FAN MILK LIMITED ANNUAL REPORT 2018

Fan Milk Ltd, 2nd Floor, The Grand Oyeeman Building, South Liberation Link, Airport Commercial Area, Accra
P.O. BOX 6460 Accra- North, Ghana | Website: www.fanmilk-gh.com | Helpline: 0204-312932/ 0302-210660


FAN


FanMilk
FanYogo
MANGO & PASSION
Flavoured Yoghurt
Vitamin C Enriched
FanMilk
POWER PACKED
FanYogo
STRAWBERRY
Flavoured Yoghurt
FanYogo
FUNKY BANANA
NEW
FanMilk


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FanMilk®
FanYogo®
NEW
FUNKY BANANA
Banana & Strawberry Flavoured Skimmed Yoghurt

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. "

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Corporate Information

Directors

Charles Mensa (Dr.)	Chairman
Jacob Kholi	Vice Chairman (Resigned on January 31, 2019)
Ziobeieton Yeo	Managing Director (Appointed on January 1, 2019)
Stephane Couste	Managing Director (Resigned on December 31, 2018)
George H. Okai Thompson	Non-executive Director
Peace Ayisi-Okyere	Non-executive Director
Pierre Armangau	Non-executive Director
Frédéric Leblan	Non-executive Director (Appointed on October 19, 2018)
Tiago Carneiro Dos Santos	Non-executive Director (Appointed on October 19, 2018)
Edouard Spicher	Non-executive Director (Resigned on June 30, 2018)
Jacques Gourmelon	Non-executive Director (Resigned on June 30, 2018)
Zahi El Khatib	Non-executive Director (Appointed May 02, 2019) Non-executive Director

Secretary

Lennap & Co.
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

Notice of Meeting

Notice is hereby given that the Fifty-Eighth Annual General Meeting of Fan Milk Limited will be held at the College of Physicians and Surgeons, 54 Independence Avenue - Ridge, Tuesday, May 28, 2019 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, 2018 and the Report of the Independent Auditors thereon.

2. To re-elect as a Director, Mrs Peace P. Ayisi-Okyere who retires by rotation.

3. To re-elect as a Director, Mr George H.O.Thompson who retires by rotation.

4. To elect as a Director, Mr Ziobeieton Yeo.

5. To elect as a Director, Mr Frédéric Leblan

6. To elect as a Director, Mr Tiago Carneiro Dos Santos

7. To elect as a Director Mr Zahi El Khatib

8. To fix the remuneration of the Directors as follows:

a) to approve the payment of fees to three non-executive directors.

b) to approve that fees payable to four non-executive directors be waived.

9. To authorize the Directors to fix the remuneration of the Auditors.

By Order of the Board
Secretary
Lennap & Company,
Farrar Avenue
Accra
February 21, 2019

Report of Directors

Report of the Directors

INTRODUCTION

The Directors submit their report together with the audited financial statements of Fan Milk Limited for the year ended December 31, 2018.

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.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

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 Ghana Statistical Service (GSS) completed the GDP rebasing exercise in September 2018. As a result, the economy is 24.6 percent larger. The rebasing resulted in a number of changes in some economic indicators such as the per capita GDP which rose from GH¢7,110 to GH¢8,863.

The Government economic programme for 2018 was premised on consolidating the gains made in the previous year in stabilizing the Ghanaian economy and increasing individual participation in the economy. The primary policies outlined in the government economic policy statement focus on the creation of a conducive business environment which allows for the economic engagement of all Ghanaians; promoting inclusive growth without compromising fiscal consolidation.

Achievement of the fiscal and macro-economic targets was predicated on the successful implementation of the following strategic policy initiates over the short to medium term:

- Transformation of agriculture and industry
- A revamp of economic and social infrastructure – including the educational sector

SYSTEM

- Strengthening of social protection and inclusion.
- Reformation of public service delivery institutions

ECONOMIC INDICATORS

Some economic indicators for year 2018 are indicated below:

Report of The Directors

GDP GROWTH

At the end of the first half of 2018, real GDP grew by 5.4 percent and7.4% by the end of third quarter reflecting slower growth in the oil sector compared to 2017, but still on track to achieve the revised target of 5.6 percent growth for 2018.

Inflation

The downward trajectory for inflation continued during the year under review, ending December 2018 at 9.4 % rendering headline inflation to be well within the medium term target band.

