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Win a trip for 2 to Dubai every week

BUY Camel antiseptic or Carex handwash.
SCRATCH and text code to **1393** and **WIN** a trip to Dubai every week, plus instant airtime, hampers and many more.



T & C's Apply

Camel Cleans, Cares and Protects for Healthy Skin



P Z CUSSONS GHANA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

Our History

Paterson Zochonis (PZ) was formed in Ghana (then 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 the time, opportunity was taken in the late 80's and 90's to rejuvenate PZ's industrial potential, concentrating on Health Care and Beauty products.

Effective 1st June, 2002, the group underwent a change in name, from Paterson Zochonis to PZ Cussons. The objective of the change 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 Camel Antiseptic, Imperial Leather, Nunu Milk, Haier Thermocool, Carex, Duck, Drastin, Premier, Robb, Cussons Baby, PZ Cussons can look at the future with great confidence.

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



www.pzcussons.com.gh/

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Mission

We are an international, entrepreneurial conglomerate operating locally to enhance the lives of all consumers through quality, value and innovation day after day.

Vision

We shall profitably grow our business, strengthening our product portfolio, enhancing the lives of our employees, consumers and all other stakeholders, by living and breathing our shared values, every day.

Values

Our CAN DO values are inspired by the spirit of our founders.

NEW
IMPROVED FRAGRANCE



Smells so good



KILLS
99.9%
OF GERMS

Cleans, Cares & Protects for Healthy Skin.

Say **YES** to life

pz
Cussons

Corporate Information

Directors

Paul K. Pepera (Chairman)
Helena Adu-Gyamfi
David Afflu
Christos Giannopoulos
Adiza K. Sefiyanu

Secretary

Accra Nominees Limited
2nd Floor, Cedar House
13 Samora Machel Road
Asylum Down
P. O. Box GP 242
Accra, Ghana

Registered office

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

Auditor

Deloitte & Touche
Chartered Accountants
The Deloitte Place
Plot No. 71 off George Walker Bush highway
North Dzorwulu
P. O Box GP453, Accra, Ghana

Solicitors

Legal Ink (Lawyers and Notaries)
No F89/7 Emmaus Road
Off 2nd Labone Street
PMB 24
Kanda Accra

Bankers

Access Bank Ghana Limited
Barclays Bank of Ghana Limited
Ecobank Ghana Limited
GCB Bank Limited
Guaranty Trust Bank (Ghana) Limited
Standard Chartered Bank Ghana Limited
Stanbic Bank Ghana Limited
United Bank for Africa (Ghana) Limited
Zenith Bank Ghana Limited
Universal Merchant Bank Limited

Notice of Meeting

NOTICE is hereby given that the 61st Annual General Meeting of the Shareholders of PZ Cussons Ghana Limited will be held at the **Kama Conference Center, Plot 8, Ring Road, Accra on Monday November 11, 2019 at 10 O'clock in the forenoon** to transact the following:

AGENDA

ORDINARY BUSINESS

1. To receive and consider the Reports of the Directors, Auditors and the Audited Financial Statements for the year ended May 31, 2019.
2. To re-elect Directors.
3. To fix the remuneration of the Directors.
4. To authorise the Directors to fix the remuneration of the Auditors for the ensuing year.

SPECIAL BUSINESS

1. To approve the de-listing of the Company from the Ghana Stock Exchange and to authorise the Directors to:
 - a. take all steps necessary to ensure a cost effective and well-managed de-listing of the Company; and
 - b. ensure that the Company realises the full benefits associated with a de-listing from the Ghana Stock Exchange.

Dated this 1st day of October, 2019

By order of the Board

ACCRA NOMINEES LIMITED

COMPANY SECRETARIES

Note:

A member of the company entitled to attend and vote may appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the company. Completed proxy forms should be deposited at the offices of the Registrars UMB, SSNIT Emporium, Airport City, Liberation Road, Accra, P. O. Box GP401, Accra not less than **48 hours** before the appointed time of the meeting. Failure to submit the forms before the 48 hour deadline will result in the Proxy not being admitted to, or participating in, the meeting. A Form of Proxy is provided in the Annual Report.

Chairman's statement

Welcome to the 61st Annual General Meeting of PZ Cussons Ghana Ltd

The global growth forecast for 2019 is at 3.0 percent, the lowest level since 2008. Growth is projected to pick up to 3.4 percent in 2020, reflecting primarily a projected improvement in economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe that are under macroeconomic pressure. Yet, with uncertainties about prospects for several of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more moderate pace of global activity could well materialize. Making growth more inclusive, which is essential for securing better economic prospects for all.



This year's African economic outlook from the African Development Bank shows that the continent's general economic performance continues to improve. Gross Domestic Product reached an estimated 3.5 percent in 2018, about the same as in 2017 and up from 2.1 percent in 2016. Africa's GDP growth is projected to accelerate to 4.0 percent in 2019 and 4.1 percent in 2020. But even that growth is not fast enough to address persistent fiscal and current account deficits and unsustainable debts. Indeed, countries have to move to a higher growth path and increase the efficiency of growth in generating decent jobs. The 2019 Outlook shows that macroeconomic and employment outcomes are better when industry leads growth.

The economic recovery in sub-Saharan Africa continues. Regional growth is set to pick up from 3 percent in 2018 to 3.5 percent in 2019, before stabilizing at close to 4 percent over the medium term. These regionwide numbers mask considerable differences in the growth performance and prospects across countries. About half of the region's countries — mostly non-resource-intensive countries — are expected to grow at 5 percent or more, which would see per capita incomes rise faster than the rest of the world on average over the medium term. For all other countries, mostly resource-intensive countries, improvements in living standards will be slower. Notwithstanding these different economic prospects and policy priorities, countries share the challenge of strengthening resilience and creating higher, more inclusive and durable growth. Addressing these challenges requires building fiscal space and enhancing resilience to shocks by stepping up actions to mobilize revenues, alongside policies to boost productivity and private investment.

Ghana's economy continued to expand in 2019, and the first quarter GDP growth was estimated at 6.7%, compared with 5.4% in the same period of last year. Non-oil growth was also strong at 6.0%. The relatively high quarterly

growth was driven by a strong recovery in the services sector which grew by 7.2% compared with 1.2% in 2018.

The government continued with its fiscal consolidation efforts in 2019 even though there are still challenges in meeting the revenue targets. Fiscal performance for the first half of 2019 showed an overall budget deficit (on cash basis) of 3.3% of GDP higher than the target of 2.9% of GDP. This is because the revenue shortfall of 1.6% of GDP was higher than expenditure cuts of 1% of GDP. Private sector credit grew stronger, supported largely by the well-capitalized banking sector. Inflation continued to be in single digits in the first six months of 2019; gradually rising from 9% in January to 9.5% in April 2019 but reduced to 9.1% in June 2019 mainly driven by low food inflation.

The Ghana cedi came under considerable pressure in the first quarter of 2019, due to high demand, as importers sought to restock their supplies but, in the second quarter, the domestic currency market became relatively calmer. The Ghana cedi cumulatively depreciated by 8.2% in the year to July, 2019. Economic growth is projected to increase to 7.6% in 2019. Non-oil growth is expected to accelerate to 6% as the government's new policies in the agriculture sector and the promotion of agroindustry begin to take effect. Inflation is expected to remain within the Central Bank's target range of 6-10% over the medium term. The pace of fiscal consolidation is expected to slow in 2019 and the overall fiscal deficit is projected at 4.5% of GDP in 2019 and, in the medium term, it will remain within fiscal rule ceiling of 5% of GDP.

In this challenging environment, the FMCG industry continues to experience high costs of operations in infrastructure and financing, to mention but a few. One of the serious challenges facing this sector is the supply chain and distribution difficulties both locally and cross-border e.g. Some border has been closed and there's no clear view as to when it will be re-opened for trade activities to



**Cleans, Cares
and Protects**



Cussons baby moments Competition

SEASON 2

win
GH¢10,000



Growing together
naturally

2018
WINNER



Join
our PHOTO CONTEST on
www.cussonsbaby.com.gh
f [cussonsbabygh](https://www.facebook.com/cussonsbabygh)

FREE BABY PHOTOSHOOTS

Junction Mall: August 2 - 5 | Kumasi City Mall: August 9 - 12 / August 15 - 18
China Mall (Ashaiman): Aug 26 - Sep 1 | Accra Mall: August 22 - 25 / Sept 5 - 8

T & C's Apply

Entries Close: September 9, 2019

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Governance

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Corporate Governance Report

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 seeks 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 PZ Cussons Group corporate accountability committee, planning takes place and resources are allocated toward achievement of accountability, compliance and reporting standard. 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's responsibilities

The Board is responsible for the company's strategic development, monitoring of its business objectives and maintaining a system of effective corporate governance and internal controls. It also reviews the financial statements of the business on quarterly basis and approves the Annual Accounts and Report, and recommends the payment of dividends among other things. The Board also approves for related party transactions which duly complies with the Group's policy on the subject.

