Fan Milk

Fan Milk Limited

annual report & accounts

2008

Contents

Financial Highlights

(Amounts in GH¢'000 except per share)	2008	2007	2006	2005
Profit After Taxation	7,054	4,354	3,311	3,522
Earnings Per Share	0.36	0.22	0.17	0.18
Total Shares Issued	19,784,548	19,784,548	19,784,548	19,784,548
Dividend Per Share	0.0750	0.0575	0.0460	0.0400
Year End:				
Total Assets	32,858	23,707	18,448	15,798
Shareholders' Fund	21,410	15,494	10,989	8,624
Permanent Staff	401	378	374	380
Stock Price Range:				
High	5.0000	2.3900	1.8002	2.0000
Low	2.3900	1.8002	1.5800	1.5000

Distribution of Gross Sales

	2008	%	2007	%
Gross Sales	63,297	100.0	47,426	100.0
Net Sales	55,041	87.0	41,068	86.6
Cost of Sales	28,599	45.2	21,448	45.2
Distribution Costs	12,569	19.9	9,834	20.7
Administrative Expenses	4,876	7.7	3,814	8.0
Finance Costs	113	0.2	221	0.5
VAT	9,713	13.1	6,358	13.4
Income Tax	1,995	3.7	1,650	3.5
Transfer to Income				
Surplus Account	7,054	11.1	4,354	9.2
Other Income	(500)	(0.8)	(253)	(0.5)

Operational Results

(Amounts in Gh¢'000)	2008	2007	Change	%Change
Net Sales	55,041	41,068	13,973	34.0%
Cost of Sales	(28,599)	(21,448)	(7,151)	33.3%
Distribution Costs	(12,569)	(9,834)	(2,735)	27.8%
Administrative Expenses	(4,873)	(3,814)	(1,059)	27.8%
Finance Costs	(113)	(221)	108	(48.9)%
Other Income	500	253	247	97.6%
Profit before Taxation	9,387	6,004	3,383	56.3%
Income Tax	2,333	1,650	683	41.4%
Profit after Taxation	7,054	4,354	2,700	62.0%

Corporate *Information*

Dr. Charles Mensa (Chairman)

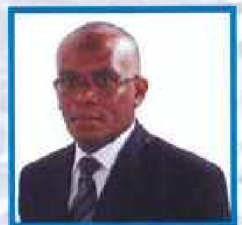
Jesper Bjørn Jeppesen (Managing Director)

Kodjo Biamawu Aziagbe

Jens Jørgen Kollerup

Peace Ayisi-Okyere

Einar Mark Christensen



George Herbert Okai Thompson

Directors
Charles Mensa (Dr.) (Chairman)
Jesper Bjørn Jeppesen (Managing Director)
Kodjo Blamawu Aziagbe
Peace Ayisi-Okyere
Einar Mark Christensen
George H. Okai Thompson
Jens Jørgen Kollerup

Auditors
PricewaterhouseCoopers
Chartered Accountants
No. 12 Aviation Road
Una Home, 3rd Floor
Airport City
PMB CT 42
Cantonments
Accra

Solicitors
Quist, Brown, Wontumi & Associates
P.O. Box 7566
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

Secretary
Lennap & Co.
P.O. Box 37
Accra

Registered Office
No.1 Dadeban Road
North Industrial Area
P.O. Box 6460
Accra-North

Registrar & Transfer Office
National Trust Holding Company Limited
Martco House
P.O. Box 9563
Airport, Accra

Shareholding Distribution

The Company had 4,450 shareholders as at December 31, 2008 with equal voting rights distributed as follows:

Category of Holdings	Shareholders	% of Holders	No. Of Shares	% of Holding
Less than 1,000	3,337	74.99	731,498	3.70
1,000 to 5,000	959	21.55	2,265,076	11.45
5,001 to 10,000	99	2.22	766,180	3.87
10,001 to 20,000	31	0.70	462,993	2.34
20,001 to 30,000	8	0.18	197,858	1.00
30,001 to 40,000	4	0.09	142,608	0.72
40,001 to 50,000	3	0.07	139,805	0.71
Over 50,000	9	0.20	15,078,530	76.21
Totals	**4,450**	**100.00**	**19,784,548**	**100.00**

Details of the twenty (20) largest Shareholders as at December 31, 2008

Name of shareholder	No. of Shares	Percentage (%)
1. Fan Milk International A/S, DK	10,970,375	55.45
2. Enterprise Insurance Company Limited	1,590,172	8.04
3. BBGN/JP Morgan Chase Onshore	1,000,000	5.05
4. BBGN RE Epack Investment Fund	761,321	3.85
5. BBGN / Unilever Ghana Managers Pension Fund	261,860	1.32
6. Social Security & National Insurance Trust	247,800	1.25
7. BBG/ Unilever Ghana Provident Fund	136,716	0.69
8. SSNIT (SOS) Fund	55,954	0.28
9. BBGN/Elac Policy Holders Fund	54,332	0.27
10. Asare, James Kwadwo	50,000	0.25
11. Fieler Sean	48,499	0.25
12. HFC Equity Fund	41,306	0.21
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	27,590	0.14
19. Ababio, Alex Ransford Dr.	25,200	0.13
20. Ecobank Staff Savings Scheme	25,100	0.13
Total	**15,468,833**	**78.19**

