



PRESS RELEASE

Flame Tree Group pre-tax profit up 2% on increased sales

April 25th 2019, Nairobi – Flame TREE Group Holdings (FTGH: NSE) the diversified manufacturer and distributor of plastic tanks, cosmetics, snacks, spices and playground equipment is pleased to announce its financial performance for FY2018.

The group reported total sales for FY 2018 were up 2.62% to KES2.48 billion from KES2.42 (-5% sales decrease in FY 2017), and group expenses were down -6.45% to KES670 million from KES717 million posted the previous year.

The group has announced a 2% increase in pre-tax profit to KES42.1 million for the FY 2018 from KES41.4 million posted the previous year. This includes the impact of the bad debt provision in line with IFRS9. The Nairobi Securities Exchange (NSE) Listed firm confirmed that the profit before tax improvement is largely attributable to improved performance in sales and reduction in expenses.

According to Mr. Heril Bangera, CEO Flame Tree Group, the Group performance was the result of a sales diversification strategy, improved sales in our main market Kenya by 16% and an effort to reduce costs and identify areas to increase efficiency and quality.

“The results of FTGH show a positive evolution compared to FY 2017 as it outperformed its peer comparable companies in NSE. Our business lines contributed greatly to our overall performance with reported growth in all verticals, plastics sales grew by 5%, cosmetics by 23% and snacks & spices by 44%. We focused on reducing the dependence on conventional business’ so that we can enhance our revenue sources and in so doing pursue profitability to support the business,” says Mr Bangera.

The Group is in full compliance with the new IFRS9: all potential payment defaults have been properly classified and provided for. This gives a clear view looking ahead to the future.

Business Outlook

Looking ahead FTGH will continue to increase sales in markets within and outside Kenya, both through its companies in Kenya, Rwanda, Ethiopia and Mozambique, and by increasing significantly the value of its exports to other African countries, especially in the cosmetics division.

Dividend

The board of directors do not recommend the payment of a dividend for the year ended 31 Dec 2018.

Annual General Meeting

The 5th Annual General Meeting of the members will be held on 18th June 2019 at 11 am in Nairobi. Formal notice of the AGM will follow.

For a copy of Flame Tree Group's financial statements please visit www.flametreegroup.com

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About Flame Tree Group

Flame Tree Group is listed under the Growth and Enterprise Market Segment (GEMS) on the Nairobi Securities Exchange (NSE) as NSE: FTGH. Flame Tree Group is a world-class corporation in the heart of Africa that manufactures and distributes quality and affordable brands. Its strategy is to build a diversified portfolio of African-manufactured brands for African consumers, covering plastics, cosmetics and food in multiple markets and verticals.

The Group has operations in Kenya, Rwanda, Ethiopia, Mauritius, Mozambique and UAE. The company was founded in 1989 and now employs over 1,000 people, who are focused on delivering quality, value and innovation to improve customer's lives.

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DEC 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

The consolidated financial statements were approved and authorised for issue by

George Theobald
Chairman

Heril Bangera
CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

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

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