



**Fan Milk Limited**  
annual report & accounts

**2 0 0 9**



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# Financial Highlights



<i>(Amounts in GH¢'000 except per share)</i>	2009	2008	2007	2006
Profit After Taxation	15,156	7,054	4,354	3,311
Earnings Per Share	0.77	0.36	0.22	0.17
Total Shares Issued	19,784,548	19,784,548	19,784,548	19,784,548
Dividend Per Share	0.1000	0.0750	0.0575	0.0460

#### Year End:

Total Assets	51,114	32,858	23,707	18,448
Shareholders' Fund	35,082	21,410	15,494	10,989
Permanent Staff	407	401	378	374

#### Stock Price Range:

High	5.5500	5.0000	2.3900	1.8002
Low	2.5000	2.3900	1.8002	1.5800

#### Distribution of Gross Sales

	2009	%	2008	%
Gross Sales	94,842	100.0	63,297	66.7
Net Sales	82,471	87.0	55,041	58.0
Cost of Sales	38,460	40.6	28,599	30.2
Distribution Costs	18,628	19.6	12,569	13.3
Administrative Expenses	6,184	6.5	4,873	5.1
Finance Costs	201	0.2	113	0.1
VAT	12,371	13.0	8,265	8.7
Income Tax	5,019	5.3	2,333	2.5
Transfer to Retained Earnings	15,156	16.0	7,054	7.4
Other Income	(1,177)	(1.2)	(500)	(0.8)

#### Operational Results

<i>(Amounts in GH¢'000)</i>	2009	2008	Change	%Change
Net Sales	82,471	55,041	27,430	49.8
Cost of Sales	(38,460)	(28,599)	(9,861)	34.5
Distribution Costs	(18,628)	(12,569)	(6,059)	48.2
Administrative Expenses	(6,184)	(4,873)	(1,311)	26.9
Finance Costs	(201)	(113)	(88)	77.9
Other Income	1,177	500	677	135.4
Profit before Taxation	20,175	9,387	10,788	114.9
Income Tax	(5,019)	(2,333)	(2,686)	115.1
Profit after Taxation	15,156	7,054	8,102	114.9



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

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

**Auditors** PricewaterhouseCoopers  
Chartered Accountants  
No. 12 Airport City  
Una Home, 3<sup>rd</sup> Floor  
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 Limited  
Prudential Bank Limited  
Agricultural Development Bank Limited  
Ghana Commercial Bank Limited  
Standard Chartered Bank Ghana Limited



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

# Shareholding Distribution



The Company had 4,516 shareholders as at December 31, 2009 with equal voting rights distributed as follows:

Category of Holdings	Shareholders	% of Holders	No. Of Shares	% of Holding
Less than 1,000	3,403	75.36	613,077	3.10
1,000 to 5,000	953	21.10	2,280,264	11.52
5,001 to 10,000	73	1.62	484,845	2.45
10,001 to 20,000	58	1.29	703,477	3.55
20,001 to 30,000	11	0.24	270,902	1.37
30,001 to 40,000	5	0.11	181,302	0.92
40,001 to 50,000	2	0.04	98,499	0.50
Over 50,000	11	0.24	15,152,182	76.59
<b>Totals</b>	<b>4,516</b>	<b>100.00</b>	<b>19,784,548</b>	<b>100.00</b>

Details of the twenty (20) largest Shareholders as at December 31, 2009

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	995,000	5.03
4. BBGN RE Epack Investment Fund	671,321	3.39
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. BBGN/Mellon Bank , N.A. as Agent for it's Clients	103,852	0.52
9. BBGN/Elac Policy Holders Fund	65,832	0.33
10. SSNIT (SOS) Fund	55,954	0.28
11. BBGN/GBL Managers Pension Fund	53,300	0.27
12. Asare, James Kwadwo	50,000	0.25
13. Fielor Sean	48,499	0.25
14. BBGN/BBGN/BBH CUST DZ BNK INT.S.A LUX-SILK FD-African Lions FD GH	39,800	0.20
15. G. P. H. A. End of Service Benefits	39,250	0.20
16. Nduom Kwesi P. Dr.	36,738	0.19
17. Fan Milk Limited Staff Provident Fund	32,820	0.17
18. CSS-CSS01	32,694	0.17
19. State Insurance Company of Ghana Ltd.	30,000	0.15
20. BBGN RE:ELAC SHAREHOLDERS FUND	28,798	0.15
<b>Total</b>	<b>15,490,781</b>	<b>78.30</b>

#### Directors' Shareholding

1. Kodjo Biamawu Aziagbe	6,000
2. Jesper Bjørn Jeppesen	3,900
3. Peace Ayisi-Okyere	18
<b>Total</b>	<b>9,918</b>



# Notice of Meeting



Notice is hereby given that the Forty-Ninth Annual General Meeting of Fan Milk Limited will be held at the National Theatre, Accra on Friday May 7, 2010 at 11:00 am in order to transact the following business:

## AGENDA

1. To receive the report of the Directors, the Financial Statements as at December 31, 2009 and the report of the Independent Auditors thereon.
2. To declare a dividend on the Company's Shares in respect of the year ended December 31, 2009.
3. To re-elect as a Director, Mrs. Peace Ayisi - Okyere who retires by rotation.
4. To re-elect as a Director, Mr. George H. O. Thompson 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  
February 25, 2010

## 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.*



**Fan For Quality**

### 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, 2009.

### 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

Economic developments in the first half of year 2009 were characterised by high exchange rates, scarcity of foreign exchange, increased fuel costs and a high rate of inflation.