Exchange Rates

According to the BOG by December 2018, the GHS had depreciated 8.4% against the dollar, depreciated 3.3% against the GBP and GHS depreciated 3.9% against the EUR.

FINANCIAL HIGHLIGHTS

The Company's financial performance for the year ended December 31, 2018 is highlighted summarised below:

	2018	2017	change	% change
Net sales	389,507	445,963	(56,456)	-14.5
Cost of Sales	(240,731)	(237,345)	(3,386)	1.4
Distribution costs	(76,366)	(108,137)	31,771	-29.4
Administrative expenses	(74,520)	(46,216)	(28,304)	61.2
Finance costs	(1,134)	(1,430)	296	-20.7
Finance income	1,314	1,745	(431)	-24.7
Other Income	18,001	9,238	8,763	94.9
Profit before tax	16,071	63,818	(47,747)	-74.8
Tax	(3,172)	(16,521)	13,349	-80.8
Profit for the year	12,899	47,297	(34,398)	-72.7

Fan Milk has applied IFRS 15 prospectively. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous acounting policy. Rebates granted to customers in 2017 have therefore been included in distribution expenses.Rebates granted in the current year have been deducted from revenue.

PERFORMANCE ON THE STOCK MARKET

The price of your Company's shares did not do well on the Ghana Stock Exchange in 2018. It fell by 54.8% from GHS 17.70 in January 2018 to GHS 8.00 per share by 31 December 2018.

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended December 31, 2018.

At the AGM of May 2018, no dividend was recommended for approval.

DIRECTORS

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

Report of The Directors

RESIGNATIONS

Messers Jacques Christian Gourmelon and Edouard Spicher resigned as non-executive directors on the Board of the Company, effective June 30, 2018.

Also, Mr Stephane Couste resigned as a Director and consequently as Managing Director effective 31December 2018 after two and half years' service to the Company. Mr Jacob Kholi also resigned his appointment on 31 January 2019.

APPOINTMENTS

To fill the casual vacancies created on the Board by the above resignations, the following appointments were made: Mr. Frédéric Leblan, VP Finance, Danone Africa, has been with Danone since 2001 and Mr Tiago Carneiro Dos Santos, VP Marketing & Sales Dairy, Danone Africa who joined Danone in 2008. Mr Zahi El Khatib who is currently Managing Director at the Abraaj Group replaces Mr. Jacob kholi.

Following the resignation of Stephane, Mr Ziobeieton Yeo was appointed a Director and subsequently the Managing Director of the Company effective 1 January 2019.

Mr Yeo has significant experience in General Management, Global Marketing, Operations, Communications, Brand development and product management.

He has almost 20 years of experience in different positions in several countries including Cote d'Ivoire, Senegal, Kenya, Ghana and South Africa. He has held a number of General Management, Customer Development and Marketing positions at Unilever, most recently as the Managing Director of Unilever Ghana.

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.

The Directors request this General Meeting to approve the payment of Directors' remuneration for 2019 not exceeding the sum of GHS 465,768 to three non - executive directors and also approve that fees payable to four non - executive directors amounting to GHS532,306 be waived in favor 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, 2019.

CAPITAL EXPENDITURE

Expenditure on various property, plant and equipment for 2018 totalled GHS 53.9 million as compared to GHS 49.111 million spent in 2017. Among the key investments are:

FACTORY / PLANT

- Extension of factory building
- Installation of processing and storage tanks for dairy products
- Acquisition of Thimonnier packing machines
- Acquisition of a spiral freezer

Report of The Directors continued

SUPPLY CHAIN

- Acquisition of additional tractor heads and trailers
- Acquisition of additional Distribution trucks for frozen products
- Acquisition of additional jumbo crates
- Acquisition of new forklifts and stackers

SALES

- Procurement of pushcarts.

OUTLOOK FOR 2019 AND BEYOND

GROWTH OUTLOOK

Ghana is gradually building industrial capacity which is crucially linked to the developments in the agriculture sector. The expansion projects currently happening in the oil sector, coupled with government policies and interventions on other fronts will hopefully propel the economy of the country forward. The economy is projected to grow by 7.6 percent in 2019.

Within the Company, re-investments and specific initiatives in distribution and sales segments will continue in 2019. This is to ensure that the anticipated growth in the business of your Company is achieved in a more efficient and structured manner.

