

# Fan Milk Limited

annual report & accounts

2004





Printing product information on YOGO (HOWARU) cartons.

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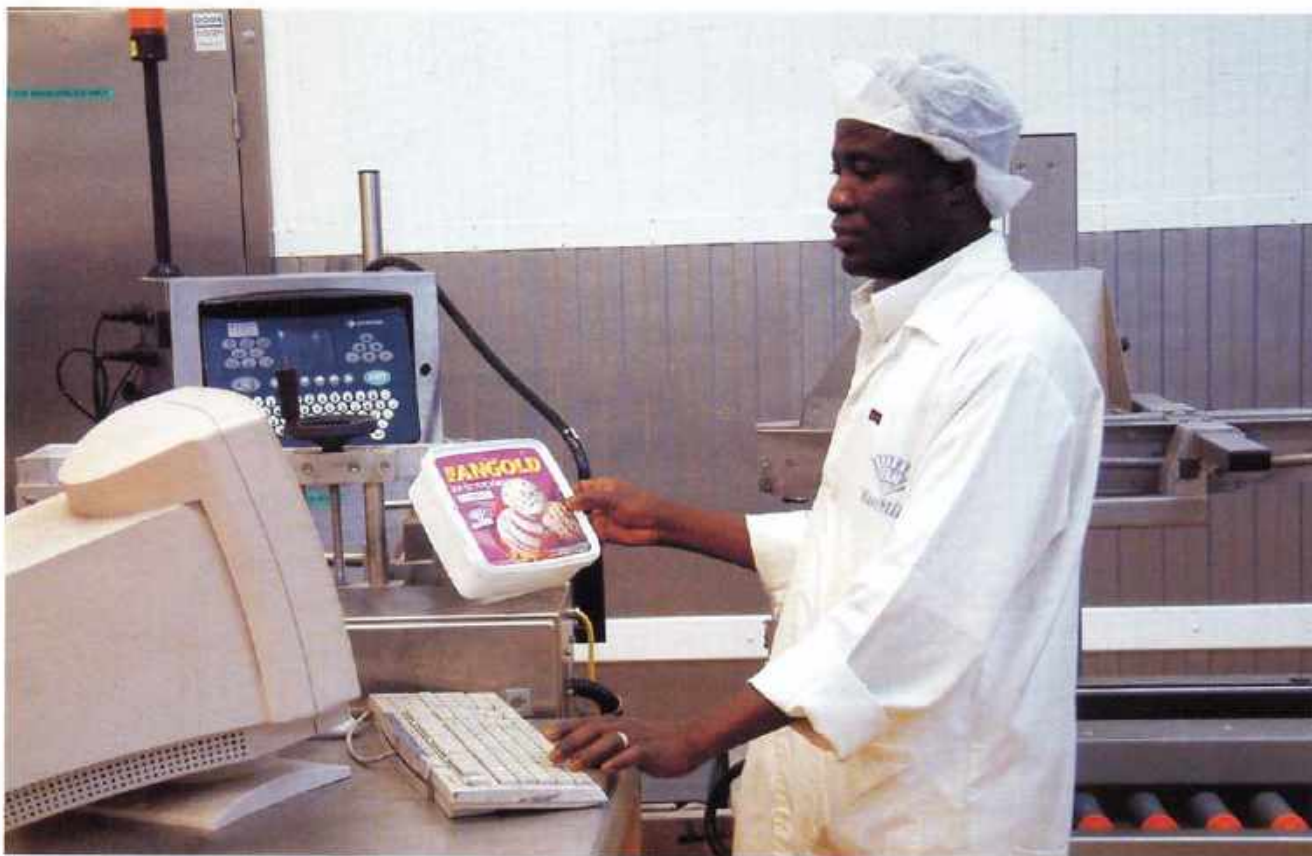
Mixing Group Leader operating the new C.I.P. equipment.

## Financial Highlights

(Amounts in million cedis except per share)

	2004	2003	2002	2001
Profit After Taxation	27,495	19,270	11,697	6,283
Earnings Per Share	1,390	974	591	318
Total Shares Issued	19,784,548	19,784,548	19,784,548	19,784,548
Dividend Per Share	¢300.00	¢200.00	¢150.00	¢100.00
<b>Year End:</b>				
Total Assets	119,028	72,628	53,236	39,882
Shareholders' Fund	58,935	37,375	22,062	13,333
Permanent Staff	374	331	340	358
<b>Stock Price Range:</b>				
High	20,000	3,800	1,785	1,000
Low	3,800	1,785	901	750





Checking of product information on bulk ice cream.

