FAN MILK LIMITED
ANNUAL
REPORT AND ACCOUNTS 2017

OUR MISSION STATEMENT

"Enhance the wellbeing for as many people as possible by offering nourishing, refreshing and enjoyable products and an inclusive business model. "

OUR AMBITION

"Strengthen our leadership by offering nourishing, refreshing and enjoyable products, to delight the widest number of people, providing opportunities to grow, for our employees, partners and shareholders. "

CONTENTS

FINANCIAL HIGHLIGHTS

AMOUNTS IN GH¢'000 EXCEPT PER SHARE	2017	2016	2015	2014
Profit After Taxation	47,297	66,128	49,716	15,049
Earnings Per Share	0.41	0.57	0.43	0.13
Total Shares Issued	116,207,288	116,207,288	116,207,288	116,207,288
Dividend Per Share	0.00	0.00	0.1035	0.0900
Year End:				
Total Assets	300,109	245,064	214,214	123,913
Shareholders' Fund	221,676	174,379	120,278	81,021
Permanent Staff	487	427	414	430
Stock price range:				
High	20.00	11.30	7.35	7.55
Low	11.08	7.00	5.25	4.89

Distribution of Gross Sales	2017	%	2016	%
AMOUNTS IN GH¢'000				
Revenue (Gross)	524,007	100.0	454,022	100.0
Revenue	445,963	85.1	386,402	85.1
Cost of Sales	237,345	45.3	189,345	41.7
Distribution costs	108,137	20.6	85,371	18.8
Administrative expenses	46,216	8.8	32,162	7.1
Finance costs	1,411	0.3	1,491	0.3
VAT	78,044	14.9	67,620	14.9
Tax	16,521	3.2	21,429	4.7
Transfer to Income surplus Account	47,297	9.0	66,128	14.6
Other Income	9,238	1.8	2,731	0.6
Finance income	1,726	0.3	6,793	1.5

Operational results

AMOUNTS IN GH¢'000	2017	2016	change	% change
Revenue	445,963	386,402	59,561	15.4
Cost of Sales	(237,345)	(189,345)	(48,000)	25.4
Distribution costs	(108,137)	(85,371)	(22,766)	26.7
Administrative expenses	(46,216)	(32,162)	(14,054)	43.7
Finance costs	(1,411)	(1,491)	80	(5.37)
Finance income	1,726	6,793	(5,067)	(74.59)
Other Income	9,238	2,731	6,507	238.3
Profit before tax	63,818	87,557	(23,739)	(27.11)
Tax	(16,521)	(21,429)	4,908	(22.90)
Profit for the year	47,297	66,128	(18,831)	(28.48)

CORPORATE INFORMATION

DIRECTORS

Charles Mensa (Dr.)	Chairman
Jacob Kholi	Vice Chairman
Stephane Couste	Managing Director
George H. Okai Thompson	Non executive Director
Peace Ayisi-Okyere	Non executive Director
Edouard Spicher	Non executive Director
Jacques Gourmelon	Non executive Director
Pierre Armangau	Non executive Director

SECRETARY

Lennap & Company
P.O. Box 37 Accra

AUDITOR

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

REGISTERED OFFICE

Grand Oyeeman Building
Plot No. 9, South Liberation Link
Airport Commercial Area
Accra

SOLICITOR

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

REGISTRAR & TRANSFER OFFICE

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

BANKERS

Barclays Bank of Ghana Limited
Ecobank Ghana Limited
Societe Generale Ghana Limited
Stanbic Bank Ghana Limited

BOARD OF DIRECTORS

Dr Charles Mensa, Chairman

Dr. Charles Mensa (Age 64, Ghanaian) is the founder and Chairman of the Institute of Economic Affairs, Ghana (IEA). He is also the Board Chairman of SAB Miller Ghana Limited and was formerly Chairman of Barclays Bank Ghana Limited. Dr. Mensa brings to the board of Fan Milk Limited an extensive experience in leading key industries and also in public policy advocacy. Dr. Mensa served as the CEO of Volta Aluminium Company (VALCO) the largest aluminium smelter in sub-Saharan Africa. Prior to assuming the position of CEO in October 2004, he had been Resident Director of VALCO since joining the company in April 1996.He was also Vice President of the Association of Ghana Industries (AGI), and President of the Ghana Employers Association (GEA).

He previously worked in the United States as a Research Associate at the Centre for Public Choice, George Mason University, and at the International Monetary Fund (IMF). He obtained a Master's degree in finance from the George Washington University and a PhD in economics from George Mason University all in the United States.

Committee Membership: Audit, Remuneration Other Directorships: Maersk Shipping Company, Quality Care Medical Clinic

Jacob Kholi, Non-Executive Director

Jacob Kholi (age 51, Ghanaian) was appointed as a non-executive Director in November 2013. He is currently a Partner at The Abraaj Group, a leading private equity fund manager in Global Growth Markets of Africa, Middle East, Latin America, Turkey and Asia with US$ 10 billion of assets under management. He is the Head of The Abraaj Group's operations in Sub-Saharan Africa. Before joining the Abraaj Group, Jacob previously worked for the Shell Group in Ghana. He is a Chartered Accountant by profession and trained with KPMG.

Committee membership: Audit Committee and Remuneration Committee. Other Directorships include Fan Milk International, Fan Milk Nigeria Limited, Ghana Home Loans Limited, Regimanuel Gray Limited, Aviance Ghana Limited, Ghana Aluminium Products Limited, Abraaj Ghana Advisers Limited, and the Teachers Fund Group.

Edouard Spicher, Non-Executive Director

Edouard Spicher (age 51, Swiss) was appointed as a non-executive Director in October 2014. He is currently the CEO of Fan Milk International and FanMilk West Africa Limited. Previously, he worked for 22 years at Nestlé. He started his career as an Industrial Engineer. He then moved to commercial roles in Sales & Marketing before taking General Manager roles, first in Nestle Central & West Africa and then in Asia; in particular in Dairy and Ice Cream businesses.

Committee membership: Audit Committee and Remuneration Committee.

Other Directorships: Fan Milk Nigeria, Fan Milk Togo and Fan Milk Côte d'Ivoire.

Stephane Couste, Managing Director

Stephane Couste (age 54, French),has a wealth of experience in the Danone Group and at various times served as Industrial and Supply Chain Director - Danone Turkey, Project Director for Organization and Knowledge, HR - Danone Headquarters and Vice President in charge of Integration - Danone Unimilk, Russia. He also served in his last assignments for three years as General Manager - Volga Division Group of Companies in Danone Russia

He was for one year the General Manager of Fan Milk Togo Group and Fan Milk Ivory Coast in Lome and Abidjan.

BOARD OF DIRECTORS

Peace Ayisi-Okyere (Mrs),
Non-Executive Director

Peace Ayisi-Okyere (Mrs), aged 71, Ghanaian, was educated at Wesley Girls' High School in Cape Coast, Ghana. She holds an Honours degree in Economics from the University of Ghana, and a Masters in Business Administration (Finance and Accounting) from the prestigious Babson College in the USA.