ACKNOWLEDGEMENT

The Board of Directors wish to express their sincere appreciation to shareholders, customers, distributors, agents, vendors, management and staff for their invaluable contributions in the operations of the Company in 2018.

Also, the board wishes to express its appreciation to all three non-executive directors who left its fold during the period and wish them well in their future endeavours.

We also wish to especially thank Mr Stephane Couste, the former Managing Director, who steered the Company, for two and half years through a challenging transition and under whose leadership a number of landmark projects were executed.

By Order of the Board

Dr Charles Mensa
February 21, 2019

Ziobeieton Yeo


FAN
FanMilk

Corporate Governance

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 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 2018 was as follows:

Board Members	Board	Audit
Charles Mensa	3/4	1/2
Jacob Kholi	2/4	2/2
Edouard Spicher	0/2	0/2
George H. O. Thompson	4/4	2/2
Stephane Couste	4/4	n/a
Peace P. Ayisi-Okyere	4/4	n/a
Jacques Gourmelon	1/2	n/a
Pierre Armangau	1/4	n/a

Fan Milk Limited is committed to the principles and implementation of good corporate governance. The Company recognizes the valuable contribution that is makes to long-term business prosperity and to ensuring accountability to its shareholders

THE AUDIT COMMITTEE

During the year 2018, the Audit Committee met twice and issues considered and discussed include the following:

- Presentation of Audit Findings report by PwC
- Deliberations on the Company's Financial results
- Presentation of Audit Plan by PwC
- External Audit fee proposal
- Internal Control Performance
- Business performance Review
- Review of Company budget

Corporate Governance

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 audit function of the Company plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal control are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

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.

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

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 2018.

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, 2019 will be moved at this AGM.

DURATION OF CURRENT AUDITORS IN OFFICE

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


NEW
FanMilk
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Fuel your day!
FanMaxx
FanMilk
FanMaxx
Creamy drinkable
Fuel your day!
330ml
NEW
FanMilk
FanMaxx
Creamy drinkable
Fuel your day!
330ml

Board of Directors

BOARD OF DIRECTORS

Dr Charles Mensa (Chairman)

Dr. Charles Mensa (Age 65, 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

Pierre Armangau (Non-Executive Director)

Pierre Armangau (Age 52, French) was appointed as a non-executive Director in February 2017. 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.

Other directorships: 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 68, Ghanaian) B.A. (Hons) LL.B (Hons) Barrister-At-Law and Solicitor. He 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. He was attached to the U.S. Department of Commerce (Patents & Trademark Office) in 1979 and has been in private law practice since 1980. He 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

Other Directorships: Aviat Networks Ghana Limited.

Peace Ayisi-Okyere (Non-Executive Director)

Peace Ayisi-Okyere (Mrs), aged 72, 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.

INCOMING BOARD OF DIRECTORS

Frederic Leblan (Non-Executive Director)

Mr. Frédéric Leblan ,(Age 44, French), who is the VP Finance, Danone Africa was appointed non-executive director in 19th October 2018.

Frederic started his career in 1996 at Lafarge Aluminates UK Finance positions.

Frédéric joined Danone in 2001 as Finance Manager of HP Foods Group, based in London. In 2004 he was promoted as Danone Group Cash Flow Business Controller, then Finance Director at Evian Volvic Sources in 2007. In 2010, he took the role of Corporate Development Project Director working in particular on Danone Africa recent acquisitions.

Since November 2014, Frédéric has been Finance Vice President for Waters LATAM where he helped strengthen finance process and team supporting the region to deliver a strong profitable growth.

He holds the DECF - Diploma D' etudes Comptables et Financieres, the French equivalent of CIMA and also Master - Sup de Co Program from the Reims Management School in France.

Tiago Carneiro Dos Santos (Non-Executive Director)

Tiago Dos Santos ,(Age 44, Portuguese), is the VP Marketing & Sales Dairy, Danone Africa. He was appointed non – executive director in 19th October 2018.

Tiago started his career in 1998 as Assistant Brand Manager Laundry Iberia at Procter & Gamble. In 2001 he moved to Oniway as Brand Manager Mass Market and 2 years later, he joined Bacardi Spain as Brand Manager Martini. Then he worked at PepsiCo for 3 years, first as Senior Brand Manager Iberia then as Potato Chips Marketing Manager Europe. He held the Managing Director role at Comunica+A, before joining Danone in Spain as Essensis & New Media Marketing Director in 2008.

