Fan Milk Limited
annual report & accounts

DRIL

2007

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Financial
Highlights

FanMilk

(Amounts in GH¢'000 except per share)

	2007	2006	2005	2004
Profit After Taxation	4,354	3,311	3,522	2,750
Earnings Per Share	0.2201	0.1674	0.1780	0.1390
Total Shares Issued	19,784,548	19,784,548	19,784,548	19,784,548
Dividend Per Share	0.0575	0.0460	0.0400	0.0300
Year End:				
Total Assets	23,707	18,448	15,798	11,903
Shareholders' Fund	15,484	10,989	8,624	5,894
Permanent Staff	378	374	380	374
Stock Price Range:				
High	2.3900	1.8002	2.0000	2.0000
Low	1.8002	1.5800	1.5000	0.3800

Distribution of Gross Sales

	2007	%	2006	%
Gross Sales	47,426	100.0	37,231	100.0
Net Sales	41,068	86.6	32,375	87.0
Cost of Sales	21,448	45.2	16,982	45.6
Distribution Costs	9,834	20.7	7,875	21.2
Administrative Expenses	3,814	8.0	2,969	8.0
Finance Costs	221	0.5	305	0.8
VAT	6,358	13.4	4,856	13.0
Income Tax	1,650	3.5	1,180	3.2
Transfer to Income				
Surplus Account	4,354	9.2	3,311	8.9
Other Income	(253)	(0.5)	(247)	(0.7)

Operational Results

(Amounts in Gh¢'000)	2007	2006	Change	%Change
Net Sales	41,068	32,375	8,693	26.9%
Cost of Sales	(21,448)	(16,982)	(4,466)	26.3%
Distribution Costs	(9,834)	(7,875)	(1,959)	24.9%
Administrative Expenses	(3,814)	(2,969)	(845)	28.5%
Finance Costs	(221)	(305)	84	(27.5)%
Other Income	253	247	6	2.4%
Profit before Taxation	6,004	4,491	1,513	33.7%
Income Tax	1,650	1,180	480	40.7%
Profit after Taxation	4,354	3,311	1,033	31.2%

Corporate *Information*

Dr. Charles Mensa (Chairman)

Jesper Bjørn Jeppesen (Managing Director)

Kodjo Biamawu Aziagbe

Peace Ayisi-Okyere

Einar Mark Christensen

George Herbert Okai Thompson

Jens Jorgen Kollerup

Directors	Charles Mensa (Dr.) (Chairman) Jesper Bjørn Jeppesen (Managing Director) Kodjo Biamawu Aziagbe Peace Ayisi-Okyere Einar Mark Christensen George H. Okai Thompson Jens Jorgen Kollerup
Secretary	Lennap & Co. P.O. Box 37 Accra
Auditors	PricewaterhouseCoopers Chartered Accountants No. 12 Aviation Road Una Home, 3rd Floor Airport City PMB CT 42 Cantonments Accra
Registered Office	No.1 Dadeban Road North Industrial Area P.O. Box 6460 Accra-North
Solicitors	Quist, Brown, Wontumi & Associates P.O. Box 7566 Accra
Registrar & Transfer Office	National Trust Holding Company Limited Martco House P.O. Box 9563 Airport, Accra
Bankers	Barclays Bank of Ghana Limited Ecobank Ghana Limited SG-SSB Bank Limited Prudential Bank Limited Agricultural Development Bank Limited Ghana Commercial Bank Limited

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Shareholding *Distribution*

The Company had 4,348 shareholders as at December 31, 2007 with equal voting rights distributed as follows:

Category of Holdings	Shareholders	Holders %	No. Of Shares	% of Holding
1 to 1,000	3,233	74.36	728,506	3.68
1,001 to 5,000	960	22.08	2,287,840	11.57
5,001 to 10,000	98	2.25	763,909	3.86
Over 10,000	57	1.31	16,004,293	80.89
Totals	**4,348**	**100.00**	**19,784,548**	**100.00**

Details of the twenty (20) largest Shareholders as at December 31, 2007

Name of shareholder	No. of Shares	Percentage (%)
1. Fan Milk International A/S, DK	7,365,955	37.23
2. Industrialization Fund For Developing Countries, DK	3,604,420	18.22
3. Enterprise Insurance Company Limited	1,590,172	8.04
4. BBGN/JP Morgan Chase Onshore	1,000,000	5.05
5. BBGN RE Epack Investment Fund	761,321	3.85
6. BBGN / Unilever Ghana Managers Pension Fund	261,860	1.32
7. Social Security & National Insurance Trust	247,800	1.25
8. BBG/ Unilever Ghana Provident Fund	136,716	0.69
9. SSNIT (SOS) Fund	55,954	0.28
10 BBGN/Elac Policy Holders Fund	54,332	0.27
11. Asare, James Kwadwo	50,000	0.25
12. Fieler Sean	48,499	0.25
13. G. P. H. A. End of Service Benefits	39,250	0.20
14. Nduom Kwesi P. Dr.	36,738	0.19
15 BBGN/GBL Managers Pension Fund	33,800	0.17
16. Fan Milk Limited Staff Provident Fund	32,820	0.17
17. State Insurance Company of Ghana Ltd.	30,000	0.15
18. Taylor, Theophilus Bonney	26,990	0.14
19. Ababio, Alex Ransford Dr.	25,200	0.13
20. Ecobank Staff Savings Scheme	25,100	0.13
Total	**15,426,927**	**77.98**

Directors' Shareholding	
1. Kodjo Biamawu Aziagbe	6,000
2. Peace Ayisi-Okyere	18
Total	**6,018**

Notice
of Meeting

Notice is hereby given that the forty-seventh Annual General Meeting of Fan Milk Limited will be held at the National Theatre, Accra on Thursday May15, 2008 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, 2007 and the report of the Auditors thereon.
2. To declare a dividend on the Company's Shares in respect of the year ended December 31, 2007.
3. To re-elect as a Director, Mr. Kodjo Biamawu Aziagbe who retires by rotation.
4. To re-elect as a Director, Mr. 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

Secretary
Lennap & Co., Farrar Avenue

March 13, 2008

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.