However, during the second half of the year under review, the economy stabilised and showed signs of recovery towards the end of the year.

Movements in selected economic indicators for 2009 are as follows:

- The rate of inflation rose from 18.1% at the beginning of the year to a peak of 20.7% by June 2009. End of year inflation was recorded as 15.97%.
- In March 2009, the Bank of Ghana prime rate was increased from 17.0% to 18.5%. It remained at that level until November 2009 when it was lowered to 18.0%.
- On the foreign exchange market, the Ghana Cedi (GH¢) depreciated against the major foreign currencies during 2009. According to the Bank of Ghana, the GH¢ fell by approximately 14.8% to the USD and by 16.2% to the EUR.
- Private remittances to Ghana through banks declined by 6.6% from USD 1.68 billion in 2008 to USD 1.57 billion in 2009.

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 2009.

Amounts in GH¢ '000	2009	2008	Change	% Change
Net Sales	82,471	55,041	27,430	49.8
Cost of Sales	(38,460)	(28,599)	(9,861)	34.5
Distribution Costs	(18,628)	(12,569)	(6,059)	48.2
Administrative Expenses	(6,184)	(4,873)	(1,311)	26.9
Finance Costs	(201)	(113)	(88)	77.9
Other Income	1,177	500	677	135.4
Profit Before Taxation	20,175	9,387	10,788	114.9
Tax	(5,019)	(2,333)	(2,686)	115.1
Profit After Taxation	15,156	7,054	8,102	114.9

## 6. Dividend

The Board is pleased to recommend an increase of 33.3% in dividends from GH¢ 0.075 to GH¢ 0.10 per share. The total amount payable as dividend will be GH¢ 1,978,454.80 (2008: GH¢ 1,483,841.10).

## 7. Performance On The Stock Market

The share price of Fan Milk Limited gained 23.3% on the Ghana Stock Exchange in 2009, moving from GH¢ 4.50 in January 2009 to GH¢ 5.55 by December 31, 2009. Fan Milk Limited was the only gainer on the Ghana Stock Exchange for the year 2009.

## 8. Directors

In accordance with Section 298 of the Companies Code, 1963 (ACT 179), and the Company's Regulation 61 (2a&b) Mrs. Peace P. Ayisi-Okyere and Mr. George H. O. Thompson retire from the Board by rotation, and being eligible, they offer themselves for re-election.

## 9. Directors' Fee

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 2010 not exceeding the sum of GH¢ 270,738 representing an increase of 30% on Directors' Fees for 2009.

## 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 2010.



## 11. Capital Expenditure

Capital investments made during year 2009 totalled GH¢ 12.2 million. The investments included:

- Installation of a Gram freezer for ice cream production.
- Installation of a Tank Farm with automated valve stations.
- Installation of a new bottling line.
- Installation of a turbo mixer.
- Purchase of new sales vans and distribution trucks.
- Purchase of forklifts.
- Purchase of various distribution equipment.
- Purchase of microbiological equipment.
- Purchase and installation of a new 2,400 KVA transformer at the factory.
- Construction of a new electrical panel room.
- Construction of a warehouse at the Tema new factory site.
- Various civil works at the Factory and Tema new factory site.
- Construction of a new bicycle workshop.

## 12. Outlook for 2010 and Beyond

The signs of economic recovery witnessed in year 2009 are expected to lead to a full rebound of the national economy in 2010. Furthermore, oil production is expected to commence towards the end of the year thus creating jobs and commercial opportunities in the emerging oil sector and thus filtering into the wider national economy.

The political environment is expected to remain both stable and vibrant and will thus encourage the implementation of new social and economic infrastructural projects to improve the quality of life of Ghanaians.

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.

Fan Milk Limited will also consider enhancing as well as establishing additional distribution centres in the Ashanti, Brong Ahafo, and Central regions in order to improve on our presence and product availability in these areas.

## 13. Acknowledgment and 50<sup>th</sup> Anniversary

As you are aware, year 2010 marks the Golden Jubilee of the establishment of Fan Milk Limited in Ghana. There is no doubt about the immense contribution of Fan Milk Limited to the economy of Ghana over the past 50 years. This could not have been possible without the contribution from Shareholders, Management, Staff, Agents and Customers of the Company.

On this occasion, on behalf of the Board of Directors, I wish to say *AYEKOO!* to the founding fathers, shareholders and customers, present and past management and staff, distributors, agents and all who have done their part in building and sustaining this great Company of ours over the years.

On behalf of the Board



Dr. Charles Mensa



Jesper Bjørn Jeppesen

# Corporate Social Responsibility Report



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 2009 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. Fan Milk Limited also complies with all relevant regulations and tax laws.

