

STARWIN PRODUCTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2018

STARWIN PRODUCTS LIMITED
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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STARWIN PRODUCTS LIMITED
CORPORATE INFORMATION

BOARD OF DIRECTORS

Nik Amarteifio- *Chairman*
Kwasi Yirenkyi
Amarteokor Amarteifio
Alex Bonney
Samuel Attah Mensah
Dr. Barima Afrane
Yaw Opare Asamoah (*Resigned 30/06/2018*)
Daniel Apegyei Kissi (*Appointed 12/07/2018*)

SECRETARY

Kwesi Austin
Ayawaso Chambers, 11th Lane
P. O. Box 4916
Osu-Re, Accra

REGISTERED OFFICE

Plot 16 South Industrial Area
Ring Road West
P. O. Box 5760
Accra-North

REGISTRARS

NTHC
Martco House
Dede Awula Street
Accra

AUDITOR

KPMG
Chartered Accountants
13 Yiyiwa Drive, Abelenkpe
P. O. Box GP 242
Accra

BANKERS

GCB Bank Limited
Stanbic Bank Ghana Limited
Standard Chartered Bank Ghana Limited
Zenith Bank Ghana Limited
Ecobank Ghana Limited

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED**

The directors present their report and audited financial statements of the company 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 Starwin Products 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) and other applicable law or regulation. 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. Refer to the going concern consideration note on page 7.

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.

Year end: 31 December	2018	2017	2016	2015	2014
	GH¢	GH¢	GH¢	GH¢	GH¢
Operating results:					
Revenue	9,909,536	8,892,697	9,172,862	5,762,183	6,946,716
EBIT	1,741,869	2,224,542	5,552,896	89,814	617,599
Net Earnings (Loss)	761,536	665,033	3,821,164	(115,864)	174,123
EPS	0.0029	0.0026	0.0147	0.00004	0.0022
Financial position results:					
Non-Current Assets	2,947,632	1,527,557	1,215,269	1,429,236	1,532,216
Current Assets	19,369,279	16,881,840	17,161,621	9,183,301	9,139,794
Total Assets	22,316,911	18,409,397	18,376,890	10,612,537	10,672,010
Non-Current Liabilities	306,359	110,090	68,079	-	60,139
Current Liabilities	7,866,370	5,990,210	6,664,747	2,529,822	2,397,955
Equity	14,144,182	12,309,097	11,644,064	8,082,715	8,213,916
Total Debt and Equity	22,316,911	18,409,397	18,376,890	10,612,537	10,672,010

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED**

Directors' responsibility statement (Cont'd)

Revenue

Starwin Products Limited experienced an overall growth from 2014 to 2018 by 43%. In 2017, Starwin was engaged in a sales and distribution agreement with Dannex Limited to be the company's sole customer.

Net Profits

The company made a loss in 2015. In 2016 the company made a significant gain which was largely influenced by a profit on disposal as well as interest on treasury bills. In 2017 the company recorded significant decrease in profit. However, there was an increase in profit by GH¢ 96,503 in 2018.

Total Assets

In 2015 total assets reduced by less than 1%. This was followed by subsequent increment of about 73% in 2016 and an insignificant increase of 0.18 % in 2017. In 2018, total assets increased by 21%.

Total Liabilities

Total liabilities increased by 166% in 2016. In 2017 the company's liabilities reduced by 9%, however, total liabilities increased by 34% in 2018.

Asset to Liability Ratio

Total assets to total liabilities increased by 32% between 2014 and 2017. In 2018, the ratio decreased by 29%.

Financial statements/Business review

The results for the year are as set out in the attached financial statements, highlights of which are as follows:

	GH¢
Profit for the year ended 31 December 2018 after taxation is	761,536
which when added to the balance brought forward on the retained earnings account of	5,200,705
Less: adjustment on initial application of IFRS 9	(49,217)

giving a total retained earnings account balance of	5,913,024
Less: actuarial losses on end of service benefit	(186,373)

leaving a total retained earnings of	<u><u>5,726,651</u></u>

The directors consider the state of affairs of the company to be satisfactory.

Nature of business/ Principal activities

The company is registered to carry on the business of the manufacturing, sale, import and export of pharmaceutical products and drugs of any kind.

There was no change in the nature of business of the company during the year under review.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED (CONT'D)**

Objectives of the company

The objectives of the company are:

1. To manufacture, import, export and deal in pharmaceutical products and drugs of any kind including germicides, Antiseptics, insecticides, industrial and household cleaners materials and equipment.
2. To create distinctive solutions for the needs of mankind in the pharmaceutical and consumer Health products.
3. To dedicate all resources to continuous improvement in our processes and products.

Holding company

The company is 71.33% owned by Dannex Limited, a company incorporated in Ghana.

Related party transactions

Details of all related party transactions are disclosed in (note 12) of the financial statements.

Auditor

The Audit Committee has responsibility delegated from the board of directors for making recommendations on the appointment, reappointment, removal and remuneration of the external auditor. KPMG has been the auditor of Starwin Products Limited for over ten (10) years. With the approval of the Board of Directors, KPMG provides tax services to the Company at a fee of GH¢ 14,000.

Board of Directors

Profile

Executive	Qualification	Outside board and management position
Daniel Apeageyi Kissi	Bsc (Hons) Mechanical Engineering, Kwame Nkrumah University of Science & Technology	CEO/Board Member, Dannex Limited CEO of Ayrton Drug Manufacturing Limited
Non-Executive		
Nik Amarteifio	MBA, B.A. Economics	Board Member, GCB Bank Board Member, Webster University (Ghana Campus) Vice Chairman, Ghana Agro Foods Company Chairman, Dannex Limited Chairman, Ayrton Drugs Limited
Kwasi Yirenkyi	BSc. Business Administration	Board Member, OISL
Amarteokor Amarteifio	Masters Social Work, Degree Social Work	Executive Director, Accra Symphony Orchestra
Alex Bonney	PGD. Economics, Univ. of Florida	President, (OTUWA)
Samuel Attah Mensah	MBA, Bsc Computer Science	M.D Omni Media Limited
Dr. Barima Afrane	PhD. Pharmacy, Bsc Chemistry	Lecturer, UGSOP

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED (CONT'D)**

Board of Directors (Cont'd)

Biographical information of directors

Age category	Number of directors
41 – 60 years	3
Above 60 years	4

Role of the Board

The main activity of the Board of Directors is to give clear strategies and recommendation to the management team of the company to follow. Furthermore, one of the roles of the Board of Directors is to oversee the company's risk management control measures. The established control measures are revised on a periodical manner to ensure that the economic and the market environments are considered. The composition of the Board is made up on one Executive and 6 non-executive directors, one of which is the Chairman.

The Company's management team is represented on the Board by the Chief Executive Officer. He ensures that there is a direct communication line opened between the operational drivers of our company and the Board of Directors. Therefore, the Chief Executive Officer always, with his team, finds innovative approaches to implement strategies and recommendations provided by the Board. The Board meets regularly to deliberate on the company strategies and other matters relating to the business.

We strongly believe that the success of the company depends on the effectiveness of the members of the board. Therefore, in accordance with the regulations of the company and the Ghana Stock Exchange, all the directors with the exception of the Managing Director go through a re-election at the Annual General Meeting.