Peace started her career in the Ministry of Finance and Economic Planning in 1968 rising to the position of Chief Economics Officer and Coordinator for the Ghana Aid Programme. Between 1987 and 1998 she worked with the African Development Bank Group in Abidjan as Advisor and then Executive Director. She contributed to the governance, audit and operational evaluation of the Group's operations.

From 1999, she played other roles in the public and private sectors in Ghana such as Government Portfolio Manager, and Technical Advisor for Innovation and Entrepreneurship in the Private Sector Ministry. She ensured the good governance of many institutions and corporate bodies through her role as non-executive director (Barclays Bank, Ghana, Export Development and Investment Fund, Ghana Post, Ghana Re Insurance Company., Injaro Investment and Agricultural Advisory Services.) Presently, she is a Consultant on Human Resources including audit, job and workload Analysis.

Pierre Armangau, Non-Executive Director

Pierre Armangau (Age 51, French) was appointed as a non-executive Director in February 2016. He is currently General Secretary Africa at Danone. Pierre holds a Master's degree in European law and is a licensed attorney. He started his career as an Attorney-at-law and worked in different business law firms in Paris before joining Danone in 2003 as a senior in-house lawyer. In 2007 Pierre joined Danone's Russian subsidiary as Legal Director and was then appointed General Counsel for Russia and CIS.

Committee membership: NONE. Other directorships: Pierre is a non-executive director of Centrale Danone (Morocco), Fan Milk International (Denmark), Fan Milk Côte d'Ivoire (Ivory Coast) and Fan Milk Togo (Togo).

George H. O Thompson,
Non-Executive Director

George H.O. Thompson (age 67, Ghanaian) B.A. (Hons) LL.B (Hons) Barrister-At-Law and Solicitor. Was called to the Ghana Bar in September 1976 and to the Bar of The Gambia in March 1982. Was appointed Asst. State Attorney/Asst. Registrar General and worked at the Registrar General's Department from 1977 to 1980. Was attached to the U.S. Department of Commerce (Patents & Trademark Office) in 1979.

Has been in private law practice since 1980. Was appointed Special Prosecutor by the Government of The Gambia in March 1982 in connection with treason and allied offences. In private practice, he has rendered opinion and advice on a wide range of civil matters such as competition law, banking, corporate, labour, tax and land law to both local and foreign companies.

George has acted for Volta Aluminium Company Limited, Westinghouse Electric Corporation, Sanyo Electric Co. Ltd, Maersk Ghana Limited, APM Terminals Ghana Limited, Damco Logistics Ghana Limited, Sky IP International Limited and the Saudi Arabian Embassy in Ghana. He currently runs the law firm of G.H. Thompson & Associates which has a special relationship with the South African intellectual property law firm of Spoor & Fisher.

Committee membership: Audit Committee. Other Directorships: Aviat Networks Ghana Limited.

Jacques Gourmelon ,
Non-Executive Director

Jacques Gourmelon (Age 67, French) was appointed as a non-executive Director in August 2014. Jacques is a qualified Engineer with a degree in Physics and has over 30 years' experience in Human Resources. Jacques started his career as a consultant and joined Danone in 1986 in the organization function. He then held a number of senior international positions in HR with increasing responsibilities with a particular focus on Europe, Africa/Middle-East and Americas. Most recently Jacques was Vice-President Human Resources North America and Group Initiatives at Danone.

Committee membership: NONE

SHAREHOLDING DISTRIBUTION

Category of holdings	N0. of shareholders	Holding	Percentage holding
1 - 1000	3,080	893,857	0.77
1001 – 5000	1,047	2,257,047	1.94
5001 - 10000	279	1,882,231	1.62
10001 +	779	111,174,153	95.67
TOTAL	**5,185**	**116,207,288**	**100**

The following are the details of the twenty (20) largest shareholders as at December 31, 2017. All shareholders have equal voting right.

	Name of shareholder	Number of shares	Percentage (%)
1	Fan Milk International A/S	65,822,250	**56.64**
2	SCGN/Hong Kong Shanghai Arisag Africa, Consumer Fund Limited	6,516,863	**5.61**
3	SCGN/SSB Lloyd G. Inv Co. Fund-LYF3	3,118,629	**2.68**
4	Social Security And National Insurance Trust,	1,853,124	**1.59**
5	SCGN/RBC Investor Services Re Coeli SICAV I -, Frontier Markets Fund	1,738,800	**1.50**
6	STD Noms/Bnym Lux/Eastspring Invest SICAV-FIS	1,341,500	**1.15**
7	SCGN/Pictet&Cie (Europe)S.A Lux Re Blakeney L.P	1,337,700	**1.15**
8	SCGN/SSB & T As Cust Re Aberdeen, Institutional Commingled Fd, Llc - AM43	1,193,862	**1.03**
9	SCGN/ SSBTC Re Emrg Eq Trust Fundsmith Plc-FSAF	1,129,163	**0.97**
10	SCGN/'Epack Investment Fund Limited Transaction E I F L	934,626	**0.80**
11	SCGN/JPMC Bankinvest Emerging Mkts Long, -Term Economic Inv Fd (L.E.I.F) F.M.B.A	920,300	**0.79**
12	SCGN/Pictet&Cie (Europe)Sa Lux Re Heviben L.P	849,000	**0.73**
13	STD Noms/Bnym/Florida Retirement System	844,828	**0.73**
14	BPSS Lux / Aberdeen Global, Global	836,556	**0.72**
15	SCGN / Enterprise Life Ass. Co. Policy Holders	801,352	**0.69**
16	SCGN/ SSB And Trust AS CUST For Russell Trust, Company Commingled Employee Benefit Funds Trust-6qh3	606,100	**0.52**
17	Sims/FML Incentive Scheme,	552,642	**0.48**
18	STD Noms/Bnym Re Gothic Corp Mutima Capital,	540,699	**0.47**
19	SCGN/ Northern Trust Guernsey Re GGDP Re: AIF, Clients 8 Percent Account	440,300	**0.38**
20	STD NOMS/BNYM SANV/KAPFRG Investin PRO, Afrikansk	421,583	**0.36**
Total		**91,799,877**	**79.01**
Others		24,407,411	20.99
Grand Total		**116,207,288**	**100**

Directors' shareholding

Ayisi-Okyere Peace	1,360
Total	**1,360**

NOTICE OF MEETING

Notice is hereby given that the Fifty-Seventh Annual General Meeting of Fan Milk Limited will be held at the **National Theatre, Liberia Road, Accra** on **Wednesday, May 23, 2018** at 11:00 a.m. in order to transact the following business:

Agenda:

1. To receive the Report of the Directors, the Financial Statements as at December 31, 2017 and the Report of the Independent Auditors thereon.
2. To re-elect as a Director, Dr. Charles Mensa who retires by rotation.
3. To re-elect as a Director, Mr. Pierre Armangau who retires by rotation.
4. To fix the remuneration of the Directors as follows:
   a) To approve the payment of fees to four non-executive directors.
   b) To approve that fees payable to three non-executive directors be waived.
5. To authorize the Directors to fix the remuneration of the Auditors.