## **Environment**

During the year under review, Fan Milk Limited expanded its partnership with the Ghana National Scholarships Beneficiaries Association (GNASBA) in the area of environmental responsibility. Fan Milk Limited sponsored many activities of GNASBA, which involved tree planting, clean up campaigns, collection and disposal of plastic waste and malaria awareness programmes. Apart from the contribution of funds, Fan Milk Limited also provides GNASBA with dustbins, refreshments and souvenirs.

Fan Milk Limited continues to reuse the waste water from its production activities. Waste water is channelled through the Company's water treatment plant and reused in activities such as gardening and wash room facilities.

Fan Milk Limited has also contracted City Waste Management Limited for the collection, disposal and recycling of waste from the Factory and distribution centres throughout the Country.

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.

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

## **School Sanitation And Sampling Campaign**

During 2009, the Company undertook a Sanitation Awareness Campaign involving 95 schools, 101,000 pupils, 4,000 teaching and non-teaching staff. This involved viewing of a short film on sanitation, the distribution of 592 dustbins to participating schools and the provision of refreshments.

## **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 and locker room as well as canteen facilities at the Factory premises.

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.

## **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 promptly taken to address any shortfalls in any area, which is brought to the Company's attention during inspection visits.

In 2009, Fan Milk Limited installed a new fire alarm system and acquired a mini fire tender for the head office and factory.

## **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. the impact of noise, ammonia and waste water discharge. Members of staff are regularly screened in conformity with the relevant local government food vendors health regulations.



# Corporate Social Responsibility Report (Continued)



## Local Development and Other Social Responsibilities

In 2009, Fan Milk Limited provided cash and product support for Ghana's Independence Day and Farmers Day celebrations.

Fan Milk Limited also provided support towards the following festivals:

1. Ada Asafotufiami
2. Edina Bakatue
3. Afahye
4. Winneba Masqueraders
5. Takoradi Masqueraders Carnival
6. Mankessim Boiboi / Fante Akwanbo
7. Winneba Effutu Aboakyer

Fan Milk Limited contributes on a regular basis to:

1. Remar Ghana Limited – Monthly product support for the rehabilitation of drug addicts.
2. SKYY Power TV / FM – Sponsorship of a social agenda programme.
3. Adom FM – Product support for their Blood Donation Campaign.
4. Street Girls Aid – Product Support for 750 street girls engaged in vocational training.
5. Joy FM – Products to support the Joy FM Easter Soup Kitchen in feeding the needy in society.

Fan Milk Limited provided support for the Children's Christmas Fiesta organised by Revele Films at the Accra Shopping Mall.

## Donations

Other areas of support in which Fan Milk Limited was involved during 2009 were:

1. A donation of funds to the Sheik Osumanu Nuhu Sharabutu Education Trust Fund.
2. A donation of funds to the Ga Mantse Education Fund.
3. A donation of funds to the Community Policing Unit of the Ghana Police Service.
4. Cash support towards the Asantehene's 10<sup>th</sup> anniversary celebration.
5. Cash support towards the Okyenhene's 10<sup>th</sup> anniversary celebration.
6. The 10<sup>th</sup> anniversary celebrations of the Driver Vehicle Licencing Authority.
7. Product and souvenir support to the 20<sup>th</sup> anniversary celebration of the Police Ladies Association.
8. Product and cash support to the 50<sup>th</sup> anniversary celebration of the Association of Ghana Industries.
9. Cash support to the Christian Council of Ghana.
10. Campaign on Drug and Alcohol Abuse by the Ankaful Psychiatric Hospital.

In December 2009, Fan Milk Limited sponsored the Achimota Golf Club Ladies PROAM and Achimota Caddies Golf tournaments.

Throughout 2009, 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 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 managing 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 auditor. 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 control 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.



# Independent Auditor's 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 to 36. These financial statements comprise the statement of financial position at December 31, 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 and with the requirements of the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control 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 opinion on the 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 misstatement.

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 assessments, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 opinion.

### Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the company's financial affairs at December 31, 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Code, 1963 (Act 179).

# Independent Auditor's Report *(Continued)*




## Report on other Legal Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our 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; and
- iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