Internal control systems

Starwin Products Limited has internal control systems for identifying, managing and monitoring risks, these controls are intended to provide reasonable assurances that the risks facing the company are being controlled. 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' performance evaluation

Every year the performance and effectiveness of the Board of Directors ("the Board), its committees and individual directors is evaluated. The evaluation is conducted by comparing Annual targets set for the Board and the sub committees to actual results achieved for the year. The results of the evaluation is shared with all members of the Board and discussed prior to the Annual General Meeting. All the Directors with exception of the Managing Director go through a biennial re-election at the Annual General Meeting. 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.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED (CONT'D)**

Professional development and training

New Directors appointed to the Board of Starwin Products Limited are provided with an induction programme to familiarise themselves with the pharmaceutical industry, the risks and strategic challenges it faces, and its economic, competitive, legal and regulatory environment. 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

Starwin Products Limited has put in place proper authorisation procedures for Conflict of Interest issues, whereby actual or potential conflicts are regularly anticipated, reviewed and authorisations sought from the Board of Directors. During the year, no such conflicts arose and no such authorisations were sought.

Board balance and independence

The composition of Starwin's board of directors and its Committees is reviewed during every Annual General Meeting to ensure that Board members have the required mix of skills, independence, knowledge and experience to carry out the business of the Board. 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

Starwin Products limited did not embark on corporate responsibilities during the year. The company has a documented code of business ethics and policies to guide all employees in the discharge of their duties. This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

Going concern consideration

On 29 December 2018 during an Extraordinary General Meeting, the directors and shareholders agreed to merge Starwin Products Limited (Starwin) assets and liabilities with Dannex Limited (Dannex) and Ayrton Drugs Manufacturing Limited (Ayrton) in line with section 231 to 235 of the Companies Act, 1963 (Act 179) "Arrangement or amalgamation with Court approval".

The Directors and Shareholders have reviewed and approved the Scheme of Amalgamation document and subsequently obtained approval from the Securities and Exchange Commission (SEC). The shareholders have further agreed to take on new Dannex shares in exchange of their holdings in Starwin after the merger. The approved Scheme of Amalgamation document have been submitted to the court for review and approval.

Starwin Products Limited will deregister as an entity after the merger. The merger of the three Companies is expected to be completed before the end of 2019.

Accordingly, the financial statements are prepared in accordance with accounting policies applicable to a going concern.

**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED (CONT'D)**

Approval of the financial statements

The financial statements of Starwin Products Limited, as identified in the first paragraph, were approved by the board of directors on 20 May 2019 and signed on their behalf by:



.....
Director

DANIEL AGYEI KISSI
.....

Name



.....
Director

KWASI YIREKVI
.....

Name



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Starwin Products Limited ("the Company"), which comprise 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, as set out on pages 12 to 54.

In our opinion, these financial statements give a true and fair view of the financial position of Starwin Products Limited 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 financial statements 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.

Inventory [GH¢ 2,723,889]	
Refer to Note 10 to the financial statements	
The key audit matter	How the matter was addressed in our audit
<p>The Company is into the manufacture of various pharmaceutical products and held a significant amount of its products as inventory at 31 December 2018. The inventory is made up of raw materials and packaging, work in progress and finished goods. Inventories are measured at the lower of cost or net realizable value. Cost is determined based on the weighted average cost formula and net realisable value is estimated based on estimated selling prices less selling cost. Management also identifies slow moving and obsolete (expired/ damaged) inventory and writes-down the cost of these items to the net realisable value.</p> <p>The costing and valuation of inventory is considered a key audit matter due to the judgement and estimation required in determining the components of costs used in the inventory valuation and net realisable value of inventory held and also the identification of slow moving and obsolete inventory. Management may not accurately identify all obsolete and slow moving items and make an estimate for these items. Given the high degree of estimation associated with inventory, we consider inventory to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Testing of design and implementation of operating effectiveness of internal control over inventory management process. These includes, testing the inventory cycle counts and management review of unit cost calculations. • Attending the inventory counts for all locations to observe the inventory count as at year end. • Assessing the physical condition of the inventory during our physical count observation to identify obsolete and slow moving inventory. • Performing quantity reconciliation between physical inventory counted and inventory quantities per the valuation report. • Performing a price test of some selected inventory items by re-computing the weighted average cost for the items selected. • Challenging assumptions made by management in determining the net realisable values.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED (CONT'D)**

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 1963 (Act 179) but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
STARWIN PRODUCTS LIMITED (CONT'D)**

Auditor's Responsibilities for the Audit of the Financial Statements (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 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.

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 profit or loss and other comprehensive income are in agreement with the books of account.


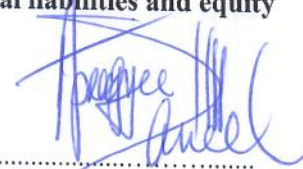
The engagement partner on the audit resulting in this independent auditor's report is Frederick Nyan Dennis (ICAG/P/1426).

KPMG

.....
For and on behalf of:
KPMG: (ICAG/F/2019/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELINKPE
P O BOX GP 242
ACCRA

20 May
....., 2019

STARWIN PRODUCTS LIMITED
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

Asset	Note	2018 GH¢	2017 GH¢
Non-current assets			
Property, plant and equipment	6	1,019,863	1,345,307
Equity Investment at FVOCI	9a	1,927,769	182,250
		-----	-----
Total non-current assets		2,947,632	1,527,557
		-----	-----
Current assets			
Inventories	10	2,723,889	1,794,459
Trade and other receivables	11	36,988	188,043
Due from related party	12a	16,597,436	14,886,474
Cash and bank balance	13	10,966	12,864
		-----	-----
Total current assets		19,369,279	16,881,840
		-----	-----
Total assets		22,316,911	18,409,397
		=====	=====
Equity			
Share capital	17a	7,549,127	7,549,127
Issue reserve		(555,763)	(555,763)
Capital surplus		115,028	115,028
Retained earnings		5,726,651	5,200,705
Fair value reserve		1,309,139	-
		-----	-----
Total equity		14,144,182	12,309,097
		-----	-----
Non-current liabilities			
Deferred tax liabilities	8	306,359	110,090
		-----	-----
Total non-current liabilities		306,359	110,090
		-----	-----
Current liabilities			
Bank overdraft	14	715,836	1,691,822
Trade and other payables	19a	1,195,632	1,392,150
Short-term loan	15	-	955,899
Income tax liabilities	7	566,667	436,522
Due to related party	12b	4,783,192	1,512,159
Employee benefit liability	19b	605,043	1,658
		-----	-----
Total current liabilities		7,866,370	5,990,210
		-----	-----
Total liabilities		8,172,729	6,100,300
		-----	-----
Total liabilities and equity		22,316,911	18,409,397
		=====	=====
			
		
			DIRECTOR
			
		
			DIRECTOR

The notes on pages 17 to 54 form an integral part of these financial statements.

STARWIN PRODUCTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢	2017 GH¢
Revenue	16	9,909,536	8,892,697
Cost of sales		(5,329,661)	(4,017,783)
Gross profit		----- 4,579,875	----- 4,874,914
Other income	20	1,473,222	1,370,100
General, administrative and selling expenses		(4,214,882)	(3,976,510)
Impairment loss on financial assets	24ii	(96,346)	(43,962)
Results from operating activities		----- 1,741,869	----- 2,224,542
Finance costs	23	(767,371)	(1,206,032)
Profit before income taxation	21	974,498	1,018,510
Income tax expense	7	(212,962)	(353,477)
Profit for the year		----- 761,536	----- 665,033
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	19 i	(248,497)	-
Equity investments at FVOCI-net change in fair value		92,344	-
Related tax	7i	39,038	-
Total comprehensive income for the year		----- 644,421	----- 665,033
Basic earnings per share	18	0.0029	0.0026
Diluted earnings per share	18	0.0029	0.0026

The notes on pages 17 to 54 form an integral part of these financial statements.

