UNILEVER GHANA LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2018

UNILEVER GHANA LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

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UNILEVER GHANA LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS	Edward Effah *(Chairman)* Gladys Amoah (*New Managing Director, Appointed 1/12/18)* Adesola Sotande-Peters Philip Odotei Sowah Alfred Yaw Oduro Nsarkoh Angela Peasah Edith Dankwa Nazaire Djako Micheal Odinakachi Ubeh *(Appointed 1/11/18)* Yeo Ziobeieton *(Former Managing Director, Resigned, 30/11/18*
SECRETARY	Ama Adadzewa Agyemang
AUDITOR	KPMG Chartered Accountants 13 Yiyiwa Drive, Abelenkpe P O Box GP 242 Accra
SOLICITORS	Sam Okudzeto & Associates Kimathi Partners, Corporate Attorneys Aryitey & Associates
REGISTERED OFFICE	Unilever Ghana Limited Tema Factory, Plot No. Ind/A/2/3A-4 P O Box 721 Tema
BANKERS	Access Bank Ghana Limited Barclays Bank of Ghana Limited Ecobank Ghana Limited First Atlantic Bank Limited Guaranty Trust Bank Limited Société Generale Ghana Limited Standard Chartered Bank Limited Stanbic Bank Limited United Bank for Africa Limited Universal Merchant Bank Limited

FINANCIAL HIGHLIGHTS

(All amount is expressed in thousands of Ghana cedi)

	2018	2017	% Change
Revenue	632,152	575,765	9.8%
Operating profit	253,258	67,204	276.8%
Profit before taxation	250,322	65,360	283.0%
Profit after taxation	190,825	48,149	296.3%
Cash generated from operating activities	(9,982)	90,786	(111.0)%
Shareholders' funds	295,141	120,597	144.7%
Capital expenditure	60,914	21,005	190.0%
Basic earnings per share (GH¢)	3.0532	0.7704	296.3%
Diluted earnings per share (GH¢)	3.0532	0.7704	296.3%
Dividend per share	0.8000	0.2500	220.0%
Net assets per share (GH¢)	4.7223	1.9295	144.7%
Profit before taxation margin (%)	39.6	11.4	
Profit after taxation margin (%)	30.2	8.4	

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
UNILEVER GHANA LIMITED

The Directors have the pleasure in submitting to the members, the Company's Financial Statements for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements that give a true and fair view of Unilever Ghana Limited, comprising the statement of financial position at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179). In addition, the Directors are responsible for the preparation of the Directors' report.

The Directors are also responsible 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 and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

FIVE YEAR FINANCIAL HIGHLIGHTS

Details of the Company's five-year financial highlights are disclosed on page 65.

FINANCIAL STATEMENTS/BUSINESS REVIEW

The financial results for the year ended 31 December 2018 is reflected in the accompanying financial statements.

The Directors propose a dividend of GH¢ 0.80 (2017: GH¢ 0.25) per share amounting to GH¢50,000,000 (2017: GH¢15,625,000).

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

NATURE OF BUSINESS/PRINCIPAL ACTIVITIES

The Company is registered to carry on the business of manufacturing and marketing of fast-moving consumer goods primarily in the home care, personal care and foods categories. There was no change in the nature of business of the Company during the year.

OBJECTIVES OF THE COMPANY

The objective of the Company is to make sustainable living commonplace.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
UNILEVER GHANA LIMITED (CONT'D)

HOLDING COMPANY

The Company is 66.6% owned by Unilever Plc, a company incorporated in the United Kingdom.

RELATED PARTY TRANSACTIONS

Information regarding Directors' interests in ordinary shares of the Company and remuneration is disclosed in Note 33 and analysis of shareholders on page 59 to the financial statements. No Director has any other interest in any shares or loan stock of the Company. Other than service contracts, no Director had a material interest in any contract to which the Company was a party to during the year. Related party transactions and balances are also disclosed in note 32 to the financial statements.

AUDITOR

The Audit Committee has responsibility delegated by the Board of Directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. KPMG has been the auditor of Unilever Ghana Limited for five years. KPMG does not provide non-audit services to the Company.