Related party transactions

Information regarding directors' interest in ordinary shares of the Company and remuneration is disclosed on pages 10 and 60. No director has any other interest in any shares or loan stock of the Company as at 31 May 2019. Other than service contracts, no director has a material interest in any contract to which the Company was a party during the year. Related party transactions and balances are also disclosed in note 27 to the financial statements. The directors have no interest in contracts entered into by the Company.

Auditing

Independent auditors

The firm of Deloitte & Touche were appointed in 1 June 2018 and has served as the External Auditor during the year under review. The Audit Committee has responsibility delegated from the Board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditors.

The Board invites the external auditors to its meetings whenever the Board is reviewing and considering the external audit plan, audited financial statements; audit reports and response to management letter are being presented to the Board for consideration and approval.

Audit committee

The Audit Committee meets to review the financial performance, risk management, compliance with policies and legislation, the adequacy of the internal audit plan, progress against current audit report recommendations, the adequacy of internal control systems and the degree of business compliance with laid down internal policies, laws, code of business

Corporate Governance Report continued

principles and any other regulatory framework. The Committee also reviews findings of the external auditors.

Internal control

PZ Cussons Ghana Limited has a robust internal control system which is well documented and regularly reviewed. The system incorporates internal control procedures, which are designed to provide reasonable assurance that assets are safeguarded and that the risks facing the business are being managed to eliminate or minimise their impact.

The Company's corporate internal audit function plays a key role in providing an objective assessment of the adequacy and effectiveness of the internal control systems in the business.

Corporate social responsibility and compliance corporate governance

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 seeks 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 PZ Cussons Group corporate accountability committee, planning takes place and resources are allocated toward achievement of accountability, compliance and reporting standards.

The Company has put in place sound operational control systems in order to safeguard the interests of shareholders and stakeholders. It 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.

In the conduct of its business, PZ Cussons has sought to comply with all statutory requirements, adopted tried and proven best practices to protect the environment and its employees.

Statement on creating shared value

We believe passionately that business can be a force for positive change. More than that, we believe that businesses have an active obligation to make a positive contribution to society and to minimise any negative impacts on the environment from their operations.

For us at PZ Cussons Ghana, this is not something new or unusual - it has been a key part of our culture and of who we are ever since the business was founded in Ghana in the 1930s. We have always aimed to make a positive impact on society through the products which we sell, the

way in which our products are designed, manufactured and packaged and through the contributions we make to the communities in which we operate. We do this because we believe that it is Good4Business.

Our Good4Business (G4B) approach provides us with a clear framework for how we should conduct our business activities in our different regions and across all of our product categories: Personal Care, Home Care, Electricals and Food & Nutrition. It ensures that Creating Sustainable Value for all sits at the heart of everything we do. Specifically, it provides four areas of focus – what we call “lenses” – through which we can assess our business and ensure that Creating Sustainable Value is integrated into all our day-to-day decision-making:

- Business Governance & Ethics
- Environment
- Sourcing
- Community and charity

Health and safety

PZ Cussons Ghana Limited, continues to ensure that business activities are undertaken in a responsible manner and in accordance with 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 finding effective ways of reducing them.

Conflicts of interest & code of ethics

The Company has established appropriate conflicts authorisation procedures, whereby actual or potential conflicts are regularly reviewed and authorisations sought as appropriate. During the year, no such conflicts arose and no such authorisations were sought.

Furthermore, the Company is bound by the Group Code of Ethics which encapsulates the Company's values, ethical principles and ethical standards. These principles are applicable to the employees, Board, suppliers, business partners and other key stakeholders of the Company.

Corporate Governance Report continued

Insider dealings

The company has regulations guiding directors, members of the Audit Committee and other officers of the company on periods when they, or persons connected to them cannot lawfully effect transactions on the shares of the Company as well as the disclosure requirements when effecting any transaction on the Company's shares.

Communication with shareholders

The Board is committed to an open and consistent communication policy with shareholders and other stakeholders. The guiding principle is that all shareholders should be given equal treatment in equal situations. Thus price sensitive information is published timely in full, simple and transparent format to all shareholders at the same time.

Furthermore all shareholders have equal opportunity at the Annual General Meeting to present questions to the Board and make comments on any aspect of the financial statements.

Board and Management Structure and Process

The Board is responsible for the Company's strategic development, monitoring of its business objectives and maintaining a system of effective corporate governance. The Board Members are highly qualified and experienced in their professional areas of expertise. The Board is currently comprised of three (3) executive directors and two (2) non-executive directors, one of whom is the Chairman of the Board and are independent. The Board meets at least four (4) times a year to deliberate on, corporate strategy and implementation, approval of Annual Report and Accounts and regulatory compliance amongst other things. To ensure effective control and monitoring of the Company's business, the Board has an Audit Committee.

Internal Control

The Board maintained a sound system of internal control to safeguard shareholders investments and the company's assets. The system of internal control provides reasonable assurance against material loss. The responsibilities include oversight functions of internal audit and control, risk assessment and compliance, conformity and contingency planning, and formalisation and improvement of business process.

Outside Board and Management Position

Mr. Paul Pepera	PHC Motors Limited - Director
Mr. David Afflu	Nil
Mr. Christos Giannopoulos	PZ Cussons Nigeria – Director
	HPZ Nigeria – Director
	PZ Wilmar Nigeria - Director
Mrs. Helena Adu-Gyamfi	Perfect Personal care – Director
Ms. Adiza K. Sefiyanu	Nil

Our Leadership team

Meet our team of Executive and Non-Executive Directors. Passionate experts, yet always keen to learn, discover and innovate, they lead by inspiring example.

Executive Directors

David Afflu

Business Unit Director

David joined PZ Cussons Ghana Limited in Feb 2013 as Commercial Director and was later promoted to Business Unit Director in June 2014. He has over 18 years' experience in different roles in Sales, Channel Marketing, Project Management and Retailing in FMCG, Petroleum & Telecoms sectors. He holds a Bachelor's Degree in Biochemistry and an Advanced Certificate in Marketing. He has extensive working knowledge of West Africa.

Christos Giannopoulos

CEO, PZ Cussons Africa

Mr. Giannopoulos was appointed to the board of PZ Cussons Ghana in February 2016.

He joined the PZ Cussons Group in 1988 with a degree in Business Administration specialising in Marketing from Derby University, United Kingdom.

He has occupied several managerial positions in the United Kingdom, Australia, Kenya and Indonesia before he joined the Nigerian subsidiary in 2002.

He is currently the CEO of PZ Cussons Africa.

Adiza K. Sefiyanu

Head of Commercial Finance

Adiza joined PZ Cussons Ghana as the Head of Commercial Finance in December 2017, and was appointed to the Board in August 2018. She is certified Chartered Accountant with 17 years of experience in Finance. She is Fellow of the Association of Chartered Certified Accountant (ACCA). She has held various roles in finance including planning, forecasting, business partnering, project management and reporting etc.

Corporate Governance Report continued

Independent Non-executive Directors

Paul Pepera

Board Chairman

Paul was appointed as Chairman in 2007. Paul has a long career working in senior management positions and being the Managing Director of PHC Motors from 1995 to present day. Paul, a barrister at law, has served on a number of boards and committees. He has served as a member of the PZ Cussons Board since 2003.

Helena Adu-Gyamfi

Helena is an experienced finance and accounting professional, having served in this area for the past 21 years in Unilever Ghana Ltd and PZ Cussons Ghana Ltd. She holds a Masters degree in Finance from Exeter University, UK. Her areas of expertise are Treasury and brand profitability management.

Helena was appointed as Finance Director for PZ Cussons Ghana in January 2009 and she held this position until she retired in April 2014.

Board Composition, Balance and Independence

The composition of the Board of Directors and its Committee is regularly reviewed to ensure that the balance and mix of skills, independence, knowledge and experience is maintained. The Board considers that the Chairman is independent on appointment and all non-Executive Directors are independent as it pertains to the management of the Company. The continuing independent and objective judgment of the non-Executive Directors has been confirmed by the Board of Directors.

In line with best practices, the position of the Chairman is distinct from that of the Managing Director. The Chairman is Mr. Paul K. Pepera, a Non-Executive Chairman while the Business Unit/Managing Director is Mr. David Afflu. Furthermore, while the Chairman is responsible for the running of the Board, the Business Unit/Managing Director is responsible for co-ordinating the running of the business and implementing strategies.

Board Appointment and Induction

Directors are appointed to the Board following a declaration of vacancy at the Board meeting. New Directors are selected through carefully articulated selection guidelines that place emphasis on integrity, skills and competences relevant to the Company's goals and aspirations. Furthermore, a newly appointed director receives a letter of appointment spelling out in details the entitlements, terms of reference of the Board and its Committees and the Key Performance Indicators.

Board Evaluation

The Board has established a system to undertake a formal annual self-evaluation of its performance, that of its Committees and the individual directors. The Board designed questionnaire for evaluation on areas such as the ability of the Board to fulfil its general supervisory roles, preparation of members for meetings, participation at meetings, quality of proposals made by members at meetings etc.

