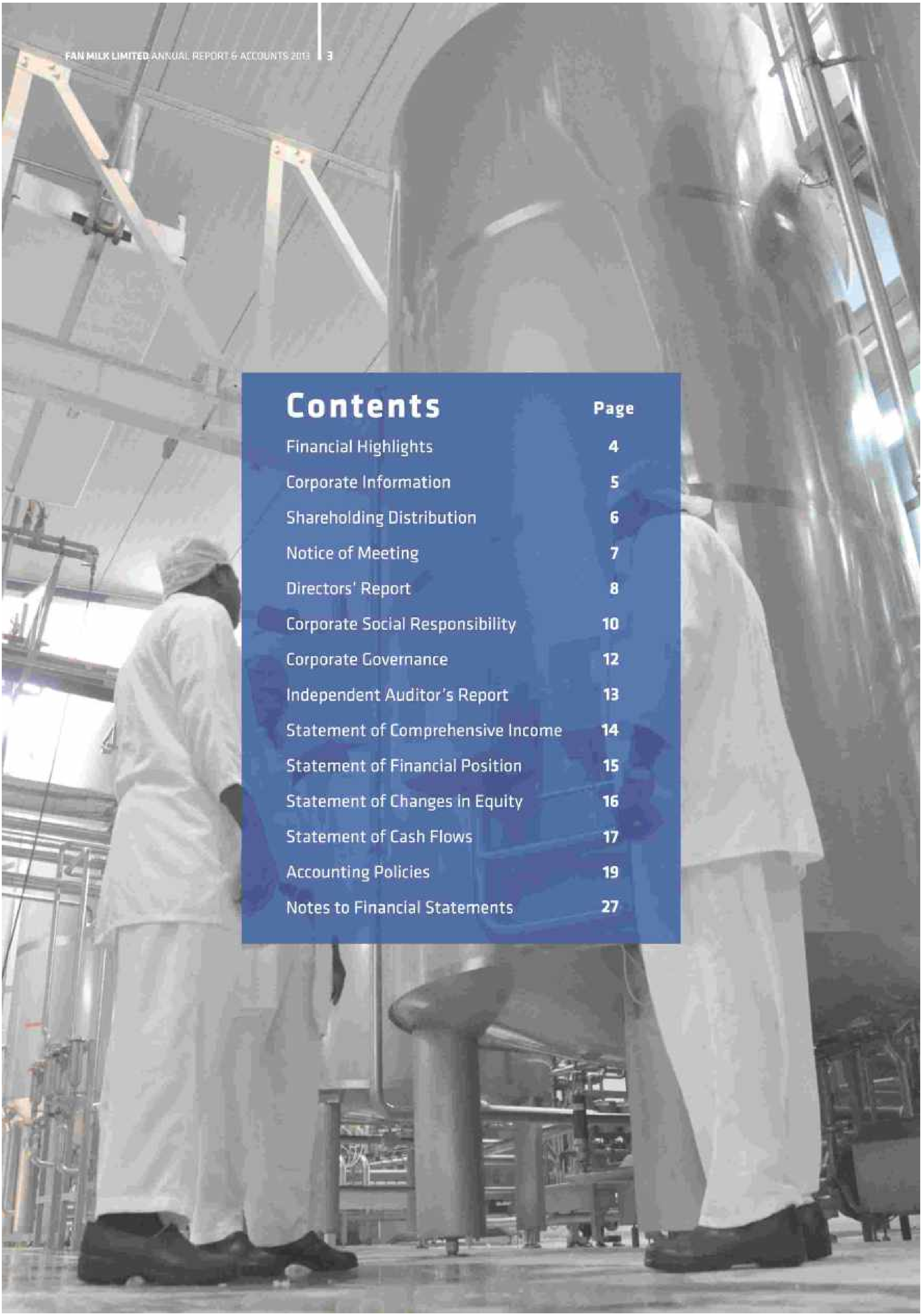
Fan Milk Limited

Annual Report & Accounts 2013



Contents

Financial Highlights

Year ended December 31, 2013.

(Amounts in GHS'000 except per share)	**2013**	2012	2011	2010
Profit After Taxation	21,722	27,198	18,819	19,370
Earnings Per Share	0.19	0.23	0.16	0.16
Total Shares Issued	116,207,288	116,207,288	116,207,288	118,707,288
Dividend Per Share	0.09	0.26	0.04	0.02
Year End:				
Total Assets	101,247	96,553	83,081	68,391
Shareholders' Fund	76,431	61,681	62,372	52,126
Permanent Staff	448	444	457	444
Stock Price Range:				
Before Bonus Issue				
High	-	-	-	10.57
Low	-	-	-	5.55
After Bonus Issue				
High	6.68	3.55	3.11	2.02
Low	3.52	1.90	1.78	0.93

Distribution of Gross Sales *Amounts In GHS'000*	**2013**	**%**	2012	**%**
Gross Sales	159,814	100.0	169,294	100.0
Revenue	138,969	87.0	147,212	87.0
Cost of Sales	61,451	38.5	69,799	41.2
Distribution Costs	36,069	22.6	33,780	20.0
Administrative Expenses	13,844	8.7	11,375	6.7
Finance Costs	504	0.3	329	0.2
VAT	20,845	13.0	22,082	13.0
Tax	8,052	5.2	9,244	5.5
Transfer to Income Surplus Account	21,722	13.4	27,198	16.1
Other Income	589	0.4	446	0.3
Finance Income	2,084	1.3	4,067	2.4

Operational Results *Amounts In GHS'000*	**2013**	2012	**Change**	**% Change**
Revenue	138,969	147,212	(8,243)	(5.6)
Cost of Sales	(61,451)	(69,799)	8,348	(12.0)
Distribution Costs	(36,069)	(33,780)	(2,289)	6.8
Administrative Expenses	(13,844)	(11,375)	(2,469)	21.7
Finance Costs	(504)	(329)	(175)	53.2
Finance Income	2,084	4,067	(1,983)	(48.8)
Other Income	589	446	143	32.1
Profit before Tax	29,774	36,442	(6,668)	(18.3)
Tax	(8,052)	(9,244)	1,192	(12.9)
Profit for the Year	21,722	27,198	(5,476)	(20.1)

Corporate Information

Year ended December 31, 2013.