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

February 23, 2018

NOTE:

1. Every shareholder is entitled to attend and participate in the AGM. If you are unable to attend, you can appoint a proxy using a proxy form which can be obtained by contacting the Company Registrars, NTHC Registrars Limited, Adabraka or from the Company's **website: www.fanmilk-gh.com.**
2. For full details of Fan Milk's Annual Report and Accounts for the financial year December 31, 2017, please visit the Company's **website: www.fanmilk-gh.com**.

DIRECTORS' REPORT

INTRODUCTION

The Directors submit their report together with the audited financial statements of Fan Milk Limited for the year ended December 31, 2017.

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 flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and the requirements of the Companies Act 1963, (Act 179).

The directors are responsible for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and the requirements of the Companies Act 1963, (Act 179).

PRINCIPAL ACTIVITY

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

HOLDING COMPANY

Fan Milk International A/S, incorporated in Denmark is the majority shareholder of Fan Milk Limited.

THE MACRO ECONOMIC ENVIRONMENT

The smooth transfer of political administration following the December 2016 elections strengthened Ghana's democratic credentials. The promotion of private sector- led growth provides a key platform for reviving the non-oil sectors, as well as for links to stimulate manufacturing. Restoring and maintaining a sustainable fiscal and macroeconomic environment, improving the business-enabling environment while strengthening electricity supply, and ensuring the energy sector's financial viability are pre-requisites to enhanced productivity.

The resolution of the production challenges of the Jubilee oil well and the September 2017 landmark ruling of the 2015 International Tribunal for the Law of the Sea on the boundary dispute between Côte d'Ivoire and Ghana in favor of Ghana paved the way for renewed drilling and exploration of oil and gas and offer the potential for new oil investment.

ECONOMIC INDICATORS

Some economic indicators for year 2017 are indicated below:

- GDP Growth: Overall provisional GDP growth for 2017 was 7.9%
- Year-end inflation: End of year inflation for 2017 was 11.8%.
- Exchange rates: According to the Bank of Ghana, by December 2017 the GHS cumulatively depreciated by 5.13% against the USD, while against the EUR the GHS depreciated by 19.4% as compared to prior year.
- In November 2017, the policy rate hit the 20 percent mark, the first time since September 2014.That was also the first time since January 2017 that the BoG dropped the rate by 100 basis points.

DIRECTORS' REPORT

continued

FINANCIAL HIGHLIGHTS

The Company's financial performance for the year ended December 31, 2017 is highlighted in the table below:

Amounts in GHS '000	2017	2016	Change	% Change
Net Sales	445,963	386,402	59,561	15.4
Cost of Sales	(237,345)	(189,345)	(48,000)	25.4
Distribution Costs	(108,137)	(85,371)	(22,766)	26.7
Administrative Expenses	(46,216)	(32,162)	(14,054)	43.7
Finance Costs	(1,411)	(1,491)	80	5.4
Finance Income	1,726	6,793	(5,067)	(74.6)
Other Income	9,238	2,731	6,507	238
Profit Before Taxation	63,818	87,557	(23,739)	(27.1)
Income Tax	(16,521)	(21,429)	4,908	(22.9)
Profit After Taxation	47,297	66,128	(18,831)	(28.5)

PERFORMANCE ON THE STOCK MARKET

The price of your Company's shares on the Ghana Stock Exchange appreciated by 58.9% from GHS 11.14 in January 2017 to GHS 17.70 per share by December 2017.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended December 31, 2017. The non-declaration of dividends for two years (2017 & 2018) which was announced at the 2016 AGM to conserve cash towards the funding of ongoing projects of the Company is in its last year.

At the AGM of May 15, 2017, no dividend was recommended for approval.

During the year under review, GHS 0.15million was paid to shareholders in respect of outstanding dividends warrants for prior years.In 2016, GHS 11.498million was paid to shareholders.

DIRECTORS

In accordance with Section 298 of the Companies Code, 1963 (ACT 179), and the Company's Regulation 61 (2A&B) Dr Charles Mensa and Mr. Edouard Spicher 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.

For the financial year 2018, the Directors request this General Meeting to approve the payment of Directors' fees of GHS 598,845 to four non-executive directors and also approve that fees payable to three non-executive directors totalling GHS 399,229 be waived in favour of the Company

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 to 31st December, 2018.

DIRECTORS' REPORT

continued

CAPITAL EXPENDITURE

As mentioned earlier, the expenditure on various property, plant and equipment totalled GHS 49.1 million as compared to GHS 107.8 million spent in 2017. Highlights of the key investments are:

Factory / Plant

- Extension of factory building
- Installation of processing and storage tanks for dairy products
- Installation of In-line Thermiser plant for long shelf life products
- Installation of a Complete Bottling plant for long shelf life products
- Installation of packing and wrapping machines for long shelf life products
- Installation of a new boiler plant

Supply Chain

- Extension of warehouses
- Acquisition of additional Distribution trucks for frozen products
- Acquisition of additional jumbo crates
- Acquisition of new forklifts
- Expansion of the loading bay and cold room in Takoradi

Sales

- Completion of new sales offices in Accra
- Procurement of bicycles, pushcarts, freezers & coolers.
- Procurement of sales vans for long shelf life products

OUTLOOK FOR 2018 AND BEYOND

Growth outlook

Most development partners and rating agencies are projecting almost 9% economic growth rate for Ghana in 2018.This projection is based on pick-up in crude production and some policy measures that government is implementing to stabilize the economy.

During 2018, your Company will continue its re-investments in various production, distribution facilities and sales equipment in order to continue to grow the business of your Company.

ACKNOWLEDGEMENT

The Board of Directors wish to express their sincere appreciation to shareholders, customers, distributors, agents, vendors, management and staff for their invaluable contributions towards the performance of the Company in 2017.

By Order of the Board

Dr Charles Mensa

Stephane Couste

15 March, 2018

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY – ACTIVITIES FOR 2017

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.

Your Company continue to demonstrate this commitment through the following activities.

ETHICS

We pride ourselves as an ethical corporate citizen, and operates 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 CERTIFICATIONS

Fan Milk Limited prides itself in attaining and maintaining an ISO Certification.

As at the end of year 2017, Fan Milk Limited possessed the following ISO Certifications:

- ISO 9001:2008 Quality Management Systems
- ISO 22000:2005 Food Safety Management Systems
- ISO 14001:2004 Environmental Management Systems
- ISO 18001:2007 Occupational Health and Safety Management Systems
- ISO 50001:2011 Energy Management Systems

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.

The Company provides laundry and canteen services for the comfort and well-being of employees whilst discharging their duties and responsibilities. Staff who work within the factory and 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.

Your Company recognizes exceptional performance of its employees. The Company gives awards to staff annually in the following areas: Workers of the Year Award for exceptional performance of individual employees and Long Service Award for Dedicated service

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.

CORPORATE SOCIAL RESPONSIBILITY - continued

INTERNSHIPS

Your Company has over the past many years consistently offered graduates and regular students from various tertiary institutions the opportunity to undertake national service or to complete their internships.

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 has recently signed on a comprehensive medical insurance scheme for staff and their dependents. This new scheme affords employees and their dependents the opportunity to access a wide range of health services and facilities across the country.

Emphasis is 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: such as work related accidents, non-work related accidents or death.

