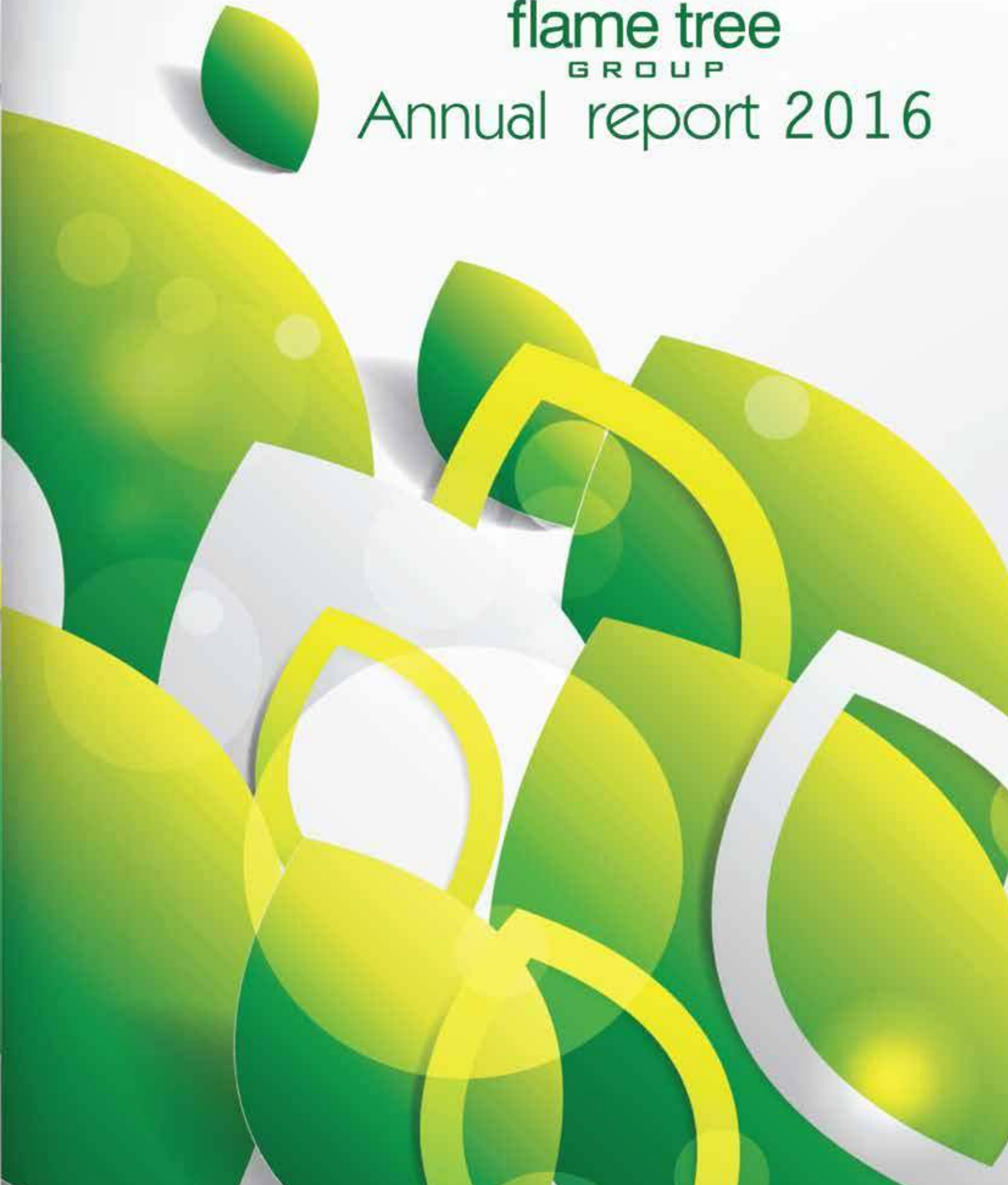




flame tree
GROUP

Annual report 2016





**ROTO
TANKS**



RIND
Tanques

JOJO
Tank



ALANA



Blackangel

cERRO

Miss Africa



BM
Buildmart



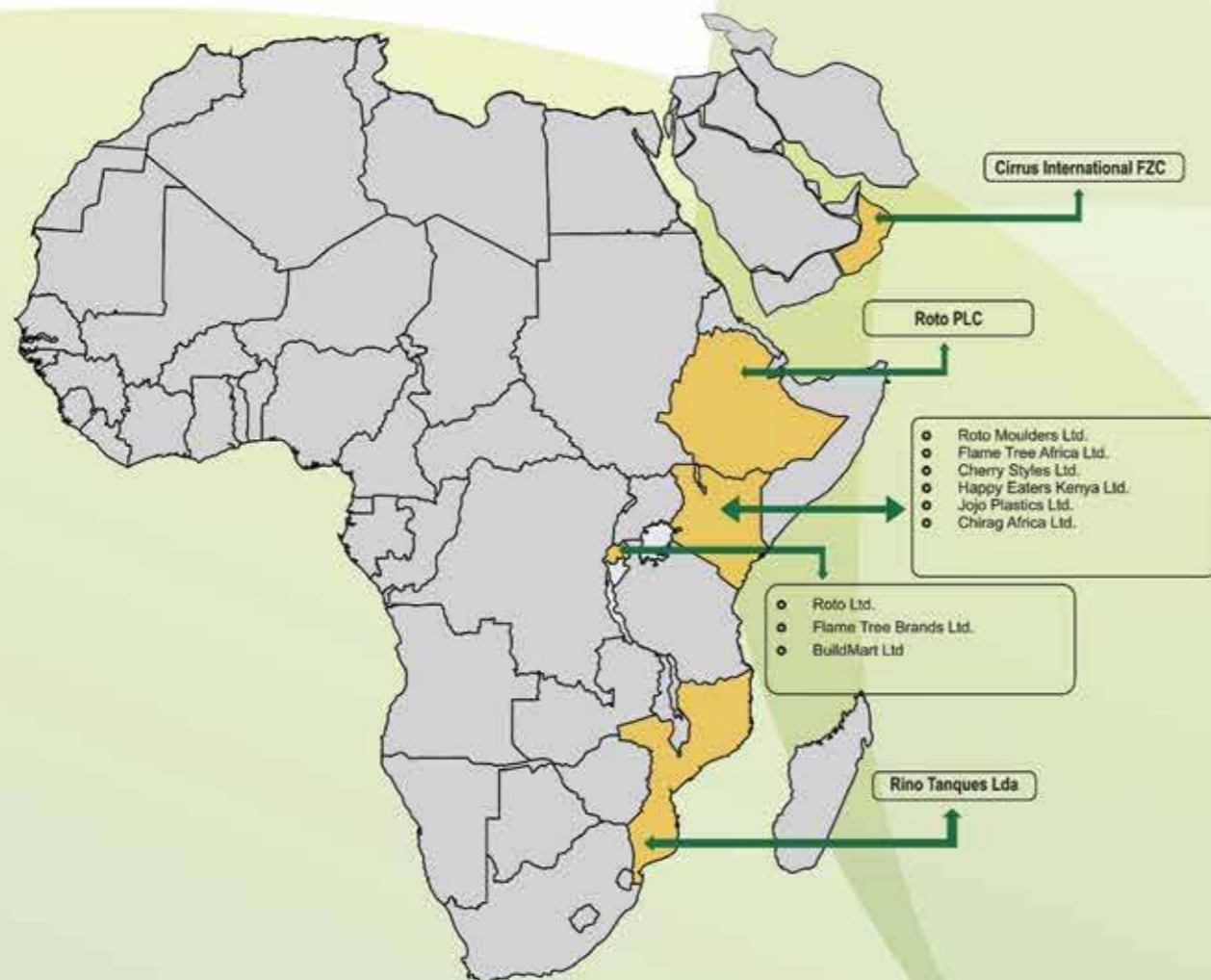
flame tree
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Map



Company Information

BOARD OF DIRECTORS

: Heril Bangera
 : Gilles Kichenin
 : Frank Ileri
 : Imalambaal Kichenin
 : George Theobald

Date of Appointment

27 January 2014
 27 January 2014
 17 September 2014
 18 January 2014
 13 September 2014

REGISTERED OFFICE

: JurisTax Ltd.
 : Level 3, Ebene House, Hotel Avenue
 : 33 Cyber City Ebene 772201
 : MAURITIUS

INDEPENDENT AUDITOR

: PKF Mauritius
 : 5 Duke of Edinburgh Avenue
 : Port Louis
 : MAURITIUS

ADMINISTRATOR AND COMPANY SECRETARY

: JurisTax Ltd.
 : Level 3, Ebene House, Hotel Avenue
 : 33 Cyber City Ebene 772201
 : 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

LEGAL ADVISORS

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

COMPANY REGISTRAR

: CDSC Registrars Ltd

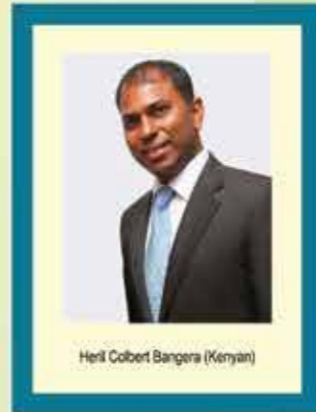




Board of Directors

George Theobald (Tanzanian)

(Non-Executive Director) Chairman
Aged 59 years, George Theobald is a non-executive director at FTG Holdings and 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 a commission in the British Army and a time in London working as a stockbroker. He worked as the General Manager of Lonrho Tanzania Ltd before founding Tatepa Ltd, where he serves as the Chairman of the publicly listed company (the largest smallholder tea and avocado producer in Tanzania). He is also the Chairman of Kariki Group (a group of flower farms) in Kenya and the Chairman of Nomad Group (a chain of safari lodges) in Tanzania.



Heril Colbet Bangera (Kenyan)

Managing Director and CEO

Aged 46 years, Heril Bangera began the first subsidiary of the Group, Roto Moulders Limited in 1989 and has since supported the growth of the Group by steering the Group to its current status. He is responsible for overall running and strategic planning for the Group. Heril holds a Bachelor's Degree in Mechanical Engineering, at BMSCE from Bangalore University and has over 25 years of business experience. He has also pursued the Owners Management Program at Strathmore University.



