FOUNTAIN
GLOBAL INVESTORS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED **31ST DECEMBER 2016**

Vision:

To become the preferred financial partner powered by many, transforming millions of lives.

Mission:

To economically empower communities through optimization of investor wealth and the provision of innovative financial services.

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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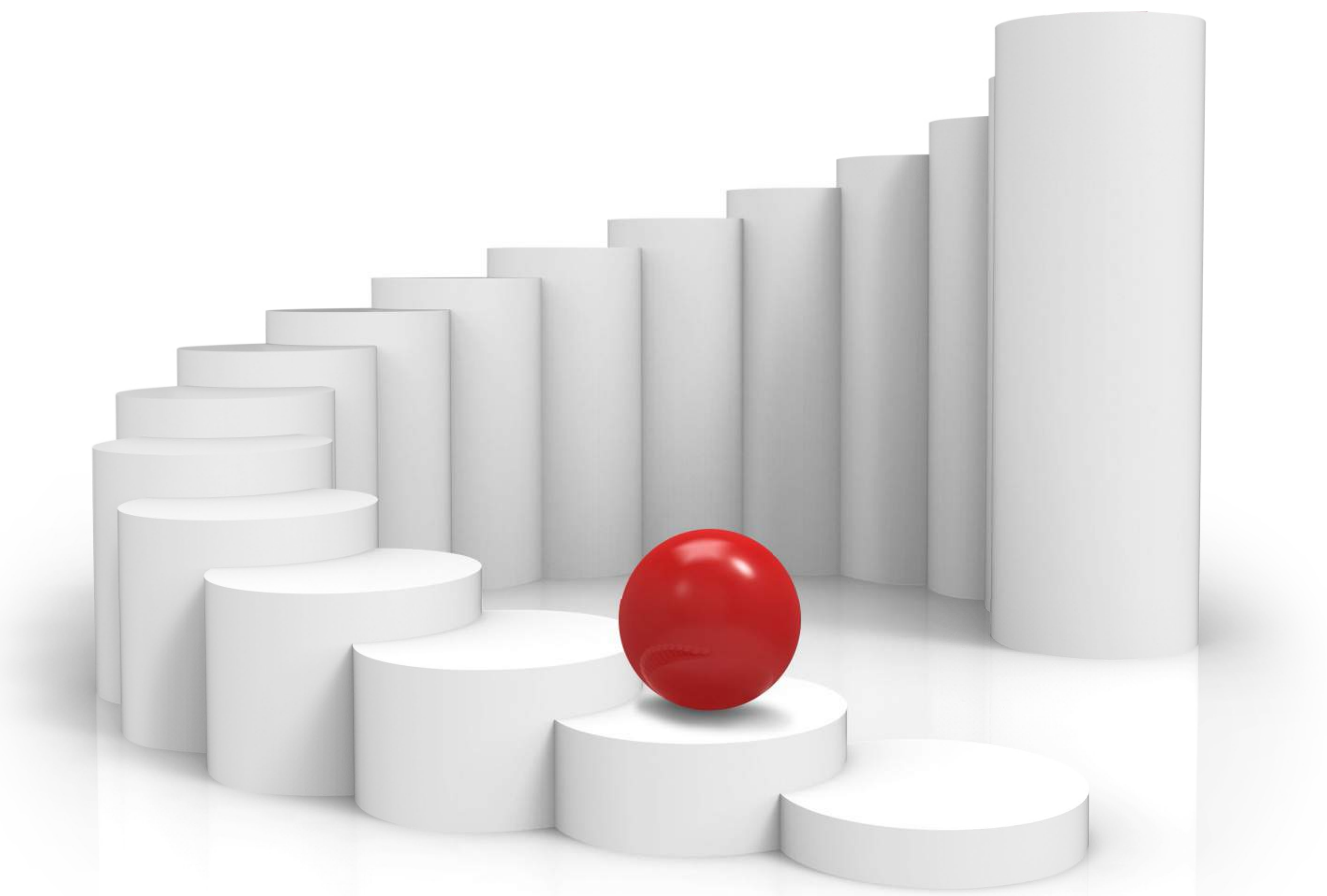

DIRECTORS AND PROFESSIONAL ADVISORS

DIRECTORS

Eng. Erastus K. Mwongera	Chairman
Ms. Susan Omanga	Vice Chair (Resigned w.e.f 01.01.2017)
Dr. John Muchira Kithaka	Director
Ms. Damaris Gitonga	Director
Dr. Margaret Chemengich	Director
Mr. Gerald Portals Onyango	Director
Mr. Jones Nzomo	Director

SECRETARY

Mrs. Bernice Ng'ang'a-Muya
Certified Public Secretary (Kenya)
P.O. Box 72367- 00200
Nairobi

REGISTERED OFFICE

Galana Plaza,3rd Floor
Galana Road,Off Argwings Kodhek Road
P.O. Box 72367 - 0200
Nairobi

BANKERS

Credit Bank Limited
Silkwood Office Suites, Ngong Road
P.O. Box 61064 - 00200
Nairobi

National Bank of Kenya Limited
Silkwood Office Suites, Ngong Road
P.O. Box 21922 - 00505
Nairobi

AUDITORS

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

ADVOCATES

Mboya, Wangong'u and Waiyaki Advocates
Lex Chambers
Maji Mazuri Road, Off James Gichuru Road
P.O. Box 74041 - 00200
Nairobi

NOTICE OF ANNUAL GENERAL MEETING

To the Members of FOUNTAIN GLOBAL INVESTORS PLC,

NOTICE IS HEREBY GIVEN that the 3rd Annual General Meeting of the Company will be held at Sagana Hotel, Sagana, Makuyu-Makutano Road, opposite Kengen-Sagana River, Kirinyaga County, on Wednesday, 28th June 2017 at 12.00 noon to transact the following business:

1.ORDINARY BUSINESS

i. To receive the Report of the Directors and the Statements of Comprehensive Income and Statement of Financial Position of the Company for the year ended 31 December 2016 with the Auditors' report thereon.
ii. To note that the directors do not recommend a dividend in respect of the year ended 31 December 2016.
iii. Election of directors.
   a. Mrs. Susan Omanga retires by rotation and though being eligible, does not offer herself for re-election.
   b. Mr. Gerald Portals O. Onyango retires by rotation and being eligible offers himself for re-election in accordance with Article 112 of the Articles of Association.
iv. To re-appoint Deloitte & Touche, who have expressed their willingness to continue, as the auditors of the Company, and to authorize the Directors to fix their remuneration.
v. To approve the remuneration of the Directors.