In 2017, Fan Milk launched the "Pick it" Project in Ghana – an inclusive recycling project that would contribute to increased plastic waste collection and improved livelihood for waste pickers.

ENVIRONMENT

Fan Milk Limited recognizes its corporate responsibility towards the environment as well as occupational health and safety. It is Company's policy to establish and maintain high standards of occupational health, safety and environmental protection at work, so as to prevent personal injury or illness, property damage, fires, security losses and environmental pollution. The health, safety and environmental protection at the workplace objectives have equal status with all other primary business objectives.

We are also committed to managing the impact and risks of our operations on the environment, health and safety by using materials, systems and processes in a reliable, safe and environmentally sound manner.

Specific policy objectives and targets set by management in order to fulfil our above policy commitments include the following:

- Continue to implement and maintain an effective environment health & safety management system based on ISO 14001:2004 & OHSAS 18001:2007.
- Set objectives and targets aimed at achieving continued improvements in environment, health & safety performances.
- Motivate and train employees at all levels in the organization to fulfil their environment, health & safety obligations under the policy.
- Reduce waste, conserve energy and explore opportunities for recycling and reuse of resources.

PICK- IT PLASTIC RECYCLING PROJECT

In 2017, Fan Milk launched the "Pick it" Project in Ghana – an inclusive recycling project that would contribute to increased plastic waste collection and improved livelihood for waste pickers. It is an innovative alternative to improve solid waste management in Ghana that would generate relevant economic, social and environmental impacts.

The project was co-created and implemented by Fan Milk Limited, in partnership with Environment 360, WIEGO and the MIT D-lab. The kick-off of the project was marked by the signing of an MoU between the implementing partners, Tema Traditional Council and Tema Metropolitan Assembly (TMA).

Through the Pick-it Project Fan Milk will:

- recover more wase than Fanmilk generates per year
- improve the livelihoods of 300 waste pickers
- build a waste sorting centre

Pick-it has financial support froim the Danone Ecosystem Fund, FMO (the Dutch Development Bank) and Hewlett Foundation.

CORPORATE SOCIAL RESPONSIBILITY - continued

COLLABORATION WITH NGO

Fan Milk Limited has an ongoing and long standing collaboration with Ghana National Scholarships Beneficiaries Association (GNASBA), which engages in environmental activities such as clean-ups within communities, sanitation education campaigns, tree planting, collection and disposal of plastic waste and malaria awareness programmes. This collaboration with GNASBA is now in its 25th year.

Our Company continues to sponsor above mentioned activities of GNASBA. By the end of May 2017, a total of 25 communities nationwide had been visited and over 1,000 litter bins donated to those communities.

Fan Milk Limited encourages proper disposal of waste. In the year under review, your Company supported and collaborated with City Waste Management, an independent waste collection and recycling company, in the areas of collection, disposal, and recycling of plastic waste from the Factory and Regional Distribution Centres (RDCs) across the Country.

TRADE AND CHANNEL MEMBERS TRAINING

During the year 2017, interactions with trade and channel members to ensure that they understand key product handling requirements, cold-chain management and corporate policies, was carried out as is done annually.

A total of 580 agents nationwide were taken through training workshops held in Accra, Kumasi, Takoradi and Tamale. Resource persons were invited as part of the workshops to talk to the agents on how to grow their businesses and how to better manage their vendors. Also, the top 54 agents from all our sales regions were invited to a 2-day interactive conference with Management at the Elmina Beach Resort in Elmina. The best performers out of the top 54 were recognized and awarded prizes.

Furthermore, our Extended Quality Assurance Section also provided training across the Country for nearly all agents and vendors in the year under review in product handling and hygiene.

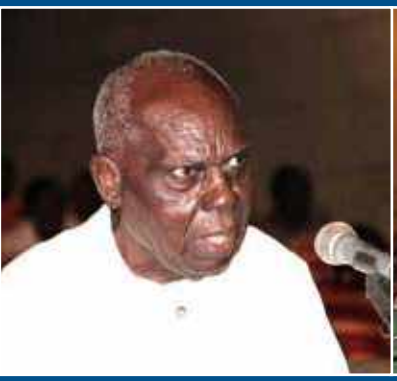
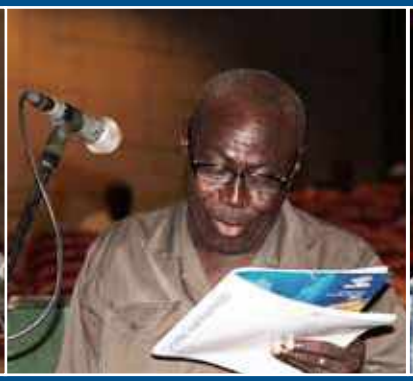
To improve upon the performance of our vendors, 2000 of them were trained through our specific program, Fan Academy, in the various regional locations, Accra, Kasoa, Kumasi, Tamale and Sunyani. Also, four hundred and eleven (411) agents' shop assistants were trained to support the agents in the day-to-day running of their shops.

The first line of people most consumers meet at supermarkets, shops and fuel marts are shop assistants. Some eight hundred and thirty-eight (838) shop assistants were trained in product handling, hygiene and good customer service practices.

LOCAL COMMUNITY AND OTHER SUPPORT

Your company continued with its support to communities and organisations by making donations towards clean-up programmes, festivals and other social gatherings.

A total of 580 agents nationwide were taken through training workshops held in Accra, Kumasi, Takoradi and Tamale. Resource persons were invited as part of the workshops to talk to the agents on how to grow their businesses and how to better manage their vendors.

CORPORATE GOVERNANCE

Introduction

Fan Milk Limited is committed to the principles and implementation of good corporate governance. The Company recognizes 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 maximizes long term shareholder value and takes into account the interest 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, vice chairman, five non-executive directors and an executive director (the managing director). The board members, except the managing director, are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have experience and knowledge of the industry, markets, financial and 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.

Board Meetings

Attendance by Directors at meetings of the Board and of the Audit Committee in 2017 was as follows:

Board Members	Board	Audit
Charles Mensa	3/4	1/2
Jacob Kholi	2/4	1/2
Edouard Spicher	4/4	2/2
George H. O. Thompson	4/4	2/2
Stephane Couste	4/4	n/a
Peace P. Ayisi-Okyere	4/4	n/a
Jacques Gourmelon	4/4	n/a
Pierre Armangau	2/4	n/a

The internal control 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.

The audit committee

During the year 2017, the Audit Committee met twice and issues considered and discussed include the following:

- Presentation of 2016 Audit Findings report by PwC
- Deliberations on 2016 Financial results
- Presentation of 2017 Audit Plan by PwC
- External Audit fee proposal
- Internal Control Roadmap 2017
- Business performance Review
- Review of Company budget for 2017

15th On Ghana Club 100 - 2016

Best Listed Company Ghana Club 100

CORPORATE GOVERNANCE
continued

System 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 internal control 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.

Business Conduct Policy

Management has communicated the principles in its Business Conduct Policy to its employees in the discharge of their duties. Fan Milk wants its employees and third parties in relationship with it to act at all times with rigour, transparency, in compliance with international conventions and national laws and regulations and taking into account local cultural contexts.

The Business Conduct policy sets out 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.