BOARD OF DIRECTORS

Profile

Executive	Qualification	Outside board and management position
Gladys Amoah	o Holds Bachelor of Science in Zoology and Microbiology- University of Cape Town	Nil
Nazaire Djako	o Master of Science in Crude Oil (Petroleum), French Institute of Petroleum, Rueil-Malmaison – France. o Chemical and Process Engineer from University of Science and Technology, Compeiegne France. o Advance Certificate in Technology from Institute of Technology, University of Rheims, Champagne, France.	Nil

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
UNILEVER GHANA LIMITED (CONT'D)

Profile (cont'd)

Executive	Qualification	Outside board and management position
Nana Yaa Kissi	o Master of Arts –Marketing & Innovation from London School of Marketing. o Post graduate Diploma – Business & Marketing Strategy Eduqual Extended Programme o Bachelor of Education – Psychology from University of Cape Coast	Nil
Michael Odinakachi Ubeh	o BSc (Hons) in Applied Chemistry- Federal University of Uyo Akwa Ibom Nigeria o Master in business administration Federal University of Technology -Yola Nigeria o Post Graduate Certificate in Management- University of Cumbria- London.	Nil
Non-Executive		
Edward Effah	o Chartered Accountant o Member of the Institute of Chartered Accountants in England & Wales. o Member of the Institute of Directors (UK).	o Fidelity Bank – Chairman o Africa Capital LLC – Director o Legacy Bonds Limited - Director
Edith Dankwa	o Doctor of Business Administration (DBA) – Walden University USA o Master of Business Administration (MBA), Ghana Institute of Management & Public Administration. o Post Graduate Certificate – Newspaper Management International Institute of Journalism (Germany). o Post Graduate Diploma – Marketing, Chartered Institute of Marketing, Ghana. o B A Management Studies, University of Cape Coast	o Business & Financial Times Limited o Conbiz Construction & Investment Limited o Urban Press o Executive Women Network

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
UNILEVER GHANA LIMITED (CONT'D)

Profile (cont'd)

Alfred Yaw Oduro Nsarkoh	o Degree in Chemical Engineering – University of Science & Technology, Kumasi, Ghana o Post Graduate Diploma in Management – Henley Management College, Henley-on-Thames, UK	Nil
Angela Peasah	o Chartered Accountant of the Institute of Chartered Accounts, Ghana. o Executive MBA from the University of Ghana Business School, University of Ghana, Legon. o Institute of Professional Studies (IPS)	Nil
Adesola Sotande-Peters	o Bachelor degree in Business Administration & Economics from Richmond College, The American International University in London. o MBA for finance professionals – Manchester Business School. o Fellow of the Association of Certified Chartered Accountants (FCCA). o Member of the Institute of Chartered Accountants of Nigeria (ICAN).	Nil
Philip Sowah	o BSc Mechanical Engineering, Washington University Missouri, USA o BA Physics, Grinnell College, Iowa, USA o Airtel Leadership in Action Program – INSEAD Business School, Singapore campus	o Barclays Bank of Ghana Limited – Director o Afriwave Telecom – Director o Qualtek Limited – Director o TxtGroup Limited - Director

Biographical information of Directors

Age category	Number of directors
Up to 40 years	-
41 – 60 years	10
Above 60 years	-

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
UNILEVER GHANA LIMITED (CONT'D)

ROLE OF THE BOARD

The Directors are responsible for the long-term success of the Company to, determine the strategic direction of the Company and review operating, financial and risk performance. There is a formal schedule of matters reserved for the Board of Directors, including approval of the Company's annual business plan, strategy, acquisitions, disposals and capital expenditure projects above certain thresholds, all guarantees, treasury policies, the financial statements, the Company's dividend policy, transactions involving the issue or purchase of company shares, borrowing powers, appointments to the Board, alterations to the memorandum and articles of association, legal actions brought by or against the Company and the scope of delegations to Board committees, subsidiary boards and the management committee. Responsibility for the development of policy and strategy and operational management is delegated to the Executive Directors and a management committee, which as at the date of this report includes the Executive Directors and five senior managers.

INTERNAL CONTROL SYSTEMS

The Directors have overall responsibility for the Company's internal control systems and annually review their effectiveness, including a review of financial, operational, compliance and risk management controls. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Executive Directors and other senior management. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the internal control systems, including controls related to financial, operational and reputational risks identified by the company as at the reporting date and no significant failings or weaknesses were identified during this review.

DIRECTORS' PERORMANCE EVALUATION

Every year the performance and effectiveness of the Board of Directors ("the Board"), its committees and individual Directors are evaluated. The evaluation is conducted by the completion of detailed and comprehensive written survey questionnaires. The results of the evaluation is shared with all members of the Board. Overall, it was noted that the Board of Directors and its committees were operating in an effective manner and performing satisfactorily, with no major issues identified.

