

Registered number: 01291880

BALTON CP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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BALTON CP LIMITED

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BALTON CP LIMITED

COMPANY INFORMATION

Directors

A J Schreier
P A Filer
A J Baker
K E Torlage

Company secretary

E Lewis

Registered number

01291880

Registered office

CP House
Otterspool Way
Watford By-Pass
Herts
WD25 8HG

Independent auditor

Blick Rothenberg Audit LLP
Chartered Accountants & Statutory Auditor
16 Great Queen Street
Covent Garden
London
WC2B 5AH

BALTON CP LIMITED

GROUP STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Principal activity

The principal activity of the group continued to be that of added-value resellers of goods in the agriculture, technology and allied sectors in East and West Africa.

Review of the business and associated key performance indicators

The results for the current financial year show a loss after taxation of \$4.1m (2017: \$0.47m profit) which has arisen due to the following two key factors which are subsequently discussed further:

- Exceptional costs totalling \$2.60m (2017: \$nil); and
- Taxation charge of \$1.99m (credit of 2017: \$0.43m).

Having analysed and evaluated the historic, current and projected performance of the operations in Tanzania and considering the challenging environment, during 2018 the directors decided to scale down the operations and focus on the profitable and sustainable business lines in Tanzania. The cost of downsizing the operations during 2018 totals \$2.6m and this has been shown as an exceptional item.

Excluding the exceptional item, the group recorded a much-improved profit on ordinary activities before taxation of \$0.48m compared to \$0.04m in 2017.

The group faced some challenging trading conditions in the second half of the year and in particular the final quarter largely as a result of a slowdown in technology sales in Tanzania, Uganda and Nigeria. The run up to the Nigerian elections in February 2019, also saw agricultural machinery sales stagnate. Currency devaluation and a customer going into administration, further impacted results.

Despite the challenging conditions outlined above, revenue increased to \$151.18m in 2018 (2017: \$143.06m). Agricultural revenue increased principally because of improved consumables sales as well as continued growth in greenhouse and seed sales. Kenya, which still represents the group's most significant market, contributed \$83.7m of the group's revenue (2017: \$79.1m), and is the largest contributor to the agricultural division, which recorded a 12% increase in revenue across the whole group.

We replaced the senior management in the technology division. This led to a temporary loss of momentum in the year and meant that the technology division only contributed 16% (2017: 21%) of the group's revenue in 2018 (\$23.68m; 2017: \$29.43m).

Gross profit margin of 28.5% for 2018 was down on the prior year of 31.7%, primarily due to a change in the mix of the agricultural business as well as a reduction in the proportion of higher margin technology revenue. Despite the lower margins, the directors are pleased to report an improved underlying operating profit before exceptional items of \$3.56m, up 2.9% over prior year as a result of the continued focus on cost control and resulting reduction in overheads.

The taxation charge in absolute terms and high effective rate of taxation is primarily due to the following:

- Taxable foreign profits being generated in certain countries which cannot be off-set against foreign trading losses in other jurisdictions; and
- Expenses not deductible for taxation (primarily the provisions in Tanzania) being excluded from taxable income / loss and local withholding tax suffered. Further details are set out in note 12.

The nature of our operations and the territories that we are invested in means that the group will continue to be subject to:

- Economic and political uncertainty in some territories which impacts on capital investment and new projects;
- Changing weather conditions, which will naturally affect our agriculture business;
- Instability in commodity prices which impacts on our customer spend; and
- Unpredictable foreign currency movements.

BALTON CP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Review of the business and associated key performance indicators (continued)

Group profitability is exposed to unpredictable foreign exchange rate movements. Whilst mitigating measures (as explained below) are implemented, a foreign exchange loss of \$1.90m arose in 2018, reflecting an improvement compared to the 2017 loss of \$2.6m.

Although the results of the underlying operations i.e. excluding the exceptional item, showed further improvement, the impact of the change in the mix of the business has resulted in an increase in our working capital requirement and a consequent utilisation of cash. Typically, the agriculture business is more working capital intensive (with more stock required and longer payment terms) than the technology business. The increase in our stocks by \$7.01m and the ongoing challenges in collecting our debtors has resulted in \$3.60m of cash being utilised in operating activities during the year. The increase in stock in particular has resulted in the group having a working capital cycle of 128 days (2017: 88 days). Management continues to have significant focus on this area in order to reduce the working capital requirement, generate cash and settle creditors. The ultimate parent company, CP Holdings Limited, continues to support the business as it works to reduce the working capital. The group also continues to enjoy strong relationships with banks, both at the subsidiary and group level reflected in additional borrowings granted in 2018.

The exceptional item cost in relation to Tanzania has impacted the group balance sheet, but it remains strong with net assets of \$25.77m (2017: \$30.35m) and net current assets of \$19.28m (2017: \$24.94m).

The key performance indicators used by the directors are revenue and gross margins, working capital cycle and profit before tax.

Future developments

The nature of the African market is such that there will always be inherent challenges for the operations. The replacement of the senior management team in the technology division and the focus on new products and opportunities is expected to address the revenue mix, enhance margins and reduce the working capital cycle. The group will also be more selective with its customers and sales as well as improve its procurement process to reduce stock holdings. The directors are confident that these initiatives will ensure that the group is well placed to return to growth and take advantage of new opportunities. The group continues to maintain strong relationships with its customers, suppliers and bankers which provide support as we address the short-term issues.

Principal risks, uncertainties and environmental matters

The group operates in markets which are exposed to political uncertainties which in turn result in credit and currency risks.

The group manages this exposure by operating in a broad spread of countries and markets.