External auditors involvement in Non-audit Work

Messrs Pricewaterhousecoopers, our external Auditors were not engaged to do any non-audit work for Fan Milk Limited during the year ended 31st December 2017.

Auditors Remuneration

The Board of Directors determines the remuneration of the external Auditors upon the initial recommendation of the Audit Committee. The board is normally authorized by the Shareholders to fix the remuneration of the External Auditors at each annual General meeting. A resolution to authorize the Board to fix the remuneration of the Auditors for the year to 31st December, 2017 will be moved at the forthcoming AGM on May 23, 2018.

Duration of Current Auditors

The external auditors, Pricewaterhousecoopers have been in office as auditors 2002.

Board Interaction with External Auditors

The audit Committee and the full board meet the external auditors at least twice a year. This meeting normally involves presenting the Audit Plan for the year. The audit plan highlights among others things; audit scope, audit approach, auditor independence, directors' responsibilities, reporting and communications plan. At the end of each statutory audit, the Audit Committee and full board meet the external Auditor for discussion of the post audit report and the responses received thereon from management. The statutory report of the External Auditor is also presented during the above meeting.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAN MILK LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fan Milk Limited as at December 31, 2017, 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).

What we have audited

We have audited the financial statements of Fan Milk Limited (the "Company") for the year ended December 31, 2017.

The financial statements on pages 22 to 47 comprise:

- statement of financial position as at December 31, 2017;
- statement of profit or loss and other comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Impairment of trade receivables – GH¢1.16 million

Gross trade receivable as at December 31, 2017, amount to GH¢8.28 million against which impairment provisions of GH¢1.16 million were recorded.

We focused on allowance for impairment of trade receivables because the determination of appropriate levels of provisioning for impairment requires significant judgement.

The basis of the provisions and critical judgements relating to the calculation of the impairment provisions are summarised in note 2(h) in the notes to the financial statements. The judgement reflects information considered by management, including age of the outstanding debts and the debtors' payment history.

The gross trade receivables and related impairment provisions are disclosed in note 14 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAN MILK LIMITED

continued

How our audit addressed the key audit matter

We updated our understanding and tested the operating effectiveness of management's controls over the trade receivables process.

We obtained aging analysis of trade receivables and summary payments by debtors of the Company.

We assessed the reasonableness of management's judgement by testing the aging of debtors, and recomputed the impairment provisions based on the observable loss experience of debtors.

We tested subsequent receipts from selected debtors to assess the recoverability of debtors at the year end.

Other information

The directors are responsible for the other information. The other information comprises Financial highlights, Our Board of Directors, Shareholding Distribution, Report of the Directors, Corporate Governance and but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 in the manner required by 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAN MILK LIMITED

continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FAN MILK LIMITED

continued

Report on other legal and regulatory requirements

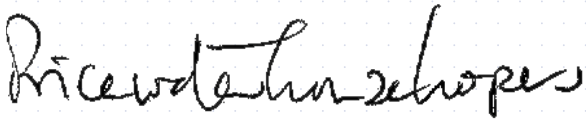
The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

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 (Company's statement of financial position) and Company's profit and loss account (part of the Company's statement of profit or loss and other comprehensive income) are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Oseini Amui (ICAG/P/1139).



PricewaterhouseCoopers (ICAG/F/2018/028)
Chartered Accountants
Accra, Ghana

23 March, 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts are in thousands of Ghana cedis)

		Year ended December 31	
	Note	2017	2016
Revenue	4	**445,963**	386,402
Cost of sales	5	**(237,345)**	(189,345)
Gross profit		**208,618**	197,057
Distribution costs	5	**(108,137)**	(85,371)
Administrative expenses	5	**(46,216)**	(32,162)
Other income	6	**9,238**	2,731
Operating profit		**63,503**	82,255
Finance income	7	**1,726**	6,793
Finance costs	8	**(1,411)**	(1,491)
Profit before income tax		**63,818**	87,557
Income tax expense	9	**(16,521)**	(21,429)
Profit for the year		**47,297**	66,128
Other comprehensive income		**-**	-
Total comprehensive income		**47,297**	66,128
Earnings per share			
Basic and diluted (GH¢)	10	**0.41**	0.57

The notes on pages 27 to 47 are an integral part of these financial statements.


NEW
FAN
FanMilk
FanMaxx
Fuel your day!
NEW
FanMilk
FanMaxx
Creamy drinkable
Fuel your day!
FAN
FanMilk

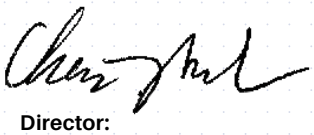
STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana cedis)

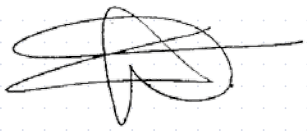
		At December 31	
ASSETS	**Note**	**2017**	**2016**
Non-current assets			
Property, plant and equipment	11	**183,190**	155,389
Intangible assets	12	**348**	580
		183,538	155,969
Current assets			
Inventories	13	**66,351**	51,769
Trade and other receivables	14	**27,688**	11,064
Current income tax asset	20	**1,833**	-
Cash and cash equivalents	15	**20,699**	26,262
		116,571	89,095
TOTAL ASSETS		**300,109**	245,064
EQUITY AND LIABILITY			
Equity attributable to owners			
Stated capital	16	**10,000**	10,000
Income surplus account	17	**211,676**	164,379
		221,676	174,379
Liabilities			
Non-current liabilities			
Deferred income tax	18	**10,247**	7,649
Current liabilities			
Trade and other payables	19	**65,082**	59,168
Current income tax liability	20	-	614
Dividend payable	21	**3,104**	3,254
		68,186	63,036
Total liabilities		**78,433**	70,685
TOTAL EQUITY AND LIABILITIES		**300,109**	245,064

The notes on pages 27 to 47 are an integral part of these financial statements.

The financial statements on pages 22 to 47 were approved by the Board of Directors on March 15, 2018 and signed on its behalf by:



Director:



Director:

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Ghana cedis)

	Stated capital	Income surplus account	Total
Year ended December 31, 2017			
At the beginning of the year	10,000	164,379	**174,379**
Total comprehensive income	-	47,297	**47,297**
Transactions with owners	-	-	**-**
At the end of the year	10,000	211,676	**221,676**
Year ended December 31, 2016			
At the beginning of the year	10,000	110,278	**120,278**
Total comprehensive income	-	66,128	**66,128**
Transactions with owners:			
Dividend declared for 2015	-	(12,027)	**(12,027)**
Total transactions with owners	-	(12,027)	**(12,027)**
At the end of the year	10,000	164,379	**174,379**

The notes on pages 27 to 47 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Ghana cedis)

		Year ended December 31	
	Note	2017	2016
Cash flows from operating activities			
Cash generated from operations	22	**58,931**	62,803
Interest paid	8	**(1,430)**	(1,491)
Interest received	7	**1,674**	6,793
Tax paid	20	**(16,370)**	(20,280)
Net cash generated from operating activities		**42,805**	47,825
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(49,111)**	(107,815)
Purchase of intangible assets	12	**-**	(601)
Proceeds from sale of property, plant and equipment	11	**841**	680
Net cash used in investing activities		**(48,270)**	(107,736)
Cash flows from financing activities			
Dividend paid	21	**(150)**	(11,498)
Net cash used in financing activities		**(150)**	(11,498)
Decrease in cash and cash equivalents		**(5,615)**	(71,409)
Cash and cash equivalents at the beginning of the year		**26,262**	97,671
Effects of exchange rate changes on cash and cash equivalents	7	**52**	-
Cash and cash equivalents at the end of the year	15	**20,699**	26,262

The notes on pages 27 to 47 are an integral part of these financial statements.