Role and functions of the Board

The Board is the ultimate governing body of the company and it is responsible for its overall supervision and the protection of the interest of shareholders and other stakeholders. It ensures that the company is appropriately managed to achieve strategic objectives.

The specific issues reserved for the Board include:

The ultimate direction of the company particularly the conduct and supervision of the business

- Determination of the Company's organisation
- Risk Management and internal control
- Supervision with respect to compliance with the law
- Corporate Governance matters
- Review of business performance

The Board has delegated to management the day-to-day running of the business and the Business Unit/Managing Director, who is the head of the Management Team, is answerable to the Board.



DISPLAY & WIN



**Yenko Dubai
Promotion**



Cash Rewards

**ULTIMATE
PRIZE:
2 RETAILERS
WIN A TRIP
TO DUBAI**



Home Appliances



Win Weekly Airtime

Board of Directors



Paul Kwabena Pepera
Chairman

David Afflu
Business Unit
Director



Adiza K. Sefiyanu
Head of
Commercial
Finance



Christos Giannopoulos
Executive Director



Helena Adu-Gyamfi
Non-Executive
Director

Statement of Directors' Responsibilities

The Companies Act, 1963 (Act 179) requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing the financial statements, the Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 31 May 2019. The directors confirm that the financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act, 1963 (Act 179) and the International Financial Reporting Standards. They are also responsible for safeguarding the assets of the company and hence for taking steps for the prevention and detection of fraud and other irregularities. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.



*255g of Nunu Evaporated required †3 Tablespoons of Nunu Powder required x 2 times daily

Directors' Report

Figures in Ghana Cedis

The directors have pleasure in submitting their report on the financial statements of PZ Cussons Ghana Limited for the year ended 31 May 2019.

1. Nature of business

The Company's business is purchasing, distribution and selling of soaps, electrical appliances, nutritional products, cosmetics, and pharmaceutical products.

There have been no material changes to the nature of the company's business from the prior year. During the year, PZ Cussons Limited discontinued its electrical appliances business. Refer to note 33.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179). The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements on page 23 to 26.

	2019	2018
Summary of financial results	GH¢	GH¢
The balance brought forward in the retained earnings at 1 June	16,266,415	9,785,777
To which must be added profit for the year after charging all expenses, depreciation and taxation of	42,495,592	6,480,638
Retained earnings as at 31 May	58,762,007	16,266,415

3. Dividends

The board of directors do not recommend for the payment of dividend for the year

4. Holding company

The company's holding company is PZ Cussons (Holdings) Limited which holds 90.24% (2018: 90.24%) of the company's equity. PZ Cussons (Holdings) Limited is incorporated in United Kingdom.

5. Events after the reporting period

The directors are not aware of any material event, which occurred after the reporting date and up to the date of this report.

6. Directors and their interests

The names of the members of the Board are set out on page 2.

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

The financial statements set out on pages 18 to 71 which have been prepared on the going concern basis, were approved by the board of directors on 4th October, 2019, and were signed on its behalf by:

BY ORDER OF THE BOARD


Paul Kwabena Pepera
 Chairman


David Afflu
 Business Unit Director

Date: 4th October, 2019

**NEW
IMPROVED
LOOK**

**MORE POWER!
MORE PLATES!
MORE VALUE! ***



*vs. other dishwashing liquids.

pz
Cussons

Independent Auditor’s Report

TO THE MEMBERS OF PZ CUSSONS GHANA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PZ Cussons Ghana Limited set out on pages 18 to 71, which comprise the statement of financial position as at 31 May 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PZ Cussons Ghana Limited as at 31 May 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of Receivables –IFRS 9</p> <p>The Company adopted IFRS 9 “Financial Instruments” with effect from 1 June, 2018 and this new standard supersedes the requirements of IAS 39 “Financial Instruments Recognition and Measurement”.</p> <p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.</p> <p>The company assesses at each reporting date whether the financial assets carried at amortised cost are credit impaired. The Company’s management have concluded that trade receivables need to be calculated on the total lifetime of the assets in accordance with IFRS 9 and they have adopted the simplified approach.</p> <p>The Expected Credit Loss -ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Company’s history of collection of trade receivables.</p> <p>The Company has assessed the impact of IFRS 9 using an impairment provision matrix whilst also incorporating forward-looking information into historical customer default rates.</p> <p>The Company concluded that the impact of IFRS 9 is not material and as such no adjustment has been recognised in opening equity at the date of initial application.</p>	<p>We developed an understanding of the impairment process and performed the following procedures:</p> <ol style="list-style-type: none"> i. We evaluated and tested the design and implementation of the key controls over the computation of impairment loss. ii. In evaluating the design and implementation of the control, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed; i. We specifically considered the validity of management’s conclusion that the main area of impact was in respect of trade receivables impairment and that the impact of IFRS 9 is not material as such no adjustment is to be recognized in retained earnings; ii. Verified whether the ECL model developed by management is consistent with the requirements of IFRS 9; iii. Tested the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL; iv. Tested key assumptions and judgments, such as those used to calculate the likelihood of default and loss on default by comparing to historical data. We also considered the appropriateness of forward looking factors macroeconomic factors) used to determine expected credit losses; and

Independent Auditor's Report continued

Key audit matter	How our audit addressed the key audit matter
<p>We considered this as key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.</p> <p>As disclosed in note 17, the impairment of trade receivables amounted to approximately GH¢7 million for the year, whilst the carrying value of receivable was approximately GH¢21 million.</p>	<p>We have reviewed management disclosure and verified that they comply with IFRS 9 transition.</p>
<p>Investment Property Revaluation</p> <p>The company recognises its investment property in line with IAS 40 Investment Property. This is remeasured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction.</p> <p>Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which it arises.</p> <p>Fair value reflects the actual market state and circumstances as of the statement of financial position date. The best evidence of fair value is normally given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other contracts.</p> <p>In the absence of such information, the company's expert considered current prices for properties of a different nature or subject to different conditions, recent prices on less active markets with adjustments to reflect changes in economic conditions, and discounted cash flow projections based on reliable estimates of future cash flows.</p> <p>The valuation of investment property falls under Level 3 inputs as prescribed by IFRS 13- Fair value measurements. These are unobservable inputs for the asset or liability.</p> <p>Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.</p> <p>There is therefore the risk that investment property may not be appropriately fair valued.</p> <p>The investment property has been disclosed in Note 13 of the financial statements.</p>	<p>We evaluated the design and implementation of the key controls over the computation and recording of investments property.</p> <p>In evaluating the design and implementation of the control, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed.</p> <p>We obtained the most recent valuation report.</p> <p>We evaluated the appropriateness and suitability of the underlying assumptions used by management experts.</p> <p>We assessed the capabilities, independence, expertise, competency, experience and objectivity of the management expert.</p> <p>We physically visited the site of the property to confirm its existence and the stage of completion.</p> <p>Our audit did not reveal any material differences and our test was satisfactory.</p>

Other information

The directors are responsible for the other information. The other information comprises the corporate information, statement of directors responsibility, directors' report as required by the Companies Act, 1963 (Act 179) of Ghana and corporate governance Report as required by Security and Exchange Commission (SEC),

which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Independent Auditor’s Report continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of 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.

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit

procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate 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 year 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

Independent Auditor's Report continued

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.

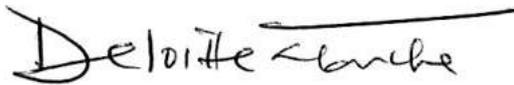
Report on other legal and regulatory requirements

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

We confirm that:

- i) We have obtained all the information and explanation which to the best of our knowledge and believe were necessary for the purpose of our audit.
- ii) The Company has kept proper books of account, so far as appears from our examination of those books.
- iii) The Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The engagement partner on the audit resulting in this independent auditor's report is **Daniel Kwadwo Owusu (ICAG/P/1327)**.



For and on behalf of Deloitte & Touche (ICAG/F/2019/129)
Chartered Accountants
The Deloitte Place, Plot No. 71
Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

Dated: 4th October, 2019

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 May 2019

Figures in Ghana Cedis

Continuing operations	Notes	2019	2018
Revenue	3	106,517,018	111,603,488
Cost of sales	4	(81,461,330)	(83,870,319)
Gross profit		25,055,688	27,733,169
Other operating income	5	24,027,193	2,117,945
Other operating gains (losses)	10	(29,849)	173,944
Distribution costs	6	(9,771,115)	(10,416,622)
Administrative costs	7	(9,774,488)	(11,242,366)
Other operating costs		(891,038)	(5,027,933)
Operating profit (loss)		28,616,391	3,338,137
Finance costs	9	(3,959,687)	(3,634,333)
Fair value gain on investment property	13	37,988,413	6,634,199
Profit before taxation from continuing operations		62,645,117	6,338,003
Profit for the year from discontinued operations	33	(2,896,382)	-
Profit before tax		59,748,735	6,338,003
Income tax expense	11	(17,253,143)	142,635
Profit after tax		42,495,592	6,480,638
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		42,495,592	6,480,638
Earnings per share		0.2529	0.0386

The accompanying notes on pages 27 to 61 form an integral part of the financial statements.

