

# **Fan Milk Limited**



**annual report**  
and accounts 2003

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**Scene of factory staff busy at work**



## Financial Highlights

(Amounts in million pesos except per share)

	2003	2002	2001	2000
Profit/(Loss) After Taxation	19,270	11,697	6,283	(1,936)
Net Earnings Per Share	974	591	318	(98)
Total Shares Issued	19,784,548	19,784,548	19,784,548	19,784,548
Dividend Per Share	₱200.00	₱150.00	₱100.00	₱0.00

### Year End:

Total Assets	72,628	53,236	39,882	35,727
Shareholders' Fund	37,375	22,062	13,333	9,028
Permanent Staff	331	340	358	334

### Stock Price Range:

High	3,800	1,785	1,000	1,200
Low	1,785	901	750	850

### Distribution of Gross Sales

(Amounts in million pesos)

	2003	%	2002	%
Gross Sales	189,975	100.0	138,443	100.0
Net Sales	168,867	88.9	123,060	88.9
Cost of Sales	85,970	45.3	67,529	48.8
Selling, General and Admin Expenses	54,411	28.6	37,504	27.1
VAT	21,108	11.1	15,383	11.1
National Reconstruction Levy	726	0.4	456	0.3
Income Tax	9,032	4.8	6,147	4.4
<b>Transfer to Income</b>				
Surplus Account	19,270	10.1	11,697	8.4
Other Income	542	0.3	273	0.2



A fleet of branded delivery vans

# Corporate Information



## Board of Directors

Charles Mensa (Dr.) (Chairman)  
Jesper Bjørn Jeppesen (Managing Director)  
Kodjo Biamawu Aziagbe  
Einar Mark Christensen  
Jens Jorgen Kollerup  
Kim H Rasmussen  
George Herbert Okai Thompson (Appointed March 5, 2003)  
Peace Ayisi-Okyere (Appointed March 5, 2003)

## Secretary

Lennap & Co.  
Post Office Box 37, Accra

## Auditors

PricewaterhouseCoopers  
Chartered Accountants  
Gulf House, 4th Floor  
Tetteh Quarshie Roundabout  
Legon Road  
PMB CT42  
Cantonments, Accra

## Solicitors

Quist, Brown, Wontumi & Mills Solicitors  
Post Office Box 7566, Accra

## Registered Office

Fan Milk Limited  
No. 1 Dadeban Road  
North Industrial Area  
Post Office Box 6460, Accra-North

## Registrar & Transfer Office

National Trust Holding Company Limited  
Martco House  
Post Office Box 9563  
Airport, Accra

## Bankers

Agricultural Development Bank Limited  
Barclays Bank of Ghana Limited  
Ecobank Ghana Limited  
Prudential Bank Limited  
SSB Bank Limited  
Standard Chartered Bank Ghana Limited



*Hard working office staff*





## Shareholding Distribution

The Company had 3,255 shareholders as at December 31, 2003 with equal voting rights distributed as follows:

Category Holding	No. of holders	Total holding	% Holding
1 to 1,000	2,162	527,381	2.67
1,001 to 5,000	963	2,346,197	11.86
5,001 to 10,000	89	717,520	3.63
Over 10,000	41	16,193,450	81.84
<b>Totals</b>	<b>3,255</b>	<b>19,784,548</b>	<b>100.00</b>