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 Grand Oyeeman Building, Plot No. 9, South Liberation Link Airport Commercial Area Accra.

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 at fair value through profit or loss which have been measured at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) and the requirements of the Companies Act, 1963 (Act 179). 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) New and amended standards adopted by the company

A number of new and amended standards have become effective for the period beginning January 1, 2017.

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure Initiative Amendments to IAS 7.

The directors have assessed the effects of the new and amended standards and have determined that the new and amended standards do not have any material impact on the Company's financial statements or are not relevant to the Company.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2017 reporting periods and have not been early adopted by the company. Those that are likely to have an impact on the Company's financial statements when the standard become effective are set out below:

a. IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and impairment model for financial assets. The standard is effective for financial periods commencing on or after 1 January 2018. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

The directors will make more detailed assessments of the impact over the next twelve months.

b. IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard is effective for financial periods commencing on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for adoption. The directors are assessing the impact on IFRS 15.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. An optional exemption exists for short-term and low-value leases. The standard is mandatory for financial years commencing on or after 1 January 2019.

At this stage, the Company does not intend to adopt the standard before its effective date. The directors are assessing the impact on IFRS 16.NOTES (continued)

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for financial periods commencing on or after January 1, 2019. The Company is yet to assess IFRS 16's full impact.

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) Foreign currency translation

(i) 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 Cedis ("GH¢") which is the Company's functional currency.

(ii) 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'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment held for use in the production or supply of goods, or for administrative purposes are stated 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 over their estimated useful lives, as follows:

Leasehold land	Over the unexpired portion of the lease
Buildings	15 - 33 years
Plant and machinery	10 years
Deep freezers and bicycles	5 years
Computers	3 years
Furniture and fittings	5 years
Motor vehicles	5 years
Distribution trucks	8 years

Included in the plant, machinery and others in note 11 are the cost and depreciation of deep freezers and bicycles, computer and furniture and fittings. The costs of distribution trucks are included in motor vehicles.

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.

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.

(d) 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).

(e) 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.

(f) 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 generally treated as inventories. As they are usually used for maintenance and repairs, their cost is expensed when used. However there is an exception where:

- Major spare parts must be recorded as property, plant and equipment when the company expects to use them during more than one year,
- Spare parts that can be used only in connection with an item of property, plant and equipment, so as to extend its useful life or to substantially improve its performance, must be recorded as property, plant and equipment.

(g) 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.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (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 there is objective evidence of impairment as a result of one or more events that 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, 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.

(h) 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, 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.

(i) 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.

(j) Stated capital

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

(k) Current and deferred income tax

Income tax expense

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current income tax

Current tax liabilities for the current and prior periods are measured at the amount expected to be 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.

Deferred tax assets and deferred tax liability are offset 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.

(l) Financial liabilities

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, minus directly attributable transaction costs. The company's financial liabilities include, trade and other payables.

(ii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(m) 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. 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.

(n) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(o) 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:

(i) Sales of goods are recognised in the period in which the Company has delivered products to the customer. 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; and

(ii) Interest income is recognised on a time proportion basis using the effective interest method.

(p) Employee benefits

Pension obligation

The Company operates a defined contribution pension plan. A defined contribution pension 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.

(q) 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 administrative expense.

(r) 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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(s) 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.

(t) Contingent liabilities

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

(u) 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.

(v) 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 the lease.

3. 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 the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 2 (c).

The entity changed the useful life of buildings during the year. The purpose of this change was to align the useful life with group policy. The details of the change are as follows:

Asset category

	2017	2016
Offices and housing	**33 years**	20 years
Industrial buildings	**20 years**	10 years
Light structure buildings	**15 years**	10 years

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.

4. REVENUE

	NOTES	2017	2016
Gross sales		**524,007**	454,022
Value added tax		**(78,044)**	(67,620)
		445,963	386,402

5. Expenses by nature

Raw materials and consumables used		**165,743**	137,768
Employee benefit expense		**50,869**	36,892
Depreciation on property, plant and equipment	**11**	**20,855**	13,922
Amortisation of intangible assets	**12**	**232**	141
Repairs and maintenance		**10,407**	10,883
Vehicle running expenses		**19,955**	14,162
Utilities		**26,650**	22,225
Fuel		**6,207**	3,707
Insurance		**1,226**	1,140
Sales promotion and advertising expenses		**12,873**	8,370
Selling expenses		**39,119**	34,561
Technical service fees		**5,575**	4,830
Auditor's remuneration		**237**	165
Directors' emoluments		**2,981**	2,226
Donations		**25**	1
Transportation expenses		**7,037**	5,237
Impairment charge	**14**	**103**	129
Information technology expenses		**664**	471
Communication expenses		**1,538**	791
Security services expenses		**1,763**	1,555
Rent		**2,494**	1,479
Environmental and social responsibility expenses		**17**	96
Exchange loss		**6,209**	2,566
Consultancy expenses		**3,876**	767
Other expenses		**2,204**	757
Miscellaneous factory expenses		**2,839**	2,037
		391,698	306,878

Expenses by nature have been disclosed in the statement of comprehensive income as follows:

5.Expenses by nature (continued)

	NOTES	2017	2016
Cost of sales		**237,345**	189,345
Distribution costs		**108,137**	85,371
Administrative expenses		**46,216**	32,162
		391,698	306,878

Employee benefit expense comprise:		2017	2016
Wages, salaries and allowances		**43,512**	31,069
Social security costs		**3,087**	2,252
Pension costs		**110**	435
Provident fund costs		**1,273**	769
Medical expenses		**2,887**	2,367
		50,869	36,892

The total number of staff employed by the Company by the end of the year was **891** (2016: 772).

