



Fan Milk Limited
Annual Report & Accounts
2012

FanIce
Vanilla Ice Cream
FanIce
Vanilla Ice Cream
fanMilk

So Nice

FanYogo
STRAWBERRY YOGHURT
FanYogo
Maxi
fanMilk

**POWER
PACKED**



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Year ended December 31, 2012.

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Financial Highlights

Year ended December 31, 2012.

<i>(Amounts in GHS'000 except per share)</i>	2012	2011	2010	2009
Profit After Taxation	27,198	18,819	19,370	15,156
Earnings Per Share	0.23	0.16	0.16	0.13
Total Shares Outstanding	116,207,288	116,207,288	118,707,288	118,707,288
Total Shares Issued	118,707,288	118,707,288	118,707,288	118,707,288
Dividend Per Share	0.2600	0.0400	0.0200	0.0167

Year End:

Total Assets	96,553	83,081	68,391	51,114
Shareholders' Fund	61,681	62,372	52,126	35,082
Permanent Staff	444	457	444	407

Stock Price Range:

Before Bonus Issue

High	-	-	10.5700	5.5500
Low	-	-	5.5500	2.5000

After Bonus Issue

High	3.5500	3.1100	2.0200	-
Low	1.9000	1.7800	0.9300	-

Distribution of Gross Sales

Amounts in GHS'000

	2012	%	2011	%
Revenue (Gross)	169,294	100.0	125,672	100.0
Revenue	147,212	87.0	109,280	87.0
Cost of Sales	69,799	41.2	51,908	43.1
Distribution Costs	33,780	20.0	25,560	20.3
Administrative Expenses	11,375	6.7	8,429	6.7
Finance Costs	329	0.2	162	0.1
VAT	22,082	13.0	16,392	13.0
Tax	6,244	3.7	6,432	5.1
Transfer to Income Surplus Account	27,198	16.1	18,819	15.0
Other income	446	0.3	350	0.3
Finance Income	4,067	2.4	1,680	1.3

Operational Results

Amounts in GHS'000

	2012	2011	Change	% Change
Revenue	147,212	109,280	37,932	34.7
Cost of Sales	(69,799)	(51,908)	(17,891)	34.5
Distribution Costs	(33,780)	(25,560)	(8,220)	32.2
Administrative Expenses	(11,375)	(8,429)	(2,946)	35.0
Finance Costs	(329)	(162)	(167)	103.1
Finance Income	4,067	1,680	2,387	142.1
Other Income	446	350	96	27.4
Profit before Tax	36,442	25,251	11,192	44.3
Tax	(9,244)	(6,432)	(2,812)	43.7
Profit for the Year	27,198	18,819	8,379	44.5



Corporate Information

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

Registrar & Transfer Office

NTHC Limited
 Martco House
 P.O. Box 9563
 Airport, Accra

Auditor

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

Solicitor

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

Secretary

Lennap & Co.
 P.O. Box 37
 Accra

Bankers

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

Registered Office

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

Board of Directors

Jesper
Bjørn
Jeppesen
(Managing
Director)



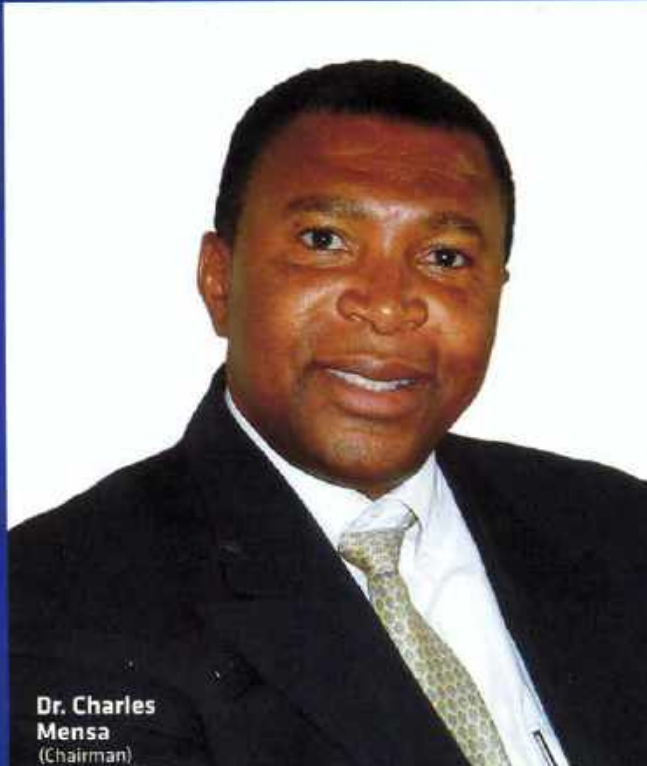
George
H. Okai
Thompson
(Member)



Jens
Jørgen
Kollerup
(Member)



Dr. Charles
Mensa
(Chairman)



Kodjo
Biamawu
Aziagbe
(Member)



Einar
Mark
Christensen
(Member)



Peace
Ayisi-Okyere
(Member)





Shareholding Distribution

Year ended December 31, 2012.

Category of Holdings	No. of Shareholders	% of Holders	No. of Shares	% of Holdings
Less than 1,000	2,882	54.75	964,145	0.83
1,000 to 5,000	1,208	22.95	2,604,904	2.24
5,001 to 10,000	318	6.04	2,195,820	1.89
10,001 to 20,000	582	11.06	7,649,109	6.58
20,001 to 30,000	113	2.15	3,016,573	2.60
30,001 to 40,000	44	0.84	1,545,123	1.33
40,001 to 50,000	21	0.40	947,487	0.82
Over 50,000	96	1.82	97,284,127	83.72
Totals	5,264	100.00	116,207,288	100.00