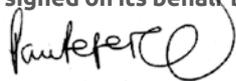
Statement of Financial Position

as at 31 May 2019

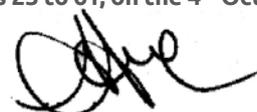
Figures in Ghana Cedis

	Notes	2019 GHS	2018 GHS
Assets			
Non-Current Assets			
Property, plant and equipment	12	4,485,770	7,108,672
Investment property	13	73,457,232	33,085,000
Finance lease receivables	14	-	261,080
Investments	15	-	1,405,271
		77,943,002	41,860,023
Current Assets			
Inventories	16	17,572,749	18,165,251
Trade and other receivables	17	15,095,335	16,735,803
Cash and cash equivalents	18	22,438,446	15,191,818
Finance lease receivables	14	433,698	1,076,103
Current tax receivable	11	-	815,818
		55,540,228	51,984,793
Total Assets		133,483,230	93,844,816
Equity and Liabilities			
Equity			
Stated capital	19	2,160,000	2,160,000
Revaluation reserve	21	3,465,574	3,465,574
Retained earnings	20	58,762,007	16,266,415
		64,387,581	21,891,989
Liabilities			
Non-Current Liabilities			
Borrowings	24	27,949,781	24,646,442
Deferred tax	11a	15,099,475	1,779,478
		43,049,256	26,425,920
Current Liabilities			
Trade and other payables	23	23,015,417	28,447,239
Borrowings	24	-	14,300,459
Dividend payable	22	-	2,508,335
Provisions	26	-	173,558
Current tax	11b	3,030,976	-
Bank overdraft		-	97,316
		26,046,393	45,526,907
Total Liabilities		69,095,649	71,952,827
Total Equity and Liabilities		133,483,230	93,844,816

The Board of Directors approved the financial statements on pages 23 to 61, on the 4th October, 2019 and were signed on its behalf by:



Paul Kwabena Pepera
Chairman



David Afflu
Business Unit Director

Statement of Changes In Equity

for the year ended 31 May 2019

Figures in Ghana Cedis

	Stated capital	Revaluation reserve	Retained earnings	Total
Balance at 1 June 2017	2,160,000	3,465,574	9,785,777	15,411,351
Profit for the year	-	-	6,480,638	6,480,638
Balance at 31 May 2018	2,160,000	3,465,574	16,266,415	21,891,989
Profit for the year	-	-	42,495,592	42,495,592
Balance at 1 June 2019	2,160,000	3,465,574	58,762,007	64,387,581

The accompanying notes on pages 27 to 61 form an integral part of the financial statements.



Statement of Cash Flows

for the year ended 31 May 2019

Figures in Ghana Cedis

		2019	2018
	Notes	GHS	GHS
Cash flows from operating activities			
Cash generated/ (used in) from operations	25	3,008,780	(11,221,950)
Finance costs		-	(476,994)
Interest paid		(340,616)	-
Tax paid	11b	(86,352)	(222,009)
Net cash from operating activities		2,581,812	(11,920,953)
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(1,253,033)	(816,490)
Addition to investment property	13	(526,944)	-
Proceeds from disposal of equity investments		22,770,000	-
Disposal of property, plant and equipment		580,904	179,382
Net cash from investing activities		21,570,927	(637,108)
Cash flows from financing activities			
Net movement in borrowings		-	14,338,453
Repayment of borrowings	24	(14,300,460)	(512,703)
Dividend paid	22	(2,508,335)	-
Net cash from financing activities		(16,808,795)	13,825,750
Total cash movement for the year		7,343,944	1,267,688
Cash at the beginning of the year		15,094,502	13,826,814
Total cash at end of the year	18	22,438,446	15,094,502

The accompanying notes on pages 27 to 61 form an integral part of the financial statements.

Notes to the Financial Statements

for the year ended 31 May, 2019

Figures in Ghana Cedis

General information

PZ Cussons Ghana Limited principal activity is the purchase and distribution of electrical appliances, nutritional products, personal and home care and health care products such as soaps, cosmetics and pharmaceutical 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.

1. 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.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act, 1963 (Act 179).

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Ghana cedis, which is the company's functional currency.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the 2019 are disclosed in note 1.15 and 1.16

These accounting policies are consistent with the previous period.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating-decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The basis of segmental reporting has been set out in note 32.

1.3 Translation of foreign currencies

Foreign currency Transactions

A foreign currency transaction is recorded, on initial recognition in Ghana cedis, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

1. Significant accounting policies

1.3 Translation of foreign currencies (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Ghana cedis by applying to the foreign currency amount the exchange rate between the Ghana cedis and the foreign currency at the date of the cash flow.

1.4 Property, plant and equipment

Land and building comprises mainly factory and offices are stated at cost less accumulated depreciation and any accumulated impairment losses. 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.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent cost 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 items will flow to the Company and cost of the items can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or deemed cost amounts to their residual values, over their estimated useful life as follows;

Depreciation of an asset commences when the asset is available for use as intended by management.

Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Rate
Buildings	2% - 4%
Leasehold land	4%
Plant, machinery and equipment	10% - 33.33%
Motor vehicles	25%
Furniture and Fittings	10% - 33.33%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

1. Significant accounting policies

1.4 Property, plant and equipment (cont'd)

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognized.

1.5 Investment property

Property that is held for long-term yields or for capital appreciation or both is classified as investment property. Investment property also includes property that is being constructed or developed for the future use as investment property.

Land held under the operating lease is classified and accounted for by the Company as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The stage of completion.
- Whether the project/property is standard (typical for market) or non-standards.
- Past experience with similar constructions.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the income statement. Investment property is derecognised when they have been disposed off.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

1. Significant accounting policies**1.6 Leases (cont'd)****Operating leases – lessee**

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognised as an operating lease asset.

Any contingent rents are expensed in the period they are incurred.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Finance leases - lessor

The company recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the company's net investment in the finance lease.

1.7 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The company assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

1. Significant accounting policies

1.7 Impairment of assets (cont'd)

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of finished goods comprises of all invoice value, freight, insurance, customs duty and all other costs incurred in bringing the inventories to their present location, less provision for impairments, if any.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or Equity instrument of another company. All Financial instrument are initially measured at fair value.

Financial assets

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

1. Significant accounting policies**1.9 Financial instruments (cont'd)****Classification of financial assets (cont'd)**

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - i. the Company has transferred substantially all the risks and rewards of the asset, or
 - ii. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on instruments that are measured at amortised cost or at FVTOCI as well as trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment,

- the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and
- other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company). Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial liabilities

Initial recognition and measurement

Initial recognition and measurement of financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include payables, loans and borrowings and derivative financial instruments.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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1. Significant accounting policies**1.9 Financial instruments (cont'd)****Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR method). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.10 Stated capital

Ordinary shares are classified as 'stated capital' in equity. All shares are issued at no par value.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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1. Significant accounting policies

1.11 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.12 Employee Benefits post-employment benefits

The Company and all its employees contribute to a defined contribution scheme.

A defined contribution scheme is a pension plan under which the Company pays fixed contribution into a separate company. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in the exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates:

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

1. Significant accounting policies**1.12 Employee Benefits post-employment benefits (cont'd)**

- (a) when the Company can no longer withdraw the offer of those benefits and
- (b) When the company recognises cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In case of an offer made to encourage voluntary redundancy, the termination benefit are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and the risk and rewards have been transferred.

The Company sells its products mainly on wholesale basis through its distribution partners (DPs). Sales of goods are recognised when the Company has delivered products to the DPs, the DPs have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the DPs acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the DPs, and the DPs have accepted the products in accordance with the sales contract.

No element of financing is deemed present as the sales are made with credit terms of 30 days, which is consistent with the market price.

1.14 Other income

Other income earned by the Company is recognised on the following basis:

- Interest income -on an accrual basis using the effective interest rate method.
- Dividend income-when the Company's right to receive payment is established.
- Rent income-on a straight line basis over the period of the lease.

1.15 Critical accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1.16 Critical judgements in applying accounting policies

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are addressed below;

Notes to the Financial Statements continued

for the year ended 31 May 2019

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1. Significant accounting policies

1.16 Critical judgements in applying accounting policies (cont'd)

Key sources of estimation uncertainty Impairment testing

The company reviews and tests the carrying value of accounts receivable balances to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that the receivable balance is impaired.

This evidence may include significant financial difficulties of the debtor and default in payment terms (more than 180 days overdue). Management uses estimates based on historical loss experience for assets with credit risk. The methodology and assumptions used for estimating both the amount and timing of future cash flows (based on the customer's financial situation) are reviewed regularly by Management to reduce any differences between loss estimates and actual loss experience.

Impairment allowances are assessed when there is objective evidence to suggest that the account receivable balance is impaired. Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in the profit or loss within distribution cost. The accuracy of the allowances depends on how well the company estimates future cash flows.

