flame tree
GROUP

Annual report 2017

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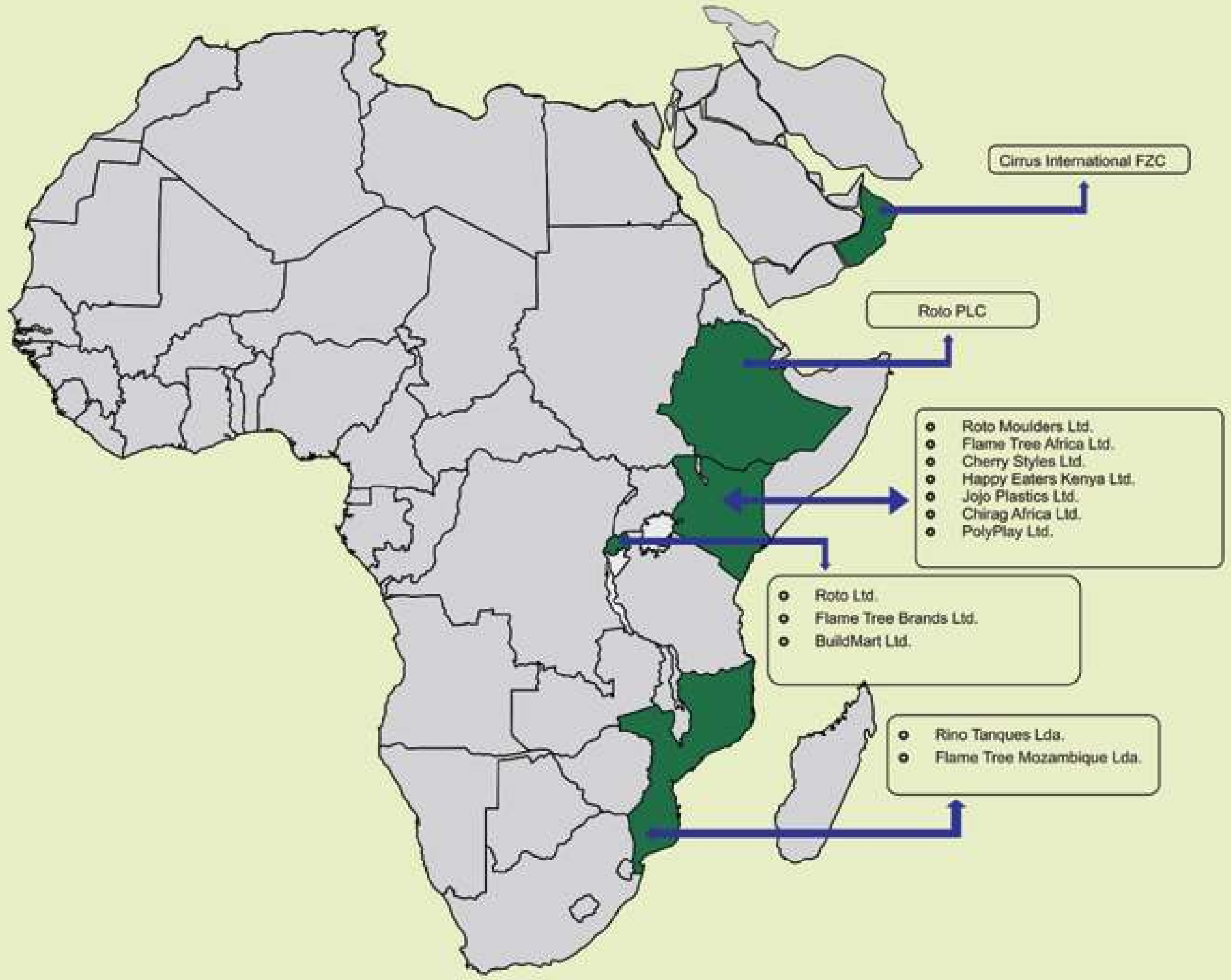


Company Information

		Date of Appointment
BOARD OF DIRECTORS	: Heril Bangera	27 January 2014
	: Gilles Kichenin	27 January 2014
	: Frank Ireri	17 September 2014
	: Imalambaal Kichenin	18 January 2014
	: George Theobald	13 September 2014

REGISTERED OFFICE
: C/o JurisTax Ltd.
: Level 3, Ebene House, Hotel Avenue
: 33 Cybercity 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 Cybercity 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

: National Industrial Credit Bank
: NIC House, Masaba Road, Upper Hill Area
: P. O. Box 44599 - 00100
: Nairobi
: KENYA

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

COMPANY REGISTRAR
: CDSC Registrars Ltd

At Flame Tree Group we ensure that we embed our strong culture and values across all our operating companies, all within the framework of compliance which shall govern all that we do.

VISION

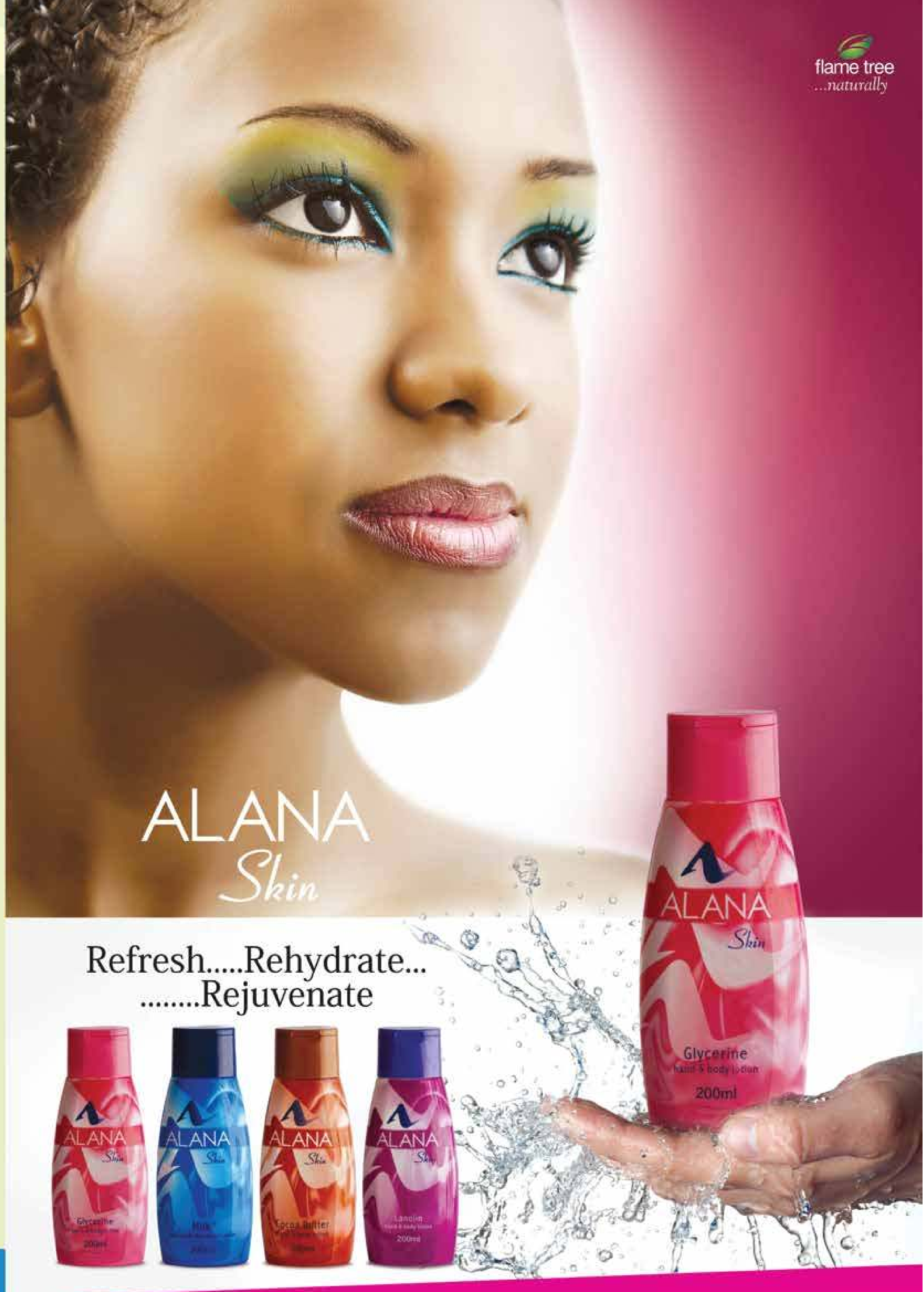
Creating World Class African Brands.

MISSION

Improving Daily Lives, Building Responsible And Trusted Brands Efficiently.

CORE VALUES

- Commitment
- Integrity
- Respect & Humility
- Team Work
- Continuous Improvement




roto
RINO Tanques
JOJO Tank
Zoe
ALANA
GLYCERINE
natural honey
ALOE VERA
Chigs
Happy's
CASTOR OIL
HAIR FOOD
OLIVE OIL
Braid Spray
SIORA

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 Colbert 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.

Board of Directors

Gilles Kichenin (French)

Executive Director

Aged 51years, 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 is a Fellow of the Mauritius Institute of Directors and holds a Masters in Management at Institution Supérieur de Gestion - Paris.

Frank Ireri (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. Ireri 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 shareholders and partners,

Flame Tree Group's performance for the year ended 31 December 2017 shows sustained growth and resilience even under depressed economic conditions. Although the company has not been insulated from the tough economic environment, we have remained focused on our short and long term growth ambitions with strong emphasis on operational intensity, cost efficiencies, growing market share across key categories as well as reinvesting behind our iconic brands.

Economic Outlook

In terms of the economic outlook of 2017, Firstly, the business environment was affected by drought which led to crop failure, dying herds of livestock, and increased food insecurity. Further, with hydro-power being the cheapest source of energy in Kenya, poor rains increased energy costs.

Secondly, Kenya faced a marked slowdown in credit growth to the private sector. The credit growth remained at 4.3%, well below the ten-year average of 19% weighing on private investment and household consumption.