BY ORDER OF THE BOARD

Bernice Muya
Company Secretary
Nairobi

Registered Office
L.R. No. 947/1
P. O. Box 28515 - 00100 Nairobi
Email: Bernice.muya@fep-group.com

5th June 2017

NOTE:

A member entitled to attend and vote at a meeting is entitled to appoint any other person to vote instead of him. The instrument appointing the proxy must be delivered to the Secretary not less than forty eight (48) hours before the meeting.

BOARD OF DIRECTORS

Eng. Erastus K. Mwongera

Chairman

Eng. Erastus K. Mwongera, a Registered Consulting Engineer and a Fellow of the Institution of Engineers of Kenya, is a partner of EM Baseline Consultants. A long serving career administrator, Eng. Mwongera is a former Permanent Secretary and former Chairman of Kenya Airports Authority, Federation of Kenya Employers and Karen and Langata District Association. He is serving in the boards of Sameer Africa Ltd,Linksoft Services and Kenya National Highways Authority. Eng. Mwongera, a committed Christian, is a standing Elder of Nairobi Baptist Church where he has served as Chairman of Elders Court.

Dr. John Muchira Kithaka

Director

Dr. John Kithaka is the founder and vision bearer of Fountain Enterprises Programme (FEP) and President of FEP Group. He holds a PhD in Christian Leadership, an MSc. in Entrepreneurship and a Bachelor of Architecture both from Jomo Kenyatta University of Agriculture and Technology(JKUAT). Dr. Kithaka is a registered Architect and a Corporate Member of the Architectural Association of Kenya (AAK), and a valuable Board Member in various national and international corporate and social institutions. In 2012, he earned the prestigious recognition as one of Kenya's Top 40 under 40 men and won the Utumishi Bora award for the pioneering and Innovative category by the Kenya Christian Professionals Forum (KCPF) in 2015. Dr. Kithaka is a renowned author and transformational speaker in leadership and emerging social-economic trends.

Dr. Margaret Chemengich

Director

Dr. Margaret Chemengich is a former Permanent Secretary, an independent researcher consulting mainly on regional integration, development policy, and management. She is a board member of African Research and Resource Forum, Trustee at KCA University and Chairperson of the Board of Directors at Chemelil Sugar Company Limited. She has previously held senior positions both in government and private sector.

Jones Makau Nzomo

Director

Mr. Jones Makau Nzomo has over 15 years' experience in the Banking and Finance industry. He has served as the Director of HR and Services at the Central Bank of Kenya where he also held the position of the Director Finance, Banking Supervision, Banking and Currency. While at the Central Bank of Kenya, Mr. Nzomo was an Alternate Director to the CBK Governor on the boards of Export Promotion Council, Export Processing Zone Authority, University of Nairobi Enterprises & Services Limited, Capital Markets Authority, Kenya Institute of Bankers and the Insurance Regulatory Authority. Mr. Nzomo has also served as a Non-Executive Director of Southern Credit Banking Corporation Ltd. Mr. Nzomo currently conducts trainings on Finance and Risk Management at the Centre for Corporate Governance and also serves as a Board and Audit committee Member of AAR Insurance Holdings. He is a Certified Public Accountant.

Susan Omanga

Director

Ms. Susan Omanga joined the Board in August 2014. She is the Managing Director of Exclamation Marketing Ltd, a marketing communications agency. Susan brings to the Board extensive marketing and communications expertise having once led the marketing function in Barclays Bank and Standard Chartered (in the EA region), over the years. Previously she worked for Boots, Colgate Palmolive, and an advertising agency in Billings Montana, USA. Susan has broad boardroom experience and requisite training in corporate governance. She served on the Board of KCB Bank Group for 8 years, KCB Uganda, was Chairman of KCB Foundation and a director at S & L. She also served as a Director at KWFT for 6 years. Currently she sits on the Boards of Ketepa, UAP Holdings, Longhorn Publishers and Acumen East Africa. She holds a BSc. Degree in Business Management and Marketing with a minor in Advertising from Rocky Mountain College, Billings, Montana, USA.

Damaris Gitonga

Director

Mrs. Damaris W. Gitonga is an advocate of the High Court of Kenya with over 20 years' experience. She is a Certified Public Secretary, a Certified Professional Mediator (MTI), Commissioner For Oaths, and a Certified Pensions Trustee. Her areas of interest are corporate and commercial law, banking and finance law, dispute resolution, legal risk management and compliance, debt recovery, leadership and corporate governance. Previously, Damaris has held various management and leadership positions both in the private and public sectors having served at National Bank of Kenya as the Manager Legal Services, the Company Secretary of the bank's Insurance Agency, as a member of the bank's Executive Management Committee and Chair of the bank's Corporate Trustee Services Committee. She has also served as the Board Secretary and Legal officer at the National Water Conservation & Pipeline Corporation. Damaris is the proprietor of Damaris W. Gitonga & Co. Advocates.

