

2008 **ANNUAL  
REPORT**

AND FINANCIAL STATEMENTS





Paterson Zochonis (PZ) was formed in Ghana (then the Gold Coast) in 1934. Paterson Zochonis Ghana became a Public Company in 1976, and was listed on the Ghana Stock Exchange within 12 months of its inception, in 1990.

From the early activities of importing, exporting and general trading, an industrial base was established in 1969.

Consequent to the Economic Recovery Programme instituted by the Government at that time, opportunity was taken in the late 80's and early 90's to rejuvenate PZ's industrial potential, concentrating on Health Care and Beauty Care products.

In 1995, a decision was made to build a new soap factory in Ghana, a total new investment to the value of approximately \$10 million.

Effectively 1st June, 2002, the Group underwent a change in name, from Paterson Zochonis to PZ Cussons. The objective of the changes was to unify the Group further under one identity, and to refresh and modernize our corporate image.

With a solid product portfolio that includes a number of well established brands such as Drastin, Alagbin, Zubes, Super Atlas, Maladrin, Robb, Venus haircare, Camel antiseptic, Imperial Leather, Premier, Cussons Baby, Canoe, Duck and Elephant, PZ Cussons can look at the future with great confidence.

Our vision is driven by our commitment to continue expanding our business through providing the consumers with goods of the highest quality standards at affordable prices, while making reasonable profits and maintaining our strong family values and respect for the environment in which we operate.



Experience the Luxury

# 2008

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## Annual Report

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## Corporate Information

**Directors:** Paul K. Pepera (Chairman)  
 James Berkeley Judson (Managing Director – appointed 1 June 2008)  
 Felix Stephen Quachey  
 Philip William Davies  
 Charles B. Janney  
 Christopher Davis  
 Meletis Glentzes (Managing Director – resigned 31 May 2008)

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**Secretary:** Accra Nominees Limited  
 Mobil House  
 Liberia Road  
 P. O. Box 242  
 Accra

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**Registered office:** Plot 27/3-27/7  
 Sanyo Road Tema Heavy Industrial Area  
 P. O. Box 628  
 Accra, Ghana

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**Auditor:** PricewaterhouseCoopers  
 Chartered Accountants  
 No.12 Aviation Road  
 Una Home 3rd Floor  
 Airport City, PMB.C.T 42, Cantonments  
 Accra, Ghana

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**Solicitors:** Kudjawu & Co.  
 No. 5 Yantridi Road  
 Labone Accra  
 P. O. Box 294  
 Accra

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**Bankers:** Barclays Bank of Ghana Limited  
 Ecobank Ghana Limited  
 Ghana Commercial Bank Limited  
 Stanbic Bank Ghana Limited  
 Standard Chartered Bank (Ghana) Limited

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**Registrars:** Merchant Bank (Ghana) Limited  
 57 Examination Loop  
 North Ridge  
 P. O. Box 401  
 Accra.



## Notice of Meeting

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting of PZ Cussons Ghana Limited will be held at the Ghana-India Kofi Annan ICT Centre for Excellence, Accra on Friday November 14th, 2008 at 11.00 a.m to transact the following business of the Company.

**Agenda:**

1. To receive and consider the Audited Financial Statements for the year ended 31st May, 2008 and the Reports of the Directors and Auditors thereon.
2. To declare Dividend.
3. To appoint Directors.
4. To re-elect Directors.
5. To fix Director's fees.
6. To confirm the appointment of PricewaterhouseCoopers as Auditors of the Company in place of Deloitte & Touche and to authorise the Directors to negotiate and determine the remuneration of the Auditors for an ensuing year.

BY ORDER OF THE BOARD

ACCRA NOMINEES LIMITED  
SECRETARIES

Accra, October 13, 2008.

**Note:** A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company. A proxy form is attached. Executed forms of proxy should be deposited at the office of the Registrars: Merchant Bank (Ghana) Limited, Kwame Nkrumah Avenue, P. O. Box 401, Accra not less than 48 hours prior to the time of the meeting.

## Chairman's Statement

I am pleased to advise shareholders that 2008 has been another successful year for PZ Cussons Ghana Limited with continued strong growth in revenue and profit from our existing business as well as the introduction of new products, primarily in the Nutrition and Electronics categories.

Furthermore, the continued margin improvement initiatives have also contributed to the growth in operating profit of 34% over the previous year, despite the substantial rise in costs of key raw materials such as crude palm oil, and the additional operational cost incurred from significant increases in fuel and energy prices.

Our performance in 2008 leaves us in good health as a result of expansion of our production facilities (another GH¢1.8million invested during the year), introduction of new products, significant investment in new people and on improving our people's skills as well as the overall modernization of our facilities and operations to enable us to meet the challenges of the ever changing market environment.

Taking into consideration this year's results as well as the required re-investment for delivering our business growth plans and the significant increase of our shareholders' value, the Board proposes a dividend of GH¢0.0130 per share, a 24% increase versus the previous year.

The outlook for our business is continued growth. We will continue to invest in our core brands in order to gain market share and we will continue to realise growth from the recently entered Nutrition and Electrical categories.

We are committed to further increasing shareholders' value through the delivery of quality products and services to the Ghanaian consumers whilst fulfilling our corporate and social responsibilities.

At this point, I would like to extend my thanks and appreciation to our Management and staff whose hard work, commitment and continuous focus on improvement and change has been the major driving force in delivering this year's high performance and this provides the basis for our continued growth.

**PAUL KWABENA PEPERA**

## Financial Highlights

	2008 GH¢	2007 GH¢	% change
Turnover	42,775,342	29,129,721	47
Operating Profit	4,310,936	3,208,397	34
Profit before taxation	4,706,678	4,263,766	10
Profit after taxation	3,508,184	3,369,033	4
Operating cashflow	(1,746,457)	(61,224)	(2,753)
Shareholders Fund	20,970,926	17,756,742	18
Earnings per ordinary share	0.1252	0.1203	4
Proposed dividend per ordinary share	0.0130	0.0105	24
PBT Margin (%)	11.00	14.64	(25)
PAT Margin (%)	8.20	11.57	(29)

## Operating and Financial Review

### Derivatives and other financial instruments

The Company's financial instruments, other than derivatives, comprise significant amount of cash and liquid resources, associated company loans, various items, such as trade debtors, trade creditors, associated company current accounts etc, that arise directly from its operations.

No derivative transactions were entered into by the Company.

### Interest rate risk

The company finances its operations by retained earnings and other instruments arising from its own operations. The associated company loans do not attract interest and therefore the company was not exposed to interest rate risk.