Details of the twenty (20) largest Shareholders as at December 31, 2003

Name of shareholder	No. of Shares Held	% Holding
1. Fan Milk International A/S, DK	7,365,955	37.23
2. Industrialization Fund For Developing Countries, DK	4,954,420	25.04
3. Enterprise Insurance Company Limited	1,978,472	10.00
4. Ghana Properties Limited	378,000	1.91
5. BBGN / Unilever Ghana Managers Pension Fund	300,000	1.52
6. Social Security & National Insurance Trust	247,800	1.25
7. BBG / Unilever Ghana Provident Fund	137,725	0.70
8. BBGNRE Epack Investment Fund	126,107	0.64
9. Estate of Major Brown	50,372	0.25
10. Asare, James Kwadwo	50,000	0.25
11. DBL Investment Limited	43,220	0.22
12. Nduom, Kwesi Papa Dr.	39,838	0.20
13. NTHC Limited No.2 A/C	30,115	0.15
14. State Insurance Company of Ghana Limited	30,000	0.15
15. Taylor, Theophilus Bonney	26,350	0.13
16. Ababio, Alex Ransford Dr.	25,200	0.13
17. Asubonteng, Tuffuo Peter	24,526	0.12
18. Nii Kwabia Ayete	24,494	0.12
19. Epack Investment Fund Limited	23,615	0.12
20. Lartey, Elizabeth L.	23,377	0.12
<b>Total</b>	<b>15,879,586</b>	<b>80.26</b>



Excerpts from current Fanchoco television commercial

# Notice of Meeting



Notice is hereby given that the forty-third Annual General Meeting of Fan Milk Limited will be held at the National Theatre, Liberia Road, Accra on Tuesday May 18, 2004 at 11:00am in order to transact the following business:

## AGENDA

1. To receive the report of the Directors, the Balance Sheet and Accounts as at December 31, 2003 the and report of the Auditors thereon.
2. To declare a dividend on the Company's Share in respect of the year ended December 31, 2003.
3. To re-elect as a Director, Mr. Jens Jorgen Kollerup who retires by rotation.
4. To re-elect as a Director, Mr. Kim H Rasmussen who retires by rotation.
5. To re-elect as a Director, Dr. Charles Mensa who retires by rotation.
6. To fix the remuneration of the Directors.
7. To authorise the Directors to fix the remuneration of the Auditors.

By order of the Board

Lennap & Co. Farrar Avenue

March 4, 2004

## Note:

*A member entitled to attend and vote at this 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 2003

## 1. Introduction

The Directors have the pleasure to present to members of Fan Milk Limited, the Annual Report and Audited Accounts of the Company for the year ended December 31, 2003.

## 2. Statement of Directors' Responsibilities

The Directors are responsible for the preparation of financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss and cash flow for the period. In preparing the financial statements, the Directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

The Directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

## 3. Principal Activity

The principal activity of the Company is the manufacturing of dairy products and fruit drinks.

## 4. The Macro Economic Environment

The macro-economic environment of the country in the year 2003 showed appreciable stability in spite of the turbulence experienced during the first quarter of the year.

The Cedi depreciated against all the major currencies in 2003. It depreciated by 5% against the US dollar and 21% against the Euro.

During the year, bank interest rates were reduced from a range of about 32.5% to 27% at the beginning of the year to about 29.5% and 27.0% by December 2003.

Inflation paced up from 15.2% by the end of 2002 to about 23.6% by the end of December 2003 largely as a direct result of increases in the prices of petroleum products, but also due to increases in utility rates and the subsequent spiralling effects of those increases.

With enhanced revenue mobilisation and prudent monetary measures, the year ended on a more positive note with lower interest rates and also a higher than expected GDP growth rate of 5.2%.



Consumers at Fan Milk Cash and Carry

# Directors' Report 2003

(Continued)



## 5. Financial Highlights

The overall favourable economic developments in 2003 impacted positively on the activities of your Company in many ways.

Among others, prices of the Company's products remained stable for a larger part of the year, contributing to growth in volumes. Operational costs were kept under control leading to significant savings and hence increase in operating profits. The Company achieved growth of about 58% in operating profit for the year compared to the previous year.

Net sales in the year under review increased by approximately 37.2% from ₦123 billion in 2002 to ₦169 billion in 2003. However, Cost of sales increased by 27.3% mainly as a result of lower than expected costs of raw materials. Selling, general and administrative expenses increased by 45% mainly as a result of higher depreciation charges and the higher than budgeted fuel and electricity costs, but also due to increased selling activities.

