

Annual Report

and accounts 2000

Fan Milk Ltd.





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Number of Shareholders

The Company had 3,124 shareholders as at December 31, 2000 with equal voting rights distributed as follows:

Holding	No. of Holders	Total Holding	% Holding
1 - 1,000	2,006	476,852	2.41
1,001 - 5,000	983	2,400,621	12.13
5,001 - 10,000	95	772,720	3.91
Over 10,000	40	16,134,355	81.55
Total	3,124	19,784,548	100.00

Details of the twenty (20) largest Shareholders as at December 31, 2000

Name of Shareholder	No. of Shares held	% Holding
Fan Milk International A/S, DK	7,365,955	37.23
Industrialisation Fund for Developing Countries, DK	4,954,420	25.04
Enterprise Insurance Company Limited	2,250,672	11.38
Ghana Properties Limited	378,000	1.91
Social Security and National Insurance Trust	225,441	1.14
United Africa Trust Limited	200,000	1.01
Barclays Bank Nominees Limited/Chase Manhattan	57,725	0.29
Brown Major	50,372	0.25
Asare James Kwadwo	50,000	0.25
DBL Investment Limited	43,220	0.22
Nduom Papa Kwesi Dr.	34,425	0.17
Sterling Securities Limited.	31,490	0.16
State Insurance Co. Ltd.	30,000	0.15
New World Investment Ltd.	29,000	0.15
Ababio Alex Ransford Dr.	25,200	0.13
Epack Investment Fund Ltd.	24,832	0.13
Nii Kwabla Ayete	24,494	0.12
Taylor Theophilus Bonney	23,490	0.12
Lartey Elizabeth L.	23,377	0.12
Oduro-Mintah Samuel	22,600	0.11
Total	15,844,713	80.08

Notice of Meeting

Notice is hereby given that the fortieth Annual General Meeting of Fan Milk Limited will be held at the National Theatre, Liberia Road, Accra on Friday, June 15, 2001 at 10:30 a.m. in order to transact the following business:



AGENDA

1. To receive the Report of the Directors, the Balance Sheet as at December 31, 2000 together with the Accounts for the year ended on that date and the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. Kodjo B. Aziagbe.
3. To re-elect as a Director, Mr. Einar Mark Christensen.
4. To approve Directors' fees.
5. To authorise the Directors to fix the remuneration of the auditors.

By Order of the Board . Lennap & Company . Farrar Avenue . March 21, 2001

Note: *A member entitled to attend and vote at the meeting is entitled to appoint a proxy who need not be a member of the Company to attend the meeting and vote in his stead. The completed proxy form must reach the registered office of the Company not less than 48 hours before the time fixed for holding the meeting.*



Directors Report 2000



1. Introduction

The Directors have the pleasure to present to the members of Fan Milk Limited, the Annual Report and the Audited Accounts of the Company for the year ended December 31, 2000.

2. Economic Environment

Economic conditions remained difficult in year 2000. The continued decline in the world prices of cocoa and gold, the sharp price increase of crude oil coupled with the slow inflow of donor funds had a serious impact on the economy during the year under review. Subsequently, the projected growth targets could not be achieved. Real GDP growth for the year came to 3.7 pct. as against a GDP growth of 4.2 pct. in 1999.

Contributing to the adverse situation, the national currency tumbled from approximately cedis 3,500 to the US Dollar at the beginning of the year to almost cedis 7,000 at the end of 2000. The shortage of foreign exchange throughout the year and a year-end inflation rate of 40.4 pct. only added to the worsening of the business environment.

It was under such harsh economic conditions that Fan Milk Ltd. operated during year 2000.

3. Financial Highlights

In spite of the very difficult economic situation that prevailed throughout the year, your Company's net sales for the year grew by almost 52 pct. However, the price of skimmed milk powder, the company's main raw material, increased on the world market by as much as 87 pct. in foreign exchange terms. The net impact on the landed cost for this commodity in cedi terms was as high as 206 pct. Although numerous price increases during the year should have compensated for the losses on the Company's gross margins, the full impact of the increased costs was never passed on to consumers.

As a result of the steep devaluation of the Cedi during the financial year, the Company incurred an exchange loss on the German Mark loan of Cedis 5.5 billion. In addition, the bank interest rates increased during the year from approximately 35 pct. to 46 pct. The total interest cost to the Company amounted to almost Cedis 3 billion in year 2000.



Directors Report 2000



4. Dividend

In view of the loss made for the year under review, the Directors regret to inform shareholders, that they are unable to recommend payment of a dividend for the year 2000.