Details of the twenty (20) largest Shareholders as at December 31, 2012

Name of shareholder	No. of Shares	Percentage (%)
1. Fan Milk International A/S	65,822,250	56.64
2. SCBN/HSBC - Fund Services A/C 500	6,853,084	5.90
3. Enterprise Insurance Company Limited	2,352,000	2.02
4. Enterprise Group Limited	2,180,875	1.88
5. SCBN/ELAC Policyholders Fund	1,615,336	1.39
6. Social Security and National Insurance Trust	1,486,800	1.28
7. SCBN/UNIL GH Managers Pension Fund	1,171,160	1.01
8. Enterprise Properties Limited	1,005,757	0.87
9. SCBN/JPMCC J.P. MORGAN CLEARING CORP - 70396	939,900	0.81
10. STD NOMS TVL PTY/BNYM/Frontaura Global Frontier Fund LLC	781,000	0.67
11. STD NOMS (TVL) PTY STANDARD BANK LONDON PLC CLIENTS ACCOUNT	731,100	0.63
12. SCBN/EPACK Investment Fund Ltd. - Transactions A/C	721,726	0.62
13. SCBN/JPMC BANKINVEST EMERGING MKTS LONG-TERM ECONOMIC - INV FD (L.E.I.F) F.M.B.A	596,500	0.51
14. SCBN/BBH DZ PRIVATBANK S.A LUXEMBOURG SILK FUND - AFRICAN LIONS FUND GHANA	568,564	0.49
15. STD NOMS TVL PTY/BNYM/FLORIDA RETIREMENT SYSTEM	542,000	0.47
16. STD NOMS TVL PTY/BNYM/LUX/EASTSPRING INVESTMENTS SICAV-FIS	401,900	0.35
17. SCBN RE:ELAC SHAREHOLDERS FUND	372,788	0.32
18. SIMS/FML INCENTIVE SCHEME	370,568	0.32
19. OFORI DANIEL	359,098	0.31
20. SSNIT SOS Fund	335,724	0.29
Total	89,208,130	76.77
Others	26,999,158	23.23
Grand Total	116,207,288	100.00

Directors' Shareholdings

1. Jesper Bjørn Jeppesen	58,800	0.051
2. Kodjo B. Aziagbe	36,600	0.031
3. Peace P. Ayisi-Okyere	108	0.000
Total	95,508	0.082



Notice of Meeting

Year ended December 31, 2012.

Notice is hereby given that the fifty-second Annual General Meeting of **FAN MILK LIMITED** will be held at the **National Theatre, Accra** on **Wednesday May 8, 2013** 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, 2012 and the report of the Independent Auditors thereon.
2. To declare a dividend on the Company' Shares in respect of the year ended December 31, 2012.
3. To re-elect as a director Mrs. Peace P. 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.
7. To consider and if deemed fit, to pass the following Special Resolution: It is hereby resolved that the 2,500,000 shares in treasury be cancelled and accordingly the authorized shares be reduced to 197,500,000 and the issued shares to 116,207,288.

By Order of the Board
Secretary
Lennap & Company,
Farrar Avenue

February 21, 2013

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 and vote in his stead. The completed proxy forms must reach the registered office of the Company not less than 48 hours before the time fixed for holding the meeting.



Visit by the Danish Foreign Minister Villy Søvndal



Directors' Report

Year ended December 31, 2012.

INTRODUCTION

The Directors have the pleasure to present to the members of Fan Milk Limited, the Annual Report and Audited Accounts of the Company for the year ended December 31, 2012.

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.

PRINCIPAL ACTIVITY

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

THE MACRO ECONOMIC ENVIRONMENT

The following points summarise the macroeconomic environment in which Fan Milk Limited operated during 2012:

- According to Ghana Statistical Service, over the course of year 2012, the rate of inflation moved marginally from 8.6% at the end of year 2011 to 8.8% for December 2012 with a peak of 9.5% recorded for August 2012.
- The Bank of Ghana Prime Rate, which stood at 12.5% at the beginning of the year was 15.0% at the end of the year.
- There were movements in exchange rates during the year, in particular during the second and third quarters. Overall, the GHS depreciated by 18.7% against the US Dollar and by 17.7% against the Euro (EUR).
- Petroleum prices and utility tariffs remained fairly stable over the year. However, electricity supply nationwide was severely disrupted due to a continuous rationing programme triggered by under-capacity in power generation, technical faults associated with power distribution and damage to the West African Gas Pipeline from Nigeria.
- There was a reduction in the Environmental Tax levied on plastic packaging materials and products from 20% to 15%.

FINANCIAL HIGHLIGHTS

The table below is a summary of the financial performance of the Company for the financial year 2012.

Amounts in GHS '000	2012	2011	Change	% Change
Net Sales	147,212	109,280	37,932	34.7
Cost of Sales	(69,799)	(51,908)	(17,891)	34.5
Distribution Costs	(33,780)	(25,560)	(8,220)	32.2
Administrative Expenses	(11,375)	(8,429)	(2,946)	35.0
Finance Costs	(329)	(162)	(167)	103.1
Finance Income	4,067	1,680	2,387	142.1
Other Income	446	350	96	27.4
Profit Before Taxation	36,442	25,251	11,192	44.3
Income Tax	(9,244)	(6,432)	(2,812)	43.7
Profit After Taxation	27,198	18,819	8,379	44.5

PERFORMANCE ON THE STOCK MARKET

The share price of the Company ended the year at GHS 3.55 from an opening price of GHS 2.37 in January 2012, thus representing a gain of 49.8%.

DIVIDEND POLICY

During the year the Board considered and approved the following as the dividend policy for the Company:

On a regular basis, the Board of Directors considers and evaluates the capital and share structure of Fan Milk Limited and concludes on options that maximise the interest of the Shareholders and the Company. Our guiding principle is that any excess capital, after the funding of organic growth opportunities and potential acquisitions, is returned to investors. Any proposals on interim and annual dividends are at the discretion of the Board of Directors.

DIVIDEND

In line with the statement above, in December 2012 an interim dividend of GHS 0.20 per share amounting to GHS 23,241,457.60 was paid to shareholders for the financial year 2012.

Furthermore, the Board is pleased to recommend a final dividend for year 2012 of GHS 0.06 per share totalling GHS 6,972,437.28. Total dividend for the year 2012 is therefore GHS 30,213,894.88 representing an increase of 550% over 2011.

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.

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.



Directors' Report (Continued)

Year ended December 31, 2012.

In line with this, the Directors wish to recommend that this General Meeting approves payment of Directors' remuneration for 2013 not exceeding the sum of GHS754,688. This represents an increase of 25% over 2012.

AUDITORS

The Auditors of the Company, PricewaterhouseCoopers, Chartered Accountants, will continue in office in accordance with Section 134 (5) of the Companies Code, 1963 (ACT 179). Members are requested, as is customary, to authorise the Board to fix the remuneration of the Auditors for the year 2013.

