
	2018 Shs	2017 Shs
178,053,486 (2017: 178,053,486) ordinary shares of Shs. 0.8249 each (2017: Shs. 0.8249 each)	146,894,092	146,894,092

10. **Borrowings**

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Non-current				
Shareholders loan (Note 21)	13,971,442	20,365,919	673,992	699,871
Bank loans	19,159,191	37,507,907	-	605,211
Finance leases	2,203,583	6,922,532	-	-
	35,334,216	64,796,358	673,992	1,305,082
Current				
Finance leases	12,239,183	6,313,276	-	-
Bank loans	38,248,730	12,652,303	-	-
Bills discounted (Note 18)	95,222,977	71,041,642	-	-
Shareholders loan (Note 21)	-	203,000	-	-
Commercial paper (Note 18)	82,271,030	128,468,456	82,271,030	128,468,456
Bank overdraft (Note 18)	159,979,772	139,463,211	-	28,568
	387,961,692	358,141,888	82,271,030	128,497,024
Total borrowings	423,295,908	422,938,246	82,945,022	129,802,106

Notes (Contd.)

10. **Borrowings (continued)**

	Group and company	
Weighted average effective interest rates at the reporting date were:	**2018 %**	**2017 %**
Shareholder's loan	Nil	Nil
Commercial paper	12.75	12.5
Bank loans	14	18
Bank overdraft	14	18
Finance leases	9	9

The bank loans, bank overdraft and finance leases are secured as follows:

a) Fixed and floating debenture over the assets of the group.
b) Supplemental legal charge over L.R. 209/8918.
c) Directors personal guarantees.
d) A right over the leased assets.

Loans from shareholders are unsecured, interest free and have no fixed repayment date.

Commercial paper is unsecured and payable within 90 days of the date of issue with an option of renewal.

The short term loan is repayable within 12 months of the reporting date.

Notes (Contd.)

10. **Borrowings (continued)**

The borrowing facilities (except shareholders loans) expiring within one year are subject to review at various dates during the next financial year.

The exposure of the group's and company's borrowings to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
12 months or less	387,961,692	358,141,888	82,271,030	128,497,024

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the weighted average rates mentioned above.

In the opinion of the directors, it is impracticable to assign fair values to the group's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

The carrying amounts of borrowings are denominated in the following currencies:

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Kenya Shilling	369,329,618	388,001,099	82,945,022	129,802,106
Other currencies	53,966,290	34,937,147	-	-
	423,295,908	422,938,246	82,945,022	129,802,106
Maturity of non-current borrowings				
Between 2 to 5 years	35,334,216	64,796,358	673,992	1,305,082

There were no undrawn facilities as at the reporting date.

11. **Deferred tax**

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2017: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
At start of year	(49,332,168)	(6,163,799)	-	-
Charge to other comprehensive income	60,826,728	-	-	-
(Credit) to profit or loss (Note 8)	(33,173,281)	(43,168,369)	-	-
At end of year	(21,678,721)	(49,332,168)	-	-

Notes (Contd.)

11. **Deferred tax (continued)**

Deferred tax (assets)/liabilities in the statement of financial position and deferred tax (credit) to profit or loss are attributable to the following items:

Year ended 31 December 2018 - Group	**At start of year Shs**	**(Credit)/charge to profit or loss Shs**	**Charge to OCI Shs**	**At end of year Shs**
Deferred tax (assets)/liabilities				
Tax losses carried forward	(56,085,669)	(13,671,212)	-	(69,756,881)
Excess depreciation over capital allowances	24,742,046	(1,063,962)	-	23,678,084
Unrealised exchange differences	(1,518,335)	1,346,833	-	(171,502)
Provisions	(16,962,498)	(19,895,630)	-	(36,858,128)
Revaluation of property, plant and equipment	-	-	60,826,728	60,826,728
Translation	492,288	110,690	-	602,978
Net deferred tax asset	(49,332,168)	(33,173,281)	60,826,728	(21,678,721)