STARWIN PRODUCTS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Stated Capital GH¢	Issue Reserve GH¢	Capital Surplus GH¢	Retained Earnings GH¢	Fair Value Reserves GH¢	Total Equity GH¢
Balance at 31 December 2017	7,549,127	(555,763)	115,028	5,200,705	-	12,309,097
Adjustment on initial application of IFRS 9, net of tax	-	-	-	(49,217)	1,239,881	1,190,664
Adjusted balance at 1 January 2018	7,549,127	(555,763)	115,028	5,151,488	1,239,881	13,499,761
Comprehensive income for the year						
Profit for the year	-	-	-	761,536	-	761,536
Other Comprehensive Income	-	-	-	(186,373)	69,258	(117,115)
Total comprehensive income for the year	7,549,127	(555,763)	115,028	5,726,651	1,309,139	14,144,182
Balance at 31 December 2018	7,549,127	(555,763)	115,028	5,726,651	1,309,139	14,144,182
	7,549,127	(555,763)	115,028	4,535,672	-	11,644,064
Balance at 1 January 2017	7,549,127	(555,763)	115,028	4,535,672	-	11,644,064
Comprehensive income for the year						
Profit for the year	-	-	-	665,033	-	665,033
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	665,033	-	665,033
Balance at 31 December 2017	7,549,127	(555,763)	115,028	5,200,705	-	12,309,097

The notes on pages 17 to 54 form an integral part of these financial statements.

STARWIN PRODUCTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢	2017 GH¢
Cash flows from operating activities			
Profit after taxation		761,536	665,033
Adjustments for:			
Depreciation	6a	362,246	332,100
Profit on disposal of assets	6b	(101,720)	(1,968)
Defined benefit expense		356,546	-
Interest expense	23	767,371	1,206,032
Interest income		(1,361,370)	(1,368,131)
Impairment loss on financial assets	24ii	96,346	43,962
Income tax	7i	212,962	353,477
		-----	-----
		1,093,917	1,230,505
<i>Changes in:</i>			
Inventories	10	(929,430)	1,835,345
Trade and other receivables**	11	164,758	661,436
Trade and other payables	19	(198,176)	(463,263)
Related parties ***	12	2,475,871	546,832
		-----	-----
Cash generated from operations		2,606,940	3,810,855
Interest paid		(480,016)	(1,133,528)
Income taxes paid	7ii	(260,804)	(931,266)
		-----	-----
Net cash flow from operating activities		1,866,120	1,746,061
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(36,802)	(646,290)
Proceeds from sale of PPE	6b	101,720	3,870
Interest income received		-	-
		-----	-----
Net cash flow from/ (used in) investing activities		64,918	(642,420)
		-----	-----
Cash flows from financing activities			
Proceeds from borrowings		-	1,026,778
Repayment of borrowings		(956,950)	(2,836,469)
Dividend Paid		-	(266,558)
		-----	-----
Net cash flow used in financing activities		(956,950)	(2,076,249)
		-----	-----
Net increase/ (decrease) in cash and cash equivalents		974,088	(972,608)
		=====	=====

STARWIN PRODUCTS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	2018 GH¢	2017 GH¢
Balance at 1 January	(1,678,958)	(706,350)
Increase/(decrease) in cash and cash equivalents	974,088	(972,608)
	-----	-----
Balance at 31 December	(704,870)	(1,678,958)
	-----	-----
Analysis of balances of cash and cash equivalents		
Cash and bank balances	10,966	12,864
Bank overdraft	(715,836)	(1,691,822)
	-----	-----
Balance at 31 December	(704,870)	(1,678,958)
	=====	=====

** This amount excludes impairment of trade receivables amounting to GH¢ 13,703

*** This amount excludes impairment of receivables amounting to GH¢ 131,860

The notes on pages 17 to 54 form an integral part of these financial statements.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. REPORTING ENTITY

Starwin Products Limited is a company registered and domiciled in Ghana. The address of the Company's registered office can be found on page 2 of the annual report. The company is authorised to carry on the business of manufacturing, sale, import and export of pharmaceutical products and drugs of any kind.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements of Starwin Products Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b. Basis of measurement

Financial statements are prepared on the historical cost basis except for financial instruments that are stated at fair values.

c. Functional and presentational currency

The financial statements are presented in Ghana cedis (GH¢) which is the company's functional currency.

d. Use of estimates and judgement

The preparation of financial statements in conformity with IFRSs 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 the judgements about 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 29.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the company.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied IFRS 15 (see A) and IFRS 9 (see B) 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.

a. 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.

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 this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

b. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing 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 IAS 1 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 other expenses. 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. There was no material impact of the transition to IFRS 9 on the opening balance of retained earnings. The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI.

	Impact of adopting IFRS 9 on opening balance
Retained earnings	
Recognition of expected credit losses under IFRS 9	(i) (49,217)
Related tax	-
Impact at 1 January 2018	(49,217)
Fair value reserve	
Remeasurement of investments in equity at FVOCI	1,653,175
Related tax	(413,294)
Impact at 1 January 2018	1,239,881

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES- (CONT'D)

b. IFRS 9 Financial Instruments (Cont'd)

- i. 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, contracts and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized 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. The company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

In Ghana Cedis

Loss allowance on related party trade receivables as at 31 December 2017 under IAS 39	-
Additional impairment recognized at 1 January 2018 on: Related party trade receivables at 31 December 2017	49,217
Loss allowance at 1 January 2018 under IFRS 9	49,217

The following table and the accompanying notes below explain 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 liabilities as at 1 January 2018.

The effects of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

<i>In Ghana cedis</i>	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets					
Equity Securities	(a)	Available-for-sale	FVOCI- equity instruments	182,250	1,422,131
Trade and other receivables	(b)	Loans and receivables	Amortised cost	188,043	188,043
Cash and cash equivalents		Loans and receivables	Amortised cost	12,864	12,864
Related party receivables	(b)	Loans and receivables	Amortized cost	14,886,474	14,837,257
Total financial assets				15,269,631	16,460,295

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b. IFRS 9 Financial Instruments (Cont'd)

<i>In Ghana Cedis</i>	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Liabilities				
Bank overdrafts	Other financial liabilities	Other financial liabilities	1,691,822	1,691,822
Trade payables	Other financial liabilities	Other financial liabilities	435,405	435,405
Total financial liabilities			<u><u>2,127,227</u></u>	<u><u>2,127,227</u></u>

- a. These equity securities represent investments that the company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the company has designated these investments at the date of initial application, as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- b. Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase of GHS 49,217 in the allowance for impairment over these receivables was recognized in the opening retained earnings at 1 January 2018 on transition to IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES

a. 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 Fair Value Through Profit or Loss (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.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Classification and subsequent measurement

ii. Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (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 at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

iii. 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

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.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

iv. 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.

v. 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.

vi. Financial assets - Policy applicable before 1 January 2018

The company classified its financial assets into the loans and receivables and available for sale category - loans and receivables;

Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Loans and receivables comprise cash and cash equivalents, trade receivables, amounts due from related companies and other receivables. Loans and receivables were initially measured at fair value plus any directly attributable transaction costs, subsequently measured at amortised cost using the effective interest method less any impairment losses.