Directors

Charles Mensa (Dr.)	(Chairman)
Jesper Bjørn Jeppesen	(Managing Director)
Kodjo Biamawu Aziagbe	
Einar Mark Christensen	(Resigned: 25 Nov., 2013)
Jens Jørgen Kollerup	
George H. Okai Thompson	
Peace Ayisi-Okyere	
Jacob Kholi	(Appointed: 25 Nov., 2013)
Mario Reis	(Appointed: 25 Nov., 2013)

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

Bankers
Agricultural Development Bank Limited
Barclays Bank of Ghana Limited
Ecobank Ghana Limited
Fidelity Bank Limited
Ghana Commercial Bank Limited
Prudential Bank Limited
Societe Generale Ghana Limited
Standard Chartered Bank Ghana Limited
Stanbic Bank Ghana Limited

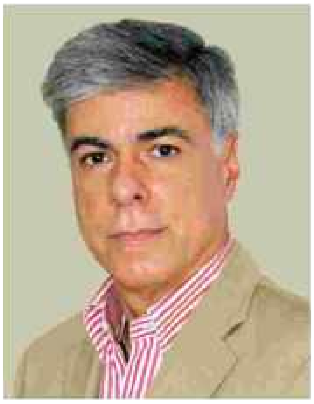
Registered Office
No.1 Dadeban Road
North Industrial Area
P.O. Box 6460
Accra-North

Board of Directors

Dr. Charles Mensa (Chairman)

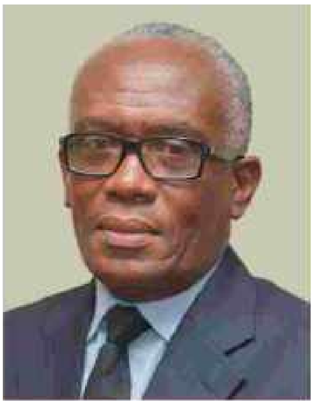
Jesper Bjørn Jeppesen (M. D.)

Peace Ayisi-Okyere (Member)



Mario Reis (Member)

Kodjo Biamawu Aziagbe (Member)



George H. Okai Thompson (Member)

Jens Jørgen Kollerup (Member)

Jacob Kholi (Member)

Shareholding Distribution

Year ended December 31, 2013.

Category of Holdings	No. of Shareholders	% of Holders	No. of Shares	% of Holdings
1,000 and less	2,957	56.91	767,129	0.66
1,001 to 5,000	1,122	21.59	2,469,558	2.13
5,001 to 10,000	299	5.75	2,076,659	1.79
10,001 to 20,000	559	10.76	7,399,004	6.37
20,001 to 30,000	104	2.00	2,768,616	2.38
30,001 to 40,000	37	0.71	1,292,144	1.11
40,001 to 50,000	21	0.40	953,628	0.82
Over 50,000	97	1.87	98,480,550	84.75
Totals	**5,196**	**100**	**116,207,288**	**100.00**

Details of the twenty (20) largest Shareholders as at December 31, 2013

Name of shareholder	No. of Shares	Percentage (%)
1. Fan Milk International A/S	65,822,250	56.64
2. SCGN/Hongkong Shanghai Arisag Africa Consumer Fund Limited	12,230,714	10.52
3. Social Security and National Insurance Trust	1,486,800	1.28
4. SCBN/ELAC Policyholders Fund	1,300,000	1.12
5. SCGN/SSB and Trust AS Custodian for Wasatch Frontier Emerging - Small Countries Fund - W4B9	1,295,986	1.12
6. SCGN/SSB Lloyd G. Inv Co. Fund - LYF3	1,161,000	1.00
7. SCGN/JPMCC J.P. Morgan Clearing Corp - 70396	939,900	0.81
8. SCGN/EPACK Investment Fund Ltd - Transactions A/C	721,726	0.62
9. SCGN/BP2S Luxembourg/Aberdeen Global	600,200	0.52
10. SCGN/JPMC Bankinvest Emerging Mkts Long-term Economic Inv FD (L.E.I.F) F.M.B.A	596,500	0.51
11. STD NOMS TVL PTY/BNYM/Florida Retirement System	542,000	0.47
12. SCGN/ JPMC IF Bankinvest New Emer Mkt aktier	530,800	0.46
13. SIMS/FML Incentive Scheme	492,768	0.42
14. SCGN/Citibank London, Verdipapirfondet Holberg Rurik	467,871	0.40
15. SBG/ STD NOMS/BNYM SAN/ Development Capital - Africa Master Fund, L.P.	462,200	0.40
16. STD NOMS TVL PTY/BNYM LUX/Eastspring Investments sicav-fis	401,900	0.35
17. SCGN/UNIL GH Managers Pension Fund	400,000	0.34
18. SCGN/SSB & T AS CUST RE Aberdeen Institutional - Commingled FD, LLC - AM43	346,000	0.30
19. SSNIT SOS Fund	335,724	0.29
20. STD NOMS TVL PTY/BNYM SANV/SBSA as the Trustee for RMB - Africa Equity Fund	316,470	0.27
Total	90,450,809	77.84
Others	25,756,479	22.16
Grand Total	**116,207,288**	**00.00**

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

Notice is hereby given that the fifty-third Annual General Meeting of **FAN MILK LIMITED** will be held at the **National Theatre, Accra** on **Wednesday May 7, 2014** 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, 2013 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, 2013.
3. To re-elect as a director Mr. Kodjo Biamawu Aziagbe who retires by rotation.
4. To elect as a Director, Mr. Jacob Kholi.
5. To elect as a Director, Mr. Mario Reis.
6. To fix the remuneration of the Directors.
7. To authorise the Directors to fix the remuneration of the Auditors.