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1. Introduction

The Directors are pleased to present to members of Fan Milk Limited, the Annual Report and Audited Accounts of the Company for the year ended December 31, 2007.

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 that 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 International Financial Reporting Standards (IFRS).

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. First time Adoption of IFRS

As demanded by the Securities and Exchange Commission (SEC) on all listed companies, your Company for the first time in 2007 changed the basis for preparation of its Financial Statements from Ghana National Accounting Standards to IFRS.

The change in basis resulted in the reclassification and restatement of comparative figures.

4. Principal Activity

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

5. The Macro Economic Environment

The volatility of crude oil prices during 2007 brought the economy under some inflationary pressures. The national target of single digit inflation was missed. Year end inflation for 2007 was recorded at 12.7% with the average for the year being 10.7%. The power rationing programme, which commenced in August 2006 as a result of the low water level of the Volta Lake, ended on September 30, 2007. During the period of the power rationing, the Volta River Authority and the Electricity Corporation of Ghana successfully installed emergency power plants, which to a large extent eased the effects of the power crises. However, two major increases in electricity tariffs during the year were introduced.

There was appreciable availability of foreign exchange throughout the year, but the Ghana Cedi depreciated against the major currencies. Against the US dollar, the Ghana Cedi depreciated by 5.0%, while against the Euro, the Ghana Cedi depreciated by 17.5%.

On July 1, 2007 the Bank of Ghana redenominated the Cedi with the introduction of the Ghana Cedi, which was equivalent to Cedi 10 thousand. From January 1, 2008, the old currency ceased to be legal tender.

Remittances from Ghanaians abroad to the country increased by 19.3% during 2007 over the 2006 levels.

Bank interest rates remained at high levels during the year. Although base rates averaged 18.0% to 21.5%, lending rates hovered between 19.9% and 28.0%.

These were the relatively favourable conditions under which your Company operated in the year under review.

6. Financial Highlights

The table below illustrates a summary of the financial performance of the Company:
The operational results are summarised below:

(All amounts are expressed in thousands of GH¢)	2007	2006*	Change	% Change
Net Sales	41,068	32,375	8,693	26.9
Cost of Sales	(21,448)	(16,982)	(4,466)	26.3
Distribution Costs	(9,834)	(7,875)	(1,959)	24.9
Administrative Expenses	(3,814)	(2,969)	(845)	28.5
Finance Costs	(221)	(305)	84	27.5
Other Income	253	247	6	2.4
Profit Before Taxation	6,004	4,491	1,513	33.7
Income Tax	(1,650)	(1,180)	(470)	39.8
Profit After Taxation	4,354	3,311	1,043	31.5

* Comparative figures for 2006 have been restated in accordance with the adoption of IFRS.

7. Dividend

The Board is pleased to recommend an increase of 25% in dividends from GH¢ 0.0460 to GH¢ 0.0575 per share. The total amount payable as dividend will be GH¢ 1,137,611.51 (2006: GH¢ 910,089.21).

8. Performance On The Stock Market

In 2007, the share price of Fan Milk Limited moved upwards from GH¢ 1.8002 at the beginning of the year to GH¢ 2.3900 by December 31, 2007 registering an increase in value of 32.8%.

9. Directors

In accordance with Section 298 of the Companies Code, 1963 (ACT 179), and the Company's Regulation 61 (2a&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.

10. Directors' Fees

In accordance with Section 67 (3) of the Company's Regulations, fees payable to the Directors shall not be increased except in pursuant 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 that the General Meeting approves payment of Directors' remuneration not exceeding the sum of Gh¢ 160,200 representing approximately 25% on Directors' Fees for 2007.

11. 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 their remuneration for the year 2008.

12. Capital Expenditure

Capital investments made during year 2007 totalled GH¢ 3.1 million. The investments included:

- Various distribution equipment including jumbo crates, trucks, bikes, freezers and coolers.
- A jumbo crate washing plant.
- Dehumidifying Equipment
- Four ice cream packing machines.
- Construction of new offices at the Factory.

13. Outlook for 2008 and Beyond

External pressures such as escalating crude oil and food prices as well as a weakening US dollar could negatively impact on the national economy during 2008. As such, consumer spending and general economic activities could be lower than anticipated. Nonetheless, the Directors' are optimistic of the growth and profitability of your Company and hence the planning of the first phase of the new factory at the Tema Harbour Road site is ongoing. A new spiral freezer to increase our freezing capacity will be installed at our present factory in 2008. In order to improve on the nationwide presence of the Company, we shall acquire additional haulage trucks, sales vans, freezers and coolers, and also augment the vending force with more bicycles and push carts.

14. Disclosure on Significant Change in Shareholding Structure

The Ghana Stock Exchange announced on February 8, 2008, the acquisition of the shares of the Industrialization Fund for Developing Countries (IFU) in Fan Milk Limited by Fan Milk International A/S, Denmark (FMI). The acquisition involved the purchase of all of IFU's 3,604,420 ordinary shares, bringing the total shares held by FMI to 10,970,375 constituting 55.449% of the total issued shares of Fan Milk Limited.

12. Acknowledgment

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

On behalf of the Board

Dr. Charles Mensa
Chairman

Jesper Bjorn Jeppesen
Managing Director

Corporate Social Responsibility

Fan Milk Limited is committed to conducting its business in a transparent, socially and environmentally responsible manner. The following are highlights of practices and activities of Fan Milk Limited conducted during year 2007 in furtherance of this commitment.

Ethics

Fan Milk Limited prides itself as an ethical corporate citizen. In this regard your Company operates in accordance with the laws of Ghana. Furthermore, Fan Milk Limited complies with all regulations and tax laws relevant to its business.