### Foreign currency risk

The company has no overseas subsidiaries and export sales were not significant. Foreign currency exposure is not an issue.



## Corporate Governance

### Introduction

PZ Cussons Ghana Limited recognises the importance of good corporate governance as a means of sustained long-term viability of the business and therefore always seek to align the attainment of the business objectives with good corporate behaviour.

In line with the framework, mission, values and business principles mandated through the group corporate accountability committee, planning takes place and resources are allocated towards achievement of accountability, compliance and reporting standards. The business adopts standard accounting practices and ensures sound internal controls to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

### Board of Directors

The Board is responsible for the Company's strategic development, monitoring its business objectives and maintaining a system of effective corporate governance.

### Audit Committee

The Audit Committee reviews the financial performance, risk management, compliance with policies and legislation, internal and external audit reports and business practices.

The Audit Committee comprises two non-executive and one executive director.

### Internal Control

PZ Cussons Ghana Limited has put in place an internal control system that enables the company to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its objectives.

### Health and Safety

PZ Cussons Ghana Limited continues to ensure that business activities are undertaken in a responsible manner and in accordance with the relevant statutory legislation and that employees at all levels participate in the development, promotion and maintenance of a safe and healthy working environment.

### Environment

PZ Cussons Ghana Limited ensures that manufacturing processes, facilities, distribution practices and products are designed to minimise the effect on the environment. With respect to the environment within which it operates, the Company continues to ensure that it complies with environmental legislation and regulations by assessing potential impact of the business and find effective ways of reducing them.



## Directors' Report

The directors have the pleasure in submitting to the members of the Company their report together with the audited financial statements for the year ended 31 May 2008.

### Parent company

The Company is a subsidiary of PZ Cussons Plc, a company incorporated in the United Kingdom.

### Principal activities

The Company is engaged in business to manufacture as well as purchase, distribute and sell soaps, cosmetics, and pharmaceutical products for export and local consumption.

There was no change in the nature of the Company's business during the year under review.

### Financial Results

The financial results of the Company for the year ended 31 May 2008 are set out below:

	GH¢
Profit before tax for the year is	4,706,678
from which is deducted tax of	(1,198,494)
	-----
giving a profit after tax for the year of	3,508,184
and to which is added surplus brought forward on income surplus account of	12,112,379
from which is deducted approved dividend of	(294,000)
	-----
giving a surplus carried forward on income surplus account of	15,326,563
	=====

### Dividends

The directors recommended a dividend of **GH¢0.0105** per share (2006: GH¢0.0085) which amounts to GH¢294,000 for the year ended 31 May 2007. The shareholders approved the proposed dividend at the Annual General Meeting on 24 October 2007.

**Directors and their interests**

The present membership of the Board is set out on page 2. All directors served throughout the year. The directors' interests in the ordinary shares of the Company at 31 May 2008 were:

	2008	2007
	No of shares	No of shares
Felix Stephen Quachey	5,100	5,100

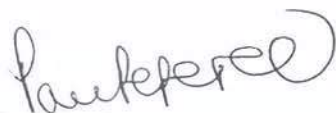
**Directors' Interests in contracts**

The Directors have no material interest in contracts entered into by the Company.

**Auditor**

In accordance with Section 134 (5) of the Companies Code 1963, the auditor, Messrs PricewaterhouseCoopers, will continue in office as auditor of the Company.

**BY ORDER OF THE BOARD:**



.....  
**Paul Kwabena Pepera**  
 Chairman

23rd September, 2008



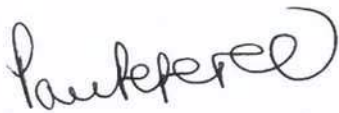
.....  
**James Berkeley Judson**  
 Director

23rd September, 2008

## Statement of Directors' Responsibilities

The directors are responsible for preparing 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).

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.



.....  
**Paul Kwabena Pepera**  
Chairman

Date: 23rd September, 2008



.....  
**James Berkeley Judson**  
Director

Date: 23rd September, 2008



## Independent Auditors' Report to the Members of PZ Cussons Ghana Limited

We have audited the financial statements of PZ Cussons Ghana Limited set out on pages 12 to 39. These financial statements comprise the balance sheet as at 31 May 2008, income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Ghana Companies Code 1963, (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 May 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Ghana Companies Code, 1963 (Act 179).

## Independent Auditors' Report to the Members of PZ Cussons Ghana Limited (cont.)

### REPORT ON OTHER LEGAL REQUIREMENTS

The Ghana Companies Code, 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 and profit and loss account are in agreement with the books of account.



**Chartered Accountants  
Accra, Ghana**

**29th September, 2008**

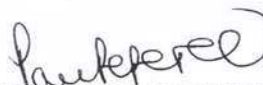
## Balance Sheet

(All amounts are expressed in Ghana cedis unless otherwise stated)


At 31 May

	Notes	2008	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	2	9,909,824	9,128,238
Investments	3	1,405,271	1,405,271
		<b>11,315,095</b>	<b>10,533,509</b>
<b>Current assets</b>			
Inventories	4	19,311,849	12,492,496
Trade and other receivables	5	7,016,899	5,214,946
Cash and Bank		716,701	829,548
		<b>27,045,449</b>	<b>18,536,990</b>
<b>Total assets</b>		<b>38,360,544</b>	<b>29,070,499</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to company's Equity holding</b>			
Stated capital	6	1,160,000	1,160,000
Capital surplus	7	4,484,363	4,484,363
Income surplus	8	15,326,563	12,112,379
		<b>20,970,926</b>	<b>17,756,742</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	11,409,617	9,365,596
Bank overdraft	10	3,500,560	20,831
Current tax	20	504,618	253,194
Dividend payable	11	444,064	214,769
		<b>15,858,859</b>	<b>9,854,390</b>
<b>Non-current liabilities</b>			
Borrowings	10	-	8,016
Deferred tax	12	1,530,759	1,451,351
		<b>1,530,759</b>	<b>1,459,367</b>
<b>Total liabilities</b>		<b>17,389,618</b>	<b>11,313,757</b>
<b>Total equity and liabilities</b>		<b>38,360,544</b>	<b>29,070,499</b>

The financial statements on pages 12 to 39 were approved by the Board of Directors on 23rd September, 2008 and signed on its behalf by:

  
 .....  
 Paul Kwabena Pepera  
 Chairman

23rd September, 2008

  
 .....  
 James Berkeley Judson  
 Director

23rd September, 2008



## Income Statement

(All amounts are expressed in Ghana cedis unless otherwise stated)