The group's revenue is exposed to risks of exchange rate fluctuations. To mitigate this risk, where possible, the group invoices high value sales in US Dollars. In addition, the group also restricts the amount of local currency that can be held by its operating subsidiaries in Africa.

The nature of the group's business, and markets in which it operates, means that credit risk is significant, being subject to political uncertainty with some customers requesting extended terms.

Credit risk is controlled through vetting potential customers for credit worthiness as well as continuous monitoring of overdue balances and debtor days. In certain circumstances, the group will request advance payments before work is commenced. Where extended credit terms are granted to customers, adequate compensation to the group is achieved through enhanced margins.

It is important to maintain local stocks to satisfy sales demand. However, the need to maintain adequate stock levels to compensate for the lead time between order and delivery is balanced with the liquidity policies of the group to ensure working capital is adequately managed and stock write offs are minimised.

BALTON CP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks, uncertainties and environmental matters (continued)

The group manages its exposure to interest rate fluctuations by arranging most of the financing at group holding company level in order to benefit from more favourable borrowing rates and terms. This practice also helps in managing the risk of exchange rate variations.

The group is subject to local taxation regimes in the markets in which it operates, which impact sales, income, payroll and customs duty transactions. The group seeks to manage its taxation obligations in line with relevant local requirements. Relevant tax liabilities and assets are reviewed on a regular basis in the light of the performance of the local subsidiaries and any developments in local tax rules.

With the group's significant involvement in agricultural, horticultural, irrigation and water treatment sectors, environmental awareness is a key issue. Training and supplier partnerships ensure that employees can provide specialist support and expertise to customers and all stakeholders. The directors are of the opinion, that given the nature of the group's activities, no direct ratios relating to environmental activities are applicable.

Employee involvement and disabled employees

The group's policy is to consult and discuss with employees matters likely to affect employees' interests.

Information on matters of concern to employees is given through presentations, memos and reports which seek to achieve a common awareness of factors affecting the group's performance.

There is no employee share scheme.

The group has continued its policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitude and abilities. Appropriate arrangements are made wherever possible for retaining employees who become disabled, including retraining for alternative work, so as to further their career development within the group.

This report was approved by the board and signed on its behalf.



P A Filer
Director

Date: 17 May 2019

BALTON CP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to \$4,284,803 (2017 -profit \$305,420).

The directors have not recommended a dividend.

Directors

The directors who served during the year were:

A J Schreier
P A Filer
A J Baker
K E Torlage

Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Matters covered in the strategic report

As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

This report was approved by the board and signed on its behalf.



P A Filer
Director

Date: 17 May 2019

BALTON CP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BALTON CP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALTON CP LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Balton CP Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the group profit and loss account, group statement of comprehensive income, the group and company balance sheets, the group statement of cash flows, the group and company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

BALTON CP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALTON CP LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BALTON CP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALTON CP LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company'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 intend to liquidate the group or the parent company or to cease operations, or have 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters 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, as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Mayston (senior statutory auditor)

for and on behalf of
Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London

WC2B 5AH

Date: 17 May 2019

BALTON CP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT 31 DECEMBER 2018

	Note	2018 \$	2017 \$
Turnover	4	151,176,137	143,064,639
Cost of sales before exceptional items		(108,027,687)	(97,784,534)
Exceptional cost of sales	7	(848,559)	-
Gross profit		42,299,891	45,280,105
Distribution costs		(4,033,732)	(3,569,504)
Administrative expenses before exceptional items		(36,048,666)	(38,774,579)
Exceptional administrative expenses	7	(1,748,565)	-
Other operating income	5	492,270	520,787
Operating profit	6	961,198	3,456,809
<i>Operating profit before exceptional items</i>		3,558,322	3,456,809
Net interest payable and similar charges	11	(3,080,709)	(3,413,129)
(Loss)/profit on ordinary activities before taxation		(2,119,511)	43,680
<i>Profit on ordinary activities before taxation, exceptional items and amounts written off investments</i>		477,613	43,680
Taxation on (loss)/profit on ordinary activities	12	(1,989,827)	426,171
(Loss)/profit for the financial year		(4,109,338)	469,851
(Loss)/profit for the year attributable to:			
Non-controlling interests		175,465	164,431
Owners of the parent company		(4,284,803)	305,420
		(4,109,338)	469,851

BALTON CP LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 \$	2017 \$
(Loss)/profit for the financial year	<u>(4,109,338)</u>	<u>469,851</u>
Other comprehensive loss		
Currency translation differences	<u>(471,502)</u>	<u>(420,779)</u>
Other comprehensive loss for the year	<u>(471,502)</u>	<u>(420,779)</u>
Total comprehensive (loss)/profit for the year	<u><u>(4,580,840)</u></u>	<u><u>49,072</u></u>
Total comprehensive (loss)/profit for the year attributable to:		
Non-controlling interests	115,046	123,623
Owners of the parent company	<u>(4,695,886)</u>	<u>(74,551)</u>
	<u><u>(4,580,840)</u></u>	<u><u>49,072</u></u>

BALTON CP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 \$	2017 \$
Fixed assets			
Tangible assets	14	19,367,720	20,019,999
Current assets			
Stocks	16	41,183,305	34,168,692
Debtors: amounts falling due after more than one year	17	2,167,485	2,241,413
Debtors: amounts falling due within one year	17	59,599,885	60,668,992
Cash at bank and in hand	18	3,107,298	4,260,855
		<u>106,057,973</u>	<u>101,339,952</u>
Creditors: amounts falling due within one year	19	(86,782,708)	(76,396,092)
Net current assets		<u>19,275,265</u>	<u>24,943,860</u>
Total assets less current liabilities		<u>38,642,985</u>	<u>44,963,859</u>
Creditors: amounts falling due after more than one year	20	(12,186,783)	(13,424,683)
Provisions for liabilities			
Deferred taxation	22	(682,402)	(1,184,536)
		<u>(682,402)</u>	<u>(1,184,536)</u>
Net assets		<u><u>25,773,800</u></u>	<u><u>30,354,640</u></u>