Environment

In 2007, Fan Milk Limited strengthened its partnership with the Ghana National Scholarships Beneficiaries Association (GNASBA) in the area maintaining the environment. Fan Milk Limited continues to be a proud sponsor of the numerous activities such as tree planting, cleanup campaigns and malaria awareness programmes organised by GNASBA. Support to GNASBA included cash, refreshments and our presence at their durbars.

On a weekly basis, we donate a significant quantity of sacks to GNASBA which they use for collection and disposal of plastic waste. During the year 2007, construction of the Waste Water Treatment Plant at the factory progressed and is nearing completion. Fan Milk Limited is committed to ensuring the success of this project and will put in place qualified personnel to manage the plant.

Disposal of plastic waste has been a recurring topic of discussion among the general public. Fan Milk Limited is collaborating with the Accra Plastic Waste Management Project in a pilot scheme for the collection of plastic waste in the Central Business District.

Fan Milk Limited has contracted City Waste Limited for the collection, disposal and recycling of waste from its factory and depots.

Further environmental actions the Company intends to take are detailed in its Environmental Management Plan.

Safety

Fan Milk Limited has adopted best industry practices for its operations to ensure the safety of all persons employed at the various facilities of the Company. The facilities of Fan Milk Limited have also met the requirements of the Factories Inspectorate and action is promptly taken to address any shortfalls brought to the Company's attention during inspection visits.

Health

Your Company is a founding member of the Ghana Business Coalition Against HIV (GBCA). The mandate of the GBCA is to :

- Facilitate workplace programs by providing guidelines, strategies and technical resources.
- Coordinate the implementation of workplace HIV/AIDS programs and policies among companies.
- Mobilize resources for the business sector response to HIV/AIDS.
- Build capacity of businesses through research, training & mentoring, monitoring, and evaluation.
- Create a platform for sharing best practices and knowledge.
- Create a database of workplace HIV/AIDS programs and policies.

Fan Milk Limited proudly offers an Employee Health Care scheme in which employees and their registered dependants benefit from Company paid medical care.

During year 2007, Fan Milk Limited through a leading health services provider sponsored Hepatitis B immunizations for all employees of the Company.

Fan Milk Limited continuously assesses the health impact of its operations on both employees and the general public e.g. noise, ammonia discharge, waste water.

Employees

Fan Milk Limited believes it offers fair and competitive compensation to all employees. Fan Milk Limited provides amenities such as laundry facilities, changing and locker room facilities and a canteen to its employees.

In 2007, a number of employees of Fan Milk Limited, participated in various educational and professional courses, and continue to develop their careers through Company sponsored programmes held both locally and abroad.

Fan Milk Limited continues to support eligible dependants of employees with scholarships through their second-cycle education.

Fan Milk Limited through the Catholic Action for Street Children (CAS) provides literacy programmes to its bicycle vendor force.

Skills Acquisition

Fan Milk Limited is also a committed partner to the Ghana Industrial Skills Development Centre (GISDC), Tema which is being established in partnership with the Dutch Government and other corporate bodies with the objective to offer the opportunity for young people to acquire vocational skills in the subjects of mechanical, electrical and process engineering.

Local Development

Where possible, quality and reliability permitting, Fan Milk Limited endeavours to use locally sourced raw materials for production of the Company's products.

The Company made donations towards major National Events such as Ghana's 50th independence anniversary celebrations and Farmers Day.

In 2007, Fan Milk Limited supported many cultural activities including support to the funeral of the Late Ga Mantse, festivals such as Fetu Afahye and the Winneba Masquerades.

During the extensive flooding of the Northern parts of the country Fan Milk Limited provided support in the form of cash to victims through NADMO.

Fan Milk Limited also sponsors radio and television programmes which focus on social issues.

Introduction

Fan Milk Limited 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 to ensuring 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 Limited 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, five 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 four directors, of whom three 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.

Auditors' Report

Report of the Independent Auditor to the Members of Fan Milk Limited.

Report on the Financial Statements

We have audited the accompanying financial statements of Fan Milk Limited set out on pages 16 - 36.
These financial statements comprise the balance sheet as at December 31, 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Ghana Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

Fan Milk Limited has a lump sum benefit Scheme which falls under the definition of a defined benefit plan in accordance with IAS 19. Under the scheme the company pays each employee three months salary on normal retirement age. The company accounts for these benefits in accordance with its accounting policy m(ii). However, no provision was made as at December 31,2007. The accounting policy is not in accordance with IAS 19, which requires that the company use actuarial techniques to establish the obligation. An actuarial valuation of the present obligation in accordance with IAS 19 was performed using the projected unit credit method by an actuary, Richard Obuobi, on March 3, 2008, in which a total liability of GH¢958,744 was indicated as at December 31, 2007. The impact of not recognising this obligation is to understate provisions and overstate the income surplus account by the amount of the obligation. Since no retrospective actuarial calculations have been performed, we are unable to assess the impact of not recognising the obligation on the income statements of 2006 and 2007.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matter referred to preceding paragraph, the accompanying financial statements give a true and fair view of the state of the financial affairs of the company at December 31, 2007 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the Ghana Companies Code, 1963 (Act 179).

Report on other Legal Requirements

The Ghana Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purposes of audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books;

iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

PricewaterhouseCoopers

Chartered Accountants

Accra.