*Price Waterhouse Coopers*

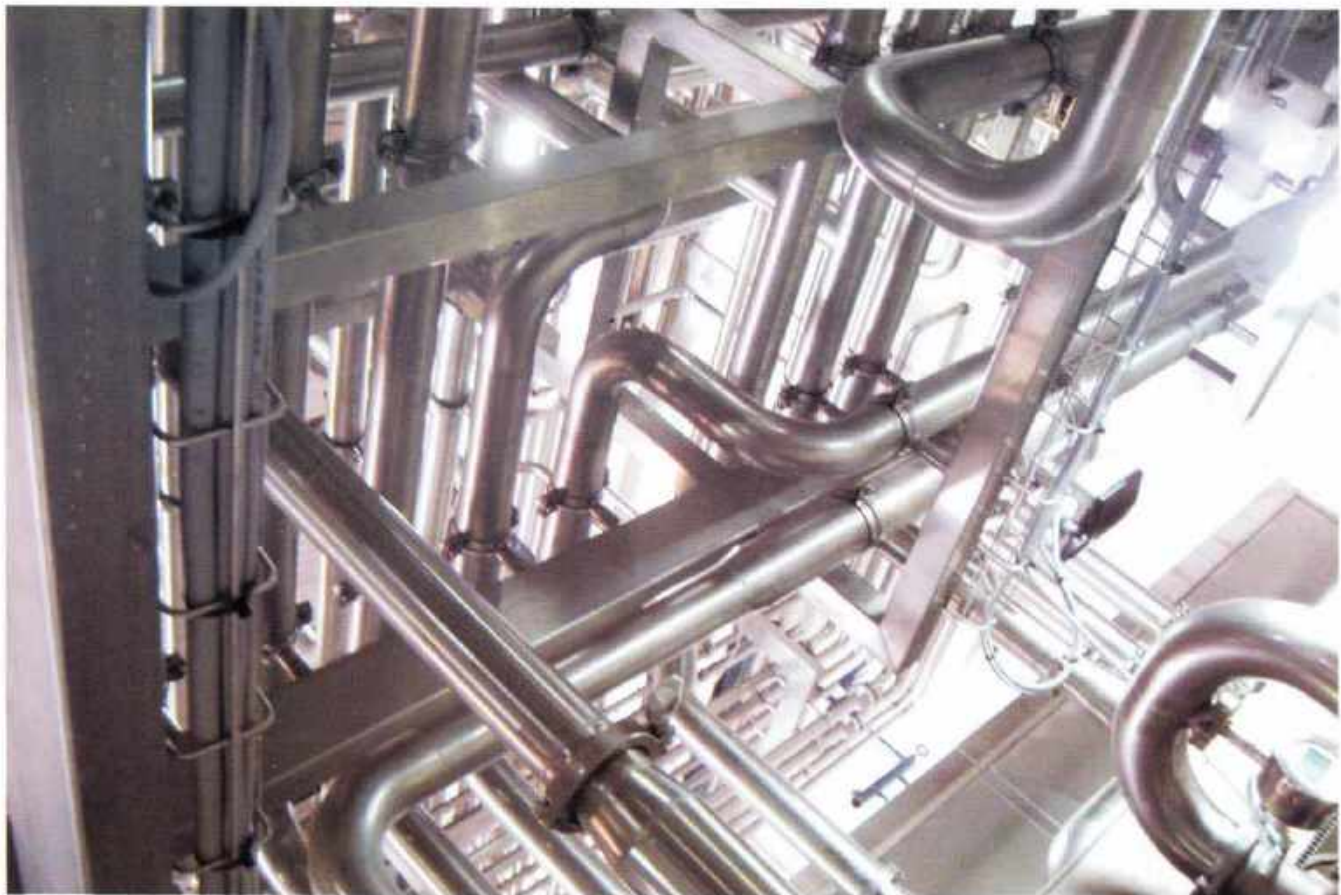
Chartered Accountants

PRICEWATERHOUSECOOPERS 

9<sup>th</sup> March, 2010

Accra, Ghana

Mark Appleby (101193)





# Statement of Comprehensive Income for the year ended December 31



<i>(All amounts are expressed in thousands of Ghana cedis )</i>	Note	2009	2008
Revenue	3	82,471	55,041
Cost of Sales	4	(38,460)	(28,599)
<b>Gross Profit</b>		<b>44,011</b>	<b>26,442</b>
Distribution Costs	5	(18,628)	(12,569)
Administrative Expenses	6	(6,184)	(4,873)
<b>Operating Profit</b>		<b>19,199</b>	<b>9,000</b>
Other Income	7	1,177	500
Finance Costs	8	(201)	(113)
<b>Net Profit before Tax</b>		<b>20,175</b>	<b>9,387</b>
Tax	9	(5,019)	(2,333)
<b>Net Profit after Tax</b>		<b>15,156</b>	<b>7,054</b>
Other Comprehensive Income		0	0
<b>Total Comprehensive Income</b>		<b>15,156</b>	<b>7,054</b>
<b>Earnings per Share</b>			
<b>Basic and Diluted (GH¢)</b>	11	<b>0.77</b>	<b>0.36</b>



# Statement of Financial Position at December 31



(All amounts are expressed in thousands of Ghana cedis)	Note	2009	2008
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	21,622	13,383
Prepaid operating lease - land	13	1,647	1,701
		<b>23,269</b>	<b>15,084</b>
<b>Current Assets</b>			
Inventories	14	9,656	6,811
Trade and other receivables	15	2,318	2,129
Bank and cash balances	22	15,871	8,834
		<b>27,845</b>	<b>17,774</b>
<b>Total Assets</b>		<b>51,114</b>	<b>32,858</b>
<b>Equity</b>			
<b>Capital and Reserves Attributable to Company's Equity Holders</b>			
Stated capital	20	6,000	6,000
Retained earnings		29,082	15,410
		<b>35,082</b>	<b>21,410</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Finance lease obligation	19	0	0
Deferred tax	18	1,330	808
		<b>1,330</b>	<b>808</b>
<b>Current Liabilities</b>			
Trade and other payables	16	14,272	9,719
Current tax	17	137	699
Dividend payable	10	293	222
		<b>14,702</b>	<b>10,640</b>
<b>Total Liabilities</b>		<b>16,032</b>	<b>11,448</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>51,114</b>	<b>32,858</b>