BALTON CP LIMITED**CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018**

	Note	2018 \$	2017 \$
Capital and reserves			
Called up share capital	26	13,973,000	13,973,000
Revaluation reserve	24	11,686,058	11,861,331
Foreign exchange reserve	24	(16,190,437)	(15,779,354)
Profit and loss account	24	14,312,495	18,422,025
Equity attributable to owners of the parent company		23,781,116	28,477,002
Non-controlling interests		1,992,684	1,877,638
Total equity		25,773,800	30,354,640

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Paul Filler

P A Filler,
Director

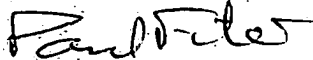
Date: 17 May 2019

The notes on pages 19 to 46 form part of these financial statements.

BALTON CP LIMITED**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	2018 \$	2017 \$
Fixed assets			
Tangible assets	14	386,982	229,259
Investments	15	33,687,842	29,687,842
		<u>34,074,824</u>	<u>29,917,101</u>
Current assets			
Stocks	16	1,171,536	
Debtors: amounts falling due after more than one year	17	3,100,057	2,870,422
Debtors: amounts falling due within one year	17	31,775,485	34,939,843
Cash at bank and in hand	18	107,554	1,051,612
		<u>34,983,096</u>	<u>40,033,413</u>
Creditors: amounts falling due within one year	19	(46,560,659)	(40,824,212)
Net current liabilities		<u>(11,577,563)</u>	<u>(790,799)</u>
Total assets less current liabilities		<u>22,497,261</u>	<u>29,126,302</u>
Creditors: amounts falling due after more than one year	20	(8,993,107)	(8,522,721)
Net assets		<u>13,504,154</u>	<u>20,603,581</u>
Capital and reserves			
Called up share capital	26	13,973,000	13,973,000
Profit and loss account	24	(468,846)	6,630,581
Total equity		<u>13,504,154</u>	<u>20,603,581</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P A Filer
Director

Date: 17 May 2019

The notes on pages 19 to 46 form part of these financial statements.

BALTON CP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Revaluation reserve	Foreign exchange reserve	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2017	13,973,000	12,049,755	(15,399,383)	17,928,181	28,551,553	1,754,015	30,305,568
Comprehensive profit for the year							
Profit for the year	-	-	-	305,420	305,420	164,431	469,851
Other comprehensive income for the year - currency translation differences	-	-	(379,971)	-	(379,971)	(40,808)	(420,779)
Total comprehensive profit for the year	-	-	(379,971)	305,420	(74,551)	123,623	49,072
Transfer	-	(188,424)	-	188,424	-	-	-
At 31 December 2017 and 1 January 2018	13,973,000	11,861,331	(15,779,354)	18,422,025	28,477,002	1,877,638	30,354,640
Comprehensive (loss)/profit for the year							
(Loss)/profit for the year	-	-	-	(4,284,803)	(4,284,803)	175,465	(4,109,338)
Other comprehensive income for the year - currency translation differences	-	-	(411,083)	-	(411,083)	(60,419)	(471,502)
Total comprehensive (loss)/profit for the year	-	-	(411,083)	(4,284,803)	(4,695,886)	115,046	(4,580,840)
Transfer	-	(175,273)	-	175,273	-	-	-
Total transactions recognised directly into equity	-	(175,273)	-	175,273	-	-	-
At 31 December 2018	13,973,000	11,686,058	(16,190,437)	14,312,495	23,781,116	1,992,684	25,773,800

BALTON CP LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2017	13,973,000	6,897,067	20,870,067
Loss for the year	-	(266,486)	(266,486)
At 31 December 2017 and 1 January 2018	13,973,000	6,630,581	20,603,581
Loss for the year	-	(7,099,427)	(7,099,427)
At 31 December 2018	13,973,000	(468,846)	13,504,154

BALTON CP LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 \$	2017 \$
Cash flows from operating activities		
(Loss)/profit for the financial year	(4,109,338)	469,851
Adjustments for:		
Depreciation & amortisation	1,623,337	1,838,264
Impairments of fixed assets	256,544	-
Profit on disposal of tangible assets	(83,218)	(60,765)
Interest payable & similar charges	3,100,501	2,728,070
Interest receivable & similar charges	(19,792)	(28,579)
Taxation charge	1,989,827	(426,171)
Increase in stocks	(7,014,613)	(138,380)
Decrease/(increase) in debtors	278,061	(11,309,824)
Increase in creditors	972,820	4,347,500
Corporation tax (paid)/received	(592,455)	17,420
Net cash used in operating activities	(3,598,326)	(2,562,614)
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,934,028)	(1,087,896)
Proceeds from sale of tangible fixed assets	158,542	220,155
Interest received	19,792	28,579
Net cash used in investing activities	(1,755,694)	(839,162)

BALTON CP LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 \$	2017 \$
Cash flows from financing activities		
New bank loans raised	193,098	4,491,362
Repayment of borrowings	(2,436,436)	(2,518,734)
New obligations under finance leases	99,941	-
Repayment of obligations under finance leases	(22,052)	(60,123)
Loan from parent company	1,135,386	5,000,000
Interest paid	(3,100,501)	(2,728,070)
Net cash (used in)/generated by financing activities	(4,130,564)	4,184,435
Net (decrease)/increase in cash and cash equivalents	(9,484,584)	782,659
Cash and cash equivalents at beginning of year	(15,955,413)	(16,007,354)
Foreign exchange gains and losses	328,250	(730,718)
Cash and cash equivalents at the end of year	(25,111,747)	(15,955,413)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,107,298	4,260,855
Bank overdrafts	(28,219,045)	(20,216,268)
	(25,111,747)	(15,955,413)

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Balton CP Limited ("the company") is a private company limited by shares incorporated in England. The address of the company's registered office and principal place of business is CP House, Otterspool Way, Watford, WD25 8HU. The nature of the group's operations and its principal activity is that of added-value resellers of goods in the agriculture, technology and allied sectors in East and West Africa.