Gerald Portals Oketch Onyango

Director

Mr. GPO Onyango has over 30 years' experience in the banking industry having worked in various capacities at Barclays Bank of Kenya, Consolidated Bank of Kenya, has served as the National Manager and CEO at Kolping International (AFOS Microfinance) and the immediate past chairman of the Dunga Microfinance Project for a period of over 10 years. He is a Financial Consultant and an entrepreneur with hands on experience in matters business. GPO is a Red Cross Life Member currently serving as the Chairman of the Kenya Red Cross, Western Kenya Region. He is also a Rotarian and a past Assistant Governor of Western Kenya. He is also the Chairman of the Barclays Bank of Kenya Pensioners Association amongst other corporate and social institutions.

Bernice Muya

Company Secretary

Mrs. Bernice Muya is the Group Legal and Regulatory Affairs Manager at FEP Holdings Limited. Prior to joining FEP Holdings Limited, she worked with UAP Insurance Company Ltd as the Legal Manager & Company Secretary. Bernice worked at Madison Insurance Company Kenya Ltd as the Head of Legal Services and at Kenya Women Microfinance Bank (KWFT DTM) amongst other reputable institutions. She holds a Bachelor of Laws Degree from Moi University and a Post Graduate Diploma in Legal Practice from the Kenya School of Law. Mrs. Muya is also a Certified Public Secretary (CPS (K) and recently qualified as a Mediator with the Mediation Training Institute International (East Africa). She is a member of the East Africa Law Society (EALS), Law Society of Kenya (LSK), the Institute of Certified Public Secretaries of Kenya and the Chartered Institute of Mediators.

CORPORATE GOVERNANCE

The Board of Fountain Global Investors PLC is responsible for the overall management of the organization and is committed to ensuring that its business and operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices in corporate governance.

In recent years, various recommendations have been made in several legal and professional publications in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board is committed to full compliance of all the relevant laws.

1. The Board of Directors

The Board is responsible for drawing and implementing strategies for the long-term success of the company as well as carrying out the fiduciary duty of monitoring and overseeing the activities of management. To this end, the Board meets regularly and has a formal schedule of matters reserved for its decision. These matters include determining and reviewing the strategy of the company and overseeing its compliance with statutory and regulatory obligations.

Notices and agenda for all Board meetings are circulated to all Directors on a timely basis together with the relevant documents for discussion.

Composition of the Board

The Board as constituted was nominated during the 1st Annual General Meeting held on the 9th of August 2014. All prior Board decisions and operations were carried out and monitored by the FEP Holdings Limited's Board of Directors. The Directors appointed have a wide range of skills and experience and each contributes independent judgement and knowledge to the Board's discussions.

The Board has delegated the authority for the day to day operations to the General Manager. The Board is mandated to meet at least four (4) times in a year for scheduled meetings and on other occasions as may be necessary.

Board Attendance for the year 2016

The table below shows the number of Board meetings held during the year and the attendance of individual directors:

2. Board and Management Committees

The Board has constituted four sub-committees namely the Audit and Governance Committee, the Risk and Compliance Committee, the Nomination and Remuneration Committee and the Credit, Operations and Business Development Committee. Each of these committees has its own terms of reference detailing its mandate and each is chaired by a Non- Executive Director.

Audit and Governance Committee

This committee is composed of the following Directors:
- Mr. Jones Makau Nzomo (Chair)
- Dr. Margaret Chemengich
- Mrs. Damaris Gitonga

The Committee reviews and monitors the integrity of the company's annual and interim financial statements, circulars to shareholders and any formal announcements relating to the company's financial performance, including significant financial reporting judgements contained within them. The ultimate responsibility for the approval of the annual and interim financial statements rests with the Board.

In relation to the Internal Audit function, the Committee's responsibilities include:
- Monitoring and assessing the role and effectiveness of the Internal Audit function and receiving reports on these matters; and
- Considering the appointment, resignation or dismissal of the Head of Internal Audit.

In relation to the company's external auditor, the Committee's responsibilities include:
- Considering and making recommendations to the Board on the appointment, re-appointment, resignation or dismissal of the external auditor;
- Approving the terms of engagement, nature and scope of the audit; and
- Reviewing the findings of the audit including any major issues that arose during the course of the audit.

MEMBER	ROLE	BOARD MEETINGS 08/02	24/03	05/05	02/06	TOTAL ATTENDANCE
Eng. Erastus K. Mwongera	Chairman	√	√	√	√	**4/4**
Mrs. Susan Omanga	Vice - Chair	√	√	✕	√	**3/4**
Dr. John Kithaka	Member	√	√	√	√	**4/4**
Mr. Jones Makau Nzomo	Member	√	√	√	√	**4/4**
Dr. Margaret Chemengich	Member	✕	√	√	√	**3/4**
Mrs. Damaris Gitonga	Member	√	√	√	√	**4/4**
Mr. GPO Onyango	Member	√	√	√	√	**4/4**

Risk Management and Compliance Committee

This committee is composed of the following Directors:
- Mr. GPO Onyango (Chair)
- Dr. John Kithaka
- Mrs. Damaris Gitonga

The Risk and Compliance committee's primary responsibility is to ensure the company has a robust risk management framework.

The Committee reviews and assesses the effectiveness of this Framework and ensures that the risk policies and strategies are adhered to.

The basic principles of risk management that are followed and enforced through the Risk Management committee include:

- The Board assumes the ultimate responsibility for the level of risks taken by the company and is responsible to oversee the effective implementation of the risk strategies;

- The organizational risk structure and the functions, tasks and powers of the employees, committees and departments involved in the risk processes are continuously being reviewed to ensure clarity of their roles and responsibilities;

- Risk issues are taken into consideration in all business decisions;

- Identified risks are reported in a transparent and timely manner and in full to the responsible senior management; and

- Appropriate, effective controls exist for all processes entailing risks.