PROFESSIONAL DEVELOPMENT AND TRAINING

On appointment to the Board, directors are provided with a full, formal and tailored programme of induction, to familiarise them with the company's business, the risks and strategic challenges it faces, and the economic, competitive, legal and regulatory environment in which the company operates. A programme of strategic and other reviews, together with the other training provided during the year, ensures that directors continually update their skills, their knowledge and familiarity with the Company's businesses, and their awareness of sector, risk, regulatory, legal, financial and other developments to enable them to fulfil effectively their role on the Board and committees of the Board.

CONFLICTS OF INTEREST

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.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
UNILEVER GHANA LIMITED (CONT'D)

BOARD BALANCE AND INDEPENDENCE

The composition of the Board of Directors and its Committees 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 judgement of the non-Executive Directors has been confirmed by the Board of Directors.

CORPORATE RESPONSIBILITY

Corporate responsibilities activities can be found on page 67 and 68 respectively, *corporate social responsibility.*

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of Unilever Ghana Limited, as identified in the first paragraph, were approved by the Board of Directors on the 28 March 2019 and signed on their behalf by:

Edward Effah

....
DIRECTOR **DIRECTOR**

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
UNILEVER GHANA LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Unilever Ghana Limited ("the Company"), which comprise the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 63.

In our opinion, these financial statements give a true and fair view of the financial position of Unilever Ghana Limited as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the schedule in Ghana, and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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 judgment, 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.

Revenue recognition GH¢632 million

Refer to Note 5 of the financial statements

The key audit matter

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when goods are delivered to a customer and thus control has been transferred. There is a time lag between issue of goods to distributors and receipts of those goods close to the year end. Revenue may be recorded when control has not been transferred to the customer.

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

UNILEVER GHANA LIMITED (CONT'D)

How the matter was addressed in our audit

We evaluated the design and implementation and tested the operating effectiveness of controls over the initiation, recording and processing of revenue. We assessed whether sales transactions posted before and after the balance sheet dates as well as credit notes issued after year end were recognised in the current period. We also developed an expectation of the current year revenue balance based on trend analysis, taking into account historical monthly sales and returns information. We then compared the expectation to actual results and ascertained reasons for variances. We also considered the adequacy of the Company's disclosures in respect of revenue in line with IFRS 15.

Existence, accuracy and valuation of inventory GH¢53 million

Refer to Note 19 of the financial statements

The key audit matter

The Company keeps a large number of inventory lines with significant values for the all segments. Inventory may not be measured appropriately due to nonexistence, obsolescence or inaccurate unit costs assigned to items with significant values.

How the matter was addressed in our audit

We evaluated the design and implementation and tested the operating effectiveness of controls over periodic inventory counts and management review of inventory reconciliation. We also observed year- end inventory counts and agreed results with the Company's records. On a sample basis, we recomputed the unit costs of inventory used in the year-end of inventory valuation by agreeing the costs to supporting documentation such as purchase invoices and landed costs. We enquired into identified slow moving inventory and assessed reasonableness of impairment allowance recognised on such inventory. We also considered the adequacy of disclosures in relation to inventory recognised in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information Report of the Directors, as required by the Companies Act, 1963 (Act 179), the Report of the Audit Committee, Managing Director's Review, the Chairman's Review and Corporate Governance which we obtained prior to the date of this auditor's report..

KPMG

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

UNILEVER GHANA LIMITED (CONT'D)

Other information does not include the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
UNILEVER GHANA LIMITED (CONT'D)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 o f our auditor's report. However, future events or conditions may cause the Company or its subsidiaries 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.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act 1963(Act 179)

We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept and the statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner of the audit resulting in this independent auditor's report is Anthony Kwasi Sarpong (ICAG/P/1369).

KPMG
....
FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2019/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