The financial statements are presented in US Dollars (\$).

2. Accounting policies

2.1 General information and basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The functional currency of Balton CP Limited is considered to be US Dollars because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in US Dollars. The functional currencies of the subsidiaries are the currencies of the countries in which they operate.

Foreign operations are included in the consolidated financial statements in accordance with the policies set out in notes 2.2 and 2.13.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies (see note 3).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No disclosures have been given for intra-group transactions;
- No statement of cash flows for the company has been presented; and
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Going concern

As set out in these financial statements the group incurred an after tax loss of \$4,109,338 (2017: profit of \$469,851) for the year ended 31 December 2018, and as at the balance sheet date, had net current assets of \$19,275,265 (2017: \$24,943,860) and net assets of \$25,773,800 (2017: \$30,354,640). The group loss was primarily as a result of non-recurring exceptional impairment charges and the high effective tax charge in the year. The company incurred a loss in the year of \$7,099,427 (2017: \$266,486), and as at the balance sheet date had net current liabilities of \$11,577,563 (2017: \$790,799) and net assets of \$13,504,154 (2017: \$20,603,581). The loss incurred by the company was primarily as a result of non-cash charges of \$7,915,000 for impairment of amounts owed by group undertakings.

The group and company continue to be financed by bank overdraft and loan facilities, in addition to loans from the ultimate parent undertaking. The ultimate parent company has also confirmed its support for the company for the foreseeable future and the directors have considered its ability to provide such support.

The directors have considered the group and company's resources and financial position and together with the continued support of the ultimate parent company are of the opinion that the group and company have adequate resources to meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date that these financial statements were approved.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost or deemed cost for certain land and buildings held at valuation at the date of transition to FRS 102 less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- Over the life of the lease
Buildings	- 2%
Motor vehicles	- 25%
Fixtures, fittings and equipment	- 10%-33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

2.6 Leases

Assets obtained under finance leases and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals paid under operating leases are charged to the profit and loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication, the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flow obtained as a result of the asset's (or asset's cash generating unit) continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account. For assets carried at their deemed cost an amount equal to the impairment is transferred from the revaluation reserve to the profit and loss account.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

2.9 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Financial instruments

The group has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

The group's policies for its major classes of financial assets and financial liabilities are set out below.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, intergroup working capital balances, and intergroup financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the group would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.12 Provisions and contingencies

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated profit and loss account in the year that the group becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) the existence will be confirmed by the occurrence of non-occurrence of uncertain future events not wholly within the group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within net interest payable and similar charges. All other foreign exchange gains and losses are presented in the profit and loss account within administrative expenses.

On consolidation, the results of overseas operations in their functional currencies are translated into US Dollar at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and allocated to non-controlling interest as appropriate.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Finance costs

Finance costs are charged to the consolidated profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

Group pension plan

Balton CP Limited ("the company") participates in a group wide pension scheme administered by CP Holdings Limited providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. There is no contractual agreement or stated policy for charging the net defined benefit costs of the scheme to individual group entities. Therefore, the amounts charged in the profit and loss account are the contributions paid in the year.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of trade and other debtors and stock: Management review such balances on a periodic basis. In determining whether there is a need for a provision, management is required to determine their best estimate of the future expected cash flows. In arriving at this estimate, management consider historical experience and current trends.
- Impairment of investments in subsidiary undertakings: The carrying amounts of the company's investment in subsidiaries, including related long term intercompany loans and trading balances, are reviewed at each balance sheet date to determine whether there is any indication of impairment as required by FRS 102 Section 27 *Impairment of Assets*. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. The recoverable amount is the greater of net realisable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate. Impairment losses are recognised in the profit and loss account. The directors regard each subsidiary as a cash generating unit.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2018 \$	2017 \$
Agriculture	123,903,051	110,139,811
Technology	23,675,553	29,427,369
Electro-mechanical	3,361,834	3,267,392
Other	235,699	230,067
	<u>151,176,137</u>	<u>143,064,639</u>

Analysis of turnover by geographical market:

	2018 \$	2017 \$
Africa	<u>151,176,137</u>	<u>143,064,639</u>

All sales relate to the sale of goods.