Year ended 31 May

	Notes	2008	2007
<b>Revenue</b>	13	42,775,342	29,129,721
Cost of sales	14	(29,810,490)	(20,372,213)
<b>Gross profit</b>		12,964,852	8,757,508
Distribution costs	15	(6,377,289)	(4,150,477)
Administrative costs	16	(2,276,627)	(1,398,634)
<b>Operating profit</b>		4,310,936	3,208,397
Other income	17	353,559	965,445
<b>Profit before finance income</b>		4,664,495	4,173,842
<b>Net finance income</b>	18	42,183	89,924
Profit before tax		4,706,678	4,263,766
Tax	20	(1,198,494)	(894,733)
<b>Profit after tax for the year transferred to the income surplus account</b>	8	<b>3,508,184</b>	<b>3,369,033</b>
<b>Earnings per share (GHC)</b>			
Basic		<b>0.1252</b>	0.1203

## Statement of Changes in Equity

(All amounts are expressed in Ghana cedis unless otherwise stated)

	Stated capital	Capital surplus account	Income surplus account	Total
<b>Year ended 31 May 2008</b>				
At the beginning of the year	1,160,000	4,484,363	12,112,379	17,756,742
Net profit	-	-	3,508,184	3,508,184
Dividend	-	-	(294,000)	(294,000)
	-----	-----	-----	-----
<b>At the end of the year</b>	<b>1,160,000</b>	<b>4,484,363</b>	<b>15,326,563</b>	<b>20,970,926</b>
	=====	=====	=====	=====
<b>Year ended 31 May 2007</b>				
At the beginning of the year	1,160,000	4,670,395	8,795,314	14,625,709
Net profit	-	-	3,369,033	3,369,033
Transfer from capital surplus	-	(186,032)	186,032	-
Dividend	-	-	(238,000)	(238,000)
	-----	-----	-----	-----
<b>At the end of the year</b>	<b>1,160,000</b>	<b>4,484,363</b>	<b>12,112,379</b>	<b>17,756,742</b>
	=====	=====	=====	=====

## Cash Flow Statement

(All amounts are expressed in Ghana cedis unless otherwise stated)

Year ended 31 May

	Notes	2008	2007
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	22	(817,305)	790,489
Interest received	18	26,351	96,680
Interest paid	18	(87,841)	(6,756)
Tax paid	20	(867,662)	(941,637)
		-----	-----
<b>Net cash used in operating activities</b>		<b>(1,746,457)</b>	<b>(61,224)</b>
		-----	-----
<b>Cash flows from investing activities</b>			
Dividend received	18	103,673	—
Purchase of property, plant and equipment	2	(1,881,871)	(2,643,511)
Proceeds from sale of property, plant & equipment	2	4,800	1,123,554
		-----	-----
<b>Net cash used in investing activities</b>		<b>(1,773,398)</b>	<b>(1,519,957)</b>
		-----	-----
<b>Cash flows from financing activities</b>			
Finance lease drawdown	10	—	40,414
Finance lease repaid	10	(20,831)	(11,567)
Dividend paid	11	(64,705)	(212,733)
		-----	-----
<b>Net cash used in financing activities</b>		<b>(85,536)</b>	<b>(183,886)</b>
		-----	-----
<b>Net decrease in cash and cash equivalents</b>		<b>(3,605,391)</b>	<b>(1,765,067)</b>
Cash and cash equivalents at 1 June		829,548	2,594,615
<b>Cash and cash equivalents at 31 May</b>	25	<b>(2,775,843)</b>	<b>829,548</b>
		=====	=====



## Notes

*(All amounts are expressed in Ghana cedis unless otherwise stated)*

### 1. Accounting policies

#### **PZ Cussons Ghana Limited**

PZ Cussons Ghana Limited is involved in the manufacture of personal and health care products such as soaps, cosmetics and pharmaceutical products; the purchase, distribution and sale of consumer products including electrical products.

The Company is a limited liability company incorporated and domiciled in Ghana. The address of its registered office is Plot 27/3-27/7 Sanyo Road, Tema Heavy Industrial Area, P O Box 628, Tema, Ghana. The Company is listed on the Ghana Stock Exchange.

The Company adopted the following significant accounting policies in the preparation of these financial statements.

#### **(a) Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to provisions and accruals made in respect of services received from suppliers and other related parties; and fair value of financial assets and liabilities which are deemed to approximate their carrying amounts due to their short maturity.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **(b) Property, plant and equipment**

Land and buildings (except for investment property) comprising mainly factories and offices are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

Subsequent cost are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and building are credited to capital surplus account in shareholders' equity. Decreases that offset previous increase of the same asset are charged against capital surplus account directly in equity. All other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from capital surplus account to income surplus account

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees which are capitalised in accordance with the Company's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated on the straight-line method to write off the cost or revalued amounts, over their estimated useful life as follows:

Buildings	>	Over the life of the lease
Plant, machinery and equipment	>	From 10% to 33 $\frac{1}{3}$ %
Motor Vehicles	>	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in the income statement.

When revalued assets are sold, the amounts included in capital surplus account are transferred to income surplus account.

### (c) Leases

Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between financing charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's policy on borrowing costs.

Property, plant and equipment acquired under finance leases are depreciated over the useful life of such assets. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

### (d) Impairment of non-financial assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

### (e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using standard costing method. Where actual costs differ from standard costs, variances arising are recognised in the income statement. The cost of finished goods comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production. Net realisable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses.



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### (f) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the income statement within "distribution cost". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "distribution costs" in the income statement.

### (g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at bank and bank overdraft.

### (h) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events at the balance sheet date. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in provisions is recognised as an expense in the income statement.

### (i) Bank borrowings

Finance charges payable on settlement or redemption and direct costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### (j) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### (k) Income tax

Income tax comprises current tax and deferred tax.

### (l) Revenue recognition

Revenue is recognised upon dispatch of products and acceptance by the customer. Sales are shown net of discounts, Value Added Tax (VAT) and returns.

Revenue is recognised when the risks and rewards of the underlying product have been substantially transferred to the customer.

Other revenues earned by the Company are recognised on the following basis:

Interest income – on an accrual basis

Dividend income – when the Company's right to receive payment is established.

### (m) Investments

Investments are recognised and derecognised on a trade date when a purchase or sale of an investment is under a contract whose terms require delivery of the investment within timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as either held-to-maturity, held-for-trading, loans and receivables or available-for-sale. Held-for-trading and available-for-sale investments are measured at subsequent reporting dates at fair value. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

### (n) Foreign currency translation

#### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary environment in which the Company operates (functional currency). In July 2007, the cedi (GH¢) which was the functional currency used by the Company prior to July 2007 was redenominated and subsequently withdrawn as a legal tender effective 1 January 2008. This involved the exchange of 10,000 cedis for 1 Ghana cedi. The Company's functional currency is now Ghana cedis (GH¢).