28 March 2019

UNILEVER GHANA LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

	Note	2018 GH¢'000	2017 GH¢'000
Assets			
Property, plant and equipment	15a	144,194	113,738
Intangible assets	16	-	7
Investment in subsidiaries	18	10	10
Non-current assets		144,204	113,755
Inventories	19	53,436	53,618
Trade and other receivables	24	270,261	93,937
Prepayments	25	22,740	28,747
Related party receivables	32c	227,904	125,259
Current tax asset	14b	-	112
Cash and bank balances	28	7,945	53,203
Current assets		582,286	354,876
Total assets		726,490	468,631
Equity			
Share capital	21a	1,200	1,200
Capital surplus account	22	204	204
Retained earnings	21b	293,656	119,112
Share deals account	23	81	81
Total equity		295,141	120,597
Non-current liabilities			
Employee benefit obligations	17b	4,113	4,364
Deferred tax liability	14c	8,842	8,644
Non-current liabilities		12,955	13,008
Current liabilities			
Bank overdraft	28	73,508	14
Trade and other payables	26	69,836	74,009
Related party payables	32d	231,651	154,407
Dividend payables	20	3,044	3,044
Provisions	29	13,743	103,552
Current tax liability	14b	26,612	-
Current liabilities		418,394	335,026
Total liabilities		431,349	348,034
Total liabilities and equity		726,490	468,631

Edward Effah

DIRECTOR

DIRECTOR

The notes on pages 18 to 63 form an integral part of these financial statements.

UNILEVER GHANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢'000	2017 GH¢'000
Revenue	5	632,152	575,765
Cost of sales	7	(440,991)	(401,712)
Gross profit		191,161	174,053
Distribution expenses	8	(17,732)	(13,156)
Brand and marketing investment	9	(39,999)	(27,537)
Administrative expenses	10	(67,867)	(56,113)
Restructuring costs	29	(9,620)	(10,906)
Impairment on trade receivables	34c(i)	(10,575)	(346)
Other Income	11a	118,844	1,209
Gain on disposal of Spread business	11b	89,046	-
Operating profit		253,258	67,204
Finance income	12	440	160
Finance costs	12	(3,376)	(2,004)
Profit before taxation		250,322	65,360
Income tax expense	14a	(59,497)	(17,211)
Profit for the year		190,825	48,149
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain (loss)	17b	620	(18)
Related tax	14b, c	(155)	4
Other comprehensive income, net of tax		465	(14)
Total comprehensive income		191,290	48,135
Earnings per share for profit attributable to equity holders of the Company			
Basic earnings per share		3.0532	0.7704
Diluted earnings per share		3.0532	0.7704

The notes on pages 18 to 63 form an integral part of these financial statements.

UNILEVER GHANA LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢'000	2017 GH¢'000
Cash flows from operating activities			
Cash generated from operations	27	(9,928)	90,786
Interest paid	12	(3,376)	(2,004)
Interest received	12	440	160
Tax paid	14b	(32,356)	(15,411)
Net cash (used in)/generated from operating activities		(45,220)	73,531
Cash flows from investing activities			
Purchase of property, plant and equipment	15a	(60,914)	(21,005)
Net cash used in investing activities		(60,914)	(21,005)
Cash flows used in financing activities			
Dividend paid	20	(15,625)	(3,125)
Net cash used in financing activities		(15,625)	(3,125)
(Decrease)/increase in cash and cash equivalents		(121,759)	49,401
Cash and cash equivalents at 1 January		53,189	3,476
Effect of movement in exchange rate on cash and bank		3,007	312
Cash and cash equivalents at 31 December	28	(65,563)	53,189

The notes on pages 18 to 63 form an integral part of these financial statements.

UNILEVER GHANA LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital GH¢'000	Capital surplus GH¢'000	Retained earnings GH¢'000	Share deals GH¢'000	Total equity GH¢'000
Balance at 1 January 2018	1,200	204	119,112	81	120,597
Adjustment-initial application -IFRS-9 (net of tax)	-	-	(1,121)	-	(1,121)
Restated balance at 1 January 2018	1,200	204	117,991	81	119,476
Total comprehensive income					
Profit for the year	-	-	190,825	-	190,825
Other comprehensive income (Note 14b, 17b)	-	-	465	-	465
Total comprehensive income	-	-	191,290	-	191,290
Transactions with owners of the Company					
Distribution					
Dividend declared	-	-	(15,625)	-	(15,625)
Total distribution	-	-	(15,625)	-	(15,625)
Balance at 31 December 2018	1,200	204	293,656	81	295,141
Balance at 1 January 2017	1,200	204	74,102	81	75,587
Total comprehensive income					
Profit for the year	-	-	48,149	-	48,149
Other comprehensive income (Note 14b, 17b)	-	-	(14)	-	(14)
Total comprehensive income	-	-	48,135	-	48,135
Transactions with owners of the Company					
Distribution					
Dividend declared	-	-	(3,125)	-	(3,125)
Total distribution	-	-	(3,125)	-	(3,125)
Balance at 31 December 2017	1,200	204	119,112	81	120,597

The notes on pages 18 to 63 form an integral part of these financial statements.