5. Directors

In accordance with section 298 of the Companies code 1963 (Act 179), Messrs. Kodjo B. Aziagbe and Einar Mark Christensen retire by rotation and, being eligible, they offer themselves for re-election.

6. Directors' Fees

In view of the situation as at the end of the trading year 2000, your Directors do not recommend any upward adjustment in fees payable to them.

7. Auditors

The Auditors of the Company, Messrs Pannell Kerr Foster, Chartered Accountants, will continue in office in accordance with Section 134 (5) of the Companies Code 1963 (ACT 179). Members are requested, as is customary, to authorise the Board to fix their remuneration for the year 2001.

8. Future Prospects

As mentioned above, the year 2000 was an unusual year with very unfavourable economic conditions. Though it is anticipated that the macro-economic situation will remain difficult for some time to come, the Directors are determined to make progress with your Company and improve upon the performance. We are confident, that we shall turn the Company around. Present indications show that Fan Milk Ltd. is once again operating profitably.

9. Acknowledgment

The Board of Directors wish to express their appreciation to our shareholders, customers, distributors, agents, vendors and employees for their loyal support and invaluable contributions during the year.

On Behalf of the Board

John Sackah Addo
Chairman

Jesper Bjorn Jeppesen
Managing Director





Responsibilities of the Directors

The Ghana Companies Code 1963 (Act 179) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- * select suitable accounting policies and apply them consistently
- * make judgements and estimates that are reasonable and prudent
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- * prepare the financial statements on a going concern basis unless, it is inappropriate to presume that the company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records, which disclose, with reasonable accuracy, at any time, the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Code 1963, (Act 179). They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The above statement, which should be read in conjunction with the statement of the Auditors' responsibilities set out on page 11, is made with a view to distinguishing for shareholders, the respective responsibilities of the Directors and Auditors in relation to the financial statements.



Auditors Report

Report of the auditors to the members of Fan Milk Limited on the Financial statements for the year ended December 31, 2000.

We have audited the financial statements on pages 12 - 21, which have been prepared under the accounting policies set out on page 15.

Respective Responsibilities of Directors and Auditors

As described on page 10, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We have conducted our audit in accordance with generally accepted auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgement made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, are consistently applied and are adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error or other irregularity.




In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

The financial statements are in agreement with the books, which in our opinion have been properly kept. We obtained the information and explanations we required. In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at December 31, 2000 and of the loss and cash flow for the year then ended and have been properly prepared in accordance with the Companies Code, 1963 (Act 179).

Farrar Avenue, Accra. March 9, 2001


Pannell Kerr Forster (Chartered Accountants)





Profit and Loss Account

for the year ended December 31, 2000

<i>Amounts in Million Cedis</i>	Note	2000	1999
Turnover	2	70,389	46,430
Cost of Sales	3	(43,376)	(25,708)
		27,013	20,722
Selling, General and Administrative Expenses	4	(28,604)	(18,212)
Operating (Loss) / Profit		(1,591)	2,510
Other income	5	246	132
(Loss) / Profit before Taxation		(1,345)	2,642
Taxation	6	(591)	(242)
Net (Loss) / Profit after taxation transferred to Income Surplus Account		(1,936)	2,400

Income Surplus Account

for the year ended December 31, 2000

<i>Amounts in Million Cedis</i>	2000	1999
Balance at January 1	4,964	4,048
Net (Loss) / Profit for the year transferred from profit and loss account	(1,936)	2,400
	3,028	6,448
Dividend proposed ₵0.00 per share (1999 - ₵75.00 per share)	0	(1,484)
Balance at December 31	3,028	4,964



Balance Sheet

as at December 31, 2000



Amounts in Million Cedis	Note	2000	1999
Fixed Assets	7	15,197	19,433
Current Assets			
Stocks	8	13,638	5,622
Accounts Receivable	9	2,825	2,393
Bank and Cash Balances	10	4,067	1,056
Total Current Assets		20,530	9,071
Current Liabilities			
Bank Overdraft	11	4,133	2,406
Accounts payable	12	18,243	8,804
Taxation	6	(92)	(92)
Dividend		36	1,618
Total Current Liabilities		22,320	12,736
Net Current Liabilities		(1,790)	(3,665)
		13,407	15,768
Long Term Loan	13	(4,379)	(4,804)
Net Assets		9,028	10,964
Represented by:			
Stated Capital	14	6,000	6,000
Income Surplus		3,028	4,964
Total Equity		9,028	10,964