The financial statements on pages 16 to 36 were approved by the Board of Directors on February 25, 2010 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	Retained Earnings	Total
<b>Year ended December 31, 2009</b>				
At the beginning of the year		6,000	15,410	21,410
Total comprehensive income		0	15,156	15,156
Dividend	9	0	(1,484)	(1,484)
<b>At the end of the year</b>		<b><u>6,000</u></b>	<b><u>29,082</u></b>	<b><u>35,082</u></b>
<b>Year ended December 31, 2008</b>				
At the beginning of the year		6,000	9,494	15,494
Total comprehensive income		0	7,054	7,054
Dividend		0	(1,138)	(1,138)
<b>At the end of the year</b>		<b><u>6,000</u></b>	<b><u>15,410</u></b>	<b><u>21,410</u></b>

*The accounting policies and notes on pages 21 to 36 form an integral part of these financial statements.*



# Statement of Cash Flows as at December 31



<i>(All amounts are expressed in thousands of Ghana cedis)</i>	Note	2009	2008
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	21	25,191	13,198
Interest paid		(17)	(113)
Interest received		418	239
Tax paid	17	(5,059)	(1,310)
<b>Net cash generated from operating activities</b>		<b>20,533</b>	<b>12,014</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	12	(12,181)	(6,429)
Purchase of Land	13	(1)	(216)
Proceeds from sale of plant and equipment	12	296	112
<b>Net cash used in investing activities</b>		<b>(11,886)</b>	<b>(6,533)</b>
<b>Cash Flows from Financing Activities</b>			
Dividend paid	10	(1,413)	(1,048)
Finance lease repaid		(197)	(710)
<b>Net cash used in financing activities</b>		<b>(1,610)</b>	<b>(1,758)</b>
<b>Increase in cash and cash equivalents</b>		<b>7,037</b>	<b>3,723</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,834</b>	<b>5,111</b>
<b>Cash and cash equivalents at the end of the year</b>	22	<b>15,871</b>	<b>8,834</b>