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### **Transactions and balances**

Other currency transactions are accounted for at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in currencies other than Ghana cedis at the balance sheet date are translated into Ghana cedis at the exchange rates ruling at that date. Gains and losses resulting from these translations are recognised in the income statement.

### **(o) Critical accounting estimates and judgements**

#### **Critical accounting estimates and assumptions**

##### **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 1b.

##### **Income tax**

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 recognised 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 income tax and deferred income tax provisions in the period in which such determination is made.

#### **Critical judgements in applying the entity's accounting policies**

In the process of applying the Company's accounting policies, management has made judgement in determining:

- the classification of non-current assets
- whether assets are impaired
- provisions and contingent liabilities

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### (p) Reporting Framework

PZ Cussons Ghana Limited has adopted the International Financial Reporting Standards (IFRS) in the preparation of this financial statement. The following standards impacted the financial statements.

- IFRS 7 — Financial instruments: Disclosures
- IAS 1 — Presentation of Financial Statements
- IAS 2 — Inventories
- IAS 7 — Cash Flow Statements
- IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 — Events after the Balance Sheet Date
- IAS 12 — Income Taxes
- IAS 16 — Property, Plant and Equipment
- IAS 17 — Leases
- IAS 18 — Revenue
- IAS 19 — Employment Benefits
- IAS 21 — The Effect of Changes in Foreign Exchange Rates
- IAS 24 — Related Party Disclosures
- IAS 28 — Investment in Associates
- IAS 33 — Earnings per Share
- IAS 36 — Impairment of Assets
- IAS 37 — Provisions, Contingent Liabilities and Contingent Assets

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the Company's financial statements. The directors anticipate that the Company will adopt these standards and interpretations on their effective dates:

- IFRS 8 'Operating segments' issued in November 2006, is effective for periods commencing on or after 1 January 2009.



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

Interpretations in issue but not considered relevant to the activities of the Company are as follows:

- IFRIC 1 'Changes in existing decommissioning, restoration and similar liabilities'
- IFRIC 2 'Members' shares in cooperative entities and similar instruments'
- IFRIC 5 'Rights to interest arising decommissioning, restoration and environmental rehabilitation funds'
- IFRIC 6 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment'
- IFRIC 7 'Applying the restatement approach under IAS 29 financial reporting in hyperinflationary economies'
- IFRIC 8 'Scope of IFRS 2'
- IFRIC 10 'Interim financial reporting and impairment', issued in July 2006, is effective for periods commencing on or after 1 March 2007.
- IFRIC 11 'Group and treasury share transactions', issued in November 2006, is effective for period commencing on or after 1 March 2007.
- IFRIC 12 'Service concession arrangements', issued in November 2006, is effective for period commencing on or after 1 January 2008.
- IFRIC 13 'Customer loyalty programmes', effective for accounting periods beginning on or after 1 July 2008.
- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', effective for accounting periods beginning on or after 1 January 2008.
- IFRIC 15 – Agreements for the construction of real estate, effective for accounting periods beginning on or after 1 January 2009.
- IFRIC 16 – Hedges of a net investment in a foreign operation, effective for accounting periods beginning on or after 1 October 2008.

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 2. Property, plant and equipment

	Leasehold buildings	Plant, machinery & equipment	Motor vehicles	Assets under construction	Total
<b>At 1 June 2006</b>					
Cost of valuation	5,370,536	4,324,493	367,594	220,553	10,283,176
Accumulated depreciation	(565,298)	(1,979,151)	(165,601)	-	(2,710,050)
	-----	-----	-----	-----	-----
<b>Net book amount</b>	<b>4,805,238</b>	<b>2,345,342</b>	<b>201,993</b>	<b>220,553</b>	<b>7,573,126</b>
	=====	=====	=====	=====	=====
<b>Year ended 31 May 2007</b>					
Opening net book amount	4,805,238	2,345,342	201,993	220,553	7,573,126
Additions	-	25,118	-	2,618,393	2,643,511
Transfers	73,910	2,245,700	238,130	(2,557,740)	-
Disposals	(177,334)	-	-	-	(177,334)
Depreciation charge	(274,509)	(538,674)	(97,882)	-	(911,065)
	-----	-----	-----	-----	-----
<b>Closing net book value</b>	<b>4,427,305</b>	<b>4,077,486</b>	<b>342,241</b>	<b>281,206</b>	<b>9,128,238</b>
	=====	=====	=====	=====	=====
<b>At 31 May 2007</b>					
Cost of valuation	5,234,445	6,595,311	586,293	281,206	12,697,255
Accumulated depreciation	(807,140)	(2,517,825)	(244,052)	-	(3,569,017)
	-----	-----	-----	-----	-----
<b>Net book amount</b>	<b>4,427,305</b>	<b>4,077,486</b>	<b>342,241</b>	<b>281,206</b>	<b>9,128,238</b>
	=====	=====	=====	=====	=====
<b>Year ended 31 May 2008</b>					
Opening net book amount	4,427,305	4,077,486	342,241	281,206	9,128,238
Additions	280,701	609,182	244,566	747,422	1,881,871
Transfers	36,553	244,517	-	(281,070)	-
Disposals	-	-	-	-	-
Depreciation charge	(274,071)	(670,217)	(155,997)	-	(1,100,285)
	-----	-----	-----	-----	-----
<b>Closing net book value</b>	<b>4,470,488</b>	<b>4,260,968</b>	<b>430,810</b>	<b>747,558</b>	<b>9,909,824</b>
	=====	=====	=====	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 2. Property, plant and equipment (continued)

At 31 May 2008

Cost of valuation	5,551,699	7,449,010	821,782	747,558	14,570,049
Accumulated depreciation	(1,081,211)	(3,188,042)	(390,972)	-	(4,660,225)
<b>Net book amount</b>	<b>4,470,488</b>	<b>4,260,968</b>	<b>430,810</b>	<b>747,558</b>	<b>9,909,824</b>

Included in plant and machinery are assets with cost of **GH¢40,414** (2007: GH¢40,414) leased under finance lease.

