GHANA STOCK EXCHANGE

PRESS RELEASE

PR. No. 412/2018

GUINNESS GHANA BREWERIES LIMITED (GGBL)
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GGBL has released its Annual Report and Financial Statements for the year ended 30 June, 2018 as per the attached.

Issued in Accra, this 3rd day of October, 2018

- **E N D -**

Att'd.

Distribution:
1. All LDMs
2. General Public
3. Company Secretary, GGBL
4. MBG Registrars, (Registrars for GGBL shares)
5. Custodians
6. Securities and Exchange Commission
7. Central Securities Depository
8. GSE Council Members
9. GSE Notice Board

For enquiries, contact:
Head of Listings, GSE on 0302 669908, 669914, 669935
*JEB

GUINNESS GHANA BREWERIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

GUINNESS GHANA BREWERIES LIMITED

Annual Report

For the year ended 30 June 2018

I N D E X

	P a g e(s)
Corporate information	1
Chairman's statement	2-4
Report of the directors	5-6
Report of the independent auditor	7-10
Financial statements:	
· Statement of financial position	11
· Statement of comprehensive income	12
· Statement of changes in equity	13
· Statement of cash flows	14-15
· Notes	16-53
Shareholder information	Appendix I
Five year financial summary	Appendix II

GUINNESS GHANA BREWERIES LIMITED

Annual Report

For the year ended 30 June 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS	Felix Addo (Appointed Chairman effective 12 September 2018) Simon Harvey (Resigned on 12 September 2018) Gavin Pike Teye Mkushi Stephen Nirenstein Ignacio Blazquez Salvador Kofi Sekyere John Boadu Isaac Amedzeafe Tosu (Appointed on 12 September 2018)
SECRETARY	Afua Oduro-Asante Guinness Ghana Breweries Limited P. O. Box 3610 Accra
REGISTERED OFFICE	Guinness Ghana Breweries Limited Industrial Area, Kaasi P. O. Box 1536 Kumasi
INDEPENDENT AUDITOR	PricewaterhouseCoopers Chartered Accountants No. 12, Airport City Una Home 3rd Floor PMB CT42, Cantonments Accra
REGISTRAR	Universal Merchant Bank Limited 123 Kwame Nkrumah Avenue Sethi Plaza, Adabraka Accra
SOLICITOR	Legal Ink Solicitors and Notaries House No. F89/7 Emmaus Road Off 2nd Labone Street, Labone PMB 24, Kanda Accra
BANKERS	Barclays Bank of Ghana Limited Guaranty Trust Bank (Ghana) Limited Societe Generale Ghana Limited Stanbic Bank Ghana Limited Standard Chartered Bank (Ghana) Limited Fidelity Bank Ghana Limited Access Bank (Ghana) Limited

GUINNESS GHANA BREWERIES LIMITED

Annual Report

For the year ended 30 June 2018

CHAIRMAN'S STATEMENT

Nii Mei, Naa Mei, Shareholders, Ladies and Gentlemen. On behalf of the Board, I warmly welcome you to the 46th Annual General Meeting of your business Guinness Ghana Breweries Limited (GGBL). I am delighted to be presenting this year's annual report and financial statements following my appointment as Board Chairman on September 12, 2018. You may recall my previous role as Chairman of the audit subcommittee. For those joining us for the first time, by way of introduction, I am the immediate past Country Senior Partner of PricewaterhouseCoopers Ghana and a former member of the PwC Africa Governance Board. I hold a BSc (Administration) from the University of Ghana and an MA (Professional Accounting) from Loyola College, Maryland (USA). I am also a member of the American Institute of Certified Public Accountants and the Institutes of Chartered Accountants Ghana and Sierra Leone. I was recently honored with a D.Sc (honorary causa) by the University of Mines and Technology, Tarkwa.

As your new Chairman, my immediate focus will be on three areas: ensuring a sustainable performance and value creation for your company (i.e. delivering on our strategic priorities); ensuring that we maintain our best in class corporate governance structures and behaviours and lastly, proactively engaging with our stakeholders, especially our communities, staff, distributors and consumers.

Other Board Changes

The other Board changes that have occurred since the last Annual General Meeting are that in September, Mr. Simon Harvey resigned from the Board and Mr. Isaac Tosu was appointed to replace him. Mr. Tosu is the Supply Chain Director of Guinness Ghana Breweries Limited and has over 15 years varied and extensive experience in maintenance, production, logistics, procurement and project management within the Fast Moving Consumer Goods industry (FMCG). He holds an MBA from the Ghana Institute of Management and Public Administration, and a Bachelor of Science degree in Mechanical Engineering from Kwame Nkrumah University of Science and Technology, Kumasi.

Nii Mei, Naa Mei, Shareholders, Ladies and Gentlemen, in the period under review your company saw a number of positive changes and with your kind permission, I will now provide you with the key highlights:

Macro-Economic Indicators

During the financial year there was a significant improvement in the country's macro-economic indicators. GDP grew by 8.4% - its highest level in 5 years, inflation dropped from 12.1% in June 2017 to 10% in June 2018, falling within the BoG's target band of 8±2%. The lending rate consistently improved and fiscal deficit also reduced. The IMF is projecting a growth of 6.3% in 2018, whilst the World Economic Forum projects a more upbeat 8.3%. This improvement in the macro-economic indicators and the continued loosening of monetary policy should improve access to credit and stimulate private sector activity which gives us the assurance of a better performance in the current fiscal year and beyond.

Business Performance

During the period under review, we continued to innovate and successfully launched Odehye3 Beer – a regional beer for the Ashanti region and a herbal gin variant of our iconic Orijin brand. We also focused on growing market share and strengthening the equity of our brands whilst rewarding our loyal consumers and therefore undertook a very successful Malta Guinness national consumer promotion which saw consumers rewarded with exciting prizes including a weekly cash prize of GH¢ 10,000, a national consumer promotion on Star beer during which consumers won gold bars on a weekly basis and finally, to sustain the incremental growth of our flagship brand - Guinness Foreign Extra Stout (FES), an exciting national consumer promotion was executed to align with Ghana's 61st Independence anniversary which gave 16 loyal consumers the opportunity to win a plot of land each.

In line with our priority to grow Spirits faster during the year, we executed a Black Friday activation with GAME and Shoprite which was a phenomenal success. We also held in-bar sampling experiential events on Johnnie walker Red and confidence mixing sessions to educate consumers on how to drink and to mix their favorite Johnnie Walker Scotch whisky.

Ensuring excellence in Governance

Nii Mei and Naa Mei, Shareholders, Ladies and Gentlemen, GGBL is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in the conduct of our business. GGBL is also committed to carrying out its business responsibly and in accordance with all laws and regulations which its business is subject to. Thus in the year under review, all aspects of your company's operations were conducted in compliance with applicable laws and regulations and the company's code of business conduct and other related policies. Quarterly board meetings and audit meetings were held, and the nominations committee also met twice. I am also happy to inform you that in addition to the external audit carried out by PwC, the company also satisfactorily underwent two internal audits.

Engagement with Communities

As a socially responsible company we also upheld our commitment to reducing our environmental impact by working with some of our industry peers to launch the Ghana Recycling Initiative by Private Enterprises (GRIPE). GRIPE is an industry coalition with a mission to integrate sustainable plastic waste management systems and to create systemic change in the long-term use and reuse of plastics. Currently GRIPE is piloting a project which modifies plastic waste into concrete materials for construction purposes.

We continued to deliver safe accessible water to vulnerable and water stressed communities. A total amount of GH¢ 571,000 was invested in waterhealth centres to provide water to over 100,000 beneficiaries in communities in Nsawam, Suhum and Sarkodie.

We also continue to work with local farmers to develop a sustainable supply chain to guarantee supply of sorghum, maize and cassava starch for the production of our premium brands. A socio-economic impact study conducted by the Bureau of Integrated Rural Development (BIRD) of the Kwame Nkrumah University of Science and Technology (KNUST), revealed that our Local Raw Materials (LRM) initiative currently engages 25,000 small-holder farmers and impacts 175,000 livelihoods.

Awards

I am extremely proud of the fact that our business continues to receive due recognition internally within Diageo and externally among our peers. During the financial year, GGBL was adjudged CSR Company and CSR Manufacturing Company of the Year at the 2017 Ghana CSR Excellence Awards. We also won the Best Practices in Sustainable Manufacturing award at the AGI Ghana Industry Awards. In addition, we received three awards at the second edition of the Ghana Manufacturing Awards, namely the Beverage Manufacturing Company of the Year (Alcoholic Category), Brand of the Year and Local Content Award for our exceptional quality products and sustainable production processes that improve the livelihoods of local farmers in Ghana. Finally, Guinness FES was adjudged Beer of the Year and Product of the Year at the second edition of the Ghana Beverage awards.

I therefore ask that you join me in saying Ayekoo to the employees of GGBL for the great work they have done in the year under review.

Dividend

Nii Mei, Naa Mei, Shareholders, Ladies and Gentlemen, I am delighted to inform you that to cap what has been a very positive year, for the first time since 2012 we are in a position to pay a dividend and thus at the upcoming Annual General Meeting we will be proposing for your approval that a dividend of GH¢ 0.0351 per share be paid.

Conclusion

I wish to thank you for your continued support to the business over the years. As we have commenced a new financial year, and despite the current uncertainties in both the global and local markets which are adversely impacting especially our forex exposures, I would like to assure you that we will continue to strive to be the best performing, most trusted and respected consumer products company in Ghana, as we have the right people and a clear strategy to deliver another impactful financial year.