Thirdly, as a net oil importer, the rise in global oil prices compared to the lows of 2016 had a dampening effect on economic activity. However, in the medium term, economic growth is projected to rebound to 5.8% in 2018 and 6.1% in 2019, consistent with Kenya's underlying growth potential.

But while the medium - to long - term outlook appears favorable, Kenya's economy remains vulnerable to downside risks. These include potential for fiscal slippages, and external risks from a weaker than expected growth amongst Kenya's trading partners, as well as uncertainties related to US interest rate hikes and the resultant stronger dollar.

Company performance

Despite the economic environment, the company made significant milestones in 2017 as we worked in tandem with our strategy to lay the bedrock for our business. Unfortunately we also had to deal with some disruptions of our business partly due to elections and regulatory changes in packaging mainly for our Kenyan operations

Audited results for the year ended 31 December 2017 shows annual net sales for FY 2017 of KES 2.4 billion, compared to net sales of KES 2.5 billion in FY 2016. Gross profit margins declined to 32.9% margin (35.5% during the same period the previous year) attributed to rising polymer prices in the global markets, increase in fuel and input food prices following the negative impact of the prolonged drought. Gross Profit consequently fell by 11.7% year on year to KES 798.3 million. Overall expenses rose by KES 45.0 million compared to FY 2016, largely impacted by a KES 37.8 million increase in administrative expenses to KES 335.4 million. The Company made significant provisions against receivables from supermarkets in Kenya that have been extremely slow to pay. As a result of these factors, profit after tax declined to KES 39.8 million, representing earnings per share of KES 0.22.

Chairman's Message

Business Outlook

At the beginning of this year, Kenyan banks joined their global peers in adopting the International Financial Reporting Standards 9 (IFRS 9), ushering in a significant shift in accounting for financial instruments.

IFRS 9 is an International accounting standard that specifies how an entity should classify and measure financial assets and liabilities including impairment. It was launched in 2014, with a mandatory global compliance date of January 1, 2018.

Additionally, IFRS 9 introduces a new requirement of calculating credit risk associated with undrawn or unutilized but committed credit facilities reported as off balance sheet exposures. These include credit and overdraft limits, letters of credit, performance and financial guarantees.

IFRS 9 effectively replaces the old International Accounting Standard (IAS) 39 for organizations that deal with financial assets. Since the key purposes is to guide on accounting treatment of financial assets, this standard will impact lending institutions the most. It is, however, worth noting that the standard is applicable to non-financial institutions that carry financial assets in their balance sheet. This will have impact on our financial reporting, since transition to the new classification and measurement of all receivables and impairment under IFRS9 may result in profit or loss volatility and impact on balance sheet.

Flame Tree Group is committed to ensure sustained and steady growth in the company's operations to achieve improved returns on investments. Although FTG has not been insulated from the tough economic environment, we have remained focused on our short and long term growth ambitions with strong emphasis on operational intensity, cost efficiencies, growing market share across key categories as well as reinvesting behind our iconic brands.

Dividends

Flame Tree Group remains committed to driving returns on investments to shareholders. However, our company recognizes that these are unusual times in which prudence demands that the Company continues to plough back into the business in the short to medium term to secure a sustainable future. Even in this period of downturn we are investing heavily in our factories, people, processes and brands in order to continue to build the needed capabilities to win sustainably into the future.

Acknowledgments

We remain indebted to all our stakeholders for standing by our Company in trying times. Our appreciation goes to all our shareholders, employees, customers, consumers, suppliers, bankers and other business partners who have continued to weather the storm with us. We look forward to a better 2018 for our brands and our great company which you are all an important part of.

Sincerely,

George Theobald,
Chairman Flame Tree Group

CEO's Message

Dear shareholders and partners,

Our business has had a challenging year 2017 which resulted in tough trading conditions. This was even more pronounced in the second half of the year due to a prolonged electioneering period in Kenya, drought, subdued business environment, and a depressed macroeconomic environment.
The Group reported annual net sales for FY 2017 of KES 2.4 billion, compared to net sales of KES 2.5 billion in FY 2016. Gross profit margins declined to 32.9% margin (35.5% during the same period the previous year) attributed to rising polymer prices in the global markets, increase in fuel and input food prices following the negative impact of the prolonged drought. Gross Profit consequently fell by 11.7% year on year to KES 798.3 million.

Business performance
Over the last few years, we have been reviewing and reshaping our business, diversifying our revenues streams, creating greater efficiencies in operations, strengthening our financial base and reducing costs. All this has been done in order to move us towards becoming a company which can generate the returns our shareholders deserve. We have continued to make good progress on our strategy. Despite a difficult environment we have remained focused in building a diversified portfolio of African-manufactured brands for African consumers, covering plastics, cosmetics and food in multiple markets and verticals.

In 2017 Flame Tree Group acquired Polyplay a major commercial playground equipment manufacturer and distributor based in Nairobi and the only one in Africa. Polyplay fits well within the business with great capabilities for the business to scale up.

Under food and snacks, the group invested in increasing the capacity of Chirag by automating the production process for frying and packaging of crisps which has seen the capacity of food production increase four fold. Chirag also had a difficult year impacted by drought which affected the availability of raw materials.
The implementation of the plastic ban in Kenya impacted on the business operations with a transition cost going to the investment in new packaging line that meets regulatory requirements and new rules in packaging.

In Rwanda we have put up a High Density Polyethylene (HDP) line to meet the ever growing need of the water pipes in Rwanda. We expect this new investment to give growth to plastic business in the coming years. We will also be expanding our FMCG offering with plans to start selling spices in Rwanda and cosmetics in Mozambique.

The company has continued to strengthen its internal processes including training our people. We have also improved our collection process as well as our credit terms arrangements and we expect this to start reflecting in the bottom-line of the business. The Board of Directors remain optimistic on the strategies put in place to produce positive results in 2018. The key focus will be on improving efficiency, as our installed new capacity translates into increased sales across the markets and building on brand strengths. Innovations and improvements in our product mix will likely drive further gains in the year.

C.E.O's Message

Outlook
We are working with partners who share our vision for our diversified portfolio and we will continue to offer our consumer's and distributors quality and affordable brands. Our new additions to the business continue to show growth and potential and we look forward to deepening their contribution to our business in line with our plans for them.

Flame Tree Group operates in a highly competitive fast moving consumer goods sector - a sector which is subject to an array of pressures and volatility. Our strategy remains focused on ensuring that all business units are sustainably profitable.

At Flame Tree Group, we believe that, 'when the going gets tough, the tough get going'. Our Company will therefore continue to focus on operational intensity and brilliant execution basics to navigate the twists and turns within our operating environment and consolidate on the gains of 2017 to ensure we remain consistent in realizing our growth ambitions in a sustainable way. Looking forward, we believe that the economic climate is improving and as an ongoing strategy we will focus on and growing our different business verticals across the 5 different markets where we have operations.

APPRECIATION
My appreciations goes out to employees and the management team at FTG. Without you, we would not have been able to weather the challenging years. To our customers and partners, thank you for keeping your faith in us. We look forward to the ongoing relationship. I acknowledge the board for their strategic advice and ongoing support.

We believe the time ahead especially looking at 2018 will be challenging and I would like to thank you in advance for the support and encouragement that I know I will receive.

Sincerely,

Heril Bangera
CEO Flame Tree Group

The Directors' Remuneration Report

FTGH is pleased to present the Director's remuneration report for the year ended 31 December 2017. The Board is committed to full compliance of all the relevant laws including, The code of Corporate Governance Practices for issuers of securities to the public in Kenya issued by the Capital Markets Authority in December 2015 under Cap. 485A of the Capital Markets Authority Act, and reflects the disclosure requirements under IFRS.

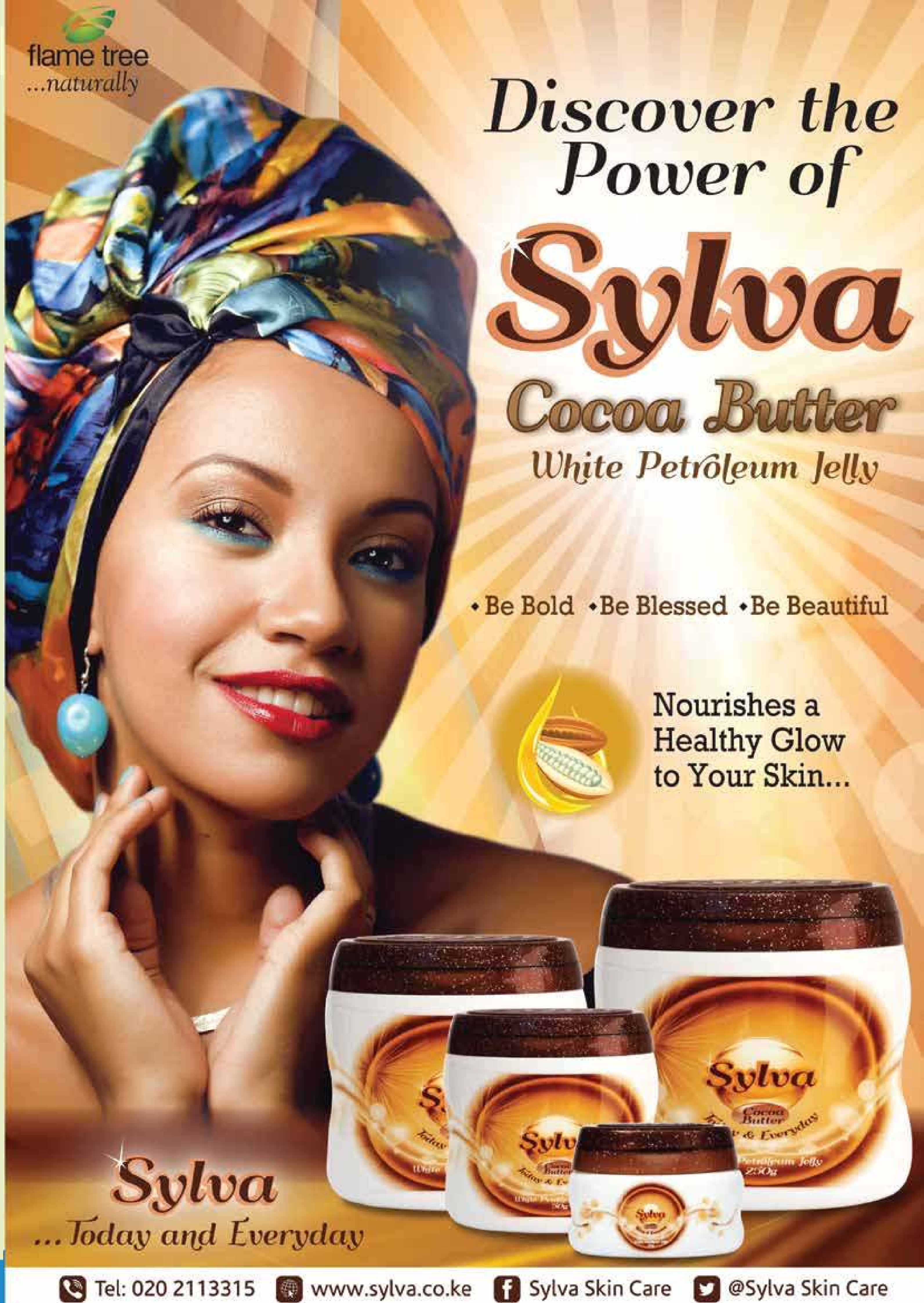
The Group's remuneration principles is aligned to shareholders' long-term sustainable interests. The remuneration structure is designed to recognize the skills and experience of the Directors competitive market.