Approved by the Board on March 9, 2001

John Sackah Addo
Chairman

Jesper Bjørn Jeppesen
Managing Director



Cash Flow Statement



<i>Amounts in Million Cedis</i>	Note	2000	1999
Net Cash Inflow from Operating activities	15	11,217	10,175
Returns on Investment and Servicing of Finance:			
Interest received		44	23
Interest paid		(2,930)	(757)
Dividend paid		(1,582)	(1,437)
Net Cash Outflow from Returns on Investments and Servicing of Finance		(4,468)	(2,171)
Taxation:			
Tax paid		(591)	(242)
Investing Activities:			
Payment to Acquire Tangible Fixed Assets		(995)	(8,142)
Receipts from Sale of Tangible Fixed Assets		80	22
		(915)	(8,120)
Net Cash Inflow (outflow) before financing		5,243	(358)
Financing:			
Loan repayment		(3,959)	0
Increase / (Decrease) in Cash and Cash Equivalent	16/17	1,284	(358)



Notes to Financial Statements



1. ACCOUNTING POLICIES

The significant accounting policies adopted by the company and which have been used in preparing these accounts are as follows:

a. Basis of accounting

These accounts have been prepared under the historical cost convention as modified by the revaluation of fixed assets.

b. Depreciation

Depreciation is provided on straight line basis at rates calculated to write off the cost / valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are:

Building	5% - 10%
Plant and Machinery	10%
Deep Freezers and Bicycles	33.3%
Motor Vehicles	33.3%
Computer Systems	33.3%
Furniture and Fittings	20%

c. Stocks

i. Raw Materials and Other Stocks are stated at the lower of cost and net realisable value and in general includes all expenses incurred in bringing the stocks to their present location.



- ii. Finished Products and Work-in-Progress are valued at average cost of raw material consumed.
- iii. Spare Parts are written off in the year of purchase.

d. Accounts Receivable

Debtors are stated after provisions have been made for specific debts considered to be doubtful.

e. Foreign Currencies

Assets and liabilities in foreign currencies have been translated into cedis at the rate of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

Notes

to Financial Statements



Amounts in Million Cedis

2. TURNOVER

Gross Sales Value
Less Value Added Tax collected for Government

3. COST OF GOODS SOLD

This item includes the following:
Depreciation of Factory Buildings and Plant and Machinery

4. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

include the following:
Depreciation - Other Assets
Directors Fees
Remuneration as Managers
Auditors Remuneration
Voluntary Contribution to Charities and Other Funds
Interest on Loans and Overdrafts

5. OTHER INCOME

Profit on Sale of Fixed Assets (7D)
Interest on Current Accounts
Sale of empty Bags and Scraps
Bad debts recovered

2000 1999

78,467 51,459
(8,078) (5,029)
70,389 46,430

1,826 1,877

3,405 3,892
52 46
178 145
24 18
9 10
2,930 757

80 21
44 23
69 85
53 3
246 132



Danish Ambassador to Ghana with a group of Danish Parliamentarians on a tour at Fan Milk Premises

Notes to Financial Statements

Amounts in Million Cedis

	Balance 01.01.00	Paid in the Year	Charge to P&L Account	Balance 31.12.00
6. TAXATION				
A.				
Income Tax				
1994 - Over provision	(33)	0	0	(33)
1997	(1)	0	0	(1)
1998	(57)	0	0	(57)
2000	0	(591)	591	0
Tax Credit	(1)	0	0	(1)
Total	(92)	(591)	591	(92)

B.

The amount provided for income tax is calculated at the rate of 35% of adjusted profit.



Officials of Fan Milk Ltd. present products to accident victims of Aburi Girls Secondary School at the 37 Military Hospital



Notes to Financial Statements

Amounts in Million Cedis

7. FIXED ASSETS

	Buildings/ Roads	Leasehold Land	Motor Vehicles	Plant/ Machinery	Total
A. Cost / Valuation					
Balance at 01.01.00					
Cost	6,137	381	7,023	21,914	35,455
Revaluation	293	0	0	7	300
	6,430	381	7,023	21,921	35,755
Additions	31	0	301	663	995
Disposal	0	0	(64)	(14)	(78)
Balance at 31.12.00	6,461	381	7,260	22,570	36,672
B. Depreciation					
Balance at 01.01.00					
Cost	1,681	0	4,469	9,872	16,022
Revaluation	293	0	0	7	300
	1,974	0	4,469	9,879	16,322
Charge for the year:					
Cost	583	0	1,606	3,042	5,231
Disposal Cost	0	0	(64)	(14)	(78)
Balance at 31.12.00	2,557	0	6,011	12,907	21,475
Net Book Value 31.12.00	3,904	381	1,249	9,663	15,197
Net Book Value 31.12.99	4,456	381	2,554	12,042	19,433

C.