5. Other operating income

	2018 \$	2017 \$
Other operating income	408,612	455,134
Profit on disposal of fixed assets	83,658	60,765
Commissions receivable	-	4,888
	<u>492,270</u>	<u>520,787</u>

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. Operating profit

The operating profit, after exceptional items, is stated after charging/(crediting):

	2018 \$	2017 \$
Depreciation of tangible fixed assets		
- owned by the company	1,609,935	1,770,459
- held under finance lease	13,402	67,805
Operating lease rentals	509,960	1,374,995
Exchange differences	1,930,067	2,653,990
Impairment of trade debtors	2,520,508	1,064,947
Impairment of stock	1,555,725	785,097
Profit on disposal of fixed assets	(83,218)	(60,765)
Stock recognised as an expense	108,876,246	97,784,534

7. Exceptional items

	2018 \$	2017 \$
Scaling down of the operations of the Tanzanian subsidiary	2,597,124	-

8. Auditor's remuneration

	2018 \$	2017 \$
Fees payable to the company's auditors:		
- for the audit of the company's annual accounts	140,000	129,900
- taxation compliance services	8,515	11,062
- taxation advisory services	-	1,743
	148,515	142,705

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. Employees

Staff costs were as follows:

	2018 \$	2017 \$
Wages and salaries	18,227,588	19,840,474
Social security costs	531,609	570,442
Cost of defined contribution scheme	692,063	627,255
Staff leave and long-term benefits accrual	97,325	(194,298)
	<u>19,548,585</u>	<u>20,843,873</u>

The average monthly number of employees, including executive directors, during the year was as follows:

	2018 No.	2017 No.
Production	473	513
Sales and distribution	301	330
Finance	52	73
Administration	256	231
Management	43	62
	<u>1,125</u>	<u>1,209</u>

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Directors' remuneration

	2018 \$	2017 \$
Directors' emoluments	956,438	764,680
Company contributions to defined contribution pension schemes	32,121	23,452
	<u>988,559</u>	<u>788,132</u>

During the year retirement benefits were accruing to 2 directors (2017 -2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$443,152 (2017 -\$337,984).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$14,618 (2017 -\$10,373).

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2018 \$	2017 \$
Salaries and other short-term benefits	<u>1,479,432</u>	<u>1,657,362</u>

11. Net interest payable and similar charges

	2018 \$	2017 \$
Bank interest payable	1,193,204	1,757,614
Bank charges	671,437	600,194
Loan interest payable	848,729	758,884
Finance lease interest payable	11,883	14,332
Interest payable on loans from parent company	375,248	310,684
Bank interest receivable	(14,729)	(19,418)
Other interest receivable	(5,063)	(9,161)
	<u>3,080,709</u>	<u>3,413,129</u>

BALTON CP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****12. Taxation**

	2018 \$	2017 \$
Corporation tax		
Current tax on (loss)/profits for the year	30,874	-
Adjustments in respect of previous periods	-	(1,251,278)
	<u>30,874</u>	<u>(1,251,278)</u>
Foreign tax		
Foreign tax on (loss)/profits for the year	1,660,129	1,606,521
Adjustments in respect of previous periods	(19,739)	(2,562)
	<u>1,640,390</u>	<u>1,603,959</u>
Total current tax on (loss)/profit	<u>1,671,264</u>	<u>352,681</u>
Deferred tax		
Origination and reversal of timing differences	318,563	(778,852)
Total deferred tax	<u>318,563</u>	<u>(778,852)</u>
Tax on (loss)/profit on ordinary activities	<u>1,989,827</u>	<u>(426,171)</u>

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 \$	2017 \$
(Loss)/profit on ordinary activities before tax	(2,119,511)	43,680
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(402,707)	8,408
Effects of:		
Expenses not deductible for tax purposes	2,985,539	516,689
Adjustments to tax charge in respect of previous periods	(19,739)	(2,562)
Income not taxable	(113,534)	(72,513)
Minimum tax payable	72,693	60,148
Utilisation of tax losses	-	(451,882)
Losses not relieved for tax	195,459	286,612
Difference in rate of tax	(417,406)	104,911
Payment for losses surrendered to group	-	(1,251,278)
Withholding tax suffered	988,176	360,157
Other differences	135,451	15,139
Unrecognised deferred tax asset on losses	(1,434,105)	-
Total tax charge/(credit) for the year	1,989,827	(426,171)

Factors that may affect future tax charges

As at the balance sheet date, there were tax losses in the company and subsidiary undertakings of \$8,927,000 (2017 - \$5,167,000) available to be carried forward and set off against future taxable profits. This gives rise to a potential deferred tax asset of approximately \$2,984,000 (2017 - \$1,550,000) which has not been recognised in the financial statements in view of the uncertainty as to the level of future taxable profits in the subsidiary undertakings.

A reduction to the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss after tax of the parent company for the year was \$7,099,427 (2017 - loss of \$266,486).

14. Tangible fixed assets

Group

	Land and buildings \$	Motor vehicles \$	Fixtures, fittings and equipment \$	Total \$
Cost or valuation				
At 1 January 2018	19,615,740	5,562,253	7,425,840	32,603,833
Additions	711,752	599,237	623,039	1,934,028
Disposals	-	(398,924)	(33,725)	(432,649)
Exchange adjustments	(895,891)	(136,801)	(72,395)	(1,105,087)
At 31 December 2018	19,431,601	5,625,765	7,942,759	33,000,125
Depreciation				
At 1 January 2018	2,986,442	4,129,536	5,467,856	12,583,834
Charge for the year	535,958	550,326	537,053	1,623,337
Disposals	-	(331,971)	(25,354)	(357,325)
Impairment charge	256,544	-	-	256,544
Exchange adjustments	(403,364)	(13,482)	(57,139)	(473,985)
At 31 December 2018	3,375,580	4,334,409	5,922,416	13,632,405
Net book value				
At 31 December 2018	16,056,021	1,291,356	2,020,343	19,367,720
At 31 December 2017	16,629,298	1,432,717	1,957,984	20,019,999

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. Tangible fixed assets (continued)

Included in the cost of fixtures & fittings are assets in the course of construction in the amount of \$27,335 (2017- \$25,358).