Directors' remuneration as key management for the year ended 31 December 2017
The following table shows a summary of remuneration for the Executive Directors, in respect of qualifying services as directors as key management, for the year ended 31 December 2017 together with comparative figures for 2016:

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

The following table shows a summary of remuneration for the Non-Executive Directors, in respect of qualifying services for the year ended 31 December 2017, together with comparative figures for 2016:

Non-Executive Directors	Fixed Retainer		Sitting Allowance	
	Kshs.'000		Kshs.'000	
	2017	2016	2017	2016
George Theobald	1,035	873	362	101
Frank Ireri	500	230	400	120



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.
- 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.

Statement of Corporate Governance (Contd.)

- 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.

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.

Statement of Corporate Governance (Contd.)

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 soundperformance.
- 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.

Board Committees

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

i. Audit committee

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

The composition of the committee is as follows:

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

Statement of Corporate Governance (Contd.)

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 Ireri

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 it's 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 31st December 2017, are as follows:-

Name	No of Shares	% Holding
BANGERA HERIL COLBERT	149,577,242	84.01
STANBIC NOMINEES LTD A/C NR1030823	3,364,134	1.89
MUKUMBU JAPHETH MULINGE	2,400,407	1.35
KENYA COMMERCIAL BANK NOMINEES LTD A/C 923A	1,330,093	0.75
NIC CUSTODIAL SERVICES A/C 020	1,330,093	0.75
OLD MUTUAL LIFE ASSURANCE COMPANY LTD	1,330,093	0.75
STANBIC NOMINEES LTD A/C R88601	1,136,213	0.64
GICHUKI SIMON GACHIRA	972,730	0.55
GOODWILL (NAIROBI) LIMITED A/C 95319	958,210	0.54
KENYA COMMERCIAL BANK NOMINEES LTD A/C 900A	731,551	0.41
Total Holders	**163,130,804**	**91.62**
Remaining Holders	**14,922,720**	**8.38**
Grand Total of Holders	**178,053,486**	**100.00**

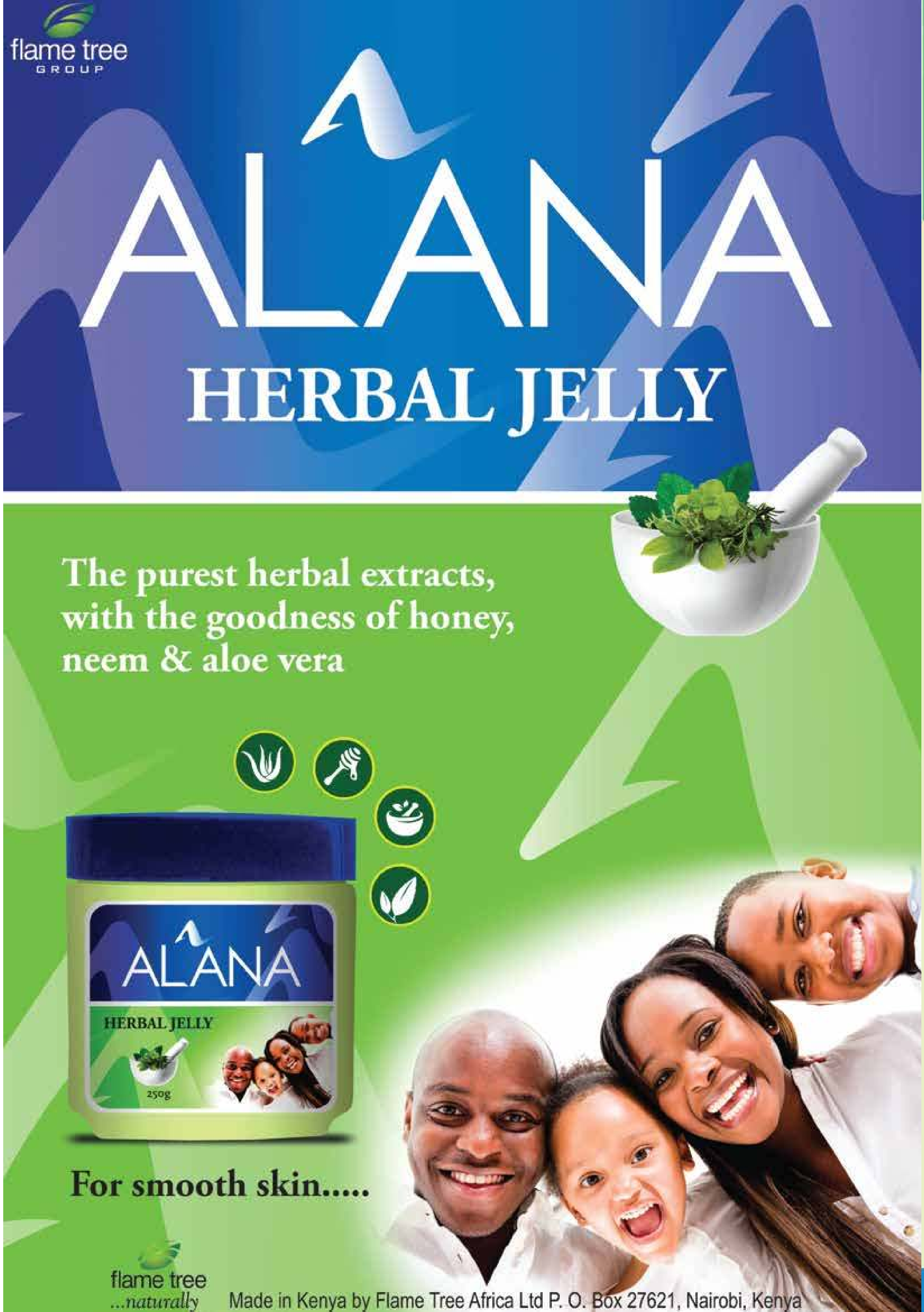
b) Distribution of Share Holders Schedule

i) by no of shares range

Range	No of Share holders	No of Shares	Shares %
1 - 500	513	88,479	0.05
501 - 5000	426	723,262	0.41
5001 - 10000	80	550,247	0.31
10001 - 100000	153	4,540,790	2.55
100001 - 1000000	36	11,682,433	6.56
>1000001	07	160,468,275	90.12
TOTAL	**1,215**	**178,053,486**	**100.00**

ii) by category of shareholders

Domicile	No of Share holders	No of Shares	Shares %
EAST AFRICAN COMMUNITY PARTNER STATES INDIVIDUALS	1,128	160,172,885	89.96
EAST AFRICAN COMMUNITY PARTNER STATES INSTITUTIONS	71	13,707,697	7.7
FOREIGN INDIVIDUAL	14	779,510	0.44
FOREIGN INSTITUTIONS	02	3,393,394	1.91
TOTAL	**1,215**	**178,053,486**	**100.00**



Cirrus International FZC - UAE

Cirrus International FZC is our general trading company in the Middle East.

We deal in plastic raw material and various other materials as per our customer requirements. Cirrus is a trusted company, backed by over 20 years of valuable group experience.

We pride ourselves in value creation for our clients & suppliers. We are able to source quality products at competitive rates strategically. A leader in the field, we enjoy a reputation for reliability internationally.

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

The Zoe lotions are among the top leading lotions in Kenya and equally competing with international brands.

Zoe hand and body lotion comes in 8 variants, that is milk for dry skin, milk for normal skin, Lanolin, Glycerine, Cocoa Butter, Aloe Vera, Natural Honey and Olive Oil. The wide range of variants gives the market a wider choice to choose from.

Our lotions are formulated with natural moisturizers of lanolin and glycerine which nourishes and restores the skin making it soft and supple. In addition to skin care range are Zoe pure glycerine, Zoe petroleum jellies and Zoe Pure Olive oil.

Zoe Hair Care Range

The hair care range consists of quality products with the goodness of olive oil for stronger, manageable, healthy hair.

The range consists of 4 variants of shampoo, 2 conditioners and leave-in, treatment, pink oil, hair food, sheen, gels and braid sprays.

Alana Hand and Body Lotion

Alana lotions are among the best quality in the market at affordable prices, making it a household brand.
Available in four variants.The variants are milk, glycerine, cocoa butter and lanolin.
They have special beauty care ingredients which nourishes and bring soft radiance to your skin.

Alana Hair Care Range

Alana hair care range is enriched Jojoba oil which softens and moisturize hair leave it soft and healthy.

We have 2 variances of shampoos, conditioner, leave-in, hair food, hair sheen, curl activator gel and braid sprays.

Sylva

Sylva is a premium quality white petroleum jelly that was acquired by flame tree in 2017.