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

February 21, 2014

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.

Directors' Report

Year ended December 31, 2013.

INTRODUCTION

The Directors submit their report together with the audited financial statements of Fan Milk Limited for the year ended December 31, 2013.

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

In the financial year 2013, consumer confidence was dampened by a number of factors. Amongst others, were:

1. The shortfall in supply of electricity.
2. Increases in utility tariffs and petroleum prices.
3. Declining gold prices and lower than anticipated cocoa production which impacted negatively on the country's economy.
4. A new Special Import Levy on raw materials, equipment and spare parts which came into effect in August 2013.

Economic indicators for year 2013 show the following:

- GDP Growth for 2013 is expected to be lower than the budgeted target of 8%.
- End of year inflation for 2013 as recorded by the Ghana Statistical Service was 13.5%.
- According to Bank of Ghana interbank exchange rate statistics, the GHS depreciated 13.7% against the USD and by 18.2% against the EUR.
- The Bank of Ghana Policy Rate, which was 15% at the beginning of the year ended year 2013 at 16%.

FINANCIAL HIGHLIGHTS

The table below is a summary of the financial performance of the Company for the financial year 2013.

Amounts in GHS '000	2013	2012	Change	% Change
Revenue	138,969	147,212	(8,243)	(5.6)
Cost of Sales	(61,451)	(69,799)	8,348	(12.0)
Distribution Costs	(36,069)	(33,780)	(2,289)	6.8
Administrative Expenses	(13,844)	(11,375)	(2,469)	21.7
Finance Costs	(504)	(329)	(175)	53.2
Finance Income	2,084	4,067	(1,983)	(48.8)
Other Income	589	446	143	32.1
Profit Before Taxation	29,774	36,442	(6,668)	(18.3)
Income Tax	(8,052)	(9,244)	1,192	(12.9)
Profit After Taxation	21,722	27,198	(5,476)	(20.1)

PERFORMANCE ON THE STOCK MARKET

In the year under review, the share price of your Company had an opening price of GHS 3.55 and closed the year at GHS 6.62, thus representing a gain of 86.5%.

CANCELLATION OF SHARES

At the Annual General Meeting held May 8, 2013 a special resolution was passed to cancel the 2,500,000 shares held in treasury and accordingly reduce the authorized shares to 197,500,000 and the issued shares to 116,207,288.

Subsequently, a High Court confirmation dated September 2, 2013 was obtained to cancel the 2,500,000 shares held in treasury and reduce the issued shares to 116,207,288.

DIVIDEND

The Board is pleased to recommend a final dividend of GHS 0.09 per share for year 2013, which is an increase of 50% over the final dividend paid for year 2012. The dividend amounts to GHS 10,458,655.92.

DIRECTORS

On November 25, 2013, Mr. Mark Einar Christensen resigned from the Board after having rendered long dedicated service to the Company. Mr. Einar Mark Christensen was elected as a Board member in 1999, having previously served as a substitute Director from 1992. Drawing on his expertise and knowledge, the Company benefited from his valuable contributions over the years.

To fill vacancies on the Board, the Board has appointed Mr. Jacob Kholi a partner of The Abraaj Group, and Mr. Mario Reis the Managing Director of Danone Southern Africa as Directors to the Board. Being eligible, both Mr. Kholi and Mr. Reis offer themselves for election in accordance with the Company's Regulation 60.

Furthermore and in accordance with Section 298 of the Companies Code, 1963 (ACT 179), and the Company's Regulation 61 (2a&b) Mr. Kodjo Aziagbe retires from the Board by rotation, and being eligible, offers himself for re-election.

Directors' Report (Continued)

Year ended December 31, 2013.

DIRECTORS' FEES

In accordance with Section 67 (3) of the Company's Regulations, fees payable to the Directors shall not be increased except in pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

In line with this, the Directors wish to recommend that this General Meeting approves payment of Directors' remuneration for 2014 not exceeding the sum of GHS 867,891. This represents an increase of 15% over 2013.

AUDITORS

The Auditors of the Company, PWC, 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 2014.

CAPITAL EXPENDITURE

In 2013, expenditure on property, plant and equipment totalled GHS 19.3 million. Highlights of the key investments are:

Factory / Plant

- Commissioning of a 110m^3 oil tank and valve station.
- Completion of water support facility (tanks and treatment plant).
- Completion of 25 m^3 / hr yoghurt cooler.
- Completion of juice tank farm and automated valve stations.
- Completion of heat recovery systems.
- Commissioning of new packaging machines.
- Upgrade of ammonia refrigeration plant with an automated control unit.
- Commencement of a chilled water plant.

Distribution, Sales and Marketing

- Completion of the Regional Distribution Centre in Kasoa.
- Procurement of sales trucks.
- Procurement of pushcarts and freezers.

Information Technology

- Implementation of Phase 1 of Microsoft Dynamics NAV ERP software.

AWARDS

In 2013, among others, your Company received the following prestigious awards:

- 28th on Ghana Club 100 – Ghana Investment Promotion Centre.
- Overall Best Industrial Company of the Year – Association of Ghana Industries, which we won for the second year in succession.
- Best Food and Beverages, Large Scale Company – Association of Ghana Industries, which we also won for the second year in succession.

OUTLOOK FOR 2014 AND BEYOND

Year 2014 has brought along a challenging economic environment. Various utility tariffs and the price of petroleum products have seen further increases.
Additionally, a new VAT rate of 17.5% is in effect and has a wider target.

However, your Company is well placed to adapt to the new macro-economic circumstances and will continue to operate and invest in line with its long-term plans.

Some of the key investments your Company has planned for 2014 are:

1. Commencement of a new Regional Distribution Centre in Tema.
2. Expansion of uninterruptible power supply systems at the factory.
3. Construction of new offices at the factory.
4. Completion of a syrup plant.
5. Acquisition of new retail and vending equipment.
6. Completion of various projects related to the on-going plant upgrade.
7. Installation of new packaging machines.
8. Commencement of Phase II of Microsoft Dynamics NAV ERP Project.