Imalambaal Kichenin (Mauritian)

Executive Director

Aged 43 years, Imalambaal Kichenin is the Chief Executive Officer, Director and founder of JurisTax Ltd. She also occupies the role of executive director on Aarrow Corporate and Fund Services. Imalambaal is a law graduate from the University of London and is additionally a fellow 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.



Gilles Kichenin (French)

Board of Directors

Executive Director

Aged 51 years, Gilles Kichenin has over 20 years of professional experience in related aspects of financial and management consulting. He is the managing director of Providentia Asset Managers Ltd and Providentia Fund Managers Ltd. He previously occupied the role of director at Turquoise Capital Management Ltd, a Wealth & Fund Manager, and also served as the director general at Aksara and Services Trading Ltd. He is the former Chief Finance Officer of Apavou Group and has held various management positions at leading regional businesses. Gilles holds a Masters in Management at Institution Supérieur de Gestion - Paris.



Frank Ileri (Kenyan)
B.Com. (Hons), CPA K

Non-Executive Director

Aged 55 years. He is the Managing Director of HF Group PLC (formerly Housing Finance Company of Kenya Limited). He joined Housing Finance Company of Kenya in 2006 and is a qualified accountant and banker and has for the last 27 years worked in senior management positions with several corporate institutions including as Senior Country Operations Officer at Citibank Kenya, General Manager Finance & Operations at Commercial Bank of Africa, Regional Service Delivery Director for Barclays Africa and Head of Barclaycard Africa Operations covering Kenya, Tanzania, Uganda, Botswana, Zambia, Mauritius, Seychelles and Egypt. During his career, he has had international exposure in Philippines, Poland, Sri Lanka and Zambia.

Mr. Ileri is an Honorary Counsel member of AIESEC and previously held the role of Chairman to the AIESEC Board of Advisors. Between 2001 and 2002 he was also the Chairman of the Kenya Institute of Bankers. He is also a Board member, Habitat for Humanity – Kenya and in March 2009 he was elected for inclusion in the International WHO'S WHO Historical Society and is listed in the 2009 edition of International WHO'S WHO of Professionals. In 2011, he was awarded the Elder of the Order of the Burning Spear (EBS) in recognition of his distinguished service to the Kenyan Nation.



Chairman's Message



George Theobald (Tanzanian)

Dear Valued Shareholder, Employees and Partners,

I am pleased to present to you Flame Tree Group Holdings (FTGH) annual report for the financial year ended 31 December 2016. It has been a challenging year for the Group faced by a difficult external environment with unprecedented macroeconomic challenges, severe currency fluctuations and headwinds in certain business segments.

Amidst a slowing world economy and volatile industry conditions, the Group managed to deliver another commendable performance. In the

Fy2016 the group's revenues grew by 11.5% from KES 2.28 billion to KES 2.54 billion. Consolidation of our food and snacks division into one plant and also investment in new manufacturing line for our foods and snacks helped in improving efficiency and increasing sales.

We however experienced a drop in the net profit by 18.9% from KES178 million in the previous financial year to KES144 million. The drop in net profit was due to increased costs of selling and distribution by 26.3% from KES260 million to KES329 million. This was also greatly impacted by the cash flow challenges faced by some key partners especially supermarkets that experienced difficulties in paying suppliers and keeping some of their outlets well stocked.

Our manufacturing vertical remains the largest contributor of revenue to the business at 79.5%. Sales from manufacturing vertical grew 16.9% to KES 2.023 billion and trading vertical operations dropped by 5.5% to KES 521.525 million during the year.

The robustness of the Group's business fundamentals continues to validate the Group's strategy of diversification in both manufacturing and trading. We remain steadfast in our mission to build a leading pan-African world-class corporation in the heart of Africa that manufactures and distributes quality and affordable brands. We continue to look forward to the future with confidence, in view of the long term growth prospects of our markets.

Our acquisitions over the past two years have not only allowed the business to diversify but have also brought us improved success in sales. We are encouraged that our diversification strategy through acquisitions is starting to bring positive results and we hope that this can continue to be replicated across the board.

Chairman's Message

As part of our efforts to improve our business processes, the Group has started implementing the Kaizen philosophy. The purpose of Kaizen goes beyond simple productivity improvement, the process humanizes the workplace, eliminates overly hard work, and teaches people how to spot and eliminate waste in business processes. This new philosophy is helping everyone involved to begin thinking about their work in a new way.

Though 2017 is anticipated to be another challenging year for global and regional economies, we are resolutely focused on executing our strategy and unwavering in our aim to deliver long-term shareholder value.

Our success is built on the strength of many – from the dedicated men and women who work at FTGH, to our suppliers, loyal customers and consumers, to our community stakeholders – and I extend my very sincere thanks to all of you. Our leadership team and Board are energized and excited about the years ahead. We have successfully established a highly competitive cost structure and have the brands, market shares and growth strategies to deliver strong financial growth.

I would like to take this opportunity to thank all our shareholders, business partners and customers for their confidence in the Group, as well as our management team and employees for their hard work and dedicated efforts.

I am confident that with our stakeholders' support, FTGH will remain on track to achieve greater heights for years to come.

Yours Sincerely,

George Theobald
Chairman Flame Tree Group Holdings

CEO's Message



Heril Colbert Bangera (Kenyan)

Dear Shareholders and partners,

Overview

It is now three years since we listed on the Nairobi Securities Exchange (NSE) in 2014. In spite of industry headwinds, our diversification strategy across multiple geographies in manufacturing and trading, combined with our improved operational efficiencies, enabled us to navigate adversity and emerge stronger. 2016 was a challenging year, but we finished the year with a marked improvement in revenues across the board, even in the face of macroeconomic challenges and market volatilities.

On a topline basis, the Group's consolidated sales for the FY2016 increased by double digits of 11.5% from KES 2.28 billion to KES 2.54 billion. However the profit after tax reduced by 18.9% from KES178 MILION TO KES144million. Even though we have experienced topline growth, our bottom-line has dropped compounded by tightened liquidity across manufacturing as well as slow payments from some of our partners which has increased our selling and distribution costs and impacted on our profitability for the FY2016.

More importantly, revenue was balanced from several perspectives. The manufacturing and trading business, both achieved good results than the same period last year, there was a good mix of growth from organic sources and acquisitions. Once again, this demonstrates the defensiveness and resilience of our portfolio of businesses.

During the year we made good progress against a set of strategic priorities that had been laid out over the last 12 months. These priorities acknowledge that FTGH is in a very strong position today, but there is always more we can do to capture value, particularly with regard to generating our own growth, adapting the organization and developing our people.

Key highlights of 2016:

- Our acquisition of SuzieBeauty brands in January 2016 has allowed us to venture into personal care prestige portfolio. We continue to see positive growth from this acquisition and we have managed to open new shops across Nairobi as well as sprucing up the existing SuzieBeauty shops.
- We have merged the operations of our snacks division for both Happys and Chirag Kenya. This has led to cost savings and efficiencies for our food and snacks division.
- We also opened a new manufacturing plant in Nampula region in the north of Mozambique. The new plant is already manufacturing plastic tanks for the domestic market.
- Flame Tree Group launched a new line of products in the cosmetics category under the Zoe & Alana brands. They include: Herbal Jellys and various other hair care products.

C.E.O's Message

- We have invested in the repackaging of the Chirag spices to bring it to International standards. The new packaging, consistent with Chirag spices, also maintains the signature bright colors that consumers know and love and will enable them to quickly recognize the Chirag brand on the retailers' shelves.
- The interest rate capping also contributed to difficult trading environment resulting in liquidity issue which resulted in slow payments.

INDUSTRY OUTLOOK

For FY2017, we anticipate some of the weak macro-economic conditions to persist. Kenya and Rwanda will be holding elections and we anticipate that political stability and smooth transition during the election period will be key in keeping the positive growth trajectory.

The depreciation of the Mozambican currency is expected to have some impact on the growth of the business. However, the rating agency Fitch expects an average growth rate of 6.6% through 2017, stating that the medium-term economic outlook remains positive, supported by strong investment growth, expansive workforce and the ongoing development of its ample natural gas resources. According to the agency, weak performance in the mining sector is partially offset by strong growth in agriculture, transportation, utilities and services, which are likely to continue to benefit from macroeconomic stability.

During the year we will continue to invest in growth that will either provide new growth channels or create value for our existing businesses. The Group will continue to prudently seek out suitable opportunities with high strategic value, in light of the challenging and uncertain global economic environment. This remains a key driver of how we create value for shareholders.

In the midterm our strategy is to remain focused on growing our sales volume through higher penetration with our existing customer base and new customer. We will exercise prudence and continue to improve the utilization of our factories and plants processing capacity. We will also carefully manage and optimize our resources against our business growth objectives.

There could be more challenges ahead but we have faith in our strategies and are resolute to overcome these challenges. I would like to extend my gratitude to my colleagues, our partners, shareholders and board members for their unwavering trust and support, as we continue on this exciting journey ahead. Moving forward, we will continue to build on the foundation we have established over the years.

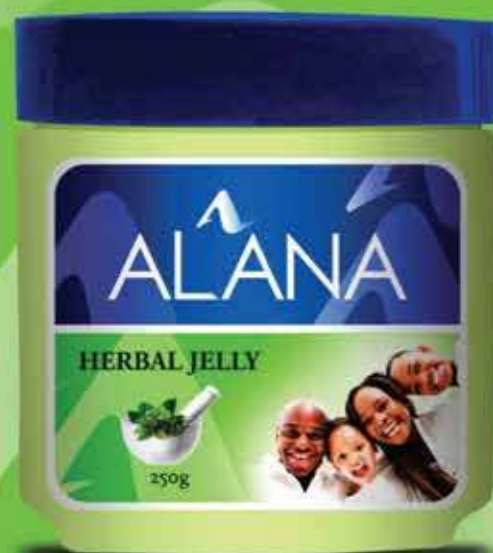
Sincerely,

Heril Bangera
Founder and CEO Flame Tree Group

ALANA

HERBAL JELLY

The purest herbal extracts,
with the goodness of honey,
neem & aloe vera



For smooth skin.....



Statement of 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 3 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.

Statement of Corporate Governance (Contd.)

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 Remuneration 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.