Available for sale financial assets were measured at cost.

vii. 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. Non-derivative financial liabilities include interest-bearing loans, amounts due to related companies, bank overdrafts and trade and other payables.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

viii. Non-derivative financial assets and financial liabilities – derecognition

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

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

Financial assets and liabilities are offset and the net amount presented when and only when, the company has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or realise the asset and settle the liability simultaneously.

b. Impairment of financial assets

Policy applicable before 1 January 2018

(i) Non-derivative financial assets

Financial assets not classified 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 include:

- default or delinquency by a debtor
- restructuring of an amount due to the company on terms that the company would not otherwise consider
- indications that a debtor or issuer will enter bankruptcy
- adverse changes in the payment status of borrowers or issuers
- the disappearance of an active market for a security or
- observable data indicating a measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised costs

The company considers evidence of impairment for assets at both individual and collective levels. All individually significant assets are individually assessed for impairment. 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 assets with similar risk characteristics.

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

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

b. Impairment of financial assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of 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. When the company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Policy applicable from 1 January 2018

Financial instruments and related party receivables

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.

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.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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).

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; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation

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 procedure for recovery of amounts due.

(ii) Off setting

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

Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(iii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(iv) Stated capital (Share capital)

Ordinary Shares

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

Repurchase of stated capital (treasury shares)

When stated capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on transaction is transferred to/from retained earnings.

(b) Property, plant and Equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant or 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.

(iii) Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(iii) Depreciation (cont'd)

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

Machinery and Equipment	-	5 years
Motor Vehicles	-	3 years
Office Machines	-	5 years
Furniture and Fittings	-	10 years
Leasehold Properties	-	over period of lease

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on disposal of property, plant and equipment are included in the profit or loss.

(d) **Intangible Assets**

Software

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

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

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three years.

(e) **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the 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.

(f) **Trade and Other Receivables**

Trade receivables are stated at amortised costs, less impairment losses. Specific allowances for doubtful debts are made for receivables of which recovery is doubtful.

Other receivables are stated at their cost less impairment losses.

(g) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and bank balances and these are carried at amortised cost in the statement of financial position.

(h) **Employee Benefits**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution schemes are recognised as an expense in the profit or loss when they are due.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(i) **Revenue from contracts with customers**

Revenue is measured based on the consideration specified in the contract with the company's customer. The Company recognizes revenue when it transfers control over a good to the customer.

The following provides information about the timing of the satisfaction of performance obligations in the contract with customers, including significant payment terms, and the related revenue recognition policies.

- *Nature and timing of satisfaction of performance obligations, including significant payment terms*

Revenue is recognised from the sale of pharmaceutical products to Dannex Limited, the sole customer of the entity. Dannex obtains control of the goods as soon as they are produced. Invoices are generated as and when the products are made available for sale. Invoices are usually payable within 180 days.

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

Revenue is recognised when a customer obtains control of the goods. The Company recognizes revenue when the goods are produced and delivered to Dannex Limited.

- *Revenue recognition under IAS 15 (applicable before 1 January 2018)*

Revenue is recognised to the extent that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of pharmaceutical products is recognised when the significant risks and rewards of ownership have transferred from Starwin to Dannex Limited. The transfer of ownership and risk in the goods shall take place upon delivery of the products to Dannex.

(l) **Finance income and finance cost**

The Company's finance income and finance cost includes interest income, interest expense and foreign currency gains and loss on financial assets and liabilities. Interest income or interest expense is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

(k) **Impairment of 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.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(l) Income Tax

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

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

(m) Dividend

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

(n) Post Balance Sheet Events

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

(o) Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(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.

(q) Comparatives

Where necessary the comparative information has been changed to agree to the current year presentation.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

(s) **New standards and interpretation not yet adopted**

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective for the year ended 31 December 2018, and have not been applied in preparing these financial statements. These include the following Standards and Interpretations that may have an impact on future financial statements:

Standard/Interpretation		Effective date Periods beginning on or after
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Conceptual Framework	<i>Amendments to References to Conceptual Framework in IFRS Standards</i>	1 January 2020
IAS 1 and IAS 8	<i>Definition of Material</i>	1 January 2020

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.

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.

The Company is yet to perform an assessment of the impact of this standard on the Company and will provide more information in the year ending 31 December 2018 financial statements.

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

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Amendments to References to Conceptual Framework in IFRS Standards (Cont'd)

Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

The Company is assessing the potential impact on the financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The Company is assessing the potential impact on the financial statements.

4. DETERMINATION 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. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the current market rate of instruments with similar credit risk profile and maturity at the reporting date. Receivables due within 6-month period are not discounted as the carrying values of approximate their fair values.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

5. SEGMENT REPORTING

Starwin Products Limited has only one reportable segment. Required disclosure information is listed below for this segment.

a. Information about reportable segments

	2018	2017
	GH¢	GH¢
Revenue	9,909,536	8,892,697
Profit/(Loss) before taxation	974,498	1,018,510
Interest Income	1,361,370	1,368,132
Interest Expense	(767,371)	(1,206,302)
Depreciation and amortisation	(362,246)	(332,100)
Other material non-cash items:		
Impairment losses on financial assets	(96,346)	(43,962)
Total assets	22,316,911	18,409,397
Total liabilities	8,172,729	6,100,300

b. Geographical information

Starwin Products Limited operates solely in Greater Accra region of Ghana and currently sells its products to Dannex Ltd as the company's sole customer.

c. Major customer

Revenue from Starwin's sole customer Dannex Limited represents the entire amount of GH¢ 9,909,536 of Starwin Products Limited revenue in 2018 and GH¢7,660,280 in 2017.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT

2018	Leasehold properties GH¢	Machinery & Equipment GH¢	Total GH¢
Cost			
At 1/1/2018	1,004,808	2,762,987	3,767,795
Additions	-	36,802	36,802
Disposal	-	(158,991)	(158,991)
At 31/12/18	<u>1,004,808</u>	<u>2,640,798</u>	<u>3,645,606</u>
Accumulated Depreciation			
At 1/1/2018	385,667	2,036,821	2,422,488
Charge for the year	38,123	324,123	362,246
Disposal	-	(158,991)	(158,991)
At 31/12/18	<u>423,790</u>	<u>2,201,953</u>	<u>2,625,743</u>
Net Book Value			
At 31/12/18	<u>581,018</u>	<u>438,845</u>	<u>1,019,863</u>
At 31/12/17	<u>619,141</u>	<u>726,166</u>	<u>1,345,307</u>
2017	Leasehold properties GH¢	Machinery & Equipment GH¢	Total GH¢
Cost			
At 1/1/2017	994,124	2,130,641	3,124,765
Additions	10,684	635,606	646,290
Disposal	-	(3,260)	(3,260)
At 31/12/17	<u>1,004,808</u>	<u>2,762,987</u>	<u>3,767,795</u>
Accumulated Depreciation			
At 1/1/2017	347,678	1,744,068	2,091,746
Charge for the year	37,989	294,111	332,100
Disposal	-	(1,358)	(1,358)
At 31/12/17	<u>385,667</u>	<u>2,036,821</u>	<u>2,422,488</u>
Net Book Value			
At 31/12/17	<u>619,141</u>	<u>726,166</u>	<u>1,345,307</u>
At 31/12/16	<u>646,446</u>	<u>386,573</u>	<u>1,033,019</u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

a. Depreciation has been charged in the financial statements as follows:

	2018	2017
	GH¢	GH¢
Cost of sales	59,426	61,892
General, administrative and selling expenses	302,820	270,208
	-----	-----
	<u>362,246</u>	<u>332,100</u>

b. Profit on disposal of property, plant and equipment

	2018	2017
	GH¢	GH¢
Gross book value	158,991	3,260
Accumulated depreciation	(158,991)	(1,358)
	-----	-----
Proceeds	-	1,902
	(101,720)	(3,870)
	-----	-----
Profit on disposal	<u>(101,720)</u>	<u>(1,968)</u>

7. TAXATION

(i) Income tax expense

(a) Amounts recognised in profit or loss

	2018	2017
	GH¢	GH¢
Current tax expense	390,949	285,242
Deferred tax expense: Continuing operations	(177,987)	42,011
	-----	-----
Tax Adjustment	212,962	327,253
	-	26,224
	-----	-----
Tax expense on continuing operations	<u>212,962</u>	<u>353,477</u>

Deferred tax expense relates to the origination and reversals of temporary differences and deferred capital gains tax on long term investment.

The tax adjustment is in respect of provisional tax charge resulting from Ghana Revenue Authority assessments of the company's tax position up to 2016.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. TAXATION (CONT'D)		2018 GH¢		2017 GH¢
(i) Income tax expense –(Cont'd)	Before tax	Tax (expense)/ benefit	Net of tax	
(b) Amounts recognised in OCI				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	(248,497)	62,124	(186,373)	-
Equity investments at FVOCI	92,344	(23,086)	69,258	-
	-----	-----	-----	---
	(156,153)	39,038	(117,115)	-
	=====	=====	=====	==
(c) Amounts recognised directly in equity				
Equity Investments FVOCI	1,653,175	(413,294)	1,239,881	-
	=====	=====	=====	==
(ii) Taxation payable				
	Balance at 1/1/18 GH¢	Payments during the year GH¢	Charged to P/L account GH¢	Balance at 31/12/18 GH¢
Income Tax				
Up to 2016	254,977	(152,504)	-	102,473
2017	185,242	(33,300)	-	151,942
2018	-	(75,000)	390,949	315,949
National Reconstruction Levy	(1,598)	-	-	(1,598)
Tax Credit	(2,110)	-	-	(2,110)
Capital Gains Tax	11	-	-	11
	-----	-----	-----	-----
	436,522	(260,804)	390,949	566,667
	=====	=====	=====	=====

Tax liabilities up to and including the 2016 year of assessment have been agreed with the tax authorities. The remaining liabilities are however subject to agreement with the tax authorities.

National Reconstruction Levy: This relates to a levy imposed on companies by the Government on profits before tax between 2001 and 2005. This levy has been abolished.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

7. TAXATION (CONT'D)

(iii) **Reconciliation of effective tax rate**

	2018	2018 GH¢	2017	2017 GH¢
Profit/(Loss) before taxation		974,498		1,018,510
Income tax using the domestic tax rate	25%	243,624	25%	254,628
Non-deductible expenses	12.68%	123,530	2%	23,478
Income not taxable	(10.77%)	(104,975)	(4%)	(49,147)
Tax at different tax rate		-		-
Recognition of previously unrecognized deductible temporary difference	(5%)	(49,217)		-
Tax charge		212,962		353,477
Effective tax rate		22%		26%

8. DEFERRED TAXATION

	2018 GH¢	2017 GH¢
Balance at 1 January	110,090	68,079
Recognized in Profit or Loss	(177,987)	42,011
Recognized in Other Comprehensive Income (OCI)	(39,038)	-
Recognized in Equity	413,294	-
Balance at 31 December	306,359	110,090

(i) **Recognised deferred tax assets and liabilities.**

Deferred tax liabilities are attributable to the following:

	Assets GH¢	Liabilities GH¢	2018 Net GH¢	Assets GH¢	Liabilities GH¢	2017 Net GH¢
Property, plant and Equipment	-	98,863	98,863	-	151,737	151,737
FV Investments	-	436,380	436,380			
Employee Benefits	(150,847)	-	(150,847)	(41,647)	-	(41,647)
Loss Allowance	(78,037)	-	(78,037)			
Net tax (assets)/liabilities	(228,884)	535,243	306,359	(41,647)	151,737	110,090

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

9a EQUITY INVESTMENT AT FVOCI

	2018 GH¢	2017 GH¢
Ordinary shares	1,927,769	182,250

This relates to the value of 280,385 ordinary shares in Stanbic Bank Ghana Limited. In 2014, the company changed its measurement of available for sale investments from fair value to cost since the shares are not actively traded and the measurement of fair value is deemed onerous. The fair value changes previously recognized in respect of these investments were accumulated in capital surplus in equity. When these investments are derecognized, the cumulative gains recorded in capital surplus will be transferred to profit or loss. At 1 January 2018, the company designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the company intends to hold for the long term strategic purposes.

10. INVENTORIES

	2018 GH¢	2017 GH¢
Raw and Packing Materials	2,603,434	1,715,826
Work-in-Progress	110,041	41,823
Finished Goods	10,414	21,986
Tools and Spares	-	14,824
	<u>2,723,889</u>	<u>1,794,459</u>

11. TRADE AND OTHER RECEIVABLES

	2018 GH¢	2017 GH¢
Trade receivables due from customers	-	7,149
Other receivables	1,188	154,264
Staff debtors	5,458	8,600
Prepayments	30,342	18,030
	<u>36,988</u>	<u>188,043</u>

12. RELATED PARTY TRANSACTIONS

	2018 GH¢	2017 GH¢
(a) Amount due from related party-Dannex Limited		
Due from Dannex Limited	16,597,436	14,886,474

Included in amount due from related party is a trade receivable amount of GH¢ 4,962,881.

(b) Amount due to related party		
Ayrton Drugs Limited	4,544,892	1,512,159
Dannex Limited	137,500	-
Due to Yaw Opare-Asamoah	100,800	-
	<u>4,783,192</u>	<u>1,512,159</u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12. RELATED PARTY TRANSACTIONS	2018	2017
(c) Transactions with key management personnel	GH¢	GH¢
(i) <i>Key management personnel compensation</i>		
Short term employee benefits	459,081	214,817
	<u> </u>	<u> </u>

(ii) *Key management personnel transactions*

Mr. Kwasi Yirenkyi a non-executive Director on the board holds shares of Starwin Products Ltd.

A former executive director entered into a contract of indemnity with Starwin Products Limited upon which the company used the director's land and building as security to procure various facilities with Ecobank Ghana Limited. The collateral attracts an interest of 14% per annum on the cost of the property. An interest of GH¢ 100,800 was awarded to the executive director.

(d) Other related party transactions

(i) An interest of GH¢ 1,373,193 was earned on the cash loan to Dannex in the year whilst an amount of GH¢1,861,328 was transferred to Starwin Products Limited by Dannex Limited as repayment of the cash loan.