Year ended 31 December 2017 - Group	**At start of year Shs**	**(Credit)/charge to profit or loss Shs**	**Charge to OCI Shs**	**At end of year Shs**
Deferred tax (assets)/liabilities				
Tax losses carried forward	(21,361,372)	(34,724,297)	-	(56,085,669)
Excess depreciation over capital allowances	23,679,699	1,062,347	-	24,742,046
Unrealised exchange differences	(357,513)	(1,160,822)	-	(1,518,335)
Provisions	(8,124,613)	(8,837,885)	-	(16,962,498)
Translation	-	492,288	-	492,288
Net deferred tax asset	(6,163,799)	(43,168,369)	-	(49,332,168)

No deferred tax liability is recognised on temporary differences relating to unremitted earnings of subsidiaries, as the group is able to control the timing of reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Notes (Contd.)

12. **Property, plant and equipment**

Year ended 31 December 2018 - Group

	Leasehold land Shs	Buildings Shs	Plant and machinery Shs	Furniture, fixtures and office equipment Shs	Motor vehicles Shs	Computer equipment Shs	Total Shs
Cost/valuation							
At start of year	4,512,500	57,159,901	426,078,974	32,190,723	121,791,396	11,264,300	652,997,794
Additions	-	4,549,420	29,964,357	942,828	14,205,473	2,662,104	52,324,182
Disposals	-	-	-	-	(2,327,000)	(58,000)	(2,385,000)
Impairment	-	-	-	-	(203,795)	-	(203,795)
Revaluation	12,177,243	190,578,516	-	-	-	-	202,755,759
Translation	-	(5,592,045)	(6,092,387)	(139,318)	(1,238,746)	(79,350)	(13,141,846)
At end of year	16,689,743	246,695,792	449,950,944	32,994,233	132,227,328	13,789,054	892,347,094
Accumulated depreciation							
At start of year	983,487	5,769,675	215,642,846	18,084,567	69,668,038	8,506,776	318,655,389
On disposal	-	-	-	-	(2,071,633)	(17,400)	(2,089,033)
On impairment	-	-	-	-	(198,304)	-	(198,304)
Charge for the year	57,852	4,031,491	28,611,271	1,981,015	15,013,010	1,531,513	51,226,152
Translation	-	(384,685)	(3,197,131)	(101,856)	(580,629)	(56,357)	(4,320,658)
At end of year	1,041,339	9,416,481	241,056,986	19,963,726	81,830,482	9,964,532	363,273,546
Net book value	15,648,404	237,279,311	208,893,958	13,030,507	50,396,846	3,824,522	529,073,548

Roto Moulders Limited

Leasehold land and buildings were professionally valued on 31 December 2018 by Redfearn Valuers Limited on the basis of open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to other comprehensive income.

Roto Ltd

Leasehold land and buildings were professionally valued on 27 December 2018 by Minani Marc on the basis of open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus net of deferred tax was credited to other comprehensive income.

A fixed and floating debenture over the group's assets has been used as a security over the bank loans, bank overdraft and finance leases.

Net book value of assets held under finance lease

	2018 Shs	2017 Shs
Motor vehicles	5,433,044	7,244,059

Notes (Contd.)

12. **Property, plant and equipment (continued)**

If the leasehold land and buildings was stated on the historical cost basis the amount would be as follows:

2018	**Leasehold land Shs**	**Buildings Shs**	**Total Shs**
Cost			
At start of year	4,512,500	57,159,901	61,672,401
Additions	-	4,549,420	4,549,420
Translation	-	(5,592,045)	(5,592,045)
At end of year	4,512,500	56,117,276	60,629,776
Accumulated depreciation			
At start of year	983,487	5,769,675	6,753,162
Charge for the year	57,852	4,031,491	4,089,343
Translation	-	(384,685)	(384,685)
At end of year	1,041,339	9,416,481	10,457,820
Net book value	3,471,161	46,700,795	50,171,956