- Define and chart out the Group's vision, mission and values and has ultimate responsibility for the attainment of the Group's values.

Statement of Corporate Governance (Contd.)

- 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.

Statement of Corporate Governance (Contd.)

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.

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.

Statement of Corporate Governance (Contd.)

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 Ileri
- Shilpa Haria
- Authorized Representative of the Nominated Adviser

ii. Finance committee

The Finance 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 Ileri

iii. Nomination & Remuneration Committee

The Nomination & 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

Statement of Corporate Governance (Contd.)

SHARE HOLDING PROFILES

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

a) Principal Shareholders

The top 10 major shareholders, based on the company's share register as at 31 December 2016, are as follows:-

Name	No of Shares	%
HERIL COLBERT BANGERA	137,579,311	85.00
MUKUMBU JAPHETH MULINGE	2,182,188	1.35
OLD MUTUAL LIFE ASSURANCE COMPANY LTD	1,209,175	0.75
KENYA COMMERCIAL BANK NOMINEES LTD A/C 923A KENYA COMMERCIAL BANK NOMINEES LTD A/C 923A	1,209,175	0.75
NIC CUSTODIAL SERVICES A/C 020	1,209,175	0.75
STANBIC NOMINEES LTD A/C R88601	1,034,921	0.64
PATEL AMARJEET BALOOBHA PATEL; BALOOBHAI	933,939	0.58
GICHUKI SIMON GACHIRA	884,300	0.55
GOODWILL (NAIROBI) LIMITED A/C 95319	871,100	0.54
KENYA COMMERCIAL BANK NOMINEES LTD A/C 900A KENYA COMMERCIAL BANK NOMINEES LTD A/C 900A	665,046	0.41
OTHERS	14,088,474	8.70
TOTAL	161,866,804	100.00

b) Distribution of Share Holders Schedule

i) by no of shares range

Range	No of Share holders	No of Shares	%
1 - 500	401	86,641	0.05
501 - 5000	324	636,246	0.39
5001 - 10000	88	713,646	0.44
10001 - 100000	113	3,842,625	2.37
100001 - 1000000	38	12,163,701	7.51
>1000000	06	144,423,945	89.22
TOTAL	970	161,866,804	100.00

ii) by category of shareholders

Domicile	No of Share holders	No of Shares	%
EAST AFRICAN COMMUNITY PARTNER STATES INDIVIDUALS	882	148,087,585	91.49
EAST AFRICAN COMMUNITY PARTNER STATES INSTITUTIONS	73	13,085,646	8.08
FOREIGN INDIVIDUAL	14	666,973	0.41
FOREIGN INSTITUTIONS	01	26,600	0.02
TOTAL	970	161,866,804	100.00



ALANA
Skin

Refresh.....Rehydrate...
.....Rejuvenate





Cirrus

Cirrus is an importer, distributor and exporter of petroleum products, backed by over 20 years of valuable group experience. A leader in the field, we enjoy a reputation for reliability internationally.

CIRRUS endeavors to become the number one company for the supply of top quality products with a focus of prompt deliveries and personalized service. We aim to reach this position by anticipating and meeting requirements, while keeping pace with technological advances and confirming to high quality standards.

Cirrus's clientele includes manufacturers and trading companies in the African continent. Based on our belief that clients deserve the best possible service, our dedication to excellence is reflected in high quality standards that we set, meet and exceed. We are top suppliers to these customers and offer customized solutions to meet their individual needs. We work to establish strong, long term relationships with our valued clients, while making continuous efforts to offer them the highest level of service. Geographically our focus remains on the Middle East, African subcontinent.

The value creation for both principals and clients is our ability to source high quality, competitive material from strategically located producers and distributing to the door steps of a processor, and offering technical support that may be required.



Cerro Nail Polish

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's one of the few locally manufactured nail polishes available in the country. Formulated with European technology to give you colors with a long lasting gloss that do not fade or chip easily. Cerro nail colors are dermatologically tested and therefore non toxic. Its stable formulation ensures a smooth and uniform application, leaving your nails looking beautiful. Cerro's distribution is country wide. Cerro is of international quality and excellence.



Zoe Hand and Body Lotion

Under the Zoe brand Flame Tree manufactures various skin care and hair care products. Lotions, Shampoos, Nail Polish among others.

Zoe began in 2001 with the launch of it's skin care range of products: Zoe Lotions in 3 variants: glycerine, lanolin & cocoa butter. The product hit the ground running, with brand ambassadors like Nameless who helped take the brand to greater heights. 'Zoe girl' became a household name.

With Zoe you are assured of a quality product at the best price. We cater to the common wananchi and ensure we can give them the best quality at prices they can afford. With our skincare Zoe gives you beautiful, soft, hydrated skin. It's moisturising goodness leaves you glowing with confidence.

Zoe is among the local top skin care brands competing with international brands on the same stage.

Our unique selling proposition is the promise of quality without compromise! We offer the best quality products at affordable prices for African customers in every nook & corner of the country. We also export to Rwanda.



Zoe Hair Care Range

Under the Zoe brand, Flame Tree manufactures various hair care products.

Today Zoe under its wings has added an extensive hair care range as well as nail polishes.

With Zoe you are assured of a quality product. We cater to the common wananchi and ensure we can give them the best quality at an affordable price. With our hair care range Zoe gives you beautiful and soft hair leaving you glowing with confidence.

Zoe is among the local top brands competing with international brands on the same stage.

Our unique selling proposition is the promise of quality without compromise! We offer the best quality products at affordable prices for Africa. Zoe hair care introduced its OLIVE OIL range to bring gorgeous, shinier, stronger looking haircare within reach.

Zoe's distribution is country wide, selling to our customers in every nook & corner of the country. We also export to Rwanda.



Alana Hand and Body Lotion

Under the Alana brand Flame Tree manufactures various skin care products. Lotions in glycerine, lanolin, cocoa butter etc. Alana moisturises your skin all day long keeping it fresh, sexy and totally irresistible. Alana is made from the purest ingredients that are long lasting, keeping your skin soft, supple and irresistible all day long.

Alana is among the local top skin care brands competing with international brands on the same stage. The unique selling proposition for Alana is in offering the best quality products at affordable prices for Africa. Alana lotions keep your skin perfectly moisturised with long lasting fragrances. Alana's distribution is country wide selling to our customers in super markets and dukas in every corner of the country.



Alana Hair Care Range

We have introduced the Alana hair care range with the goodness of jojoba oil. Which is readily accepted by the scalp and does not upset the scalp's natural balance they include:-shampoos, conditioners, hair food and pomade, curl activators and braid sprays.

SHAMPOOS

- 1. APPLE SHAMPOO** - Formulated with natural extracts it removes dirt and excess oils without removing natural oils. It cleanses the scalp or hair leaving it soft and healthy.
- 2. ANTI-DANDRUFF SHAMPOO** - It has active ingredients which cleanses and controls flakes and soothes your scalp leaving it refreshed and healthy.

CONDITIONER

- 1. WHITE CONDITIONER & YELLOW CONDITIONER** - It enriches and replenishes lost proteins and vitamins after shampooing.

LEAVE-IN

- 1. Leave-in Treatment conditioning hair cream.**
Has jojoba oils, it softens and moisturize the hair cuticle by preventing split ends and detangling it.
- 2. Anti-breakage leave-in treatment spray**
Formulated to soften and moisturize your hair and strengthening it from the inside making it more flexible and stronger avoiding breakage.

MAYONNAISE TREATMENT

Mayonnaise contains oils which help nourish and moisturize your hair from deep within. It is considered very useful for dry and damaged hair and stops hair breakage.

HAIR FOOD

Specially formulated with softening lanolin and nourishing olive oil which feeds the roots of the hair and promotes hair growth, leaving hair manageable and healthy.

HAIR SHEEN

Formulated to give instant shine and softness to dull, dry hair without weighing it down or making it stiff.



Alana Hair Care Range (Contd.)

ALANA BRAID AND WEAVES POMADE

It adds sheen to braids, weaves, dreads, extensions, natural and synthetic hair.

CURL ACTIVATOR

It enhances your natural curls and also moisturizes it to make it tangle free and easy to comb.

BRAID SPRAYS ANTI-DANDRUFF

Controls flakes and soothes your scalp leaving it refreshed and healthy. It is suitable for natural and synthetic hair.

BRAID SPRAY 4-1

- Extra sheen
- Moisturizes and conditions
- Anti-itch and anti-flaking
- Anti-frizz and anti-breakage

ALANA HERBAL JELLY

Made from the purest herbal extracts with goodness of honey, neem and aloe, it moisturizes your skin protecting it from rash, itching and keep it free from bacteria.

Black Angel

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

The manufacturing process includes coconut and sunflower extract and has specifically been made with a mild scent. Because these products give the user instant result, this makes it the most preferred brand.





Beauty Plus

A brand that 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 solution to 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 all inclusive satisfaction.



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 spray. 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.



Happy's

Happy's our youngest brand in FMCG launched in 2012 and is one of Kenya's favourite snack food brand that has steadily established itself as an indispensable part of our snacking culture. Happy's has established itself as a youth brand and continues to grow in the hearts and mind of its Kenyan consumers.

The brand includes:

- Crisps
- Peanuts
- Chevdo
- Gathia
- Fried Peas

Our Brand Advantage is - Its 100% vegetarian. Our snack products are manufactured in a food safety environment and the manufacturing process has adequate controls to track products. Our manufacturing processes are also certified to ensure that the safety of products, processes, environment and people is maintained at a very high level.

Our brand value includes fun, trust and passion. These ingredients forms the basis of Happy's and finding happiness has a lot to do with relationships both in business and personal levels.



Honeycomb

Grandma's secret is out and it's in every rich, crunchy, melt in your mouth.

Honeycomb cookies

Made from a delicious mixture of quality, handpicked ingredients, years of experience and lots of love, our tasty, heartwarming treats charm you with flavor and fulfillment.

Our Cookies flavors include:

- Oat and Coconut Cookies
- Original butter cookies
- Ginger cookies
- Cinnamon Cookies
- Cardamom Cookies

Honeycomb Chevdas

Our chevdas are a tasty treat for your 'anytime' snack. Reach for your Honeycomb chevdas when those munchy tasty cravings begin.