Nomination and Remuneration Committee

This committee is composed of the following Directors:
- Eng. Erastus K. Mwongera (Chair)
- Dr. John Kithaka
- Mrs. Susan Omanga

The Committee's responsibilities include:

- Reviewing the structure, size and composition of the Board to ensure the optimum balance of skills, knowledge and experience taking into account the opportunities and challenges which face the company;

- Identifying and nominating for the approval of the Board a suitable candidate for any Board vacancy which may arise;

- Monitoring the development of succession plans for the company relating to senior executive management;

- Reviewing the emoluments of both executive and non executive Directors, and senior management.

- Reviewing the Human Resource risks as may be escalated to the sub-committee from time to time.

Credit, Operations and Business Development Committee

This committee is composed of the following Directors:
- Mrs. Susan Omanga (Chair)
- Dr. John Kithaka
- Mr. GPO Onyango

The primary responsibilities of the Board Credit Committee are:
- Review and oversee the overall Credit policy and ensure that the risk lending limits are reviewed annually as and when the environment so dictates;

- Deliberate and consider loan applications beyond the limits of Management Lending Committee and consider all issues that may materially impact on the present and future quality of the Company's credit risk management;

- Ensure that the credit policy sets out acceptable levels of exposure to the various economic sectors, currencies and maturities as well as target markets, diversification and concentration of the credit portfolio.

- Monitor the cash operations activities in the company to ensure adherence to controls and performance against system targets and ensure that senior management establish es and maintains an adequate, effective and efficient internal control framework for the administration of all operational functions.

- Determine and review the overall strategic approach which will maximize opportunities and enhance the profile and investment return of the company and assess the invest ments, required resources, organizational effort and time for the realization of identified opportunities.

The Board of the organization is committed to ensuring that all the shareholders and all relevant stakeholders are provided with full and timely information about its performance and com- pliance with regulations and obligations relevant to the applicable regulatory authorities.

MESSAGE FROM THE CHAIRMAN

Distinguished Shareholders, Ladies and Gentlemen,

Welcome to the Fountain Global Investors PLC's third Annual General Meeting. It is with great pleasure that I present to you the company's 2016 Annual Report and Financial Statements.

This AGM marks the beginning of a new chapter following our successful transition from Fountain Microfinance Bank to Fountain Global Investors PLC. The transition has been marked by a remarkable improvement in financial and operational performance.

Economic overview

Kenya's economy in 2016 grew by 5.8 per cent, well above the global average of 2.9 per cent. This marked a modest improvement from the 5.6 per cent growth recorded in 2015. Despite the growth, there were some formidable challenges in the business environment, especially in the final two quarters of the year.
The enactment of the Banking Amendment Act in August last year led to a sharp decline in commercial banks' lending to the private sector. Banks instead opted for government paper. Consequently, many businesses struggled with cash flow deficits, leading to the massive layoffs witnessed in different sectors of the economy last year.

> ***We are glad to announce that the 26,165 share certificates for Fountain Global Investors PLC have been printed and are currently being dispatched through the FEP leaders in various counties and the diaspora.***

The drought that gripped the country in the last quarter of 2016 and stretched into 2017 also had an impact on the economy. It resulted in an upward push in food prices, leading to higher inflation and lower purchasing power for consumers. This affected businesses across the board. On a more positive note, there was an increase in diaspora remittances. Inflows from Kenyans in the diaspora hit a record $1.63 billion in 2016 compared with $1.54 billion a year earlier. This underscores the vibrancy of the Kenyan diaspora community. It equally highlights the immense opportunity for the broader FEP fraternity in light of our strong network in the diaspora.

Business Developments

Last year, we focused on ensuring a smooth transition from Fountain Microfinance Bank to Fountain Global Investors PLC. This involved a cost rationalization exercise where we reorganized the company in order to increase efficiency and deliver value for shareholders. This resulted in a substantial decline in our losses, which decreased from Ksh42.9 million to Ksh16.4 million.

We also intensified our efforts to improve our investor relations by finalizing the cleanup of the share registry. We are glad to announce that the 26,165 share certificates for Fountain Global Investors PLC have been printed and are currently being dispatched through the FEP leaders in various counties and the diaspora.

We opted to leverage on FEP leaders within our membership network to ensure effective delivery. The FEP leaders enjoy greater proximity with members and this will ensure that all shareholders get their certificates in a timely fashion.

Due to the transition and the focus on printing and dispatching share certificates, we adopted a more conservative approach to business last year. We primarily focused on consolidating the gains we have made and did not actively pursue new lines of business.

Corporate Governance

Our commitment to sound corporate governance remains stronger than ever, especially now during this time of change.

The board still strongly adheres to the immutable principles of transparency and accountability. Moreover, it was necessary in the year to reduce the number of Board and Committee meetings.

Future outlook

We thank you for your continued support, particularly during this time of transition. Your support of our transition and your unwavering trust in our leadership have been indispensable.

Going forward, we are keen on sustaining the improvement in performance and getting out of loss making territory. We are optimistic that this will happen within the next year.

This year we will retain our conservative business policy and focus on existing investments. We will nonetheless proactively identify attractive investment opportunities with a view to capitalise on them further down the road when we have fully stabilized. When the time comes we will also revisit our ambition of becoming a bank.

Thank you and God bless all of you.

Eng. Erastus K. Mwongera, FIEK, RCE, CBS

Board Chairman, Fountain Global Investors PLC.

MANAGEMENT REPORT

To all Shareholders, Board of Directors, Management and Staff of Fountain Global Investors PLC.

It is my great pleasure to welcome you to the third Annual General Meeting of Fountain Global Investors PLC. I take this opportunity to report to you the business's operational and financial highlights of for the year 2016.

Financials

In 2016, there was a substantial improvement in financial performance which saw a reduction of losses for the year to Ksh16.4 million, down 61% from Ksh42.9 million a year earlier. The decline in losses was driven by a sharp decline in costs as well as an increase in interest income.