Group - Year ended 31 December 2017	**Leasehold land Shs**	**Buildings Shs**	**Plant and machinery Shs**	**Furniture, fixtures and office equipment Shs**	**Motor vehicles Shs**	**Computer equipment Shs**	**Total Shs**
Cost							
At start of year	4,512,500	49,160,942	394,100,947	27,500,314	105,063,464	9,406,465	589,744,632
Additions	-	8,959,080	44,317,497	6,621,496	35,187,185	2,362,351	97,447,609
Disposals	-	-	-	(3,076)	(9,860,447)	(369,937)	(10,233,460)
Translation	-	(960,121)	(12,339,470)	(1,928,011)	(8,598,806)	(134,579)	(23,960,987)
At end of year	4,512,500	57,159,901	426,078,974	32,190,723	121,791,396	11,264,300	652,997,794
Accumulated depreciation							
At start of year	925,095	2,419,602	198,302,957	17,090,270	72,432,431	7,712,850	298,883,205
On disposal	-	-	-	-	(9,266,103)	(200,336)	(9,466,439)
Charge for the year	57,852	3,533,550	34,438,334	2,511,152	13,833,056	1,202,645	55,576,590
Translation	540	(183,477)	(17,098,445)	(1,516,855)	(7,331,346)	(208,383)	(26,337,967)
At end of year	983,487	5,769,675	215,642,846	18,084,567	69,668,038	8,506,776	318,655,389
Net book value	3,529,013	51,390,226	210,436,128	14,106,156	52,123,358	2,757,524	334,342,405

Notes (Contd.)

13. **Goodwill**

	Group	
	2018	**2017**
	Shs	**Shs**
At start of year	71,851,809	-
Additions	-	71,851,809
At end of year	71,851,809	71,851,809

The carrying amount of the goodwill analysed by Cash Generating Unit (CGU) is as follows:

	Group	
	2018	**2017**
	Shs	**Shs**
Polyplay Limited	71,851,809	71,851,091

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using 6% as an estimated growth rate. The growth rate does not exceed the long term average past growth of the various subsidiaries in the group.

A discount rate of 6% was applied in discounting the cash flows mentioned above.

The assumptions used in preparing the above cash flows are as follows:

- Management determine budgeted profit based on past performance and its expectations for market development.
- The weighted average growth rates used are consistent with the forecasts included in industry reports (where available). The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

14. **Intangible assets - Group**

	2018 Shs Trademarks	**2018 Shs Software**	**Total 2018 Shs**	Total **2017 Shs**
Cost				
At start of year	83,300,000	613,800	83,913,800	83,913,800
Additions	-	-	-	-
At end of year	83,300,000	613,800	83,913,800	83,913,800
Amortisation				
At start of year	-	274,199	274,199	159,227
Charge for the year	-	122,972	122,972	114,972
At end of year	-	397,171	397,171	274,199
Net book value	83,300,000	216,629	83,516,629	83,639,601

The recoverable amount of cash generating units is determined based on value in use calculations. This calculation is based on assumptions regarding discount rates, growth rates and expected changes to selling prices and direct costs during the year. These assumptions have been revised in line with the current economic conditions. A discount rate of 6% is used and the projections are done for a period of 5-8 years depending on the trade mark purchased.

Notes (Contd.)