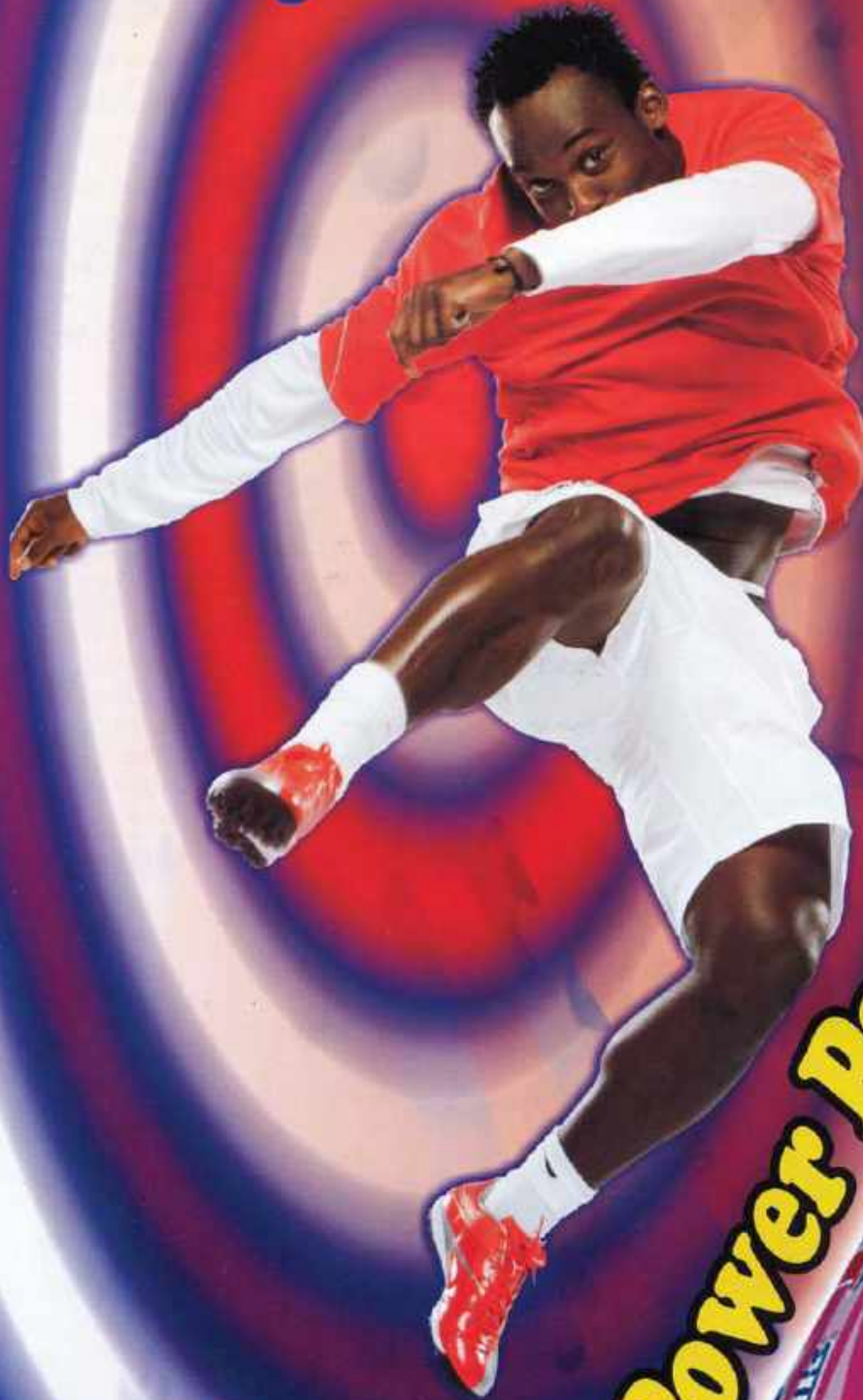




# FanYogo



" My Secret "



**Power Packed**





## 1. General Information

Fan Milk Limited manufactures, distributes and sells dairy products and fruit drinks through a network of independent distributors and agents.

The company is a public limited company incorporated and domiciled in Ghana under the Companies Code, 1963 (Act 179) and listed on the Ghana Stock Exchange. The registered office is located at No.1 Dadeban Road, North Industrial Area, Accra-North.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of Accounting

The financial statements have been prepared on the historical cost basis.

They 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.

The Company has adopted the following new and amended IFRSs as of January 1, 2009:

- IFRS 7 "Financial Instruments - Disclosures" (amendment) - effective January 1, 2009.

The amendment requires enhanced disclosure about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosure, there is no impact on earnings per share.

- IAS 1 (revised) "Presentation of financial statements" - effective January 1, 2009.

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### (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 in the statement of financial position at historical 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 statement of comprehensive income 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 values and useful lives are reviewed and adjusted if appropriate at each statement of financial position 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 statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

### (c) Impairments of assets

At each statement of financial position 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 asset 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 the 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 asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (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 purchase.



### (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 amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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 statement of financial position.

### (h) Trade Payables

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

### (i) Bank Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds amount 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 statement of comprehensive income 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) Current and Deferred Income Tax

#### 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 statement of financial position date.



### Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position 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 credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition 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 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 lessee. 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 statement of financial position as a finance lease obligation.

Lease payments are apportioned between financing charges and a 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 costs.

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 statement of comprehensive income on a straight line basis over the period of the lease.

### (l) Employee Benefits

#### 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.

### (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 Recognition

#### Sale of Goods

Sales are recognised when the risks and rewards of 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 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 statement of financial position date. The resulting gains and losses are dealt with in the statement of comprehensive income.

**(p) Dividend**

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

**(q) Post Statement of Financial Position Events**

Events subsequent to the statement of financial position 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 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 provision. In addition, significant estimates are involved in the determination of provision 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 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.

(t) **Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for the allocation of resources and assessing the performance of the operation segments.



# Notes

## to financial statements



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

	Note	2009	2008
<b>3. Revenue</b>			
Gross sales		94,842	63,297
Value Added Tax		(12,371)	(8,256)
		<b>82,471</b>	<b>55,041</b>
Included in revenue are export sales of <b>GH¢182,773</b> (2008: GH¢Nil).			
<b>4. Cost of Sales</b>			
Cost of Sales include:			
Depreciation of factory buildings and plant and machinery		1,534	1,094
Staff Cost-Wages and Salaries		3,187	2,292
- Social Security		240	180
- Provident Fund		85	65
<b>5. Distribution Costs</b>			
Selling and Distribution Cost include:			
Depreciation of Buildings, Vehicles and Machinery		1,902	1,646
Staff Cost-Wages and Salaries		2,249	1,695
- Social Security		186	141
- Provident fund		69	54
<b>6. Administrative Expenses</b>			
Administrative Expenses include			
Depreciation of Buildings, Vehicles and Machinery		346	244
Staff Cost-Wages and Salaries		1,457	813
- Social Security		105	75
- Provident fund		41	29
Auditors' Remuneration		33	26
Directors' Remuneration		529	357
Donations		55	4
Total number of staff employed by the company in year was <b>407</b> (2008: 401).			
<b>7. Other Income</b>			
Profit on disposal of plant and equipment	12	136	109
Interest on Current Accounts		418	239
Sale of Empty Bags and Scraps		37	61
Provident Fund Refund		12	13
Rent Income		64	56
Bad Debts Recovered		8	22
Exchange Gain		502	0
		<b>1,177</b>	<b>500</b>
<b>8. Finance Costs</b>			
Interest Payable on Bank Overdraft		0	4
Interest Payable on Finance Lease		17	109
Interest Payable on Agents Savings		134	0
Finance Cost on Staff Loan	15	50	0
		<b>201</b>	<b>113</b>
<b>9. Income Tax Expense</b>			
Current Tax	17	4,497	2,009
Deferred Tax	18	522	324
		<b>5,019</b>	<b>2,333</b>