## Financial Highlights

(Continued)

### Distribution of Gross Sales

(Amounts in million cedis)

	2004	%	2003	%
Gross Sales	289,900	100.0	189,975	100.0
Net Sales	255,369	88.1	168,867	88.9
Cost of Sales	142,416	49.1	85,970	45.3
Selling, General and Admin Expenses	75,940	26.2	54,411	28.6
VAT	34,531	11.9	21,108	11.1
National Reconstruction Levy	967	0.3	726	0.4
Income Tax	10,220	3.5	9,032	4.8
<b>Transfer to Income</b>				
Surplus Account	27,495	9.5	19,270	10.1
Other Income	(1,669)	(0.6)	(542)	(0.3)

# 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 (Resigned 4 / 9 / 2004)  
George Herbert Okai Thompson  
Peace Ayisi-Okyere

## 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 & Associates  
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 Ltd.  
Martco House  
Post Office Box 9563  
Airport, Accra

## Bankers

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



Dr. Charles Mensa (Chairman)



Jesper Bjørn Jeppesen (Managing Director)



Kodjo Biamawu Aziagbe



Einar Mark Christensen



Jens Jorgen Kollerup



George Herbert Okai Thompson



Peace Ayisi-Okyere

## Board Members



# Shareholding Distribution

The Company had 3,670 shareholders as at December 31, 2004

with equal voting rights distributed as follows:

Category of Holdings	No. of Shareholders	Total holding	% Holding
1 to 1,000	2,557	616,923	3.12
1,001 to 5,000	983	2,382,529	12.04
5,001 to 10,000	89	706,284	3.57
Over 10,000	41	16,078,812	81.27
<b>Totals</b>	<b>3,670</b>	<b>19,784,548</b>	<b>100.00</b>

Details of the twenty (20) largest Shareholders as at December 31, 2004

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. BBGNRE Epack Investment Fund	366,962	1.85
5. BBGN/Unilever Ghana Managers Pension Fund	282,785	1.43
6. Social Security & National Insurance Trust	247,800	1.25
7. BBG/Unilever Ghana Provident Fund	137,725	0.70
8. DBL Trading A/C	73,885	0.37
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. Ecobank Stockbrokers Limited	41,123	0.21
13. Nduom Kwesi P. Dr.	39,838	0.20
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. Nii Kwabia Ayete	24,494	0.12
18. Lartey, Elizabeth L.	23,377	0.12
19. NTHC Client A/C	23,342	0.12
20. Gold Coast S. Limited. ITF	22,071	0.11
<b>Total</b>	<b>15,807,391</b>	<b>79.88</b>
<b>Directors' Shareholding</b>		
1. Kodjo Biamawu Aziagbe	6,000	
2. Peace Ayisi-Okyere	18	
<b>Total</b>	<b>6,018</b>	



# Notice of Meeting

Notice is hereby given that the forty-fourth Annual General Meeting of Fan Milk Limited will be held at the Accra International Conference Centre, Accra on Thursday May 19, 2005 at 11:00 am 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, 2004 and the report of the Auditors thereon.
2. To declare a dividend on the Company's Share in respect of the year ended December 31, 2004.
3. To re-elect as a Director, Kodjo Biamawu Aziagbe who retires by rotation.
4. To re-elect as a Director, Einar Mark Christensen who retires by rotation.
5. To fix the remuneration of the Directors.
6. To authorise the Directors to fix the remuneration of the Auditors.

By order of the Board

Lennap & Co., Farrar Avenue

March 2, 2005

## 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.*





Water Chiller Compressor.

## Directors' Report 2004

### 1. Introduction

The Directors have pleasure in presenting to members of Fan Milk Limited, the Annual Report and Audited Accounts of the Company for the year ended December 31, 2004.