Once again, on behalf of your new Board, let me thank you, our shareholders for keeping faith with us, our staff for their hardwork, passion and commitment, our key distributors, and last but not the least, our consumers for making our investments and efforts all worthwhile.

Thank you.

REPORT OF THE DIRECTORS

The directors, in submitting to the shareholders their report and financial statements of the Company for the year ended 30 June 2018, report as follows:

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards (IFRS) and complied with the requirements of the Companies Act, 1963 (Act 179).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

FINANCIAL STATEMENTS AND DIVIDEND

The results for the year are as set out in the statement of comprehensive income on page 12 of the financial statements.

The directors recommend the payment of a dividend per share of GH¢0.0351 amounting to GH¢10.77 million for the year ended 30 June 2018.

The directors consider the state of the Company's affairs to be satisfactory.

NATURE OF BUSINESS

The Company manufactures, distributes and sells alcoholic and non-alcoholic beverages and their ancillary products.

HOLDING COMPANY

The Company is a subsidiary of Diageo Holdings Netherlands BV, a company incorporated in the Netherlands. Diageo Holdings Netherlands BV assumed the shareholding of Diageo Highlands BV and Diageo Ghanaian Holdings BV (who had 58% and 22% shareholding respectively) during the year.

The ultimate parent Company is Diageo Plc, a company incorporated in the United Kingdom.

REPORT OF THE DIRECTORS (Continued)

CHANGES IN DIRECTORSHIP

Since the last Annual General Meeting, Mr. Simon Harvey has resigned as director and Board Chairman, Mr. Isaac Amedzeafe Tosu has been appointed as director and Mr. Felix Addo has been appointed as the Board Chairman of the Company.

DIRECTORS RETIRING AND SEEKING RE-ELECTION

In accordance with the Companies Act, 1963 (Act 179), the Company's Regulations and Ghana Stock Exchange Rules, Mr. Isaac Amedzeafe Tosu, who was appointed in September 2018, as well as Mr. Kofi Sekyere will both retire and seek re-election at the next Annual General Meeting. The Board would like to recommend that shareholders support their re-election.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Company were approved by the Board of Directors on 20 September 2018 and signed on its behalf by:

CHAIRMAN

FELIX ADDO

FINANCE DIRECTOR

TEYE MKUSHI

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF GUINNESS GHANA BREWERIES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Guinness Ghana Breweries Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

What we have audited

We have audited the financial statements of Guinness Ghana Breweries Limited (the "Company") for the year ended 30 June 2018.

The financial statements on pages 11 to 53 comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of trade receivables The Company's distribution channel for both alcoholic and non-alcoholic products are through direct delivery customers and key distributors. Trade receivables at 30 June 2018 amount to GH¢14.1 million after impairment provision of GH¢1.4 million. Management performs an assessment of the ability of the customers to settle their outstanding debts in accordance with the agreed credit terms. The impairment assessment review is performed at each reporting date and establishes a provision for all receivable balances identified as impaired. Management exercises significant judgements in identifying whether an impairment event has occurred and determining both the timing of recognition of impairment and the estimation of any such impairment. Credit exposure is covered by customer post-dated cheques, bank guarantees and collaterals. In instances where customer collaterals are used, management engages independent valuers to determine the valuation and this involves applying assumptions relating to the best price estimates in an open market. The accounting policies, judgements and disclosures are set out in note 2 (e), note 3(c) and note 28(b) (i) of the financial statements.	We evaluated the design and tested the operating effectiveness of controls around the revenue and receivables cycle (order to cash process). We tested the ageing analysis of trade receivables to assess the appropriate classification of trade receivable balances. We assessed the appropriateness and reasonableness of assumptions (such as the timing of the estimated future cash flows and realisation of collateral) and judgements used by measuring them against historical trends and third party data where available. We assessed the competence, objectivity and independence of management's expert. We assessed the adequacy of impairment provision made on impaired trade receivable balances. We assessed the appropriateness and completeness of the related disclosures made in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Report of the Directors, Shareholder Information and Five Year Financial Summary but 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 identified above 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, 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 for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), 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 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 Company or to cease operations, or have no realistic alternative but to do so.

The directors 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditor's responsibilities for the audit of the financial statements (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) 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;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's balance sheet (statement of financial position) and Company's profit and loss account (part of the statement of comprehensive income) are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138)

PricewaterhouseCoopers (ICAG/F/2018/028)

Chartered Accountants

Accra, Ghana

27 September 2018

pwc

STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2018 GH¢'000	2017 GH¢'000
ASSETS			
Property, plant and equipment	12	**373,208**	363,348
Intangible assets	13	**3,116**	3,610
Total non-current assets		**376,324**	366,958
Inventories	14	**81,914**	79,785
Trade and other receivables	15	**17,124**	23,070
Amounts due from related parties	22(ii)	**6,666**	2,711
Current income tax assets	11(ii)	**3,024**	2,804
Cash and bank balances	16	**62,836**	52,579
Total current assets		**171,564**	160,949
Total assets		**547,888**	527,907
EQUITY AND LIABILITIES			
Stated capital	19(i)	**272,879**	272,879
Income surplus account		**21,762**	(1,930)
Total equity		**294,641**	270,949
Deferred tax liabilities	11(v)	**23,115**	13,933
Obligations under finance lease	18	**10,575**	12,105
Borrowings	22(iii)	**108,991**	109,999
Employee benefit obligations	24	**2,145**	1,771
Total non-current liabilities		**144,826**	137,808
Bank overdraft	17	-	7
Obligations under finance lease	18	**8,211**	9,117
Trade and other payables	21	**85,769**	91,096
Amounts due to related parties	22(i)	**13,725**	18,772
Provisions	25	**716**	158
Total current liabilities		**108,421**	119,150
Total liabilities		**253,247**	256,958
Total equity and liabilities		**547,888**	527,907

The financial statements on pages 11 to 53 were approved by the Board of Directors on 20 September **2018 and signed on their behalf by:**

DIRECTOR Gavin Pike

DIRECTOR Teye Mkushi

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 June 2018 GH¢'000	2017 GH¢'000
Revenue	6	**623,102**	587,447
Cost of sales	26	**(464,781)**	(437,111)
Gross profit		**158,321**	150,336
Advertising and marketing expenses	27(i)	**(21,773)**	(36,826)
Administrative expenses	27(ii)	**(76,491)**	(68,111)
Other expenses	27(iii)	**(8,876)**	(4,154)
Other income	7	**1,284**	612
Profit from operating activities		**52,465**	41,857
Finance income	10	**2,357**	443
Finance costs	10	**(19,392)**	(30,724)
Profit before income tax	8	**35,430**	11,576
Taxes and levies	11	**(11,575)**	(4,662)
Profit for the year		**23,855**	6,914
Other comprehensive income			
Items that are not subsequently reclassified to profit or loss:			
Actuarial loss on defined benefit obligations, net of tax	11(v)(b)	**(163)**	(222)
Other comprehensive income		**(163)**	(222)
Total comprehensive income for the year		**23,692**	6,692
Basic and diluted earnings per share (Ghana cedi per share)	20	**GH¢ 0.078**	GH¢ 0.022

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital GH¢'000	Income surplus account GH¢'000	Total GH¢'000
Year ended 30 June 2018				
Balance at 1 July 2017		272,879	(1,930)	270,949
Total comprehensive income				
Profit for the year		-	23,855	**23,855**
Other comprehensive income				
Actuarial loss on defined benefit obligations, net of tax	11(v)(b)	-	(163)	**(163)**
Total comprehensive income for the year		-	23,692	**23,692**
Balance at 30 June 2018		**272,879**	**21,762**	**294,641**
Year ended 30 June 2017				
Balance at 1 July 2016		272,879	(8,622)	264,257
Total comprehensive income				
Profit for the year		-	6,914	6,914
Other comprehensive income				
Actuarial loss on defined benefit obligations, net of tax	11(v)(b)	-	(222)	(222)
Total comprehensive income for the year		-	6,692	6,692
Balance at 30 June 2017		272,879	(1,930)	270,949

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2018 GH¢'000	2017 GH¢'000
Cash flows from operating activities			
Profit before income tax		**35,430**	11,576
Adjustments for:			
- Depreciation	12	**58,326**	54,759
- Amortisation	13	**971**	563
- Profit on disposal of property, plant and equipment	12(e)	**(9)**	(566)
- Impairment loss on trade receivables (net)	28(b(i))	**534**	43
- Finance cost	10	**19,392**	30,724
- Finance income	10	**(2,357)**	(443)
- Actuarial gain on long service awards		**(128)**	(416)
- Unrealised exchange difference		**2,562**	199
		114,721	96,439
Changes in:			
- Inventories		**(2,129)**	6,242
- Trade and other receivables		**5,330**	(5,915)
- Trade and other payables		**(9,439)**	(5,824)
- Related party balances		**(9,803)**	(2,703)
- Employee benefit obligations		**295**	407
- Provisions		**558**	158
Cash generated from operating activities		99,533	88,804
Interest paid		**(20,351)**	(29,835)
Taxes paid	11(ii)	**(220)**	(232)
Net cash generated from operating activities		**78,962**	58,737
Cash flows from investing activities			
Acquisition of property, plant and equipment	12(a)	**(61,327)**	(42,437)
Proceeds from disposal of property, plant and equipment	12(e)	**466**	985
Interest received	10	**2,357**	443
Net cash used in investing activities		**(58,504)**	(41,009)

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

	Note	Year ended 30 June 2018 GH¢'000	2017 GH¢'000
Cash flows from financing activities			
Repayment of finance lease obligations		**(10,278)**	(9,172)
Net cash used in financing activities		**(10,278)**	(9,172)
Net increase in cash and cash equivalents		**10,180**	8,556
Cash and cash equivalents at 1 July		**52,572**	44,061
Effect of movements in exchange rates on cash held		**84**	(45)
Cash and cash equivalents at 30 June	16	**62,836**	52,572

The notes on pages 16 to 53 form an integral part of these financial statements.