ACKNOWLEDGEMENT

The Board of Directors wish to express their sincere appreciation to shareholders, customers, distributors, agents, vendors, management and staff for their support and invaluable contributions, which led to the performance achieved by your Company in year 2013.

Special thanks go to Mr. Einar Mark Christensen, who resigned from the Board during the year under review, for his contribution to the Company over his many years of service.

On behalf of the Board

Dr. Charles Mensa **Jesper Bjørn Jeppesen**

Corporate Social Responsibility Report

Year ended December 31, 2013.

Fan Milk Limited has committed itself to the United Nations Global Compact, which enjoins all signatories to operate in a socially responsible manner. By this commitment, your Company endeavours to uphold the core values of the Compact in the areas of human rights, labour standards, the environment and anti-corruption.

In 2013, your Company demonstrated this commitment through the following activities.

ETHICS

We pride ourselves as an ethical corporate citizen, and operated in accordance with the laws of Ghana. We also complied with all relevant regulations and honoured our obligations. Above all we delivered what we promised our numerous discerning consumers.

ISO CERTIFICATION

In November 2013, Fan Milk was certified to ISO 18001:2007 Occupational Health and Safety Assessment Series (OHSAS).

Prior to the OHSAS your Company gained the ISO 14001:2004 Environmental Management in February 2013.

Other ISO certifications Fan Milk Limited has acquired are ISO 9001:2008 (Quality Management Systems), 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.

SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES

Fan Milk Limited endeavours to remain competitive in offering fair compensation and benefits, as well as guarantee rest periods, safe and healthy working environment, health and social security among others for all employees. Your Company also upholds freedom of association and the right of employees to collective bargaining, but frowns on discrimination in respect of employment and occupation.

Other services provided for the comfort and well-being of employees whilst discharging their duties and responsibilities are laundry and canteen. Staff who work within the factory/head office also benefit from bus services to and from work. Your Company remains focused in its commitment to the development of careers of staff through various sponsored programmes.

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

An awards ceremony is organised annually by your Company for its employees. This is to recognize:

- Exceptional performance of individual employees (Workers of the Year Award), and
- Dedicated service (Long Service Award).

The Worker of the Year Awards offered prizes to employees who excelled in their respective professions or vocations in the year. The Long Service Awards, which comprised of household appliances such as cookers, refrigerators, deep freezers and televisions sets among others were given to employees who had served loyally for at least ten (10) years and subsequently for each additional five (5) years served. In addition to the prizes each award winner received a certificate.

Also, in Fan Milk Limited, employees benefit from paid maternity and paternity leave.

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 employable skills. 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/internship with the Company.

HEALTH AND SAFETY

The 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.

Your Company offers an Employee Health Care scheme in which employees, their registered spouses and children benefit from Company paid medical care.

Emphasis is seriously and continuously placed on safety at the workplace and its immediate environs. High safety standards aimed at protecting all individuals have been instituted throughout the Company in compliance with the requirements of regulatory bodies such as the Ghana National Fire Service, the Factories Inspectorate Division of the Employment Ministry and the Health Inspectorate Department of the Accra Metropolitan Assembly.

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.

Corporate Social Responsibility Report (Continued)

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 such as horticulture and sanitation functions.

Fan Milk Limited has been in collaboration with Ghana National Scholarships Beneficiaries Association (GNASBA) for 20 years now. The association is supported to educate the populace in various communities on environmental issues. In the year under review, a total of 53 communities nationwide were visited and numerous litterbins were given to these communities. Activities undertaken by GNASBA in the communities included tree planting, clean up campaigns, collection and disposal of plastic waste and malaria awareness programmes.

Proper disposal of waste is encouraged by your company. Fan Milk Limited was able to support City Waste Management Company Limited in their acquisition of their refuse collection trucks. City Waste therefore became the key Company in the collection, proper disposal and recycling of plastic waste from the Factory and Regional Distribution Centres (RDC) across the Country.

Trashy Bags, a small scale business located at Dzorwulu in Accra was able to collaborate with Fan Milk Limited in helping to achieve the company's aim of proper disposal of discarded billboard materials and old flex banners. 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. Materials used in packaging of Fan Milk products are also collected by Trashy Bags and sewn into various items, which are widely patronised by Ghanaians and foreigners alike.

Your Company did not leave out school pupils in its quest to improve on sanitation in the Country. During 2013, the Company directly undertook Sanitation Awareness Campaigns nationwide through the Schools Sanitation and Sampling Programme. 121 schools were visited in 2013 and 95,000 pupils, teachers and non-teaching staff benefitted from the programme. Each school visited had the opportunity to watch a 10 minute film on sanitation, after which, the participants were refreshed with our nutritious products. Litter bins were also donated to all participating schools to take care of their waste.

TRADE AND CHANNEL MEMBERS TRAINING

An interaction with trade and channel members to ensure that they understand key handling requirements of our products, cold-chain management and good practices of selling is done every year and 2013 was no exception.

511 Agents nationwide were taken through training workshops in Accra, Kumasi, Takoradi and Tamale.

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 Mensvick Hotel in Accra. Our Extended Quality Assurance Section also provided training across the Country for nearly all agents and vendors in the year under review.

Some 1,152 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.