Useful lives of property, plant and equipment

The Directors determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The directors will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

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.

When 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.

Investment property

The valuation was determined by the amount for which the properties could be exchanged between willing parties in an arm's length transaction, based on the current prices in an active market for similar properties in the same location and conditions subject to similar lease. It is based on sales price of comparable properties in close proximity. The inputs used in estimating the value of the investment property are not quoted in an active market and are classified under level 3 fair value hierarchy classification.

1.17 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. An increase in provision is recognised as an expense in profit or loss.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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1. Significant accounting policies**1.17 Provisions and contingencies (cont'd)**

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the company settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

2. New standards and interpretations**2.1 Standards and interpretations not yet effective**

The company has chosen not to adopt the following standards and interpretations early, which have been published and are mandatory for the company's accounting periods beginning on or after June 1, 2018 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of assets between an investor and its associate or joint venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture.

If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Uncertainty over income tax treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment.

If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after January 1, 2019.

The company expects to adopt the interpretation for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the company's financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Notes to the Financial Statements continued

for the year ended 31 May 2019

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective (cont'd)

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective (cont'd)

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.

The company expects to adopt the standard for the first time in the 2020 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle

A company such as a venture capital organisation, mutual fund or similar institution may elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 rather than by applying the equity method. The amendment to IAS 28 Investments in Associates and Joint Ventures now specifies that the election must be made separately per associate or joint venture and at the time of initial recognition of such investment.

Further, if a company is not an investment company, but has interests in an associate or joint venture which is an investment company, then the company may retain the fair value measurement of the associate or joint venture. The amendment now provides that such election must be made separately for each investment company associate or joint venture.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle

The amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards deleted certain short term exemptions concerning disclosures of financial assets, employee benefits and investment entities from IFRS 1.

The effective date of the amendment is for years beginning on or after January 1, 2019.

The company expects to adopt the amendment for the first time in the 2020 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Notes to the Financial Statements continued

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2. New standards and interpretations**2.1 Standards and interpretations not yet effective (cont'd)**

Transfers of Investment Property: Amendments to IAS 40

The amendment deals specifically with circumstances under which property must be transferred to or from investment property. The amendment now requires that a change in use of property only occurs when the property first meets, or ceases to meet, the definition of investment property and that there is evidence of a change in use. The amendment specifies that a change in management's intentions for use of the property, do not, in isolation, provide evidence of a change in use.

The effective date of the amendment is for years beginning on or after January 1, 2020.

The company expects to adopt the amendment for the first time in the 2020 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Foreign Currency Transactions and advance consideration

The interpretation applies to circumstances when a company has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the company initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after January 1, 2019.

The company expects to adopt the interpretation for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the company's financial statements.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after January 1, 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

New and amended standards adopted by the Company

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after January 1, 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements. The impact of this amendment is currently being assessed.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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2. New standards and interpretations**2.1 Standards and interpretations not yet effective (cont'd)****IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires a company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about a company’s risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 1, 2018.

Impact of initial application of IFRS 9 *Financial Instruments*

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives, but to recognize the transitional adjustment in the statement of changes in equity.

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective (cont'd)

The Company concluded that the impact of IFRS 9 is not material and as such no adjustment has been recognised in opening equity at the date of initial application.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 June 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 June 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 June 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

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2. New standards and interpretations**2.1 Standards and interpretations not yet effective (cont'd)**

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 June 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the other reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The reconciliation between the ending provision for impairment in accordance with IAS 39 and the provision in accordance with IAS 37 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 June 2018 is disclosed in their respective notes.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Accordingly, this aspect of the application of IFRS 9 that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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2. New standards and interpretations**2.1 Standards and interpretations not yet effective (cont'd)**

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

i. Mandatory reclassifications

The combined application of the business model and SPPI tests on adoption of IFRS 9 resulted in the reclassification of the following financial assets. Classification of all financial liabilities remain the same under IFRS 9.

	Measurement category	Carrying amount GH¢	Previous measurement category	Carrying amount GH¢
As at		1 June 2018		31 May 2018
Trade receivable	Amortised cost	15,095,335	Loans & receivables	16,735,803
Bank and cash balances	Amortised cost	22,438,446	Amortised cost	15,191,818

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced.

The Company does not have any hedged instruments hence this is not applicable.

(e) Disclosures in relation to the initial application of IFRS 9

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

	Trade receivables (GH¢)	Cash and cash equivalents (GH¢)	Total allowance for credit losses (GH¢)
IAS 39 as at 31 May 2018			
Specific impairment	-	-	-
Portfolio impairment	5,398,045	-	1,329,424
Total	5,398,045	-	1,329,424
Transition adjustments (Stage 2)	-	-	-
IFRS 9 as at 1 June 2018	5,398,045	-	1,329,424
Stage 1	-	-	-
Stage 2	-	-	-
Stage 3	1,579,394	-	1,579,394
Total	6,977,439	-	6,977,439

Notes to the Financial Statements continued

for the year ended 31 May 2019

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2. New standards and interpretations**2.1 Standards and interpretations not yet effective (cont'd)****(f) Impact of initial application of IFRS 9 on financial performance**

The application of IFRS 9 has had no impact on the cash flows of the Company

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that a company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. A company recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the company satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 1, 2018.

The company has adopted the standard for the first time in the 2019 financial statements.

It is unlikely that the standard will have a material impact on the company's financial statements.

3. Revenue

	2019	2018
Gross revenue from sale of goods	123,908,109	127,307,276
Trade rebates and discounts	(17,391,091)	(15,703,788)
	106,517,018	111,603,488

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

4. Cost of sales

	2019	2018
Material cost	84,264,956	86,081,910
Other direct cost- stock provision	(2,803,626)	(2,211,591)
	81,461,330	83,870,319

Notes to the Financial Statements continued

for the year ended 31 May 2019

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5. Other operating income

	2019	2018
Rental income on investment property	1,742,898	1,846,859
Income from investment	21,364,729	-
Sundry income	919,566	271,086
	24,027,193	2,117,945

6. Distribution cost

Selling and distribution costs include:

	2019	2018
Advertising and promotion	3,548,787	2,965,217
Vehicle running	508,611	882,246
Staff cost(Note 8)	3,012,817	4,769,739
Depreciation	312,185	814,249
Impairment charge on trade receivables		1,329,424

7. Administrative costs

Administrative expenses includes;

	2019	2018
Auditors' remuneration	136,000	129,328
Depreciation	781,545	890,187
Directors' fees	170,288	217,016
Donations	19,432	183,008
Staff cost(Note 8)	3,203,222	2,379,240

8. Staff cost

Staff cost is apportioned between distribution costs and administrative cost as follows;

Distribution costs	3,012,817	4,769,739
Administrative costs	3,203,222	2,379,240
	6,216,039	7,148,979

9. Finance costs

Net foreign exchange losses on foreign currency borrowings	3,959,687	3,157,339
Finance leases	-	476,994
Total	3,959,687	3,634,333

10. Other operating gains (losses)

(Losses)/Gains on disposals	(29,849)	173,944
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Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

11. Taxation

	2019	2018
Major components of the tax income		
Current tax	3,933,146	287,099
Deferred tax	13,319,997	(429,73)
	17,253,143	(142,635)

11a. Deferred tax

	2019	2018
Deferred tax Liability	(15,099,475)	(1,779,478)
Total deferred tax liability	(15,099,475)	(1,779,478)

Reconciliation of deferred tax (liability)

At 1 June	(1,779,478)	(2,209,212)
Prior year Adjustments	(2,508,388)	-
Charge/(credit) to profit or loss	(10,811,609)	429,734
At 31 May	(15,099,475)	(1,1779,478)

11b. Effective tax rate reconciliation

	2019
Profit before tax	59,748,735
Current Income Tax charge	17,253,143
Effective tax rate	28%

11b. Current tax payable

Year end 31 May 2018	At 1 June	Charge to profit or loss	Payments during the year	At 31 May
Up to 2017	(880,908)	-	-	(880,908)
2018	65,090	-	-	65,090
2019	-	3,933,146	(86,352)	3,846,794
	(815,818)	3,933,146	(86,352)	3,030,976

Notes to the Financial Statements continued

for the year ended 31 May 2019

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12. Property, plant and equipment