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-Eighth Annual General Meeting of Fan Milk Limited will be held at the National Theatre, Accra on Friday May 8, 2009 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, 2008 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, 2008.
3. To re-elect as a Director, Dr. Charles Mensa who retires by rotation.
4. To re-elect as a Director, Mr. Jens Jørgen Kollerup who retires by rotation.
5. To fix the remuneration of the Directors.
6. To authorise the Directors to fix the remuneration of the Auditors.
7. To pass the following Special Resolution: 'To amend by Special Resolutions, Regulations 13a, 13b, 13c and to delete Regulation 32 of the company to permit the conversion and/or issuance of shares in Electronic book entry form in compliance with the requirements of the Ghana Stock Exchange.'

By order of the Board

Secretary
Lennap & Co., Farrar Avenue

March 5, 2009

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.

1. Introduction

The Directors have the pleasure to present to members of Fan Milk Limited, the Annual Report and Audited Accounts of the Company for the year ended December 31, 2008.

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, which 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 manufacture and distribution of dairy products and fruit drinks.

4. The Macro Economic Environment

Soaring food prices and record high crude oil prices dominated the economic environment in year 2008. Their combined effect drove up inflation from 12.7% at the beginning of the year to 18.1% in December 2008. The Bank of Ghana Prime Rate rose from 13.5% to 17.0% during the year and in turn, base rates quoted by commercial banks went up into the range of 22.5% to 27.8%.

To forestall effects of the high food prices on the Ghanaian population, the Government introduced a mitigation package containing the following:

- Removal of import duties on rice, wheat, yellow corn and vegetable oil.
- Removal of excise duty and debt recovery levy on premix fuel to assist fishing communities.
- Reduction of excise duty and debt recovery levy on gas oil, kerosene and Marine Gas Oil. Dealers in these products and transporters were directed to reduce prices and fares accordingly to the benefit of consumers and passengers.
- An increase in the Government's support for the production cost of electricity to bring relief to domestic consumers.
- Subsidize the cost of fertilizer and ensure effective distribution to farmers to assure a good harvest.

Provisional data released by the Statistical Service indicates GDP growth of 6.2% for 2008 which was lower than the budgeted figure of 7%.

On the foreign exchange market, the Ghana Cedi depreciated against the major foreign currencies during 2008. The GH¢ fell by approximately 25.5% to the USD and by 20.7% to the EUR.

Cocoa bean and cocoa product exports grew by 36.1% from USD 1,103.2 million to USD 1,501.7 million.

Gold exports for 2008 increased by 29.6% from USD 1,733.8 million recorded in 2007 to USD 2,246.3 million.

Remittances received through the banks increased from USD 6.9 billion to USD 8.7 billion.

This was the environment in which your Company operated during the year under review.

5. Financial Highlights

The table below is a summary of the financial performance of the Company for the financial year 2008.

Amounts in GH¢ '000	2008	2007	Change	% Change
Net Sales	55,041	41,068	13,973	34.0
Cost of Sales	(28,599)	(21,448)	(7,151)	33.3
Distribution Costs	(12,569)	(9,834)	(2,735)	27.8
Administrative Expenses	(4,873)	(3,814)	(1,059)	27.8
Finance Costs	(113)	(221)	108	(48.9)
Other Income	500	253	247	97.6
Profit Before Taxation	9,387	6,004	3,383	56.3
Income Tax	(2,333)	(1,650)	(683)	41.4
Profit After Taxation	7,054	4,354	2,700	62.0

6. Dividend

The Board is pleased to recommend an increase of 30.4% in dividends from GH¢ 0.0575 to GH¢ 0.075 per share. The total amount payable as dividend will be GH¢ 1,483,841.10 (2007: GH¢ 1,137,611.51).

7. Performance On The Stock Market

The share price of Fan Milk Limited gained 88.3% on the Ghana Stock Exchange in 2008, moving from GH¢ 2.39 in January 2008 to GH¢ 4.50 in December 2008.

8. Directors

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

Dr. Charles Mensa and Mr. Jens Jørgen Kollerup retire from the Board by rotation, and being eligible, they offer themselves for re-election.

9. 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 this General Meeting approves payment of Directors' remuneration for 2009 not exceeding the sum of GH¢ 208,260 representing an increase of approximately 30% on Directors' Fees for 2008.

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 their remuneration for the year 2009.