15. **Investment in subsidiaries**	**Country of incorporation**	**Ultimate Holding**	**Company 2018 Shs**	**2017 Shs**
Amount invested and capitalised by subsidiaries				
Roto Moulders Limited	Kenya	100%	95,580,900	95,580,900
Flame Tree Africa Limited	Kenya	100%	158,502,683	158,502,683
Happy Eaters Kenya Limited	Kenya	100%	10,999,999	10,999,999
Cherry Styles Limited	Kenya	100%	32,219,000	32,219,000
Jojo Plastics Limited	Kenya	100%	20,000,000	20,000,000
Chirag Africa Limited	Kenya	100%	48,650,000	48,650,000
Polyplay Limited	Kenya	100%	80,000,000	74,000,000
Roto Limited	Rwanda	100%	612,612	612,612
Flame Tree Brands Limited	Rwanda	100%	14,457,228	14,457,228
Build Mart Limited	Rwanda	100%	3,191,552	3,191,552
Roto Private Limited Company	Ethiopia	100%	98,457,242	79,298,813
Rino Tanques LDA	Mozambique	100%	10,296,555	10,296,555
Flame Tree Mozambique, Limitada	Mozambique	100%	71,734	71,734
Cirrus International FZC	United Arab Emirates	100%	4,710,887	4,710,887
Impairment			(32,219,000)	(32,219,000)
			545,531,392	520,372,963

16. **Inventories**	**Group 2018 Shs**	**2017 Shs**	**Company 2018 Shs**	**2017 Shs**
Raw materials	117,323,402	106,332,168	-	-
Work in progress	7,724,277	3,303,638	-	-
Finished goods	121,435,093	115,267,633	-	-
Consumables	963,487	1,162,572	-	-
Goods in transit	91,460,689	44,444,605	-	-
	338,906,948	270,510,616	-	-
Amount of inventory expensed in profit or loss	247,446,259	226,066,011	-	-

17. **Trade and other receivables**	**Group 2018 Shs**	**2017 Shs**	**Company 2018 Shs**	**2017 Shs**
Trade receivables	519,061,716	505,543,607	-	-
Other receivables	148,621,561	117,712,966	98,729	765,030
Receivable from related parties (Note 21)	230,341,302	279,151,279	164,502,310	119,207,041
Impairment	(162,211,481)	(118,072,576)	(14,142,274)	(14,142,274)
	735,813,098	784,335,276	150,458,765	105,829,797

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The group's credit risk arises primarily from trade receivables. The directors are of the opinion that the group's exposure is limited because the debt is widely held.

Movement in impairment provisions	**Group 2018 Shs**	**2017 Shs**	**Company 2018 Shs**	**2017 Shs**
At start of year	118,072,576	43,676,299	14,142,274	-
Recoveries	(3,542,225)	-	-	-
Write offs	(53,668,709)	-	-	-
Additional provisions - IFRS 9 catch up adjustment	81,291,916	-	-	-
Additional provisions - current year profit or loss	20,057,923	74,396,277	-	14,142,274
At end of year	162,211,481	118,072,576	14,142,274	14,142,274

Notes (Contd.)

17. **Trade and other receivables (continued)**

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs	**Shs**	**Shs**	**Shs**
Kenya Shilling	308,669,067	385,409,442	150,458,765	105,829,797
UAE Dirham	285,424,665	285,668,506	-	-
Other Currencies	141,719,366	113,257,328	-	-
	735,813,098	784,335,276	150,458,765	105,829,797

It is the group's policy to provide sales credit of up to three months. Trade receivables that are aged past three months are considered past due.

As at the reporting date, trade receivables amounting to Shs. 43,558,996 (2017: Shs. 96,775,885) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs	**Shs**	**Shs**	**Shs**
3 to 12 months	43,558,996	96,775,885	-	-

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

	Group		Company	
	2018	**2017**	**2018**	**2017**
18. **Cash and cash equivalents**	**Shs**	**Shs**	**Shs**	**Shs**
Cash at bank and in hand	58,431,055	86,757,913	18,352,607	18,753,733

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash at bank and in hand	58,431,055	86,757,913	18,352,607	18,753,733
Bank overdraft (Note 10)	(159,979,772)	(139,463,211)	-	(28,568)
Commercial paper (Note 10)	(82,271,030)	(128,468,456)	(82,271,030)	(128,468,456)
Bills discounted (Note 10)	(95,222,977)	(71,041,642)	-	-
	(279,042,724)	(252,215,396)	(63,918,423)	(109,743,291)

Notes (Contd.)