	2008	2007
Cost - capitalised finance leases	40,414	40,414
Accumulated depreciation	(6,234)	(2,193)
	<b>34,180</b>	<b>38,221</b>

Net book value

#### Profit on disposal of property, plant and equipment

Cost	9,077	229,432
Accumulated depreciation	(9,077)	(52,098)
Net book value	-	177,334
Sale proceeds	(4,800)	(1,123,554)
Profit on disposal	<b>(4,800)</b>	<b>(946,220)</b>

#### Depreciation charge

Depreciation has been charged in income statement as follows:

Cost of sales	717,316	593,349
Distribution costs	99,854	57,353
Administrative costs	283,115	260,363
	<b>1,100,285</b>	<b>911,065</b>



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 3. Investments

	2008	2007
Norpalm Ghana Limited	1,405,271	1,405,271
	=====	=====

Investments comprise a 31% shareholding of the share capital of Norpalm Ghana Limited, an oil palm plantation company incorporated in Ghana. The Company does not exercise significant influence over the affairs of Norpalm Ghana Limited as it does not have the power to participate in the financial and operating policies of the entity, and is therefore not treated as an associated company. The directors consider the historical cost of the investment to be representative of its fair value at both 31 May 2008 and 31 May 2007.

### 4 Inventories

	2008	2007
Raw and packing materials	7,533,404	6,669,784
Finished products	10,530,296	4,661,850
Goods-in-transit	752,006	764,441
Engineering spares	496,143	396,421
	-----	-----
	19,311,849	12,492,496
	=====	=====

### 5 Trade and other receivables

	2008	2007
Trade receivables	4,732,441	4,483,400
Amount due from related parties (Note 21)	622,410	-
Amount due from officers and staff	29,583	70,869
Prepayments and accrued income	117,383	64,361
Sundry receivables	1,515,082	596,316
	-----	-----
	7,016,899	5,214,946
	=====	=====

The maximum amount of indebtedness by officers during the year did not exceed **GH¢35,000** (2007: GH¢80,000).



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 6. Stated Capital

	Number of shares		Proceeds	
	2008 '000	2007 '000	2008	2007
Authorised:				
Ordinary Shares	30,000	30,000	-	-
Issued:				
For cash	2,733	2,733	45,507	45,507
For consideration other than cash	25,267	25,267	914,938	914,938
Transferred from Capital surplus	-	-	199,555	199,555
	-----	-----	-----	-----
	28,000	28,000	1,160,000	1,160,000
	=====	=====	=====	=====

There is no unpaid liability on shares. There are no treasury shares. There are no calls or instalments unpaid.

### 7. Capital surplus account

	2008	2007
At 1 June	4,484,363	4,670,395
Transfer to income surplus	-	(186,032)
	-----	-----
At 31 May	4,484,363	4,484,363
	=====	=====

### 8. Income surplus account

	2008	2007
At 1 June	12,112,379	8,795,314
Net profit for the year	3,508,184	3,369,033
Transfer from capital surplus	-	186,032
Dividend approved	(294,000)	(238,000)
	-----	-----
At 31 May	15,326,563	12,112,379
	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 9. Trade and other payables

	2008	2007
Trade payables	1,301,881	190,058
Amount due to related parties (Note 21)	9,336,706	8,235,012
Accruals and deferred income	23,989	414,240
Sundry payables	747,041	526,286
	-----	-----
	<b>11,409,617</b>	<b>9,365,596</b>
	=====	=====

### 10. Borrowings

	2008	2007
<b>Current</b>		
Bank overdraft	3,492,544	-
Finance lease obligations	8,016	20,831
	-----	-----
	<b>3,500,560</b>	<b>20,831</b>
	-----	-----
<b>Non - current</b>		
Finance lease obligations	-	8,016
	-----	-----
<b>Total borrowings</b>	<b>3,500,560</b>	<b>28,847</b>
	=====	=====

#### Bank overdraft

At the balance sheet date, the Company had approved unsecured overdraft facilities with Standard Chartered Bank Ghana Limited not exceeding **GH¢4,000,000** (2007: nil).

#### Finance lease obligations

The Company has two leasing facilities with Merchant Bank (Ghana) Limited for the lease of certain forklifts at capital cost of GH¢20,174 and GH¢20,240 respectively. The tenor for the two facilities is 24 months with monthly repayment having commenced in June 2006. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 10. Borrowings (continued)

	2008	2007
The lease obligations are as follows:		
Gross finance lease liabilities minimum lease payments:		
Not later than 1 year	8,387	25,159
Later than 1 year and no later than 5 years	-	8,387
	8,387	33,546
Future finance charges on finance leases	(371)	(4,699)
<b>Present value of finance lease liabilities</b>	<b>8,106</b>	<b>28,847</b>

The present value of finance lease liabilities is as follows:

Not later than 1 year	8,016	20,831
Later than 1 year and no later than 5 years	-	8,016
	8,016	28,847

### 11. Dividends payable

	2008	2007
At 1 June	214,769	189,502
Payment during the year	(64,705)	(212,733)
Approved during the year	294,000	238,000
	444,064	214,769

### 12. Deferred tax

	2008	2007
The gross movement on deferred income tax account is as follows:		
Beginning of year	1,451,351	1,377,068
Income statement charge	79,408	74,283
<b>End of year</b>	<b>1,530,759</b>	<b>1,451,351</b>

#### Deferred tax liabilities

	Accelerated Tax Depreciation	Fair Value Gains	Others	Total
At 1 June 2006	1,085,941	291,127	-	1,377,068
Charged to income statement	45,242	29,041	-	74,283



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 12. Deferred tax (continued)

	Accelerated Tax Depreciation	Fair value gains	Others	Total
At 31 May 2007	1,131,183	320,168	–	1,451,351
Charged to income statement	34,380	–	45,028	79,408
<b>At 31 May 2008</b>	<b>1,165,563</b>	<b>320,168</b>	<b>45,028</b>	<b>1,530,759</b>

### 13. Revenue

Revenue is recognised on dispatch and customer acceptance of goods. Revenue comprises the value of goods and services invoiced to third parties less VAT, discounts, commissions and returns.

	2008	2007
<b>Revenue by type</b>		
Sale of goods	42,775,342	29,129,721
<b>Revenue by customer</b>		
Third parties	40,894,342	28,990,892
Related parties (note 21)	1,881,000	138,829
	42,775,342	29,129,721
<b>Revenue by type of sales</b>		
Export sales	2,813,344	479,032
Local sales	39,961,998	28,650,689
	42,775,342	29,129,721

### 14. Cost of sales

Cost of goods sold comprises raw materials, conversion costs and materials sourcing expenses.