CAPITAL EXPENDITURE

In 2012, expenditure on property, plant and equipment totalled GHS15.9 million. Highlights of the key investments are:

Factory/ Plant

- Commencement of additional water storage tanks at the factory.
- Commencement of a water treatment plant at the factory.
- Completion of a new electrical switchboard room and generator house.
- Upgrade of the refrigeration plant with the installation of ammonia separators, receivers and screw compressors.
- Installation of an additional tank farm with automated valve stations.
- Completion of a 4 line CIP plant.
- Installation of a heat recovery plant.
- Installation of an additional large capacity plate heat exchanger.
- Installation of four packing machines.
- Installation of new ice cream machines.

Distribution, Sales and Marketing

- Commencement of a new Regional Distribution Centre in Kasoa.
- New sales trucks and haulage vehicles.
- New bicycles, push carts and freezers.

Information Technology

- Purchase of new ERP software and commencement of phase 1 of same.

AWARDS

In 2012, among others your Company received the following prestigious awards:

- 12th position on Ghana Club 100 – Ghana Investment Promotion Centre.
- Overall Best Industrial Company of the Year – Association of Ghana Industries.

- Best Food and Beverages, Large Scale Company – Association of Ghana Industries.

OUTLOOK FOR 2013 AND BEYOND

The economy is expected to remain fairly stable in the year ahead. Economic growth is expected to be stimulated by proceeds from gold, oil and cocoa.

The Government will also initiate several major long-term socio-developmental projects, such as the Accra drainage project, development of regional and new senior high schools, a new public university to be located in the Eastern Region, construction of a new international airport and the expansion of harbours and regional airports.

It is expected that your Company will complete the on-going factory expansion projects, which will not only increase production capacity but will also result in more efficient production methods and enhance product quality procedures.

Fan Milk Limited will also strengthen its nationwide presence by developing new regional distribution centres to better serve customers and consumers alike.

Some of the key investments planned for 2013 are:

1. Completion of the Regional Distribution Centre in Kasoa.
2. Commencement of a new Regional Distribution Centre in Tema.
3. Additions and replacements to sales and distribution fleet.
4. Acquisition of new sales equipment.
5. Completion of various projects related to the on-going factory expansion.
6. Installation of additional screw compressors for the ammonia plant.
7. Installation of a 110m³ tank for oil storage.
8. Installation of a new filling machine for ice cream products.
9. Installation of an uninterruptible power supply to some sections of the factory.

Ghana continues to remain attractive to investment which in turn will create opportunities for job creation and infrastructural developments. Thus, considering population growth of around 2.5% per annum and a rapid urbanisation rate, we foresee the prospects for your Company to be favourable.

ACKNOWLEDGEMENT

The Board of Directors wish to express their sincere appreciation to our shareholders, customers, distributors, agents, vendors, management and staff for their support and invaluable contributions which led to the excellent performance achieved by your Company in year 2012.

On behalf of the Board


Dr. Charles Mensa


Jesper Bjørn Jeppesen

Corporate Social Responsibility Report

Year ended December 31, 2012.



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 2012 in furtherance of this commitment.

ETHICS

Fan Milk Limited prides itself as an ethical corporate citizen and operates in accordance with the laws of Ghana. Fan Milk Limited also complies with all relevant regulations and tax laws.

ISO CERTIFICATION

Fan Milk Limited is certified in both ISO 9001:2008 (Quality Management Systems) and ISO 22000:2005 (Food Safety Management Systems) for the following activities:

- Warehousing of raw and packaging materials.
- Production of frozen yoghurt, frozen chocolate drink, ice creams, frozen lollies and fruit drinks.
- Distribution of finished products.

In November 2012, your Company was audited in ISO 14001:2004 (Environmental Management) and received the certificate in February 2013.

SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES

Fan Milk Limited believes it offers fair compensation and benefits to all employees. Your Company provides amenities such as laundry, changing and locker rooms as well as canteen facilities at the factory premises. Fan Milk Limited also provides staff bus services for those who work within the factory/head office premises.

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

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

Every year dedicated and committed employees are recognised with the Company's annual Long Service Awards. These awards comprise of household appliances such as cookers, freezers and TV's together with certificates. In 2011, 50 employees who had served your Company for a minimum of 10, but up to 40 years in some cases were rewarded with long service awards. In 2012 as many as 84 employees received awards.

Also in Fan Milk Limited, in addition to paid maternity leave for female employees, paid paternity leave is also provided for male staff of the Company.

INTERNSHIPS

Your Company has over the past many years consistently assisted graduates as well as regular students from various tertiary institutions in the Country to acquire practical working experience. Fan Milk Limited annually offers placement to over 20 national service men and women and also allows about 15 students to undertake their practical attachment with the Company.

HEALTH AND SAFETY

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

Your Company continuously assesses the safety, health and environmental impact of its operations on both employees and the general public. Members of staff are regularly screened in conformity with the food vendors health regulations.

Fan Milk Limited continues to emphasise on safety at the workplace by ensuring high safety standards have been instituted within the work environment in the factory, offices and distribution centres. The facilities of Fan Milk Limited have also met the requirements of regulatory bodies such as the Ghana Fire Service and the Factories Inspectorate Division of the Employment Ministry.

Apart from the preventive measures in place and the drive to continuously improve upon them, your Company has a Group Comprehensive Insurance Policy for staff with 24 hours cover for the following eventualities:

- Work related accidents.
- Non-work related accidents.
- Death.

ENVIRONMENT

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

In the factory, waste water from production activities is treated at the Company's waste water treatment plant and reused in various non-production activities in horticulture and sanitation functions.

Fan Milk Limited continued its collaboration with Ghana National Scholarships Beneficiaries Association (GNASBA), which has been in existence for the past 19 years. A total of 153 communities were visited in year 2012 and numerous litter bins were given to these communities. Tree planting, clean up campaigns, collection and disposal of plastic waste and malaria awareness programmes were some of the programmes undertaken in the communities visited.

Corporate Social Responsibility Report (Continued)

Year ended December 31, 2012.



Fan Milk Limited's engagement of the services of City Waste Management Company Limited for the collection, proper disposal and recycling of plastic waste from the Factory and our Regional Distribution Centres across the Country has witnessed a significant improvement with the introduction of an additional refuse collection truck by City Waste in 2012.