6. Other income

		2017	2016
Profit on disposal of property, plant and equipment	**11**	**386**	311
Sale of empty bags and scraps		**390**	215
Rent income		**428**	1,519
Exchange gain		**7,955**	657
Bad debts recovered		**79**	29
		9,238	2,731

7. Finance income

Exchange gain on cash and cash equivalents		**52**	-
Interest income on fixed deposit and call accounts with banks		**1,674**	6,793
		1,726	6,793

8. Finance costs

Interest payable on agents savings		**1,430**	1,491
Finance cost on staff loans		**(19)**	-
		1,411	1,491

9. Income tax expense

Current income tax	**20**	**13,923**	20,687
Deferred income tax	**18**	**2,598**	742
		16,521	21,429

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

9. Income tax expense (continued)

	2017	2016
Profit before tax	**63,818**	87,557
Tax charged at 25% (2016: 25%)	**15,955**	21,889
Expenses not deductible in determining taxable profit	**1,084**	574
Items taxed at a different rate	-	(380)
Other differences	**(518)**	(654)
	16,521	21,429

10. Earnings per share

	2017	2016
Profit for the year	**47,297**	66,128
Number of ordinary shares outstanding	**116,207,288**	116,207,288
Basic and diluted earnings per share (GH¢)	**0.41**	0.57

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

11. Property, plant and equipment

	Lease-hold land	Buildings	Motor vehicles	Plant, machinery and others	Capital work in progress	Total
At January 1, 2017						
Cost	3,432	19,678	32,656	118,062	56,965	230,793
Accumulated depreciation	(742)	(6,738)	(19,843)	(48,081)	-	(75,404)
Net book amount	**2,690**	**12,940**	**12,813**	**69,981**	**56,965**	**155,389**
Year ended December 31, 2017						
Opening net book amount	2,690	12,940	12,813	69,981	56,965	155,389
Additions	-	-	522	-	48,589	49,111
Transfer	-	8,912	7,701	43,685	(60,298)	-
Disposals at cost	(216)	-	(103)	(1,566)	-	(1,885)
Depreciation released on disposal	53	-	103	1,274	-	1,430
Depreciation charge	(94)	(995)	(4,477)	(15,289)	-	(20,855)
Closing net book amount	**2,433**	**20,857**	**16,559**	**98,085**	**45,256**	**183,190**
At December 31, 2017						
Cost	3,216	28,590	40,776	160,181	45,256	278,019
Accumulated depreciation	(783)	(7,733)	(24,217)	(62,096)	-	(94,829)
Net book amount	**2,433**	**20,857**	**16,559**	**98,085**	**45,256**	**183,190**

11. Property, plant and equipment (continued)

	Lease-hold land	Buildings	Motor vehicles	Plant, machinery and others	Capital work in progress	Total
At January 1, 2016						
Cost	2,686	14,196	29,414	78,616	1,642	126,554
Accumulated depreciation	(662)	(5,600)	(17,032)	(41,395)	-	(64,689)
Net book amount	**2,024**	**8,596**	**12,382**	**37,221**	**1,642**	**61,865**
Year ended December 31, 2016						
Opening net book amount	2,024	8,596	12,382	37,221	1,642	61,865
Additions	746	15	2,385	1,237	103,432	107,815
Transfer	-	5,912	1,953	40,244	(48,109)	-
Disposals at cost	-	(445)	(1,096)	(2,035)	-	(3,576)
Depreciation released on disposal	-	310	972	1,925	-	3,207
Depreciation charge	(80)	(1,448)	(3,783)	(8,611)	-	(13,922)
Closing net book amount	**2,690**	**12,940**	**12,813**	**69,981**	**56,965**	**155,389**
At December 31, 2016						
Cost	3,432	19,678	32,656	118,062	56,965	230,793
Accumulated depreciation	(742)	(6,738)	(19,843)	(48,081)	-	(75,404)
Net book amount	**2,690**	**12,940**	**12,813**	**69,981**	**56,965**	**155,389**

Profit on disposal of property, plant and equipment	2017	2016
Cost	**1,885**	3,576
Accumulated depreciation	**(1,430)**	(3,207)
Net book value	**455**	369
Sale proceeds	**(841)**	(680)
Profit on disposal	**(386)**	(311)

12. Intangible assets

Cost At January 1	**1,325**	724
Addition	**-**	601
At December 31	**1,325**	1,325
Amortisation		
At January 1	**(745)**	(604)
Amortisation charge	**(232)**	(141)
At December 31	**(977)**	(745)
Net book amount at December 31	**348**	580

13. Inventories

	NOTES	2017	2016
Raw materials		**26,470**	17,277
Finished goods		**6,090**	2,373
Work in progress		**811**	256
Goods in transit		**23,481**	29,369
Consumables		**9,499**	2,494
		66,351	51,769

The cost of inventories charged to the statement of profit or loss and other comprehensive income during the year amount to **GH¢165.7 million** (2016: GH¢137.8 million).

14. Trade and other receivables

	NOTES	2017	2016
Trade receivables		**8,281**	7,660
Less: Provision for impairment losses		**(1,159)**	(2,185)
Trade receivables – net		**7,122**	5,475
Due from related parties	**23**	**15,908**	1,163
Other receivables		**2,653**	2,483
Due from staff		**311**	297
Prepayments		**1,694**	1,646
		27,688	11,064

The maximum amount of staff indebtedness during the year did not exceed GH¢417,000 (2016: GH¢317,000). The fair value of amounts due from staff is based on cash flow discounted using a rate based on aborrowing rate of 24% per annum (2016: 27% 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.

Movement on the provision for impairment of trade receivables is as follows:

	NOTES	2017	2016
At January 1		**2,185**	2,086
Bad debt recovered		**(79)**	(30)
Irrecoverable debts		**(1,050)**	-
Impairment charge for the year	**5**	**103**	129
At December 31		**1,159**	2,185

15. 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 period end cash and cash equivalents comprise the following:

	2017	2016
Cash in hand and at bank	**18,870**	11,044
Cash held on call	**1,829**	9,114
Treasury bills	-	6,104
	20,699	26,262

Treasury bills are for a tenure not more than 91 days from the date of purchase.

16. Stated capital

	No. of shares	Proceeds	No. of shares	Proceeds
Authorised	**2017**	**2017**	**2016**	**2016**
Ordinary shares of no par value	**197,500,000**		197,500,000	
Issued				
For cash consideration	**19,784,548**	**19**	19,784,548	19
For bonus issue	**96,422,740**	**4,000**	96,422,740	4,000
Capitalisation of surplus	-	**5,981**	-	5,981
	116,207,288	**10,000**	116,207,288	10,000

There are no treasury shares. There are no calls or instalments unpaid.

17. Income surplus account

	2017	2016
At beginning of the year	**164,379**	110,278
Profit for the year	**47,297**	66,128
Dividend declared and approved for 2015	-	(12,027)
At end of the year	**211,676**	164,379

18. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of **25%** (2016: 25%). The charge for the year relates to accelerated tax allowances on property, plant and equipment, provisions and impairment of trade receivables. The movement in deferred income tax is as follows:

Year end December 31, 2017 Deferred income tax liability	At January 1, 2017	Charge to profit or loss	At December 31, 2017
Property, plant and equipment on historical cost basis	7,650	2,773	**10,423**
Staff leave provision	24	(126)	**(102)**
Impairment of trade receivables	(25)	(6)	**(31)**
Litigation provision	-	(43)	**(43)**
	7,649	**2,598**	**10,247**

Year end December 31, 2016	At January 1, 2016	Charge to profit or loss	At December 31, 2016
Deferred income tax liability			
Property, plant and equipment on historical cost basis	6,859	791	**7,650**
Staff leave provision	48	(24)	**24**
Impairment of trade receivables	–	(25)	**(25)**
	6,907	**742**	**7,649**

19.Trade and other payables

	NOTES	2017	2016
Trade payables		**9,360**	6,867
Due to related parties	**23**	**19,987**	22,923
Other payables		**27,423**	26,053
Accrued expenses		**8,312**	3,325
		65,082	59,168

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

20. Current income tax

Year of assessment	Balance at January 1	Charge for the year	Payment in the year	Balance at December 31
Up to 2016	207	20,687	(20,280)	**614**
2017	-	13,923	(16,370)	**(2,447)**
	207	**34,610**	**(36,650)**	**(1,833)**

21. Dividend payable

	2017	2016
At January 1	**3,254**	2,725
Dividend declared for 2015	**-**	12,027
Dividend paid	**(150)**	(11,498)
At December 31	**3,104**	3,254

Payment of dividend is subject to the deduction of withholding taxes at final tax rate of 8%.