The operational results are summarised below:

(All amounts are expressed in millions of cedis)

	2003	2002	Cedi Change	% Change
Turnover	168,867	123,060	45,807	37.2
Cost of Sales	(85,970)	(67,529)	(18,441)	27.3
Selling, General and Administrative Expenses	(54,411)	(37,504)	(16,907)	45.0
Operating Profit	28,486	18,027	10,459	58.0
Other Income	542	273	269	98.5
Profit before Taxation & Nat. Rec. Levy	29,028	18,300	10,728	58.6
Profit After Taxation	19,270	11,697	7,573	54.5

## 6. Dividend

In view of the satisfactory performance of your Company, the Board is pleased to recommend a 33.3% increase in the dividend amounting to two hundred Cedis (₦200) per share for the financial year 2003. The total amount payable as dividend will be three billion, nine hundred and fifty-six million, nine hundred and nine thousand six hundred Cedis, ₦3,956,909,600; (2002: ₦2,967,682,200.00).

## 7. Shareholder Value

It is noteworthy that the shares of your Company appreciated significantly during the year under review. The price of Fan Milk Limited shares started the year 2003 at ₦1,785 and closed at ₦3,800 by December 2003. This gave a share price appreciation of 112.9%.





## Directors' Report 2003

(Continued)

### 8. Directors

During the year under review, two Directors appointed to the Board, in the persons of Mrs. Peace P. Ayisi-Okyere, a Consultant and former Director in the Ministry of Finance, and Lawyer George Herbert Okai Thompson were confirmed at the Annual General Meeting held in 2003.

Furthermore and in accordance with Section 298 of the Companies Code 1963 (ACT 179), Messrs. Jen Jorgen Kollerup, Kim Hans Rasmussen and Dr. Charles Mensa retire from the Board by rotation, and being eligible, they offer themselves for re-election.

### 9. Directors Fees

In accordance with the Company's Regulation 67 (3), fees payable to the Directors shall not be increased except in pursuance to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

In line with this, the Directors wish to recommend the following monthly fees for 2004:

The Chairman - ₵ 9,000,000.00

Other Directors - ₵ 7,000,000.00

### 10. Auditors

The Auditors of the Company, Messrs. PricewaterhouseCoopers, 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 the remuneration for the Auditors for the year 2004.

### 11. Fan Milk Limited and The Environment

It is Fan Milk Limited's objective, as much as possible, to use materials and processes that conserve resources and prevent the pollution of air, water and land.

This is demonstrated by the preparation of a biennial Environmental Management Plan. In this plan, the Company outlines its commitment to environmental matters and more importantly actions that it intends to take on those matters.

Over the years the Company has taken several steps to ensure that its operations are carried out in an environmentally sustainable manner.

In the area of electrical power management, your Company has had power factor correction devices in place, leading to substantial savings over the years. Fan Milk Limited will in year 2004 alone invest about ₵1.6 billion (one billion, six hundred million Cedis) in advanced power technologies, which are expected to yield up to 34% savings on electrical energy use.

Fan Milk Limited recognises the indispensability of water as a world resource and its importance in its operations as a food and beverage entity. In order to maintain high quality production, the Company has consequently installed various devices for the conservation of water as well as a water treatment facility to purify water.

Solid waste generated by the Company consists of rejected and used packing materials. These are stored in special waste containers which are later collected by waste contractors approved by the Accra Metropolitan Authority.

Fan Milk Limited also pays a recycling company, City Waste Management Company Limited, to collect damaged products from our depots. The packaging materials are shredded and cleansed for recycling by that company.

# Directors' Report 2003



## 12. Capital Expenditure

Your Company plans to invest almost \$45 billion in various capital items such as new production and distribution equipment during the year 2004. These investments are expected to yield efficient returns to the Company as well as to meet our expansion plans for the future.

