

Managing Director's Review

Introduction

2008 was another successful year. We built further on our previous years' achievements and delivered on our promise which we outlined in the 2007 Annual review, mainly; consolidation of our growth, improvement in our portfolio and also improvement in profitability. This achievement was made possible through team work and strong support and cooperation from all our stakeholders, including suppliers, service providers, customers, consumers, employees and you, our shareholders.

Our performance is against the background of significant increases in the input cost of Palm Oil and Crude Oil, especially in the first half of 2008, a sharp slow down in demand in December as a result of the extended general elections and heightened incidence of counterfeiting and imported competition, especially from the Far East.

We continued to leverage on the benefits of our earlier restructuring exercises and the Unilever Global operating framework which enabled us to be quicker in our actions at the market place. We also pursued aggressive cost savings initiatives especially in our Supply Chain, enabling us to protect margins and deliver value to our shareholders.

In keeping to our promise of improving shareholder value, we declared an interim dividend of Gh¢ 0.1005 per share which was made payable on December 1, 2008. Further to this, we have proposed a final dividend of Gh¢ 0.1123 per share, bringing total dividend for the year to Gh¢ 0.2128 per share. This is 72% above the dividend of Gh¢0.1240 per share for 2007.

Operating Review

Highlights

Turnover achieved was Gh¢165.6m representing 19.1% growth. The underlying business also delivered an equally impressive growth, across our core portfolios and brands. Our Spreads, Oral, Tea and Laundry categories performed well.

We delivered operating margin of 17.2%, a 410bps improvement over the 13.1% we achieved in 2007. Operating margin in the underlying business also improved from 9.6% to 10.9% in spite of the intense cost pressures. These were achieved through further improvements in the portfolio mix, improved efficiencies and our focus on managing costs within the supply chain.

Operating profit grew by 56.7%, from Gh¢18.2m in 2007 to Gh¢28.5m in 2008, driven by the strong turnover growth and improved operating margins. Profit after tax also increased by 135.5%, from Gh¢12.4m in 2007 to Gh¢29.3m in 2008. The 2008 achievement included the positive impact of profit from disposal of a remaining property which yielded Gh¢3.0m versus Gh¢1.3m in the previous year. Again this year, we ended with a strong cash position.

Home and Personal Care Division

HPC Division delivered strong growth. Sharp increases in input costs (palm oil and crude oil), especially in the first half of the year required that we take actions to mitigate the erosion of our margins. We achieved this through a mix of price increases, cost savings initiatives and portfolio mix improvement. The key portfolios within HPC grew strongly in the year; Oral grew 16%, in the context of supply constraints in quarter four, Personal Wash grew 44%, with strong growth across all brands. Our Fabrics Cleaning portfolio also recorded good growth across our favourite brands Omo and Sunlight. Overall, we held to our strong market share positions, recording only marginal declines in some portfolios as a result of the price increases.

Foods Division

We delivered healthy growth in this Division, in spite of intense competition and high input costs especially on the palm oil based portfolios. Performance was driven by strong local and exports sales in Spreads and Tea. Our drive to improve the portfolio and value mix in the Foods business is yielding very good results.

Plantations

We recorded significant increase in crude palm oil prices, which began to decline towards the end of the year. Our Plantations performed very strongly, on the basis of the strong prices, improved volumes and initiatives to reduce cost and improve efficiencies.

Swanzy Real Estate

We disposed of the last significant property in the portfolio in the year, bringing to a close any active business in this Division. Profit from disposal in 2008 was Gh¢3.0m, versus Gh¢1.3m in 2007.

Financial Review

Operating Profit

Our efforts to improve margins continued to derive positive results. We improved operating margin from 13.1% to 17.2%. The strong turnover growth and improved margins delivered a 56.7% increase in operating profit from Gh¢18.2m in 2007 to Gh¢28.5m in 2008. Our cost savings initiatives and continued focus on improving mix resulted in reducing operating cost from 87.6% of turnover in 2007 to 82.9% of turnover in 2008.

Restructuring Expenses/Release

In the year, we released Gh¢1.2m representing provisions no longer required.

Net Financing Cost

We delivered strong cash from underlying operations. This, in addition to the cash from the property disposal enabled us minimise borrowing requirements, thus reducing Finance cost from Gh¢ 0.14m in 2007 to Gh¢ 0.06m in 2008.

Profit before Tax

Profit before tax increased from Gh¢13.2m to Gh¢29.8m, representing a growth of 125.7%. This was driven by the strong operating profit but lesser financing cost.

Taxation

The year's tax charge of Gh¢3.6m reflects an effective tax rate of 12.1%, an improvement over 2007 effective tax rate of 14.4%. The effective tax rate for 2008 is derived on strong exports in the underlying business and higher profit from the Plantations which attracts zero rate of tax.

Profit after Tax

We delivered a strong profit after tax of Gh¢29.3m, representing a 135.5% increase over 2007. This has been achieved from the mix of strong turnover growth, improved margins, strong effective tax rate and to a lesser extent restructuring release and disposal of a remaining property. Underlying Profit after tax (excluding restructuring release and profit from property disposals) was equally strong at Gh¢25.2m, representing 60.0% increase.

Cash Flow

Cash generated from operations was Gh¢23.5m at end of the period, against Gh¢16.6m for 2007, representing an increase of 40.7%. This has been delivered from the strong profit after tax but reduced by the net outflow from working capital, driven mainly by stocks increase as we managed our covers and prepared for Quarter 1 2009.

We closed the year with cash and cash equivalents of Gh¢20.0m, a 48.1% improvement over 2007.

Contribution to Society

Our commitment to contribute to the positive development of society continued in earnest in 2008. Our Corporate Social Responsibility (CSR) activities focused on the areas of Education, Health and Hygiene, Nutrition, HIV/AIDS, Women's Empowerment, Entrepreneurship and Sustainable Development.

We collaborated with the Ghana Business Coalition Against HIV/AIDS to offer free Voluntary Counselling and Testing for a community in Tema. We also partnered in the organisation of a colloquium in Ghana for female judges and lawyers in civil society organisations from 32 countries.

Our employees, through walks, raised \$5,000 to help feed the world's hungry, and Gh¢ 3,000 to support people living with HIV/AIDS. Some employees also volunteered two hours a week to teach at a Junior and Senior High School in Tema for a 6 week period.

Through the Unilever Ghana Foundation for Education and Development (UFED), we also sponsored entrepreneurial training for some owners of small and medium sized businesses and also constructed boreholes in the Sene district of the Brong-Ahafo region.

Total cash outlay in 2008 in support of our social commitment was Gh¢0.5m.

Our Stakeholders

We have again delivered strong results in 2008. Evidently, we have not achieved this alone, but with great contributions from all our stakeholders. Our suppliers, customers, consumers, service providers, employees and shareholders have been very supportive. Their strong business relationships and partnerships have been immensely helpful. We wish to take this opportunity to say thank you. We trust also that we can count on this partnership and support in the coming year.

2009 Outlook

The adverse impacts of the global economic crises will undoubtedly affect our markets. 2009 will therefore be a very challenging year, especially with the continuing uncertainties in the business environment and the market place which will impact on the Ghanaian consumer, and consequently our operations. The risks and threats from unfair competition and counterfeiting are expected to heighten further. We will explore and take appropriate internal actions with the aim of pursuing our strategic objectives of improving mix, profitability and shareholder value.