From 2009 to 2016, Tiago took various Marketing Director roles in different regions: Finland, Ukraine and Poland & Baltics. Since 2016, he was Global Marketing Director Danonino & Kids.

He obtained an Economics degree from the University of Coimbra and a Master's degree from the Catholic University of Leuven all in Portugal.

Ziobeieton Yeo (Managing Director)

Mr Ziobeieton Yeo, (Age 44, Ivorien), has significant experience in general management, global marketing, operations, communications, brand development and product management. Yeo has almost 20 years of experience in different positions in several countries including Cote d'Ivoire, Senegal, Kenya, Ghana and South Africa.

He has held a number of general management, customer development and marketing positions at Unilever, and recently as Managing Director of Unilever Ghana Ltd. Prior to that he was the Managing Director of the 16 countries of Unilever in Francophone West Africa. Before that Yeo was Senior Marketing Director for Africa Foods at Unilever in South Africa Durban. Before that he spent 3 years in Nairobi Kenya as Senior Marketing Director for Africa for Foods and Oral Care divisions at Unilever Kenya.

Yeo started his career in advertising in 1999 as Senior Client Account Manager at Ogilvy & Mather, Cote d'Ivoire.

Yeo holds a post graduate degree in marketing, communications and general management from the ESCA Business School in Abidjan. He also studied Business English at Brighton University, in the United Kingdom.

Zahi El Khatib – A Non- Executive Director

Zahi El Khatib is a Managing Director at The Abraaj Group, and senior member of the team responsible for managing and developing the firm's investment and portfolio management activities across Sub-Saharan Africa.

Mr. El Khatib has over 18 years of private equity and investment banking experience in Africa, the Middle East and Europe. He joined Abraaj in 2011 and his transaction experience includes investments in Saham Finances, Indorama Eleme Fertilizer and Chemicals Limited (IEFCL), and Mouka Limited. He currently serves on the Board of Directors of IEFCL, Mouka Limited, and Fan Milk Plc in Nigeria, as well as GHL Bank in Ghana.

Prior to joining Abraaj, Mr. El Khatib was at Gulf Capital in Abu Dhabi, and was previously at Investcorp as part of the European Private Equity team in London. He started his career in investment banking at Citigroup in London.

Mr. El Khatib holds an MSc in Finance and Economics from the London School of Economics and a BA in Economics from the American University of Beirut

Shareholding Distribution

Category of holdings	N0. of shareholders	Holding	Percentage holding
1 – 1000	3,101	955,339	0.82
1001 – 5000	1,032	2,214,520	1.91
5001 – 10000	279	1,934,027	1.66
10001 +	736	11,103,402	95.61
TOTAL	**5,148**	**116,207,288**	**100**

The following are the details of the twenty largest shareholders as at December 31, 2018.
All shareholders have equal voting right.

N0.	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	6,345,563	5.46
3	STD NOMS/Bnym Lux/East Spring Invest Sicav - Fis	3,035,000	2.61
4	SCGN/SSB Lloyd G.Inv Co. Fund Lyf3	2,684,629	2.31
5	SCGN/RBC Investor Services Re Coeli SICAV I -, Frontier Markets Fund	2,341,000	2.01
6	Social Security And National Insurance Trust	1,853,124	1.59
7	SCGN/The Northern Trust Company Re Ukdp Aif	1,388,399	1.19
8	SCGN/JPMC Bankinvest Emerging Market long	920,300	0.79
9	SCGN/SSB & T As Cust Re-Aberdeen	900,592	0.77
10	SCGN/SSBT For Al Mehwar Com. Inv. Llc - Aejm	850,000	0.73
11	STD Noms/Bnym/Forida Retirement	844,828	0.73
12	SCGN/Enterprise Life Ass. Co. Policy Holders	801,352	0.69
13	SCGN/ Epack Investment Fund Limited Transact	784,626	0.68
14	SCGN/ SSB and Trust As Cust For Russell	606,100	0.52
15	STD Noms/Bnym Re Gothic Corp Mutima Capital	540,699	0.47
16	STD/Noms/Bnym Sanv/Kapfrg Investin Pro, Afrik	496,831	0.43
17	BPSS Lux/Aberdeen Global, Global	474,760	0.41
18	SCGN/Northern Trust Guernsey Re Ggdp Re:Aif	437,300	0.38
19	SIM/FML Incentive Scheme	402,354	0.35
20	SCGN/ SS LOND C/O SSB BOST, Russell Inst Fd Plc	369,000	0.32
Total		91,898,707	79.08
		24,308,581	20.92
		116,207,288	100
Others			
Grand Total			

Directors' shareholding

Ayisi- Okyere Peace	1,288
Total	**1,288**

Corporate Social Responsibility

Corporate Social Responsibility

Activities for 2018

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 continues to demonstrate this commitment through the following activities.