Available in four variants.

Sylva Cocoa Butter White Petroleum Jelly
Sylva Cocoa Butter has become our fastest selling petroleum jelly, and the perfume has attracted many of our customers towards it. Sylva cocoa Butter has many advantages especially for dry skin and can be applied by the whole family.

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

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

Sylva Strength White Petroleum Jelly
Sylva Strength was our first product aimed specifically Form Men. Sylva strength is very good after shave as it soothes shaving cuts and bruises.

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

As the name stands this creates a happy atmosphere within the company as well as in the market. Through 2017 Happy's has grown gaining good traction in the market. Despite the adverse situation the country has experienced in 2017 due to drought added with the adverse political climate, the brand grew by 100% over the first half. This shows the real strength of the brand.

The installation of new online machine has helped in increasing the production, also supported the growth of the brand.

Honeycomb

This brand has the combination of specialty as well as popular products. Cookies comes under the banner of specialty and other products comes under popular products.

Honeycomb cookies are known as Home Made cookies using all natural ingredients, hence it carved its own place in the market keeping itself away from the mass and attracting the class of people. Though the regulation and restriction on using the plastic affected the brand for a short while, it has bounced back and growing at a high speed.

Chigs

The introduction of printed packs, installation of new machine, increase in outlets coverage gave a boost and the brand grew by 80% in 2nd half of 2017.

Gonuts

This is a strong and a future brand in the arsenal of the company. This brand's contribution was very small to the total portfolio of Chirag, but the consistent growth of brand started increasing its contribution to 6%.

Nature's Own

This brand is a major player occupying a leading position in the very competitive market place.

The brand has a large chunk of loyal customers in its basket because of quality, and acquired lot new customers through 50gms after the changeover to new and unique pet bottles.

The new pet bottles is first of its kind in Kenyan market with an option to consumers to see the product inside added with flip cap for convenience of sprinkling or bulk. Nature's Own has added beef masala in its universe in the last quarter of 2017.

Polyplay

Flame Tree Group acquired the leading playground equipment manufacturer and distributor, Polyplay Limited in September 2017.

Polyplay has been in operation for the past 10 years. Polyplay offers one of the most extensive collections of outdoor and indoor play lines in East Africa, the company serves multiple market segments, including schools, daycare facilities, restaurants, hotels, resorts and housing developments.

Our playground equipment is a combination of adequate, orderly and well organized playground spaces, appropriately developed play equipment, proper playground surfacing combined with regular and adequate playgrounds maintenance inspection.

With the rapid urbanization across Africa, we believe the acquisition represents immense growth potential not only in Kenya but across Africa as the demand for playground equipment in parts of Africa is still not satisfied.

Roto Plastics

ROTO KENYA

Roto Moulders Ltd – Kenya

Established in 1989, Roto Moulders Limited is a Kenyan manufacturer of water storage and sanitation solutions, with a product offering that includes water storage tanks, septic tanks, garbage disposals bins, materials handling containers, toilet huts and other custom made products.

In 2017 Roto implemented the strategic plan for year 2017 onwards. HR conducted a series of training on employee Rights & Benefits, Time & Attendance, HR Policies and Discipline Management. in addition we also conducted Kaizen Basic Training, Total Flow Management and Finance for Non-Finance Managers trainings.

Our key achievements for the year were as below;

- We provided water storage products that would store water in excess of 180 million liters of water.
- Despite the volatile business environment, we managed to increase our production and turnover.
- Increased our fleet hence improved our efficiency and turnaround time in favor of our customers.

Roto PLC - ETHIOPIA

Roto Ethiopia is a leading company in Ethiopia manufacturing quality products for over 20 years. The 'Roto' name has become so entrenched in the country it has become the generic name for a water tank in Ethiopia.

Roto PLC has had a positive 2017 achieving improved sales and production during the year compared to 2016. In 2017 we were able to create many new dealers in the city Addis Ababa and in the surrounding regions. Improved production and delivery systems to efficiently reach our customers countrywide by the addition of trucks to our fleet. We introduced a couple of new products in the material management section and these were positively received and we have generated a number of new orders for them.

Roto RWANDA

Roto Rwanda is a leading manufacturer of water tanks, septic tanks and various other products in Rwanda. To our customers, we are known us as the best quality water tank suppliers. As our slogan says, "THE BEST TANKS… REAL VALUE FOR MONEY!" The brand has become an iconic symbol with customers dreaming of the future with Roto: saying: "One day when I make my house, I will buy ROTO TANK".

In 2017 we have introduced a new line of HDPE pipes in various diameters ranging from 25mm to 110mm. The products were launched in the market in November 2017 and have been well received.

Jojo Plastics

Established in 2014, at Jojo Plastic we manufacture various plastic products : like water tanks, and a variety of industrial products like Wheel bins, Dustbins, Hand wash, Palettes, Pit slabs, Crates/Boxes, Buckets and Toilet Huts. in addition we also run production of lotion bottles for our sister company (Flame Tree Africa Ltd).

Year 2017 was an election year in Kenya and a very difficult one for Kenyan citizens and enterprises due to political uncertainties experienced in the past and extended electioneering period of presidential elections. The country was also affected by drought, nonetheless, there was demand for water tanks in the first half of the year.

In JPL our sales volume grew by 12% from Kshs. 117M in 2016 to Kshs. 130M in year 2017 for the period between January to June followed by a drastic drop in the second half of the year about 32%.

KEY ACHIEVEMENTS

Additional production line in blow moulding – Chirag bottles
Additional fleet of two trucks for timely deliveries

Rino Tanques

Incorporated in 2007, Rino Tanques Lda is a leading manufacturer of plastic tanks in Mozambique, with a product range starting from 100 litres capacity to 10,000 litres capacity, as well as various other products including:

- Plastic pit latrines,
- Road cones
- Load protectors etc.

In 2017 we were able to achieve improved sales over the previous year. Our new factory in the north has been very productive and this has added to our top line, with our new depot in Tete our sales has also increased. This region has shown potential for increased sales.

In 2017, We introduced a new innovative product called the Toilet Slab. This unit has since been accepted in the market and in a few months, we have already sold over 600pcs.

Buildmart

Buildmart Rwanda is a trading depot for various hardware products. We operate from 3 locations in Rwanda: Our distributor agreement with Henkel has been positive and we have been able to successfully gain market share.

We have also introduced HDPE PIPES, PLASTIC TABLES AND CHAIRS as a new line and this has had a positive impact on our turnover. As we work towards easy availability of materials, better price and 100% customer response we are sure that we will make good progress in the coming years.

Suzie Beauty

As Suzie Beauty we have had a productive year. Our focus has been on improving our reach & customer base. We were able to open new stores in Nairobi, as well as key customers countrywide.

Store openings: Yaya Centre, Sarit Centre, Two Rivers as well as partnered with outlets in Mombasa and Machakos.

We also Updated our carts at Junction and TRM and held lots of events and activations throughout the year.

The highlight of 2017 was the launch of our MATTE range of lipsticks. which is very chic and has been widely accepted in the market.

Suzie Beauty also Featured on CNN's African Voices as a recognised leader in the industry. we look forward to an even better 2018.

Corporate Social Responsibility

Flame Tree Group undertook various CSR activities through out the year, doing our part to give back to our society.

Rino Tanques – Mozambique in partnership with the Instituto Superior de Educação e Tecnologia (ISET / OWU), a non-governmental educational institution, donated mattresses and water tanks to the Changalane Health Center, located in Namaacha district Mozambique.

Roto Moulders – Kenya donated a tank to a needy school in Nkubu County, Meru.

Roto Moulders – Kenya donated tanks to the Mavuno Downtown & Mavuno Family of churches – Rotoke. "…….The principal and the kids were very excited. On behalf of Mavuno Downtown and the Mavuno family of churches, I would like to thank you for your contribution and support. May God bless you abundantly…..Kelvin Mugambi, Services Pastor, Mavuno Church - Downtown Campus"

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

Roto PLC – Ethiopia donated tanks to St Maryanne Church , Mekele.

Roto Moulders – Kenya is constantly supporting the Kenya Society for the Blind

Flame Tree Africa – Kenya Sponsored International Youth Fellowship [IYF Kasarani] which empowers youths and helps them in embracing positive behaviour changes within the community. We gave out assorted range of products, all the volunteers in this camp got Alana T-shirts which gave the brand a big feel.

Flame Tree Africa – Kenya Destined to Thrive Kenya held Talent search on the 2nd Dec 2017 at Karen Semastia ,the Ministry was launched in August at Thogoto Teachers College where FTA Ltd was part of the sponsors , the products were well received by the girls who attended from different schools, the turnout was great. This event was to empower young women and school girls. Our presence was really felt.

Flame Tree Africa – Kenya assisted a cancer centre where cancer patients get guidance and counselling , food for the less fortunate and medicines. We groomed the patients in conjunction with a beauty college who did manicure, pedicure, facial, treatment and blow dry using Flame tree products. SuzieBeauty did make up. That event was covered by standard group media. The patients really appreciated the service and also their self esteem was regained. This was a major boost to our brands . The patients also received gift hampers from us.

Corporate Social Responsibility (Contd.)

Supporting the Kenya Society of the Blind

Donated a tank to St. Maryame Church, Mekele

Corporate Social Responsibility (Contd.)

Donated tanks and mattresses to Changalane Health Centre in Namaacha District Mozambique

Donated tanks to Mavuno Downtown & Mavuno Family of Churches - Rotoke

Donated a 4600 ltr tank to a school in Nkubu, Meru County

Kaizen Basic Training at Panari Sky Centre

Report of the Directors

The directors submit their report and the audited consolidated financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company and the group.

PRINCIPAL ACTIVITIES AND OPERATIONS

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

The company is an investment holding company.

	Group		Company	
	2017	**2016**	**2017**	**2016**
RESULTS	**Shs**	**Shs**	**Shs**	**Shs**
Profit/(loss) before tax	41,409,855	175,974,893	(11,693,607)	(11,083,132)
Tax	(1,655,346)	(30,994,408)	-	-
Profit/(loss) for the year	39,754,509	144,980,485	(11,693,607)	(11,083,132)

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
Kenya	Poly Play
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.)