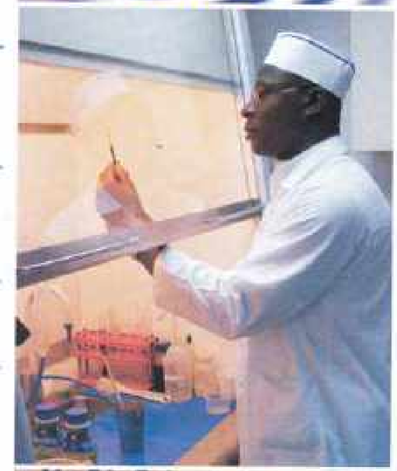
9 April 2008

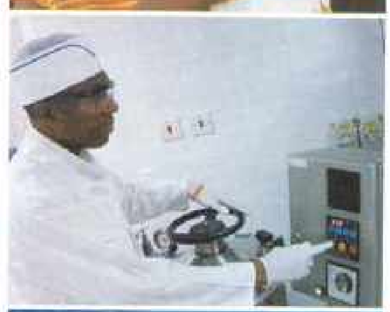
PRICEWATERHOUSECOOPERS

Income Statement

for the year ended December 31

(All amounts are expressed in thousands of Ghana cedis)	Note	2007	2006
Revenue	2	**41,068**	32,375
Cost of Sales	3	**(21,448)**	(16,982)
Gross Profit		**19,620**	15,393
Distribution Costs	4a	**(9,834)**	(7,875)
Administrative Expenses	4b	**(3,814)**	(2,969)
Operating Profit		**5,972**	(4,549)
Other Income	5	**253**	247
Finance Costs	6	**(221)**	(305)
Net Profit before Tax		**6,004**	4,491
Income Tax Expense	7	**(1,650)**	(1,180)
Net Profit after Tax transferred to Income Surplus Account		**4,354**	3,311
Earnings per Share			
Basic and Diluted (Gh¢)	9	**0.2201**	0.1674





Income Surplus Account

for the year ended December 31

(All amounts are expressed in thousands of Ghana cedis)

Balance at January 1		6,050	8,930
Transfer to Stated Capital	19	0	(5,400)
Dividend	8	(910)	(791)
Net Profit of the Year		4,354	3,311
Balance at December 31		**9,494**	**6,050**

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Balance Sheet
as at December 31

(All amounts are expressed in thousands of Ghana cedis)	Note	2007	2006
Assets			
Non-Current Assets			
Property, plant and equipment	10	**9,941**	9,226
Prepaid operating lease - land	11	**1,540**	1,590
		11,481	10,816
Current Assets			
Inventories	12	**5,522**	4,233
Trade and other receivables	13	**1,593**	814
Bank and cash balances	21	**5,111**	2,585
		12,226	7,632
Total Assets		**23,707**	18,448
Equity			
Capital and Reserves Attributable to Company's Equity Holders			
Stated capital	19	**6,000**	6,000
Income Surplus Account		**9,494**	6,050
		15,494	12,050
Liabilities			
Non-Current Liabilities			
Finance lease obligation	18	**199**	910
Deferred tax	17	**484**	0
		683	910
Current Liabilities			
Trade and other payables	14	**7,398**	5,236
Bank overdrafts	15	**0**	22
Tax	16	**0**	135
Dividend payable	8	**132**	95
		7,530	5,488
Total Liabilities		**8,213**	6,398
Total Shareholders' Equity and Liabilities		**23,707**	18,448

The financial statements on pages 16 to 36 were approved by the Board of Directors on March 13, 2008 and signed on its behalf by:

Director

Director

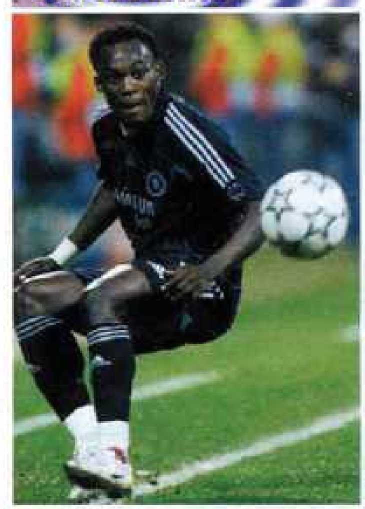
Statement
of Changes in Equity

1

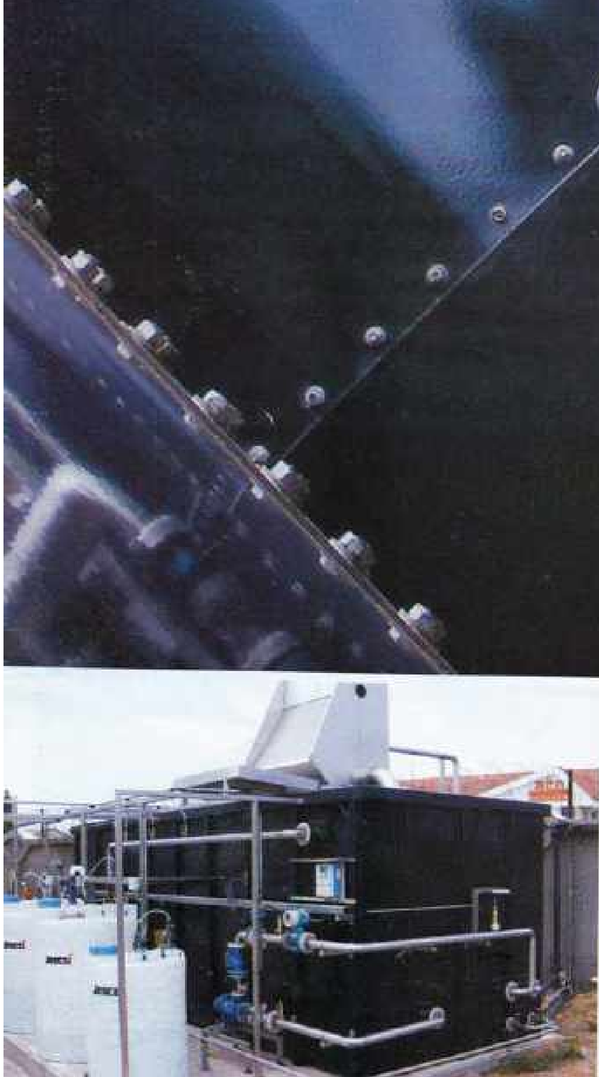
(All amounts are expressed in thousands of Ghana cedis)	Note	Stated Capital	Income Surplus Account	Total
Year ended December 31, 2007				
At the beginning of the year		6,000	6,050	**12,050**
Net Profit		0	4,354	**4,354**
Dividend	8	0	(910)	**(910)**
At the end of the year		6,000	9,494	**15,494**
Year ended December 31, 2006				
At the beginning of the year		600	8,930	**9,530**
Transferred to Stated Capital		5,400	(5,400)	**0**
Net Profit		0	3,311	**3,311**
Dividend	8	0	(791)	**(791)**
At the end of the year		6,000	6,050	**12,050**