UNILEVER GHANA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

Unilever Ghana Limited is registered and domiciled in Ghana. The Company manufactures and sells consumer products. The Company is listed on the Ghana Stock Exchange. For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of comprehensive income, in these financial statements. The financial statements at and for the year ended 31 December 2018 comprise the separate financial statements of the Company.

2. BASIS OF ACCOUNTING

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179). The financial statements were authorised on 28 March, 2019.

This is the first set of the Company's annual financial statement in which IFRS 15 Revenue from Contracts with customers and IFRS 9 Financial Instruments have been applied. The Company adopted the requirements of IFRS 15 Revenue from Contracts and IFRS 9 Financial Instruments for its financial period beginning 1 January 2018. Changes to the significant accounting policies are described in note 3.

b. Basis of measurement

The financial statements are prepared on the historical cost convention except for defined benefit obligations measured at present value of the future benefit to employees.

c. Functional and presentation currency

The financial statements are presented in Ghana cedis (GH¢) which is the Company's functional currency. All financial information are expressed in thousands of Ghana cedis, unless otherwise indicated.

d. Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

e. Assumption and estimated uncertainties

(i) Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018, is included in the following notes:

e. **Assumption and estimated uncertainties (cont'd)**

- Note 17: measurement of defined benefit obligation: Key actuarial assumptions; and
- Note 34(c)(i) : measurement of ECL allowance for trade receivables: Key assumptions in determining the weighted –average loss rate

(ii) Measurements of fair values

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

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

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

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

The Company recognised transfer between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in determining fair values is included in note 34, financial instrument - fair values and risk management.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied IFRS 15 and IFRS 9 (see note 2 (a)) from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

The effect of initially applying these standards is mainly attributed to an increase in impairment losses recognised on financial assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or service. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

IFRS 15 Revenue from Contracts with Customers (cont'd)

IFRS 15 did not have a significant impact on the Company's accounting policies with respect to its revenue streams. The Company has one performance obligation, which is the delivery of goods. The Company has elected to treat delivery as an integrated activity and not as a separate performance obligation. There are no changes to performance obligations under the new standard.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of comprehensive income.

Previously, the Company's approach was to include the impairment of trade receivables in selling, general and administrative expenses, consequently, the Company reclassed impairment loses amounting to GHS 346,000 recognised under IAS 39 from selling, general and administrative expenses to impairment loss on trade receivables in the statement of comprehensive income for the year ended 31 December 2017.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments:

Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The information below summaries the impact, net of tax, of transactions to IFRS 9 on the opening balance of reserves and retained earnings

	GH¢'000
Recognition of expected credit loss under IFRS 9	1,495
Related tax	(374)
Impact at 1 January 2018	1,121

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has had a significant effect on the Company's accounting policies related to financial liabilities.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018 and its related carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(i) Classification and measurement of financial assets and financial liabilities (cont'd)

In GH¢'000	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Trade and other receivables (Note 24)	Loans and receivables	Amortised cost	93,937	93,937
Related party receivable (Note 32c)	Loans and receivables	Amortised cost	125,259	125,259
Cash and cash equivalents (Note 28)	Loans and receivables	Amortised cost	53,189	53,189
Total financial assets			**272,385**	**272,385**
Financial liabilities				
Trade and other payables (Note 26)	Other financial liabilities	Other financial liabilities	74,009	74,009
Related party payable (Note 32d)	Other financial liabilities	Other financial liabilities	154,407	154,407
Dividend payable (Note 20)	Other financial liabilities	Other financial liabilities	3,044	3,044
Total financial liabilities			**231,460**	**231,460**

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Financial asset	**IAS 39 Carrying amount GH¢'000**	**Remeasurement/ reclassification GH¢'000**	**IFRS 9 carrying amount GH¢'000**
Amortised cost			
Trade and other receivables:			
Brought forward: Loans and receivable:	93,938	-	93,938
Re-measurement	(346)	(1,495)	(1,841)
Carried forward: amortised cost	93,592	(1,495)	92,097

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

(ii) Impairment of financial assets (cont'd)

The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 will result in an additional allowance for impairment at said date and have hence passed an equity adjustment to reflect same as follows:

	GH¢'000
Loss Allowance as at 31 December 2017 under IAS 39	346
Additional Impairment recognised at 1 January 2018	1,495
Loss Allowance as at 1 January 2018	1,841

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

- The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application.