18. **Cash and cash equivalents (continued)**

The carrying amounts of cash at bank and in hand are denominated in the following currencies:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs	**Shs**	**Shs**	**Shs**
Kenya Shilling	36,660,648	32,243,940	18,352,607	18,753,733
UAE Dirham	342,957	16,623,635	-	-
Other Currencies	21,427,450	37,890,338	-	-
	58,431,055	86,757,913	18,352,607	18,753,733

19. **Trade and other payables**

Current				
Trade payables	471,558,723	383,146,759	8,715,239	3,390,819
Other payables	112,509,876	120,016,234	3,379,966	22,157,500
Payable to related parties (Note 21)	12,180,817	21,765,205	370,536,343	232,095,156
	596,249,416	524,928,198	382,631,548	257,643,475

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs	**Shs**	**Shs**	**Shs**
Kenya Shilling	524,328,644	404,374,435	382,631,548	257,643,475
UAE Dirham	16,202,008	44,770,605	-	-
Other Currencies	55,718,764	75,783,158	-	-
	596,249,416	524,928,198	382,631,548	257,643,475

The maturity analysis of trade and other payables is as follows:

Group - Year ended 31 December 2018	**0 - 1 month Shs**	**2 - 3 months Shs**	**4 - 12 months Shs**	**Total Shs**
Trade payables	39,296,560	117,889,681	314,372,482	471,558,723
Payable to related parties	-	-	12,180,817	12,180,817
Other payables	-	112,509,876	-	112,509,876
	39,296,560	230,399,557	326,553,299	596,249,416

Notes (Contd.)

19. **Trade and other payables (continued)**

Group - Year ended 31 December 2017	**0 - 1 month Shs**	**2 - 3 months Shs**	**4 - 12 months Shs**	**Total Shs**
Trade payables	31,928,896	95,786,690	255,431,173	383,146,759
Other payables	-	120,016,234	-	120,016,234
Payable to related parties	-	-	21,765,205	21,765,205
	31,928,896	215,802,924	277,196,378	524,928,198

Company - Year ended 31 December 2018	**0 - 1 month Shs**	**2 - 3 months Shs**	**4 - 12 months Shs**	**Total Shs**
Trade payables	726,270	2,178,810	5,810,159	8,715,239
Other payables	-	3,379,966	-	3,379,966
Payable to related parties	-	-	370,536,343	370,536,343
	726,270	5,558,776	376,346,502	382,631,548

Company - Year ended 31 December 2017	**0 - 1 month Shs**	**2 - 3 months Shs**	**4 - 12 months Shs**	**Total Shs**
Trade payables	282,568	847,705	2,260,546	3,390,819
Other payables	-	22,157,500	-	22,157,500
Payable to related parties	-	-	232,095,156	232,095,156
	282,568	23,005,205	234,355,702	257,643,475

20. **Cash from/(used in) operations**	**Group 2018 Shs**	**Group 2017 Shs**	**Company 2018 Shs**	**Company 2017 Shs**
Reconciliation of profit before tax to cash from/(used in) operations:				
Profit/(loss) before tax	42,147,311	41,409,855	(8,744,718)	(11,693,607)
Adjustments for:				
Depreciation on property, plant and equipment (Note 12)	51,226,152	55,576,590	-	-
Amortisation of intangible assets (Note 14)	122,972	114,972	-	-
Interest expense (Note 7)	59,144,691	49,833,318	15,958,249	5,945,415
(Gain) on disposal of property, plant and equipment	(1,539,014)	(2,697,049)	-	-
Foreign exchange gain (Note 4)	(1,759,352)	(4,407,764)	(15,828)	-
Interest income (Note 4)	(83,969)	(239,131)	(2,692)	(247)
Foreign exchange (gain)/loss (Note 7)	6,026,710	11,154,896	(1,219,247)	774,969
Effect of translation reserves	(21,504,549)	42,614,486	-	-
Changes in working capital:				
- trade and other receivables	(18,261,763)	3,445,053	(44,628,968)	(98,817,296)
- inventories	(68,396,332)	(21,817,153)	-	-
- trade and other payables	71,321,218	65,593,727	124,988,073	71,496,196
Cash from/(used in) operations	118,444,075	240,581,800	86,334,870	(32,294,570)