In January 2004 Fan Milk Limited acquired a significant operating location in Kumasi and intends to expand its activities in the Ashanti Region, thereby gaining healthy growth in Ghana's second largest city.

## 13. Future Prospects

The macro-economic projections for the country in 2004 look even brighter with the expected upsurge in cocoa and gold receipts. Likewise the future prospects for your Company remain bright.

With the impending introduction of new products onto the market, coupled with the renewal and expansion of existing facilities, it is expected that growth in turnover and profits will be secured.

## 14. ACKNOWLEDGMENT

The Board of Directors wish to express their appreciation to you our shareholders, customers, distributors, agents, vendors and employees for their support and invaluable contributions, which ensured the satisfactory performance of your Company during the past year.

On behalf of the Board

Dr. Charles Mensa  
Chairman

Jesper Bjorn Jeppesen  
Managing Director



Vendor push carts





# Corporate Governance

## Introduction

Fan Milk is committed to the principles and implementation of good corporate governance. The company recognises the valuable contribution that it makes to long-term business prosperity and ensures accountability to its shareholders. The company is managed in a way that maximises long term shareholder value and takes into account the interests of all of its stakeholders.

Fan Milk believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the accounts, the business adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

## The Board of Directors

The Board is responsible for setting the company's strategic direction, for leading and controlling the company and for monitoring activities of the executive management. The Board presents a balanced and understandable assessment of the Company's progress and prospects.

The Board consists of the Chairman, six non-executive directors and an executive director. The non-executive directors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgement. They have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the company's progress. The Managing Director is a separate individual from the Chairman and he implements the management strategies and policies adopted by the Board. They meet at least four times a year.

## The Audit Committee

The Audit Committee is made up of the three directors, of whom two are non-executive directors, and they meet twice a year. The main Board determines its terms of reference and they report back to the Board.

Its duties include keeping under review the scope and results of the external audit, as well as the independence and objectivity of the auditors. The Audit Committee also keeps under review internal financial controls, compliance with laws and regulations and the safeguarding of assets. It also reviews the adequacy of the plan of the internal audit and reviews its audit reports.

## Systems of Internal Control

Fan Milk Limited has a well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the business are being controlled.

The corporate internal audit function of the company plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

## Code of Business Ethics

Management has communicated the principles in the Company's Code of Conduct to its 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.

# Auditors' Report



## Report of the Auditors to the Members of Fan Milk Limited.

We have audited the financial statements set out on pages 14 - 22.

### Respective Responsibilities of Directors and Auditors

As stated on page 8, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an independent opinion on these financial statements based on our audit.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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.

### Opinion

In our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Company at December 31, 2003 and of its profit and cash flows for the year then ended in accordance with Ghana Accounting Standards and comply with the Ghana Companies Code, 1963 (Act 179).

PricewaterhouseCoopers (Chartered Accountants)

Accra.

March 4, 2004



Laboratory staff checking product quality



## Profit and Loss Account

for the year ended December 31, 2003

(All amounts are expressed in millions of cedis)

	Note	2003	2002
<b>Turnover</b>	1	168,867	123,060
Cost of Sales	2	(85,970)	(67,529)
<b>Gross Profit</b>		82,897	55,531
Selling, General and Administrative Expenses	3	(54,411)	(37,504)
<b>Operating Profit</b>		28,486	18,027
Other income	4	542	273
<b>Net Profit before Taxation &amp; Levy</b>		29,028	18,300
National Reconstruction Levy	5	(726)	(456)
<b>Net Profit before Taxation</b>		28,302	17,844
Taxation	6	(9,032)	(6,147)
<b>Net Profit after taxation transferred to Income Surplus Account</b>		19,270	11,697

## Income Surplus Account

for the year ended December 31, 2003

(All amounts are expressed in millions of cedis)

(All amounts are expressed in millions of pesos)		2003	2002
Balance at January 1		16,062	7,333
Net Profit for the year		19,270	11,697
		35,332	19,030
Dividend	7	(3,957)	(2,968)
<b>Balance at December 31</b>		<b>31,375</b>	<b>16,062</b>

The accounting policies and notes on pages 17 to 22 form an integral part of these financial statements.