Our cost rationalization exercise allowed us to reorganize operations and improve efficiency. Administrative expenses, for instance, declined from Ksh55.8 million in 2015 to Ksh46.9 million last year. Similarly, our focus on maximizing existing assets led to an increase in interest income, which increased to Ksh30.4 million in 2016 from Ksh20.2 million a year earlier. These factors positively contributed to the improvement in financial performance during the year.

The transition from a microfinance bank to an investment vehicle also led to restructuring of our assets, including several major write offs. These include core banking software (Kshs. 15 million) and branch assets (Kshs.17.7 million). This affected the overall valuation of our assets, which declined to Ksh331.8 million from Ksh364.2 million.

Our bank assets namely Silkwood and Meru branches infrastructure were sold off at open market value in order to offset the costs we incurred in acquisition and maintenance and generate cash flow. This was to protect shareholder value.

We have also outsourced investor advisory and management functions to our parent company, FEP Holdings, in order to further cut back on costs. FEP holdings have committed to offer these services at no management cost for two years 2016 and 2017.

The process of printing and issuing share certificates is substantially complete. A total of 26,165 share certificates for Fountain Global Investors PLC have been printed and are currently being dispatched through the FEP leaders in various counties. We opted for this option instead of through the post service in order to save on costs and also to ensure that each and every shareholder receives the share certificate on time.

Downsizing

We changed our name from Fountain Microfinance Bank to Fountain Global Investors PLC. Consequently, the core banking software, which was acquired at a cost of 15 million for the microfinance bank, was written off from the books.

In line with our transition from a microfinance bank to an investment vehicle, we downsized last year. Majority of the staff were transferred to a local bank, and we now have only one staff remaining.

We also moved offices in order to cut back on leasing costs. Our offices are no longer at Silkwood Suites along Ngong Road, but at FEP Holdings Offices Galana Plaza - 3rd Floor. FEP Holdings is also offering other support services, allowing us to contain costs.

Furthermore, we have terminated all lease contracts for our branches and sold off the branches in Meru and Silkwood to a local financial institution for Ksh29 million. The proceeds from the sale of the branches have been invested in fixed deposits.

All these changes have led to a decline in operational costs and we are confident that we will turn a profit in the current year. Our funds are currently invested at 11% per annum, which is a good rate in view of prevailing market rates.

The objectives of Fountain Global Investors plc include: To carry on the business of an investment company and to buy, sell, hold, invest in, trade in or otherwise acquire, whether by way of direct subscription, market purchase, off-market purchase exchange or otherwise, and deal in all kinds of securities and investments including but not limited to all types of equity securities, debt securities (including debentures and bonds), options and futures of all kinds of companies, partnerships, firms or other entities, whether in Kenya or elsewhere, either singly or jointly with any other person(s) and whether for own business or for commission, fees or otherwise. We also want to buy, acquire, lease, let, convey or otherwise deal in all types of properties whether moveable or immovable, as the directors may from time to time determine.

We are keen on fully acting upon this mandate. Our first priority at the moment is to protect shareholder value and turn a profit.

Conclusion

We again extend our deep appreciation for your support during this time of change. Your trust in our leadership is not taken for granted. We promise to be responsive to your needs and proactively update you on any material developments as you rightly deserve.

I also thank our Board of Directors for the wise and dedicated leadership they have demonstrated during this critical time.

My gratitude also goes out to the management for the efforts, dedication and unwavering commitment shown so far.

Thank you and God bless you.

Maurice K. Korir, FEP Holdings CEO

On behalf of Management, Fountain Global Investors PLC.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Fountain Global Investors PLC (formerly Fountain Microfinance Bank Limited) (the "company") for the year ended 31 December 2016, which disclose its state of financial affairs. In accordance with Section 42 of the sixth schedule transitional and savings provisions of the Companies Act, 2015, this report has been prepared in accordance with section 157 of the repealed Companies Act, as if this repeal had not taken effect.

PRINCIPAL ACTIVITY

The principal activity of the company is engagement in investment activities.

CHANGE OF COMPANY'S NAME

Effective 13 December 2016, the company changed its name from Fountain Microfinance Bank Limited to Fountain Global Investors PLC.

RESULTS FOR THE YEAR

	2016	2015
	Shs	Shs
Loss before taxation	(16,476,134)	(35,588,161)
Taxation charge	-	(7,314,472)
Loss for the year transferred to accumulated losses	(16,476,134)	(42,902,633)
	=========	=========

DIVIDEND

The directors do not recommend payment of a dividend in respect of the current financial year (2015-nil).

DIRECTORS

The current members of the Board of Directors is as shown on page 3 & 4.

AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of the Kenyan Companies Act.

BY ORDER OF THE BOARD

Secretary

7th June 2017

Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company and which disclose, with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The directors accept responsibility for the preparation and presentation of these annual financial statements, in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act.

The directors also accept responsibility for:

(i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) Selecting suitable accounting policies and applying them consistently; and
(iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

EKMwongera

Director

Director

7th June 2017

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

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www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOUNTAIN GLOBAL INVESTORS PLC (FORMERLY FOUNTAIN MICROFINANCE BANK)

Report to the Financial Statements

Opinion

We have audited the accompanying financial statements of Fountain Global Investors PLC (formerly Fountain Microfiance Bank Limited), set out on pages 15 to 30, which comprise the statement of financial position as at 31December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement 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 accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which is consistent with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information, which comprises the report of directors as required by the Kenyan Companies Act. 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOUNTAIN GLOBAL INVESTORS PLC (FORMERLY FOUNTAIN MICROFINANCE BANK)

.....Continued

basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 the 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 Company'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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal Requirements

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

(a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

(b) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and

(c) The company's statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

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

Deloitte & Touche

Certified Public Accountants (Kenya)