FTG Holdings Ltd
Annual report and consolidated financial statements
For the year ended 31 December 2017

REPORT OF THE DIRECTORS (CONTINUED)

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

19-04 - 2018

Certificate from the Secretary

JurisTax

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

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of FTG Holdings Ltd (the "Company") under the Mauritius Companies Act 2001 for the year ended 31 December 2017.

Lavesh Beedassy
For and on behalf of JurisTax Ltd
Secretary

Date: 19 APR 2018

Level 5, Ebene House, Hotel Avenue, 33 Cybercity, Ebene, 72201, Republic of Mauritius
Tel: +(230) 465 5526 |+ (230) 943 5526 | Fax: +(230) 468 1886 | Email: admin@juristax.com | Website: www.juristax.com
BRN: C08080125 | VAT: 20455568

Report of the Independent Auditor

PKF (Mauritius)

PKF Accountants & business advisers

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FTG HOLDINGS LTD

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

Report on the Financial Statements

Opinion

We have audited the financial statements of **FTG Holdings Ltd** (the "Company") and its subsidiaries (the "Group") set out on pages 9 to 44 which comprise the statements of financial position as at 31 December 2017, 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 the financial position of the Group and the Company as at 31 December 2017, and of their financial performance and of their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the Mauritius Companies Act 2001.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. The matter as described on page 6 was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. Our description of how our audit addressed the matter is provided in that context.

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Report of the Independent Auditor(Contd.)

PKF (Mauritius)

PKF Accountants & business advisers

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
Trade and other receivables The Group has trade receivables amounted to Shs 387,471,031 as at 31 December 2017. Significant judgement is required to assess the credit risks attached to the trade receivable balance. The net carrying value of trade receivables is measured at amortised cost less any provision for impairment. Provision for impairment is based on objective evidence of default.	• We reviewed the methodology and judgement applied in assessing impairment. • We questioned the key assumptions used for the assessment of impairment. • We requested external confirmation of outstanding balances from third parties. In case of no response, alternative tests were carried out to ascertain the existence and accuracy of those receivable balances. No material exceptions were noted.

Other Information

The directors are responsible for the other information. The other information comprises the Annual Report, Certificate from the Secretary and Corporate Governance Report. The other information does not include the financial statements and our auditor's report thereon.

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

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

Director's Responsibilities for the Financial Statements

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

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)

Director's Responsibilities for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 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.

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)

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

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

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

We have obtained all information and explanations we have required.

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

PKF (Mauritius)

PKF (MAURITIUS)
PUBLIC ACCOUNTANTS

Christine Sek Sum

CHRISTINE SEK SUM, CPA
(Licensed by FRC)

Port Louis
MAURITIUS

Date: 19 April 2018

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Consolidated statement of profit or loss & other Comprehensive Income

	Notes	2017 Shs	2016 Shs
Revenue	3	2,425,090,214	2,544,628,524
Cost of sales		(1,626,812,792)	(1,640,312,183)
Gross profit		798,277,422	904,316,341
Other operating income	4	18,315,442	5,412,643
Selling and distribution costs		(321,826,823)	(329,112,443)
Administrative expenses		(335,379,894)	(297,491,883)
Other operating expenses		(59,685,127)	(45,267,509)
Operating profit before gain on disposal of property, plant and equipment	5	99,701,020	237,857,149
Gain on disposal of property, plant and equipment		2, 697,049	837,365
Operating profit after gain on disposal of property, plant and equipment		102,398,069	238,694,514
Finance costs	7	(60,988,214)	(62,719,621)
Profit before tax		41,409,855	175,974,893
Tax	8	(1,655,346)	(30,994,408)
Profit for the year		39,754,509	144,980,485
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		(29,610,039)	(7,735,562)
Total comprehensive income for the year		10,144,470	137,244,923
Earnings per share - profit for the year	26	0.22	0.90
Earnings per share - total comprehensive income for the year	26	0.06	0.85

Report of the independent auditor - pages 5 - 8

The notes on pages 17 to 44 form an integral part of the consolidated financial statements.

Company Statement of Profit or Loss

	Notes	2017 Shs	2016 Shs
Revenue	3	55,352,316	-
Cost of sales		-	-
Gross profit		55,352,316	-
Other operating income	4	247	2,301
Selling and distribution expenses		(121,737)	-
Administrative expenses		(59,467,323)	(8,583,876)
Other operating expenses		(736,726)	-
Operating loss		(4,793,223)	(8,581,575)
Finance costs	7	(6,720,384)	(2,501,557)
Loss before tax		(11,693,607)	(11,083,132)
Tax	8	-	-
(Loss) for the year		(11,933,607)	(11,083,132)

Report of the independent auditor - pages 5 - 8

The notes on pages 17 to 44 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

FTG Holdings Ltd
Annual report and consolidated financial statements
For the year ended 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 Shs	2016 Shs
Equity			
Share capital	9	146,894,092	133,540,084
Share premium		152,450,453	152,450,453
Legal reserves		3,665,461	3,665,461
Retained earnings		419,744,981	391,195,569
Translation reserve		8,705,196	38,315,235
Shareholders' funds		731,460,183	719,166,802
Non-current liabilities			
Borrowings	10	64,796,358	56,925,913
		796,256,541	776,092,715
Non-current assets			
Deferred tax	11	49,332,168	6,163,799
Property, plant and equipment	12	334,342,405	290,861,427
Goodwill on consolidation	13	71,851,809	-
Intangible assets	14	83,639,601	83,754,573
		539,165,982	380,779,799
Current assets			
Inventories	16	270,510,616	248,693,463
Trade and other receivables	17	784,335,276	787,780,329
Cash and cash equivalents	18	86,757,913	103,941,174
		1,141,603,805	1,140,414,966
Current liabilities			
Borrowings	10	358,141,888	280,833,729
Trade and other payables	19	524,928,198	459,334,471
Current tax		1,443,161	4,933,850
		884,513,247	745,102,050
Net current assets		257,090,558	395,312,916
		796,256,541	776,092,715

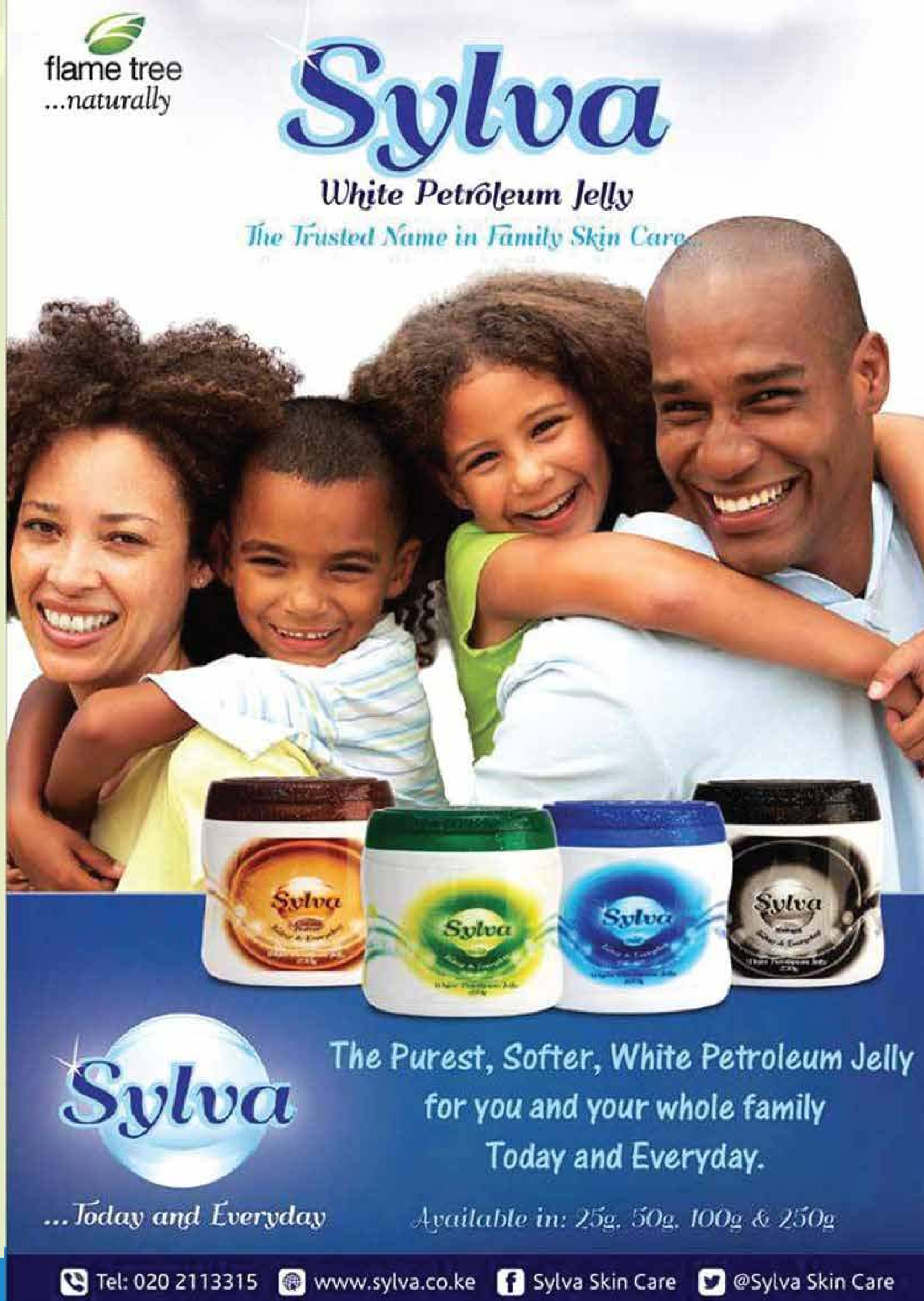
The consolidated financial statements on pages 8 to 43 were approved and authorised for issue by the Board of Directors on 19 - 04 - 2018 and were signed on its behalf by:

DIRECTOR

DIRECTOR

Report of the independent auditor - pages 5 - 7

The notes on pages 16 to 43 form an integral part of the consolidated financial statements.