11. Capital Expenditure

Capital investments made during year 2008 totalled GH¢ 6.6 million. The investments included:

- Additions to the fleet of vehicles for distribution.
- Distribution equipment for agents and distributors.
- A spiral freezer for production.
- Various office equipment.
- Waste Water Treatment Plant for the treatment of waste water.
- Expansion of Technical, Production and Laboratory offices at the Factory.
- Purchase of land in Sunyani for a distribution centre.

12. Outlook for 2009 and Beyond

Following the just concluded peaceful 2008 general elections, it is expected that political stability will continue to be maintained in the Country. The slow down of the global economy is likely to result in reduced economic and developmental activities in Ghana.
In the forthcoming years, Fan Milk Limited will continue to seek opportunities to enhance the Company's operations and working practices. Investments will continue to be made in ensuring product availability of the highest possible quality throughout the Country. The Company's depot operation in Tamale is currently undergoing an upgrade to regional distribution centre status. The project will be completed in 2009 and will help ensure availability of the Company's products across the Northern, Upper East, and Upper West regions.

13. Amendment of Company Regulations

As you may be aware, operations of the Ghana Stock Exchange (GSE) Securities Depository Company Limited began in the last quarter of 2008 with the voluntary deposit by investors of share certificates for immobilization. This is in accordance with the Central Securities Depository Act 2007, (Act 733). This is one of the first steps in the quest by the Ghana Stock Exchange to make the transition from the use of paper share certificates to electronic book entry securities. Consequently, the Directors recommend that the Company's Regulations 13(a), 13(b) and 13(c) are amended and that Regulation 32 be deleted to facilitate the conversion/issuance of shares in electronic book entry form.

Members will be called upon to pass a Special Resolution to give effect to this recommendation.

The Board encourages all shareholders to contact our registrars or any other stock broker with their share certificates and have their share certificates placed in the GSE Securities Depository.

14. Acknowledgement

The Board of Directors wish to express their sincere appreciation to our shareholders, customers, distributors, agents, vendors, managements and staff 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 Bjørn Jeppesen
Managing Director

Fan Milk Limited is committed to conducting its business in a transparent, socially and environmentally responsible manner. The following are highlights of the corporate social responsibility activities embarked upon during year 2008 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 relevant regulations and tax laws.

Environment

During 2008, Fan Milk Limited continued its partnership with the Ghana National Scholarships Beneficiaries (GNASBA) in the area of maintaining the environment. Fan Milk Limited continues to be a sponsor of several activities of GNASBA, such as tree planting, cleanup campaigns, weekly collection and disposal of plastic waste and malaria awareness programmes. In year 2008, through GNASBA, Fan Milk Limited distributed a number of litter bins in support of proper waste disposal across the Country. Support to GNASBA programmes in 2008 included cash, refreshments and souvenirs.

Construction of the Waste Water Treatment Plant was completed in the year under review. The Plant was commissioned on April 11, 2008 and treated water is currently being used for non-production related activities such as washing of vehicles and gardening among others.

Fan Milk Limited contributes regularly towards the Accra Plastic Waste Management Project to ensure the effective collection of plastic waste in the Central Business District. Fan Milk Limited also supported the Accra Metropolitan Assembly in its cleanup campaigns organised during the year.

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

The Company's environmental activities and plans are detailed in its Environmental Management Plan, which has been approved by the Environmental Protection Agency.

Safety

Fan Milk Limited continues to emphasise on safety at the workplace by ensuring high standards of the work environment within the factory, offices and distribution centres. The facilities of Fan Milk Limited have also met the requirements of Ghana Fire Service and the Factories Inspectorate and action is constantly and promptly taken to address any shortfalls in any area, which are brought to the Company's attention during inspection visits.

In 2008, Fan Milk Limited further enhanced its Emergency Response Plan which is a document providing guidelines on how to deal with eventualities of hazards and protecting the lives of members of staff and other stakeholders on the premises of Fan Milk Limited.

Health

Fan Milk Limited offers an Employee Health Care Scheme in which both employees and their registered spouses and children benefit from Company paid medical care.

Fan Milk Limited continuously assesses the health impact of its operations on both employees and the general public e.g. noise, ammonia discharge and waste water. Staff are regularly screened in conformity with the Accra Metropolitan Assembly (AMA) food vendors health regulations.

Social Responsibility Towards Employees

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

Fan Milk Limited is committed to the development of careers of staff through various Company sponsored programmes held locally and abroad.

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

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

Local Development And Other Social Responsibilities

Fan Milk Limited contributes on a regular basis to:

1. Remar Ghana Limited - Product support for the rehabilitation of drug addicts.
2. SKYY Power TV / FM - Social agenda programme.
3. Street Girls Aid - Product support for 750 street girls engaged in vocational training.
4. Joy FM Easter Kitchen - Products to support the Joy FM Easter Kitchen in feeding the needy in society.
5. Choice FM – Ghana Clean Advocacy: Our Environment, Our Health.

Fan Milk Limited also provided support for Ghana's Independence Day and Farmers Day celebrations.