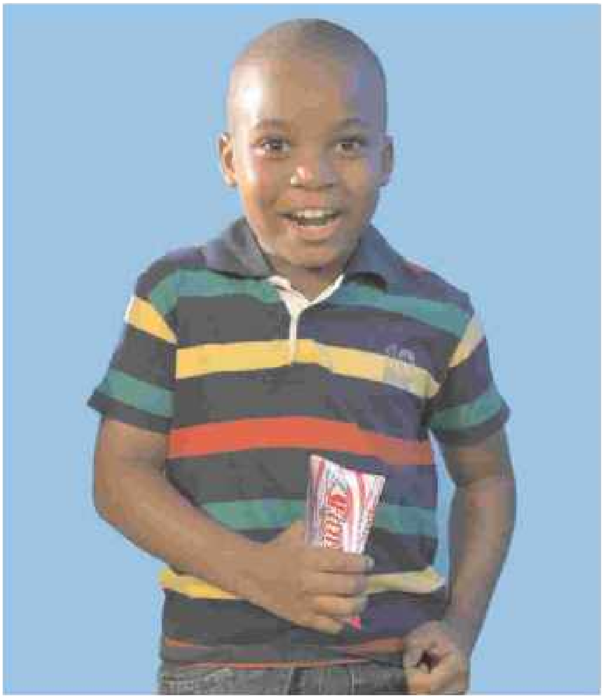
LOCAL COMMUNITY AND OTHER SUPPORT

We continued with our annual support to communities by making donations towards clean-up programmes during their festivals.

Traditional areas like Cape Coast, Mankessim, Anlo, Ada, Peki, Dixcove 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. Village of Hope
2. Ghana Police Service (Community Policing Unit and MTTU).
3. Environmental Protection Agency.
4. Ghana Cricket Association.
5. Association of Ghana Industries.
6. Mankessim, Oguaa and Ada traditional councils.
7. Takoradi West-Side Street Carnival.
8. National Theatre (Kiddafest)
9. Roverman Productions
10. Springboard Roadshow



Corporate Governance

Year ended December 31, 2013.

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.

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, six 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, 2013.

Reports 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, 2013, and the statement of profit and loss and other 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 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 misstatement, 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, 2013 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 (part of statement of profit and loss and other comprehensive income) are in agreement with the books of account.

Chartered Accountants
14 March, 2014
Accra, Ghana
Michael Asiedu-Antwi (ICAG/P/1138)

PricewaterhouseCoopers

Statement of Comprehensive Income

Year ended December 31, 2013.

(All amounts are expressed in thousands of Ghana cedis)	Note	2013	2012
Revenue	3	138,969	147,212
Cost of Sales	4	(61,451)	(69,799)
Gross Profit		77,518	77,413
Distribution Costs	4	(36,069)	(33,780)
Administrative Expenses	4	(13,844)	(11,375)
Other Income	5	589	446
Operating Profit		28,194	32,704
Finance Income	6	2,084	4,067
Finance Costs	7	(504)	(329)
Profit before Income Tax		29,774	36,442
Income Tax Expense	8	(8,052)	(9,244)
Profit for the year		21,722	27,198
Other Comprehensive Income		-	-
Total Comprehensive Income		21,722	27,198
Earnings per Share			
Basic and Diluted (GHS)	9	0.19	0.23

The notes on pages 19 to 38 are an integral part of these financial statements.

Statement of Financial Position

Year ended December 31, 2013.

(All amounts are expressed in thousands of Ghana cedis)	Note	2013	2012
Assets			
Non-Current Assets			
Property, plant and equipment	10	**61,784**	51,904
Intangible assets	11	**520**	-
		62,304	51,904
Current Assets			
Inventories	12	**16,124**	15,640
Trade and other receivables	13	**4,724**	4,080
Cash and cash equivalents	14	**18,095**	24,929
		38,943	44,649
Total Assets		**101,247**	96,553
Equity and Liability			
Equity attributable to owners			
Stated capital	15	**10,000**	10,000
Income surplus account	16	**66,431**	51,681
		76,431	61,681
Liabilities			
Non-Current Liabilities			
Deferred income tax	17	**5,004**	3,664
Current Liabilities			
Trade and other payables	18	**17,830**	21,595
Current income tax	19	**-**	311
Dividend payable	20	**1,982**	9,302
		19,812	31,208
Total Liabilities		**24,816**	34,872
Total Equity and Liabilities		**101,247**	96,553

The financial statements on pages 14 to 38 were approved by the Board of Directors on 21 February, 2014 and signed on its behalf by:

Director   Director

The notes on pages 19 to 38 are an integral part of these financial statements.

Statement of Changes in Equity

Year ended December 31, 2013.

(All amounts are expressed in thousands of Ghana cedis)	Stated Capital	Income Surplus Account	Total
Year ended December 31, 2013			
At the beginning of the year	10,000	51,681	**61,681**
Total comprehensive income	-	21,722	**21,722**
Dividend declared	-	(6,972)	**(6,972)**
At the end of the year	**10,000**	**66,431**	**76,431**
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**

The notes on pages 19 to 38 are an integral part of these financial statements.

Statement of Cash Flows

Year ended December 31, 2013.

(All amounts are expressed in thousands of Ghana cedis)	Note	2013	2012
Cash Flows from Operating Activities			
Cash generated from operations	21	**32,661**	39,454
Interest paid	7	**(501)**	(311)
Interest received	6	**1,976**	3,917
Tax paid	19	**(7,023)**	(8,196)
Net cash generated from operating activities		**27,113**	34,864
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	10	**(19,267)**	(15,922)
Purchase of intangible assets	11	**(670)**	-
Proceeds from sale of property, plant and equipment	10	**282**	558
Net cash used in investing activities		**(19,655)**	(15,364)
Cash Flows from Financing Activities			
Dividend paid	20	**(14,292)**	(18,987)
Net cash used in financing activities		**(14,292)**	(18,987)
(Decrease)/Increase in cash and cash equivalents		**(6,834)**	513
Cash and cash equivalents at the beginning of the year		**24,929**	24,416
Cash and cash equivalents at the end of the year	14	**18,095**	24,929

The notes on pages 19 to 38 are an integral part of these financial statements.


New
FAN
FanMilk
FAN
FanMilk
CITRUS
FanDango
FROZEN
Fantastic
FanDango
VITAMIN C ENRICHED
IT SHOULD BE KEPT FROZEN

Accounting Policies

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.

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 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 end of the period 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 and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning or after 1 January 2013 and have a material impact on the company:

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).

New and amended standards not applicable to the Company

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).