Our tasty flavors include:

- Original Chevda
- Mild Chevda
- Fruit 'n' Nut Chevda
- Hot Chevda





Chigs

Our 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 Chigs Flavors are:

- Funky Chilli Lemon
- Awesome Cheese
- Yummy Salt & Vinegar
- Naughty Masala Treat
- Original Salted
- Crazy Cheese & Onion
- Pure Barbeque



Gonuts

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

“Go nuts with Gonuts”

Our Gonuts Flavors are:

- Gonuts Roasted
- Gonuts Fried
- Gonuts Fried Roasted Skinned in Peanuts & Cashewnuts.



Nature's Own

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

Spice Mixes

Premixed spices make you a culinary expert with every dish you serve! pilau masala ground, tea masala, chat masala, chicken masala, curry powder, fish masala, garam masala, tandoori masala, beef masala.

Herbs

Pure & natural goodness & aroma served up with our Nature's Own Herbs: basil, marjoram, mint, mixed herbs, oregano, parsley, rosemary, sage, tarragon, thyme, bay leaves.

Pure Whole & Ground Spices

With guaranteed best quality ingredients, sealed in the aroma and flavor: black pepper, cardamoms, cayenne pepper, chilli, cinnamon, dhana jeera, garlic powder, turmeric, cloves, coriander, cumin, ginger, mixed spices, mustard, nutmeg, spanish paprika, white pepper, cayenne pepper.



Roto Plastics

ROTO TANKS (Slogan: Real value for money)

ROTO began in 1989 in Kenya under Roto Moulders Limited manufacturing water storage and sanitation solutions, with a product offering that includes water storage tanks, septic tanks, garbage disposal bins, materials handling containers, toilet huts and other custom made products.

In over 25 years ROTO has grown steadily to become a market leader in the Eastern African region. The Roto brand now has factories in Kenya, Rwanda and Ethiopia, and is known for its innovation. In tune with changing market trends ROTO has built a reputation for providing outstanding quality and service.

ROTO has continually maintained high standards by its commitment to its brand values that demand the best plastic tanks and real value for money. In terms of originality and creativity, the company was the first to introduce double layered tanks, hinge-type lockable lids, plastic septic tanks and ball-shaped plastic underground tanks.

ROTO was the first brand to sell its products through hardware networks, provide door-to-door deliveries, and manufacture a variety of container capacities.

ROTO success is credited largely to a focused marketing strategy that has seen it increase its market share and increase turnover. As one of the oldest brands in the market, the company has succeeded in garnering consumer loyalty and satisfaction by providing excellent service delivery.



Jojo Plastics

JOJO TANKS

JOJO is our youngest brand in the plastic division. JOJO began in 2009 in Kenya, and has grown to become a recognized leader in the design and manufacturing of plastic bulk storage, processing and transportation tank.

JOJO is committed to provide the most practical, strong and long lasting products possible. The technology used in production ensures that every JOJO product is consistently of the highest standard. All products are quality controlled and manufactured from the highest quality polyethylene. This is a food grade material that ensures it leaves no taste or smell to the water and gives the tank longer product life.

All JOJO products are made to the minimum 3.5 times safety factor which is the highest standard. This ensures that each tank is thicker than the minimum standards. The tanks are made from virgin polyethylene in computer machines which control the temperature and speed of rotation at all times to ensure such high standards. Random checks are done to double check that the tank meets the best safety standards.

JOJO guarantees efficient and friendly service, with a wide distribution network and contact center accessible six days a week for prompt service. The tanks also come with lockable lids to ensure your water is kept safe.



Rino Tanques

Rino Tanques based in Mozambique manufactures and produces water storage tanks, toilets, load protectors and drums. The high quality Rino Tanque are made of 100% approved materials that do not transmit any taste or residues, thus complying with the requirements for the safe storage of drinking water. The Rino Tanque are made of polyethylene material, and have a food grade approved LLDPE.

Rino Tanque have tough and durable outer walls, which are resistant to moisture, chemicals, sun rays, and electric current. The tanks are made from polyethylene plastic material making them long lasting. The ribbed design is to make the tanks extra strong.

In Mozambique, Rino Tanques is one of the top plastic tank brand in the market. Rino Tanque has lockable lids to ensure extra safety and are completely leak proof and distributed all over Mozambique. Our water tanks are in demand for a vast variety of uses e.g. for household, agriculture, farm and industrial to name a few.



Buildmart

Buildmart Rwanda started in 2012 as an industrial trading company, having its offices in Kigali, Rwanda. The company specializes in supplying of various hardware materials including pipes, water tanks, gate valves and various other plumbing and construction materials to the Rwanda market.

Our warehouse facilities are conveniently located in Rwanda key market streets, a fast growing hub. Most of the standard products we offer are delivered ex-stock while the non-standard and customized products are imported against specific orders received. A dedicated team of young and energetic sales personnel are always at the service of our clients.

The brand values for Buildmart is quality and affordability. Towards building a better tomorrow, Buildmart endeavors to become the number one company for the supply of top quality and affordable products with a focus on prompt deliveries and personalized service.



Suzie Beauty

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.

SuzieBeauty joined the Flame Tree family in 2016 and since then we have invested in developing the brand image and setting up new shops in Kenya, thus increasing our reach.

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 range, 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 is suited to our environment. SuzieBeauty has been developed and designed by a beauty industry professional Suzie Wokabi, who fully understands the cosmetics needs of the African woman, developing colors and textures that will work best in our climates. It competes with the top ranking international brands in quality, but the pricing is much more affordable and the product available locally.

Suzie Wokabi who continues with Flame Tree as the brand ambassador is a professional makeup artist with international training and experience and is available on-hand to interact with customers personally as well.



25 YEARS OF WINNING STRENGTH

flame tree
GROUP



Made heavier to last longer

• Double layered • Quality assured

ROTO TANKS



flame tree
GROUP

Corporate Social Responsibility

Flame Tree Kenya undertook various CSR activities throughout the year, doing our part to give back to our society.

Little sisters of the poor: We partnered with the Little sisters of the poor where FTA staffs gave food staffs and clothes to the less fortunate children-it gave the company a big brand image and also an opportunity to give back to the community.

Okoa Dada - Children's home: We collaborated with 3 stylist and other beauty organizations where we cooked, washed the utensils, cleaned the compound and did make up and good grooming to the children, using our Alana hair cares. We also left them with gift hampers.

Langata women's prison: Suzie Beauty team did make up and good grooming to the Miss Langata prison beauty pageant. It gave Suzie Beauty big feel because out of many beauty companies Suzie Beauty was the one which was given priority to work with models.

In support of Women we also contributed to various Young women entrepreneurs' events.

1. Timeless women empowerment Event - Norwich Towers

It was a good way where we partnered with the young entrepreneurs and the staff had an opportunity to do make over, good grooming.

2. Bamburi women empowerment Event - Olesereni Towers

Our staffs had an opportunity to do make over; good grooming and they also enlightened young women on how to take care of their skin and guided them on how to know the right product for the skin- we hit the nail on its head for young people are our main target and also it gave Suzie Beauty big brand feel, enjoyed the monopoly of marketing.

Agape physically challenged children - Roysambu: We sponsored the children by giving them Alana herbal jelly and Zoe pure petroleum jelly.

International Youth Fellowship [IYF Kasarani]: We sponsored which goes to empower youths and behavior change within the community. We gave out assorted range of products and Suzie beauty team did make over and good grooming, all the volunteers in this camp got Alana T-shirt which gave the brand a big feel.

Corporate Social Responsibility (Contd.)

Roto Moulders Kenya donated and installed Monkey Proof bins in Nairobi National Park picnic sites worth 1.2 million shillings.

We also donated 10,000 litre tank to Gathuri Community Water Project that was presided over by H.E Mwai Kibaki 3rd President of the Republic of Kenya and UNESCO special envoy for water in Africa.

We participated in the Standard Chartered Marathon "Run for a Reason" whose proceeds was to cater for people with disability.

We participated in a walk and tree planting exercise at the Nairobi National park in protest of SGR passing through the park.

Roto Ethiopia supplied tanks to various needful institutions.

1. Donated 10,000 Litres two tanks to Makedonia Home for the Elderly and Mentally disabled
2. Donated one 5,000 Litres tank to Bole Community Green and Beautification Center.

Jojo Kenya participated in:-

1. Opening of the Greenline Walking Track on 24th September 2016 - taking a walk in the Nairobi National Park to create awareness that the standard Gauge Railway (SGR), despite its economic benefits, should not pass through the park in order to avoid human - wildlife conflict and as a result of disrupt the eco system.
2. The Standard Chartered Nairobi Marathon on 30th October 2016 to raise funds for the needy in the community courtesy of Standard Chartered Bank Limited initiative 'Seeing is Believing'.

Corporate Social Responsibility (Contd.)

10,000 ltrs



Donated to Makedonia Home for the elderly

5000 ltrs



Standard Chartered Marathon



Bamburi Women Empowerment



Timeless Women Empowerment



Little sisters of the poor



Okqa Dada - Children's home



International Youth Fellowship

Monkey Proof Bins



Tree planting



Gathuri Community Water Project



Gathuri Community Water Project



Standard Chartered Marathon

Zoe

Shampoo

flame tree
...naturally



...with natural extracts

*Available in 2 in 1, Anti Dandruff, Apple, Egg, Creme White & Creme Yellow in 500ml, 1Ltr & 5Ltrs.



flame tree
GROUP

Report of the Directors

The Directors submit their report and the audited consolidated financial statements for the year ended 31 December 2016, 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 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.

RESULTS	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Profit/(loss) before tax	175,974,893	198,387,446	(11,083,132)	(11,598,050)
Tax	(30,994,408)	(19,539,360)	-	-
Profit/(loss) for the year	<u>144,980,485</u>	<u>178,848,086</u>	<u>(11,083,132)</u>	<u>(11,598,050)</u>

The subsidiary companies are:

COUNTRY	NAME OF COMPANY
Kenya	Roto Moulders Ltd
Kenya	Flame Tree Africa Ltd
Kenya	Happy Eaters Kenya Ltd
Kenya	Chirag Africa Ltd
Kenya	Cherry Styles Ltd
Kenya	Jojo Plastics Ltd
Rwanda	Roto Ltd
Rwanda	Flame Tree Brands Ltd
Rwanda	Build Mart Ltd
Mozambique	Rino Tanques Limitada
Mozambique	Flame Tree Mozambique Limitada
Ethiopia	Roto Private Ltd 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.