	2008	2007
Cost of sales include:		
Depreciation on factory buildings and plant and machinery	717,316	593,349
Staff costs	1,897,249	1,619,123



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 15. Distribution costs

	2008	2007
Selling and distribution costs include:		
Advertising and promotion	1,621,289	930,127
Staff costs	902,875	558,013
Depreciation	99,854	57,353
Royalties and technical service fees	928,193	625,392
Provision for bad debts	169,278	16,108
	=====	=====

### 16. Administrative costs

	2008	2007
Administrative expenses include:		
Depreciation	283,115	260,363
Staff costs	625,877	436,636
Auditor's remuneration	17,021	13,413
Directors' remuneration	107,898	92,780
Donation	10,532	4,823
	=====	=====

### 17. Other income

	2008	2007
Profit on disposal of property, plant and equipment	4,800	946,220
Rental income	1,218	3,200
Sundry income	347,541	16,025
	-----	-----
	353,559	965,445
	=====	=====

### 18. Net finance income

	2008	2007
Dividend income	103,673	-
Interest income	26,351	96,680
	-----	-----
Finance income	130,024	96,680
	-----	-----
Interest on overdrafts	(84,206)	-
Interest on finance lease	(3,635)	(6,756)
	-----	-----
Finance cost	(87,841)	(6,756)
	-----	-----
<b>Net finance income</b>	<b>42,183</b>	<b>89,924</b>
	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 19. Staff cost

Staff costs is charged to cost of sales, distribution costs and administrative costs as shown below:

	2008	2007
a) Cost of sales		
Remuneration to employees	1,728,850	1,505,461
Post employment benefits defined contribution	55,896	36,753
Social security costs	112,503	76,909
	-----	-----
	<b>1,897,249</b>	1,619,123
	=====	=====
b) Distribution costs		
Remuneration to employees	821,567	510,829
Post employment benefits defined contribution	27,434	15,304
Social security costs	53,874	31,880
	-----	-----
	<b>902,875</b>	558,013
	=====	=====
c) Administrative costs		
Remuneration to employees	583,875	403,051
Post employment benefits defined contribution	14,328	10,893
Social security costs	27,674	22,692
	-----	-----
	<b>625,877</b>	436,636
	=====	=====

The number of employees at year end was **632** (2007: 615).

### 20. Tax expense

	2008	2007
The tax charge in the income statement:		
Current tax	1,119,086	820,450
Deferred tax (Note 12)	79,408	74,283
	-----	-----
	<b>1,198,494</b>	894,733
	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 20. Tax expense (continued)

	At 01/06/07	Payments during the year	Charge for the year	At 31/05/08
<b>Capital gains tax</b>				
2007	52,605	(52,605)	-	-
<b>Corporation tax</b>				
2008	-	(622,381)	1,112,830	<b>490,449</b>
2007	204,483	(192,676)	6,256	<b>18,063</b>
2006	(3,894)	-	-	<b>(3,894)</b>
	<b>253,194</b>	<b>(867,662)</b>	<b>1,119,086</b>	<b>504,618</b>
	=====	=====	=====	=====

All tax liabilities are subject to the agreement of the Internal Revenue Service.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate applicable to profits. This is explained as follows:

	2008	2007
Profit before tax	<b>4,706,678</b>	4,263,766
Tax calculated at statutory income tax rate of 25%	<b>1,176,670</b>	1,065,942
Tax effect of:		
Income not subject to tax	(6,411)	(250,498)
Profit on export sales taxed at a lower rate	(51,285)	(8,230)
Dividend income taxed at a lower rate	(17,624)	-
Expenses not deductible for tax purposes	48,637	25,416
Capital gains taxed at lower rate	-	(210,409)
Prior year charge	48,507	272,513
	<b>1,198,494</b>	<b>894,733</b>
	=====	=====
Effective tax rate	<b>25%</b>	21%
	===	===



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 21. Related party transactions

The Company is controlled by PZ Cussons Plc (incorporated in the United Kingdom), which owns 90.24% of the Company's share capital. The remaining 9.76% are widely held.

The following transactions were carried out with related parties during the year:

	2008	2007
<b>Purchases of goods and services:</b>		
PZ Cussons International Limited, Manchester	8,726,671	11,648,288
PZ Industries (Nigeria) Plc	11,042,032	2,407,485
PT PZ Cussons Indonesia	114,477	19,909
PZ Cussons (Thailand) Limited	606,384	1,456,309
	=====	=====
<b>Sale of goods:</b>		
PZ (Nigeria) Plc	1,881,000	138,829
	=====	=====
<b>Year end payable balances arising from related party transactions are as follows:</b>		
PZ Cussons International Limited - Purchases	4,034,890	3,621,602
PZ Cussons International Limited - Royalties/Technical fees	2,867,392	1,951,289
PZ Cussons International Limited - Loan Draw-down	1,015,692	1,015,692
PZ Cussons International Limited - Third Party Dividend	9,153	-
PZ Cussons (Nigeria) Plc	1,153,599	1,626,520
PT PZ Cussons Indonesia	122,324	19,909
PZ Cussons East Africa Limited	3,923	-
FC Limited	129,733	-
	-----	-----
	<b>9,336,706</b>	<b>8,235,012</b>
	=====	=====

Year end receivable balances arising from related party transactions are as follows:

PZ Cussons (Nigeria) Plc	586,288	-
PT PZ Cussons Indonesia	17,065	-
PZ Cussons East Africa Limited	19,057	-
	-----	-----
	<b>622,410</b>	<b>-</b>
	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 22. Cash (used in)/generated from operations

	2008	2007
Profit before tax	4,706,678	4,263,766
Depreciation	1,100,285	911,065
Profit on disposal of property, plant and equipment	(4,800)	(946,220)
Dividend received	(103,673)	-
Interest income	(26,351)	(96,680)
Interest expense	87,841	6,756
Increase in inventories	(6,819,353)	(2,465,183)
Increase in trade and other receivables	(1,801,953)	(2,751,435)
Increase in trade and other payables	2,044,021	1,868,420
	-----	-----
<b>Cash (used in)/generated from operations</b>	<b>(817,305)</b>	<b>790,489</b>
	=====	=====

### 23. Financial risk management

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out in line with PZ Cussons group policies and approved by the PZ Ghana Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

#### Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lend, trade finance, treasury leasing activities. The Company has dedicated standards, policies and procedures to control and monitor all such risks. Although the Company is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through credit rating reviews on the counterparties and by limiting the total amount of exposure to any one party. Sales to customers are mainly on cash basis. Credit sales are made to the Company's established dealers. Strict control is exercised through the monitoring of cash received from customers and provision is made for specific doubtful debts accounts where necessary. The Company does not believe it is exposed to any material concentrations of credit risk.