The directors do not recommend any dividend for the year ended December 31, 2017.

22. Cash generated from operations

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

	NOTES	2017	2016
Profit before tax		**63,818**	87,557
Depreciation	**11**	**20,855**	13,922
Amortisation of intangible assets	**12**	**232**	141
Interest expense	**8**	**1,430**	1,491
Interest income	**7**	**(1,674)**	(6,793)
Exchange gain on cash and cash equivalents	**7**	**(52)**	-
Increase in inventories		**(14,582)**	(4,386)
Increase in trade and other receivables		**(16,624)**	(3,889)
Increase (Decrease) in trade and other payables		**5,914**	(24,929)
Profit on disposal of property, plant and equipment	**11**	**(386)**	(311)
Cash generated from operations		**58,931**	62,803

23. Related party disclosures

The major shareholder, Fan Milk International A/S owns 56.64% of the issued shares in Fan Milk Limited. Emidan A/S, Fan Milk Togo, Fan Milk Cote D'Ivoire, Fan Milk Nigeria and Fanmilk West Africa Limited 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:

Purchase of goods and services	2017	2016
Emidan A/S	**122,037**	164,775
Centrale Danone	**267**	-
Danone SA	**2,335**	-
FanMilk West Africa Limited	**777**	-
Fan Milk Togo	**15,008**	16,840
	140,424	181,615

Sale of services	2017	2016
Fan Milk Togo Current Account	**419**	-
Technical assistance		
Fan Milk International A/S	**5,575**	4,830

Outstanding balance arising from sales/purchase of goods and services are as follows:

Due from related parties	2017	2016
Fan Milk International A/S	**280**	755
Fan Milk Nigeria	**1**	14
Fan Milk Cote D'ivoire	-	14
Fan Milk S.A.	-	37
Fan Milk Togo Current account	**419**	-
Emidan A/S (current account)	**224**	-
Emidan A/S (Fixed Assets account)	**12,406**	-
Danone South Africa	**3**	-
FanMilk West Africa Limited	**2,575**	343
	15,908	1,163
Due to related parties		
Emidan A/S	**11,975**	18,923
Fan Milk International A/S	**1,382**	1,402
Emidan A/S (current account)	-	-
Fan Milk Togo Current account	-	-
Danone SA	**2,335**	180
Fan Milk S.A.	-	214
Fan Milk Cote D'ivoire	**32**	-
Centrale Danone	**267**	-
FanMilk West Africa Limited	**777**	-
Fan Milk Togo	**3,219**	2,204
	19,987	22,923

Transactions with key management personnel

Key management personnel are considered to be the directors.

Remuneration

Executive director (short-term benefits)	**1,983**	1,228
Non-executive directors (short-term benefits)	**998**	998

Key management personnel have no post-employment benefits.

24. 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. Contingencies at the end of the reporting date amount to **GH¢255,000** (2016: GH¢115,000).

25. 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, 2017, if the currency had weakened/strengthened by 10% (2016: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been **GH¢257,734** (2016: GH¢403,156) higher/lower, mainly as a result of US dollar denominated trade payables and cash and bank balances.

At December 31, 2017, if the currency had weakened/strengthened by 10% (2016: 10%) against the Euro with all other variables held constant, post-tax profit for the year and equity would have been GH¢974,282 (2016: GH¢1,232,063) lower/higher, mainly as a result of Euro denominated trade payables and cash and 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 exposure to interest rate risk as at December 31, 2017 (2016: Nil).

Price risk

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

25. Financial risk management objectives and policies (continued)

Credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and trade and other receivables. Trade and other receivables 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. 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, 2017, management was unaware of any significant unprovided credit risk (2016: Nil).

The Company manages credit risk relating to cash and cash equivalents by having banking relationships with only financial institutions licensed by the Bank of Ghana

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

	2017	2016
Bank balances (excluding cash)	**15,673**	21,850
Trade receivable	**7,122**	5,475
Other receivables (excluding prepayments)	**18,872**	3,943
Total credit risk exposure	**41,667**	31,268

Agents savings amounting to **GH¢13.4 million** (2016: GH¢11.4 million) are held as collateral against trade receivables.

	2017	2016
Neither past due nor impaired	**25,994**	9,418
Past due but not impaired	-	-
Impaired (over 90 days)	**1,159**	2,185
Total	**27,153**	11,603
Provision for impairment loss	**(1,159)**	(2,185)
Net carrying amount of trade and other receivables	**25,994**	9,418

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 places cash in interest bearing current accounts to provide sufficient funding to meet its obligations. At the end of the reporting date, bank accounts, cash held on call and fixed deposit accounts was **GH¢15.67 million** (2016: GH¢21.85 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.

	2017	2016
Trade and other payables	**65,082**	59,168

26. 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.

(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.

(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 reporting date.

(i) Financial instruments by category

Financial assets – Loans and receivables	2017	2016
Trade and other receivables	**9,775**	7,958
Amount due from related parties	**15,908**	1,163
Amount due from staff	**311**	297
Cash and cash equivalents	**20,699**	26,262
	46,693	35,680
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities)	**61,653**	51,805

(ii) Fair value estimation

The Company discloses the fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's financial assets that are measured at fair value:

	Level 1	Level 2	Level 3
At December 31, 2017			
Financial asset measured at fair value:			
Treasury bills with financial institutions	-	-	-

At December 31, 2016

Financial asset measured at fair value:			
Treasury bills with financial institutions	-	6,104	-

At December 31, 2016 and 2017, the Company did not hold any financial liabilities that are measured at fair value.

27. Capital commitments

There were no capital commitments at the end of the year (2016: Nil).

28. 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 year. The company did not have any borrowings at the end of the year (2016: Nil).

The gearing ratios at December 31, 2017 and 2016 were as follows:

	2017	2016
Cash and cash equivalents	**20,699**	26,262
Total equity	**221,676**	174,379
Gearing ratio	-	-

29. Segment information

Management has determined the operating segments based on the reports reviewed by the Heads of Department. These reports 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.

NOTES


FanMilk
FanYogo
2 exciting flavours in 1 big pack!
Try it now!!
CALCIUM POWER PACKED
NEW
FanMilk
FanYogo
MANGO & PASSION
Flavoured Yoghurt
Vitamin C Enriched
GHC 1.50
180ml

FAN MILK LIMITED

Head Office:

Grand Oyeeman Building
Plot No. 9, South Liberation Link
Airport Commercial Area, Accra
Tel: 0302 221 0660
www.fanmilk-gh.com

Factory:

No. 1, Dadeban Road,
North Industrial Area
Tel: 0302 42 9300