Product sales van

# Balance Sheet

as at December 31, 2003



(All amounts are expressed in millions of cedis)

## Property, Plant and Equipment

Note	2003	2002
8	30,884	25,708

## Current Assets

Inventories	9	24,748	18,989
Trade and Other Receivables	10	6,190	6,983
Tax	6	0	480
Bank and Cash Balances	15	10,806	1,076
		<b>41,744</b>	<b>27,528</b>

## Current Liabilities

Trade and Other Payables	11	27,602	20,836
Bank Overdrafts	12	806	7,198
Tax	6	2,559	0
Dividends	7	4,286	3,140
		<b>35,253</b>	<b>31,174</b>

## Net Current Assets / (Liabilities)

6,491 (3,646)

## Net Assets

37,375 22,062

## Represented by:

Stated Capital	13	6,000	6,000
Income Surplus Account		31,375	16,062
Shareholders' Fund		<b>37,375</b>	<b>22,062</b>

The financial statements on pages 14 to 22 were approved by the Board of Directors on March 4, 2004 and signed on its behalf by:

  
Director

  
Director

The accounting policies and notes on pages 17 to 22 form an integral part of these financial statements.





## Cash Flow Statement

as at December 31, 2003

(All Amounts are expressed in millions of cedis)

### Cash Flows from Operating Activities

Cash generated from operations	14	40,857	28,633
Interest received	4	42	17
Tax paid	6	(5,993)	(6,828)
Interest paid		(1,367)	(1,339)
<b>Net cash generated from operating activities</b>		<b>33,539</b>	<b>20,483</b>

### Cash Flows from Investing Activities

Purchase of property, plant and equipment	8	(14,798)	(18,222)
Proceeds from sale of plant and equipment	8	192	86
<b>Net cash used in investing activities</b>		<b>(14,606)</b>	<b>(18,136)</b>

### Cash Flows from Financing Activities

Dividend Paid	7	(2,811)	(1,812)
<b>Net cash used in financing activities</b>		<b>(2,811)</b>	<b>(1,812)</b>

<b>Increase in Cash and Cash Equivalents</b>		<b>16,122</b>	<b>535</b>
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<b>Cash and cash equivalents at the beginning of the year</b>	15	<b>(6,122)</b>	<b>(6,657)</b>
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<b>Cash and cash equivalents at the end of the year</b>	15	<b>10,000</b>	<b>(6,122)</b>
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The accounting policies and notes on pages 17 to 22 form an integral part of these financial statements.



A refrigerated truck

# Accounting Policies



The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) **Basis of accounting**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and in accordance with Ghana Accounting Standards.

(b) **Property, plant and equipment**

Buildings and plant and machinery are stated at cost or valuation less depreciation. All other plant and equipment are stated at historical cost less depreciation. Depreciation is calculated on a straight line method to write off the cost of each asset or revalued amounts over their estimated useful lives as follows:

Buildings	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) **Inventories**

- i. Raw materials and other stocks are stated at the lower of cost and net realisable value and include all expenses incurred in bringing the stocks to their present location.
- ii. Finished products and Work- In- Progress are valued at the average cost of raw materials consumed.
- iii. Spare Parts are written off in the year of purchase.

(d) **Trade receivables**

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

(e) **Revenue**

Sales are recognised upon dispatch of products to the Depots. Sales are shown net of returns and value added tax.



# Accounting Policies

(Continued)

(f) **Foreign Currencies**

Transactions in foreign currencies during the year are converted into cedis at prevailing rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into cedis at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the profit and loss account.

(g) **Post Balance Sheet Events**

Events subsequent to the balance sheet date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

(h) **Deferred Income Tax**

Deferred income tax is provided, using the partial liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

(i) **Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts.