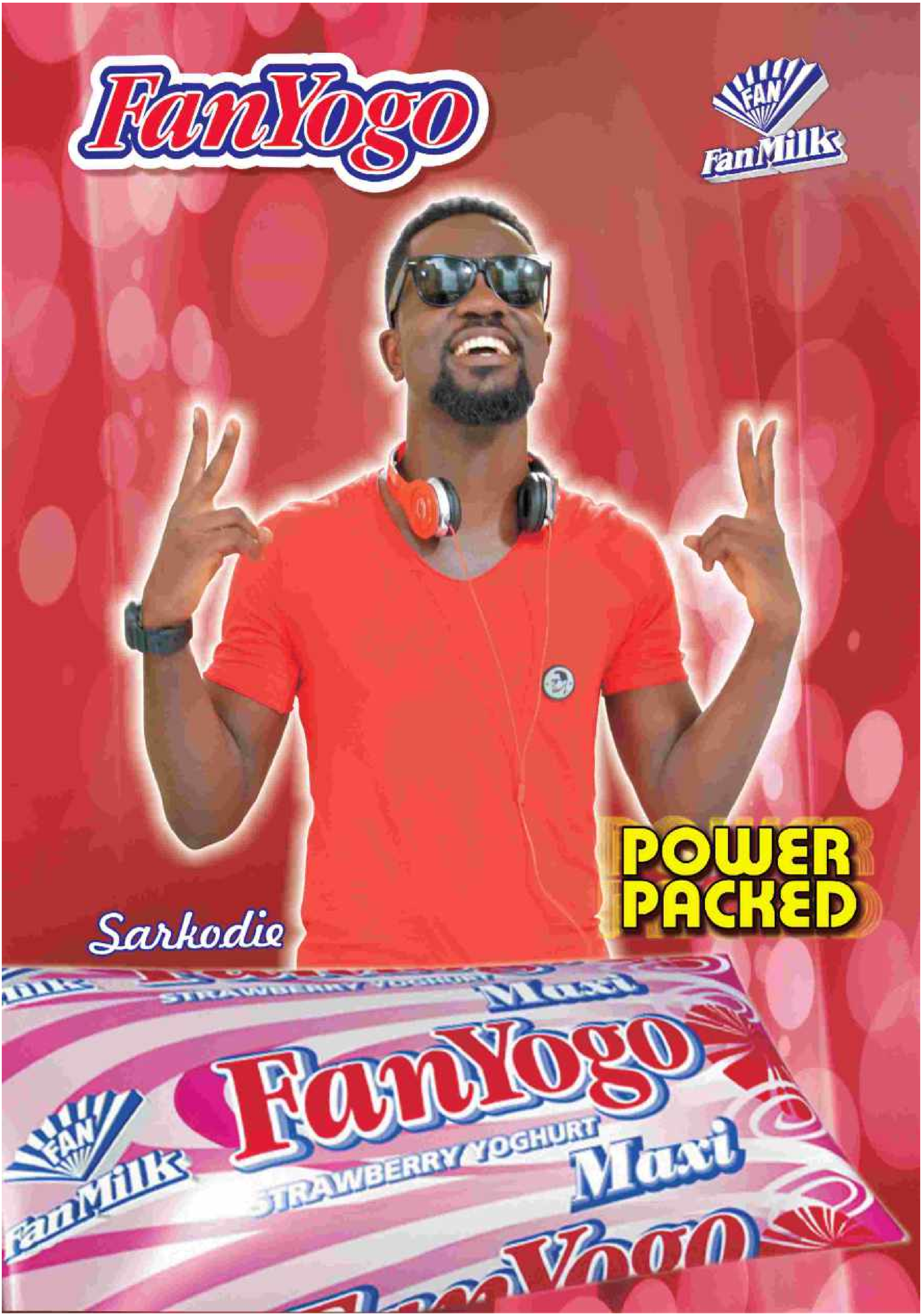
IFRS 10, Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

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.

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.

(ii) New standards and interpretations not yet adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, 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:



FanYogo
FAN
FanMilk
POWER
PACKED
Sarkodie
STRAWBERRY YOGHURT
Maxi
FanYogo
FAN
FanMilk
STRAWBERRY YOGHURT
Maxi


FanIce
FAN
FanMilk
FanIce
Vanilla Ice Cream
So Nice

Accounting Policies (Continued)

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. 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 intend 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.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts 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. 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 (d).

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.

Accounting Policies (Continued)

(c) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

(d) 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.

(e) 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.

(f) 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 (g).

Accounting Policies (Continued)

(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.

(g) 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 a 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.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(i) Stated capital

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

(j) 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.

Accounting Policies (Continued)

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.

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 year end.

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.

(k) 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.

(l) Dividends

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

(m) 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) and returns.

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.

Accounting Policies (Continued)

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.

(n) 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.

(o) 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.

(p) 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'.

(q) Earnings per share

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

(r) 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.

(s) 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.

(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.

(u) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of lease.

Notes to Financial Statements

Year ended December 31, 2013.

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	Note	2013	2012
3. Revenue			
Gross sales		**159,814**	169,294
Value Added Tax		**(20,845)**	(22,082)
		138,969	147,212
4. Expenses by nature			
Raw materials and consumables used		**41,495**	49,441
Employee benefit expenses		**17,385**	17,135
Depreciation on property, plant and equipment	10	**9,433**	7,429
Repairs and maintenance		**4,533**	5,122
Vehicle running expenses		**5,485**	4,730
Utilities		**4,688**	4,016
Fuel		**1,054**	1,107
Insurance		**560**	394
Sales promotion and advertising expenses		**4,398**	3,531
Selling Expenses		**11,305**	12,516
Technical service fees		**1,735**	1,840
Auditor's remuneration		**114**	52
Directors' emolument		**1,284**	1,116
Donation		**7**	19
Transportation expenses		**1,696**	1,741
Provision for bad debts	12	**11**	104
Medical expenses		**924**	768
Information technology expenses		**279**	156
Communication expenses		**538**	251
Security services expenses		**996**	798
Rent		**224**	161
Environmental and social responsibility expenses		**122**	116
Exchange loss		**1,412**	1,002
Consultancy expenses		**518**	422
Other expenses		**1,168**	987
		111,364	114,954
Expenses by nature have been disclosed in the statement of comprehensive income as follows:			
Cost of sales		**61,451**	69,799
Distribution costs		**36,069**	33,780
Administrative expenses		**13,844**	11,375
		111,364	114,954
Employee benefit expense			
Wages, salaries and allowances		**15,543**	15,611
Social security costs		**1,291**	1,070
Pension costs		**49**	40
Provident fund costs		**502**	414
		17,385	17,135
Total number of staff employed by the Company by the end of the year was **567** (2012:580).			
5. Other income			
Profit on disposal of property, plant and equipment	10	**178**	198
Sale of empty bags and scraps		**180**	155
Rent income		**114**	93
Exchange gain		**107**	-
Bad debts recovered		**10**	-
		589	446