### 2. Statement of Directors' Responsibilities

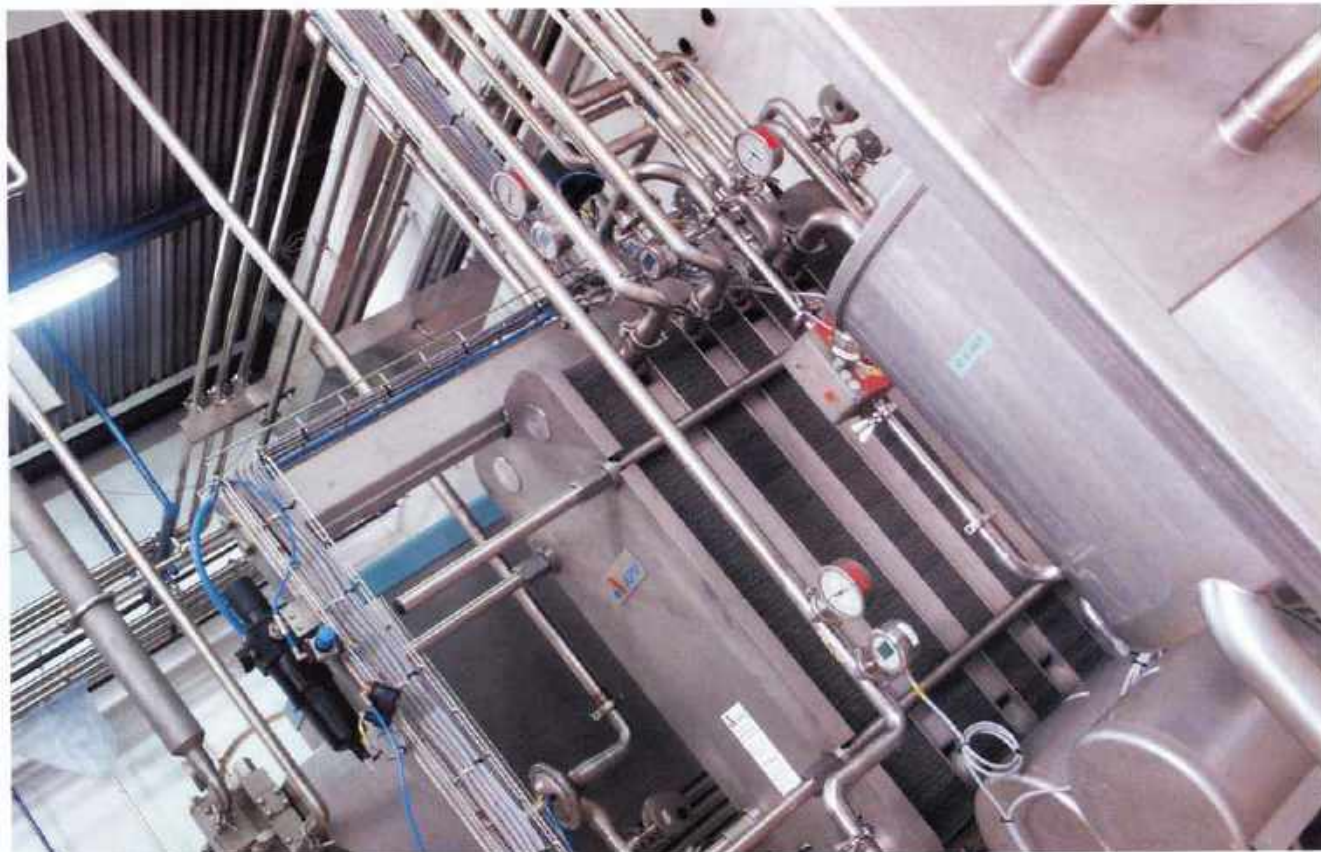
The Directors are responsible for the preparation of financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss and cash flow for the period. In preparing those financial statements, the Directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and have 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 and distribution of dairy products and fruit drinks.





New Pasteurizing Line.

## Directors' Report 2004

(Continued)

### 4. The Macro Economic Environment

The overall macro-economic environment of the country in the year 2004 was good, with the HIPC completion point reached during the year.

The Cedi depreciated against all the major currencies in 2004. Against the US Dollar, the Cedi depreciated modestly by 2.2%, but 9.8% against the Euro. There was relative stability in the currency movements throughout 2004 when compared to 2003.