The group applied the transitional option contained in Section 35 of FRS 102 to use a valuation as the deemed cost for certain long leasehold properties as at the date of transition to the standard. The valuations were performed by an independent valuer on the date of transition to FRS 102, being 1 January 2013. The properties are being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to the profit and loss account.

Included in long lease hold property are land and buildings valued at the date of transition to FRS 102 using the deemed cost option of:

	2018 \$	2017 \$
Historical cost equivalent	2,944,671	2,953,860
Revaluation	8,127,220	8,817,105
Net book value	11,071,891	11,770,965

BALTON CP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018****14. Tangible fixed assets (continued)****Company**

	Motor vehicles \$	Fixtures, fittings and equipment \$	Total \$
Cost			
At 1 January 2018	404,372	1,584,150	1,988,522
Additions	-	305,911	305,911
At 31 December 2018	404,372	1,890,061	2,294,433
Depreciation			
At 1 January 2018	339,254	1,420,009	1,759,263
Charge for the year	38,447	109,741	148,188
At 31 December 2018	377,701	1,529,750	1,907,451
Net book value			
At 31 December 2018	26,671	360,311	386,982
At 31 December 2017	65,118	164,141	229,259

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. Fixed asset investments

Company

	Investments in subsidiary companies \$	Loans to subsidiaries \$	Total \$
Cost			
At 1 January 2018	27,687,842	2,000,000	29,687,842
Additions	4,000,000	-	4,000,000
At 31 December 2018	<u>31,687,842</u>	<u>2,000,000</u>	<u>33,687,842</u>

Name	Principal Activity	Holdings	%
Amiran Communications Limited	Added-value reseller	Ordinary	100
Amiran Limited	Added-value reseller	Ordinary	100
Amiran Kenya Limited	Added-value reseller	Ordinary	100
Balton B.V. DWA (Nigeria) Limited	Added-value reseller	Ordinary	100
Balton Rwanda Limited	Added-value reseller	Ordinary	100
Balton Tanzania Limited	Added-value reseller	Ordinary 'B'	100
Balton (U) Limited	Added-value reseller	Ordinary	100
Dizengoff Ghana Limited	Added-value reseller	Ordinary 'A'	82
Balton Tanzania Communications Limited	Added-value reseller	Ordinary	100
Dizengoff West Africa (Nigeria) Limited	Added-value reseller	Ordinary	91
Dizengoff West Africa (Nigeria) Limited	Added-value reseller	Preference	100
Soloplant Limited (held by Amiran Kenya Limited)	Added-value reseller	Ordinary	51
Ghana Smartcomm Limited (held by Dizengoff Ghana Limited)	Dormant	Ordinary	99
Telkor Communication System (held by Amiran Limited)	Dormant	Ordinary	70
Bamiri Limited	Dormant	Ordinary	100

The additions in the year related to \$4m irredeemable preference shares issued by the Nigerian subsidiary.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. Fixed asset investments (continued)

Name	Registered Office
Amiran Communications Limited	L.R. No. 1870/VI/254/255/256, Kalamu House, Waiyaki Way, Westlands P.O. Box 47323, 00100, Nairobi, Kenya
Amiran Limited	Plot 9362, Mumbwa, Lusaka, Zambia
Amiran Kenya Limited	L.R. No. 1870/VI/254/255/256, Kalamu House, Grevillea Grove, Westlands, P.O. Box 47323, 00100, Nairobi, Kenya
Balton B.V. DWA (Nigeria) Limited	28 Creek Road, Apapa, Lagos, Nigeria
Balton Rwanda Limited	P.O. Box 2972, Kigali, Rwanda
Balton Tanzania Limited	Plot 336, Block A, Olarieni Area – Lower Ngaramtoni, P.O. Box 14666, Arusha, Tanzania
Balton (U) Limited	Plot 47/51, Mulwana Road, Industrial Area, P.O. Box 852, Kampala, Uganda
Dizengoff Ghana Limited	No 2 Feo Oyeo Road Ring Road North Industrial Area Accra, Ghana
Balton Tanzania Communications Limited	Ground Floor Office, Selous House, 368 Msasani Road, Oyster Bay, Dar es Salaam, Tanzania
Dizengoff West Africa (Nigeria) Limited	28 Creek Road, Apapa, Lagos, Nigeria
Soloplant Limited (held by Amiran Kenya Limited)	LR No. 7158/602 Kalamu House, Grevillea Grove, Westlands, P.O. Box 47323, 00100, Nairobi, Kenya
Ghana Smartcomm Limited (held by Dizengoff Ghana Limited)	Box 3403, No. 2 Feo Eyeo St, North Industrial Area, Accra, Ghana
Telkor Communication System (held by Amiran Limited)	Box 3403, No. 2 Feo Eyeo St, North Industrial Area, Accra, Ghana
Bamiri Limited	L.R. No. 1870/VI/254/255/256, Kalamu House, Grevillea Grove, Westlands, P.O. Box 47323, 00100, Nairobi, Kenya

All subsidiaries have been included in the consolidated results.