Trashy Bags, a small scale business located at Dzorwulu in Accra continued their collaboration with your Company. Fan Milk Limited provides Trashy Bags with materials from previously used billboards for reuse in the production of a wide variety of articles including bags and fanciful dresses. Used packaging from Fan Milk Limited products are sewn into various items, which are widely patronised.

During 2012, your Company directly undertook Sanitation Awareness Campaigns in 100 schools nationwide. Approximately 100,000 pupils, teachers and non-teaching staff benefitted. The schools had the opportunity to watch a 10 - minute film on sanitation, after which, the participants were refreshed with Fan Milk products. Litter bins were donated to all participating schools to take care of their waste.

TRADE AND CHANNEL MEMBERS TRAINING

Interactions with trade and channel members to ensure that they understand the key handling requirements of our products, cold-chain management and good practices of selling is done every year and 2012 was not left out.

In 2012, some 500 Agents nationwide were taken through training workshops in Accra, Kumasi, Takoradi and Tamale. Some bankers were invited as part of the workshop to advise agents on managing finances. Furthermore, the top 50 Agents from the various Sales Regions were also engaged in a 2-day interactive conference with Management at the

latter part of the year at Golden Tulip in Kumasi. Our Extended Quality Assurance Section also provided training across the Country for nearly all agents and vendors in the year under review.

Some 1,200 shop-assistants, who are among the first line of people most consumers meet at supermarkets, shops and fuel station shops, were also trained in product handling, hygiene and good customer service practices.

LOCAL COMMUNITY AND OTHER SUPPORT

In year 2012, Fan Milk Limited made a number of donations in support of festivals and events in communities and organisations.

Traditional areas like Cape Coast, Mankessim, Anlo, Ada, Wurupong-Nkonya and Ga were prominent recipients of donations made by Fan Milk Limited in support of their annual festival celebrations.

Other organisations and events that were supported by your Company included the following:

1. Funeral Planning Committee of the Late President Prof. John Atta-Mills.
2. Ghana Police Service.
3. Ghana Optometric Association.
4. Graphic Communications Group.
5. Ghana Education Service.
6. Office of the Greater Accra Regional Coordinating Council.
7. Ghana Military Academy.
8. Takoradi Street Carnival.
9. Damongo District Assembly



Corporate Governance

Year ended December 31, 2012.



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 who implements the 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. The chairman is a non-executive director who does not have any conflict of interest with respect to the Company.

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

Year ended December 31, 2012.

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 14 to 38. These financial statements comprise the statement of financial position as at December 31, 2012 and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, 1963 (Act 179) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 the audit to obtain reasonable assurance about whether 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 of financial statements that give a true and fair view 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 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 audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fan Milk Limited as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

Report on other legal requirements

The Companies Act, 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 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 balance sheet (statement of financial position) and profit and loss account (statement of comprehensive income) are in agreement with the books of account.

Michael Asiedu-Antwi

Chartered Accountants

12th March, 2013

Accra, Ghana

Michael Asiedu-Antwi (ICAG/P/1138)



Statement of Comprehensive Income

Year ended December 31, 2012.

(All amounts are expressed in thousands of Ghana cedis)	Note	2012	2011
Revenue	3	147,212	109,280
Cost of Sales	4	(69,799)	(51,908)
Gross Profit		77,413	57,372
Distribution Costs	4	(33,780)	(25,560)
Administrative Expenses	4	(11,375)	(8,429)
Other Income	5	446	350
Operating Profit		32,704	23,733
Finance Income	6	4,067	1,680
Finance Costs	7	(329)	(162)
Profit before Income Tax		36,442	25,251
Income Tax Expense	8	(9,244)	(6,432)
Profit for the year		27,198	18,819
Other Comprehensive Income		-	-
Total Comprehensive Income		27,198	18,819
Earnings per Share			
Basic and Diluted (GHS)	9	0.23	0.16

The notes on pages 18 to 38 are an integral part of these financial statements.





Statement of Financial Position

Year ended December 31, 2012.

<i>(All amounts are expressed in thousands of Ghana cedis)</i>	Note	2012	2011
Assets			
Non-Current Assets			
Property, plant and equipment	10	51,904	43,771
Current Assets			
Inventories	11	15,640	12,679
Trade and other receivables	12	4,080	2,215
Cash and cash equivalents	13	24,929	24,416
		44,649	39,310
Total Assets		96,553	83,081
Equity and Liability			
Equity attributable to owners			
Stated capital	14	10,000	10,000
Income surplus account	15	51,681	52,372
		61,681	62,372
Liabilities			
Non-Current Liabilities			
Deferred income tax	16	3,664	2,824
Current Liabilities			
Trade and other payables	17	21,595	17,382
Current income tax	18	311	103
Dividend payable	19	9,302	400
		31,208	17,885
Total Liabilities		34,872	20,709
Total Equity and Liabilities		96,553	83,081

The financial statements on pages 14 to 38 were approved by the Board of Directors on February 21, 2013 and signed on its behalf by:

Director

Director

The notes on pages 18 to 38 are an integral part of these financial statements.

Statement of Changes in Equity

Year ended December 31, 2012.

(All amounts are expressed in thousands of Ghana cedis)

	Stated Capital	Income Surplus Account	Total
Year ended December 31, 2012			
At the beginning of the year	10,000	52,372	62,372
Total comprehensive income	-	27,198	27,198
Dividend declared	-	(27,889)	(27,889)
At the end of the year	10,000	51,681	61,681
Year ended December 31, 2011			
At the beginning of the year	10,000	42,126	52,126
Total comprehensive income	-	18,819	18,819
Dividend declared	-	(2,324)	(2,324)
Purchase of own shares	-	(6,249)	(6,249)
At the end of the year	10,000	52,372	62,372

The notes on pages 18 to 38 are an integral part of these financial statements.





Statement of Cash Flows

Year ended December 31, 2012.