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

2009 2008

**9. Income Tax Expense (Continued)**

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

Profit before tax	20,175	9,387
Tax charged at 25% (2008: 25%)	5,044	2,347
Expenses not deductible in determining taxable profit	14	1
Other differences	(31)	4
Capital allowances brought forward used in 2008	0	19
Export income at a different tax rate	(8)	0
	<b>5,019</b>	<b>2,333</b>

**10. Dividend Payable**

Balance at January 1	222	132
Dividend declared and approved (GH¢0.0750 per share; 2008: GH¢0.0575 per share)	1,484	1,138
Dividend Paid	(1,413)	(1,048)
<b>Balance at 31 December</b>	<b>293</b>	<b>222</b>

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 31, 2009) amounted to **GH¢1,987 million (GH¢0.10 per share)**.

**11. Earnings per share**

Profit before tax	15,156	7,054
Number of ordinary shares	19,784,548	19,784,548
Basic and diluted earnings per share (GH¢)	0.77	0.36

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)

## 12. Property, Plant and Equipment

a. 2009	Buildings and Roads	Motor Vehicles	Plant and Machinery	Capital W. I. P	Total
<b>Cost / deemed cost</b>					
At January 1, 2009	2,945	5,791	18,066	906	27,708
Additions	353	4,602	5,740	1,486	12,181
Transfer	296	72	78	(446)	0
Disposals	0	(327)	(956)	0	(1,283)
<b>At December 31, 2009</b>	<b>3,594</b>	<b>10,138</b>	<b>22,928</b>	<b>1,946</b>	<b>38,606</b>
<b>Accumulated Depreciation</b>					
At January 1, 2009	1,214	3,388	9,723	0	14,325
Charge for the year	236	1,159	2,387	0	3,782
Released on disposals	0	(327)	(796)	0	(1,123)
<b>At December 31, 2009</b>	<b>1,450</b>	<b>4,220</b>	<b>11,314</b>	<b>0</b>	<b>16,984</b>
<b>Net book Value</b>					
<b>At December 31, 2009</b>	<b>2,144</b>	<b>5,918</b>	<b>11,614</b>	<b>1,946</b>	<b>21,622</b>

## b. 2008

<b>Cost / deemed cost</b>					
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)
<b>At December 31, 2008</b>	<b>2,945</b>	<b>5,791</b>	<b>18,066</b>	<b>906</b>	<b>27,708</b>
<b>Accumulated Depreciation</b>					
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 disposals	(9)	(431)	(174)	0	(614)
<b>At December 31, 2008</b>	<b>1,214</b>	<b>3,388</b>	<b>9,723</b>	<b>0</b>	<b>14,325</b>
<b>Net book Value</b>					
<b>At December 31, 2008</b>	<b>1,731</b>	<b>2,403</b>	<b>8,343</b>	<b>906</b>	<b>13,383</b>

c. Included in motor vehicles, plant and machinery are assets with a cost of **GH¢2.3 million** (2008: **GH¢2.3 million**) leased under a finance lease.

	2009	2008
Cost-capitalised finance lease	2,295	2,295
Accumulated depreciation	(2,295)	(2,101)
Net book value	0	194



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

## 12. Property, Plant and Equipment (Continued)

### d. Profit on Disposal of Property, Plant and Equipment

	2009	2008
Cost of assets	1,283	617
Accumulated depreciation	(1,123)	(614)
Net book value	160	3
Sale proceeds	(296)	(112)
Profit on disposal of plant and equipment and motor vehicles	(136)	(109)

## 13. Prepaid Operating Lease - Land

	2009	2008
<b>Cost</b>		
At January 1	1,910	1,694
Addition	1	216
<b>At December 31</b>	<b>1,911</b>	<b>1,910</b>
<b>Accumulated Amortisation</b>		
At January 1	209	154
Charge for the Year	55	55
At December 31	264	209
<b>Net book Value at December 31,</b>	<b>1,647</b>	<b>1,701</b>

## 14. Inventories

	2009	2008
Raw Materials	1,888	1,692
Finished goods	984	772
Work in progress	61	46
Goods in transit	6,557	4,214
Other stocks	166	87
	<b>9,656</b>	<b>6,811</b>

During the year the cost of inventories charge to the statement of comprehensive income amounted to **GH¢27.7million** (2008: GH¢21.1million).



# Notes

## to financial statements (Continued)



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

Note 2009 2008

### 15. Trade and other receivables

Trade receivables	717	419
Other receivables	1,362	1,551
Amounts due from staff	151	127
Prepayments	88	32
	<b>2,318</b>	<b>2,129</b>

The maximum amount of staff indebtedness during the year did not exceed **GH¢0.21million** (2008: GH¢0.14million).

Amounts due from staff are recoverable as follows:

Not later than 1year	130	108
Later than 1year and not later than 5 years	71	19
	<b>201</b>	<b>127</b>
Future finance cost	(50)	0
Present value of amounts due from staff	151	127

The present value of the amounts due from staff is split as follows:

Not later than 1year	105	108
Later than 1year and not later than 5 years	46	19
	<b>151</b>	<b>127</b>

The fair value of amounts due from staff is based on cash flows discounted using a rate based on borrowing rate of **22.53%** (2008: Nil). The discount rate equals base rate minus appropriate credit rating from the company's bankers.