(ii) Starwin Products Limited was surcharged GH¢ 227,164 paid on its behalf by Dannex Limited.

(iii) Starwin Products Limited sold products of GH¢ 9,909,536 to Dannex Limited.

(v) Starwin Products Limited acquired a loan of GH¢ 1,353,534 from Ayrton Drugs Limited. The loan attracts an interest at Treasury bill rate agreed by both parties. An interest of GH¢ 212,912 was incurred on the loan from Ayrton Drugs Limited in the year.

(vii) An amount of GH¢100,000 was given to the former CEO, Yaw Opare Asamoah to cater for certain expenses.

(viii) Inventory bought on behalf of Starwin Products by Ayrton Drugs Limited amounted to GH¢ 2,905,941 during the year

(viii) Alex Bonney, a member of the board, provides HR consultancy services for the company, an amount of GH¢ 64,459 was paid to him during the year as consultancy fees.

13. CASH AND CASH EQUIVALENTS

	2018	2017
	GH¢	GH¢
Bank balances	10,966	12,864
	<u> </u>	<u> </u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

14. BANK OVERDRAFT

	2018	2017
	GH¢	GH¢
Standard Chartered Bank Ghana Limited	-	994,413
Ecobank Ghana Limited	715,836	697,409
	<u>715,836</u>	<u>1,691,822</u>

The company has an overdraft facility not exceeding GH¢700,000 with Ecobank Ghana Limited to meet shortfalls in company's working capital requirements and to meet other operational bill payments. Interest rate is at 25.95% per annum plus a margin of 2.5%.

15. SHORT TERM LOAN

	2018	2017
	GH¢	GH¢
Standard Chartered Bank Ghana Limited	-	955,899
	<u>-----</u>	<u>-----</u>

- a. The company had a short-term loan facility not exceeding GH¢ 4,000,000 with Standard Chartered Bank Ghana Limited. Out of the total amount, GH¢2,000,000 is to provide short term finances to finance local raw materials and the remaining GH¢2,000,000 to finance payments under import Letters of Credit covering stocks and documentary collections. The company's floating assets, land and buildings were pledged as security for the facility. Interest rate is at 30% per annum. The short-term loan facility was paid off in April 2018 and the company's floating assets pledged as security were returned to the company.
- b. An additional loan facility of GH¢400,000 with a tenure of 24 months which was acquired from Standard Chartered Bank to finance the purchase of distribution vehicles was paid off in April 2018.

16. REVENUE

	2018	2017
	GH¢	GH¢
Product Sales	9,909,536	8,892,697
	<u>=====</u>	<u>=====</u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

17. STATED CAPITAL AND RESERVES

(a) Ordinary shares

	No. of Shares 2018 '000	Proceeds 2018 GH¢	No. of Shares 2017 '000	Proceeds 2017 GH¢
Authorised:				
Ordinary Shares of no par value	500,000		500,000	
Issued and fully paid				
For cash	223,110	7,360,512	223,110	7,360,512
For consideration other than cash	610	14,658	610	14,658
Capitalisation issue	36,095	173,957	36,095	173,957
	259,815	7,549,127	259,815	7,549,127

The holders of the ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the company. There is no call or instalment unpaid on any shares.

(b) Issue Reserve

The issue reserve for the company relates to the cost of additional issue of 185,570 shares of GH¢ 5,567,099 by the company in 2014.

(c) Capital Surplus

Capital surplus relates to the non-realised gain in the reported fair value of the long term investment of ordinary shares with Stanbic Bank in 2013. The investment is currently being recognised at fair value.

(d) Fair value reserve

The fair value reserve comprises:

-the cumulative net change in the fair value of equity securities designated at FVOCI (2017: Cost)

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

18. EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the net result attributable to equity holders of the company by the weighted average number of shares in issue excluding treasury shares during the year.

	2018 GH¢	2017 GH¢
Profit attributable to equity holders of the Company	761,536 <u> </u>	665,033 <u> </u>
Weighted average number of ordinary shares in issue	259,814,797 <u> </u>	259,814,797 <u> </u>
Basic earnings per share (expressed in GH¢ per share)	0.0029 <u> </u>	0.0026 <u> </u>

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares, to assume of all dilutive potential ordinary shares. At 31 December 2018 and 2017, the company had no dilutive potential ordinary shares.

19a. TRADE AND OTHER PAYABLES

	2018 GH¢	2017 GH¢
Trade payables	200,819	435,405
Other payables	407,669	207,742
Accrued Charges	587,145	749,003
	<u> </u>	<u> </u>
	1,195,633 <u> </u>	1,392,150 <u> </u>

19b. EMPLOYEE BENEFIT LIABILITY

	2018 GH¢	2017 GH¢
End of Service Benefit (i)	279,265	1,658
Long Service Awards (ii)	325,778	-
	<u> </u>	<u> </u>
	605,043 <u> </u>	1,658 <u> </u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

19b. EMPLOYEE BENEFIT LIABILITY (CONT'D)

(i) End of service benefit	2018	2017
	GH¢	GH¢
Balance at 1 January	1,658	1,658
Included in profit or loss		
Current service cost	28,795	
Interest cost	315	-
	-----	--
	29,110	-
	=====	==
Included in OCI		
Remeasurement loss:		
Actuarial loss	248,497	-
	-----	-----
Balance as 31 December	279,265	1,658
	=====	=====

Current year amount represents outstanding due to staff upon retirement if they served at least a 10 year period with the company. This is based on a new collective bargaining agreement signed in 2018.

The prior year amount represents outstanding due to staff on a scheme which was terminated a few years ago.

(ii) Long Service Awards	2018	2017
	GH¢	GH¢
Balance at 1 January		
Included in profit or loss		
Interest cost	-	-
Current service cost	26,657	-
Benefit paid	(73,433)	-
Actuarial loss	372,554	-
	-----	-----
Balance at 31 December	325,778	-
	=====	==

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

19b. EMPLOYEE BENEFIT LIABILITY (CONT'D)

(iii) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date

	2018
Discount rate	19%
Future salary growth rate	10%
Inflation	10%

(iv) The company has an end of service benefit scheme designated for permanent staff. The benefit is due to employees who have worked for more than ten years for Starwin. Under the scheme, employees who have worked ten years are entitled to one month salary. Employees are entitled to an additional one month salary for every five years above the ten years on a pro-rata basis.

The Long Service Awards scheme is also designated for employees who have worked for at least ten years. Under the scheme, employees who have worked ten years are entitled to two months' salary. Employees are entitled to an additional one month salary for every five years above the ten years.

20. OTHER INCOME

	2018	2017
	GH¢	GH¢
Profit from the sale of property, plant and equipment	101,720	1,968
Insurance proceeds	3,170	-
Interest on third party loans	1,361,370	1,368,132
Sundry Income	6,962	-
	<u>1,473,222</u>	<u>1,370,100</u>

**21. PROFIT BEFORE TAX IS STATED
AFTER CHARGING:**

Personnel cost (note 22)	1,632,943	1,591,530
Auditors remuneration	75,000	75,000
Depreciation (note 6)	362,246	332,100
Directors emoluments	137,563	214,817
	<u>1,632,943</u>	<u>1,591,530</u>

22. PERSONNEL COSTS

Wages and salaries	1,417,363	1,343,367
Social security contributions	143,091	172,405
Provident fund	72,489	75,758
	<u>1,632,943</u>	<u>1,591,530</u>

The average number of persons employed by the company during the year was 69 (2017: 77)

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

23. FINANCE COSTS	2018 GH¢	2017 GH¢
Interest expense	(767,371) =====	(1,206,032) =====

24. FINANCIAL RISK MANAGEMENT

(i) Overview

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

- credit risk
- liquidity risk
- market risks

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

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

The Audit Committee gains assurance in relation to the effectiveness of internal control and risk management from: summary information in relation to the management of identified risks; detailed review of the effectiveness of management of selected key risks and results of management's self-assessment process over internal control, which ensures that the audit committee and management understand the company's key risks and risk management capability; sets standards on governance and compliance; and provides assurance over the quality of the company's internal control and management of key risks.