Ethics

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

ISO certifications

As at the end of year 2018, Fan Milk Limited possessed the following ISO Certifications:

- ISO 9001:2008 Quality Management Systems
- ISO 22000:2005 Food Safety Management Systems

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.

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.

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 length and breadth of 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:

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

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 effective environment health & safety management practices.
- 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.

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

Pick- it plastic recycling project

The Pick-IT Project, is an inclusive recycling project, which aims at contributing to increased plastics collection rate whilst improving waste pickers livelihoods through innovative social and environmental solutions.

Since the launch of the Pick-IT sorting centre in Tema Newtown in July 2018, the project partners (Environment360, Fan Milk Limited, MIT and WIEGO) have worked collaboratively with informal waste pickers and their associations in the New Town community and Kpone landfill, towards improving the management of plastic waste through recycling.

Between August and December 2018 there was active engagement at the sorting center. Informal waste pickers have successfully collected and sorted over 15 tons of plastic waste that would have hitherto been openly burnt, littered the community, choked gutters and potentially contributed to the spread of diseases. This volume of waste collected did not only create ecological value for the community but equally economic value. A shared wealth in excess of fifteen thousand Ghana cedis (GH¢ 15,000.00) has been created among the network of informal waste pickers in the Tema New Town community and Kpone landfill as they collect and create value out of the plastic waste they collect.

The collaborative formation of an 8-member coalition GRIPE- Ghana Recycling Initiatives by Private Enterprises - with Fan Milk Ltd as a founding partner, is also a strong indication of the commitment from private enterprises to work collaboratively to support the overall goal of the Pick-IT project through additional projects – to improve solid waste management especially plastics, that generates relevant economic, social and environmental impact.

Looking forward, in 2019, the Pick-IT project expects to create permanent jobs for over 25 informal waste pickers, whilst collecting an estimated 25 tons per month, with an increased residential and community collection exceeding 500 households in the Tema New town area alone.

We are delighted with the progress made so far and are hopeful for even higher milestones to be achieved on this project.

We remain grateful to all our partners and stakeholder

Collaboration with NGO

Fan Milk Limited has had a long-standing collaboration with Ghana National Scholarships Beneficiaries Association (GNASBA) for the past 26 years.

GNASBA 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.

Last year, GNASBA in collaboration with Fan Milk Limited marked the 25th anniversary of its "School Health Environmental Sanitation Education and Afforestation Campaign" at Haatso in the Ga East Municipality of the Greater Accra Region under the Theme "HELP PROTECT OUR ENVIRONMENT".

As part of the activities to mark the anniversary, a clean-up exercise involving 34 selected first and second cycle institution was crowned with an anniversary rally at "Papao Community Presby Basic School". Highlights of the programme included the presentation of 150 Litter Bins, assorted FanMilk products, T-shirts and other Logistics from Fan Milk limited.

In the year under review (2018), we donated over 1,200 litter bins to a total of 10 communities across 6 regions.

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 2018, 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.