<i>(All amounts are expressed in thousands of Ghana cedis)</i>	Note	2012	2011
Cash Flows from Operating Activities			
Cash generated from operations	20	39,454	30,641
Interest paid	7	(311)	(175)
Interest received	6	3,917	1,680
Tax paid	18	(8,196)	(5,402)
Net cash generated from operating activities		34,864	26,744
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	10	(15,922)	(20,178)
Proceeds from sale of property, plant and equipment	10	558	209
Net cash used in investing activities		(15,364)	(19,969)
Cash Flows from Financing Activities			
Dividend paid	19	(18,987)	(2,261)
Purchase of own shares	14	-	(6,249)
Net cash used in financing activities		(18,987)	(8,510)
Increase in cash and cash equivalents		513	(1,735)
Cash and cash equivalents at the beginning of the year		24,416	26,151
Cash and cash equivalents at the end of the year	13	24,929	24,416

The notes on pages 18 to 38 are an integral part of these financial statements.





Accounting Policies

Year ended December 31, 2012.

NOTES

1. General information

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

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

Summary of significant accounting policies

2. 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 preparation

The financial statements have been prepared on the historical cost basis, except for financial assets held at fair value through profit and loss which have been measured at fair value.

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.

(i) New standards and interpretations that are not yet effective and have not been early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The application of this amendment will mainly impact the presentation of the primary statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 may enhance fair value disclosures in certain circumstances.

IAS 19, 'Employee benefits', was amended in June 2012. The impact on the Company will be as follows: To immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The directors are yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. Issued in November 2009 and October 2011, it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost.



FanIce

Vanilla Ice Cream

FanIce
Vanilla Ice Cream



So Nice

Accounting Policies (Continued)

Year ended December 31, 2012.



The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The directors are yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The directors will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The directors are yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of Interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The directors are yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(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 less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of these items.

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 will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss 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 and other costs directly attributable to the completion of the assets.

Depreciation commences when the assets are ready for their intended use. Depreciation is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

Leasehold land	Over the unexpired portion of lease
Buildings	10 - 20 years
Plant and machinery	10 years
Deep freezers and bicycles	5 years
Distribution trucks	8 years
Motor vehicles	5 years
Computers	3 years
Furniture and fittings	5 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.



Accounting Policies (Continued)

Year ended December 31, 2012.

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. Refer to note 2 (c).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in profit or loss.

Included in the plant, machinery and others in note 10 are the cost of deep freezers and bicycles, computer and furniture and fittings.

Included in motor vehicles in note 10 is the cost of distribution trucks.

(c) Impairments of non-financial assets

At the end of each reporting date, the Company reviews the carrying amounts of its tangible 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). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 pre-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 weighted average 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) Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables based on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' excluding prepayments in the statement of financial position.

(ii) Recognition and measurement

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 are initially recognised at fair value plus transaction cost and subsequently 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. Refer to note 2 (f).



Accounting Policies (Continued)

Year ended December 31, 2012.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iv) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(f) Trade receivables

Trade receivables are amounts due from customers for merchandise 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 provision for impairment (note e).

(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.

(h) Stated capital

Ordinary shares are classified as 'stated capital' in equity.

(i) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income 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.



Accounting Policies (Continued)

Year ended December 31, 2012.

Deferred income tax

Deferred income tax is recognised using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts 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 is determined using tax rates and laws that have been enacted or substantively enacted at yearend.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, only 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. However, deferred tax assets is not accounted for if it relates to deductible temporary differences arising 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.

The Company shall offset deferred tax assets and deferred tax liability only when the Company has a legally enforceable right to set off current tax assets against current tax liability and the deferred tax assets and the deferred tax liabilities relates to income tax levied by the same tax authority on the same taxable entity.

(j) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are approved by the Company's shareholders.

(l) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods supplied in the ordinary course of the Company's activities. Revenue is shown net of value-added tax (VAT), returns and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Revenue is recognised as follows:

- (i) Sales of goods are recognised in the period in which the Company has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers acceptance of the products. Delivery does not occur until the products have been accepted by the customer. Accumulated experience is used to estimate and provide for discounts and returns. The volume discounts are assessed based on anticipated annual purchases.
- (ii) Interest income is recognised on a time proportion basis using the effective interest method.

(m) 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



Accounting Policies (Continued)

Year ended December 31, 2012.

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.

(n) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(o) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ghana Cedi ("GHS") which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

(p) Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

(q) Events after reporting date

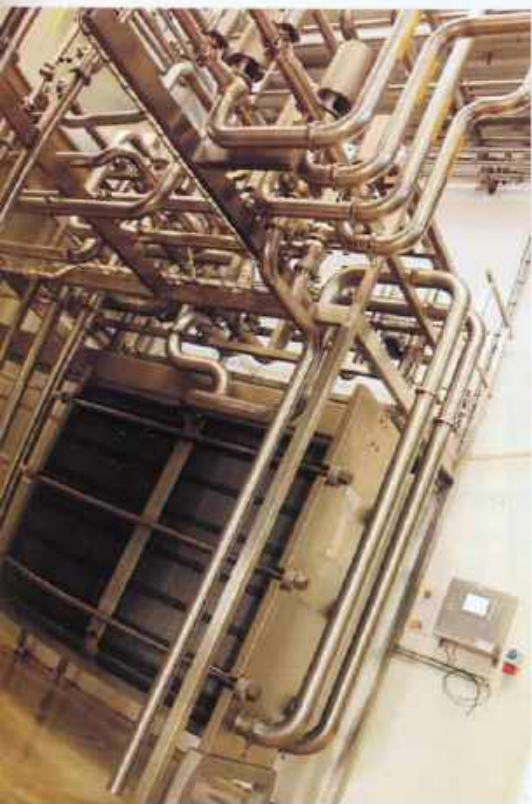
Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

(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) 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.



Installation of New Equipment



FanYogo



Dance the Azonto with FanYogo and
"Sarkodie"



**POWER
PACKED**





Notes to Financial Statements

Year ended December 31, 2012.