*A scene from Fan Milk's sponsored environmental and social activities*

## Notes to the financial statements



(All amounts in the notes are shown in millions of cedis unless otherwise stated)

### 1. Turnover

	2003	2002
Gross Sales	189,975	138,443
Value Added Tax	(21,108)	(15,383)
	<b>168,867</b>	<b>123,060</b>

### 2. Cost of Sales

Cost of Sales include:

Depreciation of factory buildings and plant and machinery	<b>3,548</b>	<b>2,925</b>
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### 3. Selling, General and Administrative Expenses

Selling, general and administrative expenses include:

Depreciation	5,975	3,115
Directors' Remuneration	884	712
Auditors' Remuneration	100	60
Donations	93	42
Interest on overdraft	1,367	1,339

### 4. Other Income

Profit on disposal of plant and equipment (Note 8)	93	75
Interest on current accounts	42	17
Sale of empty bags and scraps	232	174
Exchange gain	169	6
Technical service income	6	0
Bad debts recovered	0	1
	<b>542</b>	<b>273</b>

### 5. National Reconstruction Levy

The national reconstruction levy is assessed at 2.5% of accounting profit before tax. The levy is not tax deductible.

### 6. Tax

	Balance 1/1/03	Paid during the period	Charge to P&L Accounts	Balance 31/12/03
(i) Current Income Tax				
2002	(480)	0	0	(480)
2003	0	(5,963)	9,032	3,069
Tax Credit	0	(30)	0	(30)
Total	<b>(480)</b>	<b>(5,993)</b>	<b>9,032</b>	<b>2,559</b>

The amount provided for income tax is calculated at the rate of 30% of adjusted profit.

### (ii) Deferred Income Tax

As at December 31, 2003, the company had a potential deferred income tax liability of ₵1,730 million (2002: ₵2,258 million) which has not been provided for because it is not expected to crystallise within the foreseeable future, based on the company's capital expenditure projections.

## Notes to the financial statements (continued)

(All amounts in the notes are shown in millions of cedis unless otherwise stated)

### 7. Dividends Payable

	2003	2002
Balance at 1 January	3,140	1,984
Dividend Proposed		
¢200 per share (2002: ¢150)	3,957	2,968
	7,097	4,952
Dividend Paid	(2,811)	(1,812)
<b>Balance at 31 December</b>	<b>4,286</b>	<b>3,140</b>

Payment on dividend is subject to deduction of withholding taxes at the appropriate rate.

### 8. Property, Plant and Equipment

	Buildings and Roads	Leasehold Land	Motor Vehicles	Plant / Machinery	Total
<b>a. Cost / valuation</b>					
Balance at Jan. 1, 2003	8,880	381	10,938	37,154	57,353
Revaluation	293	0	0	7	300
	9,173	381	10,938	37,161	57,653
Additions	2,593	0	4,304	7,901	14,798
Disposal	0	0	(354)	(179)	(533)
<b>Balance at Dec. 31, 2003</b>	<b>11,766</b>	<b>381</b>	<b>14,888</b>	<b>44,883</b>	<b>71,918</b>
<b>b. Depreciation</b>					
Balance at Jan. 1, 2003					
Cost	3,732	0	8,360	19,553	31,645
Revaluation	293	0	0	7	300
	4,025	0	8,360	19,560	31,945
Charge for the year	997	0	2,722	5,804	9,523
Disposal - Cost	0	0	(266)	(168)	(434)
<b>Balance at Dec. 31, 2003</b>	<b>5,022</b>	<b>0</b>	<b>10,816</b>	<b>25,196</b>	<b>41,034</b>
<b>Net book Value 31-12-03</b>	<b>6,744</b>	<b>381</b>	<b>4,072</b>	<b>19,687</b>	<b>30,884</b>
<b>Net book Value 31-12-02</b>	<b>5,148</b>	<b>381</b>	<b>2,578</b>	<b>17,601</b>	<b>25,708</b>