NOTES

1. General information

Guinness Ghana Breweries Limited (GGBL) is a public limited liability company incorporated under the Companies Act, 1963 (Act 179) and listed on the Ghana Stock Exchange. It is registered and domiciled in Ghana. The registered office is located at Industrial Area, Kaasi. The Company is primarily involved in the manufacture and distribution of alcoholic and non-alcoholic beverages and other ancillary products.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements are prepared on the historical cost basis except for defined benefit obligations which are measured at the present value of the obligation using discount rates of long dated government bonds at the reporting date.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS and the requirements of the Companies Act 1963, (Act 179).

i) New and amended standards adopted by the company

A number of new and amended standards have become effective for the period beginning 1 July 2017. The directors have assessed the effects of the new and amended standards and have determined that the new and amended standards do not have any material impact on the company's financial statements.

ii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the company. The Company's assessment of the impact of these standards are set out below:

IFRS 9, 'Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
While the Company has yet to undertake a detailed assessment of the classification and measurement of financial assets, there are no debt instruments currently classified as available-for-sale (AFS) and hence there will be no impact on the financial statements. There are also no equity instruments or debt instruments held by the Company as financial assets.

Accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted (continued)

The Company has no hedge relationships which would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, there will be no impact on the financial statements.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Company expects its impairment provisions to be affected by the new model, resulting in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The standard must be applied for financial years commencing on or after 1 January 2018. The Company does not intend to adopt IFRS 15 before its mandatory date.

IFRS 15, 'Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Company will adopt the modified retrospective approach for IFRS 15 in its 2019 financial statements.

During the year, the Company carried out a review of the current recognition criteria for revenue against the requirements of IFRS 15 and determined that the adoption will not have a significant impact on the financial statements. The standard is mandatory for financial years commencing on or after 1 January 2018. The Company does not intend to adopt IFRS 15 before its mandatory date.

IFRS 16, 'Leases

IFRS 16 will affect primarily the accounting by lessees and will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted (continued)

The standard will affect primarily the accounting for the Company's operating leases. The Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana Cedis ("GH₵") which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other net income' or 'other net expenses'.

(c) Financial instruments

The Company classifies non-derivative financial assets into the following category: Loans and other receivables and classifies non–derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and liabilities – recognition and derecognition

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets and liabilities – recognition and derecognition (continued)

The Company derecognises a financial asset when the contractual rights to the cashflows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position, when and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

Loans and receivables comprise of bank balances, trade and other receivables and amount due from related parties.

Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

(iii) Non-derivative financial liabilities – measurement

Other financial liabilities comprise of bank overdraft, obligation under finance lease, amount due to related parties and trade and other payables.

Non–derivative financial liabilities are initially recognised at fair values less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

d) Stated capital

Proceeds from issue of ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects are recognised as a deduction from equity.

2. Summary of significant accounting policies (continued)

(e) Impairment

(i) Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss and reflected in an allowance account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Leases

(i) Classification

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are stated as assets of the Company at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

2. Summary of significant accounting policies (continued)

(f) Lease (continued)

(i) Classification (continued)

Leases where significant portions of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and as reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss, as incurred.

Spare parts, stand-by and servicing equipment held by the Company generally are classified as inventories. However, if major spare parts and stand-by equipment are expected to be used for more than one period or can be used only in connection with an item of property, plant and equipment, then they are classified as property, plant and equipment.

2. Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Leaseholds are depreciated over the unexpired period of the lease.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	-	over period of lease up to 50 years
Plant and machinery	-	8 years to 25 years
Motor vehicles	-	3 years to 5 years
Furniture and equipment	-	3 years to 8 years
Bottles and crates	-	5 years to 10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment and are recognised in profit or loss.

(iv) Capital work in progress

Property, plant and equipment under construction is stated at initial cost and depreciated from the date the asset is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate category of property, plant and equipment when commissioned and ready for its intended use.

(h) Intangible assets

Software

Software acquired is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software from the date it is available for use. The estimated useful life for software is 5 to 12 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Inventories

Inventories are measured at lower of cost and net realisable value using the weighted average cost principle. The cost of inventories includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. Inventories are stated at the lower of cost and net realisable value less allowance for obsolescence and slow moving items.

2. Summary of significant accounting policies (continued)

(j) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution schemes are recognised as an expense in profit or loss in periods during which services are rendered by employees.

(iii) Provident Fund

The Company has a provident fund scheme for staff to which the Company contributes 12% and 15% of the basic salaries of junior and senior staff respectively. Obligations under the plan are limited to the relevant contributions, which are charged to profit or loss as and when they fall due.

(iv) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liabilities of the Company arising from defined benefit obligations and related current service costs are determined on an actuarial basis using the projected unit of credit method. The Company uses this method to determine the present value of defined benefit obligations, related current service costs and, where applicable, past service costs. Actuarial gains and losses, which arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what actually occurred, are recognised immediately in other comprehensive income.

The Company determines the net interest expense on the net defined benefits liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then – defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefits payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(vi) Other long-term benefit

The Company's obligation in respect of long-term employee benefits (long service award) other than pension plans is the amount of future benefit that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value.

2. Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(vi) Other long-term benefit (continued)

The discount rate used is the rate on long dated Government of Ghana bonds. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss.

(k) Revenue

Revenue - Sale of goods

Revenue from the sale of goods is measured at the fair value of consideration received or receivable, net of returns, trade discounts, taxes and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, there is no continuing management involvement in the goods, recovery of the consideration is probable, associated costs and possible return of goods can be estimated reliably and the amount of revenue can be measured reliably. Transfer of risks and rewards occurs when the goods are delivered to the customer.

No revenue is recognised if recovery of the consideration is not considered probable or the revenue and associated costs cannot be measured reliably.

(l) Finance income and finance costs

Finance income comprises interest income on funds invested or held in bank accounts. Interest income is recognised in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(m) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

2. Summary of significant accounting policies (continued)

(m) Borrowing costs (continued)

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

(n) Current and deferred income tax

Tax expense comprises current and deferred income tax. The Company provides for income taxes at current tax rates on the taxable profits of the Company.

Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(o) Dividend

Dividend payable is recognised as a liability in the period in which they are declared and the shareholders right to receive payment has been established.

(p) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at pre-tax rates that reflect current market assessments of the time value of money and, where appropriate, risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2. Summary of significant accounting policies (continued)

q) Segment reporting

Operating segments reflect the Company's management structure and the way financial information is regularly reviewed by the Chief Operating Decision Maker (CODM). Operating segments are reported in a manner consistent with internal reporting provided to the CODM.

The Company operates business units dealing in spirits, alcoholic and non-alcoholic beverages.

(r) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term liquid investments with original maturities of three months or less, and bank overdrafts.

3. Critical accounting estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

a) Useful lives of property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 2(g).

b) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

c) Impairment of financial assets at amortised cost

The Company assesses, at each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3. Critical accounting estimates and assumptions (continued)

c) Impairment of financial assets at amortised cost (continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred). The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in profit or loss.

d) Estimation of defined benefit obligations

The present value of employee benefit obligations depends on factors that are determined on an actuarial basis using assumptions. Any changes in these assumptions will impact the carrying amount of the defined benefit obligations.

Additional information is disclosed in note 24.

4. Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

NOTES (continued)

4. Determination of fair values (continued)

(ii) Cash and cash equivalents

The fair value of cash and cash equivalents approximate their carrying values.

(iii) Non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

4.1 Measurements of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The Company regularly reviews significant unobservable inputs and valuation adjustments.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset and liability that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in determining fair values is included in note 28, "financial instrument – fair values and risk management".

5. Operating segment

Management has determined the operating segments based on the reports reviewed by the executive committee of Diageo Plc, the Chief Operating Decision Maker (CODM) that are used to make strategic decisions. The CODM considers the business from a product perspective and assesses the performance of the operating segments based on net sales value. The accounting policies of the operating segments are the same. The Company's reporting segments are based on products, namely spirits, alcoholic and non-alcoholic beverages.

The CODM focuses on revenues from spirits, alcoholic and non-alcoholic beverages and considers costs in total.

NOTES (continued)

5. OPERATING SEGMENT (continued)

The segment information provided to the CODM for the reportable segments are as follows:

	Alcoholic beverages		Non-alcoholic beverages		Spirits		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
Revenue from external customers within Ghana	**302,662**	318,601	**271,297**	219,285	**45,691**	48,154	**619,650**	586,040
Revenue from external customers outside Ghana	-	-	-	-	**3,452**	1,407	**3,452**	1,407
Total external revenue	**302,662**	318,601	**271,297**	219,285	**49,143**	49,561	**623,102**	587,447
Depreciation and amortisation							**(59,297)**	(55,322)
Operating cost							**(511,340)**	(490,268)
Operating profit							**52,465**	41,857
Finance income							**2,357**	443
Finance cost							**(19,392)**	(30,724)
Profit before income tax							**35,430**	11,576
Taxes and levies							**(11,575)**	(4,662)
Profit for the year							**23,855**	6,914
Non-current assets							**376,324**	366,958

The CODM uses a measure of revenues only for profit and loss. No measure of total assets and liabilities are reviewed by the CODM. There are no non-current assets outside Ghana and the Company had no single major customer during the year.