<i>(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)</i>			
	Note	2012	2011
3. Revenue			
Gross sales		169,294	125,672
Value Added Tax		<u>(22,082)</u>	<u>(16,392)</u>
		<u>147,212</u>	<u>109,280</u>
4 (a). Expenses by nature			
Raw materials and consumables used		49,441	36,346
Employee benefit expenses		17,135	12,360
Depreciation on property, plant and equipment	10	7,429	5,883
Repairs and maintenance		5,122	4,048
Vehicle running expenses		4,880	3,902
Utilities		4,027	3,420
Insurance		394	333
Sales promotion and advertising expenses		3,531	2,890
Selling Expenses		12,516	8,888
Technical service fees		1,840	1,364
Auditor's remuneration		52	43
Directors' emolument		1,102	922
Donation		19	12
Transportation expenses		4,537	3,644
Provision for bad debts	12	104	43
Medical expenses		768	569
Information technology expenses		156	216
Communication expenses		251	180
Security services expenses		798	727
Other expenses		852	107
		<u>114,954</u>	<u>85,897</u>
Expenses by nature have been disclosed in the statement of comprehensive income as follows:			
Cost of sales		69,799	51,908
Distribution costs		33,780	25,560
Administrative expenses		11,375	8,429
		<u>114,954</u>	<u>85,897</u>
(b). Employee benefit expense			
Wages, salaries and allowances		15,611	11,084
Social security costs		1,070	897
Pension costs		40	33
Provident fund costs		414	346
		<u>17,135</u>	<u>12,360</u>
Total number of staff employed by the Company by the end of the year was 444 (2011:457).			
5. Other income			
Profit on disposal of property, plant and equipment	10	198	155
Sale of empty bags and scraps		155	91
Provident fund refund		-	4
Rent income		93	79
Bad debts recovered		-	21
		<u>446</u>	<u>350</u>



Notes to Financial Statements (Continued)

Year ended December 31, 2012.

<i>(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)</i>		Note	2012	2011
6. Finance income				
Exchange gain on cash and cash equivalents			150	-
Interest income on fixed deposit and call accounts with banks			<u>3,917</u>	<u>1,680</u>
			<u>4,067</u>	<u>1,680</u>
7. Finance costs				
Interest payable on agents savings			311	175
Exchange loss on cash and cash equivalents			13	-
Finance costs on staff loans			5	(13)
			<u>329</u>	<u>162</u>
8. Income tax expense				
Current income tax	18		8,404	5,343
Deferred income tax	16		<u>840</u>	<u>1,089</u>
			<u>9,244</u>	<u>6,432</u>
The tax charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:				
Profit before tax			<u>36,442</u>	<u>25,251</u>
Tax charged at 25% (2011: 25%)			9,111	6,313
Expenses not deductible in determining taxable profit			116	81
Other differences			17	38
			<u>9,244</u>	<u>6,432</u>
9. Earnings per share				
Profit for the year			<u>27,198</u>	<u>18,819</u>
Number of ordinary shares outstanding			<u>116,207,288</u>	<u>116,207,288</u>
Basic and diluted earnings per share (GHS)			<u>0.23</u>	<u>0.16</u>

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



Notes to Financial Statements (Continued)

Year ended December 31, 2012.

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

10. Property, Plant and Equipment

	Lease- hold land	Buildings	Motor Vehicles	Plant, Machinery and Others	Capital W. I. P	Total
At January 1, 2012						
Cost	2,320	6,756	18,913	39,143	4,218	71,350
Accumulated depreciation	(374)	(2,319)	(7,400)	(17,486)	-	(27,579)
Net book value	1,946	4,437	11,513	21,657	4,218	43,771
Year ended December 31, 2012						
Opening net book amount	1,946	4,437	11,513	21,657	4,218	43,771
Additions	12	270	1,172	6,976	7,492	15,922
Transfer	-	-	-	3,685	(3,685)	-
Disposals	-	(2)	(202)	(156)	-	(360)
Depreciation charge	(64)	(599)	(2,242)	(4,524)	-	(7,429)
Closing net book amount	1,894	4,106	10,241	27,638	8,025	51,904
At December 31, 2012						
Cost	2,332	7,024	19,526	49,527	8,025	86,434
Accumulated Depreciation	(438)	(2,918)	(9,285)	(21,889)	-	(34,530)
Net book value	1,894	4,106	10,241	27,638	8,025	51,904
At January 1, 2011						
Cost	1,911	4,806	13,852	27,798	3,217	51,584
Accumulated Depreciation	(319)	(1,846)	(5,706)	(14,183)	-	(22,054)
Net book value	1,592	2,960	8,146	13,615	3,217	29,530
Year ended December 31, 2011						
Opening net book amount	1,592	2,960	8,146	13,615	3,217	29,530
Additions	409	1,346	5,414	9,313	3,696	20,178
Transfer	-	604	-	2,091	(2,695)	-
Disposals	-	-	(53)	(1)	-	(54)
Depreciation charge	(55)	(473)	(1,994)	(3,361)	-	(5,883)
Closing net book amount	1,946	4,437	11,513	21,657	4,218	43,771
At December 31, 2011						
Cost	2,320	6,756	18,913	39,143	4,218	71,350
Accumulated depreciation	(374)	(2,319)	(7,400)	(17,486)	-	(27,579)
Net book value	1,946	4,437	11,513	21,657	4,218	43,771

Profit on disposal of property, plant and equipment

	2012	2011
Cost of assets	838	412
Accumulated depreciation	(478)	(358)
Net book value	360	54
Sales proceeds	(558)	(209)
Profit on disposal	(198)	(155)

Notes to Financial Statements (Continued)

Year ended December 31, 2012.



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

	2012	2011
11. Inventories		
Raw materials	8,714	5,858
Finished goods	1,940	1,586
Work in progress	-	42
Goods in transit	4,691	5,010
Consumables / spare parts	295	183
	<u>15,640</u>	<u>12,679</u>

During the year the cost of inventories charged to the statement of comprehensive income amounted to **GHS 49.4 million** (2011: GHS 36.3 million).

12. Trade and other receivables

Trade receivables	2,215	1,687
Less: Provision for impairment losses	<u>(539)</u>	<u>(494)</u>
Trade receivables – net	1,676	1,193
Amounts due from related parties	21	32
Other receivables	2,191	700
Amounts due from staff	184	261
Prepayments	29	29
	<u>4,080</u>	<u>2,215</u>

The maximum amount of staff indebtedness during the year did not exceed GHS 0.3 million (2011: GHS 0.4 million).