Notes (Contd.)

21. **Related party transactions and balances**

The following transactions were carried out with related parties:

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Sales	155,946,574	290,070,404	-	-
Dividend received	-	-	19,158,429	55,352,316
Key management compensation	106,935,287	93,905,949	-	-
Shareholders loan (Note 10)	13,971,442	20,568,919	673,992	699,871
Receivable from related parties (Note 17)	230,341,302	279,151,279	164,502,310	119,207,041

Terms offered to related parties for payment vary between 90 days to 365 days and are unsecured and interest free.

Payable to related parties (Note 19)	12,180,817	21,765,205	370,536,343	232,095,156

Terms offered by related parties for payment vary between 90 days to 365 days and are unsecured and interest free.

22. **Capital management**

The group's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The group sets the amount of capital in proportion to risk. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders or adjust the amount of capital expenditure. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity.

The gearing ratio as at 31 December 2018 and 31 December 2017 were as follows:

	Group		Company	
	2018 Shs	2017 Shs	2018 Shs	2017 Shs
Total borrowings (Note 10)	423,295,908	422,938,246	82,945,022	129,802,106
Less: cash and cash equivalents (Note 18)	(58,431,055)	(86,757,913)	(18,352,607)	(18,753,733)
Net debt	364,864,853	336,180,333	64,592,415	111,048,373
Total equity	813,034,474	731,460,183	248,766,194	257,510,912
Gearing ratio	0.45:1	0.46:1	0.26:1	0.43:1

Notes (Contd.)

23. **Risk management objectives and policies**

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the group finance department under policies approved by management. Management identifies, evaluates and hedges financial risks.

a) **Market risk**

(i) **Foreign exchange risk**

The group operates in various jurisdictions and is exposed to foreign exchange risk arising from various currency exposures. The risk arises from assets and liabilities in the statement of financial position and future transactions.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

The table below summarises the effect on post-tax profit had the Kenya Shilling weakened by 10% against various currencies, with all other variables held constant. If the Kenya Shilling strengthened against each currency, the effect would have been the opposite.

Group	**UAE Dirham Shs**	**Other Currencies Shs**	**Total Shs**
Effect on profit - decrease			
Year ended 31 December 2018	18,869,593	3,742,323	22,611,916
Year ended 31 December 2017	24,979,589	3,921,454	28,901,043

(ii) **Interest rate risk**

The group's exposure to interest rate risk arises from borrowings

As at the reporting date, if interest rates at that date had been 10 basis points higher with all other variables held constant, post-tax profit for the year would have been lower by amounts shown below, this arising mainly as a result of higher interest expense on variable borrowings.

	2018 Shs	**2017 Shs**
Effect on profit - decrease	4,224,254	3,452,611

Notes (Contd.)

Financial risk management (continued)

b) **Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

In assessing whether the credit risk on a financial asset has increased significantly, the group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the group considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the group does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the company groups financial assets on the basis of shared credit risk characteristics, such as:
- type of instrument;
- industry in which the debtor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the the following events:
- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date was as follows:

Group - 2018 **Basis for measurement of loss allowance**	**expected credit** **Shs**	**Total** **Shs**
Trade receivables	519,061,716	519,061,716
Other receivables	148,621,561	148,621,561
Receivables from related parties	230,341,302	230,341,302
Cash at bank	58,431,055	58,431,055
Gross carrying amount	956,455,634	956,455,634
Loss allowance	(162,211,481)	(162,211,481)
Exposure to credit risk	794,244,153	794,244,153

Notes (Contd.)