During 2008, the Company undertook a Sanitation Awareness Campaign involving 93 schools nationwide, 106,600 pupils and 3,727 teaching and non-teaching staff. The campaign involved showing a short film on sanitation followed by question and answer sessions and donation of litter bins. The pupils and staff who participated in the programme were also refreshed with products from the Company.

Throughout 2008, Fan Milk Limited provided various forms of support to many other organisations including schools, fitness clubs, football clubs and other societies.

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 one 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 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.

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 - 35. These financial statements comprise the balance sheet as at December 31, 2008 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

As stated on page 8, 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 auditors' 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 auditors consider internal controls 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.

Basic for Qualified Opinion

Fan Milk 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 1 (i(b)). However, no provision was made as at December 31,2008. The accounting policy is not in accordance with IAS 19, which requires that the company uses actuarial techniques to establish the obligation. An actuarial valuation of the present obligation in accordance with IAS 19 was performed on March 3, 2008 by an actuary using the projected unit cerdit method, in which a total liability of GH¢958,744 was indicated as at December 31, 2007. No further actuarial valuation has been carried out since. The impact of not recognising this obligation is to understate provisions and overstate the income surpuls account by the amount of the obligation. Since no previous or subsequent actuarial calculations have been performed, we are unable to assess the impact of not recognising the obligation on the income statements of 2007 and 2008.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the 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, 2008 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 Coce, 1963 (Act 179).

Report on other legal requirements

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.
30 March, 2009

PRICEWATERHOUSECOOPERS

Income Statement for the year ended December 31

(All amounts are expressed in thousands of Ghana cedis)	Note	2008	2007
Revenue	2	**55,041**	41,068
Cost of Sales	3	**(28,599)**	(21,448)
Gross Profit		**26,442**	19,620
Distribution Costs	4	**(12,569)**	(9,834)
Administrative Expenses	5	**(4,873)**	(3,814)
Operating Profit		**9,000**	5,972
Other Income	6	**500**	253
Finance Costs	7	**(113)**	(221)
Net Profit before Tax		**9,387**	6,004
Tax	8	**(2,333)**	(1,650)
Net Profit after Tax transferred to Income Surplus Account		**7,054**	4,354
Earnings per Share			
Basic		**0.36**	0.22
Diluted		**0.36**	0.22

Balance Sheet as at December 31

(All amounts are expressed in thousands of Ghana cedis)	Note	2008	2007
Assets			
Non-Current Assets			
Property, plant and equipment	11	**13,383**	9,941
Prepaid operating lease - land	12	**1,701**	1,540
		15,084	11,481
Current Assets			
Inventories	13	**6,811**	5,522
Trade and other receivables	14	**2,129**	1,593
Bank and cash balances	21	**8,834**	5,111
		17,774	12,226
Total Assets		**32,858**	**23,707**
Equity			
Capital and Reserves Attributable to Company's Equity Holders			
Stated capital	19	**6,000**	6,000
Income Surplus Account		**15,410**	9,494
		21,410	15,494
Liabilities			
Non-Current Liabilities			
Finance lease obligation	18	**0**	199
Deferred tax	17	**808**	484
		808	683
Current Liabilities			
Trade and other payables	15	**9,719**	7,398
Tax	16	**699**	0
Dividend payable	9	**222**	132
		10,640	7,530
Total Liabilities		**11,448**	8,213
Total Shareholders' Equity and Liabilities		**32,858**	23,707

The financial statements on pages 16 to 35 were approved by the Board of Directors on March 5, 2009 and signed on its behalf by:

Director

Director

Statement of Changes in Equity

(All amounts are expressed in thousands of Ghana cedis)	Note	Stated Capital	Income Surplus Account	Total
Year ended December 31, 2008				
At the beginning of the year		6,000	9,494	**15,494**
Net Profit		0	7,054	**7,054**
Dividend	9	0	(1,138)	**(1,138)**
At the end of the year		6,000	15,410	**21,410**
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		0	(910)	**(910)**
At the end of the year		6,000	9,494	**15,494**

The accounting policies and notes on pages 21 to 35 form an integral part of these financial statements.

Cash Flow Statement

as at December 31

(All amounts are expressed in thousands of Ghana cedis)	Note	2008	2007
Cash Flow from Operating Activities			
Cash generated from operations	20	**13,198**	8,623
Interest paid	6	**(113)**	(221)
Interest received	5	**239**	92
Tax paid	16	**(1,310)**	(1,301)
Net cash generated from operating activities		**12,014**	7,193
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	11	**(6,429)**	(3,123)
Purchase of Land		**(216)**	0
Proceeds from sale of plant and equipment	11	**112**	98
Net cash used in investing activities		**(6,533)**	(3,025)
Cash Flows from Financing Activities			
Dividend paid	9	**(1,048)**	(873)
Finance lease repaid	18	**(710)**	(747)
Net cash used in financing activities		**(1,758)**	(1,620)
Increase in cash and cash equivalents		**3,723**	2,548
Cash and cash equivalents at the beginning of the year	21	**5,111**	2,563
Cash and cash equivalents at the end of the year	21	**8,834**	5,111

Upgrading Of Tamale Depot

1. Fan Milk Limited, a company incorporated under the Ghana Companies Code 1963, (Act 179) domiciled in Ghana 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.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). 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.