The Bank of Ghana prime rate dropped from 21.5% at the beginning of 2004 to 18.5% by the end of December 2004, whereas the base rates for the major banks hovered around 25% to 26%.

Inflation reduced significantly from 24% at the beginning of the year to 11.8% as at December 2004.

Government revenues and grants exceeded the targets but expenditures were also above the projected budget. The deficit was however secured by debt relief under the HIPC initiative.

# Directors' Report 2004

(Continued)

## 5. Financial Highlights

The continued stable macro-economic environment of the country impacted positively on the activities of your Company. The operating profit for the year increased from ₵28.5 billion in 2003 to ₵37 billion in 2004.

Net sales for the year under review increased by approximately 51.2% from ₵169 billion achieved in 2003 to ₵225 billion in 2004. However, cost of sales increased by 65.7% mainly as a result of higher depreciation charges as well as higher costs of imported raw materials, following the depreciation of the Euro against the Cedi. Likewise Selling, General and Administrative Expenses increased by 39.7% and were predominantly accounted for by higher depreciation charges as a result of continued capital expenditure investment. Also, in the light of increased selling activities, various sales and distribution expenses went up.

The operational results are summarised below:

(All amounts are expressed in millions of cedis)

	2004	2003	Cedi Change	% Change
Turnover	255,369	168,867	86,502	51.2%
Cost of Sales	(142,416)	(85,970)	(56,443)	65.7%
Selling, General and Administrative Expenses	(75,940)	(54,411)	(21,530)	39.6%
Operating Profit	37,013	28,486	8,528	29.9%
Other Income	1,669	542	1,127	207.9%
Profit before Taxation & Nat. Rec. Levy	38,682	29,028	9,640	33.2%
Profit After Taxation	27,495	19,270	8,225	42.7%

## 6. Dividend

In view of the satisfactory performance of your Company, the Board is pleased to recommend a 50% increase in dividend amounting to three hundred Cedis (₵300) per share for the financial year 2004. The total amount payable as dividend will be five billion, nine hundred and thirty-five million, three hundred and sixty-four thousand and four hundred cedis, ₵5,935,364,400; (2003:₵3,956,909,600).

## 7. Performance On The Stock Market

During the year under review, shareholders might have noticed the strong performance of your Company as evidenced in its published quarterly reports. Accordingly, the price of Fan Milk Limited shares grew by as much as 426% in 2004. The shares opened the year 2004 at ₵3,800 per share, and closed at ₵20,000 by the year end. This performance indeed made Fan Milk Limited the most attractive and profitable investment on the Ghana Stock Exchange in 2004.



## 8. Directors

During the year under review, Mr. Kim H. Rasmussen, Managing Director of Fan Milk PLC, Nigeria resigned from the Board in order to concentrate on local management matters. The Board would like to thank Mr. Kim H. Rasmussen for his contribution to Board issues during his tenure.

Furthermore, and in accordance with Section 298 of the Companies Code 1963 (ACT 179), and the Company's Regulation 61 (2 a&b), Mr. Kodjo Biamawu Aziagbe and Mr. Einar Mark Christensen retire from the Board by rotation, and being eligible, they offer themselves for re-election.

## 9. Directors' Fees

In accordance with the section 67 (3) of the Company's Regulations, 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 2005:

The Chairman	- ₦ 12,600,000.00
Other Directors	- ₦ 9,800,000.00

## 10. Auditors

The Auditors of the Company, 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 2005.

## 11. Fan Milk and the Environment

It is the objective of Fan Milk Limited, 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.

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 treatment facility to purify water.

Additionally, this year your Company will be making investments into a new waste water treatment plant, which will be located at our factory. The plant will treat waste water from the production process in accordance with Environmental Protection Agency (EPA) standards.

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.

In 2005, your Company has provided two vehicles to City Waste Management Company Limited, one of which is fitted with a compactor. This gesture is a further manifestation of our social commitments to eliminate plastic waste in the country.



# Directors' Report 2004

(Continued)

## 12. Capital Expenditure

During the financial year under review, Fan Milk Limited used approximately ₵58.5 billion in capital expenditure. Among the more significant projects embarked upon were the purchase of land in Kaase and Tema, construction of additional cold room facilities in Kaase and factory expansion in Accra.