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	Note	2013	2012
6. Finance income			
Exchange gain on cash and cash equivalents		**108**	150
Interest income on fixed deposit and call accounts with banks		**1,976**	3,917
		2,084	4,067
7. Finance costs			
Interest payable on agents savings		**501**	311
Exchange loss on cash and cash equivalents		**-**	13
Finance costs on staff loans		**3**	5
		504	329
8. Income tax expense			
Current income tax	19	**6,712**	8,404
Deferred income tax	17	**1,340**	840
		8,052	9,244

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

		2013	2012
Profit before tax		**29,774**	36,442
Tax charged at **25%** (2012: 25%)		**7,443**	9,111
Expenses not deductible in determining taxable profit		**410**	116
Other differences		**119**	17
		8,052	9,244
9. Earnings per share			
Profit for the year		**21,722**	27,198
Number of ordinary shares outstanding		**116,207,288**	116,207,288
Basic and diluted earnings per share (GHS)		**0.19**	0.23

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)

(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	Total
At January 1, 2013						
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**
Year ended December 31,2013						
Opening net book amount	1,894	4,106	10,241	27,638	8,025	51,904
Additions	114	3,146	8,229	6,336	1,442	19,267
Transfer	-	-	25	7,351	(7,376)	-
Disposals at cost	-	-	(697)	(207)	-	(904)
Release on disposal	-	-	660	140	-	800
Depreciation charge	(72)	(660)	(2,712)	(5,839)	-	(9,283)
Closing net book amount	**1,936**	**6,592**	**15,746**	**35,419**	**2,091**	**61,784**
At December 31, 2013						
Cost	2,446	10,170	27,083	63,007	2,091	104,797
Accumulated depreciation	(510)	(3,578)	(11,337)	(27,588)	-	(43,013)
Net book value	**1,936**	**6,592**	**15,746**	**35,419**	**2,091**	**61,784**
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 at cost	-	(2)	(559)	(277)	-	(838)
Release on disposals	-	-	357	121	-	478
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**

	2013	2012
Profit on disposal of property, plant and equipment		
Cost of assets	**904**	838
Accumulated depreciation	**(800)**	(478)
Net book value	**104**	360
Sale proceeds	**(282)**	(558)
Profit on disposal	**(178)**	(198)

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)		**2013**	2012

11. Intangible assets

Cost		**670**	-
Accumulated amortisation		**(150)**	-
		520	-

12. Inventories

Raw materials		**11,602**	8,714
Finished goods		**1,878**	1,940
Work in progress		**12**	-
Goods in transit		**1,770**	4,691
Consumables / spare parts		**862**	295
		16,124	15,640

During the year the cost of inventories charged to the statement of profit or loss comprehensive income amounted to **GHS41.5 million** (2012: GHS49.4 million).

13. Trade and other receivables

Trade receivables		**3,374**	2,215
Less: Provision for impairment losses		**(541)**	(539)
Trade receivables – net		**2,833**	1,676
Amounts due from related parties	22	**67**	-
Other receivables		**1,595**	2,191
Amounts due from staff		**198**	184
Prepayments		**31**	29
		4,724	4,080

The maximum amount of staff indebtedness during the year did not exceed GHS0.239 million (2012: GHS0.3 million).

Amounts due from staff are recoverable as follows:

Not later than 1 year		**201**	198
Later than 1 year and not later than 5 years		**47**	33
		248	231
Future finance costs		**(50)**	(47)
Present value of amounts due from staff		**198**	184

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

Not later than 1 year		**170**	161
Later than 1 year and not later than 5 years		**28**	23
		198	184

The fair value of amounts due from staff is based on cash flow discounted using a rate based on a borrowing rate of **19.40% per annum** (2012: 23.12% per annum). The discount rate equals base rate minus appropriate credit rating from Societe Generale Ghana Limited (Company's bankers).

The Directors consider the carrying amount of trade and other receivables approximates to their fair value

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	Note	2013	2012
Movement on the provision for impairment of trade receivables is as follows:			
At 1 January		539	494
Bad debts written off		(9)	(59)
		530	435
Provision charged to income statement		11	104
At 31 December		541	539

14. 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:

	2013	2012
Cash in hand and at bank	15,560	22,506
Short term bank deposit	2,535	2,423
Cash and cash equivalents	18,095	24,929

Cash at bank includes cheques issued and not cashed of GHS3,758,000 (2012: GHS5,122,468)

15. Stated capital

	No. of shares 2013	Proceeds 2013	No. of shares 2012	Proceeds 2012
Authorised				
Ordinary shares of no par value	197,500,000		200,000,000	
Issued				
For cash consideration	19,784,548	19	19,784,548	19
For bonus	96,422,740	4,000	98,922,740	4,000
Capitalisation of surplus	-	5,981	-	5,981
	116,207,288	10,000	118,707,288	10,000

The Company in February 2011, purchased 2.5 million of its shares valued at GHS6.249 million and placed in treasury. At the 52nd Annual General Meeting held on May 8, 2013, a special resolution was passed to cancel the shares. The special resolution was confirmed by the high court on September 2, 2013, thereby reducing the authorised shares to 197,500,000 and the issued shares to 116,207,288. There is no unpaid liability on shares. There are no calls or instalments unpaid.