6. REVENUE

	2018	2017
	GH¢'000	GH¢'000
Gross sales value	**913,064**	862,557
Excise duty	**(130,348)**	(130,167)
Value Added Tax	**(138,778)**	(128,023)
Taxes collected for government	**(269,126)**	(258,190)
Volume discounts	**(20,836)**	(16,920)
Net sales value	**623,102**	587,447

7. OTHER INCOME

	2018 GH¢'000	2017 GH¢'000
Sundry income	**1,284**	612

8. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging:

	2018 GH¢'000	2017 GH¢'000
Personnel costs (Note 9)	**77,412**	68,739
Directors' remuneration and expenses	**3,785**	3,530
Auditor's remuneration	**166**	145
Depreciation expense (Note 12(d))	**58,326**	54,759
Amortisation expense (Note 13)	**971**	563
Net exchange loss	**5,841**	126

9. PERSONNEL COSTS

	2018 GH¢'000	2017 GH¢'000
Wages and salaries	**44,741**	36,024
Social security contributions	**3,171**	3,167
Contributions to provident fund	**3,081**	2,897
Defined benefit plan	**235**	182
Long service award	**484**	468
Other staff expenses	**25,700**	26,001
	77,412	68,739

The total number of staff employed by the Company at the reporting date was 491 (2017: 524).

10. FINANCE INCOME AND COSTS

	2018 GH¢'000	2017 GH¢'000
Finance income – loans and receivables		
Interest on savings	**2,357**	443
Finance costs – financial liabilities measured at amortised cost		
Interest on borrowings	**14,416**	21,863
Interest on bank loans	**-**	2,670
Finance lease interest	**4,509**	5,946
Other finance cost	**467**	245
	19,392	30,724

NOTES (continued)

11. TAXES AND LEVIES

	2018 GH¢'000	2017 GH¢'000
(i) Taxes and levies		
Income tax expense	9,226	4,662
National fiscal stabilisation levy	2,349	-
	11,575	4,662
Income tax expense		
Current tax charge	-	-
Deferred tax charge (Note 11(v))	9,226	4,662
	9,226	4,662

The National fiscal stabilisation levy is a levy on profit before tax. The levy was introduced in July 2013 and has been extended to December 2019.

(ii) Current income tax asset

Year ended 30 June 2018

	Balance at 1 July GH¢'000	Payments during the year GH¢'000	Charge for the year GH¢'000	Balance at 30 June GH¢'000
Years of assessment				
Up to 2016	(2,572)	-	-	(2,572)
2017	(232)	-	-	(232)
2018	-	(220)	-	(220)
	(2,804)	(220)	-	(3,024)
Year ended 30 June 2017				
Years of assessment				
Up to 2015	(2,601)	-	-	(2,601)
2016	29	-	-	29
2017	-	(232)	-	(232)
	(2,572)	(232)	-	(2,804)

Tax liabilities up to 2015 year of assessment have been agreed with the tax authorities. The remaining tax position is, however subject to agreement with the tax authorities.

11. TAXATION (continued)

(iii) Reconciliation of effective tax rate

	2018 GH¢'000	2017 GH¢'000
Profit before income tax	**35,430**	11,576
Tax calculated using statutory income tax rate of 25% (2017: 25%)	**8,858**	2,894
Expenses not deductible for tax purposes	**2,229**	2,850
Items taxed at different rate	**(1,859)**	(940)
Items not subject to tax	**(2)**	(142)
Income tax expense	**9,226**	4,662
Effective tax rate	**26%**	40%

(iv) Recognised deferred tax assets and liabilities

	At 1 July (Net) GH¢'000	Charge to profit or loss GH¢'000	Recognised in OCI GH¢'000	At 30 June (Net) GH¢'000	Deferred tax assets GH¢'000	Deferred tax liabilities GH¢'000
Year ended 30 June 2018						
Property, plant and equipment	26,176	(121)	-	**26,055**	-	**26,055**
Provision for doubtful debts	(202)	(89)	-	**(291)**	**(291)**	-
Inventory provisions	(578)	21	-	**(557)**	**(557)**	-
Provision for employee benefit obligations	(372)	(37)	(44)	**(453)**	**(474)**	**21**
Unrealised exchange differences	(17)	(1,225)	-	**(1,242)**	**(1,242)**	-
Tax losses	(11,074)	10,677	-	**(397)**	**(397)**	-
Deferred tax liability/(asset)	**13,933**	**9,226**	**(44)**	**23,115**	**(2,961)**	**26,076**
Year ended 30 June 2017						
Property, plant and equipment	26,517	(341)	-	26,176	-	26,176
Provision for doubtful debts	(231)	29	-	(202)	(202)	-
Inventory provisions	(158)	(420)	-	(578)	(578)	-
Provision for employee benefit obligations	(208)	(104)	(60)	(372)	(372)	65
Unrealised exchange differences	(1,764)	1,747	-	(17)	(17)	-
Unutilised capital allowance	(14,825)	14,825	-	-	-	-
Tax losses	-	(11,074)	-	(11,074)	(11,074)	-
Deferred tax liability/(asset)	9,331	4,662	(60)	13,933	(12,308)	26,241

11. TAXATION (continued)

(v) Deferred taxation

	2018 GH¢'000	2017 GH¢'000
(a) Movement in deferred tax balances		
Balance at 1 July	**13,933**	9,331
Charge for the year	**9,226**	4,662
Deferred tax on actuarial gain in OCI	**(44)**	(60)
Balance at 30 June	**23,115**	13,933

(b) Amount recognised in Other Comprehensive Income

	2018			2017		
	Before tax GH¢'000	**Tax credit GH¢'000**	**Net of tax GH¢'000**	Before tax GH¢'000	Tax credit GH¢'000	Net of tax GH¢'000
Defined benefit liability	**(207)**	**44**	**(163)**	(282)	60	(222)

12. PROPERTY, PLANT AND EQUIPMENT

Year ended 30 June 2018

	Buildings GH¢'000	Plant and Machinery GH¢'000	Motor Vehicles GH¢'000	Furniture and Equipment GH¢'000	Bottles and Crates GH¢'000	Capital Work in-Progress GH¢'000	Total GH¢'000
Cost							
At 1 July 2017	37,703	326,830	18,296	7,405	232,566	17,493	**640,293**
Additions	-	-	7,793	105	-	61,222	**69,120**
Disposals	-	(1,332)	(865)	(392)	(2,425)	-	**(5,014)**
Transfers to intangible assets	-	-	-	-	-	(477)	**(477)**
Transfers	5,774	15,485	-	1,366	24,816	(47,441)	-
At 30 June 2018	**43,477**	**340,983**	**25,224**	**8,484**	**254,957**	**30,797**	**703,922**
Accumulated Deprecation							
At 1 July 2017	4,478	115,391	10,268	4,512	142,296	-	276,945
Charge for the year	1,212	21,508	4,593	1,008	30,005	-	58,326
Released on disposals	-	(1,023)	(783)	(392)	(2,359)	-	(4,557)
At 30 June 2018	**5,690**	**135,876**	**14,078**	**5,128**	**169,942**	**-**	**330,714**
Net book value At 30 June 2018	**37,787**	**205,107**	**11,146**	**3,356**	**85,015**	**30,797**	**373,208**

NOTES (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 30 June 2017	Buildings GH¢'000	Plant and Machinery GH¢'000	Motor Vehicles GH¢'000	Furniture and Equipment GH¢'000	Bottles and Crates GH¢'000	Capital Work in-Progress GH¢'000	Total GH¢'000
Cost							
At 1 July 2016	30,676	277,991	17,952	6,096	202,834	66,136	601,685
Additions	-	4,251	3,432	98	-	38,717	46,498
Disposals	(12)	(2,441)	(3,088)	(288)	(23)	-	(5,852)
Transfers	7,039	47,029	-	1,499	29,755	(85,322)	-
Transfer to intangible assets	-	-	-	-	-	(2,038)	(2,038)
At 30 June 2017	37,703	326,830	18,296	7,405	232,566	17,493	640,293
Accumulated Deprecation							
At 1 July 2016	3,575	97,934	9,786	3,845	112,479	-	227,619
Charge for the year	906	19,829	3,230	954	29,840	-	54,759
Released on disposals	(3)	(2,372)	(2,748)	(287)	(23)	-	(5,433)
At 30 June 2017	4,478	115,391	10,268	4,512	142,296	-	276,945
Net book value							
At 30 June 2017	33,225	211,439	8,028	2,893	90,270	17,493	363,348

(a) Acquisition of property, plant and equipment

Additions to property, plant and equipment are analysed as follows:

	2018 GH¢'000	2017 GH¢'000
Purchase for cash consideration	**61,327**	42,437
Purchases under finance lease (Note 12(b))	**7,793**	4,061
	69,120	46,498

(b) Leased plant and equipment

The Company has a lease arrangement with Stanbic Bank Ghana Limited and Societe Generale Ghana Limited to finance the purchase of motor vehicles and coolers for operational purposes. At 30 June 2018, the net book value of leased assets was GH¢ 27.2 million (2017: GH¢27.3 million).

During the year, the Company acquired motor vehicles and equipment under finance lease of GH¢ 7.8 million (2017: GH¢4.1 million).

(c) Security

As at 30 June 2018, motor vehicles and coolers acquired under lease arrangements were held as security for the finance lease obligation to Stanbic Bank Ghana Limited and Societe Generale Ghana Limited.