In 2005, your Company plans to continue with its investments into production and distribution facilities. Fan Milk Limited will make efforts to ensure that its production, distribution and marketing activities are always up to a standard that will meet the challenging times ahead of us.

Accordingly, the Company plans to invest about ₵55 billion in the aforementioned areas of its operations during 2005.

## 13. Outlook For 2005 And Beyond

We anticipate the general macro-economic conditions of the country to continue improving during 2005 and in the forthcoming years. Thus in this climate, we foresee the future prospects of your Company to remain good.

## 14. Acknowledgment

The Board of Directors wish to express their appreciation to 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





Assistant Manager - Production, operating the SCADA SYSTEM.

## 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.



One of the new refrigerated products haulage truck.

## Corporate Governance

(Continued)

### 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 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.

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

We have audited the financial statements set out on pages 17 - 28.

### Respective Responsibilities of Directors and Auditors

As stated on page 9, 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, 2004 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).

*Price Waterhouse Coopers*

Chartered Accountants

Accra.

March 2, 2005

PRICEWATERHOUSECOOPERS



Packing of ice cream in cups using the Primodan machine.

## Profit and Loss Account

for the year ended December 31, 2004

(All amounts are expressed in millions of cedis)

	Note	2004	2003
<b>Turnover</b>	1	255,369	168,867
Cost of Sales	2	(142,416)	(85,970)
<b>Gross Profit</b>		112,953	82,897
Selling, General and Administrative Expenses	3	(75,940)	(54,411)
<b>Operating Profit</b>		37,013	28,486
Other income	4	1,669	542
<b>Net Profit before taxation &amp; Levy</b>		38,682	29,028
National Reconstruction Levy and Nat. Rec. Levy	5	(967)	(726)
<b>Net Profit before taxation</b>		37,715	28,302
Taxation	6	(10,220)	(9,032)
<b>Net Profit after taxation transferred to Income Surplus Account</b>		<u>27,495</u>	<u>19,270</u>





Quality Assurance Manageress and Co-ordinator discussing an issue related to the new YOGO (Howaru) product.

## Income Surplus Account

*for the year ended December 31, 2004*

*(All amounts are expressed in millions of cedis)*

	2004	2003
Balance at January 1	31,375	16,062
Net Profit for the year	27,495	19,270
	58,870	35,332
Dividend	7 (5,935)	(3,957)
<b>Balance at December 31</b>	<b>52,935</b>	<b>31,375</b>

*The accounting policies and notes on pages 22 to 28 form an integral part of these financial statements.*

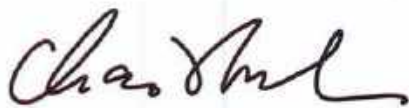
# Balance Sheet

as at December 31, 2004

(All amounts are expressed in millions of cedis)

	Note	2004	2003
<b>Property, Plant and Equipment</b>	8	<u>71,749</u>	<u>30,884</u>
<b>Current Assets</b>			
Inventories	9	40,520	24,748
Trade and Other Receivables	10	2,870	6,190
Bank and Cash Balances		<u>3,889</u>	<u>10,806</u>
		<u>47,279</u>	<u>41,744</u>
<b>Current Liabilities</b>			
Trade and Other Payables	11	44,632	27,602
Bank Overdraft	12	8,866	806
Tax	6	173	2,559
Dividend	7	<u>6,422</u>	<u>4,286</u>
		<u>60,093</u>	<u>35,253</u>
<b>Net Current (Liabilities) / Assets</b>		<u>(12,814)</u>	<u>6,491</u>
<b>Net Assets</b>		<u>58,935</u>	<u>37,375</u>
<b>Represented by:</b>			
Stated Capital	13	6,000	6,000
Income Surplus Account		<u>52,935</u>	<u>31,375</u>
<b>Shareholders' Fund</b>		<u>58,935</u>	<u>37,375</u>

The financial statements on pages 17 to 28 were approved by the Board of Directors on March 2, 2005 and signed on its behalf by:

  
Director

  
Director

The accounting policies and notes on pages 22 to 28 form an integral part of these financial statements.





Water Chiller System.