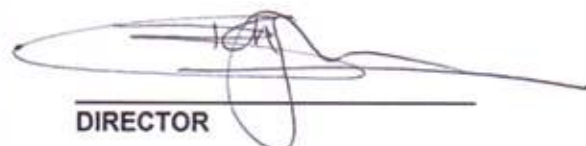
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible 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
 28/04/2017

Certificate from the Secretary



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 financial year ended 31 December 2016.



 Lavesh Beedassy
 For and on behalf of JurisTax Ltd
 Secretary

Date: 28 April 2017

Report of the Independent Auditor

PKF (Mauritius)



Accountants & business advisers

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FTG HOLDINGS LTD

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 46 which comprise the statements of financial position as at 31 December 2016, 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 2016, 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 report of the current period. These matters 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of Bank Balances</i></p> <p>The bank balances of one subsidiary Flame Tree Africa Limited carried at Shs 10,128,628 at 31 December 2016 represents amounts on current account with Imperial Bank which was placed under receivership on 31 October 2015. This was considered as a key matter due to the subjectivity in assessing the recoverability of these balances.</p>	<p>We have performed, among others, the following audit procedures with respect to the bank balances</p> <ul style="list-style-type: none"> We have considered the adequacy of the disclosures made in note 17 of the Financial Statements concerning the bank balances. Made enquiries of management and the directors to obtain their view on this significant matter.

Report of the Independent Auditor(Contd.)

PKF (Mauritius)



Accountants & business advisers

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FTG HOLDINGS LTD

Report on the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment testing for purchased trademarks</i></p> <p>Note 13 of the financial statements discloses purchased trademarks. The impairment testing of purchased trademarks is dependent on estimates which are subject to certain key assumptions that require significant management judgement. For this reason, the impairment testing is determined to be significant to our audit.</p>	<p>Our procedures to address the risk of material misstatement relating to impairment testing for purchased trademarks included:</p> <ul style="list-style-type: none"> Review and testing for reasonability of fair values of discount rates (used to discount the expected cash flows), growth rates and expected changes to income and expenditure in future; and Determination of what constitutes the Cash Generating Units (CGUs) for the purposes of the impairment testing.

Directors' 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.

Report of the Independent Auditor(Contd.)

PKF (Mauritius)

PKF

Accountants &
business advisers

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FTG HOLDINGS LTD

Report on the Financial Statements (continued)

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

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.
- 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.

Other Matter

- 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 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 of the Independent Auditor(Contd.)

PKF (Mauritius)

PKF

Accountants &
business advisers

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FTG HOLDINGS LTD

Report on the Financial Statements (continued)

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

Date: 28 April 2017

Michael V K Lo Tiap Kwong

MICHAEL V K LO TIAP KWONG FCCA
(Licensed by FRC)

Consolidated statement of profit or loss & other Comprehensive Income

	Notes	2016 Shs	2015 Shs
Revenue	3	2,544,628,524	2,283,151,865
Cost of sales		<u>(1,640,312,183)</u>	<u>(1,476,312,127)</u>
Gross profit		904,316,341	806,839,738
Other operating income	4	5,412,643	1,501,921
Selling and distribution costs		<u>(329,112,443)</u>	<u>(260,515,766)</u>
Administrative expenses		<u>(297,491,883)</u>	<u>(244,278,863)</u>
Other operating expenses		<u>(45,267,509)</u>	<u>(44,531,016)</u>
Operating profit before gain on disposal of property, plant and equipment	5	237,857,149	259,016,014
Gain on disposal of property, plant and equipment		<u>837,365</u>	<u>2,086,323</u>
Operating profit after gain on disposal of property, plant and equipment		238,694,514	261,102,337
Finance costs	7	<u>(62,719,621)</u>	<u>(62,714,891)</u>
Profit before tax		175,974,893	198,387,446
Tax	8	<u>(30,994,408)</u>	<u>(19,539,360)</u>
Profit for the year		144,980,485	178,848,086
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		<u>(7,735,562)</u>	<u>40,985,924</u>
Total comprehensive income for the year		<u>137,244,923</u>	<u>219,834,010</u>
Total comprehensive income attributable to equity shareholders arises from:			
- Continuing operations		<u>137,244,923</u>	<u>219,834,010</u>
Earnings per share - profit for the year	25	<u>0.90</u>	<u>1.10</u>
Earnings per share - total comprehensive income for the year	25	<u>0.85</u>	<u>1.36</u>

Report of the independent auditor - pages XLVIII - LI

The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Company Statement of Profit or Loss

	Notes	2016 Shs	2015 Shs
Revenue	3	-	-
Cost of sales		<u>-</u>	<u>-</u>
Gross profit		-	-
Other operating income	4	2,301	14,634
Administrative expenses		<u>(8,583,876)</u>	<u>(11,296,662)</u>
Operating loss		(8,581,575)	(11,282,028)
Finance costs		<u>(2,501,557)</u>	<u>(316,022)</u>
Loss before tax		(11,083,132)	(11,598,050)
Tax	8	<u>-</u>	<u>-</u>
(Loss) for the year		<u>(11,083,132)</u>	<u>(11,598,050)</u>

Report of the independent auditor - pages XLVIII - LI

The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

Notes	As at 31 December		
	2016 Shs	2015 Shs Restated*	2014 Shs Restated*
Equity			
Share capital	9	133,540,084	133,540,084
Share premium		152,450,453	152,450,453
Legal reserves		3,665,461	2,549,637
Retained earnings		391,195,569	246,215,084
Translation reserve		38,315,235	46,050,797
Shareholders' funds		<u>719,166,802</u>	<u>581,921,879</u>
Non-current liabilities			
Borrowings	10	56,925,913	102,609,427
Deferred tax	11	-	812,051
		<u>56,925,913</u>	<u>102,609,427</u>
		<u>776,092,715</u>	<u>684,531,306</u>
Non-current assets			
Deferred tax	11	6,163,799	4,806,074
Property, plant and equipment	12	290,861,427	251,038,631
Intangible assets	13	83,754,573	17,182,333
		<u>380,779,799</u>	<u>273,027,038</u>
Current assets			
Inventories	15	248,693,463	184,079,752
Trade and other receivables	16	787,780,329	771,261,159
Cash and cash equivalents	17	103,941,174	92,793,427
Tax recoverable		-	5,369,889
		<u>1,140,414,966</u>	<u>1,053,504,227</u>
Current liabilities			
Borrowings	10	280,833,729	129,483,162
Trade and other payables	18	459,334,471	512,516,797
Current tax		4,933,850	-
		<u>745,102,050</u>	<u>641,999,959</u>
Net current assets		<u>395,312,916</u>	<u>411,504,268</u>
		<u>776,092,715</u>	<u>684,531,306</u>

The consolidated financial statements on pages 9 to 34 were approved and authorised for issue by the Board of Directors on 28 APRIL 2017 and were signed on its behalf by:

DIRECTOR

DIRECTOR

Report of the independent auditor - pages XLVIII - LI

The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

* Refer to Note 26

Company Statement of Financial Position

FTG Holdings Ltd
Annual report and consolidated financial statements
For the year ended 31 December 2016

COMPANY STATEMENT OF FINANCIAL POSITION

Notes	As at 31 December	
	2016 Shs	2015 Shs
Equity		
Stated capital	9	133,540,084
Share premium		152,450,453
Accumulated losses		(16,786,018)
Shareholders' funds		<u>269,204,519</u>
Non-current liabilities		
Borrowings	10	3,994,746
		<u>273,199,265</u>
Non-current assets		
Investment in subsidiaries	14	307,011,354
Current assets		
Trade and other receivables	16	165,874,110
Cash and cash equivalents	17	95,279
		<u>165,969,389</u>
Current liabilities		
Borrowings	10	13,634,198
Trade and other payables	18	186,147,280
		<u>199,781,478</u>
Net current liabilities		<u>(33,812,089)</u>
		<u>273,199,265</u>

The consolidated financial statements on pages 9 to 34 were approved and authorised for issue by the Board of Directors on 28 APRIL 2017 and were signed on its behalf by:

DIRECTOR

DIRECTOR

Report of the independent auditor - pages XLVIII - LI

The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share capital Shs	Share premium Shs	Legal reserves* Shs	Retained earnings** Shs	Translation reserve*** Shs	Total equity Shs
Year ended 31 December 2015							
At start of year - as previously stated		133,540,084	152,450,453	2,549,637	114,181,310	5,064,873	407,786,357
Prior year adjustment:							
Adjustment to deferred tax asset	26	-	-	-	(45,698,488)	-	(45,698,488)
At start of year - as restated		133,540,084	152,450,453	2,549,637	68,482,822	5,064,873	362,087,869
Total comprehensive income for the year		-	-	-	178,848,086	40,985,924	219,834,010
Transfer between reserves		-	-	1,115,824	(1,115,824)	-	-
At end of year		<u>133,540,084</u>	<u>152,450,453</u>	<u>3,665,461</u>	<u>246,215,084</u>	<u>46,050,797</u>	<u>581,921,879</u>
Year ended 31 December 2016							
At start of year - as restated		133,540,084	152,450,453	3,665,461	246,215,084	46,050,797	581,921,879
Total comprehensive income for the year		-	-	-	144,980,485	(7,735,562)	137,244,923
At end of year		<u>133,540,084</u>	<u>152,450,453</u>	<u>3,665,461</u>	<u>391,195,569</u>	<u>38,315,235</u>	<u>719,166,802</u>

* 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.