NOTES (continued)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Depreciation expense

Depreciation has been charged in the statement of comprehensive income as follows:

	2018 GH¢'000	2017 GH¢'000
Cost of sales (Note 26)	**51,232**	48,828
Administrative expenses (Note 27(ii))	**3,758**	3,323
Advertising and marketing expenses (Note 27(i))	**3,336**	2,608
	58,326	54,759

(e) Disposal of property, plant and equipment

	2018 GH¢'000	2017 GH¢'000
Cost	**5,014**	5,852
Accumulated depreciation	**(4,557)**	(5,433)
Net book value	**457**	419
Proceeds on disposal	**(466)**	(985)
Profit on disposal	**(9)**	(566)

13. INTANGIBLE ASSETS

(a) Movement in intangible assets is as follows:

	2018 GH¢'000	2017 GH¢'000
Cost		
At 1 July	**13,317**	11,279
Transfer from property, plant and equipment (Note 12)	**477**	2,038
At 30 June	**13,794**	13,317
Amortisation		
At 1 July	**9,707**	9,144
Charge for the year	**971**	563
At 30 June	**10,678**	9,707
Net book value		
At 30 June	**3,116**	3,610

Amortisation of intangible assets is recognised in administrative expenses (Note 27 (ii)).

NOTES (continued)

13. INTANGIBLE ASSETS (continued)

(b) Security

As at 30 June 2018, there are no restrictions on title for intangible assets and no intangible assets had been pledged as security.

14. INVENTORIES

	2018 GH¢'000	2017 GH¢'000
Raw and packaging materials	**42,763**	38,550
Work-in-progress	**4,085**	3,671
Finished products	**14,638**	13,985
Engineering spares and other consumables	**19,840**	21,794
Goods in transit	**588**	1,785
	81,914	79,785

As at 30 June 2018, there are no inventories pledged as security (2017: Nil).

15. TRADE AND OTHER RECEIVABLES

	2018 GH¢'000	2017 GH¢'000
Trade receivables (Note 28b(i))	**14,143**	20,743
Staff debtors	**77**	73
Prepayments	**2,904**	2,254
	17,124	23,070

The maximum staff indebtedness during the year did not exceed GH¢98,047 (2017: GH¢211,144).

16. CASH AND CASH EQUIVALENTS

	2018 GH¢'000	2017 GH¢'000
Cash and bank balances	**62,836**	52,579
Bank overdraft (Note 17)	**-**	(7)
Cash and cash equivalents in the statement of cash flows	**62,836**	52,572

There are no restrictions on the Company's bank balances at the year end (2017: Nil).

17. BANK OVERDRAFT

	2018 GH¢'000	2017 GH¢'000
Guaranty Trust Bank (Ghana) Limited	-	5
Societe Generale Ghana Limited	-	2
	-	7

The terms of the overdrafts are as follows:

Guaranty Trust Bank (Ghana) Limited

The overdraft facility of GH¢10 million from Guaranty Trust Bank (Ghana) Limited was to augment working capital requirements. The facility was secured by a letter of comfort from Diageo Highlands B.V. and Interest accrued at 19% per annum. The facility expired in May 2018.

Societe Generale Ghana Limited

The overdraft facility of GH¢15 million from Societe Generale Ghana Limited is to augment working capital requirements and attracts interest at 25% per annum. The facility is unsecured and expires on 31 October 2018.

18. OBLIGATIONS UNDER FINANCE LEASE

	Future minimum lease payments	Future finance charges	Present value of minimum lease payments	Future minimum lease payments	Future finance charges	Present value of minimum payments
	2018 GH¢'000	2018 GH¢'000	2018 GH¢'000	2017 GH¢'000	2017 GH¢'000	2017 GH¢'000
Within one year	10,945	(2,734)	8,211	12,813	(3,696)	9,117
Later than one year but not later than five years	12,377	(1,802)	10,575	14,619	(2,514)	12,105
	23,322	(4,536)	18,786	27,432	(6,210)	21,222

The Company entered into finance lease arrangements with Stanbic Bank Ghana Limited and Societe Generale Ghana Limited. The purpose of the Stanbic facility was to finance the purchase of motor vehicles and coolers whilst the Societe Generale facility was to finance the purchase of coolers. Total principal lease repayments made in the year was GH¢ 10.2 million (2017: GH¢9.1 million).

19. CAPITAL AND RESERVES

(i) Stated Capital

Ordinary shares

	Number of Shares		Proceeds	
	2018	2017	**2018**	2017
			GH¢'000	GH¢'000
Authorised: (number in million)				
Ordinary shares of no par value	**400**	400		
Issued and fully paid: (number in million)				
For cash	**179**	179	**253,678**	253,678
For consideration other than cash	**35**	35	**18,926**	18,926
Transfer from income surplus account	**93**	93	**275**	275
	307	307	**272,879**	272,879

The holders of ordinary shares are entitled to receive dividend as declared from time to time.

	2018		2017	
Movement in ordinary shares	**Number (in millions)**	**GH¢'000**	Number (in millions)	GH¢'000
At 1 July and 30 June	**307**	**272,879**	307	272,879

There was no movement in ordinary shares during the year (2017: Nil)

There is no unpaid liability on any share and there are no calls or instalments unpaid. There are no treasury shares.

20. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 30 June 2018 was based on profits attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

	2018 GH¢'000	2017 GH¢'000
Profit attributable to ordinary shareholders	**23,855**	6,914
Weighted average number of ordinary shares	**307,595**	307,595
Basic and diluted earnings per share	**0.078**	0.022

At the reporting date, the basic and diluted earnings per share are the same. There are no outstanding shares with potential dilutive effect on the weighted average number of ordinary shares in issue.

21. TRADE AND OTHER PAYABLES

	2018 GH¢'000	2017 GH¢'000
Trade payables	**44,559**	54,117
Accrued expenses	**24,549**	20,926
Other payables	**16,661**	16,053
	85,769	91,096

22. RELATED PARTY TRANSACTIONS

a. The Company is a subsidiary of Diageo Holdings Netherlands BV, a company incorporated in the Netherlands. The Ultimate Parent Company is Diageo Plc, a company incorporated in the United Kingdom. The Company is affiliated with other companies in the group through common control and directorship.

b. Purchase of raw materials, finished goods and plant and equipment

Raw materials, finished goods, plant and equipment purchased from related parties during the year are as follows:

	2018 GH¢'000	2017 GH¢'000
Diageo Ireland	**9,353**	16,436
Diageo Brands BV	**12,201**	27,273
Guinness Nigeria	**64,266**	63,701
Diageo Great Britain	**17,480**	12,746
United Spirit-Singapore	**-**	448
	103,300	120,604

NOTES (continued)

22. RELATED PARTY TRANSACTIONS (continued)

c. Profit or loss include an amount of GH¢17.5 million (2017: GH¢17.4 million) in respect of royalties and technical services fees to Diageo Ireland, Diageo Brand BV and Diageo Great Britain.

d. Finance cost of GH¢14.4 million (2017: GH¢21.9million) has been charged to profit or loss for the loan from Diageo Finance Plc.

e. **Human resource and project cost recharges**

Transactions with other related parties included human resources and project costs recharges as follows:

	2018	2017
	GH¢'000	GH¢'000
Diageo Australia	**16**	95
Diageo Great Britain	**8,222**	16,387
Diageo Ireland	**20,628**	12,500
Diageo Scotland	**4,085**	4,347
East Africa Breweries Ltd	**4,335**	4,132
Guinness Cameroun	**109**	91
Diageo Uzletviteli Szogaltatasok K	**-**	936
Diageo North America	**2**	459
Diageo Plc	**646**	1,058
Guinness Nigeria	**834**	2,657
Diageo Business Service Center India	**-**	691
Diageo Denmark	**-**	2
Seychelles Breweries Ltd	**127**	-
Meta Abo Brewery SC	**60**	-
Diageo South Africa (Pty) Limited	**654**	-
	39,718	43,355

NOTES (continued)

22. RELATED PARTY TRANSACTIONS (continued)

f) Outstanding balances in respect of transactions with related parties at the reporting date were as follows:

(i) Amounts due to related parties

	2018	2017
	GH¢'000	GH¢'000
Diageo Great Britain	**3,111**	3,827
Diageo Ireland Limited	**3,276**	6,780
Diageo Plc	**252**	56
Diageo Scotland Limited	**298**	97
Diageo Brands B.V	**756**	3,761
Diageo North America Inc	**2**	42
East Africa Brewery Limited	**515**	397
Guinness Nigeria	**5,292**	2,986
Guinness Cameroun S.A	**27**	49
Diageo Uzletviteli Szolgaltatasok K	**-**	130
Diageo Supply Marracuene Limitada	**4**	3
Diageo Angola Limitada	**1**	2
Meta Abo Brewery	**29**	210
Seychelles Breweries Limited	**-**	227
Diageo South Africa (Pty) Limited	**72**	69
Diageo Business Services, India	**90**	114
Diageo Latin America and Carribean	**-**	1
Uganda Brewery Limited	**-**	21
	13,725	18,772

(ii) Amounts due from related parties

	2018	2017
	GH¢'000	GH¢'000
Diageo Great Britain	**1,143**	399
Diageo Ireland Limited	**3,424**	1,253
Guinness Cameroun SA	**-**	132
Meta Abo Brewery	**-**	531
Diageo South Africa (Pty)	**727**	25
Guinness Nigeria	**1,270**	319
East Africa Brewery Limited	**75**	-
Uganda Breweries Limited	**1**	2
UDV Kenya Limited	**-**	50
Diageo PLC	**13**	-
Serengeti Breweries Limited	**3**	-
Seychelles Breweries Limited	**10**	-
	6,666	2,711

There are no liens on the Company's assets in respect of the above liabilities.