## Statement of Changes In Equity

*(All amounts are expressed in millions of pesos)*

### Year ended December 31, 2004

At the beginning of the year

Net profit

Proposed dividend

At the end of the year

### Year ended December 31, 2003

At the beginning of the year

Net Profit

Proposed dividend

At the end of the year

	Stated Capital	Income surplus account	Total
At the beginning of the year	6,000	31,375	37,375
Net profit	-	27,495	27,495
Proposed dividend	-	(5,935)	(5,935)
At the end of the year	<u>6,000</u>	<u>52,935</u>	<u>58,935</u>
At the beginning of the year	6,000	16,062	22,062
Net Profit	-	19,270	19,270
Proposed dividend	-	(3,957)	(3,957)
At the end of the year	<u>6,000</u>	<u>31,375</u>	<u>37,375</u>

The accounting policies and notes on pages 22 to 28 form an integral part of these financial statements.

# Cash Flow Statement

as at December 31, 2004

*(All amounts are expressed in millions of cedis)*

	Note	2004	2003
<b>Cash Flow from Operating Activities</b>			
Cash generated from operations	14	59,994	40,857
Interest paid	3	(778)	(1,367)
Interest received	4	620	42
Tax paid	6	<u>(12,606)</u>	<u>(5,993)</u>
<b>Net cash generated from operating activities</b>		<u>47,230</u>	<u>33,539</u>
<b>Cash Flow from Investing Activities</b>			
Purchase of property, plant and equipment	8	(58,502)	(14,798)
Proceeds from sale of plant and equipment	8	94	192
<b>Net cash used in investing activities</b>		<u>(58,408)</u>	<u>(14,606)</u>
<b>Cash Flow from Financing Activities</b>			
Dividend Paid		<u>(3,799)</u>	<u>(2,811)</u>
<b>Net cash used in financing activities</b>		<u>(3,799)</u>	<u>(2,811)</u>
<b>Increase in Cash and Cash Equivalents</b>		(14,977)	16,122
Cash and cash equivalents at the beginning of the year	15	<u>10,000</u>	<u>(6,122)</u>
Cash and cash equivalents at the end of the year	15	<u>(4,977)</u>	<u>10,000</u>

*The accounting policies and notes on pages 22 to 28 form an integral part of these financial statements.*



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, 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 in general include 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. Trade Receivables**

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

**e. Revenue**

Sales was recognised upon dispatch of products to the depots up to July 31, 2004. Thereafter sales was recognised at the depots when the risk and rewards to the products had been substantially transferred to the customer. Sales are shown net of returns and value added tax.



Mixing Operator preparing to process a new batch of products using the new processing line.

## Accounting Policies

(Continued)

f. **Foreign Currencies**

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



Sealing of Fanyogo product bags with a Saxon 2 Heat Sealer.

## Accounting Policies

(Continued)

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.

# Notes to the financial statements

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

## 1. Turnover

Gross Sales

289,900      189,975

Value Added Tax

(34,531)      (21,108)

255,369      168,867

## 2. Cost of Sales

This item includes Depreciation of factory buildings and plant and machinery

6,776      3,548

## 3. Selling, General and Administrative Expenses

Include the following:

Depreciation - Other Assets

10,846      5,975

Directors' Remuneration

750      548

Auditors' Remuneration

108      100

Donations

212      93

Interest on Overdraft

778      1,367

## 4. Other Income

Profit on Sale of Fixed Assets (Note 8d)

79      93

Interest on Current Accounts

620      42

Sale of empty bags and scraps

445      232

Exchange gain

50      169

Technical service income

33      6

Rent income

435      0

Bad debts recovered

7      0

1,669      542

## 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. Taxation

### (i) Current Income Tax

2003

2,559      0      2,708      (149)

2003 - under provision

0      149      0      149

2004

0      10,071      9,828      243

Tax Credit

0      0      70      (70)

Total

2,559      10,220      12,606      173

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

### (ii) Deferred Income Tax

As at December 31, 2004, the company had a potential deferred income tax liability of ₡3,139 million (2003: ₡1,730 million) which has not been provided because it is not expected to crystallise within the foreseeable future based on the company's capital expenditure projections.