Amounts due from staff are recoverable as follows:

Not later than 1 year	198	201
Later than 1 year and not later than 5 years	33	102
	<u>231</u>	<u>303</u>
Future finance costs	(47)	(42)
Present value of amounts due from staff	<u>184</u>	<u>261</u>

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

Not later than 1 year	161	181
Later than 1 year and not later than 5 years	23	80
	<u>184</u>	<u>261</u>

The fair value of amounts due from staff is based on cash flows discounted using a rate based on a borrowing rate of **23.12% per annum** (2011: 11.3% per annum). The discount rate equals base rate minus appropriate credit rating from SG-SSB Limited (one of the company's bankers).

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



Notes to Financial Statements (Continued)

Year ended December 31, 2012.

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	Note	2012	2011
Movement on the provision for impairment of trade receivables is as follows:			
At 1 January		494	469
Bad debts written off		(59)	(18)
		<u>435</u>	<u>451</u>
Provision charged to income statement		104	43
At 31 December		<u>539</u>	<u>494</u>
13. 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. For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:			
Cash in hand and at bank		22,506	11,180
Short term bank deposit		2,423	13,236
Cash and cash equivalents		<u>24,929</u>	<u>24,416</u>

14. Stated capital

	No. of shares 2012	Proceeds 2012	No. of shares 2011	Proceeds 2011
Authorised				
Ordinary shares of no par value	<u>200,000,000</u>		<u>200,000,000</u>	
Issued				
For cash consideration	19,784,548	19	19,784,548	19
For bonus	98,922,740	4,000	98,922,740	4,000
Capitalisation of surplus	-	5,981	-	5,981
	<u>118,707,288</u>	<u>10,000</u>	<u>118,707,288</u>	<u>10,000</u>

The company in February 2011, purchased 2.5 million of its shares which are currently in treasury. There is no unpaid liability on shares. There are no calls or instalments unpaid.



Notes to Financial Statements (Continued)

Year ended December 31, 2012.

<i>(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)</i>	Note	2012	2011
15. Income surplus account			
At beginning of the year		52,372	42,126
Net profit for the year		27,198	18,819
Purchase of own shares		-	(6,249)
Dividend declared and approved		<u>(27,889)</u>	<u>(2,324)</u>
At end of the year		<u>51,681</u>	<u>52,372</u>
16. Deferred income tax			
Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of 25% (2011: 25%). The charge for the year relates to accelerated tax allowances on property, plant and equipment. The movement in deferred income tax is as follows:			
At January 1		2,824	1,735
Charged to income statement	8	<u>840</u>	<u>1,089</u>
At December 31		<u>3,664</u>	<u>2,824</u>
17. Trade and other payables			
Trade payables		6,199	4,751
Amounts due to related parties	21	6,468	6,053
Other payables		8,481	6,161
Accrued expenses		<u>447</u>	<u>417</u>
		<u>21,595</u>	<u>17,382</u>
The carrying amounts of the above trade and other payables approximate their fair values.			
18. Current income tax			
At January 1		103	162
Charged to income statement	8	8,404	5,343
Payments		<u>(8,196)</u>	<u>(5,402)</u>
At December 31		<u>311</u>	<u>103</u>



Notes to Financial Statements (Continued)

Year ended December 31, 2012

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

19. Dividend payable

	Note	2012	2011
At January 1		400	337
Dividend declared and approved		4,648	2,324
Interim dividend declared		23,241	-
Dividend paid		(18,987)	(2,261)
At December 31		9,302	400

Payment of dividend is subject to the deduction of withholding taxes at final tax rate of 8%. A final dividend per share of GH¢0.06 has been proposed for approval at the next Annual General Meeting (not recognised as a liability as at December 31, 2012) amounting to GH¢6.972 million.

20. Cash generated from operations

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

Profit before tax		36,442	25,251
Depreciation	10	7,429	5,883
Interest expense	7	311	175
Interest income	6	(3,917)	(1,680)
Increase in inventories		(2,961)	(2,940)
Increase/decrease in trade and other receivables		(1,865)	756
Increase in trade and other payables		4,213	3,351
Profit on disposal of plant and equipment	10	(198)	(155)
Cash generated from operations		39,454	30,641



Notes to Financial Statements (Continued)

Year ended December 31, 2012.

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

21. 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 56.64% shares in Fan Milk Limited. Emidan A/S, Fan Milk Togo, Fan Milk Cote D'Ivoire and Fan Milk Nigeria are subsidiaries of Fan Milk International A/S and are therefore entities related through common control.

In the normal course of business, the company entered into the following transactions with related parties:

	2012	2011
(i) Purchase of goods		
Emidan A/S	<u>41,158</u>	<u>33,916</u>
Fan Milk Togo	<u>-</u>	<u>166</u>
(ii) Sale of assets		
Fan Milk Nigeria	<u>54</u>	<u>-</u>
Fan Milk Cote D'Ivoire	<u>85</u>	<u>-</u>
(iii) Technical assistance fees		
Fan Milk International	<u>1,840</u>	<u>1,364</u>
(iv) Amount due from related parties		
Fan Milk Nigeria	<u>-</u>	<u>-</u>
Fan Milk Cote D'Ivoire	<u>-</u>	<u>-</u>
Emidan A/S (current account)	<u>-</u>	<u>32</u>
(v) Amount due to related parties		
Emidan A/S	<u>5,530</u>	<u>5,629</u>
Fan Milk Togo	<u>13</u>	<u>11</u>
Fan Milk International	<u>923</u>	<u>413</u>
Emidan A/S (current account)	<u>2</u>	<u>-</u>
	<u>6,468</u>	<u>6,053</u>
Transactions with key management personnel		
Key management personnel are considered to be the directors.		
Remuneration		
Executive director (Short - term benefits)	<u>631</u>	<u>467</u>
Non-executive directors (Short - term benefits)	<u>523</u>	<u>455</u>

Key management personnel have no post-employment benefits.





Notes to Financial Statements (Continued)

Year ended December 31, 2012.

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

22. Contingent liabilities

The company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. Material contingencies at the end of the reporting date amounted to **GHS 45,000** (2011: GHS 85,000).

23. Financial risk management objectives and policies

Financial risk factors

The Company's activities expose it to a variety of financial risks market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. 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. The Company does not hedge any of its risk exposures.

Risk management is carried out by the management of the Company under policies approved by the board of directors.

Market risk

Foreign exchange risk

The Company seeks to reduce its foreign exchange risk 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 United States Dollar exposures. Management is responsible for minimising the effect of the currency exposure by holding bank accounts in foreign currencies.