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

### 16. Trade and other payables

Trade payables	8,199	6,375
Other payables	5,861	2,934
Finance lease obligation	19	0
Accruals	212	213
	<b>14,272</b>	<b>9,719</b>

### 17. Current tax

As at January 1	699	0
Charged to income	4,497	2,009
Payments	(5,059)	(1,310)
As at December 31	<b>137</b>	<b>699</b>

### 18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of **25%** (2008: 25%). The charge for the year relates to accelerated tax allowances on property, plant and equipment.



<i>(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)</i>	Note	2009	2008
<b>18. Deferred tax (Continued)</b>			
As at January 1		808	484
Charged to income		522	324
As at December 31		1,330	808

## 19. 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:

Not later than 1 year	0	212
Later than 1 year and not later than 5 years	0	0
	0	212
Future finance charges on finance lease	0	(15)
Present value of finance lease liabilities	0	197

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

Not later than 1 year	16	0	197
Later than 1 year and not later than 5 years		0	0
		0	197

## 20. Stated Capital

	No. of shares 2009	Proceeds 2009	No. of shares 2008	Proceeds 2008
<b>Authorised</b>				
Ordinary shares of no par value	40,000,000		40,000,000	
<b>Issued</b>				
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.

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

2009

2008

## 21. Cash Generated from Operations

Reconciliation of net profit before tax to cash generated from operations:

Net Profit Before Tax	20,175	9,387
Depreciation	3,782	2,984
Amortisation	55	55
Interest expense	201	113
Interest received	(418)	(239)
Increase in inventories	(2,845)	(1,289)
Increase in trade and other receivables	(189)	(536)
Increase in trade and other payables	4,566	2,832
Profit on disposal of plant and equipment	(136)	(109)
<b>Cash Generated from Operations</b>	<b>25,191</b>	<b>13,198</b>

## 22. 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 statement of cash flows, the year end cash and cash equivalents comprise the following:

Bank and cash balance	15,871	8,834
Bank Overdraft	0	0
	15,871	8,834

At the statement of financial position date the Company had an approved unsecured overdraft facility with local banks not exceeding GH¢0.5million (2008: GH¢0.5million).





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

2009

2008

## 23. 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, Fan Milk Togo and Fan Milk Liberia 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:

(I) <b>Purchase of goods</b>		
Emidan A/S	23,602	19,174
Fan Milk S. A. Togo	28	108
(II) <b>Sale of goods</b>		
Fan Milk S. A. Togo	0	6
Fan Milk Liberia	183	0
(III) <b>Year end balance arising from purchase of goods</b>		
Emidan A/S	7,362	5,697
Fan Milk S. A. Togo	12	16
(IV) <b>Year end balance arising from sale of goods</b>		
Fan Milk Liberia	56	0
(V) <b>Technical assistance fees</b>		
Fan Milk International	1,237	825
(VI) <b>Year end balance arising from technical assistance fees</b>		
Fan Milk International	351	267

### Transactions with key management personnel

Key management personnel are considered to be the directors

#### Remuneration

Executive director (Short - term benefits)	407	302
Non-executive directors (Short - term benefits)	180	129

Key management personnel have no post-employment benefits.



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

## 24. Contingent liabilities

There were no contingent liabilities at the statement of financial position date (2008: GH¢ nil).

## 25. 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 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 Company had no significant exposure to interest rate risk as at December 31, 2009.

### 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 in Ghana and Liberia. 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, 2009, management was unaware of any significant unprovided credit risk.

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

	2009	2008
Bank balances (excluding cash)	15,073	8,274
Trade and other receivables (excluding prepayments)	2,230	2,097
Total credit risk exposure	17,303	10,371



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2009

2008

## 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, 2009.

Expiring within one year	500	500
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Cash of the Company is placed in interest bearing current accounts to provide sufficient funding to meet its debt financing plan. At the statement of financial position date cash held on the call account was **GH¢5.946million** (2008: GH¢3.788 million). This is expected to readily generate cash inflows for managing liquidity risk.

## Maturity analysis of financial liabilities

The table below analyses the company's financial liabilities. All financial liabilities fall due for payment within six months.

Trade and other payables	14,272	9,522
Finance lease liability	0	197
	<b>14,272</b>	<b>9,719</b>

## 26. Capital commitments

Capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements is as follows:

Property, plant and equipment approved and contracted	593	2,031
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## 27. Capital risk management

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, to maximise shareholder value and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. No changes were made in the objectives, policies and processes from the previous years.

## 28. Segment information

Management has determined the operating segments based on the reports reviewed by the head of department group that are used to make strategic decisions. The group considers the business from product perspective.

The reportable operating segments derive their revenue from the manufacture and distribution of dairy products and fruit drinks. Management considers the products to have similar economic characteristics and they have therefore been aggregated into a single operating segment.



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