	Leasehold land	Plant and machinery	Motor vehicles	Computer equipment	Office equipment	Furniture and fittings	Assets under construction	Total
Cost								
Balance at 1 June 2017	9,777,058	2,948,185	4,228,082	1,018,436	2,015,790	-	-	19,987,551
Addition	-	-	99,512	716,978	-	-	-	816,490
Disposals	-	-	(267,587)	-	-	-	-	(267,587)
Balance as at 31 May 2018	9,777,058	2,948,185	4,060,007	1,735,414	2,015,790	-	-	20,536,454
Balance as at 1 June 2018	9,777,058	2,948,185	4,060,007	1,735,414	2,015,790	-	-	20,536,454
Additions	-	-	882,729	168,159	45,042	157,102	-	1,253,033
Disposals	(5,085,980)	(2,416,538)	(2,249,433)	(421,657)	(1,482,932)	-	-	(11,656,540)
Balance as at 31 May 2019	-	-	-	-	-	-	-	-
Balance as at 31 May 2019	4,691,078	531,647	2,693,303	1,481,916	577,900	157,102	-	10,132,947
Accumulated depreciation								
Balance at 1 June 2017	4,335,408	2,632,260	2,837,345	659,892	1,520,590	-	-	11,985,495
Charge for the year	376,143	50,271	814,249	300,587	163,186	28,171	-	1,704,436
Disposals	-	-	(239,661)	(20,791)	(1,697)	-	-	(262,149)
Balance as at 31 May 2018	4,711,551	2,682,531	3,411,933	939,688	1,682,079	28,171	-	13,427,782
Balance at 1 June 2018	4,711,551	2,682,531	3,411,933	939,688	1,682,079	28,171	-	13,427,782
Charge for the year	376,143	45,601	387,345	231,220	136,685	28,171	-	1,205,165
Disposals	(2,615,082)	(2,404,513)	(2133,223)	(407,143)	(1,425,810)	-	-	(8,985,771)
Balance as at 31 May 2019	2,472,612	323,619	1,666,055	763,765	392,954	56,342	-	5,647,177
Carrying amount								
Balance as at 31 May 2019	2,218,466	208,028	1,027,248	718,151	184,946	100,760	-	4,485,770
Balance as at 31 May 2018	5,065,507	265,654	648,074	795,726	333,711	-	-	7,108,672

Notes to the Financial Statements continued

for the year ended 31 May 2019

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13. Investment property (fair value)

	2019	2018
At 1 June	33,085,000	25,250,801
Reclassification	1,856,875	-
Addition	526,944	-
Adjustment	-	1,200,000
Fair value gain	37,988,413	6,634,199
	73,457,232	33,085,000

Investment property is remeasured at the end of each reporting period. Changes in fair value are recognized in profit or loss as they occur. This fair value relates to the unrealized gains on the property valuation. It is the policy of PZ Cussons Limited to obtain an independent valuation of its investment property. Investment property is reflected at fair value as at 31 May 2019. Investment property is measured at fair value in the Company's statement of financial position and categorised as level 3 in the fair value hierarchy as the valuation is partly based on unobservable data. The fair value gain is unrealised.

14. Finance lease receivables**Gross finance lease receivables-minimum lease receipts**

	2019	2018
Not later than one year	433,698	1,076,103
later than 1 year and no later than five years	-	261,080
less: Unearned finance income	-	-
	433,698	1,337,183
Non-current assets	-	261,080
Current assets	433,698	1,076,103
	433,698	1,337,183

The company entered into finance leasing arrangements with Distribution Partners under a sub-lease agreement.

15. Investments

	2019	2018
Norpalm Ghana Limited	-	1,405,271

Investment's represent the Company's 31% holding of issued share capital of Norpalm Ghana Limited, an oil palm plantation company incorporated in Ghana. The investment has not been recognised as an associated company because the Company does not exercise significant influence over the affairs of Norpalm Ghana Limited as it does not have the power to influence the financial and operating policies of the company. The investment with Norpalm has been disposed off in 2019.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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16. Inventories

	2019	2018
Raw and packing materials	153,110	98,891
Finished products	17,270,804	17,917,301
Engineering spares	148,835	149,059
	17,572,749	18,165,251

The charge to profit or loss for damage, obsolete and lost inventory for the year ended 31 May 2019 amounted to GH¢ 2,230,988 (2018: GH¢606,991). The cost of inventory recognised as an expense and included in cost of sales amounts to GH¢81,461,330. (2019: GH¢83,870,319)

17. Trade and other receivables

	2019	2018
Trade receivables	21,457,938	19,307,830
Impairment for trade receivable	(6,977,439)	(5,398,045)
Trade receivables-net	14,480,499	13,909,785
Amounts due from related parties (Note 27)	74,743	705,016
Amount due from officers and staff	186,652	105,825
Prepayments	100,108	700,456
Non-trade receivables	136,560	9,803
Sundry receivables	116,773	1,304,918
	15,095,335	16,735,803

The creation and release of provision for impaired receivables have been included in distribution cost (note 6 in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not include any impaired assets. The Company does not hold collateral as security for trade receivables.

18. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	15,030	4,871
Bank balances	22,423,416	15,186,947
Bank overdraft	-	(97,316)
	22,438,446	15,094,502
Current assets	22,438,446	15,191,818
Current liabilities	-	(97,316)
	22,438,446	15,094,502

The Company has an overdraft facility limit of GH¢10,000,000 with Zenith Bank Ghana Limited. The security of this facility is a negative pledge by PZ Cussons Ghana Limited. At the reporting period, there was no overdraft in the books of PZ Cussons Limited.

Notes to the Financial Statements continued

for the year ended 31 May 2019

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19. Stated capital

	2019	2018
Authorised		
Ordinary shares of no par value	200,000,000	200,000,000
Reconciliation of number of shares issued:		
Reported as at 1 June	168,000,000	168,000,000
Issue of shares – ordinary shares	-	-
	168,000,000	168,000,000
Issued		
Proceeds from issued share capital	2,160,000	2,160,000

There was no change in the stated capital during the year (2018: Nil).

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

20. Retained earnings

Retained earnings account represents the earnings retained by the Company. The amount available for distribution to the members of the Company is subject to the requirements of the Companies Act, 1963 (Act 179). Movement in the income surplus account are shown as part of the statement of changes in equity on page 20 of these financial statements.

21. Revaluation reserve

The capital surplus account is the unrealised appreciation arising from the revaluation of buildings used as deemed cost for IFRS transition. In 2012, the shareholders, by a special resolution, transferred GH¢1 million from capital surplus account to stated capital in accordance with Section 74 (1) Companies Act, 1963 (Act 179).

22. Dividend payable

	2019	2018
At 1 June	2,508,335	2,508,335
Dividend declared for the year ended 31 May	-	-
Dividend paid	(2,508,335)	-
At 31 May	-	2,508,335

23. Trade and other payables

Trade payables	3,475,930	2,772,210
Amounts due to related parties (note 27)	13,849,282	22,887,556
VAT	282,068	-
Sundry payables	2,437,049	263,219
Accruals	2,971,088	2,524,254
At 31 May	23,015,417	28,447,239

The carrying values of the trade and other payables approximate their fair values.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

24. Borrowings

	2019	2018
Held at amortised cost		
Intercompany loan	27,949,782	38,946,901
Non-current liabilities		
At amortised cost(Notes 24)	27,949,782	24,646,442
Current liabilities		
At amortised cost(Notes 24)	-	14,300,459
	27,949,782	38,946,901

This facility is an interest free quasi equity loan facility obtained from PZ Cussons (International) Limited. There is no charge or assignment of or any other form of security in, on, or, over PZ Cussons Ghana Limited's revenue or assets. The facility is repayable in part or in full upon demand of the Lender, subject to 12 months' notice period.

25. Cash (used in)/generated from operations

	2019	2018
Profit before taxation	62,404,910	6,338,003
Adjustments for:		
Depreciation and amortization	1,205,165	1,704,436
Profit from discontinued operations	(2,896,383)	-
(Gains)/loss on disposals on property, plant and equipment's	232,990	(173,944)
(Gains)/loss on disposals of equity investments	(21,364,729)	-
Finance costs	340,616	476,994
Fair value gains	(37,988,413)	(6,634,199)
Movements in provisions	(173,558)	139,369
Adjustment for investment property (note 13)	-	(1,200,000)
Exchange gain/(loss) on related party loans	3,303,340	2,048,464
Changes in working capital:		
Inventories	592,513	6,996,762
Trade and other receivables	1,715,201	12,721,824
Finance lease receivable	903,486	880,707
Trade and other payables	(5,266,358)	(34,520,366)
Cash generated/(used in)	3,008,780	(11,221,950)

26. Tax paid

Balance at 1 June	(815,818)	880,908
Current tax for the year recognised in profit or loss	3,933,146	(287,099)
Balance at 31 May	(3,030,976)	(815,818)
Payment in the year	(86,352)	(222,009)

Notes to the Financial Statements continued

for the year ended 31 May 2019

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27. Related party balances

Amounts included in Trade payables regarding related parties

	2019	2018
PZ Cussons International Limited	-	2,986,010
PZ Cussons Indonesia Limited	2,150,739	2,509,124
PZ Cussons (Nigeria) Limited	10,644,496	14,060,169
PZ Cussons (Thailand) Limited	3,654	212,616
PZ Cussons (Kenya) Limited	-	63,927
PZ Cussons Singapore Pte Limited	1,050,208	3,055,710
	13,849,097	22,887,556

Amounts included in Trade receivables regarding related parties

PZ Cussons (Nigeria) Limited	-	705,016
PZ Cussons International Limited	74,743	-
	74,743	705,016