- c. Buildings, plant, equipment and vehicles were professionally revalued in 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 has been calculated as follows:

	2003	2002
Cost of assets	533	254
Accumulated depreciation	(434)	(243)
Net book value	99	11
Proceeds on disposal	(192)	(86)
<b>Profit on disposal of plant and equipment</b>	<b>(93)</b>	<b>(75)</b>

## Notes to the financial statements



(All amounts in the notes are shown in millions of cedis unless otherwise stated)

### 9. Inventories

	2003	2002
Raw materials	7,800	8,791
Finished goods	1,545	1,172
Work in progress	184	0
Goods in transit	14,984	8,645
Other stocks	235	381
	<b>24,748</b>	<b>18,989</b>

### 10. Trade and Other Receivables

Trade receivables	5,847	4,152
Other debtors	46	2,472
Staff debtors	136	108
Prepayments	161	218
National reconstruction levy	0	33
	<b>6,190</b>	<b>6,983</b>

The maximum amount due from staff of the company did not at any particular time during the year exceed **¢147 million** (2002: ¢114 million)

### 11. Trade and Other Payables

Trade creditors	19,340	14,798
Other creditors	7,594	5,635
Accruals	608	403
National reconstruction levy	60	0
	<b>27,602</b>	<b>20,836</b>

### 12. Bank Overdrafts

The company has been granted overdraft facilities by its bankers during the financial year 2003 of an amount not exceeding at any time **¢14 billion** (2002: ¢12 billion).

### 13. Stated Capital

	No. of shares 2003	Proceeds 2003	No. of shares 2002	Proceeds 2002
<b>Authorised</b>				
Ordinary Shares of no par value	40,000,000		40,000,000	
<b>Issued</b>				
For Cash	19,784,548	194	19,784,548	194
Capitalisation of Surplus	0	5,806	0	5,806
	<b>19,784,548</b>	<b>6,000</b>	<b>19,784,548</b>	<b>6,000</b>

There is no unpaid liability on any share. There are no treasury shares held. There are no calls or instalments unpaid.

## Notes to the financial statements

(All amounts in the notes are shown in millions of cedis unless otherwise stated)

### 14. Cash Generated from Operations

Reconciliation of operating profit to cash generated from operations:

	2003	2002
Operating profit	28,302	17,844
Depreciation	9,523	6,040
Interest Paid	1,367	1,339
Interest Received	(42)	(17)
Increase in inventories	(5,759)	(236)
Decrease in trade and other receivables	807	(1,422)
Increase in trade and other payables	6,766	5,055
Profit on disposal of plant and equipment	(93)	(75)
Write off of property	0	105
	<b>40,857</b>	<b>28,633</b>

### 15. Cash and Cash Equivalents

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2003	2002
Bank and Cash Balance	10,806	1,076
Bank Overdraft	(806)	(7,198)
	<b>10,000</b>	<b>6,122</b>

### 16. Related Party Transactions

Fan Milk International A/S owns 37.23% shares in Fan Milk Limited, Emidan A/S and Fan Milk S.A., Togo are subsidiaries of Fan Milk International A/S and are therefore entities related through common control. In the normal course of business, the Company entered into the following transactions with related companies:

	2003	2002
(i) <b>Purchase of goods</b>		
Emidan A/S	67,200	55,220
(ii) <b>Sales of goods</b>		
Fan Milk S.A., Togo	64	85
(iii) <b>Year end balance arising from purchase of goods</b>		
Emidan A/S	16,804	14,006
(iv) <b>Year end balance arising from sale of goods</b>		
Fan Milk S.A., Togo	12	60

### 17. Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2003	2002
Property, plant and equipment approved but not contracted	34,723	21,184
Property, plant and equipment contracted	6,016	3,822
	<b>40,739</b>	<b>25,006</b>

### 18. Contingent Liabilities

There are no contingent liabilities at the balance sheet date (2002: Nil).

# TAMPICO

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