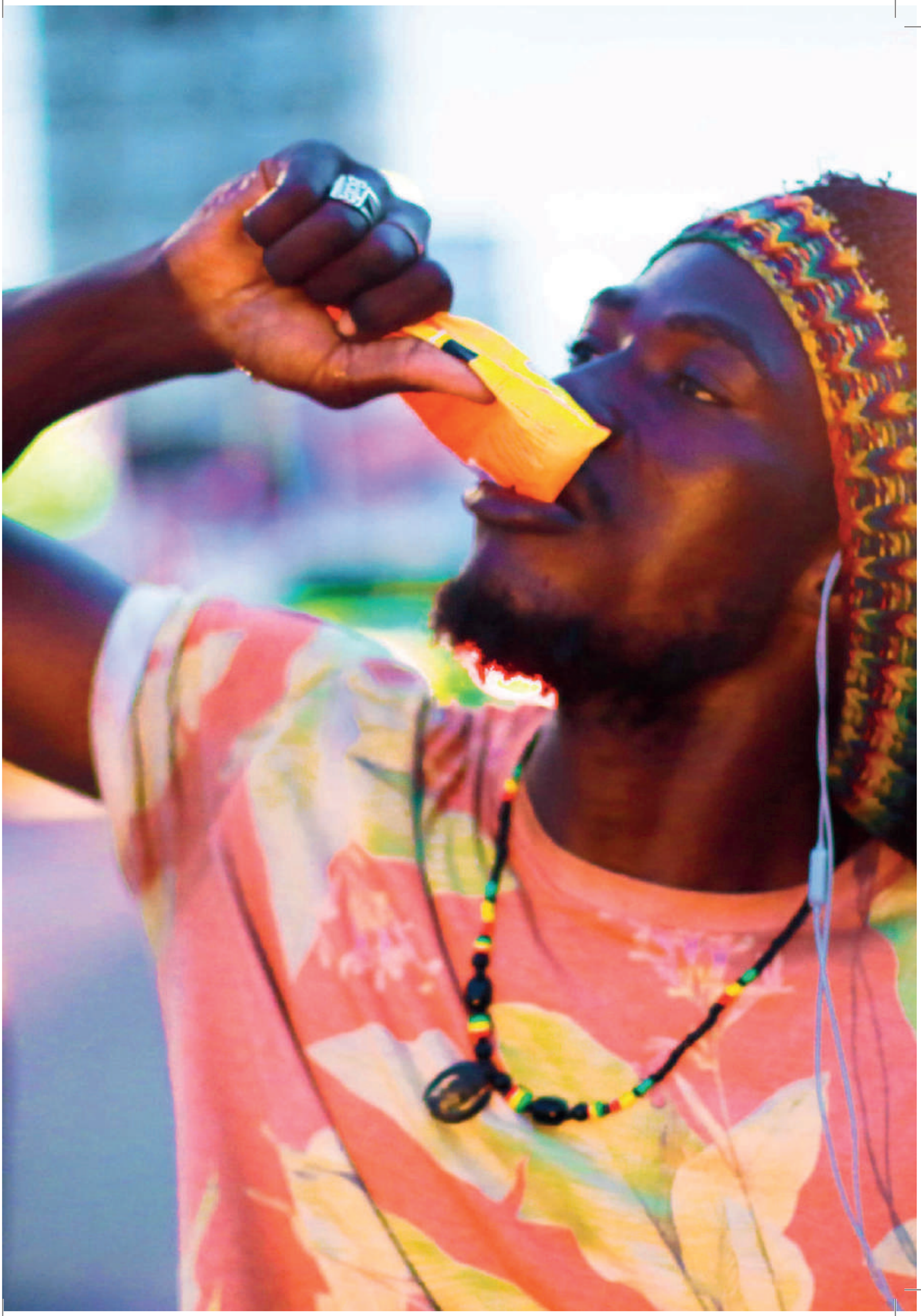
A total of 529 agents nationwide were taken through training workshops held in Accra, Kumasi, Takoradi and Tamale. Resource persons were invited as part of the workshops to talk to the agents on how to grow their businesses and how to better manage their vendors. Also, the top 54 agents from all our sales regions were invited to a 2-day interactive conference with Management at the Atlantic Hotel, Takoradi. 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, one thousand four hundred and fifty-nine (1,459) vendors were taken through various training schedules at Accra, Kasoa, Kumasi, Tamale and Sunyani.

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.




FanMilk
FanYogo
FanMilk
Fanice
FanChoco
FanOranje

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 accompanying financial statements give a true and fair view of the financial position of Fan Milk Limited as at 31 December 2018, 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).

We have audited the financial statements of Fan Milk Limited (the "Company") for the year ended 31 December 2018.

The financial statements on pages 35 to 62 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the 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.