Nairobi, Kenya

7th June 2017

Fountain Global Investors PLC Financial Statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Shs	2015 Shs
INTEREST INCOME	3	30,499,295	20,262,401
ADMINISTRATIVE EXPENSES	4	(46,975,429)	(55,850,562)
LOSS BEFORE TAXATION		(16,476,134)	(35,588,161)
TAXATION CHARGE	7(a)	-	(7,314,472)
LOSS FOR THE YEAR		(16,476,134)	(42,902,633)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(16,476,134)	(42,902,633)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 Shs	2015 Shs
ASSETS			
Non - current assets			
Equipment	8	780,535	27,728,183
Current assets			
Taxation recoverable	7(c)	6,912,627	3,039,361
Other receivables	9	1,930,841	23,163,783
Due from related company	10(a)	88,091,969	100,364,390
Short term bank deposits	11	231,608,846	202,874,598
Bank balances		2,509,097	7,459,422
		331,053,380	336,541,554
TOTAL ASSETS		331,833,915	364,269,737
EQUITIES AND LIABILITIES			
Capital and reserves			
Share capital	12	316,968,785	119,295,145
Funds awaiting allotment of shares		42,873,350	240,546,990
Accumulated losses		(82,335,717)	(65,859,583)
Shareholders' funds		277,506,418	293,982,552
Current liabilities			
Due to related companies	10(b)	51,692,038	65,285,600
Other payables	13	2,635,459	5,001,585
		54,327,497	70,287,185
TOTAL EQUITY AND LIABILITIES		331,833,915	364,269,737

The financial statements on pages 16 to 31 were approved and authorised for issue by the board of directors on 7th June 2017 and were signed on their behalf by:

EKMwongera

Director

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital Shs	Funds awaiting allotment of shares* Shs	Accumulated losses Shs	Total Shs
At 1 January 2015	119,295,145	240,546,990	(22,956,950)	336,885,186
Total comprehensive loss for the year	-	-	(42,902,633)	(42,902,633)
At 31 December 2015	119,295,145	240,546,990	(65,859,583)	293,982,552
	=========	=========	=========	=========
At 1 January 2016	119,295,145	240,546,990	(65,859,583)	293,982,552
Funds alloted during the period	197,673,640	(197,673,640)	-	-
Total comprehensive loss for the year	-	-	(16,476,134)	(16,476,134)
At 31 December 2016	316,968,785	42,873,350	(82,335,717)	277,506,418
	=========	=========	=========	=========

* This relates to funds contributed by members awaiting allotment of shares.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 Shs	2015 Shs
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(16,476,134)	(35,588,161)
Adjustments for:			
Depreciation of equipment	8	3,720,796	4,986,780
Loss on disposal of equipment		1,039,937	-
Assets written off		4,604,629	
Working capital changes:			
Decrease/(increase) in other receivables		21,232,942	(21,054,567)
(Decrease)/increase in other payables		(2,366,126)	9,586,274
Net movement in related company balances		(1,321,141)	259,477,746
Net Cash generated from operating activities		10,074,903	217,408,072
Taxation paid	7(c)	(3,873,266)	(3,039,361)
Net Cash generated from operating activities		6,201,637	214,368,711
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	8	(11,959,533)	(4,037,845)
Proceeds from disposal of equipment		29,541,819	-
Net cash generated from/ (used in) investing activities		17,582,286	(4,037,845)
INCREASE IN CASH AND CASH EQUIVALENTS		23,783,923	210,330,866
CASH AND CASH EQUIVALENTS AT THE BEGINNING		210,334,020	3,154
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		234,117,943	210,334,020
REPRESENTED BY:			
Short term bank deposits		231,608,846	202,874,598
Bank balances		2,504,214	7,455,817
Cash at hand		4,883	3,605
Deposits, bank balances and cash		234,117,943	210,334,020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 ACCOUNTING POLICIES

a) Statement of compliance

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

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

b) Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC)

STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION

Adoption of new and revised International Financial Reporting Standards (IFRS)

i) New standards and amendments to published standards effective for the period ended 31 December 2016

Several new and revised standards and interpretations became effective during the year. The directors have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the company's financial statements.

ii) New and amended standards and interpretations on the financial statements for the period ended 31 December 2016 and future annual periods

New and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
Amendments to IAS 7: Disclosure Initiative	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

(iii) Impact of relevant new standards and amendments to published standards effective for the year ended 31 December 2016 and future annual periods

IFRS 9 Financial Instruments

In November 2009, the International Accounting Standards Board (IASB) introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. The directors of the company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the company's financial assets and financial liabilities.

However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed by the company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors are still in the process of assessing the full impact of the application of IFRS 15 on the Company's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. The directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify the following:

• Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

• When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;

• The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

• In evaluating whether sufficient future taxable profits are available, an entity should compare thedeductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

(iv) Early adoption of standards

The company did not early-adopt any new or amended standards in the financial period.

Basis of preparation

The company prepares its financial statements on the historical cost basis of accounting. The principal accounting policies adopted in the preparation of these financial statements remain unchanged from the previous year and are set out below:

Revenue recognition

Interest revenue

Interest revenue is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the assets net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment on a straight-line basis over the expected useful life of the relevant asset at the following annual rates:

Furniture, fittings and office equipment	12.5%
Computers	33.3%

Impairment

At each end of reporting period, the company reviews the carrying amounts of its financial assets and tangible and intangible assets to determine whether there is any

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 ....Continued

indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

Related parties

The Company discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and related companies. The related party transactions are at arm's length.