16. Stock

	Group 2018 \$	Group 2017 \$	Company 2018 \$	Company 2017 \$
Work in progress	3,358,682	1,420,545	-	-
Finished goods and goods for resale	37,824,623	32,748,147	-	1,171,536
	<u>41,183,305</u>	<u>34,168,692</u>	<u>-</u>	<u>1,171,536</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Debtors

	Group 2018 \$	Group 2017 \$	Company 2018 \$	Company 2017 \$
Amounts falling due in more than one year				
Amounts owed by group undertakings	-	-	3,100,057	2,870,422
Tax recoverable	1,606,973	1,929,840	-	-
Deferred taxation	560,512	311,573	-	-
	<u>2,167,485</u>	<u>2,241,413</u>	<u>3,100,057</u>	<u>2,870,422</u>
Amounts falling due within one year				
Trade debtors	50,980,293	43,112,669	207,135	990,181
Amounts owed by group undertakings	-	-	30,664,667	32,621,625
Other debtors	5,056,819	12,999,166	622,035	1,031,964
Deferred taxation	302,477	1,372,113	-	-
Tax recoverable	1,394,893	1,116,303	136,436	118,633
Prepayments and accrued income	1,865,403	2,068,741	145,212	177,440
	<u>59,599,885</u>	<u>60,668,992</u>	<u>31,775,485</u>	<u>34,939,843</u>

Tax recoverable due in more than one year comprises \$3.6m of amounts available for offset against future tax liabilities in an overseas jurisdiction net of a provision of \$2.0m. The group anticipates that these amounts will be fully recovered by 2025.

Amounts owed by group undertakings to the company of \$30.7m (2017 \$32.6m) comprise \$47.2m (2017: \$41.2m) net of a provision of \$16.5m (2017: \$8.6m).

18. Cash and cash equivalents

	Group 2018 \$	Group 2017 \$	Company 2018 \$	Company 2017 \$
Cash at bank and in hand	<u>3,107,298</u>	<u>4,260,855</u>	<u>107,554</u>	<u>1,051,612</u>

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. Creditors: amounts falling due within one year

	Group 2018 \$	Group 2017 \$	Company 2018 \$	Company 2017 \$
Bank overdrafts	28,219,045	20,216,268	9,089,448	6,929,102
Bank loans	1,776,199	2,407,807	-	-
Payments received on account	1,864,453	3,624,785	53,393	59,746
Trade creditors	39,762,519	37,816,640	29,715,863	29,662,731
Amounts owed to parent company	2,453,076	750,000	2,453,076	750,000
Amounts owed to group undertakings	27,963	499,392	2,228,796	1,815,312
Corporation tax	158,295	1,192,827	49,906	-
Other taxation and social security	2,492,409	608,425	110,608	41,207
Obligations under finance leases	36,883	22,052	-	-
Other creditors	1,935,207	4,858,696	8,589	60,444
Accruals and deferred income	8,056,659	4,399,200	2,850,980	1,505,670
	<u>86,782,708</u>	<u>76,396,092</u>	<u>46,560,659</u>	<u>40,824,212</u>

The bank overdrafts are secured by fixed and floating charges over certain assets of the group.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20. Creditors: Amounts falling due after more than one year

	Group 2018 \$	Group 2017 \$	Company 2018 \$	Company 2017 \$
Bank loans	2,391,113	3,834,193	-	-
Net obligations under finance leases and hire purchase contracts	63,058	-	-	-
Amounts owed to parent company	8,993,107	8,522,721	8,993,107	8,522,721
Other creditors	739,505	1,067,769	-	-
	<u>12,186,783</u>	<u>13,424,683</u>	<u>8,993,107</u>	<u>8,522,721</u>

The group has the following secured bank loans at the year end:

Amiran Kenya Limited has a medium term loan facility to be repaid in monthly instalments. The weighted average effective interest rate applied is 6.25% per annum. The security for the facility is a legal charge over the company's long leasehold property, a fixed and floating charge over the company's other assets and post dated cheques in the aggregate amount of \$1,191,000. The total loan balance as at 31 December 2018 amounted to \$3,093,650 (2017: \$5,064,793).

Balton Tanzania Limited obtained a long term loan facility in 2015 to be repaid in monthly instalments. The interest rate applied is 9% per annum. The security for the facility is a charge over the company's long leasehold property and a charge over the company's other assets and parent company and directors' personal guarantees. The total loan balance as at 31 December 2018 amounted to \$590,443 (2017: \$663,288).

Soloplant Limited has a medium term loan facility to be repaid in monthly instalments. The weighted average effective interest rate applied is 6% per annum. The security for the facility is a charge over the company's leasehold property and charge over the company's other assets. The total loan balance as at 31 December 2018 amounted to \$482,589 (2017: \$509,916).

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. Borrowings and loans

Borrowings are repayable as follows:

	Group 2018 \$	Group 2017 \$	Company 2018 \$	Company 2017 \$
Amounts falling due within one year				
Bank loans	1,776,199	2,407,807	-	-
Amounts owed to parent company	1,415,000	750,000	1,415,000	750,000
	<u>3,191,199</u>	<u>3,157,807</u>	<u>1,415,000</u>	<u>750,000</u>
Amounts falling due 2-5 years				
Bank loans	2,363,453	3,741,931	-	-
Amounts owed to parent company	4,002,820	4,250,000	4,002,820	4,250,000
	<u>6,366,273</u>	<u>7,991,931</u>	<u>4,002,820</u>	<u>4,250,000</u>
Amounts falling due after more than 5 years				
Bank loans	27,660	92,262	-	-
Amounts owed to parent company	4,990,287	4,272,721	4,990,287	4,272,721
	<u>5,017,947</u>	<u>4,364,983</u>	<u>4,990,287</u>	<u>4,272,721</u>
	<u>14,575,419</u>	<u>15,514,721</u>	<u>10,408,107</u>	<u>9,272,721</u>

The amounts owed to the parent company comprise three loans (2017: two); the loans attract interest at 4%. The first loan (\$4,723,437) is due for repayment by 2025; and the second loan (\$5,266,849) is to be repaid in instalments by 2022 and the third loan (\$417,820) is repayable on 28 February 2019.