Independent Auditor's Report to the Members of Fan Milk Limited

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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's 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	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of trade receivables – GH¢1.62 million Gross trade receivable as at 31 December 2018 amount to GH¢14.35 million of which an impairment loss provision of GH¢1.62 million has been recognised.	We updated our understanding and tested the operating effectiveness of management's controls over the trade receivables process.
We consider allowance for impairment of trade receivables as a key audit matter because the determination of appropriate levels of provisioning for impairment requires significant judgement.	We circularised selected trade receivables amounts to determine the existence of debtor balances.
The basis of the provisions and critical judgements relating to the calculation of the impairment provisions are summarised in notes 2 (g) and 2(h) in the notes to the financial statements.	We tested the inputs used in the estimation of expected credit loss provision for the year.
The impairment provision is determined using the expected credit loss (ECL) model which considers cash short falls in various default scenarios. The short falls are determined based on management's assessment of customers' risk and their historic default rates.	We checked the reasonableness of management assessment of customers' default risk. We recomputed the ECL provision based on the verified inputs and assumptions used by management.
The gross trade receivables and related impairment provisions are disclosed in note 14 to the financial statements.	We tested subsequent receipts from selected debtors to assess the recoverability of debtors at the year end. We checked appropriateness of IFRS 9 ECL disclosures.

Other information

The directors are responsible for the other information. The other information comprises Report of the Directors, Corporate Governance, Financial highlights, Board of Directors, Shareholding Distribution, and Corporate Social Responsibility 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.

Independent Auditor's Report to the Members of Fan Milk Limited

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.

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.

Independent Auditor's Report to the Members of Fan Milk Limited

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 have communicated 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.

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 (statement of financial position) and Company's profit and loss account (part of the 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/2019/028)
Chartered Accountants
Accra, Ghana
14 March 2019

Financial Review

Statement Of Profit Or Loss and Other Comprehensive Income

(All amounts are in thousands of Ghana cedis)

		Year ended December 31	
	Note	**2018**	2017
Revenue	4	**389,507**	445,963
Cost of sales	5	**(240,731)**	(237,345)
Gross profit		**148,776**	208,618
Distribution costs	5	**(76,366)**	(108,137)
Administrative expenses	5	**(74,520)**	(46,216)
Other income	6	**18,001**	9,238
Operating profit		**15,891**	63,503
Finance income	7	**1,314**	1,745
Finance costs	8	**(1,134)**	(1,430)
Profit before income tax		**16,071**	63,818
Income tax expense	9	**(3,172)**	(16,521)
Profit for the year		**12,899**	47,297
Other comprehensive income		**-**	-
Total comprehensive income		**12,899**	47,297
Earnings per share			
Basic and diluted (GH¢)	12	**0.11**	0.41

The notes on pages 40 to 62 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

(All amounts are in thousands of Ghana cedis)

		At December 31	
ASSETS	**Note**	**2018**	**2017**
Non-current assets			
Property, plant and equipment	10	**196,784**	183,190
Intangible assets	11	**137**	348
		196,921	183,538
Current assets			
Inventories	13	**50,400**	66,351
Trade and other receivables	14	**23,769**	27,688
Current income tax asset	20	**9,343**	1,833
Cash and cash equivalents	15	**45,969**	20,699
		129,481	116,571
TOTAL ASSETS		**326,402**	300,109
EQUITY AND LIABILITY			
Equity attributable to owners			
Stated capital	16	**10,000**	10,000
Income surplus account	17	**224,575**	211,676
		234,575	221,676
Liabilities			
Non-current liabilities			
Deferred income tax	18	**8,580**	10,247
Current liabilities			
Trade and other payables	19	**80,182**	65,082
Dividend payable	21	**3,065**	3,104
		83,247	68,186
Total liabilities		**91,827**	78,433
TOTAL EQUITY AND LIABILITIES		**326,402**	300,109

The notes on pages 40 to 62 are an integral part of these financial statements.

The financial statements on pages 35 to 62 were approved by the Board of Directors on 13th March 2019 and signed on its behalf by:

Name of Director: Dr. Charles Mensa

Signature:

Name of Director: Ziobeieton Yeo

Signature:

STATEMENT OF CHANGES IN EQUITY

(All amounts are in thousands of Ghana cedis)

	Stated capital	Income surplus account	Total
Year ended December 31, 2018			
At the beginning of the year	10,000	211,676	221,676
Total comprehensive income	-	12,899	12,899
Transactions with owners	-	-	-
At the end of the year	10,000	224,575	234,575
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:			
Total transactions with owners	-	-	-
At the end of the year	**10,000**	**211,676**	**221,676**