At 31 December 2012, if the currency had weakened / strengthened by 16% (2011: 11%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GHS 291,432 (2011: GHS 243,195) higher/lower, mainly as a result of US dollar denominated trade payables and cash & bank balances.

At 31 December 2012, if the currency had weakened / strengthened by 17% (2011: 8%) against the Euro with all other variables held constant, post tax profit for the year and equity would have been GHS 207,745 (2011: GHS 409,660) lower/higher, mainly as a result of Euro denominated trade payables and cash & bank balances.

Interest rate risk

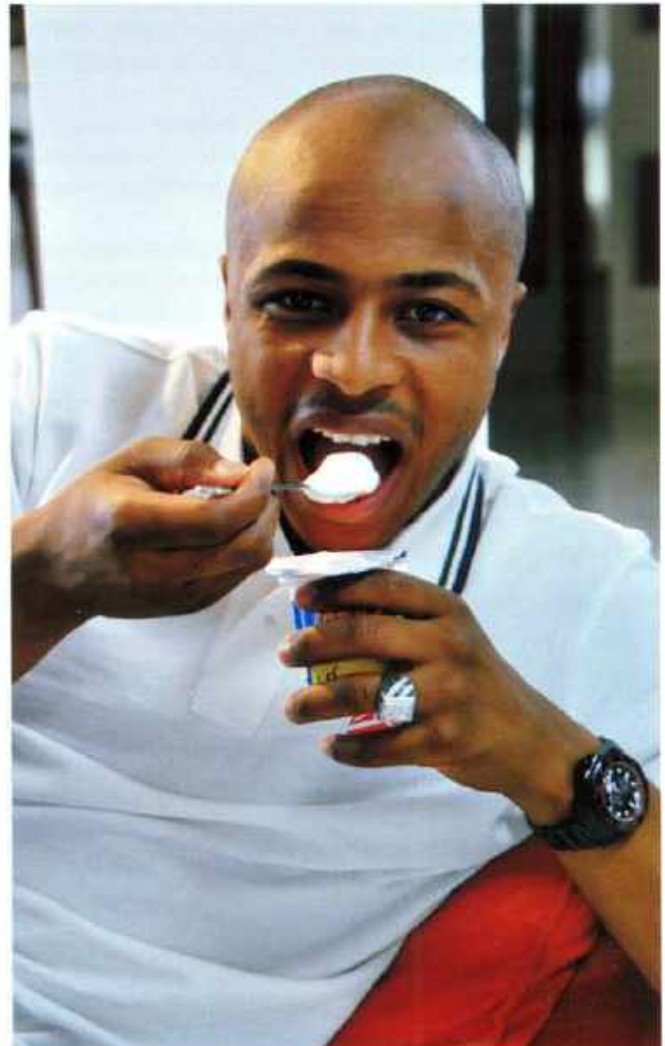
The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at

the reporting date. The Company had no significant exposure to interest rate risk as at December 31, 2012.

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 does not have any significant concentrations of credit risk. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. 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, 2012, management was unaware of any significant unprovided credit risk.



Notes to Financial Statements (Continued)

Year ended December 31, 2012.



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

	2012	2011
The table below shows the maximum exposure to credit risk by class of financial instrument:		
Bank balances (excluding cash)	23,736	22,938
Trade and other receivables (excluding prepayments)	4,051	2,186
Total credit risk exposure	27,787	25,124
Agents savings amounting to GHS 2.94 million (2011: GHS 2.1million) are held as collateral against trade receivables.		
Neither past due nor impaired	4,051	2,186
Past due but not impaired	-	-
Past due and impaired (over 90days)	539	494
Total	4,590	2,680
Provision for impairment loss	(539)	(494)
Net carrying amount	4,051	2,186

Liquidity risk

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 subsequent year. The Company did not have any banking facility at December 31, 2012. Unutilised facility amounting to GHS 500,000 was held at December 31, 2011.

Cash of the Company is placed in interest bearing current accounts to provide sufficient funding to meet its debt financing plan. At the end of the reporting date, bank accounts, cash held on call and fixed deposit accounts was **GHS 19.3 million** (2011: GHS 24.4 million). This is expected to be sufficient 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 payable	21,595	17,382
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Price risk

The Company does not hold any financial instruments subject to price risk.

24. Fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair value, because of their short term nature. The carrying amount of all financial assets and liabilities equals their fair value as the impact of discounting is not significant.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.



Notes to Financial Statements (Continued)

Year ended December 31, 2012.

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

24. Fair values of financial assets and liabilities (continued)

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date.

Financial instruments by category:

Financial assets – Loans and receivables

Trade and other receivables	3,867	1,893
Amount due from related parties	-	32
Amount due from staff	184	261
Cash and cash equivalents	<u>24,929</u>	<u>24,416</u>
	<u>28,980</u>	<u>26,602</u>

Financial liabilities at amortised cost

Trade and other payables (excluding statutory liabilities)	<u>20,038</u>	<u>15,071</u>
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25. 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	<u>4,673</u>	<u>2,825</u>
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26. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders to maximise shareholder value and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debts. No changes were made in the objectives, policies and processes from the previous years. The company did not have any borrowings at the end of the year (2011: Nil).





Notes to Financial Statements (Continued)

Year ended December 31, 2012.

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

26. Capital risk management (Continued)

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012	2011
Cash and cash equivalents	<u>24,929</u>	<u>24,416</u>
Total equity	<u>61,681</u>	<u>62,372</u>
Gearing ratio	—	—

27. Critical accounting estimates and assumptions

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, estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

Useful lives of property, plant and equipment

Critical estimates are made by directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 2 (b).

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters are different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Impairment of account receivables

The Company reviews the carrying amounts of the account receivable balances to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that the receivable balance is impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors. Management uses estimates based on historical loss experience for assets with credit risk. The methodology and assumptions used for estimating both the amount and timing of future cash flows (based on the customer's financial situation) are reviewed regularly by Management to reduce any differences between loss estimates and actual loss experience.

Impairment allowances are assessed when there is objective evidence to suggest that the accounts receivable balance is impaired. In order to estimate the required allowance, assumptions are made based on historical experience and current economic conditions. The accuracy of the allowances depends on how well the entity estimates future cash flows.

28. Segment information

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

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



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