The company also has in place an internal audit department, which monitors compliance with internal procedures and processes and also assesses the effectiveness of internal controls.

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

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) **Credit risk**

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

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit control committee has established a credit policy under which a new customer is analysed individually for credit worthiness before the company's standard payment terms and conditions are offered. The company generally trades with pre-defined and selected customers. Credit exposure on trade receivable is covered by customers issuing post-dated cheques to cover amount owed, as well the use of dealer's security deposits.

Exposure to credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	GH¢	GH¢
Trade and other receivables*		
Cash and Bank	6,646	33,779
Due from related parties	10,966	12,864
	16,597,436	14,886,474
	<u>16,615,048</u>	<u>14,933,117</u>

*Prepayments have been excluded from the amount shown in trade and other receivables. Amount is made up of only other receivables as trade receivables from customers have been fully impaired.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2018	2017
	GH¢	GH¢
Individuals and companies	=	<u>7,149</u>

Impairment losses

Movements in the allowance for impairment in respect of trade receivables and related party trade receivables

The movement in the allowance for impairment in respect of trade receivables and related party trade receivables was as follows.

	Trade	Related Party Trade	Total
	Receivables	Receivables	GH¢
Balance at 1 January	166,587	-	166,587
Charge for the year	13,703	82,643	96,346
Adjustment on initial application of IFRS 9	-	49,217	49,217
	<u>180,290</u>	<u>131,860</u>	<u>312,150</u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

24. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) **Credit risk (cont'd)**

Trade receivables that are neither past due nor impaired are within their approved credit limits and management does not expect any non-payments from these parties. The trade receivables which were past due but not impaired relate to certain customers from whom there is no history of default. The aging analysis of the trade receivables are as follows:

	2018	2017
	GH¢	GH¢
Neither past due nor impaired	-	-
Past due but not impaired		
- by up to 90 days	-	-
- over 90 days	-	7,149
Past due and impaired	180,290	166,587
	<u>180,290</u>	<u>173,736</u>
Gross Trade Receivables	<u>180,290</u>	<u>173,736</u>

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

	2018	2017
	GH¢	GH¢
Balance at 1 January	166,587	122,625
Impairment loss /(reversed) recognised	13,703	43,962
	<u>180,290</u>	<u>166,587</u>

No impairment loss was recognised for financial assets other than trade receivables.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Expected credit loss assessment for Dannex receivables as at 1 January and 31 December 2018

The company uses an allowance matrix to measure the ECLs of trade receivables from Dannex Limited. Loss rates are calculated using a “roll rate” method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from Dannex Limited as at 31 December 2018.

31 December 2018	Weighted average loss rate	Gross Carrying Amount	Loss Allowance	Credit Impaired
Current(not past due)	0.53%	-	-	No
1-30 days past due	1.06%	1,451,244	(15,383)	No
31-60 days past due	2.54%	860,703	(21,862)	No
61-90 days past due	3.4%	1,224,239	(41,624)	No
91-120 days past due	3.4%	538,650	(18,314)	No
121-150 days past due	3.4%	414,197	(14,083)	No
151-180 days past due	3.4%	605,708	(20,594)	No
More than 180 days past due	100%	-	-	Yes
		-----	-----	
		5,094,741	(131,860)	
		=====	=====	

(iii) **Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2018	Amount GH¢	6mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Non-derivative financial liability				
Trade and other payables	1,195,632	1,195,632	-	-
Short term loan	-	-	-	-
Bank overdraft	715,836	715,836	-	-
	-----	-----	---	---
Balance at 31 December 2018	1,911,648	1,911,648	-	-
	=====	=====	==	==

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

31 December 2017	Amount GH¢	6mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Non-derivative financial liability				
Trade and other payables	1,393,808	1,393,808	-	-
Short term loan	955,899	955,899	-	-
Bank overdraft	1,691,822	1,691,822	-	-
	-----	-----	---	---
Balance at 31 December 2017	4,041,529	4,041,529	-	-
	=====	=====	==	==

31 December 2018	Amount GH¢	6mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Non-derivative financial assets				
Trade and other receivables	36,988	36,988	-	-
Cash and cash equivalents	10,966	10,966	-	-
Equity Investments FVOCI	1,927,769	-	-	1,927,769
	-----	-----	---	-----
Balance at 31 December 2018	1,975,723	47,954	-	1,927,769
	=====	=====	==	=====

31 December 2017	Amount GH¢	6mths or less GH¢	6-12 mths GH¢	1-3 years GH¢
Non-derivative financial assets				
Trade and other receivables	188,043	188,043	-	-
Cash and cash equivalents	12,864	12,864	-	-
Available for sale investments	182,250	-	-	182,250
	-----	-----	---	-----
Balance at 31 December 2017	383,157	200,907	-	182,250
	=====	=====	==	=====

(iv) **Market risks**

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

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Currency risk

The company is exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The currencies in which these transactions primarily are denominated are Great British Pounds and US Dollars.

The company's exposure to foreign currency risk was as follows based on notional amounts.

	31 December 2018		31 December 2017	
	USD	GBP	USD	GBP
Trade Payables	5,875	-	-	-
	=====	=	=	=
Gross exposure	5,875	-	-	-
	=====	=	=	=

The following significant exchange rates applied during the year:

Cedis	Average Rate		Reporting Date	
	2018	2017	2018	2017
USD 1	4.65	4.3506	4.83	4.4134
GBP 1	6.24	5.6585	5.52	5.9629

Sensitivity analysis on currency risks

The following table shows the effect of a strengthening or weakening of GH¢ against all other currencies on the company's income statement. This sensitivity analysis indicates the potential impact on the income statement based upon the foreign currency exposures recorded at December 31. (See "currency risk" above) and it does not represent actual or future gains or losses. The sensitivity analysis is based on the percentage difference between the highest daily exchange rate and the average exchange rate per currency recorded in the course of the respective financial year.

A strengthening/weakening of the Ghana cedi, by the rates shown in the table, against the following currencies at 31 December have increased/decreased equity and income statement by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

As of 31 December	2018			2017		
	% Change	Income statement impact: Strengthening	Income statement impact: Weakening	% Change	Income statement impact: Strengthening	Income statement impact: Weakening
		GH¢	GH¢		GH¢	GH¢
US\$	±9%	(2,554)	2,554	±1.4%	(2,531)	2,531

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

Interest rate risk

Profile

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	Carrying amount	
	2018 GH¢	2017 GH¢
Variable rate instrument		
Financial liabilities	715,836	1,691,822
	<u>715,836</u>	<u>1,691,822</u>

Fair value sensitivity analysis for fixed rate instrument

The company did not have fixed rate instrument at 31 December 2018.