The maximum exposure to credit risk by class of financial instruments is shown below:

	2008	2007
Trade and other receivables (excluding prepayments and deferred income)	6,899,516	5,150,585
Bank balances (excluding cash in hand)	450,213	561,318
	-----	-----
	<b>7,349,729</b>	<b>5,711,903</b>
	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 23. Financial risk management (continued)

#### Liquidity risk management

The Company maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cashflows are appropriately balanced and all funding obligations are met when due.

#### Maturity analysis of financial liabilities

All financial liabilities fall due for payment within six months with the exception of finance lease obligations which fall due as shown in note 10.

Below is an analysis of the financial liabilities into the relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date.

	2008		2007	
	Less than 1 year	More than 1 year	Less than 1 year	More than 1 year
Trade and other payables	11,409,617	–	9,365,596	–
Finance lease obligations	8,016	–	20,831	8,016
Bank overdraft	3,492,544	–	–	–
	<u>14,910,177</u>	<u>–</u>	<u>9,386,427</u>	<u>8,016</u>
	=====	=====	=====	=====

#### Market risk management

Market risk is the risk that movements in market rates, including foreign exchange rates, interest rates, equity and commodity prices will reduce the Company's income or the value of its portfolios. The management of market risk is undertaken using risk limits approved by the financial director under the delegated authority.

##### (i) Foreign exchange risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates. However, apart from purchases, the Company only occasionally makes significant sales in currencies other than its functional currencies and hence on rare occasions the Company enters into foreign currency forward contracts to manage these exposures.

##### (ii) Commodity price risk

The Company is exposed to commodity price risk. To manage its price risk arising from changes in crude palm oil and crude palm kernel, the Company has entered into a strategic alliance with Norpalm Ghana Limited for the purchase of palm oil and crude palm kernel. In addition the Company hedges its invoices to deal with exposures arising from changes in commodity prices.

##### (iii) Interest rate risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term obligations with a floating interest rate. To manage this risk, the Company's policy is to contract for best interest rate borrowings when terms offered are attractive.



## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 23. Financial risk management (continued)

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The Company is currently not exposed to interest rate risk since the interest rate payable under the existing finance agreement is fixed over the lease period.

#### Fair values of financial assets and liabilities

The Company did not enter into any material derivative instruments during the year or the prior year and there were no open derivative instruments at 31 May 2008 or 31 May 2007.

Financial instruments utilised by the Company during the years ending 31 May 2008 and 31 May 2007 with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

#### Current and non-current investments

In accordance with IAS 39 'Financial instruments: Recognition and measurement', unlisted investments are held in the Company balance sheet at cost because their fair value cannot be measured reliably due to the lack of quoted market prices.

#### Current assets and liabilities

Financial instruments included within current assets are liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

#### Borrowings and cash

The carrying values of cash and short-term instruments approximate to their fair value because of the short-term maturity of these instruments. The fair value of long term instrument at 31 May 2008 is estimated to be materially different to its carrying value. The financial instruments held by the Company do not either individually or as a class, create a potentially significant exposure to market, credit, liquid or cash flow interest rate risk.

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in an arms-length transaction between willing parties. The estimated values of the Company's financial instruments are:

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Trade and other receivables	7,016,899	7,016,899	5,214,946	5,214,946
Cash and cash equivalents	716,701	716,701	10,946,150	10,946,150
	=====	=====	=====	=====
<b>Financial liabilities</b>				
Trade and other payables	11,409,617	11,409,617	9,365,596	9,365,596
Borrowings	3,500,560	3,500,560	28,847	28,847
	=====	=====	=====	=====

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce cost of capital.

The Company maintains an optimal capital structure by controlling the amount of dividends paid to shareholders and sourcing from companies within the PZ Cussons Plc group on negotiated credit terms.

### 24. Cash and cash equivalents

Cash and cash equivalents comprise cash held, bank overdraft and short term bank deposits with an original maturity of three months or less. The carrying amount of these approximate to their fair values. For the purposes of cash flow statements, the year end cash and cash equivalents comprise the following:

	2008	2007
Bank and cash balances	716,701	829,548
Bank overdraft	(3,492,544)	-
	-----	-----
	<b>(2,775,843)</b>	<b>829,548</b>
	=====	=====

### 25. Segmental Reporting

PZ Cussons Ghana Limited operates mainly in Ghana and therefore considers its operation as one unit. The business operates in four key categories, Personal Care, Home Care, Nutrition and Electricals. These categories are managed by a single management team with support structures. Reporting the financial segments along categories will involve very subjective allocation of cost which will not give meaningful information for decision making.

### 26. Post employment benefits

The Company has a defined contribution scheme by which statutory contributions are made to the Social Security Fund (SSF) on behalf of employees. The employee and the employer contribute 5% and 12.5% respectively to the fund.

In addition, the Company contributes 14% to a separate Provident Fund on behalf of employees. The employee and the employer contribute 7% each into the fund. For the year ended 31 May 2008 the Company contributed **GH¢92,126** (2007: GH¢65,925) into the fund.

## Notes (cont.)

(All amounts are expressed in Ghana cedis unless otherwise stated)

### 27. Earnings per ordinary share

The Company's basic earnings per share was calculated by dividing the earnings attributable to ordinary shareholders by the number of ordinary shares as at 31 May 2008.

	2008	2007
Profit after tax for the year	3,508,184	3,369,033
Number of shares as at 31 May (in '000)	28,000	28,000
Earnings per share (GH¢)	0.125	0.120
Dividends per share (GH¢)	0.0105	0.0085

### 28. Contingent liabilities

There were no contingent liabilities at the balance sheet date (2007: nil).

### 29. Capital commitments

There were no capital commitments at the balance sheet date (2007: nil).

### 30. Comparatives

During 2007, the Bank of Ghana redenominated the country's currency by setting ten thousand cedis (¢10,000) old currency to one Ghana cedi; GH¢ (new currency). The comparative figures have therefore been converted to Ghana cedis.

Where necessary, comparatives have been reclassified to conform to presentation in the current year.

### 31. Events after the balance sheet date

There were no significant events after the balance sheet date that needs to be disclosed.