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The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Company Statements of Changes in Equity

	Notes	Share capital Shs	Share premium Shs	Accumulated losses Shs	Total equity Shs
Year ended 31 December 2015					
At start of year		133,540,084	152,450,453	5,895,164	291,885,701
Loss for the year		-	-	(11,598,050)	(11,598,050)
At end of year		<u>133,540,084</u>	<u>152,450,453</u>	<u>(5,702,886)</u>	<u>280,287,651</u>
Year ended 31 December 2016					
At start of year		133,540,084	152,450,453	(5,702,886)	280,287,651
Loss for the year		-	-	(11,083,132)	(11,083,132)
At end of year		<u>133,540,084</u>	<u>152,450,453</u>	<u>(16,786,018)</u>	<u>269,204,519</u>

Report of the independent auditor - pages XLVIII - LI

The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flow

	Notes	2016 Shs	2015 Shs
Operating activities			
Cash from operations	19	114,170,746	179,963,984
Interest paid		(52,213,540)	(29,670,229)
Tax paid		(22,048,394)	(19,320,070)
Net cash from operating activities		<u>39,908,812</u>	<u>130,973,685</u>
Investing activities			
Purchase of property, plant and equipment	12	(58,916,026)	(79,583,295)
Purchase of intangible assets	13	(66,695,000)	(17,218,800)
Proceeds from disposal of property, plant and equipment		1,107,457	4,733,353
Net cash used in investing activities		<u>(124,503,569)</u>	<u>(92,068,742)</u>
Financing activities			
Repayment of borrowings		(20,877,782)	(29,237,850)
Changes in restricted cash balances	17	-	(10,128,628)
Net cash used in financing activities		<u>(20,877,782)</u>	<u>(39,366,478)</u>
Decrease in cash and cash equivalents		<u>(105,472,539)</u>	<u>(461,535)</u>
Movement in cash and cash equivalents			
At start of year		13,684,023	47,190,220
(Decrease)		(105,472,539)	(461,535)
Effect of exchange rate changes		(9,924,549)	(33,044,662)
At end of year	17	<u>(101,713,065)</u>	<u>13,684,023</u>

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The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Company Statement of Cash Flow

	Notes	2016 Shs	2015 Shs
Operating activities			
Cash (used in)/from operations	19	(2,119,366)	153,028,524
Interest paid		(2,444,155)	-
Net cash (used in)/from operating activities		<u>(4,563,521)</u>	<u>153,028,524</u>
Investing activities			
Purchase of subsidiaries	14	(13,916,350)	(163,201,000)
Interest received		2,301	-
Net cash used in investing activities		<u>(13,914,049)</u>	<u>(163,201,000)</u>
Financing activities			
Proceeds from borrowings	10	2,182,709	2,477,315
Net cash from financing activities		<u>2,182,709</u>	<u>2,477,315</u>
Decrease in cash and cash equivalents		<u>(16,294,861)</u>	<u>(7,695,161)</u>
Movement in cash and cash equivalents			
At start of year		3,478,622	11,489,805
Decrease		(16,294,861)	(7,695,161)
Effect of exchange rate changes		(57,402)	(316,022)
At end of year	17	<u>(12,873,641)</u>	<u>3,478,622</u>

Report of the independent auditor - pages XLVIII - LI

The notes on pages 9 to 34 form an integral part of the consolidated financial statements.

Notes

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 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	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 Eaters Kenya 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.
Roto Limited	Rwanda	100	Manufacture and trade of plastic products
Flame Tree Brands Limited	Rwanda	100	Trading in cosmetics
Build Mart Limited	Rwanda	100	Trading in construction material
Rino Tanques LDA	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

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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 21 and 22.

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.

Revised Standards and Interpretations adopted in the current year:

New standards or Amendments

The following new standards or Amendments became effective as of 1 January 2016:

- Amendments to IAS 1 - Disclosure Initiative.
- Amendments to IFRS 12, IFRS 10, IAS 28 and IAS 27 on the Consolidation Exception.

New standards, amendments and interpretations issued but not 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 issued in January 2016 to IAS 7 'Statement of Cash Flows' to improve information provided about an entity's changes in liabilities from financing activities through disclosure (as applicable) of: (i) changes from financing cash flows; (ii) changes from obtaining cash flows; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other charges. These amendments are effective for annual years beginning on or after 1 January 2017.
- Amendments issued in January 2017 to IAS 12 'Income Taxes' that are effective for annual years beginning on or after 1 January 2017 clarify that unrealised losses on debt instruments that are carried at fair value give rise to a deductible temporary difference on which deferred tax arises where they are carried as cost for tax purposes.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

- Amendments issued in June 2016 to IFRS 2 'Share - based Payment' which are effective for annual years beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.
- IFRS 9 'Financial Instruments' (Issued in July 2014) will replace IAS 39 and will be effective for annual years beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.
- IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

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

In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual years beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.
- IFRS 16 'Leases' (issued in January 2016) effective for annual years beginning on or after 1st 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.
- Amendments issued in August 2014 to IAS 27 'Separate Financial Statements' which will be effective for annual years beginning on or after 1 January 2016 reinstate the equity method option to account for investments in subsidiaries, joint venture and associates in separate financial statements.
- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' which will be effective for annual years beginning on or after 1 January 2016 adds specific guidance when an entity reclassifies an asset (or group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.
- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) to IFRS 7 'Financial Instruments: Disclosures' which will be effective for annual years beginning on or after 1st January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

- Amendments issued in September 2014 to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associated and Joint Ventures' which will be effective for annual years beginning on or after 1st January 2016 address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

The directors expect that the future adoption of IFRS 9, IFRS 15 and 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 years. The entity plans to apply the changes above from their effective dates noted above.

b) Key sources of estimation uncertainty

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.

- **Impairment of trade receivables** - the group reviews their 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** - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined that there were no significant changes in the useful lives and residual values.

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.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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.

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 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) Investment in subsidiaries

The investment in the subsidiaries is shown at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in the value. Where there has been a permanent diminution in value, it is recognised as an expense in the year in which the diminution is identified.

h) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost 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.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

i) 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 3 years.

j) Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

The company's financial assets fall into the following category:

Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

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

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract.

Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss in the year in which they occur.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

Financial liabilities

The company's financial liabilities which include trade and other payables and borrowings fall into the following categories:

Financial liabilities measured at amortised cost:

These include current tax, borrowings and trade and other payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs under the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the draw down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the year of the facility.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) 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)

l) 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.

m) 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.

n) Share capital

Ordinary shares are classified as equity.

o) 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.

p) 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 year of the lease.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) 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.

r) 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.

s) Employee entitlements

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

t) 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.

u) Merger basis of accounting

As disclosed in the basis of preparation, the merger basis of accounting has been applied in accounting for the acquisition of the subsidiaries of the company. Under the merger basis of accounting, the acquisitions are accounted for using values that are different from the nominal value of shares issued of the various companies acquired and any difference between the nominal value of shares issued and the nominal value plus share premium of the shares in the subsidiaries that are acquired is recognised as a merger reserve.

Where the nominal value of shares issued is greater than the nominal value plus share premium of shares acquired, the difference is adjusted against accumulated retained earnings of the merged group. As the relative rights of the ultimate shareholders have remained unchanged before and after the acquisition, using globally accepted accounting practice under the merger accounting basis as permitted by International Accounting Standard 8, the financial statements have been prepared assuming that the group in its composition as at 31 December 2016 was in place as at 1 January 2013.

v) 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 2016.

	Manufacturing Shs	Trading Shs	Total Shs
Gross revenue	2,357,848,170	664,999,632	3,022,847,802
Eliminated on consolidation	(334,745,557)	(143,473,721)	(478,219,278)
Net sales	2,023,102,613	521,525,911	2,544,628,524
Gross profit	712,668,452	191,647,889	904,316,341
Profit before tax	43,283,743	132,691,150	175,974,893

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

	Manufacturing Shs	Trading Shs	Total Shs
Africa	2,023,102,613	222,907,162	2,246,009,775
Asia	-	298,618,749	298,618,749
	2,023,102,613	521,525,911	2,544,628,524

Group combined statement of financial position as at 31 December 2016.

	Manufacturing Shs	Trading Shs	Total Shs
Total Equity	416,655,648	302,511,154	719,166,802
Non-current liabilities	28,367,907	14,070,576	42,438,483
Total equity and non-current liabilities	445,023,555	316,581,730	761,605,285
Non-current assets	366,088,987	14,690,812	380,779,799
Current assets	786,943,597	338,983,938	1,125,927,535
Current liabilities	708,009,026	37,093,024	745,102,050
Net current assets	78,934,571	301,890,914	380,825,485
Non-current assets and net current assets	445,023,558	316,581,726	761,605,284

Notes (contd.)

2. Segment reporting (continued)

Other segment information:

Depreciation on property, plant and equipment	34,840,175	762,582	35,602,757
Additions to non-current assets	125,443,551	167,475	125,611,026

Group consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

	Manufacturing Shs	Trading Shs	Total Shs
Gross revenue	2,167,069,535	689,300,696	2,856,370,231
Eliminated on consolidation	(435,806,825)	(137,411,541)	(573,218,366)
Net sales	1,731,262,710	551,889,155	2,283,151,865
Gross profit	592,914,506	213,925,232	806,839,738
Profit before tax	44,962,390	153,425,056	198,387,446

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

	Manufacturing Shs	Trading Shs	Total Shs
Africa	1,731,262,710	196,584,101	1,927,846,811
Asia	-	355,305,054	355,305,054
	1,731,262,710	551,889,155	2,283,151,865

Group combined statement of financial position as at 31 December 2015.

	Manufacturing Shs	Trading Shs	Total Shs
Total Equity	104,827,318	519,074,819	623,902,137
Non-current liabilities	91,503,822	11,105,605	102,609,427
Total equity and non-current liabilities	196,331,140	530,180,424	726,511,564
Non-current assets	301,866,779	16,858,747	318,725,526
Current assets	776,951,318	272,834,681	1,049,785,999
Current liabilities	589,939,804	52,060,155	641,999,959
Net current assets	187,011,514	220,774,526	407,786,040
Non-current assets and net current assets	488,878,293	237,633,273	726,511,566

Other segment information:

Depreciation on property, plant and equipment	30,891,960	907,368	31,799,328
Additions to non-current assets	79,294,090	289,205	79,583,295

Notes (contd.)