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

## 7. Dividends Payable

Balance at 1 January
Dividend Proposed
¢300 per share (2003: ¢200)
Dividend Paid
<b>Balance at 31 December</b>

2004	2003
4,286	3,140
5,935	3,957
<u>10,221</u>	<u>7,097</u>
<u>(3,799)</u>	<u>(2,811)</u>
<u><b>6,422</b></u>	<u><b>4,286</b></u>

## 8. Property, Plant and Equipment

	Buildings and Roads	Leasehold Land	Motor Vehicles	Plant / Machinery	Total
<b>a. Cost / valuation</b>					
Balance at Jan. 1, 2004	11,473	381	14,888	44,876	71,618
Revaluation	293	0	0	7	300
	<u>11,766</u>	<u>381</u>	<u>14,888</u>	<u>44,883</u>	<u>71,918</u>
Additions	7,709	0	8,965	41,828	58,502
Disposal	0	0	(285)	(114)	(399)
Balance at Dec. 31, 2004	<u><b>19,475</b></u>	<u><b>381</b></u>	<u><b>23,568</b></u>	<u><b>86,597</b></u>	<u><b>130,021</b></u>
<b>b. Depreciation</b>					
Balance at Jan. 1, 2004	4,729	0	10,816	25,189	40,734
Revaluation	293	0	0	7	300
	<u>5,022</u>	<u>0</u>	<u>10,816</u>	<u>25,196</u>	<u>41,034</u>
Charge for the year	1,279	9	5,627	10,707	17,622
Disposal	0	0	(285)	(99)	(384)
Balance at Dec. 31, 2004	<u><b>6,301</b></u>	<u><b>9</b></u>	<u><b>16,158</b></u>	<u><b>35,804</b></u>	<u><b>58,272</b></u>
<b>Net book Value 31-12-04</b>	<u><b>13,174</b></u>	<u><b>372</b></u>	<u><b>7,410</b></u>	<u><b>50,793</b></u>	<u><b>71,749</b></u>
<b>Net book Value 31-12-03</b>	<u><b>6,744</b></u>	<u><b>381</b></u>	<u><b>4,072</b></u>	<u><b>19,687</b></u>	<u><b>30,884</b></u>

Included in the net book value of buildings and roads of **¢13,174 million** (2003: ¢6,744 million), are buildings with a net value of **¢9,637 million** (2003: ¢2,536 million) which the company acquired but is in the process of obtaining the title deeds.

- 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:**

	2004	2003
Cost of assets	399	533
Accumulated depreciation	(384)	(434)
Net book value	<u>15</u>	<u>99</u>
Proceeds on disposal	(94)	(192)
Profit on disposal of plant and equipment	<u><b>(79)</b></u>	<u><b>(93)</b></u>

# Notes to the financial statements

(Continued)

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

## 9. Inventories

Raw materials  
Finished goods  
Work in progress  
Goods in transit  
Other stocks

2004	2003
13,247	7,800
3,949	1,545
42	184
22,941	14,984
341	235
<u>40,520</u>	<u>24,748</u>

## 10. Trade and Other Receivables

Trade Receivables  
Other Debtors  
Staff Debtors  
Prepayments  
National Reconstruction levy

1,972	5,847
78	46
433	136
317	161
70	0
<u>2,870</u>	<u>6,190</u>

The maximum amount due from staff of the company did not at any Particular time during the year exceed **¢433 million** (2003 -¢147 million).

## 11. Trade and Other Payables

Trade creditors  
Other creditors  
Accruals  
National reconstruction levy

34,550	19,340
9,050	7,594
1,032	608
0	60
<u>44,632</u>	<u>27,602</u>

## 12. Bank Overdrafts

The company has been granted overdraft facilities by its bankers during the financial year 2004 of an amount not exceeding at any time **¢16 billion** (2003: ¢14 billion).