(b) 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.

Land is not depreciated. Depreciation is calculated using the straight line method to write off the cost of each asset or revalued amounts 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. When revalued assets are sold, the amounts included in other reserves are transfered to retained earnings.

(c) 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.

(d) 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.

(e) **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, or 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.

(f) **Trade Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest, method, less allowance for impairment.

An allowance for impairment of receivables is estimated when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(g) **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 within borrowings in current liabilities on the balance sheet.

(h) **Trade Payables**

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

(i) **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.

(j) **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.

(k) **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.

(l) 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 pays for the obligations at the time of retirement.

(m) 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.

(n) 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.

(o) Foreign Currencies

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

Transactions in foreign currencies during the year are convverted 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 profit and loss account.

(p) 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.

(q) 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.

(r) 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.

(s) 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	2008	2007
2. Revenue			
Gross sales		**63,297**	47,426
Value Added Tax		**(8,265)**	(6,358)
		55,041	41,068
3. Cost of Sales			
Cost of Sales include:			
Depreciation of factory buildings and plant and machinery		**1,094**	860
Staff Cost-Wages and Salaries		**2,292**	2,029
- Social Security		**180**	140
- Provident Fund		**65**	51
4. Distribution Costs			
Selling and Distribution Cost include:			
Depreciation of Buildings, Vehicles and Machinery		**1,646**	1,384
Staff Cost-Wages and Salaries		**1,695**	1,574
- Social Security		**141**	115
- Provident fund		**54**	44
5. Administrative Expenses			
Administrative Expenses include			
Depreciation of Buildings, Vehicles and Machinery		**244**	126
Staff Cost-Wages and Salaries		**813**	603
- Social Security		**75**	54
- Provident fund		**29**	21
Auditor's Remuneration		**26**	26
Director's Remuneration		**357**	273
Donations		**4**	14
6. Other Income			
Profit on disposal of plant and equipment	11(d)	**109**	60
Interest on Current Accounts		**239**	92
Sale of Empty Bags and Scraps		**61**	41
Provident Fund		**13**	4
Rent Income		**56**	52
Bad Debts Recovered		**22**	4
		500	253
7. Finance Costs			
Interest Payable on Bank Overdraft		**4**	2
Interest Payable on Finance Lease		**109**	219
		113	221
8. Income Tax Expense			
Current Tax	16	**2,009**	1,166
Deferred Tax	17	**324**	484
		2,333	1,650

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

	2008	2007

8. Income Tax Expense (Continued)

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

	2008	2007
Profit before tax	**9,387**	6,004
Tax charged @25% (2007: 22%)	**2,347**	1,321
Expenses not deductible in determining taxable profit	**1**	2
Other differences	**4**	0
Rent income at different tax rate	**0**	(7)
Deferred tax relating to prior years	**0**	334
Capital allowances brought forward used in 2008	**(19)**	0
	2,333	1,650

9. Dividend Payable

	2008	2007
Balance at January 1	**132**	95
Dividend declared and approved (**GH¢0.0575 per share;** 2007: GH¢0.046 per share)	**1,138**	910
Dividend Paid	**(1,048)**	(873)
Balance at 31 December	**222**	132

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 2008) amounted to **GH¢1.484 million** (GH¢0.0750 per share).

10. Earnings per share

	2008	2007
Profit before tax	7,054	4,354
Number of ordinary shares	19,784,548	19,784,548
Basic and diluted earnings per share (GH¢)	0.36	0.22

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

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

11. Property, Plant and Equipment

a. 2008	Buildings and Roads	Motor Vehicles	Plant and Machinery	Capital W. I. P	Total
Cost / deemed cost					
At January 1, 2008	2,829	4,301	14,501	265	**21,896**
Additions	125	1,921	3,312	1,071	**6,429**
Transfer	3	0	427	(430)	**0**
Disposals	(12)	(431)	(174)	0	**(617)**
At December 31, 2008	**2,945**	**5,791**	**18,066**	**906**	**27,708**
Accumulated Depreciation					
At January 1, 2008	1,069	3,036	7,850	0	**11,955**
Charge for the year	154	783	2,047	0	**2,984**
Released on disposal	(9)	(431)	(174)	0	**(614)**
At December 31, 2008	**1,214**	**3,388**	**9,723**	**0**	**14,325**
Net book Value					
At December 31, 2008	**1,731**	**2,403**	**8,343**	**906**	**13,383**

b. 2007					
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**

c. Included in motor vehicles, plant and machinery are assets with a cost of **GH¢2.3 million** (2007: **GH¢2.3** million) leased under a finance lease.