Financial assets

Recognition and measurement on initial recognition

Financial assets are classified into receivables; these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment of receivables is when there is a significant financial difficulty of the counter party or when there is a default or delinquency in the interest or principal payments. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

The carrying amount of the financial asset is reduced by the impairment loss indirectly through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as other financial liabilities. Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Provisions for employee entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued up to the end of the reporting period.
The Corporation also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local

statute.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from good will or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Current and deferred tax for the year

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

Retirement benefit costs

The company does not operate a retirement benefit scheme for its staff but contributes to the statutory National Social Security Fund. This is a defined contribution scheme registered under the National Social Security Act. The company's obligations under the scheme are limited to specific contributions legislated from time to time. The company's obligations to this scheme are charged to the profit or loss as they fall due.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Comparatives

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the entities accounting policies are dealt with below:

(a) Critical judgements in applying accounting policies

There are no critical judgments, apart from those involving estimations (see b below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

(b) Key sources of estimation uncertainty
Impairment losses

At end of each reporting year, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 ....Continued

	2016 Shs	2015 Shs
3 INTEREST INCOME		
Interest on short term bank deposits	30,499,295	20,262,401
	========	========

This relates to interest earned on bank deposits in the year.

4 ADMINISTRATIVE EXPENSES

	2016 Shs	2015 Shs
Staff costs (note 6)	16,542,009	25,507,131
Rental charges	7,587,696	11,907,375
Depreciation of equipment (note 8)	3,720,796	4,986,780
Professional fees	-	4,309,229
Personnel expenses	585,005	2,303,465
Other expenses	1,260,601	2,221,008
Marketing and promotion	2,102,200	2,054,000
Board expenses	615,264	1,103,045
Audit fees	810,060	700,000
Consultancy costs	-	300,000
Stationery expenses	33,540	291,806
Penalties	68,743	141,619
Bank charges	16,993	25,104
Provisions for doubtful debts	254,736	-
Loss on disposal of equipment	1,039,937	-
Assets written off	4,604,629	-
Prepayments written off	7,733,220	-
	46,975,429	55,850,562
	========	========

5 LOSS BEFORE TAXATION

The loss before taxation is arrived at after charging

	2016 Shs	2015 Shs
Depreciation of equipment (note 8)	3,720,796	4,986,780
Audit fees	810,060	700,000
Assets written off	4,604,629	-
Prepayments written off	7,733,220	-
Director fees	-	-
	=========	========

6 STAFF COSTS

	2016 Shs	2015 Shs
Salaries and wages	14,873,000	24,214,651
Pension expenses	488,060	1,006,980
Leave pay provision	8,816	285,500
Final dues	1,172,133	-
	16,542,009	25,507,131
	=========	========

7 TAXATION

(a) Taxation charge

	2016 Shs	2015 Shs
Current taxation based on loss for the year at 30%	-	-
Deferred tax credit (note 14(b))	(2,897,304)	(10,624,325)
Deferred tax not recognised	2,897,304	17,938,797
	-	7,314,472

(b) Reconciliation of expected tax based on accounting loss before taxation to taxation charge

	2016 Shs	2015 Shs
Loss before taxation	(16,476,134)	(35,588,161)
Tax at the applicable rate of 30%	(4,942,840)	(10,676,448)
Tax effect of non-deductible expenses	2,045,536	52,123
Deferred tax credit not recognised	2,897,304	17,938,797
	-	7,314,472

(c) Taxation recoverable

	2016 Shs	2015 Shs
At the start of the year	(3,039,361)	-
Charge for the year (note 7(a))	-	-
Paid in the year	(3,873,266)	(3,039,361)
At the end of the year	(6,912,627)	(3,039,361)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 ....Continued

8 EQUIPMENT

	Furniture fittings and office equipment Shs	Computer equipment Shs	Capital work in progress* Shs	Total Shs
COST				
At 1 January 2015	30,313,328	246,732	-	30,560,060
Additions	204,314	3,833,531	-	4,037,845
At 31 December 2015	30,517,642	4,080,263	-	34,597,905
At 1 January 2016	30,517,642	4,080,263	-	34,597,905
Additions	-	145,000	11,814,533	11,959,533
Disposals	(22,820,942)	(2,066,683)	(11,814,533)	(36,702,158)
Assets written off	(7,696,700)	-	-	(7,696,700)
At 31 December 2016	-	2,158,580	-	2,158,580
DEPRECIATION				
At 1 January 2015	1,869,248	13,694	-	1,882,942
Charge for the year	3,811,123	1,175,657	-	4,986,780
At 31 December 2015	5,680,371	1,189,351	-	6,869,722
At 1 January 2016	5,680,371	1,189,351	-	6,869,722
Charge for the year	2,543,137	1,177,659	-	3,720,796
Eliminated on disposal	(5,131,437)	(988,965)	-	(6,120,402)
Eliminated on write off	(3,092,071)	-	-	(3,092,071)
At 31 December 2016	-	1,378,045	-	1,378,045
NET BOOK VALUE				
At 31 December 2016	-	780,535	-	780,535
At 31 December 2015	24,837,271	2,890,911	-	27,728,183

* This capital work in progress relates to work on partitions and fittings for the client's Silkwood and Meru offices that were yet to be completed and were sold off to Credit Bank Limited during the year.

9 OTHER RECEIVABLES

	2016 Shs	2015 Shs
Rent deposits	1,719,480	2,154,216
VAT recoverable	-	2,019,954
Prepayments	211,361	18,629,613
	1,930,841	23,163,783
	========	========

10 RELATED COMPANY BALANCES

Companies are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Due from related company

	2016 Shs	2015 Shs
FEP Holdings Limited	88,091,969	100,364,390
	========	=========

(b) Due to related companies

	2016 Shs	2015 Shs
FEP Holdings Limited	49,230,633	49,194,355
Fountain Credit Services Limited	633,600	3,781,350
Kisima Real Estate Limited	-	12,272,420
Just Homes Limited	37,475	37,475
Fountain Technologies Limited	1,790,330	-
	51,692,038	65,285,600
	========	========

The related company balances are interest free, unsecured and have no fixed repayment periods.