4. 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 periods presented except if mentioned otherwise (see note 3).

a. Investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment allowance.

b. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss, as incurred. Spare parts, stand-by and servicing equipment held by the Company generally are classified as inventories. However, if major spare parts and stand-by equipment are expected to be used for more than one period or can be used only in connection with an item of property, plant and equipment, then they are classified as property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each class of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Leasehold land & buildings	-	40 years
Plant and machinery	-	14 years
Computer equipment	-	5 years
Furniture and fittings	-	4 years
Office equipment and others	-	5 years
Moulds & dies	-	4 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on derecognition of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment and are recognised in profit or loss.

(iv) Capital work in-progress

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

c. Intangible assets

Software

Software acquired is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

d. Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes on a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

(ii) Lease assets - Leasee

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and present value of the minimum lease payments.

(ii) Lease assets – Leasee (cont'd)

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

e. Inventories

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services.

f. Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair values plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

(a) Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(a) Financial assets – Policy applicable from 1 January 2018 (cont'd)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(b) Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(c) Financial assets-Assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs {e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(c) Financial assets-Assessment whether contractual cash flows are solely payments of principal and interest: policy applicable from 1 January 2018 (cont'd)

- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(d) Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(e) *Financial assets - Policy applicable before 1 January 2018*

The Company classified its financial assets into the loans and receivables category - loans and receivables;
Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Loans and receivables were measured at amortised cost using the effective interest method.

(f) Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

(a) Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(b) Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(c) Impairment

(i) Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12 month ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full due to bankruptcy

- there are adverse changes in the payment status of debtors

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise and indications that a debtor will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between it carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Non-derivative financial assets (cont'd)

The Company considers evidence of impairment for these assets at both individual and collective level. All individually significant financial assets are tested for impairment on an individual basis. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of the asset is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.
An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount.

All impairment losses are recognised in profit or loss. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Offsetting

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

Other financial liabilities comprise trade and other payables, related party payables, bank overdraft and dividend payables.

(iv) Share capital

<u>Ordinary Shares</u>

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

g. Income tax

Income tax expenses comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividend.

Current tax assets and liabilities

Current tax assets and liabilities are offset only if the Company:

a. has a legally enforceable right to set off the recognised amounts; and
b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that future taxable profits will be available against which they can be used.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences, differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset only if:

a. the Company has a legally enforceable right to set off current tax asset against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either;

   - the same taxable entity; or

   - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

h. Provision

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

h. Provision (cont'd)

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the profit or loss.

i. Employee benefits

The Company operates various pension schemes. Some of the schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Company has both defined benefit and defined contribution plans.

(i) Short term benefits

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

(ii) Defined Contribution plan

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

a. Social Security Contribution

Under a national pension scheme, the Company contributes 13% of employee's basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. The Company's obligation is limited to the relevant contributions, which have been recognised in the financial statements. The pension liabilities and obligations, however, rest with SSNIT.

b. Tier 3 Pension fund and saving scheme

The Company have a Tier 3 Pension fund and Saving Scheme for staff and management under which the Company contribute 5% and 2.5% respectively to the scheme.

(iii) Defined benefit plan

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of the economic benefit available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of future economic benefit, consideration is given to any applicable minimum funding requirements.

(iii) Defined benefit plan (cont'd)

Re-measurement of the net defined benefit liability which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Company determines the net interest expense (Income on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contribution and benefit payment. Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to the past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Termination

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognised cost for restructuring. In the case of an offer made to encourage voluntary redundancy, the termination benefits 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.

(v) Other long term benefit

Long Service Award accrue to employees based on graduated periods of uninterrupted and dedicated service to the Company. Staff who serve for ten years and above are awarded with cash donations, bundles of aluminium roofing sheets and testimonial. The plan is not funded and the awards accrue over the service life of employees.

(j) Revenue from contracts with customers

(i) Sale of goods

The Company generates revenue primarily from the sale of its products from foods, home care and personal care. Refer to note (35) segmental information.

Revenue recognition under IFRS 15 (applicable from 1 January 2018)

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

Customers obtain control of goods when they are delivered to the customer. Goods are considered delivered once the customer acknowledges receipt of the promised goods. Invoices are generated at that point in time. Most sales are on cash basis and credit sales are usually payable within 30 days. The Company may allow some customers to return items at their own discretion. Returned goods are exchanged for new goods or cash.

Revenue recognition under IAS 18 (applicable before 1 January 2018)

Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(ii) Sale of goods to key distributors and modern trade

The Company manufactures and sells a range of fast moving consumer goods to its key distributors and modern trades. Sale of the goods are recognised when the Company has delivered products to the key distributor and modern trades.