Cash Flow
Statement
as at December 31

(All amounts are expressed in thousands of Ghana cedis)	Note	2007	2006
Cash Flow from Operating Activities			
Cash generated from operations	20	**8,623**	7,466
Interest paid	6	**(221)**	(305)
Interest received		**92**	79
Tax paid	16	**(1,301)**	(987)
Net cash generated from operating activities		**7,193**	6,253
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	10	**(3,123)**	(3,607)
Proceeds from sale of plant and equipment	10	**98**	82
Net cash used in investing activities		**(3,025)**	(3,525)
Cash Flows from Financing Activities			
Dividend paid	8	**(873)**	(784)
Loan repaid		**0**	(921)
Finance lease drawn down	18	**0**	1,440
Finance lease repaid	18	**(747)**	(504)
Net cash used in financing activities		**(1,620)**	(769)
Increase in cash and cash equivalents		**2,548**	1,959
Cash and cash equivalents at the beginning of the year		**2,563**	604
Cash and cash equivalents at the end of the year	21	**5,111**	2,563



Waste Water Treatment Plant



1. Fan Milk Limited, a company incorporated and domiciled in Ghana under the Ghana Companies Code 1963, (Act 179) and listed on the Ghana Stock Exchange , has adopted the following significant accounting policies in the preparation of these financial statements.

(a). **Basis of Accounting**

The financial statements have been prepared on the historical cost basis and in accordance of with International Financial Reporting Standards (IFRS) for the first time.

As part of the transition to IFRS Fan Milk Limited has restated the comparative financial information under IFRS for the year ended December 31, 2006.

The management of Fan Milk Limited considers the following to be the most important accounting policies for the Company. In applying these accounting policies, management makes certain judgements and estimates that affect the reported amounts of assets and liabilities at the year end date and the reported revenues and expenses during the financial year. The financial statements have been prepared in accordance with the Company's accounting policies described below.

The financial statements are presented in Ghana cedis, rounded to the nearest thousand.

(b). **IFRS Transitional Arrangements**

IFRS 1 permits those companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. The company has taken advantage of the following exemption:

IAS 16 – Property, plant and equipment.
The company has opted to use a previous revaluation of a property made under the Ghana Accounting Standards (GAS) as deemed cost.

(c). **Property, Plant and Equipment**

Property, plant and equipment held for use in the production or supply of goods, or for administrative purposes are stated at the balance sheet at historic cost or deemed cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items. Deemed cost includes surpluses arising on the revaluation of certain properties to their fair values prior to the date of transition to IFRS.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees which are capitalised in accordance with the company's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated using the straight line method to write off the cost or deemed cost of each asset over their estimated useful lives as follows:

Buildings	10-20 Years
Plant and Machinery	10 Years
Deep Freezers and Bicycles	5 Years
Distribution Trucks	8 Years
Other Motor Vehicles	5 Years
Computer Systems	3 Years
Furniture and Fittings	5 Years

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/ (losses), in the income statement.

(d) Impairments of Assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit (CGU) to which the assets belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an assets (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Spare parts are written off in the year of receipt.

(f) Investments and Other Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable costs. The Company determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(g) Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost.

(h) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown separately under current liabilities on the balance sheet.

(i) **Trade Payables**

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

(j) **Bank Borrowings**

Interest bearing loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges payable on settlement or redemption and direct costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(k) **Taxation**

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the balance sheet date.

Deferred Tax
Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry-forward of unused tax credit and unused tax losses can be utilised except where the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an assets or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

(l) **Leases**

Leases are classified as finance leases whenever the terms of the lease involve the substantial transfer of all the risks and rewards of ownership to the company. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value or, if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between financing charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised with the company's policy on borrowing cost.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of such assets or the lease period. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

(m) Employee Benefits

(I) **Pension Obligation**
The Company operates a defined contribution pension plan (provident fund). A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service. The contributions are recognised as employee benefit expense when they are due.

(ii) **Other Post-Employment Obligation**
The Company provides post-employment benefit of three months salary to retirees.
The entitlement to this benefit is conditional on the employee remaining in service up to the normal retirement age.
The company provides for obligations on an annual basis for those employees expected to reach normal retirement age in the twelve months.

(n) Provisions

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

(o) Revenue

Sale of Goods
Sales are recognised when the risks and rewards to the products have been substantially transferred to the customer. Sales are shown net of returns and value added tax.

(p) Foreign Currencies

Transactions are recorded on initial recognition in Ghana cedis, being the currency of the primary economic environment in which the company operates (the functional currency)

Transactions in foreign currencies during the year are converted into Ghana cedis at prevailing rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Ghana cedis at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the income statement.

(q) Dividend

Dividend distributed to the Company's shareholders is recognised as a liability in the financial statements in the period in which dividends are approved by the Company's shareholders.

(r) Post balance Sheet Event

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.

(s) Comparatives

Where necessary, comparative figures with notes have been reclassified to conform to changes in presentation in the current year and for changes relating to the implementation of IFRS.

(t) Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events, the existence of which will be confirmed only on the occurrence or non- occurrence of one or more uncertain future events which are not wholly within the control of the Company. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgement.

(u) Estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of the future events that are believed to be reasonable under the circumstances. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provisions. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

Accounting for property, plant and equipment and intangible assets involves the use of estimates for determining the fair value at the acquisition date. Furthermore, the expected useful lives of the these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgement.