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
3. Revenue				
Sale of goods and services	2,544,628,524	2,283,151,865	-	-
4. Other operating income				
Miscellaneous income	4,824,759	680,952	-	-
Bad debts recovered	6,352	342,577	-	-
Interest income	-	945	2,301	5,580
Foreign exchange gain	581,532	477,447	-	9,054
	5,412,643	1,501,921	2,301	14,634
5. Operating profit				
The following items have been charged / (credited) in arriving at the operating profit:				
Depreciation on property, plant and equipment (Note 12)	35,602,757	31,799,328	-	-
Amortisation of intangible assets (Note 13)	122,760	36,467	-	-
Repairs and maintenance	35,931,519	4,935,017	-	-
Operating lease rentals	60,797,751	51,281,557	-	-
(Gain) on disposal of property, plant and equipment	(837,365)	(2,086,323)	-	-
Auditors' remuneration				
- Current year	4,236,878	4,388,248	1,795,114	-
- (Over) provision in prior years	(68,582)	-	-	-
Provision for bad and doubtful debts	43,676,299	17,684,506	-	-
Staff costs (Note 6)	370,838,629	357,580,206	-	-
6. Staff costs				
Salaries and wages				
- direct costs	114,491,270	118,264,229	-	-
- selling and distribution	121,371,804	120,696,554	-	-
- administrative expenses	117,553,819	111,621,315	-	-
Other staff costs	17,421,736	6,998,108	-	-
	370,838,629	357,580,206	-	-
7. Finance costs				
Finance lease interest	900,380	634,084	-	-
Bank loan interest	14,830,673	18,976,195	4,287	-
Bank overdraft interest	36,482,487	10,059,950	2,439,868	-
Foreign exchange loss	10,506,081	33,044,662	57,402	316,022
	62,719,621	62,714,891	2,501,557	316,022
8. Tax				
Current tax	32,352,133	25,157,485	-	-
Deferred tax (credit) (Note 11)	(1,357,725)	(5,618,125)	-	-
	30,994,408	19,539,360	-	-

Notes (contd.)

8. Tax (continued)

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

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Profit/(loss) before tax	175,974,893	198,387,446	(8,581,575)	(11,282,028)
Tax calculated at a tax rate of 3% (2015: 3%)	5,279,247	5,951,623	(1,287,236)	(347,942)
Tax effect of:				
- differential tax rates	14,244,388	1,963,174	-	-
- expenses not deductible for tax purposes	11,470,773	7,591,961	1,287,236	347,942
- deferred tax assets not recognised	-	4,032,602	-	-
Tax charge	30,994,408	19,539,360	-	-

The domestic tax rates applicable to profits in the countries concerned is 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

	2016 Shs	2015 Shs
161,866,804 (2015: 161,866,804) shares of Shs. 0.8249 each (2015: Shs. 0.8249 each)	133,540,084	133,540,084

10. Borrowings

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Non-current				
Shareholders loan (Note 20)	18,558,491	46,623,842	3,994,746	2,477,315
Bank loans	36,853,901	34,058,966	-	-
Finance leases	1,513,521	21,926,619	-	-
	56,925,913	102,609,427	3,994,746	2,477,315
Current				
Finance leases	4,425,507	5,679,089	-	-
Bank loans	80,882,611	54,823,297	665,278	-
Bank overdraft (Note 17)	195,525,611	68,980,776	12,968,920	2,771,349
	280,833,729	129,483,162	13,634,198	2,771,349
Total borrowings	337,759,642	232,092,589	17,628,944	5,248,664

Notes (contd.)

10. Borrowings (continued)

Weighted average effective interest rates at the reporting date were:

Shareholders loan	Nil
Bank loans	18
Bank overdraft	18
Finance leases	9

Group and company

	2016 %	2015 %
Shareholders loan	Nil	Nil
Bank loans	18	18
Bank overdraft	18	18
Finance leases	9	9

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

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

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

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

	Group	
	2016 Shs	2015 Shs
12 months or less	319,201,151	185,468,747

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	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Kenya Shilling	289,925,760	193,831,469	17,628,944	5,248,664
Other Currencies	47,833,882	38,261,120	-	-
	337,759,642	232,092,589	17,628,944	5,248,664
Maturity of non-current borrowings				
Between 2 to 5 years	56,925,913	102,609,427	3,994,746	2,477,315

There were no undrawn facilities as at the reporting date.

Notes (contd.)

11. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30% (2015: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
At start of year - as previously stated	(4,806,074)	(44,886,437)	-	-
Prior year adjustment:				
Adjustment to deferred tax asset*	-	45,698,488	-	-
At start of year - as restated	(4,806,074)	812,051	-	-
Charge/(credit) to profit or loss (Note 8)	(1,357,725)	(5,618,125)	-	-
At end of year	(6,163,799)	(4,806,074)	-	-

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

Year ended 31 December 2016 - Group	At start of year Shs	Charge/(credit) to profit or loss Shs	At end of year Shs
Deferred tax (asset)/liability			
Tax losses carried forward	(15,428,135)	(5,933,237)	(21,361,372)
Excess depreciation over capital allowances	20,490,749	3,188,950	23,679,699
Unrealised exchange differences	(5,344,075)	4,986,562	(357,513)
Provisions	(4,524,613)	(3,600,000)	(8,124,613)
Net deferred tax asset	(4,806,074)	(1,357,725)	(6,163,799)

Year ended 31 December 2015 - Group	At start of year - as previously stated Shs	Prior year adjustment Shs	(Credit)/charge to profit or loss Shs	At end of year Shs
Deferred tax (asset)/liability				
Tax losses carried forward	(40,561,668)	45,698,488	(20,564,955)	(15,428,135)
Provisions	-	-	(4,524,613)	(4,524,613)
Excess depreciation over capital allowances	(4,372,239)	-	24,862,988	20,490,749
Unrealised exchange differences	47,470	-	(5,391,545)	(5,344,075)
Net deferred tax asset	(44,886,437)	45,698,488	(5,618,125)	(4,806,074)

No deferred tax liability is recognized as 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.

* Refer to Note 26.

12. Property, plant and equipment

Year ended 31 December 2016 - Group	Furniture, fixtures and						
	Leasehold land Shs	Buildings Shs	Plant and machinery Shs	office equipment Shs	Motor vehicles Shs	Computer equipment Shs	Total Shs
Cost							
At start of year	4,512,500	50,633,115	348,928,315	21,845,059	102,213,181	8,344,931	536,477,101
Additions	-	-	43,974,225	5,692,111	8,137,554	1,112,136	58,916,026
Disposals	-	-	(153,181)	-	(4,592,000)	-	(4,745,181)
Translation	-	(1,472,173)	1,351,588	(36,856)	(695,271)	(50,602)	(903,314)
At end of year	4,512,500	49,160,942	394,100,947	27,500,314	105,063,464	9,406,465	589,744,632

Notes (contd.)

12. Property, plant and equipment (contd.)

Accumulated depreciation

At start of year	867,243	1,966,691	192,894,980	15,496,064	67,222,737	6,990,755	285,438,470
On disposal	-	-	(25,238)	-	(4,449,851)	-	(4,475,089)
Charge for the year	57,852	692,291	22,607,404	1,593,128	9,910,265	741,817	35,602,757
Translation	-	(239,380)	(17,174,189)	1,078	(250,720)	(19,722)	(17,682,933)
At end of year	925,095	2,419,602	198,302,957	17,090,270	72,432,431	7,712,850	298,883,205
Net book value	3,587,405	46,741,340	195,797,990	10,410,044	32,631,033	1,693,615	290,861,427

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.

Group - Year ended 31 December 2015

Cost	Leasehold		Plant and machinery Shs	Furniture, office equipment Shs	Motor vehicles Shs	Computer equipment Shs	Total Shs
	land Shs	Buildings Shs					
At start of year	4,512,500	49,533,113	297,367,379	21,031,390	76,435,431	7,480,740	456,360,553
Additions	-	-	49,087,667	562,057	29,161,324	772,247	79,583,295
Disposals	-	-	(2,272,050)	(1,877)	(4,537,567)	-	(6,811,494)
Translation	-	1,100,002	4,745,319	253,489	1,153,993	91,944	7,344,747
At end of year	4,512,500	50,633,115	348,928,315	21,845,059	102,213,181	8,344,931	536,477,101
Accumulated depreciation							
At start of year	809,661	1,236,242	169,613,942	14,274,539	60,261,790	6,318,228	252,514,402
On disposal	-	-	(255,901)	(783)	(3,907,780)	-	(4,164,464)
Translation	-	97,172	4,245,879	175,194	719,500	51,459	5,289,204
Charge for the year	57,582	633,277	19,291,060	1,047,114	10,149,227	621,068	31,799,328
At end of year	867,243	1,966,691	192,894,980	15,496,064	67,222,737	6,990,755	285,438,470
Net book value	3,645,257	48,666,424	156,033,335	6,348,995	34,990,444	1,354,176	251,038,631

13. Intangible assets - Group

Cost	2016 Shs		2015 Shs	
	Trademarks	Software	2016 Shs	2015 Shs
At start of year	17,000,000	218,800	17,218,800	-
Additions	66,695,000	-	66,695,000	17,218,800
At end of year	83,695,000	218,800	83,913,800	17,218,800
Depreciation				
At start of year	-	36,467	36,467	-
Charge for the year	-	122,760	122,760	36,467
At end of year	-	159,227	159,227	36,467
Net book value	83,695,000	59,573	83,754,573	17,182,333

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 18.25% is used and the projections are done for a period of 5-8 years depending on the trade mark purchased.

Notes (contd.)

14. Investment in subsidiaries	Country of incorporation	Ultimate Holding	Company	
			2016 Shs	2015 Shs
(i) Amount invested and capitalised by subsidiaries				
Roto Moulders Limited	Kenya	100%	95,580,900	95,580,900
Flame Tree Africa Limited	Kenya	100%	53,502,683	53,502,683
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
Roto Limited	Rwanda	100%	612,612	612,612
Flame Tree Brands Limited	Rwanda	100%	14,457,228	612,612
Build Mart Limited	Rwanda	100%	618,181	618,181
Roto Private Limited Company	Ethiopia	100%	25,446,497	25,446,497
Rino Tanques LDA	Mozambique	100%	141,633	141,633
Flame Tree Mozambique, Limitada	Mozambique	100%	71,734	-
Cirrus International FZC	United Arab Emirates	100%	4,710,887	4,710,887
Chirag Africa Limited	Kenya	100%	48,650,000	48,650,000
			<u>307,011,354</u>	<u>293,095,004</u>

15. Inventories	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Raw materials	76,601,791	82,402,861	-	-
Work in progress	7,166,582	3,439,426	-	-
Finished goods	154,880,720	96,990,270	-	-
Goods in transit	10,044,370	1,247,195	-	-
	<u>248,693,463</u>	<u>184,079,752</u>	-	-
Amount of inventory expensed in profit or loss	<u>238,649,093</u>	<u>182,832,557</u>	-	-

16. Trade and other receivables	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Trade receivables	470,893,928	414,690,983	-	-
Other receivables	111,933,254	158,588,614	3,937,169	87,963
Receivable from related parties	204,953,147	197,981,562	161,936,941	100,176,186
	<u>787,780,329</u>	<u>771,261,159</u>	<u>165,874,110</u>	<u>100,264,149</u>

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.