Delivery does not occur until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the distributor and either the distributor has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied.

(k) Finance income and finance costs

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

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

(l) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses are presented in the profit or loss within other income or other expenses.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to functional currency at exchange rate prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

(m) Dividend

Dividend is recognised as a liability in the period in which they are declared by the Board.

(n) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The operating segments report are based on product category which is classified as home care products, personal care products and foods products, because they require different technology and marketing strategies.

(p) Earnings per share

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

(p) Earnings per share (cont'd)

This excludes ordinary shares purchased by the Company and held as treasury shares.

	2018 GH¢'000	2017 GH¢'000
Profit attributable to equity holders	190,825	48,149
Weighted average number of ordinary shares in issue (Note 21)	62,500	62,500
Basic earnings per share	3.0532	0.7704
Diluted earnings per share	3.0532	0.7704

At the reporting date, the basic earnings per share and the diluted earnings per share were the same because there were no outstanding shares on conversion which could increase the weighted average number of ordinary shares in issue.

4. NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted them in preparing the financial statements. The Company does not plan to adopt these standards early.

Of those standards that are not yet effective, IFRS 16 is expected to have a significant impact on the Company's financial statements in the period of initial application.

Standard	Name	Issue Date	Effective Date
IFRS 16	Leases	13 January 2016	1 January 2019
IFRIC 23	Uncertainty over Income Tax treatment	7 June 2017	1 January 2019

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is the customer ('lessee') and the supplier ('lessor').

IFRS 16 replaces the previous leases standard, IAS 17 Leases and related interpretations. IFRS 16 has one model for lessees, which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

IFRIC 23 Uncertainty over Income Tax treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

IFRIC 23 Uncertainty over Income Tax treatments (cont'd)

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

5. REVENUE

Revenue is recognised on dispatch of products and acceptance by the customer. Revenue comprises the value of goods and services invoiced less VAT, discounts and rebates.

	2018 GH¢'000	2017 GH¢'000
Gross sales value	832,443	754,764
Value added tax/NHIL	(121,969)	(105,573)
Discounts and rebates	(78,322)	(73,426)
Revenue	632,152	575,765
By customer:		
Third parties	617,037	542,925
Related parties (Notes 32b)	15,115	32,840
	632,152	575,765

6. PROFIT BEFORE TAX

is stated after charging:

	2018	2017
Staff cost (Note 13a, b)	42,158	34,891
Depreciation	9,526	8,333
Auditors' remuneration	387	397
Directors' remuneration	3,842	3,933

7. COST OF SALES

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

	2018 GH¢'000	2017 GH¢'000
Raw materials & conversion costs	385,041	349,574
Supply Support	5,528	3,428
Foreign exchange losses	4,238	6,281
Trade mark & knowhow fees	19,084	15,646

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. COST OF SALES

	2018 GH¢'000	2017 GH¢'000
Depreciation (Note 15a&b)	8,286	7,440
Amortisation of intangible assets (Note 16)	6	1,012
Material sourcing expenses	515	1,610
Staff costs (Note 13a)	17,886	16,623
Operating lease expense	407	98
	440,991	401,712

Included in raw materials & conversion costs are damaged and obsolete inventories amounting to GH¢2,075,937 (2017: GH¢1,561,469).

8. DISTRIBUTION EXPENSES

	2018 GH¢'000	2017 GH¢'000
Inbound distribution expenses	410	1,077
Warehouse, storage & handling expenses	4,532	3,382
Outbound distribution expenses	12,790	8,697
	17,732	13,156

9. BRAND & MARKETING INVESTMENT EXPENSES

Advertising expenses	11,199	13,386
Promotion expenses	27,729	12,932
Merchandising expenses	1,071	1,219
	39,999	27,537

10. ADMINISTRATIVE EXPENSES

Business group fees	11,450	7,885
Market research cost	4,144	4,276
Information technology costs	6,063	5,215
Third party service	5,232	3,346
Capability building	1,355	706
Directors' remuneration	3,842	3,933
Professional and legal costs	659	-
Bank charges	657	622

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. ADMINISTRATIVE EXPENSES (CONT'D)