## 13. Stated Capital

	No. of shares 2004	Proceeds 2004	No. of shares 2003	Proceeds 2003
<b>Authorised</b>				
Ordinary Shares of no par value	<u>40,000,000</u>		<u>40,000,000</u>	
<b>Issued</b>				
For Cash	19,784,548	194	19,784,548	194
Capitalisation of Surplus	<u>0</u>	<u>5,806</u>	<u>0</u>	<u>5,806</u>
	<u>19,784,548</u>	<u>6,000</u>	<u>19,784,548</u>	<u>6,000</u>

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

(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:

	2004	2003
Operating profit	37,715	28,302
Depreciation	17,622	9,523
Interest paid	778	1,367
Interest received	(620)	(42)
Increase in inventories	(15,772)	(5,759)
Decrease in trade and other receivables	3,320	793
Increase in trade and other payables	17,030	6,766
Profit on disposal of plant and equipment	(79)	(93)
	<u>59,994</u>	<u>40,857</u>

**15. Cash and Cash Equivalents**

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

Bank and Cash Balances	3,889	10,806
Bank Overdraft	(8,866)	(806)
	<u>(4,977)</u>	<u>10,000</u>

**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:

	2004	2003
(i) <b>Purchase of goods</b> Emidan A/S	139,075	67,200
(ii) <b>Sales of goods</b> Fan Milk S.A., Togo	123	64
(iii) <b>Year end balance arising from purchase of goods</b> Emidan A/S	29,381	16,804
(iv) <b>Year end balance arising from sale of goods</b> Fan Milk S.A., Togo	44	12

**17. Capital Commitments**

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

Fixed assets approved but not contracted	49,572	34,723
Fixed assets contracted	5,910	6,016
	<u>55,482</u>	<u>40,739</u>

**18. Contingent Liabilities**

There were no contingent liabilities at the balance sheet date (2003: Nil).

**19. Change in accounting policy**

The company changed its accounting policy on revenue recognition during the year and adopted the prospective treatment of the effect of the change.

Revenue is now recognised upon delivery of products and customer acceptance. Previously, revenue was recognised upon dispatch of products to the depots.

The change in policy was adopted to ensure a more appropriate presentation of revenue and stocks. Had the policy been in effect, in previous year, the sales revenue for 2003 would have decreased by ₺3,518 million and finished Goods stock balances would have increased by ₺1,181 million.

# Proxy Form

If you wish to vote at the Annual General Meeting of Fan Milk Limited but are unable to attend in person, you may appoint a proxy to act on your behalf by completing this form.

I / We hereby appoint the Chairman of the meeting

*If you wish to appoint someone other than the Chairman as your proxy, delete the words "the Chairman of the meeting" and insert the full name of your proxy*

as my/our proxy to attend and vote on my/our behalf at the Annual General Meeting of Fan Milk Limited to be held at the Accra International Conference Centre, Accra on Thursday May 19, 2005 at 11:00 am and at any adjournment thereof.

	FOR	AGAINST
Resolution 1. To receive the Report of the Directors, the Balance Sheet and Accounts as at December 31, 2004 and the report of the Auditors thereon .....	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2. To declare a dividend on the Company's share in respect of the year ended December 31, 2004 .....	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3. To re-elect as a Director, Kodjo Biamawu Aziagbe who retires by rotation.....	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4. To re-elect as a Director, Einar Mark Christensen who retires by rotation.....	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5. To fix the remuneration of the Directors .....	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6. To authorise the Directors to fix the remuneration of the Auditors .....	<input type="checkbox"/>	<input type="checkbox"/>

Shareholder's name: \_\_\_\_\_

Shareholder's signature: \_\_\_\_\_

Date

2005

**Notes:**

1. To be valid, this proxy must be signed and posted to or deposited at the address overleaf not less than 48 hours before the time appointed for holding the meeting. Failure to do so will result in the proxy not being admitted to the meeting.
2. In the case of a corporation, the form must be under seal or under the hand of a duly authorised officer.
3. Completion and return of this proxy form does not prevent a shareholder from attending the meeting and voting in person, in which case any votes cast by the proxy will be excluded.

## Shareholder Admission Card

**Fan Milk Limited, Annual General Meeting, May 19, 2005**

**Important:**

- a) The Admission Form must be produced by the member or his proxy to obtain admission to the Annual General Meeting.
- b) Shareholders or their proxies are requested to sign the Admission Form before attending the meeting.

\_\_\_\_\_  
Name of Shareholder

\_\_\_\_\_  
Signature of Shareholder

\_\_\_\_\_  
Name of Person Attending

\_\_\_\_\_  
Signature of Person Attending

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**National Trust Holding Company Ltd.**

Registrar's Department

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P. O. Box 9563

Airport - Accra

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# YOGO



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