23. **Risk management objectives and policies (continued)**

Financial risk management (continued)

b) **Credit risk (continued)**

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows.

Trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

The changes in the loss allowance during the year were as follows:

Basis for measurement of loss allowance

Year ended 31 December 2018	**Group Shs**	**Total Shs**
At start of year	118,072,576	118,072,576
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	44,138,905	44,138,905
At end of year	162,211,481	162,211,481

The loss allowances at the end of each year relate to the following;

Basis for measurement of loss allowance	**credit losses Shs**	**Total Shs**
Trade receivables	162,211,481	162,211,481

The group does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due receivables.

c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the group's management maintains flexibility in funding by maintaining availability under committed credit lines. Notes 10 and 19 disclose the maturity analysis of borrowings and trade and other payables respectively.

Notes (Contd.)

23. **Risk management objectives and policies (continued)**

Financial risk management (continued)

c) **Liquidity risk (continued)**

The table below discloses the undiscounted maturity profile of the group's financial liabilities:

Year ended 31 December 2018 - Group

	Interest rate %	**Between 1 - 3 months Shs**	**Between 3 months - 1 year Shs**	**Between 1 - 2 years Shs**	**Between 3 - 5 years Shs**	**Total Shs**
Non-interest bearing liabilities						
Trade and other payables	0	269,696,117	326,553,299	-	-	596,249,416
Shareholders loan	0	-	-	-	13,971,442	13,971,442
Interest bearing liabilities						
- Bank overdraft	14	182,376,940	-	-	-	182,376,940
- Commercial paper	12.75	92,760,587	-	-	-	92,760,587
- Bills discounted	14	108,554,194	-	-	-	108,554,194
- Bank borrowings	14	-	43,603,552	21,841,478	-	65,445,031
- Finance leases	9	13,340,709	-	-	2,401,905	15,742,615
		666,728,547	370,156,851	21,841,478	16,373,347	1,075,100,224

Year ended 31 December 2017

	Interest rate %	**Between 1 - 3 months Shs**	**Between 3 months - 1 year Shs**	**Between 1 - 2 years Shs**	**Between 3 - 5 years Shs**	**Total Shs**
Non-interest bearing liabilities						
Trade and other payables	0	247,731,820	277,196,378	-	-	524,928,198
Shareholders loan	0	-	203,000	-	20,365,919	20,568,919
Interest bearing liabilities						
- Bank overdraft	17.5 - 18	158,988,061	-	-	-	158,988,061
- Commercial paper	12.5	144,527,013	-	-	-	144,527,013
- Bills discounted	17.5 - 18	83,473,929	-	-	-	83,473,929
- Bank borrowings	17.5 - 18	-	14,423,625	42,759,014	-	57,182,639
- Finance leases	9	6,881,471	7,545,560	-	-	14,427,031
		641,602,294	299,368,563	42,759,014	20,365,919	1,004,095,790

24. **Contingent liabilities**

The group and company are defendants in various legal actions. In the opinion of the directors and after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

25. **Retirement benefit obligations**

No provision for gratuity and service pay has been provided for as the amounts involved are not material.

Notes (Contd.)

26. **Earnings per share - Group**

	2018	2017
Total number of shares (Note 9)	178,053,486	178,053,486
Total profit for the year (Shs)	33,785,068	39,754,509
Total comprehensive income for the year (Shs)	162,866,207	10,144,470
Earnings per share - profit for the year (Shs)	0.19	0.22
Earnings per share - total comprehensive income (Shs)	0.91	0.06

27. **Events after the reporting date**

In the opinion of the Directors, there are no adjusting or non-adjusting events that the Directors need to adjust in the financial statements or disclose.