NOTES (continued)

22. RELATED PARTY TRANSACTIONS (continued)

(iii) Borrowings

	2018 GH¢'000	2017 GH¢'000
Balance at 1 July	**109,999**	109,110
Interest repayment	**(4,422)**	(3,533)
Accrued interest	**3,414**	4,422
Balance at 30 June	**108,991**	109,999

The Company has a loan facility of GH¢109 million from Diageo Finance Plc. Interest on the loan is applied at a rate equal to 91 day Government of Ghana treasury bills plus a margin of 50 basis points to be determined on an ongoing basis. Prior to 1 July 2019, all or any part of the loan may be repaid at the option of the borrower subject to approval from the lender. At any time, subsequent to 1 July 2019, the lender may require the borrower to repay either in full or in part, the loan together with accrued interest and all other amounts outstanding under the agreement.

(iv) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly including any director (whether executive or otherwise) of the Company. Key management personnel compensation is recognised in administrative expenses in the income statement includes the following:

	2018 GH¢'000	2017 GH¢'000
Short term benefits	**7,176**	7,294
Long term benefits	**12**	9

23. DIVIDENDS

The directors recommend the payment of a dividend per share of GH¢0.0351 amounting to GH¢10.77 million for the year ended 30 June 2018.

24. EMPLOYEE BENEFIT OBLIGATIONS

Defined Benefit Plan

End of Service Benefits

The Company has an end of service benefit plan that has been designed to help its permanent junior staff build up savings over a period of time. The plan is not funded. Employees who retire as junior staff are given two (2) years' annual salary.

The defined benefit plans expose the Company to actuarial risks, such as longevity and interest rate risk.

24. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Long Service Awards

The Company operates a long service benefit plan for all employees, both management staff and junior staff, who have served the Company for ten (10) years and beyond. The plan is not funded. The awards vary depending on the number of years served by employees who meet the criteria above.

(a) Employee benefit obligations

	2018	2017
	GH¢'000	GH¢'000
Defined benefit liabilities	**1,067**	824
Liability for long service awards	**1,078**	947
	2,145	1,771

The employee benefit obligations were independently valued by a professionally qualified actuary at 30 June 2018.

(b) Movement in defined benefit liabilities

	2018	2017
	GH¢'000	GH¢'000
Balance at 1 July	**824**	422
Included in profit or loss		
Current service costs	**127**	103
Interest costs	**108**	79
	235	182
Included in OCI		
Actuarial loss	**207**	282
Others		
Benefits paid	**(199)**	(62)
Balance at 30 June	**1,067**	824

(c) Actuarial assumption

The following were the principal actuarial assumptions used in determining the defined benefit obligation.

	2018	2017
Discount rate	**11%**	15%
Salary inflation	**10%**	12%

NOTES (continued)

24. EMPLOYEE BENEFIT OBLIGATIONS (continued)

(d) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	2018		2017	
	Increase GH¢'000	**Decrease GH¢'000**	Increase GH¢'000	Decrease GH¢'000
Discount rate (1% movement)	**(129)**	**361**	(165)	194
Salary inflation (1% movement)	**260**	**(221)**	196	(169)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

25. PROVISIONS

	2018 GH¢'000	2017 GH¢'000
Restructuring	**716**	158

This provision represents costs associated with restructuring in line with changes to the operating model across Diageo. Estimated restructuring costs include employee termination benefits. The Company expects to settle the liability during the year ending 30 June 2019.

Movement in provisions during the year are set out below:

	2018 GH¢'000	2017 GH¢'000
Balance at 1 July	**158**	-
Additional provision made during the year	**2,504**	158
Amount used during the year	**(1,946)**	-
Balance at 30 June	**716**	158

26. COST OF SALES

	2018 GH¢'000	2017 GH¢'000
Direct production costs	**240,693**	247,998
Production overheads	**115,041**	88,015
Depreciation expense	**51,232**	48,828
Other costs	**57,815**	52,270
	464,781	437,111

The amount of inventories recognised as an expense during the year was GH¢241 million (2017: GH¢248 million).

NOTES (continued)

27. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2018 GH¢'000	2017 GH¢'000
(i) Advertising and marketing expenses		
Advertising and marketing expenses	**18,437**	34,218
Depreciation expense	**3,336**	2,608
	21,773	36,826

	2018 GH¢'000	2017 GH¢'000
(ii) Administrative expenses		
Staff cost	**57,365**	43,352
Auditor's remuneration	**161**	145
Insurance	**1,275**	1,083
Office related expenses	**7,666**	9,054
Professional/consultancy costs	**717**	1,136
Communication costs	**1,679**	942
Other costs	**2,899**	8,513
Depreciation expense	**3,758**	3,323
Amortisation charge	**971**	563
	76,491	68,111

	2018 GH¢'000	2017 GH¢'000
(iii) Other expenses		
Net impairment charge (Note 28b(i))	**534**	43
Net foreign exchange loss	**5,841**	126
Sundry expenses	**2,501**	3,985
	8,876	4,154

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT

(a) Accounting classification and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The carrying amount of financial assets and financial liabilities reasonably approximate their fair value.

	Carrying amount			Fair value
At 30 June 2018	**Loans and receivables GH¢'000**	**Other financial assets GH¢'000**	**Total GH¢'000**	**Level 3 GH¢'000**
Financial assets				
Trade and other receivables	**14,220**	**-**	**14,220**	**14,220**
Amounts due from related parties	**6,666**	**-**	**6,666**	**6,666**
Bank balances	**62,836**	**-**	**62,836**	**62,836**
	83,722	**-**	**83,722**	**83,722**

	Carrying amount			Fair value
At 30 June 2018	**Loans and receivables GH¢'000**	**Other financial liabilities GH¢'000**	**Total GH¢'000**	**Level 3 GH¢'000**
Financial liabilities				
Trade and other payables	**-**	**69,412**	**69,412**	**69,412**
Obligation under finance lease	**-**	**18,786**	**18,786**	**23,322**
Amounts due to related parties	**-**	**13,725**	**13,725**	**13,725**
Borrowings	**-**	**108,991**	**108,991**	**178,764**
	-	**210,914**	**210,914**	**285,223**

	Carrying amount			Fair value
At 30 June 2017	Loans and receivables GH¢'000	Other financial assets GH¢'000	Total GH¢'000	Level 3 GH¢'000
Financial assets				
Trade and other receivables	20,816	-	20,816	20,816
Amounts due from related parties	2,711	-	2,711	2,711
Bank balances	52,579	-	52,579	52,579
	76,106	-	76,106	76,106

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(a) Accounting classification and fair values (continued)

	Carrying amount			Fair value
At 30 June 2017	Loans and receivables GH¢'000	Other financial liabilities GH¢'000	Total GH¢'000	Level 3 GH¢'000
Financial liabilities				
Trade and other payables	-	76,500	76,500	76,500
Bank overdraft	-	7	7	7
Obligation under finance lease	-	21,222	21,222	27,432
Amounts due to related parties	-	18,772	18,772	18,772
Borrowings	-	109,999	109,999	179,976
	-	226,500	226,500	302,687

(b) Risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management of capital are as follows:

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit sub-committee is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Company.

The Audit sub-committee gains assurances on the effectiveness of internal control and risk management from: summary information relating to the management of identified risks; detailed reviews of the effectiveness of management of selected key risks; results of management's self-assessment processes over internal control; and independent work carried out by the Global Audit and Risk function, which provide the Audit sub-committee and management with results of procedures carried out on key risks, including extent of compliance with standards set on governance; and assurances over the quality of the Company's internal control.

The Company also has a Control, Compliance and Ethics function in place, which monitors compliance with internal procedures and processes and assesses the effectiveness of internal controls.

The Company's risk management policies are established to identify and analyse risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training, standards and procedures, the Company aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES (continued)

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Risk management (continued)

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivable from customers.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit control committee has established a credit policy under which new customers are assessed individually for credit worthiness before the Company's standard payment terms and conditions are offered. The Company generally trades with pre-defined and selected customers. Credit exposure on trade receivable is covered by customers issuing post-dated cheques to cover amounts owed, as well as using landed properties as collateral and bank guarantees.

Allowances for impairment

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk for trade and other receivables at the reporting date was:

	2018 GH¢'000	2017 GH¢'000
Key distributors	**11,521**	19,361
Individuals and companies	**2,622**	1,382
Employees	77	73
	14,220	20,816
The aging of trade receivables at the reporting date was:		
Current (less than 30 days)	**8,949**	17,730
Past due but not impaired (31-120 days)	**3,991**	2,154
Impaired (more than 120 days)	**2,662**	1,894
Gross trade and other receivables	**15,602**	21,778
Impairment provision	**(1,382)**	(962)
Net trade and other receivables	**14,220**	20,816

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Risk management (continued)

(i) Credit risk (continued)

The movement in impairment allowance in respect of trade receivables during the year was as follows:

	2018 GH¢'000	2017 GH¢'000
Balance at 1 July	**962**	1,040
Recognised in profit or loss:		
Impairment charge	**997**	43
Unsused amounts reversed	**(463)**	-
	534	43
Write-off	**(114)**	(121)
Balance at 30 June	**1,382**	962

Impairment losses have been recognised for specific customers whose debts are considered impaired. Based on historical default rates, no additional impairment losses are considered necessary in respect of trade receivables.

No impairment loss was recognised for financial assets other than trade receivables. The recovery during the year was for trade receivables and has been credited to profit or loss.

Amount due from related parties

The Company's exposure to credit risk in respect of amounts due from related parties is minimal. The Company has transacted business with related parties over the years, and there have been no defaults in payment of outstanding debts.

Bank balances

The Company held bank balances of GH¢62.8 million (2017: GH¢52.6 million) at 30 June 2018 which represent its maximum exposure. The bank balances are held with banks licensed by the Bank of Ghana.