22. Deferred taxation

Group

	2018 \$
At beginning of year	499,150
Charged to profit or loss	(318,563)
At end of year	<u>180,587</u>

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. Deferred taxation (continued)

	Group 2018 \$	Group 2017 \$
Fixed asset timing differences	(393,266)	(1,900,794)
Short term timing differences	(464,972)	549,038
Unrealised foreign exchange	281,808	126,566
Trading losses carried forward	668,463	1,100,403
Other timing differences	88,554	623,937
	<u>180,587</u>	<u>499,150</u>
Comprising:		
Asset - due after one year	560,512	311,573
Asset - due within one year	302,477	1,372,113
Liability	(682,402)	(1,184,536)
	<u>180,587</u>	<u>499,150</u>

Deferred tax assets and liabilities are offset only where the group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The net deferred tax liability expected to reverse in 2019 is \$725,000 (2018: \$750,000).

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. Financial instruments

The carrying values of the group financial assets and liabilities are summarised by category below:

	2018 \$	2017 \$
Financial assets		
Measured at undiscounted amount receivable:		
- Trade and other debtors	56,037,112	55,041,644
Financial liabilities		
Measured at amortised cost:		
- Bank loans	4,167,312	6,242,000
Measured at undiscounted amount payable:		
- Bank overdraft	28,219,045	20,216,268
- Trade and other creditors	44,301,684	43,743,105
- Amounts owed to parent undertakings	11,446,183	9,272,721
- Amounts owed to group company	27,963	499,392
	<u>83,994,875</u>	<u>73,731,486</u>

24. Reserves

Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations that were undertaken at the date of transition to FRS102 for certain land and buildings now being held at deemed cost, net of deferred tax. Amounts representing the equivalent depreciation are transferred to the profit and loss account each year.

Foreign exchange reserve

The foreign exchange reserve represents foreign exchange differences arising on the change in the functional currency of subsidiary undertakings with effect from 1 January 2014 and cumulative translation differences arising on translation of the net investment in subsidiary undertakings in the current and prior year.

Profit & loss account

The profit and loss reserve represents accumulated comprehensive income for the year and prior periods together with transfers from the revaluation reserve relating to depreciation charged on property carried at deemed cost.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

25. Retirement benefit schemes

The company participates in a defined benefit pension scheme known as the CP Holdings Limited (1986) Retirement Benefit Scheme. The scheme provides retirement benefits on the basis of members' final salary. The scheme is a group scheme that shares risks between entities under the common control of CP Holdings Limited. There is no contractual agreement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities that participate in the plan. Therefore, as required by FRS 102 Section 28 "Employee Benefits", the company accounts for this scheme as if it was a defined contribution scheme. The amount charged to the profit and loss account represents contributions payable to the scheme in respect of the accounting period.

The company has agreed a funding plan with the trustee, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the trustee to reduce the funding deficit where necessary.

The deficit for CP Holdings Limited (1986) Retirement Benefit Scheme as at 31 December 2018 was \$1,867,500 (2017: \$2,525,560). This valuation is based upon the most recent actuarial valuation of the scheme as at 5 April 2016, which has been adjusted to 31 December 2018 by a qualified independent actuary.

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme. Following the full actuarial of the scheme as at 5 April 2016, an additional annual contribution of \$412,000 and additional annual administrative expense of \$149,000 was agreed between the scheme trustees and the participating employers. The element of the additional contribution attributable to this company was \$38,335 (2017: \$54,122).

The total contribution made by the company during the year, including the company's share of the additional annual contribution was \$96,452 (2017: \$93,021).

The fair value of the major class of scheme assets as at the reporting date was as follows:

	2018 \$	2017 \$
Annuities	21,694	24,472
Diversified Growth Funds	6,191	-
Equities	2,900	10,077
Gilts	1,180	1,440
Cash	43	-

26. Share capital

	2018 \$	2017 \$
Allotted, called up and fully paid		
9,160,000 Ordinary shares of £1.00 each	<u>13,973,000</u>	<u>13,973,000</u>

There is a single class of ordinary shares and there are no restrictions on the distribution of dividends and the repayment of capital.

BALTON CP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

27. Contingent liabilities

During the year, one of the subsidiary companies was subject to a routine tax enquiry in respect of the period 1 January 2014 - 31 December 2016. The enquiry remains ongoing as at the date of approval of these financial statements and no formal assessment has been raised by the relevant tax authority. The directors are of the opinion that it is not possible to determine reliably the final outcome, including any associated liability which may arise.

There were contingent liabilities in respect of legal actions against the group, the monetary amount of which cannot be quantified. No provision has been made in these financial statements in respect of the legal actions as the directors, having taken legal advice, do not believe any material liability will eventually be borne by the group.

28. Commitments under operating leases

At 31 December 2018 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 \$	Group 2017 \$
Not later than 1 year	98,201	291,143
Later than 1 year and not later than 5 years	176,285	657,343
	<u>274,486</u>	<u>948,486</u>

The company had no commitments under non-cancellable operating leases as at the balance sheet date.

The group had outstanding letters of credit, acceptances and advance payment guarantees to the value of \$1,000,000 (2017: \$600,000) at the year end.

29. Related party transactions

The group has taken advantage of the exemption contained in FRS102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

30. Ultimate parent company and controlling party

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is CP Holdings Limited, whose registered office address is CP House, Otterspool Way, Watford, WD25 8JJ. Copies of the group financial statements are available to the public from Companies House, Crown Way, Cardiff, CF14 3UZ.

The directors regard Premier Telecommunications International Limited and CP Holdings Limited as the immediate and ultimate parent company respectively. The ultimate controlling parties are the Gibbor and Schreier families.