	2008	**2007**
Cost-capitalised finance lease	**2,295**	2,295
Accumulated depreciation	**(2,101)**	(1,406)
Net book value	**194**	889

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

11. Property, Plant and Equipment (Continued)

d. Profit on Disposal of Property, Plant and Equipment

	2008	2007
Cost of assets	**617**	**377**
Accumulated depreciation	**(614)**	(339)
Net book value	**3**	38
Sale proceeds	**(112)**	(98)
Profit on disposal of plant and equipment and motor vehicles	**(109)**	(60)

12. Prepaid Operating Lease - Land

Cost		
At January 1	**1,694**	1,694
Addition	**216**	0
At December 31	**1,910**	1,694
Accumulated Amortisation		
At January 1	**154**	104
Charge for the Year	**55**	50
At December 31	**209**	154
Net book Value at December 31,	**1,701**	1,540

13. Inventories

Raw Materials	**1,692**	1,376
Finished goods	**772**	788
Work in progress	**46**	3
Goods in transit	**4,214**	3,280
Other stocks	**87**	75
	6,811	5,522

During the year the cost of inventories charge to the profit and loss account amounted to **GH¢21.1 million** (2007: GH¢20.586 million).

14. Trade and Other Receivables

Trade receivables	**419**	385
Other receivables	**1,551**	1,089
Amount due from staff	**127**	80
Prepayments	**32**	39
	2,129	1,593

The maximum amount of staff indebtedness during the year did not exceed **GH¢0.14 million** (2007: GH¢0.10 million).

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

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

	Notes	2008	2007
15. Trade and Other Payables			
Trade payables		**6,375**	4,679
Other payables		**2,934**	1,831
Finance lease obligations (Note 18)		**197**	711
Accruals		**213**	177
		9,719	7,398
16. Current Taxation			
As at January 1		**0**	135
Charge to income	8	**2,009**	1,166
Payments		**(1,310)**	(1,301)
As at December 31		699	0

17. Deferred Tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rate of 25%. The charge for the year relates to accelerated tax allowances on property, plant and equipment.

	Notes	2008	2007
As of January 1		**484**	0
Charge to income	7	**324**	484
As at December 31		**808**	484

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 assets.

The lease obligation is as follows:

Minimum lease payments:

	Notes	2008	2007
Not later than 1 year		**212**	809
Later than 1 year and not later than 5 years		**0**	209
		212	1,018
Future finance charges on finance lease		**(15)**	(108)
Present value of finance lease liabilities		**197**	910

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

	Notes	2008	2007
Not later than 1 year	15	**197**	711
Later than 1 year and not later than 5 years		**0**	199
		197	910

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

19. Stated Capital

	No. of shares 2008	Proceeds 2008	No. of shares 2007	Proceeds 2007
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	5,981
	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

	2008	2007
Reconciliation of net profit before tax to cash generated from operations:		
Net Profit Before Tax	**9,387**	6,004
Depreciation	**2,984**	2,370
Amortisation	**55**	50
Interest expense	**113**	221
Interest received	**(239)**	(92)
Increase in inventories	**(1,289)**	(1,289)
Increase in trade and other receivables	**(536)**	(779)
Increase in trade and other payables	**2,832**	2,198
Profit on disposal of plant and equipment	**(109)**	(60)
Cash Generated from Operations	**13,198**	8,623

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	**8,834**	5,111

Bank Overdraft

At the balance sheet date the Company had an approved unsecured overdraft facility with local banks not exceeding **GH¢0.5 million** (2007: GH¢0.5 million).

(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 55.449% 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:

	2008	2007
(I) **Purchase of goods**		
Emidan A/S	**19,174**	14,958
(II) **Purchase of goods**		
Fan Milk S. A. Togo	**108**	30
(III) **Sale of goods**		
Fan Milk S. A. Togo	**6**	23
(IV) **Year end balance arising from purchase of goods**		
Emidan A/S	**5,697**	4,146
(V) **Year end balance arising from sale of goods**		
Fan Milk S. A. Togo	**16**	22
(VI) **Technical assistance fees**		
Fan Milk International	**825**	1,252
(VII) **Year end balance arising from technical assistance fees**		
Fan Milk International	**267**	326

Transactions with key management personnel

Key management personnel are considered to be the directors

	2008	2007
Remuneration		
Executive director (Short - term benefits)	**302**	215
Non-executive directors (Short - term benefits)	**129**	113

Key management personnel have no post-employment benefits.

23. Contingent liabilities

There were no contingent liabilities at the balance sheet date (2007: GH¢ nil).

24. 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.

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

Financial risk management (Continued)

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 materials, spare parts and equipment from overseas and therefore is 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 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 an increase or decrease of expense of GH¢19,400.

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, 2008, management was unaware of any significant unprovided credit risk.