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

		Notes	2007	2006
2.	**Revenue**			
	Gross sales		**47,426**	37,231
	Value Added Tax		**(6,358)**	(4,856)
			41,068	32,375
3.	**Cost of Sales**			
	Cost of Sales include:			
	Depreciation of factory buildings and plant and machinery		**860**	760
	Staff Cost-Wages and Salaries		**2,029**	1,623
	- Social Security		**140**	118
	- Provident Fund		**51**	43
4a.	**Distribution Costs**			
	Selling and Distribution Cost include:			
	Depreciation of Buildings, Vehicles and Machinery		**1,384**	1,470
	Staff Cost-Wages and Salaries		**1,574**	1,078
	- Social Security		**115**	98
	- Provident fund		**44**	38
4b.	**Administrative Expenses**			
	Administrative Expenses include			
	Depreciation of Buildings, Vehicles and Machinery		**126**	101
	Staff Cost-Wages and Salaries		**603**	443
	- Social Security		**54**	45
	- Provident fund		**21**	17
	Auditor's Remuneration		**26**	16
	Director's Renumeration		**273**	222
	Donations		**14**	27
5.	**Other Income**			
	Profit on disposal of plant and equipment	10	**60**	61
	Interest on Current Accounts		**92**	79
	Sale of Empty Bags and Scraps		**41**	39
	Exchange Gain		**0**	12
	Provident Fund		**4**	2
	Rent Income		**52**	52
	Bad Debts Recovered		**4**	2
			253	247
6.	**Finance Costs**			
	Interest Payable on Bank Overdraft		**2**	12
	Interest Payable on Finance Lease		**219**	259
	Interest Payable on Bank Loan		**0**	34
			221	305
7.	**Income Tax Expense**			
	Current Tax	16	**1,166**	1,180
	Deferred Tax	17	**484**	0
			1,650	1,180

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

	2007	2006

7. Income Tax Expense (Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2007	2006
Profit before tax	**6,004**	4,491
Tax charged @22% (2006: 25%)	**1,321**	1,123
Expenses not deductible in determining taxable profit	**2**	5
Prior year IFRS adjustment	**0**	(9)
Rent income at different tax rate	**(7)**	0
Deferred tax not recognised	**0**	61
Deferred tax relating to prior years	**334**	0
	1,650	1,180

8. Dividend Payable

	2007	2006
Balance at January 1	**95**	88
Dividend declared and approved (GH¢0.046 per share; 2006:GH¢0.040 per share)	**910**	791
Dividend Paid	**(873)**	(784)
Balance at 31 December	**132**	95

Payment of dividend is subject to the deduction of withholding taxes at the appropriate rate. Proposed dividend for approval at AGM (not recognised as a liability as at December 2007) amounted to **GH¢1,137,611** (GH¢0.0575 per share).

9. Earnings per share

	2007	2006
Profit after tax	**4,354**	3,311
Number of ordinary shares (Number)	**19,784,548**	19,784,548
Basic and diluted earnings per shares (GH¢)	**0.2201**	0.1674

There are no share options, potential rights issues or bonus issues, hence diluted earnings per share are the same as basic earnings per share.

(Continued on next page)

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

10. Property, Plant and Equipment

a. 2007	Buildings and Roads	Motor Vehicles	Plant and Machinery	Capital W. I. P	Total
Cost /Deemed cost					
At January 1, 2007	1,965	3,690	11,946	1,549	**19,150**
Additions	464	327	2,188	144	**3,123**
Transfer	400	512	516	(1,428)	**0**
Disposals	0	(228)	(149)	0	**(377)**
At December 31, 2007	**2,829**	**4,301**	**14,501**	**265**	**21,896**
Accumulated Depreciation					
At January 1, 2007	911	2,662	6,351	0	**9,924**
Charge for the year	158	571	1,641	0	**2,370**
Released on disposal	0	(197)	(142)	0	**(339)**
At December 31, 2007	**1,069**	**3,036**	**7,850**	**0**	**11,955**
Net book Value					
At December 31, 2007	**1,760**	**1,265**	**6,651**	**265**	**9,941**

b. 2006	Buildings and Roads	Motor Vehicles	Plant and Machinery	Capital W. I. P	Total
Cost /Deemed cost					
At January 1, 2006	1,921	3,166	10,612	0	**15,699**
Additions	44	650	1,364	1,549	**3,607**
Disposals	0	(126)	(30)	0	(156)
At December 31, 2006	**1,965**	**3,690**	**11,946**	**1,549**	**19,150**
Accumulated Depreciation					
At January 1, 2006	770	2,090	4,868	0	**7,728**
Charge for the year	141	682	1,508	0	**2,331**
Released on disposal	0	(110)	(25)	0	**(135)**
At December 31, 2006	**911**	**2,662**	**6,351**	**0**	**9,924**
Net book Value					
At December 31, 2006	**1,054**	**1,028**	**5,595**	**1,549**	**9,226**

c. Included in motor vehicles, plant and machinery are assets with a cost of **GH¢2.3 million** (2006: **GH¢2.3 million**) leased under a finance lease.

	2007	2006
Cost-capitalised finance lease	**2,295**	2,295
Accumulated depreciation	**(1,406)**	(641)
Net book value	**889**	1,654

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

10. Property, Plant and Equipment (Continued)

d. Profit on Disposal of Property, Plant and Equipment

	2007	2006
Cost of assets	**377**	156
Accumulated depreciation	**(339)**	(135)
Net book value	**38**	21
Sale proceeds	**(98)**	(82)
Profit on disposal of plant and machinery and motor vehicles	**(60)**	(61)

11. Prepaid Operating Lease - Land

Cost		
At January 1	**1,694**	1,694
Accumulated Amortisation		
At January 1	**104**	54
Charge for the year	**50**	50
At December 31	**154**	104
Net book Value at December 31,		
At December 31	**1,540**	1590

12. Inventories

Raw Materials	**1,376**	1,755
Finished goods	**788**	634
Work in progress	**3**	0
Goods in transit	**3,280**	1,803
Other stocks	**75**	41
	5,522	4,233

During the year the cost of inventories charge to the profit and loss account amounted to **GH¢20,586,000** (2006: GH¢16,222,000).

13. Trade and Other Receivables

Trade receivables	**385**	350
Other receivables	**1,089**	332
Amount due from staff	**80**	75
Prepayments	**39**	57
	1,593	814

The maximum amount of staff indebtedness during the year did notr exceed **GH¢95,000** (2006: GH¢91,000).