Cash flow sensitivity analysis for variable rate instrument

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

Variable rate instrument	200bp Increase GH¢	200bp Decrease GH¢
<i>Effect in cedis</i>		
31 December 2018		
Variable rate instrument	-	-
31 December 2017		
Variable rate instrument	9,935	(9,935)
	<u>9,935</u>	<u>(9,935)</u>

25. Accounting Classifications and fair values

The table below shows the carrying amounts and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy.

31 December 2018	Carrying Amount		Level 1	Fair value			Total
	Amortized Cost	FVOCI-Equity Instruments		Level 2	Level 3		
(i) Financial assets							
Trade and other receivables	36,988	-	-	36,988	-	36,988	
Cash and cash equivalents	10,966	-	-	10,966	-	10,966	
Equity Investment FVOCI	-	1,927,769	-	1,927,769	-	1,927,769	
Due from related party	16,597,436	-	-	16,597,436	-	16,597,436	
	<u>16,645,390</u>	<u>1,927,769</u>	-	<u>18,573,159</u>	-	<u>18,573,159</u>	

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

25. Accounting Classifications and fair values (Cont'd)

	31 December 2017			
	Carrying Amount		Fair Value	
(i) Financial assets				
Trade and other receivables		188,043		188,043
Cash and cash equivalents		12,864		12,864
Available for sale investments		182,250		182,250
Due from related party		14,886,474		14,886,474
		-----		-----
		<u>15,269,631</u>		<u>15,269,631</u>
(ii) Other financial liabilities				
	2018	2018	2017	2017
	GH¢	GH¢	GH¢	GH¢
Trade and other payables	1,195,633	1,195,633	1,392,150	1,392,150
Employee Benefit liability	605,043	605,043	1,658	1,658
Bank overdraft	715,836	715,836	1,691,822	1,691,822
Short term loan	-	-	955,899	955,899
Due to related party	4,783,192	4,783,192	1,512,159	1,512,159
	-----	-----	-----	-----
	<u>7,299,704</u>	<u>7,299,704</u>	<u>5,553,688</u>	<u>5,553,688</u>

26. CAPITAL COMMITMENTS

There were no commitments for capital expenditure not provided for at the reporting date (2017: Nil).

27. CONTINGENT LIABILITIES

This is a labour suit filed by the plaintiffs contesting their summary dismissal and termination of appointment respectively by the Defendant ("Starwin"). The case of the plaintiffs is that their dismissal and termination of appointment by Starwin was wrongful. They are therefore praying the Court to award damages and cost against Starwin in respect of same. Apart from damages and cost, the second plaintiff is also praying the Court to order Starwin to pay the sum of GH¢14,805.95 being allowances due him for serving as acting Managing Director, the sum of GH¢5,833.97 being one month salary in lieu of notice and the monetary value of 100 litres of fuel (approximately GH¢430.00) which ought to have been supplied to him by Starwin but was not.

Starwin has filed a Statement of Defence and trial is yet to commence.

In the event that the court delivers Judgment in favour of the Plaintiffs, Starwin may be ordered by the Court to pay a maximum of two years' salary to each of the Plaintiffs as damages; implying that the 2nd Plaintiff may be awarded a total of the sums of money aforementioned and a maximum of two years' salary.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

28. EMPLOYEE BENEFITS

Defined Contribution Plans

(i) *Social Security*

Under a National Defined Benefit Pension Scheme, the company contributes 13% of employees' 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 were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

(ii) *Provident Fund*

The company has a provident fund scheme for staff under which the company contributes 6.5% of staff basic salary. The obligation under the plan is limited to the relevant contribution and these are settled on due dates to the fund manager.

(iii) *End of Service Benefit*

The company has an end of service benefit scheme designated for permanent staff. The benefit is due to employees who have worked for more than ten years for Starwin. Under the scheme, employees who have worked ten years are entitled to one month salary. Employees are entitled to an additional one month salary for any additional five years above the ten years.

(iv) *Long Service Awards*

The Long Service Awards scheme is designated for employees who have worked for at least ten years. Under the scheme, employees who have worked ten years are entitled to two months' salary. Employees are entitled to an additional one month salary for every five years above the ten years.

29. GOING CONCERN CONSIDERATION

On 29 December 2018 during an Extraordinary General Meeting, the directors and shareholders agreed to merge Starwin Products Limited (Starwin) assets and liabilities with Dannex Limited (Dannex) and Ayrton Drugs Manufacturing Limited (Ayrton) in line with section 231 to 235 of the Companies Act, 1963 (Act 179) "Arrangement or amalgamation with Court approval".

The Directors and Shareholders have reviewed and approved the Scheme of Amalgamation document and subsequently obtained approval from the Securities and Exchange Commission (SEC). The shareholders have further agreed to take on new Dannex shares in exchange of their holdings in Starwin after the merger.

The approved Scheme of Amalgamation document have been submitted to the court for review and approval.

Starwin Products Limited will deregister as an entity after the merger. The merger of the three Companies is expected to be completed before the end of 2019.

Accordingly, the financial statements are prepared in accordance with accounting policies applicable to a going concern.

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. SHAREHOLDING INFORMATION

(i) Directors' Shareholding

The Directors named below held the following number of shares in the company as at 31 December 2018:

Ordinary Shares

	2018	%
Kwasi Yirenkyi	38,700	0.01
	-----	-----
	<u>38,700</u>	<u>0.01</u>

(ii) Number of Shares in Issue

Earnings and dividend per share are based on 259,814,797 weighted average number of ordinary shares in issue during the year.

(iii) Number of Shareholders

The company had 259,814,797 ordinary shares at 31 December 2018 distributed as follows:

Holding	No. of Holders	Total Holding	% Holding
1 - 1,000	2,418	1,805,094	0.70
1,001 - 5,000	2,219	5,857,056	2.25
5,001 - 10,000	577	4,574,194	1.76
10,001 and over	414	247,578,453	95.29
	-----	-----	-----
	<u>5,628</u>	<u>259,814,797</u>	<u>100.00</u>

STARWIN PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. SHAREHOLDING INFORMATION

(v) **List of twenty largest shareholders as at 31 December 2018**

Name of Shareholder	No. of shares	% of Issued Capital
• Dannex Limited	185,317,279	71.33
• Mirfield Properties	20,266,470	7.80
• Starwin Products Limited	2,531,129	0.97
• E.H. Boohene Foundation	2,475,511	0.95
• International Central Gospel Church	2,080,000	0.80
• Mrs S.S.M Amissah	1,416,219	0.54
• Mr. Godfried Ampofo	1,335,138	0.51
• Mad. Comfort Asiedu	1,335,138	0.51
• Dr. Albert Gyang Boohene	1,254,813	0.48
• Estate of Bernard Forson	1,225,538	0.47
• Starwin Trust Fund	1,084,776	0.42
• Emmanuel Ninson	1,021,400	0.39
• Estate of Patrick Okai	967,323	0.37
• Enviro Solutions Ghana Limited	869,600	0.33
• Mr. George Anakwa	851,025	0.33
• Worldwide Securities Limited	818,000	0.31
• Teachers Fund	787,250	0.30
• Mr. David Kwame Atijohn	782,000	0.30
• Pentecost Pension Fund	640,000	0.25
• Belshaw Limited	590,000	0.23
	-----	-----
	<u>227,648,609</u>	<u>87.60%</u>