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

	2008	2007
Bank balances (excluding cash)	**8,274**	4,670
Trade and other receivables (excluding prepayments)	**2,097**	1,554
Total credit risk exposure	**10,371**	6,224

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 its 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, 2008.

Expiring within one year	**500**	500

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.

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

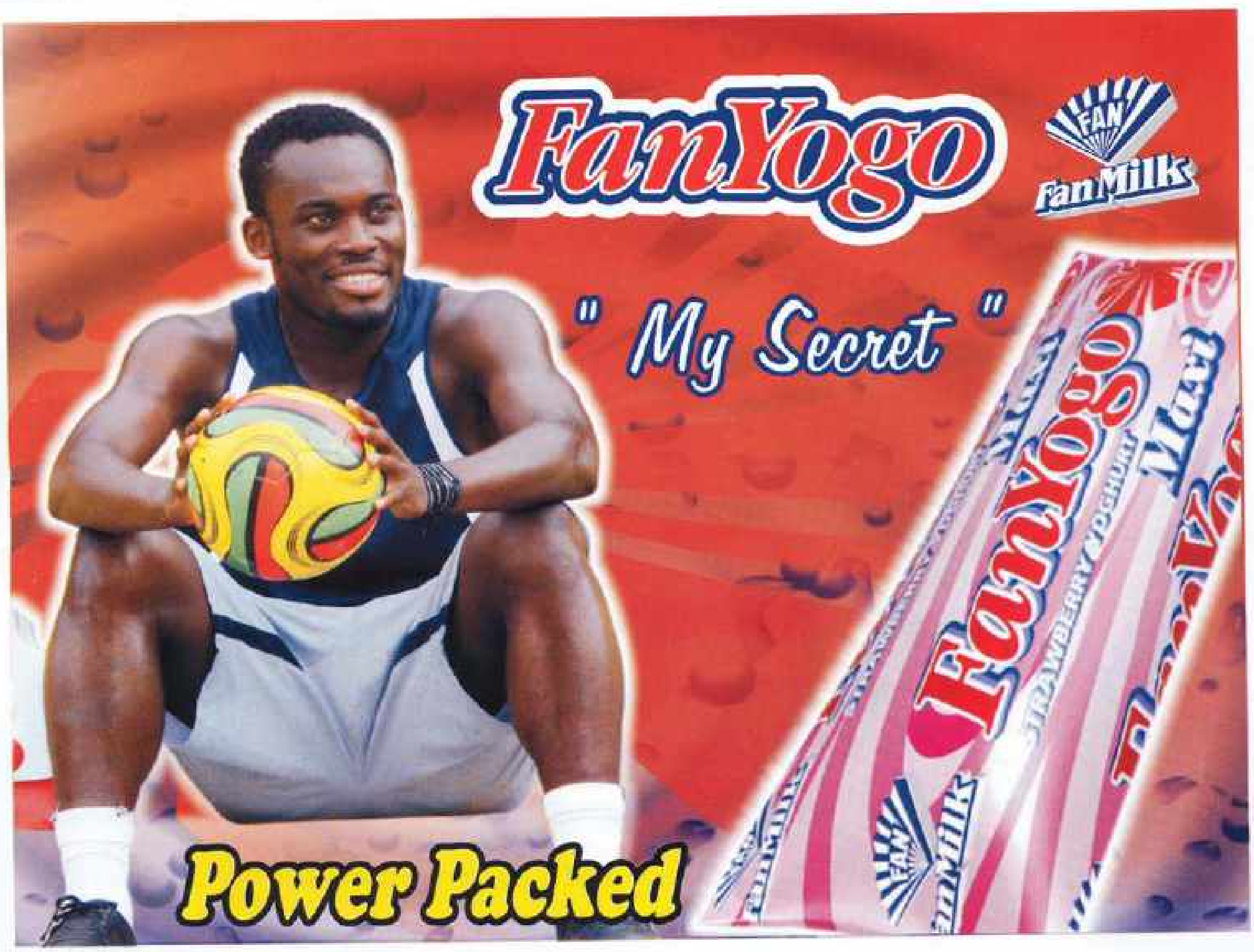
25. Capital commitments

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

	2008	2007
Property, plant and equipment approved and contracted	**2,031**	1,765

26. Management of capital

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



Notes

Proxy Form

If you wish to vote at the Forty-Eighth 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 Forty-Eighth Annual General Meeting of Fan Milk Limited to be held at the National Theatre, Accra on Friday May 8, 2009 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, 2008 and the report of the Auditors thereon	☐	☐
Resolution 2.	To declare a dividend on the Company's share in respect of the year ended December 31, 2008	☐	☐
Resolution 3.	To re-elect as a Director, Dr. Charles Mensa who retires by rotation..........	☐	☐
Resolution 4.	To re-elect as a Director, Mr. Jens Jørgen Kollerup who retires by rotation..........	☐	☐
Resolution 5.	To fix the remuneration of the Directors	☐	☐
Resolution 6.	To authorise the Directors to fix the remuneration of the Auditors	☐	☐
Resulotion 7.	To pass the following Special Resolution: 'To amend by Special Resolutions, Regulations 13a, 13b, 13c and to delete Regulation 32 of the company to permit the conversion and/or issuance of shares in Electronic book entry form in compliance with the requirements of the Ghana Stock Exchange.'..........	☐	☐