Company Statement of Financial Position

FTG Holdings Ltd
Annual report and consolidated financial statements
For the year ended 31 December 2017

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 Shs	2016 Shs
Equity			
Stated capital	9	146,894,092	133,540,084
Share premium		152,450,453	152,450,453
Accumulated losses		(41,833,633)	(16,786,018)
Total equity		257,510,912	269,204,519
Non-current liability			
Borrowings	10	1,305,082	3,994,746
		258,815,994	273,199,265
Non-current asset			
Investment in subsidiaries	15	520,372,963	307,011,354
Current assets			
Trade and other receivables	17	105,829,797	165,874,110
Cash and cash equivalents	18	18,753,733	95,279
		124,583,530	165,969,389
Current liabilities			
Borrowings	10	128,497,024	13,634,198
Trade and other payables	19	257,643,475	186,147,280
		386,140,499	199,781,478
Net current liabilities		(261,556,969)	(33,812,089)
		258,815,994	273,199,265

The consolidated financial statements on pages 9 to 44 were approved and authorised for issue by the Board of Directors on 19 - 04 - 2018 and were signed on its behalf by:

DIRECTOR DIRECTOR

Report of the independent auditor pages 5 - 8.

The notes on pages 9 to 44 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 2016							
At start of year		133,540,084	152,450,453	3,665,461	246,215,084	46,050,797	581,921,879
Total comprehensive income/(loss) for the year		-	-	-	144,980,485	(7,735,562)	137, 244,923
At end of year		133,540,084	152,450,453	3,665,461	391,195,569	38,315,235	719,166,802
Year ended 31 December 2017							
At start of year		133,540,084	152,450,453	3,665,461	391,195,569	38,315,235	719,166,802
Issue of bonus shares ****		13,540,084	-	-	(13,354,008)	-	-
On acquisition of subsidiary		-	-	-	2,148,911	-	2,148,911
Total comprehensive income for the year		-	-	-	39,754,509	(29,610,039)	10,144,470
At end of year		146,894,092	152,450,453	3,665,461	419,744,981	8,705,196	731,460,183

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

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

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

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

Report of the independent auditor pages 5 - 8.

The notes on pages 9 to 44 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	(5,702,886)	280,287,651
Loss for the year		-	-	(11,083,132)	(11,083,132)
At end of year		133,540,084	152,450,453	(16,786,018)	269,204,519
Year ended 31 December 2017					
At start of year		133,540,084	152,450,453	(16,786,018)	269,204,519
Issue of bonus shares*		13,354,008	-	(13,354,008)	-
Loss for the year		-	-	(11,693,607)	(11,693,607)
At end of year		146,894,092	152,450,453	(41,833,633)	257,510,912

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

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The notes on pages 9 to 44 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flow

	Notes	2017 Shs	2016 Shs
Operating activities			
Cash from operations	20	240,581,799	114,170,746
Interest paid		(49,323,014)	(52,213,540)
Tax paid		(48,314,402)	(22,048,394)
Net cash from operating activities		142,944,383	39,908,812
Investing activities			
Purchase of property, plant and equipment	12	(97,447,609)	(58,916,026)
Acquisition of subsidiary		(74,000,000)	-
Purchase of intangible assets	14	-	(66,695,000)
Proceeds from disposal of property, plant and equipment		1,930,028	1,107,457
Interest received		239,131	-
Net cash used in investing activities		(169,278,450)	(124,503,569)
Financing activities			
Net movement in borrowings		(129,310,737)	(20,877,782)
Changes in restricted cash balances	18	10,128,628	-
Net cash used in financing activities		(119,182,109)	(20,877,782)
Decrease in cash and cash equivalents		(145,516,176)	(105,472,539)
Movement in cash and cash equivalents			
At start of year		(101,713,065)	13,684,023
Decrease		(145,516,176)	(105,472,539)
Effect of exchange rate changes		(4,986,156)	(9,924,549)
At end of year	18	(252,215,397)	(101,713,065)

Report of the independent auditor pages 5 - 8.

The notes on pages 9 to 44 form an integral part of the consolidated financial statements.

Company Statement of Cash Flow

Operating activities	Notes	2017 Shs	2016 Shs
Cashused in operations	20	(32,294,569)	(2,119,366)
Interest paid		(5,945,415)	(2,444,155)
Net cash used in operating activities		(38,239,984)	(4,563,521)
Investing activities			
Purchase of subsidiaries	15	(54,500,000)	(13,916,350)
Interest received		247	2,301
Net cash used in investing activities		(54,499,753)	(13,914,049)
Financing activities			
Net movement in borrowings	10	(3,354,942)	2,182,709
Net cash (used in)/from financing activities		(3,354,942)	2,182,709
Decrease in cash and cash equivalents		(96,094,679)	(16,294,861)
Movement in cash and cash equivalents			
At start of year		(12,873,641)	3,478,622
Decrease		(96,094,679)	(16,294,861)
Effect of exchange rate changes		(774,971)	(57,402)
At end of year	18	(109,743,291)	(12,873,641)

Report of the independent auditor pages 5 - 8.

The notes on pages 9 to 44 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
Polyplay Limited	Kenya	100	Manufacturing plastics and allied products
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

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

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

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 2017:

- Ammendments to IAS 12 Income Taxes
- Ammendments to IAS 7 Statements of Cash flows.
- IFRS 12 Disclosures of Interests in other entities

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not yet effective
At the date of authorization 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:

- Amendment to IFRS 1 (Annual Improvements to IFRSs 2014 - 2016 Cycle, issued in December 2016) that is effective for annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first - time adopters.

- Amendments issued in June 2017 to IFRS 2 ' Share - Based Payment ' which are effective for annual periods 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.

- Amendments to IFRS 4 titled Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'(issued in September 2017) that are effective for annual periods beginning on or after 1 January 2018,include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial.

- IFRS 9 'Financial Instruments'(Issued in July 2014) will replace IAS 39 and will be effective for annual periods 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 recognized financial assets to be subsequently measured at a mortised 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 at is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mis-match.

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 periods 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.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

The directors expect that the future adoption of IFRS 4, IFRS17, 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 periods. 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 recognized 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 and intangible assets - Management reviews the useful lives and residual values of the items of property, plant and equipment and intangible assets on a regular basis. During the financial year, the directors determined that there were no significant changes in the useful lives and residual values.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Significant judgements made by management in applying the group's accounting policies
Directors have made the following judgements that are considered to have the most significant effect on the amounts recognized 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 recognized deferred tax assets on tax losses. In determining whether these tax losses will be utilized, the directors make judgement as to whether these will be utilized before they are forfeited. The forfeiture is dependent on the requirements of the respective laws of the countries where the entities that have incurred tax losses operate in.

- **Determination of functional and presentation currency** - The determination of the functional currency of the company is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. The books of accounts are maintained in Kenyan shillings ('Shs.') which is also the currency of the primary economic environment in which the company operates (functional currency).

  In making judgement on presentation currency, the directors have considered that the company is listed in Kenya and it is a requirement of Kenyan regulations that the financial statements are presented in Kenyan Shillings. IFRS requires that the presentation currency can be in any currency in which management wants to report the annual/interim financial statements. Therefore, management have adopted Kenyan shillings as presentation currency.

- **Impairment of goodwill** - Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investment in subsidiaries/consolidation (continued)
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 recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of subsidiary to bring their accounting policies into line with the group's accounting policy.

- Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investment in subsidiaries/consolidation (continued)
Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' in profit or loss income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

- 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 recognized 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 recognized 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 recognized 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 recognizes 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 recognized upon delivery of products and customer acceptance.
ii)Sales of services are recognized 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.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Translation of foreign currencies (continued)
At the end of each reporting year, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

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 recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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 recognized 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 recognized 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.

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Property, plant and equipment (continued)
Subsequent costs are included in the asset's carrying amount or recognized 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 de-recognized. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

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

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

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

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

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

I) Intangible assets

Computer software
Computer software licences are capitalized 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.

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

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

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments
Financial assets and financial liabilities are recognized 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 recognized 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 recognized 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 recognized in profit or loss.

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

Financial assets are de-recognised 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 recognized 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 re-organisation, 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.

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

Notes (contd.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)
Financial liabilities measured at amortised cost: These include 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 recognized as interest expense in profit or loss under finance costs under the effective interest rate method.

Borrowings are initially recognized 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 recognized as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognized 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 de-recognised 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 realize 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 recognized 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 recognized 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 recognized only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilized.

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 capitalized 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 recognized 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 recognized as an expense accrual.

t) Retirement benefit obligations
Employee entitlements to long service awards are recognized 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
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 recognized 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 2017 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 2017.

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

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

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

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

	Manufacturing Shs	Trading Shs	Total Shs
Total Equity	374,478,749	356,981,435	731,460,184
Non-current liabilities	57,748,974	7,047,384	64,796,358
Total equity and non-current liabilities	432,227,723	364,028,819	796,256,542
Non-current assets	469,301,765	69,863,500	539,165,265
Current assets	631,437,647	510,169,630	1,141,607,277
Current liabilities	668,511,689	216,004,311	884,516,000
Net current (liabilities)/assets	(37,074,042)	294,165,319	257,091,277
Non-current assets and net current assets	432,227,723	364,028,819	796,256,542
Other segment information:			
Depreciation on property, plant and equipment	54,879,414	697,176	55,576,590
Additions to non-current assets	97,447,609	-	97,447,609

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Notes (contd.)

2. Segment reporting (continued)

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:

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	28,558,006	56,925,913
Total equity and non-current liabilities	445,023,555	331,069,160	776,092,715
Non-current assets	366,088,987	14,690,812	380,779,799
Current assets	786,943,597	353,471,369	1,140,414,966
Current liabilities	708,009,029	37,093,021	745,102,050
Net current assets	78,934,568	316,378,348	395,312,916
Non-current assets and net current assets	445,023,555	331,069,160	776,092,715
Other segment information:			
Depreciation on property, plant and equipment	34,840,175	762,582	35,602,757
Additions to non-current assets	58,748,551	167,475	58,916,026

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
3. Revenue				
Sale of goods and services	2,425,090,214	2,544,628,524	-	-
Dividend income	-	-	55,352,316	-
Total revenue	2,425,090,214	2,544,628,524	55,352,316	-

flame tree GROUP

Notes (contd.)