Year-end related party loan balances

PZ Cussons International Limited	27,949,782	38,946,901
	27,949,782	38,946,901

Related party transactions

Purchases from (sales to) related parties

PT PZ Cussons Indonesia Limited	5,672,541	2,703,661
PZ Industries (Nigeria) Plc	43,421,218	44,623,465
PZ Singapore	3,295,808	3,768,820
	52,389,567	51,095,946

Service charges/expense incurred on behalf of the company

PZ Cussons International Limited	-	-
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Consultancy fees

Interclass & Associates	-	900,619
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Directors Fees

Compensation to directors and other key management

Directors fees	170,288	217,016
Salaries and other short term benefits	972,721	1,062,428
Total	1,143,009	1,279,444

28. Related parties

Relationships	
Ultimate holding company	PZ Cussons plc
Holding company	PZ Cussons (Holdings) Limited

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29. Categories of financial instruments

Financial assets-2019	Amortised cost	Financial assets at fair value through profit or loss (FVTPL)	Total
Trade and other receivables (Less prepayments)	14,995,227	-	14,995,227
Cash and cash equivalents	22,438,446	-	22,438,446
Total	37,433,673	-	37,433,673
Financial liabilities-2019			
Borrowings	27,949,782	-	27,949,782
Trade and other payables	23,015,417	-	23,015,417
Total	50,965,199	-	50,965,199

Financial assets-2018	Loans and receivables	Available for sale	Total
Investments	-	1,405,271	1,405,271
Trade and other receivables (Less prepayments)	16,035,347	-	16,035,347
Cash and cash equivalents	15,094,502	-	15,094,502
	31,129,849	1,405,271	32,535,120

Financial liabilities-2018	Financial liabilities at amortised cost	Financial liability at FVTPL	Total
Borrowings	38,946,901	-	38,946,901
Trade and other payables	28,447,239	-	28,447,239
Dividend payable	2,508,335	-	2,508,335
	69,902,475	-	69,902,475

30. Risk management**Financial risk management**

The company's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by a treasury department under PZ Cussons group policies approved by the board of directors. Treasury identifies, evaluates and hedges financial risks. The board of directors 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, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit Risk

Credit risk is the risk that financial loss arises from the failure of customer or counterparty to meet its obligations under a contract. It arises principally from selling goods on credit to distribution partners. 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 control policy whereby credit sales are only made to established dealers.

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30. Risk management (cont'd)

Strict control is exercised through the monitoring of cash received from customers and provision is made for specific doubtful debts where necessary. The Company has a task force which follows up collection of outstanding receivables. The Company does not believe it is exposed to any material concentrations of credit risk. The amount of that best represents the Company's maximum exposure to credit risk at the year-end is the carrying value of trade receivables, sundry receivables, amount due from related parties, finance lease receivables and cash and cash equivalents in the statement of financial position.

The Company does not grade the credit quality of trade and other receivables. All receivables that are neither past due nor impaired are within the approved credit limits, and no receivables have had their terms renegotiated.

There is no off balance sheet credit risk exposure. Impaired trade receivables relate to customers who are experiencing financial difficulties. The other classes of receivables do not contain impaired assets are not past due. Based on the credit history of these other classes, it is expected that these will be received when due. The Company's credit exposures are categorised as follows:

	2019 (GH¢)	2018 (GH¢)
Maximum exposure to credit risk		
Trade and other receivables (less prepayments)	14,995,227	16,035,347
Cash and cash equivalents	22,438,446	15,094,502
Total	37,433,673	31,129,849

Collateral held as security and other credit enhancements

There is no collateral held against any of the receivables.

Credit quality

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >90 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – credit-impaired
Loss	Amount is >180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due. The Company has overdraft facilities with local banks to provide them with an option to maintaining liquidity and continuity in funding.

All financial liabilities fall due for payments within twelve months. The amounts disclosed in the table below show contractual undiscounted cash flows for financial liabilities analysed into the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date.

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for the year ended 31 May 2019

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30. Risk management (cont'd)

At 31 May 2019	Less than 1 year	Between 1 -2 years	Between 2- 5 years
Borrowings	-	-	27,949,782
Trade and other payables	23,015,417	-	-
Total	23,015,417	-	27,949,782

At 31 May 2018	Less than 1 year	Between 1 -2 years	Between 2 -5 years
Borrowings	14,300,459	-	24,646,442
Trade and other payables	28,447,239	-	-
Dividend payable	-	-	2,508,335
Total	42,747,698	-	27,154,777

The table above analyses the company's financial liabilities which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Foreign exchange risk

The company's activities exposes it to the financial risks of changes in foreign currency 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 Finance Directors under a delegated authority. The Company does not hold equity or commodity instruments subject to market risk.

At 31 May 2019, if the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, post-tax profit for the year would have been GH¢ 1,119,895 (2018: GH¢ 538,866) higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated bank balances, and intercompany payables/receivables.

Foreign currency exposure at the end of the reporting period

	2019	2018
Current assets		
Bank	12,324,902	4,810,216

Exchange rates used for conversion of foreign items were:

USD	5.289	4.82
GBP	6.674	6.1073

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may limit the amount of dividends paid to shareholders and source funds from companies within the PZ Cussons Plc group on negotiated credit terms. Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

30. Risk management (cont'd)

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio at 2019 and 2018 respectively were as follows:

	2019	2018
Total borrowings		
Borrowings	27,949,782	38,946,901
Less: Cash and cash equivalents	(22,438,446)	(15,094,502)
Net debt	5,511,335	23,852,399
Total equity	64,387,581	21,891,989
Total capital	69,898,916	45,744,388
Debt equity ratio	8%	52%

Interest rate risk

The Company's exposure to the risk for changes in market interest rates relates primarily to Company's finance lease obligations and other borrowings to support its working capital. The Company calculates its exposure to interest rate based on a defined interest rate shift. Based on the simulations performed, the impact on the post-tax profit of 1% shift would be a maximum increase or decrease finance cost of GH¢39,597 (2018: GH¢19,875).

Market risk management

Market risk is the risk that movements in the market rates, including foreign exchange rates, interest rates, equity and commodity prices will reduce the Company's income or value of its portfolios. The management of market risk is undertaken using risks limits approved by the Finance Director under a delegated authority. The Company does not hold any equity or commodity instruments subject to market risk.

31. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Levels of fair value measurements

Level 3

Recurring fair value measurements

Assets

Investment property

	2019	2018
Investment property	73,457,232	33,085,000
Available for sale financial assets		
Norpalm Ghana Limited	-	1,405,271

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

31. Fair value information

	2019	2018
Financial assets		
Trade and other receivables (less prepayments)	14,995,227	16,035,347
Cash and cash equivalents	22,438,446	15,094,502
Total other	37,433,673	31,129,849
Financial liabilities		
Trade and other payables	23,015,417	28,447,243
Borrowings	27,949,782	38,946,901
Dividend payable	-	2,508,335
Total other	50,965,199	69,902,479

32. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Committee considers the business from a product perspective. The leadership team assesses the performance of the operating segments based on a measure of operating profit. The Company has two main segments:

- Core- Incorporating home care, personal care and nutrition products
- Electricals-incorporating television sets, home theatre, DVD players, air conditioners, fridges etc The Company's reporting segments are based on products grouped under the above business segments.

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 May 2019 and 2018.

	2019	2018
Revenue from external customers	106,517,018	104,978,751
Core		
Electrical appliances	-	6,624,737
	106,517,018	111,603,488
Revenue from external customers comprises:		
Revenue from external customers within Ghana:	106,517,018	104,978,751
Core		
Electrical appliances	-	6,624,737
	106,517,018	111,603,488
Net segment operating costs	(81,461,330)	78,715,449
Core		
Electrical appliances	-	5,154,870
	(81,461,330)	83,870,319
Segment contribution		
Core	25,055,688	26,263,302
Electrical appliances	-	1,469,867
	25,055,688	27,733,169

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

33. Discontinued operations

The Coolworld range was introduced in Ghana on 1st February 2008. A contract was established with Haier; a Chinese Company to supply PZ Ghana with Haier technological appliances in Ghana. The agreement led to a branded product called Haier Thermacool. These products are produced in China and shipped to PZ Singapore who is the Intermediary between the two companies. The goods are then shipped from Singapore to Ghana and retailed at about a 15% premium.

From 2008 to 2013 PZ Cussons has been making losses and one of the key contributing factors was the Cool World (Haier Thermacool) products. Management then took a decision to discontinue the service line and focus on more profitable lines such as the Home Care and Personal Care Range which includes Camel, Cussons baby products as well as Morning Fresh.

Results of discontinued operations

	2019
Revenue	1,758,339
Cost of sales	(1,505,205)
Gross profit	253,134
Other operating income	33,976
Other operating gains (losses)	(203,141)
Distribution costs	(2,519,396)
Other operating costs	(460,956)
Operating profit (loss)	(2,896,382)
Finance costs	-
(Loss) before taxation	(2,896,382)
Income tax credit	-
(Loss) for the year from discontinuing operations	(2,896,382)

34. Contingent liability**Legal**

There was a suit against PZ by the Osu Mantse at the Land Court during the period. The Osu Mantse, Nii Okwei Kinka Dowuona, is seeking recovery of possession of a portion of PZ Cusson's land. Per the estimation of the PZ Cusson's Legal Counsel, any liabilities will be limited to the payment of consent fees to both Lands Commission and Osu Mantse in the amounts of GH¢ 22,400 and US\$30,000 (GH¢ 161,607) respectively, amounting to a total contingent liability of GH¢ 184,007. (2018: Nil).