Shareholder's name:

Shareholder's signature: Date 2009

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, Friday May 8, 2009

Important:

a) The Admission Form must be produced by the member or his proxy to obtain admission to the Forty-Eighth Annual General Meeting.

b) Shareholders or their proxies are requested to sign the Admission Form before attending the meeting.

.... Name of Shareholder

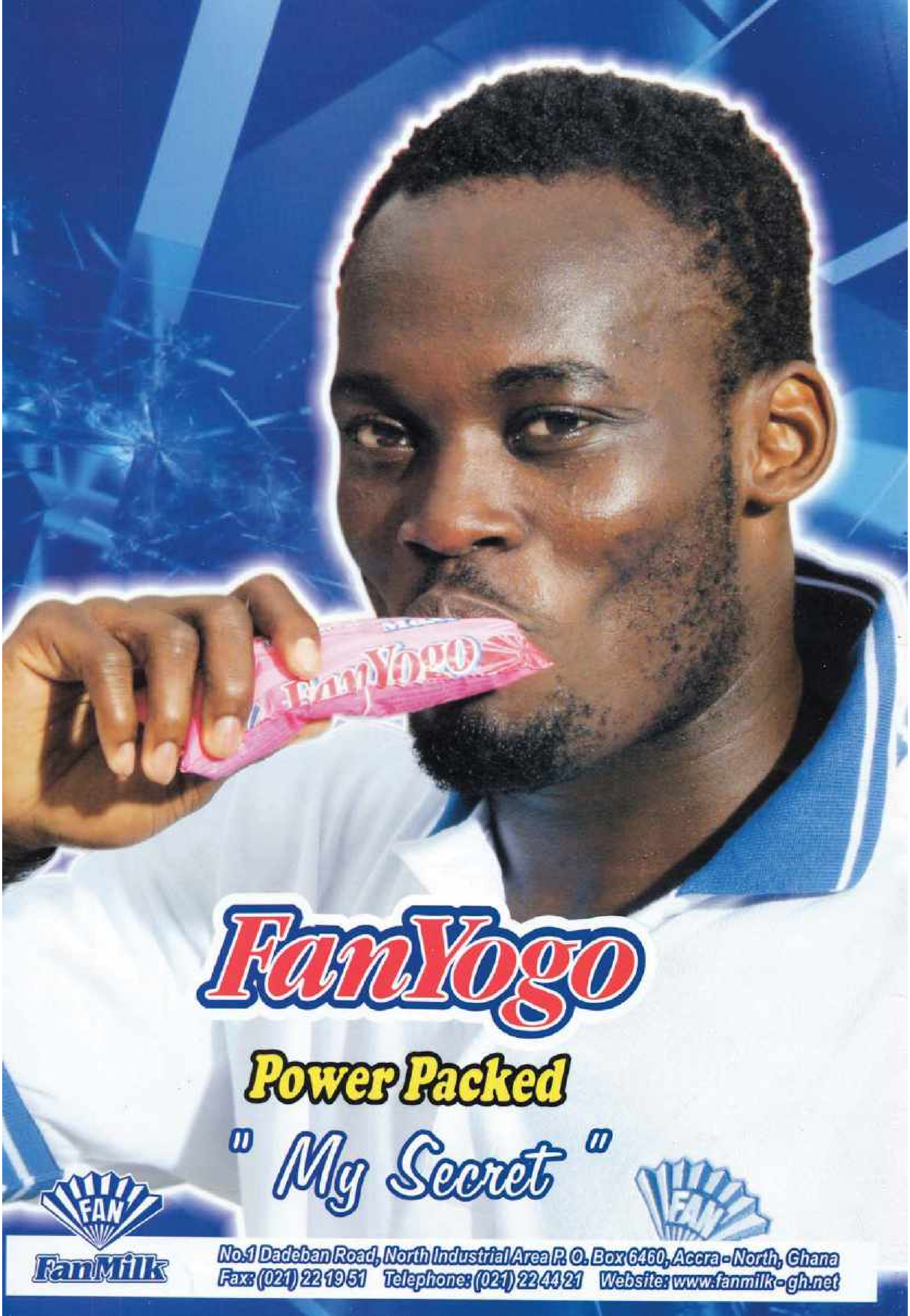
.... Signature of Shareholder

.... Name of Person Attending

.... Signature of Person Attending

P.T.O

National Trust Holding Company Ltd.
Registrar's Department
Martco House - Accra
P. O. Box 9563
Airport - Accra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