(ii) Liquidity risk

Liquidity risk is the risk that the Company would either not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can access them only at excessive cost.

The Company's approach to managing liquidity is to ensure that it maintains adequate liquidity to meet its liabilities as and when they fall due. The Company assesses its debt position every month. The Company also monitors the level of expected cash inflows on trade and other receivables on a daily basis. Diageo Finance Plc, the finance unit of the Group, makes available borrowings to the Company to support its operations.

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Risk management (continued)

The following are contractual maturities of financial liabilities:

As at 30 June 2018	Carrying amount GH¢'000	Contractual cash flows Total GH¢'000	6mths or less GH¢'000	6-12mths GH¢'000	1-5years GH¢'000
Non-derivative financial liability					
Trade and other payables	**83,420**	**83,420**	83,420	-	-
Obligations under finance lease	**18,786**	**23,322**	5,815	5,130	12,377
Amounts due to related parties	**13,725**	**13,725**	13,725		
Borrowings	**108,991**	**178,764**	6,845	6,808	165,111
Balance at 30 June 2018	**224,922**	**299,231**	**109,805**	**11,938**	**177,488**

As at 30 June 2017	Carrying amount GH¢'000	Contractual cash flows Total GH¢'000	6mths or less GH¢	6-12mths GH¢	1-5years GH¢
Non-derivative financial liability					
Trade and other payables	91,096	91,096	91,096	-	-
Bank overdraft	7	7	7	-	-
Obligations under finance lease	21,222	27,432	6,850	5,963	14,619
Amounts due to related parties	18,772	18,772	18,772	-	-
Borrowings	109,999	179,976	6,883	7,861	165,232
Balance at 30 June 2017	241,096	317,283	123,608	13,824	179,851

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currently, there is no formal policy designed by management to mitigate the effect of volatilities in market prices. The Company's management committee, however, monitors market trends on a weekly basis to manage any risk exposure. Significant items of expenditure are incurred when market prices and other economic indicators are favourable.

Foreign currency risk

The Company is exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The currencies in which these transactions are primarily denominated are Euros

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Risk management (continued)

(iii) Market risk (continued)

(EUR), US Dollars (USD), Great Britain Pounds (GBP), South African Rands (ZAR), Kenyan Shillings (KES) and CFA Franc (XAF).

The Company's exposure to foreign currency risk expressed in transaction currency at the end of the reporting period was as follows:

At 30 June 2018

	EUR '000	USD '000	GBP '000	ZAR '000	KES '000	NGN '000	UGX '000	HUF '000	SGD '000	XAF '000
Bank balances	4,373	229	125	-	-	-	-	-	-	-
Trade payables	(1,964)	(1,186)	(245)	-	-	-	-	-	-	-
Related party balances	(32)	(1,528)	(334)	(206)	(5,558)	(32,725)	3,060	(5,148)	(1)	(2,394)
Net exposure	**2,377**	**(2,485)**	**(454)**	**(206)**	**(5,558)**	**(32,725)**	**3,060**	**(5,148)**	**(1)**	**(2,394)**

At 30 June 2017

	EUR '000	USD '000	GBP '000	ZAR '000	KES '000	NGN '000	ETB '000	UGX '000	AOA '000	MZN '000
Bank balances	750	305	108	-	-	-	-	-	-	-
Trade payables	(2,882)	(797)	(355)	-	-	-	-	-	-	-
Related party balances	(7)	(2,459)	(391)	(206)	(3,792)	(1,562)	(1,274)	(16,716)	(68)	(47)
Net exposure	(2,139)	(2,951)	(638)	(206)	(3,792)	(1,562)	(1,274)	(16,716)	(68)	(47)

The Diageo Plc group approved exchange rates for major currencies during the year are as follows:

	Average Rate		Reporting Date	
	2018 Cedis	2017 Cedis	**2018** Cedis	2017 Cedis
EUR 1	**5.39**	4.67	**5.59**	5.02
USD 1	**4.50**	4.23	**4.79**	4.40
GBP 1	**6.06**	5.37	**6.32**	5.72

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Risk management (continued)

(iv) Market risk (continued)

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of the Ghana cedi against all other currencies on the Company's profit or loss and equity. This sensitivity analysis indicates the potential impact on profit or loss and equity based upon the foreign currency exposures recorded at 30 June and does not represent actual or future gains or losses. The sensitivity analysis is based on the percentage difference between the closing exchange rate and the average exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the Ghana cedi, by the rates shown in the table, against the following currencies at 30 June would have increased/decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

As at 30 June	**2018**			**2017**		
Currency	**% Change**	**Profit or loss impact: Strengthening GH¢'000**	**Profit or loss impact: Weakening GH¢'000**	% Change	Profit or loss impact: Strengthening GH¢'000	Profit or loss impact: Weakening GH¢'000
Euro	**±7.5**	**(997)**	**997**	±7.5	753	(753)
US$	**±7.5**	**892**	**(892)**	±7.5	1,039	(1,039)
GBP	**±7.5**	**215**	**(215)**	±7.5	225	(225)

Interest rate risk

	Carrying amounts	
	2018 GH¢'000	2017 GH¢'000
Fixed rate instruments		
Bank overdraft	**-**	3
Variable rate instruments		
Bank loans and overdrafts	**-**	4
Borrowings	**108,991**	109,999
Obligations under finance lease	**18,786**	21,222
	127,777	131,225

Cash flow and fair value interest rate risk

The company's main interest rate risk arises from borrowings at variable rates, which exposes it to cashflow interest rate risk.

NOTES (continued)

28. FINANCIAL INSTRUMENT – FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Risk management (continued)

(iii) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 200 basis points in interest rates at the reporting date would have an increased/ (decreased) effect on equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. The analysis is performed on the same basis for 2017.

As at 30 June	2018			2017		
	% Change	Profit and Loss impact: GH¢'000	Equity GH¢'000	% Change	Profit and Loss impact: GH¢'000	Equity GH¢'000
Overdrafts and loans	±2%	±19	±19	±2%	±210	±210
Borrowings	±2%	±2,140	±2,140	±2%	±2,428	±2,428
Obligations under finance lease	±2%	±426	±426	±2%	±479	±479

29. CAPITAL COMMITMENTS

Capital commitments authorised but not expended for property, plant and equipment at the reporting date amount to GH¢7.65 million (2017: GH¢0.80 million).

30. CONTINGENT LIABILITIES

Contingent liabilities, in respect of possible claims and lawsuits at the reporting date amount to GH¢55,025 (2017: GH¢206,830). Judgement in respect of these cases have not been determined as at 30 June 2018. No provision has been made as professional advice on the cases indicate that it is unlikely that any significant loss will arise.

Appendix I

SHAREHOLDER INFORMATION

ANALYSIS OF SHAREHOLDING

(i) Number of Shareholders

The Company had 4,485 ordinary shareholders at 30 June 2018 distributed as follows:

Holding	No. of Holders	Total Holding	% Holding
1 – 1,000	3,169	759,727	0.25
1,001 – 5,000	641	1,577,781	0.51
5,001 – 10,000	404	3,192,079	1.04
10,001 – 999,999,999	271	302,065,240	98.20
	4,485	307,594,827	100.00

(ii) List of twenty largest shareholders as at 30 June 2018

	Name	No. of Shares	% Holding
1	DIAGEO HOLDINGS NETHELANDS BV	247,291,361	80.40
2	SOCIAL SECURITY AND NATIONAL INSURANCE TRUST	23,294,870	7.57
3	STD NOMS/BNYMSANV RE BNYMRE TERRA	4,985,000	1.62
4	SCGN/EPACK INVESTMENT FUND LIMITED	3,328,015	1.08
5	STD NOMS TVL PTY/BNYM LUX/EAST	2,514,721	0.82
6	SCGN/ELAC POLICY HOLDERS FUND	2,416,576	0.79
7	STD NOMS/BNYMSANV RE BNYMSANVLON RE	2,213,400	0.72
8	SCGN/CACEIS FRANCE RE HMG GLOBETRO	2,000,000	0.65
9	SCGN/JPMC IRE RE CORONATION FD MGR	1,951,789	0.63
10	SCGN/SS LUX C/O SSB AND T CO, BOSTON	1,110,011	0.36
11	SCGN/JPM IRE RE CORONATION FD MGR	877,593	0.29
12	SCGN/JP MORGAN CHASE VICTORIE	630,018	0.20
13	SCBN/ GH.ASSOC. PENSION FUND	605,294	0.20
14	SCBN/ CITIBANK LONDON REBECO AFRIKA	482,632	0.16
15	SCBN/DATABANK BALANCE FUND LIMITED	451,200	0.15
16	STD NOMS TVL PTY/HERITAGE FUND LIMITED	451,100	0.15
17	SCBN/CHASE OFFSHORE 6179C	447,770	0.15
18	STD NOMS/STANBIC NOMINEE A/C CENTUM	429,912	0.14
19	TEACHERS FUND	347,925	0.11
20	STD NOMS TVL PTY/ ENTERPRISE TIER 3	309,134	0.10
	Reported Totals	296,138,321	96.28
	Not Reported	11,456,506	3.72
	Company Total	307,594,827	100