Tax

The Customs Division of Ghana Revenue Authority (GRA) provided an interim report after their tax audit that covered the period between 1st January 2014 and 31st December 2018. A total tax liability of GHS46,983,361.30 was estimated by the GRA after the tax audit. PZ Cussons Ghana on the other hand objected the liability and has engaged a tax expert to resolve this matter with GRA. At the time of audit report this tax matter had not been resolved.

35. Commitments

There were no capital commitments at the end of the year. (2018: Nil)

36. Events after the reporting date

There were no significant events after the reporting date that need to be adjusted or disclosed. (2018: Nil)

Notes to the Financial Statements continued

for the year ended 31 May 2019

Figures in Ghana Cedis

Statement of Financial Position

	2019	2018	2017	2016	2015
Assets					
Non-current assets	77,943,002	41,860,023	35,549,716	38,199,883	17,173,671
Current assets	55,540,228	51,984,793	70,653,664	69,329,661	85,585,018
Total assets	133,483,230	93,844,816	106,203,380	107,529,544	102,758,689
Liabilities					
Non-current liabilities	43,049,256	26,425,920	25,281,900	28,280,170	24,771,959
Current liabilities	26,046,393	45,526,907	65,510,129	53,312,709	44,016,907
Total liabilities	69,095,649	71,952,827	90,792,029	81,592,879	68,788,866
Equity					
Stated capital	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Revaluation reserve	3,465,574	3,465,574	3,465,574	3,465,574	3,465,574
Retained earnings	58,762,007	16,266,415	9,785,777	20,311,091	28,344,249
Total equity	64,387,581	21,891,989	15,411,351	25,936,665	33,969,823
Total equity and liabilities	133,483,230	93,844,816	106,203,380	107,529,544	102,758,689

Statement of Profit or Loss and Other Comprehensive Income

	2019	2018	2017	2016	2015
Revenue	106,517,018	111,603,488	91,832,590	118,279,459	128,311,090
Cost of sales	(81,461,330)	(83,870,319)	(72,137,864)	(88,055,530)	(84,767,323)
Gross profit	25,055,688	27,733,169	19,694,726	30,223,929	43,543,767
Distribution cost	(9,771,115)	(10,416,622)	(14,172,504)	(17,439,580)	(31,755,722)
Administrative cost	(9,774,488)	(11,242,366)	(16,032,320)	(15,813,466)	(9,684,148)
Other operating income	23,997,344	2,117,945	3,466,567	9,274,737	3,780,259
Other operating cost	(891,038)	(3,634,333)	(3,461,711)	(27,559,391)	(7,156,179)
Fair value gain on investment property	37,988,413	6,634,199	-	24,144,675	-
Finance costs	(3,959,687)	(3,634,333)	(2,362,694)	(2,533,735)	(2,852,525)
Loss from discontinued operations	(2,896,382)	-	-	-	-
Profit/(loss) before taxation	59,748,735	6,338,003	(12,867,936)	297,169	(4,124,548)
Taxation	(17,253,143)	142,635	2,535,622	(8,330,327)	1,381,800
Profit/(loss) for the year	42,495,592	6,480,638	(10,332,314)	(8,033,158)	(2,742,748)
Profit/(loss) per share (Basic)	0.2529	0.0386	(0.0615)	(0.0478)	(0.0163)

Loss/earnings per share are based on loss/profit after tax and the number of issued and fully paid ordinary shares at the end of each financial year.

Shareholders' Information

Figures in Ghana Cedis

PZ CUSSONS GHANA LIMITED - SHAREHOLDERS' ANALYSIS AS AT 31.05.2019

FROM	TO	MEMBERS	SHARES	CAPITAL%
1	1000	1,015	394,642	0.24
1001	5000	596	1,208,776	0.72
5001	10000	102	674,087	0.40
10,001	9,999,999,999	299	165,722,495	98.64
TOTAL		2,012	168,000,000	100.00

MAJOR HOLDERS FOR PZ CUSSONS GHANA LTD AS AT 31.05.2019 (TOP 20)

SHAREHOLDER	SHARES	% OF ISSUED CAP
PZ CUSSONS (HOLDINGS) LIMITED	151,602,006	90.24
AFRICAN TIGER MUTUAL FUND LTD	5,250,000	3.13
SCGN/SCBM RE SKANIAVISKA ENSKILDA	750,000	0.45
HFCN/EDC GHANA BALANCED FUND LTD	377,400	0.22
GHANAIAN ENT. DEVT. COMMISSION	152,700	0.09
MR J K BUACHIE	144,480	0.09
MR E T DODOO	142,800	0.09
MR A K ACHEAMPONG	137,820	0.08
NSIA GHANA LIMITED	124,800	0.07
PZ CUSSONS GHANA PROV. FUND	100,500	0.06
MR T A KUSI	98,700	0.06
MR E A CLEMENT	92,580	0.06
MRS G BADU	90,120	0.05
DR E E SACKY	87,000	0.05
MR D C AMOAKOH	87,000	0.05
MR V A SACKY	87,000	0.05
MR J G A RENNEN	84,000	0.05
MR J Y A AMOA	81,420	0.05
MR J K ASIAMAH	77,940	0.05
MR E K YEBOAH	76,560	0.05
REPORTED TOTALS	159,644,826	95.03
NOT REPORTED	8,355,174	4.97
GRAND TOTALS	168,000,000	100.00
COMPANY CAPITAL	168,000,000	

DIRECTORS' SHAREHOLDING AS AT 31.05.2019

	SHARES	% OF ISSUED CAPITAL
PAUL KWABENA PEPERA	19195	0.01
DAVID AFFLU	-	-
CHRISTOS GIANNOPOULOS	-	-
OLUWASEGUN AGBEKEYE	-	-
HELENA ADU-GYAMFI	-	-
TOTAL	19,195	0.01

Five year financial summary

Figures in Ghana Cedis

Statement of Financial Position	2019	2018	2017	2016	2015
	GHS	GHS	GHS	GHS	GHS
Assets					
Non-current assets	81,578,332	41,860,023	35,549,716	38,199,883	17,173,671
Current assets	55,481,403	51,984,793	70,653,664	69,329,661	85,585,018
Total assets	137,059,735	93,844,816	106,203,380	107,529,544	102,758,689
Liabilities					
Non-current liabilities	27,949,782	26,425,920	25,281,900	28,280,170	24,771,959
Current liabilities	26,238,842	45,526,907	65,510,129	53,312,709	44,016,907
Total liabilities	54,188,624	71,952,827	90,792,029	81,592,879	68,788,866
Equity					
Stated capital	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Revaluation reserve	3,465,574	3,465,574	3,465,574	3,465,574	3,465,574
Retained earnings	77,245,537	16,266,415	9,785,777	20,311,091	28,344,249
Total equity	82,871,111	21,891,989	15,411,351	25,936,665	33,969,823
Total equity and liabilities	137,059,735	93,844,816	106,203,380	107,529,544	102,758,689

Statement of Profit or Loss and Other Comprehensive Income

	2019	2018	2017	2016	2015
	GHS	GHS	GHS	GHS	GHS
Revenue	106,517,018	111,603,488	91,832,590	118,279,459	128,311,090
Cost of sales	(81,461,330)	(83,870,319)	(72,137,864)	(88,055,530)	(84,767,323)
Gross profit	25,055,688	27,733,169	19,694,726	30,223,929	43,543,767
Distribution cost	(10,418,959)	(10,416,622)	(14,172,504)	(17,439,580)	(31,755,722)
Administrative cost	(8,462,545)	(11,242,366)	(16,032,320)	(15,813,466)	(9,684,148)
Other operating income	23,786,986	2,117,945	3,466,567	9,274,737	3,780,259
Other operating cost	(1,351,994)	(3,634,333)	(3,461,711)	(27,559,391)	(7,156,179)
Fair value gain on investment property	37,988,413	6,634,199	-	24,144,675	-
Finance costs	(3,959,687)	(3,634,333)	(2,362,694)	(2,533,735)	(2,852,525)
Profit (loss) before taxation	62,404,911	6,338,003	(12,867,936)	297,169	(4,124,548)
Taxation	(7,756,039)	142,635	2,535,622	(8,330,327)	1,381,800
Profit (loss) for the year	54,648,871	6,480,638	(10,332,314)	(8,033,158)	(2,742,748)

Per share data

	2019	2018	2017	2016	2015
Profit/(loss) per share (Basic)	0.3715	0.039	(0.062)	-	-

Loss/earnings per share are based on loss/profit after tax and the number of issued and fully paid ordinary shares at the end of each financial year.



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