The directors consider that the carrying amount of the trade and other receivables approximates to their fair values.

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

	Notes	2007	2006
14. Trade and Other Payables			
Trade payables		**4,679**	2,936
Other payables		**1,831**	1,434
Finance lease obligations (Note 14)		**711**	747
Accruals		**177**	119
		7,398	5,236

15. Bank Overdraft

At the balance sheet date the company had an approved unsecured overdraft facility with local banks not exceeding the cedi equivalent of **GH¢0.5 million** (2006: GH¢1.3 million).

16. Current Taxation

	Notes	2007	2006
As at January 1		**135**	(58)
Charge to income	7	**1,166**	1,180
Payments		**(1,301)**	(987)
As at December 31		**0**	135

17. Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 22%. The charge for the year relates to accelerated tax allowances on property, plant and equipment.

	Notes	2007	2006
Accelerated tax depreciation		**484**	0

18. Finance Lease Obligation

The company entered into a finance lease agreement in 2006 for the lease of certain motor vehicles, push carts, bicycles and freezers. The capital cost of these assets amounted to €753,070 and US$525,864.91. The company has an option to purchase the items after the primary lease period for a consideration of 0.25% of the capital on the

Minimum lease payments:

	Notes	2007	2006
Not later than 1 year		**809**	965
Later than 1 year and no later than 5 years		**209**	1,020
		1,018	1,985
Future finance charges on finance lease		**(108)**	(328)
Present value of finance lease liabilities		**910**	1,657

The present value of the finance lease liabilities is as follows:

	Notes	2007	2006
Not later than 1 year	14	**711**	747
Later than 1 year and no later than 5 years		**199**	910
		910	1,657

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

19. Stated Capital

	No. of shares 2007	Proceeds 2007	No. of shares 2006	Proceeds 2006
Authorised				
Ordinary shares of no par value	**40,000,000**		**40,000,000**	
Issued				
For Cash	19,784,548	19	19,784,548	19
Capitalisation of surplus	0	5,981	0	581
Transfer from income surplus account in accordance with section 66 (1c) of the Ghana Companies Code, 1963 (Act 179) by a special resolution dated May 10, 2006.	0	0	0	5,400
	19,784,548	**6,000**	**19,784,548**	**6,000**

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

20. Cash Generated from Operations

	2007	2006
Reconciliation of operating profit to cash generated from operations:		
Operating profit	**6,004**	4,491
Depreciation	**2,370**	2,331
Amortisation	**50**	50
Interest expense	**221**	305
Interest received	**(92)**	(79)
(Increase)/ decrease in inventories	**(1,289)**	785
Increase in trade and other receivables	**(779)**	(411)
Increase in trade and other payables	**2,198**	48
Exchange loss on loan	**0**	7
Profit on disposal of plant and equipment	**(60)**	(61)
Cash Generated from Operations	**8,623**	7,466

21. Cash and Cash Equivalents

Cash and cash equivalents comprise cash held and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair values. For the purpose of the cash flow statements, the year end cash and cash equivalents comprise the following:

Bank and cash balance	**5,111**	2,585
Bank overdraft	**0**	(22)
	5,111	2,563

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

22. Related party disclosures

The company has a related party relationship with a major shareholder and with its directors. The major shareholder Fan Milk International A/S owns 37.23% shares in Fan Milk Limited. Emidan A/S and Fan Milk 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 shown below:

	2007	2006
(I) **Purchase of goods**		
Emidan A/S	**14,958**	10,793
(II) **Purchase of goods**		
Fan Milk S. A. Togo	**30**	11
(III) **Sale of goods**		
Fan Milk S. A. Togo	**23**	0
(IV) **Year end balance arising from purchase of goods**		
Emidan A/S	**4,146**	2,298
(V) **Year end balance arising from sale of goods**		
Fan Milk S. A. Togo	**22**	1
(VI) **Technical assistance fees**		
Fan Milk International	**1,252**	976
(VII) **Year end balance arising from technical assistance fees**		
Fan Milk International	**326**	285

Related party disclosures

Transactions with key management personnel
Key management personnel are considered to be the directors

	2007	2006
Remuneration		
Executive director (Short - term benefits)	215	180
Non-executive directors (Short - term benefits)	113	95

Key management personnel have no post-employment benefits.

23. Contingent liabilities

There were no contingent liabilities at the balance sheet date (2006: GH¢ nil).

24. Post balance sheet events

The Ghana Stock Exchange announced on February 8, 2008, the acquisition of the shares of Industrialization fund for developing countries (IFU) in Fan Milk Limited by Fan Milk International (FMI). The acquisition involved the purchase of all IFU's 3,604,420 ordinary shares, bringing the total shares held by FMI to 10,970,375 constituting 55.449% of the total issued shares of Fan Milk Limited.

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

25. Explanation of transition to IFRS.

Reconciliation of profit for the year ended December 31, 2006

	GAS	Effect of Transition to IFRS	IFRS
Revenue	32,375		32,375
Cost of sales	(17,018)	36	(16,982)
Gross profit	**15,357**		**15,393**
Selling and distribution cost	(7,875)		(7,875)
Administrative expenses	(2,969)		(2,969)
Operating profit	**4,513**		**4,549**
Other Income	247		247
Finance costs	(305)		(305)
Net profit before tax	**4,455**		**4,491**
Tax	(1,180)		(1,180)
Net profit after tax transferred to income surplus account	**3,275**		**3,311**