Buildings, Plant, Equipment and Vehicles were professionally revalued in January 1983 by Mr. G.M. Mensah, a valuer, at open market value on existing use basis. Buildings were again revalued in November 1988 by Mr. G.M. Mensah, a valuer, at open market value on existing use basis.

D.

Profit on disposal of fixed assets have been calculated as follows :

	2000	1999
Gross Value	78	105
Less Accumulated Depreciation	(78)	(104)
Net Book Value	0	1
Sales Proceeds	80	22
	80	21



Notes to Financial Statements

Amounts in Million Cedis

8. STOCKS

	2000	1999
Raw Materials in Stock	5,717	2,714
Work-In-Progress	214	49
Finished Goods	146	383
Goods in Transit	7,023	2,052
Other Stocks	538	424
	13,638	5,622

9. ACCOUNTS RECEIVABLE

Trade Debtors	1,795	1,711
Other Debtors	787	451
Staff Debtors	35	28
Payments in Advance	208	203
	2,825	2,393

A. The maximum amount due from staff of the Company did not at any particular time during the year exceed ₘ38 (1999 - ₘ30)

B. Payments in Advance represent the unexpired portion of certain expenditure spread on a time basis.

10. BANK AND CASH BALANCES

Current Account:

Deutsche Marks	DEM	78,252.58	257	52
U.S. Dollars	USD	6,952.07	48	342
CFA	XOF	4,632,343.32	45	1
Dutch Guilders	NGL	23,634.34	69	0
French Franc	FFR	541,833.60	530	0
Pound Sterling	GBP	273.92	3	-0
EURO		51,304.66	329	0
Cedis			1,859	211
			3,140	606

Cash on Hand:

Cedis			913	413
Deutsche Marks	DEM	2,510.00	8	3
U.S. Dollars	USD	119.00	2	32
CFA	XOF	52,000.00	1	0
French Franc	FFR	3,300.00	3	2
Pound Sterling	GBP	10.00	0	0
			927	450
			4,067	1,056



Notes to Financial Statements

Amounts in Million Cedis



11. BANK OVERDRAFT

The company has been granted overdraft facilities by its bankers as follows:

An amount at the balance sheet date not exceeding at any time ₵8,000 (1999 - ₵4,000). ₵3,000 of the amount is secured by fixed and floating charges over an equivalent value of the fixed assets of the Company.

12. ACCOUNTS PAYABLE

Trade Creditors	10,281	3,867
Other Creditors	3,426	2,322
Accrued Expenses	157	213
IFU Loan	4,379	2,402
	18,243	8,804

13. LONG TERM LOAN

This represents a balance of 1.33 million DEM (1999 - 2.67 million DEM) on the principal loan of 4 million DEM granted by the Industrialisation Fund for Developing Countries. The portion due for payment in the second quarter in year 2001 is shown under Accounts Payable.

14. STATED CAPITAL

A. Authorised Ordinary shares of no par value	40,000,000	40,000,000
B. Issued Shares of no par value	19,784,548	19,784,548
	₵	₵
C. i. Proceeds of issue for Cash	194	194
ii. Capitalisation of Surplus	5,806	5,806
	6,000	6,000

Notes to Financial Statements

Amounts in Million Cedis

	2000	1999
15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating (Loss) / Profit	(1,345)	2,642
Depreciation	5,231	5,769
Exchange Loss on IFU Loan	5,511	1,575
Profit from Sale of Fixed Assets	(80)	(21)
(Increase) in Stocks	(8,016)	(292)
(Increase) in Debtors	(432)	(834)
Increase in Creditors	7,462	602
Interest Received	(44)	(23)
Interest Paid	2,930	757
 Net Cash Inflow from Operations	 11,217	 10,175

16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENT

Balance at January 1	(1,350)	(992)
Net Cash Inflow / (Outflow)	1,284	(358)
Balance at December 31	(66)	(1,350)

17. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENT AS SHOWN IN THE BALANCE SHEET

	<i>changes during the year</i>		
Cash at Bank	2,535	3,140	605
Cash on hand	476	927	451
Bank Overdraft	(1,727)	(4,133)	(2,406)
	1,284	(66)	(1,350)





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