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	Note	2013	2012
16. Income surplus account			
At beginning of the year		**51,681**	52,372
Net profit for the year		**21,722**	27,198
Purchase of own shares		**-**	-
Dividend declared and approved		**(6,972)**	(27,889)
At end of the year		**66,431**	51,681

17. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of **25%** (2012: 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:

	Note	2013	2012
At January 1		**3,664**	2,824
Charged to income statement	8	**1,340**	840
At December 31		**5,004**	3,664

18. Trade and other payables

	Note	2013	2012
Trade payables		**2,757**	6,199
Amounts due to related parties	22	**3,784**	6,468
Other payables		**10,954**	8,481
Accrued expenses		**335**	447
		17,830	21,595

The carrying amounts of the above trade and other payables approximate their fair values.

19. Current income tax

	Note	2013	2012
At January 1		**311**	103
Charged to income statement	8	**6,712**	8,404
Payments		**(7,023)**	(8,196)
At December 31		**-**	311

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	Note	2013	2012
20. Dividend payable			
At January 1		**9,302**	400
Dividend declared and approved		**6,972**	4,648
Interim dividend declared		**-**	23,241
Dividend paid		**(14,292)**	(18,987)
At December 31		**1,982**	9,302

Payment of dividend is subject to the deduction of withholding taxes at final tax rate of 8%. A final dividend per share of GHS0.09 has been proposed for approval at the next Annual General Meeting (not recognised as a liability as at December 31, 2013) amounting to GHS10.46 million.

21. Cash generated from operations

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

	Note	2013	2012
Profit before tax		**29,774**	36,442
Depreciation	10	**9,283**	7,429
Amortisation of intangible assets	11	**150**	-
Interest expense	7	**501**	311
Interest income	6	**(1,976)**	(3,917)
Increase in inventories		**(484)**	(2,961)
Increase in trade and other receivables		**(644)**	(1,865)
(Decrease)/Increase in trade and other payables		**(3,765)**	4,213
Profit on disposal of plant and equipment	10	**(178)**	(198)
Cash generated from operations		**32,661**	39,454

Notes to Financial Statements (Continued)

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

22. Related party disclosures

The Company has a related party relationship with a major shareholder and with its Directors. The major shareholder, Fan Milk International A/S owns 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:

	2013	2012
(i) Purchase of goods		
Emidan A/S	38,334	41,158
(ii) Sale of assets		
Fan Milk Nigeria	-	54
Fan Milk Cote D'Ivoire	41	85
Fan Milk Togo	27	-
(iii) Technical assistance fees		
Fan Milk International	1,577	1,840
(iv) Amount due from related parties		
Fan Milk Togo	16	-
Fan Milk Cote D'Ivoire	41	-
Emidan A/S (current account)	10	-
	67	-
(v) Amount due to related parties		
Emidan A/S	3,321	5,530
Fan Milk Togo	-	13
Fan Milk International	463	923
Emidan A/S (current account)	-	2
	3,784	6,468

Transactions with key management personnel
Key management personnel are considered to be the Directors.

	2013	2012
Remuneration		
Executive Director (Short - term benefits)	693	631
Non-executive Directors (Short - term benefits)	654	523

Key management personnel have no post-employment benefits.

Notes to Financial Statements (Continued)

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

23. 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 **GHS64,000** (2012: GHS45,000).

24. 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 December 31, 2013, if the currency had weakened/strengthened by 10% (2012: 16%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GHS10,507 (2012: GHS291,432) higher/lower, mainly as a result of US dollar denominated trade payables and cash & bank balances.

At December 31, 2013, if the currency had weakened/strengthened by 10% (2012: 17%) against the Euro with all other variables held constant, post tax profit for the year and equity would have been GHS215,432 (2012: GHS207,745) lower/higher, mainly as a result of Euro denominated trade payables trade receivables 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, 2013.

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 collectability 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, 2013, Management was unaware of any significant unprovided credit risk. (2012:nil)

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	**2013**	2012
The table below shows the maximum exposure to credit risk by class of financial instrument:		
Bank balances (excluding cash)	**16,771**	23,736
Trade and other receivables (excluding prepayments)	**4,693**	4,051
Total credit risk exposure	**21,464**	27,787
Agents savings amounting to **GHS3.59 million** (2012: GHS2.94 million) are held as collateral against trade receivables.		
Neither past due nor impaired	**4,693**	4,051
Past due but not impaired	**-**	-
Past due and impaired (over 90days)	**541**	539
Total	**5,234**	4,590
Provision for impairment loss	**(541)**	(539)
Net carrying amount	**4,693**	4,051

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 did not have any banking facility at December 31, 2013. The Company did not have any banking facility at December 31, 2012

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 **GHS16.77 million** (2012: GHS19.32 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.

	2013	2012
Trade and other payables	**17,830**	21,595

Price risk

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

25. 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)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	**2013**	2012
25. 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	**4,428**	3,867
Amount due from related parties	**67**	-
Amount due from staff	**198**	184
Cash and cash equivalents	**18,095**	24,929
	22,788	28,980
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities)	**17,527**	20,038
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	**2,109**	4,673

27. 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 period (2012: Nil).

Notes to Financial Statements (Continued)

(All amounts in the notes are shown in thousands of Ghana cedis unless otherwise stated)	2013	2012
27. Capital risk management (Continued)		
The gearing ratios at 31 December 2013 and 2012 were as follows:		
Cash and cash equivalents	**18,095**	24,929
Total equity	**76,430**	61,681
Gearing ratio	**-**	-

28. 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.

29. 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 drinks. Management considers the products to have similar economic characteristics and they have therefore been aggregated into a single operating segment.

Fan Milk Limited

No. 1 Dadeban Road, North Industrial Area
P. O. Box 6460, Accra-North, Ghana Telephone: +233-302-224421
Fax: +233-302-221951 Website: www.fanmilk-gh.com