Notice of AGM

FTG Holdings Ltd
C/o JurisTax Ltd,Level 3, Ebene House, Hotel Avenue, 33 Cybercity, Ebene, Republic of Mauritius
Telephone: (230) 465 5526 , Fax: (230) 4681886
Email: info@flametreegroup.com , Website: www.flametreegroup.com

Date: 03 May 2019

To: The Shareholders of the Company

From: JurisTax Ltd, Secretary

Subject: Notice of the Fifth Annual General Meeting of Shareholders of the Company to be held on Tuesday, 18 June 2019 at 11.00 hours (Kenyan Time).

Notice is hereby given that the Annual General Meeting of the Shareholders of FTG Holdings Ltd will be held on Tuesday, 18th June 2019 at 11.00 a.m. at the National Museums of Kenya, Louis Leakey Auditorium, Nairobi, Kenya to transact the following business:

1. To table the proxies and note the presence of a quorum;
2. To read the notice convening the meeting;
3. To receive the auditor's report and consider the adoption of the financial statements for the year ended 31 December 2018;
4. Election of Directors
   a) Mr. Soubramanien Gilles Pierre Kichenin retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Article 12.1.2 of the Company's Constitution;
   b) Mrs. Imalambaal Kichenin retires by rotation at the dissolution of the meeting and being eligible, offers herself for re-election in accordance with Article 12.1.2 of the Company's Constitution;
   c) Mr. George Theobald retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Article 12.1.2 of the Company's Constitution; and
   d) Mr. Frank Ireri retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Article 12.1.2 of the Company's Constitution.
5. To take note that Mr. Heril Colbert Bangera will continue to serve as Managing Director of the Company.
6. Appointment of Auditors

   To consider the re-appointment of PKF Mauritius as the auditors of the Company who have expressed their willingness to continue in office for the financial year ending 31 December 2019 and to authorize the Directors to fix their remuneration in accordance with Section 196 of the Companies Act 2001.
7. Any Other Business

   To transact any other business which may be properly transacted at an annual general meeting and for which a valid notice has been issued in accordance with the Company's Constitution.

FTG Holdings Ltd
C/o JurisTax Ltd,Level 3, Ebene House, Hotel Avenue, 33 Cybercity, Ebene, Republic of Mauritius
Telephone: (230) 465 5526 , Fax: (230) 4681886
Email: info@flametreegroup.com , Website: www.flametreegroup.com

Quorum Requirement:

As per Article 11.4.1 of the Constitution, the quorum for an Annual General Meeting is as follows:

"A quorum for a meeting of members shall be present where the members or their proxies are present or have cast postal votes, who are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meetings."

By order of the Board

....
Mr. Lavesh Beedassy
For and on behalf of JurisTax Ltd
Secretary

Proxy Form

I/We, ...of P.O. Box ....

being a member / members of the above Company, hereby appoint:

....

of ....

or failing whom

....

of...

As my / our proxy, to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on 18th June 2019 at 11.00am. Louis Leakey Auditorium, National Museum, Nairobi and at any adjournment thereon.

Number of shares held...

Account number of member. ....

Signed this...day of... 2019

Signature(s) ....

....

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorized in writing.
3. Proxies must be lodged at the registered office of the Company's Shares Registrars, CDSC Registrars Limited (10th Floor Nation Centre, Kimathi Street P.O. Box 3464 – 00100 GPO Nairobi) not later than 16th of June 2019 at 10.00a.m

ROTO TANKS

JOJO Tank

RINO Tanques

CIRRUS

BM Buildmart

Zoe

ALANA

cErro

Beauty Plus

Miss Africa

Blackangel

SuzieBeauty BY SNW

NATURE'S OWN

Chigs

Honey Comb

gonuts

Happy's golden

PolyPlay

Sylva

FTG HOLDINGS LIMITED

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