4. Other operating income				
Miscellaneous income	5,082,134	4,824,759	-	-
Bad debts recovered	8,586,413	6,352	-	-
Interest income	239,131	-	247	2,301
Foreign exchange gain	4,407,764	581,532	-	-
	18,315,442	5,412,643	247	2,301
5. Operating profit				
The following items have been charged/ (credited) in arriving at the operating profit:				
Depreciation on property, plant and equipment (Note 12)	55,576,590	35,602,757	-	-
Amortisation of intangible assets (Note 14)	114,972	122,760	-	-
Repairs and maintenance	29,642,151	35,931,519	-	-
Operating lease rentals	57,525,671	60,797,751	-	-
Loss/(gain) on disposal of property, plant and equipment	2,697,049	(837,365)	-	-
Auditors' remuneration				
- Current year	5,726,685	4,236,878	2,081,204	1,795,114
- Under/(over) provision in prior years	78,404	(68,582)	-	-
Provision for bad and doubtful debts	74,396,277	43,676,299	-	-
Staff costs (Note 6)	412,287,281	370,838,629	-	-
6. Staff costs				
Salaries and wages				
- direct costs	139,445,992	114,491,270	-	-
- selling and distribution	126,413,311	121,371,804	-	-
- administrative expenses	130,791,233	117,553,819	-	-
Other staff costs	15,636,745	17,421,736	-	-
	412,287,281	370,838,629	-	-
7. Finance costs				
Finance lease interest	772,893	900,380	-	-
Interest on commercial paper	5,893,746	-	5,893,746	-
Bank loan interest	15,550,058	14,830,673	-	4,287
Bank overdraft interest	27,616,621	36,482,487	51,669	2,439,868
Foreign exchange loss	11,154,896	10,506,081	774,969	57,402
	60,988,214	62,719,621	6,720,384	2,501,557
8. Tax				
Current tax	44,823,715	32,352,133	-	-
Deferred tax (credit) (Note 11)	(43,168,369)	(1,357,725)	-	-
	1,655,346	30,994,408	-	-

Notes (contd.)

8. Tax (continued)

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

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Profit/(loss) before tax	41,409,855	175,974,893	(11,693,607)	(11,083,132)
Tax calculated at a tax rate of 3% (2016: 3%)	1,242,296	5,279,247	(350,808)	(332,494)
Tax effect of:				
- differential tax rates	(41,445,313)	14,244,388	-	-
- expenses not deductible for tax purposes	41,862,269	11,470,773	350,808	332,494
- deferred tax assets not recognised	(3,906)	-	-	-
Tax charge	1,655,346	30,994,408	-	-

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

	Group and Company	
	2017 Shs	2016 Shs
178,053,486 (2016: 161,866,804) shares of Shs. 0.8249 each (2016: Shs. 0.8249 each)	146,894,092	133,540,084

On 29 June 2017, the issued and paid up share capital was increased from Shs. 133,540,084 representing 161,866,804 shares of Shs. 0.8249 each to Shs. 146,894,092 representing 178,053,486 shares of Shs. 08249 each. The increase was financed through bonus share issue of 1 share for every 10 fully paid up shares held as at that date.

10. Borrowings	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Non-current				
Shareholders loan (Note 21)	20,365,919	18,558,491	699,871	3,994,746
Bank loans	37,507,907	36,853,901	605,211	-
Finance leases	6,922,532	1,513,521	-	-
	64,796,358	56,925,913	1,305,082	3,994,746
Current				
Finance leases	6,313,276	4,425,507	-	-
Bank loans	12,652,303	80,882,611	-	665,278
Short term loans (Note 18)	71,041,642	-	-	-
Shareholders loan (Note 21)	203,000	-	-	-
Commercial paper (Note 18)	128,468,456	-	128,468,456	-
Bank overdraft (Note 18)	139,463,211	195,525,611	28,568	12,968,920
	358,141,888	280,833,729	128,497,024	13,634,198
Total borrowings	422,938,246	337,759,642	129,802,106	17,628,944

Notes (contd.)

10. Borrowings (continued)

Weighted average effective interest rates at the reporting date were:	Group and company 2017 %	2016 %
Shareholder's loan	Nil	Nil
Commercial paper	14	Nil
Bank loans	14	18
Bank overdraft	14	18
Finance leases	9	9

The bank loans, bank overdraft and finance leases are secured as follows:
a) Fixed and floating debenture over the assets of the group.
b) Supplemental legal charge over L.R. 209/8918.
c) Directors personal guarantees.
d) A right over the leased assets.

Loans from shareholders are unsecured, interest free and have no fixed repayment date. Commercial paper is unsecured and payable within 90 days of the date of issue with an option of renewal. The 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	
	2017 Shs	2016 Shs
12 months or less	358,141,888	280,833,729

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	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Kenya Shilling	388,001,099	289,925,760	129,802,106	17,628,944
Other currencies	34,937,147	47,833,882	-	-
	422,938,246	337,759,642	129,802,106	17,628,944
Maturity of non - current borrowings				
Between 2 to 5 years	64,796,358	56,925,913	1,305,082	3,994,746

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% (2016: 30%). The movement on the deferred tax account is as follows:

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
At start of year	(6,163,799)	(4,806,074)	-	-
(Credit) to profit or loss (Note 8)	(43,168,369)	(1,357,725)	-	-
At end of year	(49,332,168)	(6,163,799)	-	-

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

Year ended 31 December 2016 - Group	At start of year Shs	(Credit)/charge 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)
Provisions	(4,524,613)	4,986,562	(8,124,613)
Excess depreciation over capital allowances	20,490,749	(3,600,000)	23,679,699
Unrealised exchange differences	(5,344,075)	3,188,950	(357,513)
Net deferred tax asset	(4,806,074)	(1,357,725)	(6,163,799)

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

Notes (contd.)

12. Property, plant and equipment

Year ended 31 December 2017 - Group

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

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

Net book value of assets held under finance lease

	2017 Shs	2016 Shs
Motor vehicles	7,244,059	9,658,745

	Leasehold land Shs	Buildings Shs	Plant and machinery Shs	Furniture, fixtures and office equipment Shs	Motor vehicles Shs	Computer equipment Shs	Total Shs
Cost							
At start of year	4,512,500	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
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)
Translation	-	(239,380)	(17,174,189)	1,078	(250,720)	(19,722)	(17,682,933)
Charge for the year	57,852	692,291	22,607,404	1,593,128	9,910,265	741,817	35,602,757
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

Notes (contd.)

13. Goodwill

	Group 2017 Shs	Group 2016 Shs
At start of year	-	-
Additions	71,851,809	-
At end of year	71,851,809	-

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

	Group 2017 Shs	Group 2016 Shs
Polyplay Limited	71,851,091	-

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using 10% as an estimated growth rate. The growth rate does not exceed the long term average past growth of the various subsidiaries in the group.

A discount rate of 10% was applied in discounting the cash flows mentioned above.

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

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

14. Intangible assets - Group

	2017 Shs Trademarks	2017 Shs Software	2017 Shs	2016 Shs
Cost				
At start of year	83,300,000	613,800	83,913,800	17,218,800
Additions	-	-	-	66,695,000
At end of year	83,300,000	613,800	83,913,800	83,913,800
Amortisation				
At start of year	-	159,227	159,227	36,467
Charge for the year	-	114,972	114,972	122,760
At end of year	-	274,199	274,199	159,227
Net book value	83,300,000	339,601	83,639,601	83,754,573

Notes (contd.)

14. Intangible assets - Group (continued)

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.

15. Investment in subsidiaries

	Country of incorporation	Ultimate Holding	Company 2017 Shs	Company 2016 Shs
Amount invested and capitalised by subsidiaries				
Roto Moulders Limited	Kenya	100%	95,580,900	95,580,900
Flame Tree Africa Limited	Kenya	100%	158,502,683	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
Chirag Africa Limited	Kenya	100%	48,650,000	48,650,000
Polyplay Limited	Kenya	100%	74,000,000	-
Roto Limited	Rwanda	100%	612,612	612,612
Flame Tree Brands Limited	Rwanda	100%	14,457,228	14,457,228
Build Mart Limited	Rwanda	100%	3,191,552	618,181
Roto Private Limited Company	Ethiopia	100%	79,298,813	25,446,497
Rino Tanques LDA	Mozambique	100%	10,296,555	141,633
Flame Tree Mozambique, Limitada	Mozambique	100%	71,734	71,734
Cirrus International FZC	United Arab Emirates	100%	4,710,887	4,710,887
Impairment			(32,219,000)	-
			520,372,963	307,011,354

16. Inventories

	Group 2017 Shs	Group 2016 Shs	Company 2017 Shs	Company 2016 Shs
Raw materials	106,332,168	76,601,791	-	-
Work in progress	3,303,638	7,166,582	-	-
Finished goods	115,267,633	154,880,720	-	-
Consumables	1,162,572	-	-	-
Goods in transit	44,444,605	10,044,370	-	-
	270,510,616	248,693,463	-	-
Amount of inventory expensed in profit or loss	226,066,011	238,649,093	-	-

Notes (contd.)

17. Trade and other receivables

	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Trade receivables	505,543,607	514,570,227	-	-
Other receivables	117,712,966	111,933,254	765,030	3,937,169
Receivable from related parties (Note 21)	279,151,279	204,953,147	119,207,041	161,936,941
Impairment	(118,072,576)	(43,676,299)	(14,142,274)	-
	784,335,276	787,780,329	105,829,797	165,874,110

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value. The group's credit risk arises primarily from trade receivables. The directors are of the opinion that the group's exposure is limited because the debt is widely held.