(c) Key management compensation

	2016 Shs	2015 Shs
Salaries and other short-term employment benefits	11,280,000	10,742,900
	========	========

(d) Directors' remuneration

	2016 Shs	2015 Shs
Directors' fees	-	-
	========	========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 ....Continued

11 SHORT TERM BANK DEPOSITS- **At armotised cost**

	2016 Shs	2015 Shs
Credit Bank Limited	231,608,846	-
National Bank of Kenya Limited	-	102,791,028
Family Bank Limited	-	100,083,570
	231,608,846	202,874,598

The deposits mature within 90 complete days. The weighted average effective interest rate on fixed deposits at 31 December 2016 was 12% (2015: 16%).

12 SHARE CAPITAL

	2016 Shs	2015 Shs
Authorised:		
120,000,000 (2015 - 120,000,000) ordinary shares of 5 each	600,000,000	600,000,000
Issued and fully paid		
63,393,757 shares (2015:23,859,029) at 5 each	316,968,785	119,295,145

The movement in issued share capital is as follows:

	2016 Shs	2015 Shs
As at 1 January	119,295,145	119,295,145
Allotment of shares during the year	197,673,640	-
As at 31 December	316,968,785	119,295,145

13 OTHER PAYABLES

	2016	2015
Payroll expenses payable	-	934,919
Leave pay provision	302,467	293,651
Accrued expenses rent	-	670,400
Audit fees payable	858,400	728,500
Professional fees payable	720,100	650,000
Penalties payable	20,000	20,000
Other accruals	734,492	1,704,115
	2,635,459	5,001,585

14 DEFERRED TAXATION ASSET

(a) The net deferred taxation asset is attributable to the following items:

	2016	2015
Tax losses	14,045,692	18,365,321
Leave pay provision	90,740	88,095
Accelerated capital allowances	6,693,670	(514,619)
Deferred tax not recognised	(20,830,102)	(17,938,797)
	-	-

14 DEFERRED TAXATION ASSET **(Continued)**

b) The movement on the deferred taxation asset account is as follows:

	2016 Shs	2015 Shs
At beginning of the year	-	7,314,472
Credit to profit or loss (note 7)	2,897,304	10,624,325
Deferred tax credit not recognized	(2,897,304)	(17,938,797)
At end of the year	-	-

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments at 31 December 2016 and at 31 December 2015.

16 OPERATING LEASE COMMITMENTS

At the end of the reporting period the Company had no outstanding lease commitments as at 31 December 2016 and 31 December 2015.

17 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The company's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the company's financial performance. The company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. The board of directors in conjunction with management identifies, evaluates and addresses financial risks in close cooperation with the company's operating units. The most important types of risk for the company are credit, liquidity and market risk.

a) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The company's credit risk is primarily attributable to other receivables and bank deposits. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk. As part of the credit risk management system, the company's management reviews information on significant amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 ....Continued

17 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk management (Continued)

The amount that best represents the company's maximum exposure to credit risk at 31 December 2016 is made up as follows:

	Fully performing Shs	Past due Shs	Impaired Shs	Total Shs
As 31 December 2016				
Rent deposits	1,719,480	254,736	(254,736)	1,719,480
Due from Related party	88,091,969	-	-	88,091,969
Short term deposits	231,608,846	-	-	231,608,846
Bank balances	2,504,214	-	-	2,504,214
	323,924,509	254,736	(254,736)	323,924,509
As 31 December 2015				
Rent deposits	2,154,216	-	-	2,154,216
Due from Related party	100,364,390	-	-	100,364,390
Short term deposits	202,874,598	-	-	202,874,598
Bank balances	7,455,817	-	-	7,455,817
	312,852,626	-	-	312,852,626

b) Interest rate risk

The company's interest bearing assets are investments in short term deposits. All of these instruments are at fixed interest rates. The nature of financial instruments held, mitigates interest risk exposure of the company. Fluctuations in interest rates will have an insignificant effect on the company. As at 31 December 2015 and 2016, the company did not have any investments exposed to interest rate risk.

c) Liquidity risk

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

17 FINANCIAL RISK MANAGEMENT **(Continued)**

c) Liquidity risk (Continued)

The amounts disclosed in the table below are the contracted undiscounted cash flows of the Company's financial liabilities.

	Within 12 months Shs	Over 12 months Shs
At 31 December 2016		
Due to related companies	51,692,038	-
	==========	=========
At 31 December 2015		
Due to related companies	65,285,600	-
	==========	=========

d) Foreign currency risk management

The company did not undertake any transactions in foreign currencies. Hence, they had no exposure to exchange rate fluctuations.

18 CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.
The company was not geared as at 31 December 2016 and as 31 December 2015.

19 CONTINGENT LIABILITIES

There were no known contingent liabilities of the company as at 31 December 2016 and as 31 December 2015.

20 INCORPORATION AND CHANGE OF NAME

The company is incorporated as a limited liability company in Kenya under the Kenyan Companies Act.
With effect from 13th December 2016, the company changed its name from Fountain Microfinance Bank Limited to Fountain Global Investors PLC.

21 ULTIMATE HOLDING COMPANY

The immediate amd ultimate holding company is FEP Holdings Limited, a company incorporated in Kenya.

22 CURRENCY

The financial statements are presented in Kenya Shillings (Shs).

FOUNTAIN GLOBAL INVESTORS PLC.
(CPU/2013/117936)

FORM FOR PROXY

I/We………………………………………………………………………………………

of………………………………………………………………………………………

being a member of FOUNTAIN GLOBAL INVESTORS PLC hereby appoint:-

……………………………………………………………of……………………………………………………

or failing him/her,……………………………………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 28th June 2017 at 12.00 pm. or at any adjournment thereof.

Signature……………………………………………

Signed this ……………..day of ……….. 2017.

NOTES:

1. Unless otherwise instructed, the proxy will vote or abstain as he /she thinks fit in respect of the member's shareholding.

2. Proxies must be lodged with the Company Secretary so as to reach her not later than 48 hours before the time appointed for holding the meeting, failing which it will be invalid.

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