Notes (contd.)

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

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Kenya Shilling	403,082,256	454,535,229	165,874,110	100,264,149
UAE Dirham	253,288,959	199,105,420	-	-
Other Currencies	131,409,114	117,620,510	-	-
	<u>787,780,329</u>	<u>771,261,159</u>	<u>165,874,110</u>	<u>100,264,149</u>

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. 133,200,024 (2015: Shs. 117,302,804) 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	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
3 to 12 months	<u>133,200,024</u>	<u>117,302,804</u>	-	-

No classes within trade and other receivables contain impaired assets.

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.

17. Cash and cash equivalents	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Cash at bank and in hand	<u>103,941,174</u>	<u>92,793,427</u>	<u>95,279</u>	<u>6,249,971</u>

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	103,941,174	92,793,427	95,279	6,249,971
Less: restricted cash balances-	(10,128,628)	(10,128,628)	-	-
Bank in receivership	(195,525,611)	(68,980,776)	(12,968,920)	(2,771,349)
Bank overdraft (Note 10)	<u>(101,713,065)</u>	<u>13,684,023</u>	<u>(12,873,641)</u>	<u>3,478,622</u>

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

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Kenya Shilling	15,049,207	5,630,361	95,279	6,249,971
UAE Dirham	14,441,349	14,882,736	-	-
Other Currencies	74,450,618	72,280,330	-	-
	<u>103,941,174</u>	<u>92,793,427</u>	<u>95,279</u>	<u>6,249,971</u>

Notes (contd.)

18. Trade and other payables

Current

Trade payables	362,867,002	431,213,677	-	-
Other payables	83,983,808	68,813,304	3,826,791	2,072,659
Payable to related parties (Note 20)	12,483,661	12,489,816	182,320,489	112,000,150
	<u>459,334,471</u>	<u>512,516,797</u>	<u>186,147,280</u>	<u>114,072,809</u>

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	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Kenya Shilling	175,525,705	422,896,793	186,147,280	-
UAE Dirham	6,482,013	37,117,962	-	-
Other Currencies	277,326,753	52,502,042	-	114,072,809
	<u>459,334,471</u>	<u>512,516,797</u>	<u>186,147,280</u>	<u>114,072,809</u>

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

Group - Year ended 31 December 2016	0 - 1 month	2 - 3 months	4 - 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	30,238,917	90,716,751	241,911,335	362,867,002
Payable to related parties	-	-	12,483,661	12,483,661
Other payables	-	83,983,808	-	83,983,808
	<u>30,238,917</u>	<u>174,700,559</u>	<u>254,394,996</u>	<u>459,334,471</u>
Group - Year ended 31 December 2015	0 - 1 month	2 - 3 months	4 - 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	35,934,473	107,803,419	287,475,785	431,213,677
Other payables	-	68,813,304	-	68,813,304
Payable to related parties	-	-	12,489,816	12,489,816
	<u>35,934,473</u>	<u>176,616,723</u>	<u>299,965,601</u>	<u>512,516,797</u>
Company - Year ended 31 December 2016	0 - 1 month	2 - 3 months	4 - 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	-	-	-	-
Other payables	-	3,826,791	-	3,826,791
Payable to related parties	-	-	182,320,489	182,320,489
	<u>-</u>	<u>3,826,791</u>	<u>182,320,489</u>	<u>186,147,280</u>
Company - Year ended 31 December 2015	0 - 1 month	2 - 3 months	4 - 12 months	Total
	Shs	Shs	Shs	Shs
Trade payables	-	-	-	-
Other payables	-	2,072,659	-	2,072,659
Payable to related parties	-	-	112,000,150	112,000,150
	<u>-</u>	<u>2,072,659</u>	<u>112,000,150</u>	<u>114,072,809</u>

Notes (contd.)

19. Cash (used in)/from operations	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Reconciliation of profit before tax to cash (used in)/ from operations:				
Profit/(loss) before tax	175,974,893	198,387,446	(11,083,132)	(11,598,050)
Adjustments for:				
Depreciation on property, plant and equipment (Note 12)	35,602,757	31,799,328	-	-
Amortisation of intangible assets (Note 13)	122,760	36,467	-	-
Interest expense (Note 7)	52,213,540	29,670,229	2,444,155	-
(Gain) on disposal of property, plant and equipment	(837,365)	(2,086,323)	-	-
Foreign exchange gain (Note 4)	(581,532)	-	-	-
Interest income gain (Note 4)	-	-	(2,301)	-
Foreign exchange loss (Note 7)	10,506,081	33,044,662	57,402	316,022
Effect of translation reserves	(24,515,181)	38,930,381	-	-
Changes in working capital:				
- trade and other receivables	(16,519,170)	(169,434,831)	(65,609,961)	52,837,260
- inventories	(64,613,711)	(59,544,874)	-	-
- trade and other payables	(53,182,326)	79,161,499	72,074,471	111,473,292
Cash from/(used in) operations	<u>114,170,746</u>	<u>179,963,984</u>	<u>(2,119,366)</u>	<u>153,028,524</u>

20. Related party transactions and balances

The following transactions were carried out with related parties:

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Sales	298,639,843	347,799,544	-	-
Purchases	8,780,056	13,510,551	-	-
Key management compensation	106,098,640	114,072,995	-	-
Shareholders loan (Note 10)	18,558,491	46,623,842	3,994,746	2,477,315
Receivable from related parties (Note 16)	204,953,147	197,981,562	161,936,941	100,176,186
Payable to related parties (Note 18)	12,483,661	12,489,816	182,320,489	112,000,150

Notes (contd.)

21. 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 30 June 2016 and 30 June 2015 were as follows:

	Group		Company	
	2016 Shs	2015 Shs	2016 Shs	2015 Shs
Total borrowings (Note 10)	337,759,642	232,092,589	17,628,944	5,248,664
Less: cash and cash equivalents (Note 17)	(103,941,174)	(92,793,427)	(95,279)	(6,249,971)
Net debt	<u>233,818,468</u>	<u>139,299,162</u>	<u>17,533,665</u>	<u>(1,001,307)</u>
Total equity	<u>719,166,802</u>	<u>581,921,879</u>	<u>269,204,519</u>	<u>280,287,651</u>
Gearing ratio	<u>0.33:1</u>	<u>0.23:1</u>	<u>N/A</u>	<u>N/A</u>

22. 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.

Notes (contd.)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

a) Market risk (continued)

(i) Foreign exchange risk (continued)

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 summarizes 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 2016	<u>18,287,381</u>	<u>(8,351,063)</u>	<u>9,936,317</u>
Year ended 31 December 2015	<u>(12,380,914)</u>	<u>(6,939,637)</u>	<u>(19,320,551)</u>

(ii) Interest rate risk

The groups 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.

	2016 Shs	2015 Shs
Effect on profit - decrease	<u>2,030,527</u>	<u>(2,076,916)</u>

b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks 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.

Notes (contd.)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

b) Credit risk

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties. None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

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 18 disclose the maturity analysis of borrowings and trade and other payables respectively.

The table below disclose the undiscounted maturity profile of the groups financial liabilities:

Year ended 31 December 2016 - Group

	Interest rate %age	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	204,939,475	254,394,996	-	-	459,334,471
Shareholders loan	0	-	-	-	18,558,491	18,558,491
Interest bearing liabilities						
- Bank overdraft	17.5 - 18	195,525,611	-	-	-	195,525,611
- Bank borrowings	17.5 - 18	-	80,882,611	36,853,901	-	117,736,512
- Finance leases	9	4,425,507	1,513,521	-	-	5,939,028
		<u>404,890,593</u>	<u>336,791,128</u>	<u>36,853,901</u>	<u>18,558,491</u>	<u>797,094,113</u>

Notes (contd.)

	Interest rate %age	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	212,551,196	299,965,601	-	-	512,516,797
Shareholders loan	0	-	-	-	46,623,842	46,623,842
Interest bearing liabilities						
- Bank overdraft	17.5 - 18	-	81,052,412	-	-	81,052,412
- Bank borrowings	17.5 - 18	16,104,343	48,313,030	16,007,714	24,011,571	104,436,658
- Finance leases	9	1,547,552	4,642,655	-	-	6,190,207
		<u>228,655,539</u>	<u>429,331,043</u>	<u>16,007,714</u>	<u>70,635,413</u>	<u>750,819,916</u>

23. Contingent liabilities

The group and company is a defendant 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.

24. Retirement benefit obligations

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

25. Earnings per share - Group

	2016	2015
Total number of shares (Note 9)	<u>161,866,804</u>	<u>161,866,804</u>
Total profit for the year (Shs)	<u>144,980,485</u>	<u>178,848,086</u>
Total comprehensive income for the year (Shs)	<u>137,244,923</u>	<u>219,834,010</u>
Earnings per share - profit for the year (Shs)	<u>0.90</u>	<u>1.10</u>
Earnings per share - total comprehensive income (Shs)	<u>0.85</u>	<u>1.36</u>

26. Prior year adjustment

During the year ended 31 December 2016, one of the Group's subsidiaries (Roto Kenya Limited) was subjected to an examination by the Kenya Revenue Authority. During the examination, the tax losses of the subsidiary were decreased by Shs. 152,328,293 and as a consequence the deferred tax asset on tax losses was decreased by Shs 45,698,488. The reduction in the tax losses has been treated as an error of the past and as a result a prior year adjustment was passed to reflect the same in the financial statement.

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Proxy Form

I / We,
 of P. O. Box.....being a member(s) of FTG Holdings Ltd, 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 29th June 2017 at 10a.m, Louis Leakey Auditorium, National Museum, Nairobi and at any adjournment thereon.

Number of Shares held.....

Account number of member.....

Signed thisday of.....2017

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 Nairobi) not later than 27th June 2017 at 10a.m.



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