Appendix II

FIVE YEAR FINANCIAL SUMMARY

	2018 GH¢'000	2017 GH¢'000	2016 GH¢'000	2015 GH¢'000	2014 GH¢'000
Results					
Revenue	**623,102**	587,447	566,308	437,348	330,645
Profit/(loss) before tax	**35,430**	11,576	(1,871)	(49,107)	(11,479)
Taxes and levies	**(11,575)**	(4,662)	(5,809)	3,636	2,857
Profit/(loss) after tax	**23,855**	6,914	(7,680)	(45,471)	(8,622)
Dividend paid	**-**	-	-	-	(3,656)
Retained profit/(loss)	**23,855**	6,914	(7,680)	(45,471)	(12,278)
Statement of financial position					
Property, plant and equipment	**373,208**	363,348	374,066	336,091	292,009
Intangible assets	**3,116**	3,610	2,135	2,698	2,698
Cash and bank balances	**62,836**	52,579	44,087	48,826	11,736
Other current assets	**108,728**	108,370	108,638	93,039	112,935
Total assets	**547,888**	527,907	528,926	480,654	419,378
Total liabilities	**(253,247)**	(256,958)	(264,669)	(385,472)	(278,759)
	294,641	270,949	264,257	95,182	140,619
Share capital	**272,879**	272,879	272,879	96,252	96,252
Income surplus	**21,762**	(1,930)	(8,622)	(1,070)	44,367
	294,641	270,949	264,257	95,182	140,619
Revenue collected for Government					
Excise duty	**130,348**	130,167	111,728	72,618	62,060
Sales tax/value added tax	**138,778**	128,023	122,878	91,856	65,075
	269,126	258,190	234,606	164,474	127,135
Statistics					
EPS (GH¢)	**0.078**	0.022	(0.036)	(0.215)	(0.041)
Dividend per share (GH¢)	**-**	-	-	-	0.02
Net asset per share (GH¢)	**0.96**	0.88	0.86	0.45	0.67
Current ratio	**1.58:1**	1.35:1	1.20:1	0.81:1	1.22:1
Return on shareholders' fund (%)	**8.10**	2.55	(2.91)	(47.77)	(6.13)
Return on net sales value (%)	**3.83**	1.18	(1.36)	(10.40)	(2.61)

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF GUINNESS GHANA BREWERIES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Guinness Ghana Breweries Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

What we have audited

We have audited the financial statements of Guinness Ghana Breweries Limited (the "Company") for the year ended 30 June 2018.

The financial statements on pages 11 to 53 comprise:

- the statement of financial position as at 30 June 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of trade receivables The Company's distribution channel for both alcoholic and non-alcoholic products are through direct delivery customers and key distributors. Trade receivables at 30 June 2018 amount to GH¢14.1 million after impairment provision of GH¢1.4 million. Management performs an assessment of the ability of the customers to settle their outstanding debts in accordance with the agreed credit terms. The impairment assessment review is performed at each reporting date and establishes a provision for all receivable balances identified as impaired. Management exercises significant judgements in identifying whether an impairment event has occurred and determining both the timing of recognition of impairment and the estimation of any such impairment. Credit exposure is covered by customer post-dated cheques, bank guarantees and collaterals. In instances where customer collaterals are used, management engages independent valuers to determine the valuation and this involves applying assumptions relating to the best price estimates in an open market. The accounting policies, judgements and disclosures are set out in note 2 (e), note 3(c) and note 28(b) (i) of the financial statements.	We evaluated the design and tested the operating effectiveness of controls around the revenue and receivables cycle (order to cash process). We tested the ageing analysis of trade receivables to assess the appropriate classification of trade receivable balances. We assessed the appropriateness and reasonableness of assumptions (such as the timing of the estimated future cash flows and realisation of collateral) and judgements used by measuring them against historical trends and third party data where available. We assessed the competence, objectivity and independence of management's expert. We assessed the adequacy of impairment provision made on impaired trade receivable balances. We assessed the appropriateness and completeness of the related disclosures made in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, Report of the Directors, Shareholder Information and Five Year Financial Summary but 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 identified above 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, 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 for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), 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 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 Company or to cease operations, or have no realistic alternative but to do so.

The directors 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditor's responsibilities for the audit of the financial statements (continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) 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;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's balance sheet (statement of financial position) and Company's profit and loss account (part of the statement of comprehensive income) are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138)

PricewaterhouseCoopers (ICAG/F/2018/028)

Chartered Accountants

Accra, Ghana

27 September 2018

pwc

STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2018 GH¢'000	2017 GH¢'000
ASSETS			
Property, plant and equipment	12	**373,208**	363,348
Intangible assets	13	**3,116**	3,610
Total non-current assets		**376,324**	366,958
Inventories	14	**81,914**	79,785
Trade and other receivables	15	**17,124**	23,070
Amounts due from related parties	22(ii)	**6,666**	2,711
Current income tax assets	11(ii)	**3,024**	2,804
Cash and bank balances	16	**62,836**	52,579
Total current assets		**171,564**	160,949
Total assets		**547,888**	527,907
EQUITY AND LIABILITIES			
Stated capital	19(i)	**272,879**	272,879
Income surplus account		**21,762**	(1,930)
Total equity		**294,641**	270,949
Deferred tax liabilities	11(v)	**23,115**	13,933
Obligations under finance lease	18	**10,575**	12,105
Borrowings	22(iii)	**108,991**	109,999
Employee benefit obligations	24	**2,145**	1,771
Total non-current liabilities		**144,826**	137,808
Bank overdraft	17	-	7
Obligations under finance lease	18	**8,211**	9,117
Trade and other payables	21	**85,769**	91,096
Amounts due to related parties	22(i)	**13,725**	18,772
Provisions	25	**716**	158
Total current liabilities		**108,421**	119,150
Total liabilities		**253,247**	256,958
Total equity and liabilities		**547,888**	527,907

The financial statements on pages 11 to 53 were approved by the Board of Directors on 20 September **2018 and signed on their behalf by:**

DIRECTOR Gavin Pike

DIRECTOR Teye Mkushi

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 30 June 2018 GH¢'000	2017 GH¢'000
Revenue	6	**623,102**	587,447
Cost of sales	26	**(464,781)**	(437,111)
Gross profit		**158,321**	150,336
Advertising and marketing expenses	27(i)	**(21,773)**	(36,826)
Administrative expenses	27(ii)	**(76,491)**	(68,111)
Other expenses	27(iii)	**(8,876)**	(4,154)
Other income	7	**1,284**	612
Profit from operating activities		**52,465**	41,857
Finance income	10	**2,357**	443
Finance costs	10	**(19,392)**	(30,724)
Profit before income tax	8	**35,430**	11,576
Taxes and levies	11	**(11,575)**	(4,662)
Profit for the year		**23,855**	6,914
Other comprehensive income			
Items that are not subsequently reclassified to profit or loss:			
Actuarial loss on defined benefit obligations, net of tax	11(v)(b)	**(163)**	(222)
Other comprehensive income		**(163)**	(222)
Total comprehensive income for the year		**23,692**	6,692
Basic and diluted earnings per share (Ghana cedi per share)	20	**GH¢ 0.078**	GH¢ 0.022

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital GH¢'000	Income surplus account GH¢'000	Total GH¢'000
Year ended 30 June 2018				
Balance at 1 July 2017		272,879	(1,930)	270,949
Total comprehensive income				
Profit for the year		-	23,855	**23,855**
Other comprehensive income				
Actuarial loss on defined benefit obligations, net of tax	11(v)(b)	-	(163)	**(163)**
Total comprehensive income for the year		-	23,692	**23,692**
Balance at 30 June 2018		**272,879**	**21,762**	**294,641**
Year ended 30 June 2017				
Balance at 1 July 2016		272,879	(8,622)	264,257
Total comprehensive income				
Profit for the year		-	6,914	6,914
Other comprehensive income				
Actuarial loss on defined benefit obligations, net of tax	11(v)(b)	-	(222)	(222)
Total comprehensive income for the year		-	6,692	6,692
Balance at 30 June 2017		272,879	(1,930)	270,949

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	Year ended 30 June 2018 GH¢'000	2017 GH¢'000
Cash flows from operating activities			
Profit before income tax		**35,430**	11,576
Adjustments for:			
- Depreciation	12	**58,326**	54,759
- Amortisation	13	**971**	563
- Profit on disposal of property, plant and equipment	12(e)	**(9)**	(566)
- Impairment loss on trade receivables (net)	28(b(i))	**534**	43
- Finance cost	10	**19,392**	30,724
- Finance income	10	**(2,357)**	(443)
- Actuarial gain on long service awards		**(128)**	(416)
- Unrealised exchange difference		**2,562**	199
		114,721	96,439
Changes in:			
- Inventories		**(2,129)**	6,242
- Trade and other receivables		**5,330**	(5,915)
- Trade and other payables		**(9,439)**	(5,824)
- Related party balances		**(9,803)**	(2,703)
- Employee benefit obligations		**295**	407
- Provisions		**558**	158
Cash generated from operating activities		99,533	88,804
Interest paid		**(20,351)**	(29,835)
Taxes paid	11(ii)	**(220)**	(232)
Net cash generated from operating activities		**78,962**	58,737
Cash flows from investing activities			
Acquisition of property, plant and equipment	12(a)	**(61,327)**	(42,437)
Proceeds from disposal of property, plant and equipment	12(e)	**466**	985
Interest received	10	**2,357**	443
Net cash used in investing activities		**(58,504)**	(41,009)

The notes on pages 16 to 53 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

	Note	Year ended 30 June 2018 GH¢'000	2017 GH¢'000
Cash flows from financing activities			
Repayment of finance lease obligations		**(10,278)**	(9,172)
Net cash used in financing activities		**(10,278)**	(9,172)
Net increase in cash and cash equivalents		**10,180**	8,556
Cash and cash equivalents at 1 July		**52,572**	44,061
Effect of movements in exchange rates on cash held		**84**	(45)
Cash and cash equivalents at 30 June	16	**62,836**	52,572

The notes on pages 16 to 53 form an integral part of these financial statements.