	2018 GH¢'000	2017 GH¢'000
Utilities	1,273	1,109
Repairs and maintenance	988	778
Insurance	396	28
Relocation expenses	39	15
Other primary expenses	3,383	7,129
Depreciation (Note 15a &b)	1,240	893
Amortisation of intangible asset (Note 16)	7	361
Staff costs (Note 13b)	24,272	18,268
Auditor's remuneration	387	397
Donation	31	69
Operating lease expense	2,449	1,429
	67,867	56,459

11a. OTHER INCOME

	2018 GH¢'000	2017 GH¢'000
Management fees	4,464	1,012
Sale of scrap	311	137
Provision for professional and legal fees	-	60
Exchange gain	3,022	-
Provision no longer required*	111,047	-
	118,844	1,209

* This represents the reversal of provision for management and technical service fees for the period covering 2009 to October 2017 for which GIPC approval was not granted.

11b. Gain on disposal of spread business

	2018 GH¢'000	2017 GH¢'000
	89,046	-

This represents the gain on the disposal of the Company's Spreads (Blue Band margarine) and all assets attached.

12. FINANCE INCOME AND COST

	2018 GH¢'000	2017 GH¢'000
Interest on deposits and call	440	160
Interest on bank overdrafts	(3,376)	(2,004)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. STAFF COSTS

Staff costs are charged to cost of sales and administrative expenses as below. The average number of employees at the end of the year was 348 (2017: 373).

a. Cost of sales

	2018 GH¢'000	2017 GH¢'000
Wages & salaries to employees	16,254	15,112
Defined contribution scheme	599	529
Social security	1,033	982
	17,886	16,623

b. Administrative expenses

	2018 GH¢'000	2017 GH¢'000
Wages & salaries to employees	20,890	15,120
Defined contribution scheme	754	572
Defined benefit scheme (Note 17b)	1,513	1,472
Actuarial gain on long service award (Note 17b)	(557)	(281)
Social security	1,306	995
Interest on staff loans	366	390
	24,272	18,268

14(a) Income tax expense

	2018 GH¢'000	2017 GH¢'000
Current tax	59,080	14,923
Deferred tax	417	2,288
	59,497	17,211

(b) Current tax (asset)/liability

	Balance at 1/1 GH¢'000	Charge to profit or loss GH¢'000	Payment/WHT credit during the year GH¢'000	Balance at 31/12 GH¢'000
Prior to 2013	(3,336)	-	-	(3,336)
2013-2015	1,800	-	-	1,800
2016	-	-	-	-
2017	1,424	-	(1,414)	10
2018	-	59,080	(30,942)	28,138
Current tax	(112)	59,080	(32,356)	26,612

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(b) Current tax (asset)/liability (cont'd)

The above tax position is subject to agreement with the tax authorities.

(c) Deferred tax

	Net balance at 1/1	Recognised in profit GH¢'000	Recognised in OCI GH¢'000	Tax on transition adjustment GH¢'000	NET GH¢'000	Deferred tax asset GH¢'000	Deferred tax liability GH¢'000
2018							
Property, plant and equipment	8,529	8,345	-	-	16,874	-	16,874
Provisions	(1,088)	(5,523)	-	(374)	(6,985)	(6,985)	-
Derecognition of previously recognised deductible temporary differences	662	(662)	-	-	-	-	-
Revaluation of assets	60	(60	-	-	-	-	-
Employee benefits	(458)	458	-	-	-	-	-
Employee benefits	939	(2,141)	155	-	(1,047)	(1,047)	-
Deferred tax liability	8,644	417	155	(374)	8,842	(8,032)	16,878
2017							
Property, plant and equipment	6,973	1,556	-	-	8,529	-	8,529
Provisions	(1,088)	-	-	-	(1,088)	(1,088)	-
Derecognition of previously recognised deductible temporary differences	-	662	-	-	662	662	-
Revaluation of assets	60	-	-	-	60	-	60
Employee benefits	(458)	-	-	-	(458)	(458)	-
Employee benefits	873	70	(4)	-	939	-	939
Deferred tax liability	6,360	2,288	(4)	-	8,644	(884)	9,528

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

d. Tax reconciliation

The tax charged on the profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate. This is explained as follows:

	2018 GH¢'000	2017 GH¢'000
Profit before taxation	250,322	65,360
Tax calculated at the statutory income tax rate of 25%	62,581	16,340
Tax effect of:		
Disallowable expenses	21,860	4,780
Exempt income	(24,658)	(3,978)
Tax incentive	(703)	(593)
Derecognition of previously recognised deductible temporary differences	417	662
Income tax expense	59,497	17,211
Effective tax rate	24%	26%