Reconciliation of net assets as at December 31, 2006

	GAS	Effect of Transition to IFRS	IFRS
Assets			
Non-current assets			
Property, plant and equipment	10,816	(1,590)	9,226
Prepaid operating lease land	0	1,590	1,590
	10,816		**10,816**
Current assets			
Inventories	4,082	151	4,233
Trade and other receivables	814		814
Bank and cash balances	2,585		2,585
	7,481		**7,632**
Total Assets	**18,297**		**18,448**
Equity			
Capital and reserves attributable to company's equity holders			
Stated capital	6,000		6,000
Income surplus account	4,989	1,061	6,050
Total Shareholder's Equity	**10,989**		**12,050**
Liabilities			
Non-current liabilities			
Finance lease obligation	910		910
Current liabilities			
Trade and other payables	5,236		5,236
Bank overdrafts	22		22
Tax	135		135
Dividend payable	1,005	(910)	95
	6,398		**5,488**
Total Liabilities	**7,308**		**6,398**
Total Shareholder's Equity and Liabilities	**18,297**		**18,448**

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

25. Explanation of transition to IFRS (Continued)

Reconciliation of net assets as at December 31, 2005

	GAS	Effect of Transition to IFRS	IFRS
Assets			
Non-current assets			
Property, plant and equipment	9,602	(1,390)	8,212
Prepaid operating lease land	0	1,390	1,390
	9,602		**9,602**
Current assets			
Inventories	4,903	115	5,018
Trade and other receivables	415		415
Tax	57		57
Bank and cash balances	821		821
	6,196		**6,311**
Total Assets	**15,798**		**15,913**
Equity			
Capital and reserves attributable to company's equity holders			
Stated capital	600		600
Income surplus account	8,024	906	8,930
Total Shareholder's Equity	**8,624**		**9,530**
Liabilities			
Non-current liabilities			
Finance lease obligation	501		501
Current liabilities			
Trade and other payables	4,663		4,663
Bank overdrafts	217		217
Loan	914		914
Tax	0		0
Dividend payable	879	(791)	88
	6,673		5,882
Total Liabilities	**7,174**		**6,383**
Total Shareholder's Equity and Liabilities	**15,798**		**15,913**

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

The selection of IFRS accounting policies as required by IFRS 1 creates a number of adjustments that are required to transition from Ghana Accounting Standards (GAS) to IFRS. Each of these is discussed below in the context of the appropriate standard and the guidance it gives:

Leases (IAS 17)

IFRS requires property leases to be split into their separate land and building elements with leasehold land normally treated as an operating lease.

A detailed review of the company's lease portfolio has resulted in leasehold land being reclassified as an operating lease, and being classified on the balance sheet as prepaid leases and amortised over the life of the lease.

The net book value of leasehold land of GH¢1,589,826, which was included in the Property, Plant and Equipment (PPE) under the previous Ghana Accounting Standards (GAS), does not qualify for recognition as PPE under IFRS. It has been re-classified under non-current assets as Prepaid operating lease land.

Property, plant and equipment (IAS 16)

The Company has opted to use previous revaluations of property made as deemed cost.

Post balance sheet events (IAS 10)

IAS 10 requires that dividends declared after the balance sheet date should not be recognised as a liability at that date as the dividend does not represents a present obligation. Under GAS, the period-end balance sheet includes an accrual for the proposed dividend.

Impairment of assets (IAS 36)

IAS 36 requires that at each balance sheet date all tangible and intangible assets should be reviewed for indication of impairment.

Reconciliation of equity as at December 31, 2006

Proposed dividend of GH¢910,089 recognised under the previous GAS does not qualify under IFRS.

Fixed and variable production overheads of GH¢151,260 not included in inventories under GAS has been recognised under IFRS.

The following illustrates the adjustment to income surplus:

Proposed dividend	910
Production overhead	151
	1,061

Fixed and variable production overheads of **GH¢151,260** (2005: GH¢114,696) not included in inventories under GAS has been recognised under IFRS.

The following illustrates the adjustment to profit:

Production overhead - 2006	151
Production overhead - 2005	(115)
	36

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

26 Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on its financial performance.

Risk management is carried out by the management of the Company under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks.

Sensitivity analysis – currency risk

The company seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies.

The Company imports raw material, spare parts and equipment from overseas and is therefore exposed to foreign exchange risk arising from Euro and USD exposures. Management is responsible for minimising the effect of the currency exposure by buying foreign currencies when rates are relatively low and using them to settle bills when due.

The Company hedges the currency risk using the practice stated above in order to mitigate currency risk as a result of changes in foreign exchange rates. The company's hedging strategy is effective and movement in foreign exchange rates would have no material impact on the Company's result.

Sensitivity analysis –interest rate risk

The company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term obligations with a floating interest rate. To manage this risk, the Company's policy is to contract for the best interest rate borrowings when terms offered are attractive.

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The interest rate risk that the Company was exposed to was the exposure in respect of the finance lease obligations. A 1% change in the interest rate would result in increase or decrease of an expense of GH¢26,333.

Total exposure to credit risk.

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and accounts receivable. Accounts receivable are mainly derived from sales to customers. The Company maintains a provision for impairment of trade receivables based upon the expected collectibility of all trade receivables.

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Ghana. Strict credit control is exercised through monitoring of cash received from customers and when necessary, provision is made for specific doubtful accounts. As at December 31, 2007, management was unaware of any significant unprovided credit risk.

The table below shows the maximum exposure to credit risk by class of financial instrument:

Bank balances (excluding cash)	**4,670**	2,072
Trade and other receivables (excluding prepayments)	**1,554**	757
Total credit risk exposure	**6,224**	2,829

(Continued on next page)

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

Liquidity risk

The Company has incurred indebtedness but also has significant cash balances. The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities. The company has no limitation placed on its borrowing capability. The facilities expiring within one year are subject to renewal at various dates during the next year. The Company had the following unutilised banking facilities as at December 31, 2007.

	2007	2006
Expiring within one year	500,000	1,300,000

Maturity analysis of financial liabilities

All financial liabilities fall due for payment within six months with the exception of finance lease obligations which fall due as shown in note 18.

27. Capital commitments

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

Property, plant and equipment approved and contracted	**1,765**	750

28. Management of capital

The primary objectives of the company's capital management are to ensure that company is able to meet its debts as they fall due and to maximize shareholders value. No changes were made in the objectives, policies and processes from the previous years.

Notes

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