### 32. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 23rd September, 2008.



## Shareholders' Information

### 1) Number of shareholders

The number and distribution of Ordinary Shareholders with equal voting rights as at 31 May 2008 was as shown below:

Holdings	No. of Holders	Total Holding	% Holdings
1 - 1,000	1,288	346,963	1.24
1,001 - 5,000	288	707,551	2.53
5,001 - 10,000	34	230,795	0.82
10,001 and above	37	26,714,691	95.41
	<b>1,647</b>	<b>28,000,000</b>	<b>100.00</b>

### 2) Details of 20 largest shareholders at 31 May 2008

Name of Shareholder	Shares held	(%) Holding
PZ Cussons PLC, U.K.	25,267,001	90.24
African Tiger Mutual Fund Ltd	875,000	3.13
Dr. Emmanuel E. Sackey	29,000	0.10
Alhassan Iddrisu	25,930	0.09
Ghanaian Enterprise Development Commission	25,450	0.09
CEPS Junior Staff Provident Fund	25,436	0.09
BBGN/GBL Staff Provident Fund	24,951	0.09
BBGN/GBL Managers Pension Fund	24,950	0.09
Joseph Buachie	24,080	0.09
Edward T. Dodoo	23,800	0.09
Albert Kofi Acheampong	22,970	0.08
CDH Insurance Co. Ghana Ltd	20,800	0.07
K. Pepera	19,195	0.07
PZ Cussons Ghana Provident Fund	16,750	0.06
Timothy Aye Kusi	16,450	0.06
Emmanuel A. Clement	15,430	0.06
Mrs. Georgina Badu	15,020	0.05
DBL/CEPS Senior staff Provident fund	15,000	0.05
Mr. D.C Amoako	14,500	0.05
CEPS Staff Provident Fund	14,050	0.05
Reported totals	26,515,763	94.70
Not reported	1,484,237	5.30
	<b>28,000,000</b>	<b>100.00</b>

## Shareholders' Information

### 3) Directors' shareholding (continued)

The directors named below held the following number of shares of the Company as at 31 May 2008

Felix Stephen Quachey	5,100 =====
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# Nunu

FLAVOURS





## PROXY FORM

PZ CUSSONS GHANA LIMITED.

Annual General Meeting to be held at 11:00 a.m on 14th November 2008 at the Ghana-India Kofi Annan ICT Centre for Excellence.

I / We\* \_\_\_\_\_  
being a member/members of PZ Cussons Ghana Limited hereby appoint.

\*\*

\_\_\_\_\_ or failing him, JAMES B. JUDSON  
or failing him, PHILIP W. DAVIES or failing him, FELIX S. QUACHEY as/our proxy to act and vote for my/us on my/our behalf at the Annual General Meeting of the Company to be held on 14th November 2008.

Dated the \_\_\_\_\_ day of \_\_\_\_\_ 2008

Shareholder's Signature  
*{Before posting the form, please tear of this part and retain it}.*

RESOLUTION	FOR	AGAINST
1. To adopt the reports and audited financial statements		
2. To declare dividend		
3. (a) To appoint Mr. James B. Judson as a Director of the Company (b) To appoint Mr. Patrik Fogelstrom as a Director of the Company		
4. (a) To re-elect Mr. Christopher Davis as a Director (b) To re-elect Mr. Paul Kwabena Pepera as a Director		
5. To fix Directors fees.		
6. To confirm the appointment of PricewaterhouseCoopers as Auditors of the Company in place of Delloite & Touche and to authorize the Directors to negotiate the remuneration of the Auditors		
<p><b>Please indicate an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.</b></p>		

PZ CUSSONS GHANA LIMITED  
ADMISSION FORM. No.

ANNUAL GENERAL MEETING TO BE HELD AT 11:00 AM ON 14TH NOVEMBER 2008  
AT THE GHANA-INDIA KOFI ANNAN ICT CENTRE FOR EXCELLENCE.

### IF YOU ARE UNABLE TO ATTEND THIS MEETING

A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The above form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the Meeting. Following the normal practice, the names of the Directors of the Company have been entered on the form to ensure that someone will be at the Meeting to act as your proxy, but you may insert in the blank space on the Form (marked\*\*) the name of any person. Whether a member of the Company or not who will attend the Meeting and vote on your behalf instead of one of the Directors. Please sign the above Proxy Form and post it so as to reach the address on the front not later than 11:00a.m. on the 14th November 2008.

If executed by a Body Corporate, the Proxy Form should be sealed with Common Seal.

- IMPORTANT**
- (a) The name of the shareholder must be written in BLOCK CAPITALS on the Proxy form marked\*
  - (b) This admission Form must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.
  - (c) Shareholders or their proxies are requested to sign the Admission Form before attending the meeting.

Signature of Person Attending.....

17  
N

THE REGISTRAR  
MERCHANT BANK (GHANA) LIMITED  
57 EXAMINATION LOOP  
NORTH RIDGE  
P. O. BOX 401

**Finally...**

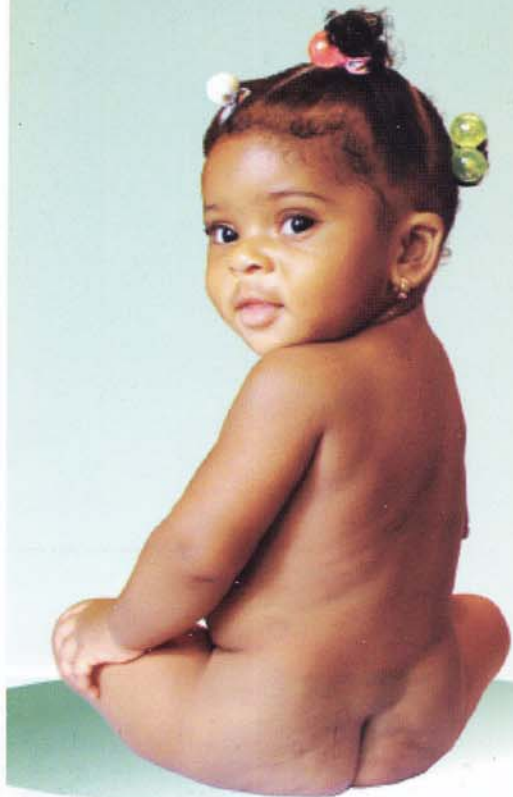


*...Milk just got Creamier*



# Cussons

## Baby



Healthy Care is a new addition to the Cussons Baby Care Range. It is enriched with proven ingredients that treat & prevent common skin irritations in babies.

- Calamine – soothing relief from itchiness caused by prickly heat
- Zinc Oxide – prevents nappy rash
- Tea Tree Oil – natural antiseptic against germs
- Allantoin – heals and softens the skin



Cussons Baby Gentle Care Range, enriched with Vitamin E nourishes and moisturizes baby's sensitive skin – leaving it soft and smooth.



cares & protects





# Venus

FORTIFY

with



Reveal the confident you with newly formulated Venus fortify range with KERAFLEX HAIR STRENGTHENING COMPLEX a triple action system which penetrates deep into the hair structure strengthening the hair, improving hair flexibility, combability and manageability.



Set yourself apart



PZ Cussons Ghana Ltd.  
Tel: (0) 22 302701, Fax: (0) 22 304384