Movement in impairment provisions

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
At start of year	43,676,299	-	-	-
Additional provisions	74,396,277	43,676,299	14,142,274	-
At end of year	118,072,576	43,676,299	14,142,274	-

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

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Kenya Shilling	385,409,442	403,082,256	105,829,797	165,874,110
UAE Dirham	285,668,506	253,288,959	-	-
Other Currencies	113,257,328	131,409,114	-	-
	784,335,276	787,780,329	105,829,797	165,874,110

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. 96,775,885 (2016: Shs. 133,200,024) 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	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
3 to 12 months	96,775,885	133,200,024	-	-

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.

Notes (contd.)

18. Cash and cash equivalents

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Cash at bank and in hand	86,757,913	103,941,174	18,753,733	95,279

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	86,757,913	103,941,174	18,753,733	95,279
Less: restricted cash balances	-	(10,128,628)	-	-
Bank overdraft (Note 10)	(139,463,211)	(195,525,611)	(28,568)	(12,968,920)
Commercial paper (Note 10)	(128,468,456)	-	(128,468,456)	-
Short term bank loans (Note 10)	(71,041,642)	-	-	-
	(252,215,397)	(101,713,065)	(109,743,291)	(12,873,641)

Restricted cash balances relates to deposits with financial institutions amounting to Shs.10,128,628 were held by Imperial Bank Limited that was placed under receivership on 13 October 2015. The amount was not available to the company for the day to day running of its activities. In 2017, the amount was written off to profit or loss due to the fact it will never be recovered.

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

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Kenya Shilling	32,243,940	15,049,207	18,753,733	95,279
UAE Dirham	16,623,635	14,441,349	-	-
Other Currencies	37,890,338	74,450,618	-	-
	86,757,913	103,941,174	18,753,733	95,279

Notes (contd.)

19. Trade and other payables

Current

Trade payables	383,146,759	362,867,002	3,390,819	-
Other payables	120,016,234	83,983,808	22,157,500	3,826,791
Payable to related parties (Note 21)	21,765,205	12,483,661	232,095,156	182,320,489
	524,928,198	459,334,471	257,643,475	186,147,280

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	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Kenya Shilling	404,374,435	175,525,705	257,643,475	186,147,280
UAE Dirham	44,770,605	6,482,013	-	-
Other Currencies	75,783,158	277,326,753	-	-
	524,928,198	459,334,471	257,643,475	186,147,280

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

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

Group - Year ended 31 December 2016	0 - 1 month Shs	2 - 3 months Shs	4 - 12 months Shs	Total Shs
Trade payables	30,238,916	90,716,751	241,911,335	362,867,002
Other payables	-	-	12,483,661	12,483,661
Payable to related parties	-	83,983,808	-	83,983,808
	30,238,916	174,700,559	254,394,996	459,334,471

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

Notes (contd.)

19. Trade and other payables (Continued)

Company - Year ended 31 December 2016	0 - 1 month Shs	2 - 3 months Shs	4 - 12 months Shs	Total Shs
Trade payables	-	-	-	-
Other payables	-	3,826,791	-	3,826,791
Payable to related parties	-	-	182,320,489	182,320,489
	-	3,826,791	182,320,489	186,147,280

20. Cash (used in)/from operations

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Reconciliation of profit before tax to cash (used in)/ from operations:				
Profit/(loss) before tax	41,409,855	175,974,893	(11,693,607)	(11,083,132)
Adjustments for:				
Depreciation on property, plant and equipment (Note 12)	55,576,590	35,602,757	-	-
Amortisation of intangible assets (Note 14)	114,972	122,760	-	-
Interest expense (Note 7)	49,833,318	52,213,540	5,945,415	2,444,155
Loss/(gain) on disposal of property, plant and equipment	2,697,049	(837,365)	-	-
Foreign exchange gain (Note 4)	(4,407,764)	(581,532)	-	-
Interest income gain (Note 4)	(239,131)	-	(247)	(2,301)
Foreign exchange loss	11,154,896	10,506,081	774,969	57,402
Effect of translation reserves	37,220,388	(24,515,181)	-	-
Changes in working capital:				
- trade and other receivables	3,445,053	(16,519,170)	(98,817,296)	(65,609,961)
- inventories	(21,817,153)	(64,613,711)	-	-
- trade and other payables	65,593,727	(53,182,326)	71,496,196	72,074,471
Cash from/(used in) operations	240,581,799	114,170,746	(32,294,569)	(2,119,366)

21. Related party transactions and balances

The following transactions were carried out with related parties:

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Sales	290,070,404	298,639,843	-	-
Purchases	-	8,780,056	-	-
Key management compensation	115,778,845	106,098,640	-	-
Shareholders loan (Note 10)	20,568,919	18,558,491	699,871	3,994,746
Receivable from related parties (Note 17)	279,151,279	204,953,147	119,207,041	161,936,941
Payable to related parties (Note 19)	21,765,205	12,483,661	232,095,156	182,320,489

Notes (contd.)

22. Capital management

The group's objectives when managing capital are:

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

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

The gearing ratio as at 31 December 2017 and 31 December 2016 were as follows:

	Group		Company	
	2017 Shs	2016 Shs	2017 Shs	2016 Shs
Total borrowings (Note 10)	422,938,246	337,759,642	129,802,106	17,628,944
Less: cash and cash equivalents (Note 18)	(86,757,913)	(103,941,174)	(18,753,733)	(95,279)
Net debt	336,180,333	233,818,468	111,048,373	17,533,665
Total equity	731,460,183	719,166,802	257,510,912	269,204,519
Gearing ratio	0:46:1	0:33:1	0:43:1	0:07:1

23. Risk management objectives and policies

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.
Risk management is carried out by the group finance department under policies approved by management.
Management identifies, evaluates and hedges financial risks.

a) **Market risk**

(i) **Foreign exchange risk**

The group operates in various jurisdictions and is exposed to foreign exchange risk arising from various currency exposures. The risk arises from assets and liabilities in the statement of financial position and future transactions. Risk management is carried out by the management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written 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.

	UAE Dirham Shs	Other Currencies Shs	Total Shs
Group			
Effect on profit - decrease			
Year ended 31 December 2017	24,979,589	3,921,454	28,901,043
Year ended 31 December 2016	18,287,381	(8,351,063)	9,936,317

(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.

Notes (contd.)

23. Risk management objectives and policies (continued)

Financial risk management (continued)

	2017 Shs	2016 Shs
Effect on profit - decrease	3,452,611	3,654,948

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.

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

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

Year ended 31 December 2017 - 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	247,731,820	277,196,378	-	-	524,928,198
Shareholders loan	0	-	-	-	20,365,919	20,365,919
Interest bearing liabilities						
- Bank overdraft	14	158,988,061	-	-	-	158,988,061
- Bank borrowings	14	-	14,423,625	42,759,014	-	57,182,639
- Finance leases	9	6,881,471	7,545,560	-	-	14,427,031
		413,601,352	299,165,563	42,759,014	20,365,919	775,891,848

Notes (contd.)

23. Risk management objectives and policies (continued)

Financial risk management (continued)

c) **Liquidity risk (continued)**

Year ended 31 December 2016

	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	-	82,396,132	36,853,901	-	119,250,033
- Finance leases	9	4,425,507	1,513,521	-	-	5,939,028
		404,890,593	338,304,649	36,853,901	18,558,491	798,607,634

24. 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.

25. Retirement benefit obligations

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

26. Earnings per share - Group

	2017	2016
Total number of shares (Note 9)	178,053,486	161,866,804
Total profit for the year (Shs)	39,754,509	144,980,485
Total comprehensive income for the year (Shs)	10,144,470	137,244,923
Earnings per share - profit for the year (Shs)	0.22	0.90
Earnings per share - total comprehensive income (Shs)	0.06	0.85

27. Events after the reporting date

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

AGM NOTICE

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

Date : **09 May 2018**
To: **The Shareholders of the company**
From: **Juris Tax Ltd., Secretary**
Subject: Notice of the Fourth Annual General Meeting of Shareholders of the Company to be held on 19 June 2018 at 1100 hours (Kenyan Time).

Notice is hereby given that the Annual General Meeting of the Shareholders of FTG Holdings Ltd will be held on Tuesday, 19th June 2018 at 11.00a.m. at the National Museums of Kenya, Louis Leakey Auditorium, Nairobi Kenya to transact the following business:

1. To table the proxies and note the presence of a quorum;
2. To read the notice convening the meeting;
3. To receive the auditor's report and consider the adoption of the financial statements for the year ended 31 December 2017.
4. Election of Directors
   a) Mr. Soubramanien Gilles Pierre Kichenin retires by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Article 12.1.2 of the Company's Constitution;
   b) Mrs. Imalambaal Kichenin retires by rotation at the dissolution of the meeting and being eligible, offers herself for re-election in accordance with Article 12.1.2 of the Company's Constitution;
   c) Mr. George Theobald by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Article 12.1.2 of the Company's Constitution and
   d) Mr. Frank Ireri by rotation at the dissolution of the meeting and being eligible, offers himself for re-election in accordance with Article 12.1.2 of the Company's Constitution.
5. To take note that Mr. Heril Colbert Bangera will continue to serve as Managing Director of the Company.
6. Appointment of Auditors
   To consider the re-appointment of PKF Mauritius as the auditors of the Company who have expressed their willingness to continue in office for the financial year ending 31 December 2018 and to authorize the Directors to fix their remuneration in accordance with Section 196 of the Companies Act 2001.
7. Any Other Business
   To transact any other business which may be properly transacted at the Annual General Meeting and for which a valid notice has been issued in accordance with the Company's Constitution.

AGM NOTICE (CONTINUED)

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

Quorum Requirement

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

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

By order of the Board.

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

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 19th June 2018 at 11a.m, Louis Leakey Auditorium, National Museum, Nairobi and at any adjournment thereon.

Number of Shares held..

Account number of member...

Signed this ....day of...2018

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 17th June 2018 at 11a.m.

ROTO TANKS

RINO Tanques

JOJO Tank

Zoe

Happy's golden

ALANA

cErro

Chigs

NATURE'S OWN

SuzieBeauty

gonuts

Honey Comb

Miss Africa

PolyPlay Great Fun For Every One

BM Buildmart

Sylva

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