The notes on pages 40 to 62 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	2018	2017
Cash flows from operating activities			
Cash generated from operations	22	**77,085**	58,931
Interest paid	8	**(1,134)**	(1,430)
Interest received	7	**1,299**	1,674
Tax paid	20	**(12,349)**	(16,370)
Net cash generated from operating activities		**64,901**	42,805
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(53,875)**	(49,111)
Proceeds from sale of property, plant and equipment	10	**14,268**	841
Net cash used in investing activities		**(39,607)**	(48,270)
Cash flows from financing activities			
Dividend paid	21	**(39)**	(150)
Net cash used in financing activities		**(39)**	(150)
Increase/(decrease) in cash and cash equivalents		**25,255**	(5,615)
Cash and cash equivalents at the beginning of the year		**20,699**	26,262
Effects of exchange rate changes on cash and cash equivalents	7	**15**	52
Cash and cash equivalents at the end of the year	15	**45,969**	20,699

The notes on pages 40 to 62 are an integral part of these financial statements.

Notes

NOTES

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

1. General information

Fan Milk Limited ("the Company") produces, 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 Company considers the following to be the most important accounting policies. In applying these accounting policies, management makes certain judgements and estimates are made 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

Two new standards have become effective for the period beginning January 1, 2018.

- IFRS 9 -Financial Instruments – Replaces IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 15- Revenue from Contract with customers, replaces IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts.

The directors have assessed the effects of the new standards and have applied them consistently in the Company's financial statements.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2018 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:

NOTES

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

IFRS 16 Leases

IFRS 16 was issued in January 2017. 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 income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

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. 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.

There are no other IFRSs or IFRIC interpretations that are effective that would be expected to have a material impact on the company.

(b) Foreign currency translation

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.

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'.

(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

NOTES

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

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:

2. Summary of significant accounting policies (continued)

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 10 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.

NOTES

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

2. Summary of significant accounting policies (continued)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of individual items of inventory are determined using the weighted average costs.

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 are exceptions where:

- Major spare parts are 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, are recorded as property, plant and equipment.

(g) Financial assets

(i) Classification

The company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(i) Classification

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, comprising trade and other receivables and cash and cash equivalents, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

NOTES

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

2. Summary of significant accounting policies (continued)

Amortised cost:

Assets that are held only for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVOCI):

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss:

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the profit or loss statement within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

(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

From 1 January 2018, the company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES

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

2. Summary of significant accounting policies (continued)

(iv) Impairment (continued)

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy.

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.

The Company accounted for its financial assets for the year ended December 31, 2017 as disclosed below.

(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. Refer to note 14.

(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.

(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.

NOTES

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

2. Summary of significant accounting policies (continued)

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. The impairment provision is determined using the expected credit loss model by considering cash short falls in various default scenarios.

(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.

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.

NOTES

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

2. Summary of significant accounting policies (continued)

Deferred income tax (continued)

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.

Financial liabilities are subsequently measured at amortised cost.

(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.

(o) Revenue recognition

The Company produces and sells a range of dairy products through sales agents and other distributors. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. Sales agents do not have full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have not been transferred to the agents and distributors. The products are often sold with retrospective volume discounts based on aggregate monthly sales.

NOTES

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

2. Summary of significant accounting policies (continued)

(o) Revenue recognition (continued)

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

All volume discounts payable to customers in relation to sales made until the end of the reporting period are paid during the period and no refund liability is recognised. No element of financing is deemed present as the sales are made with a credit term of between 8 to 45 days, which is consistent with market practice. The Company's obligation to replace damaged or expired products under the sales terms is recognised as a provision.

(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.

NOTES

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

2. Summary of significant accounting policies (continued)

(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).

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 loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES

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

4. Revenue

	2018	2017
Gross sales	**502,055**	524,007
Value added tax	**(75,510)**	(78,044)
Rebates	**(37,038)**	-
	389,507	445,963

The company has applied IFRS 15 prospectively. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy. Rebates granted in 2017 have therefore been included in distribution expenses. Rebates granted in the current year are classified under revenue.

5. Expenses by nature

Raw materials and consumables used	**174,990**	165,743
Employee benefit expense	**60,497**	50,869
Depreciation on property, plant and equipment (Note 10)	**28,742**	20,855
Amortisation of intangible assets (Note 11)	**211**	232
Repairs and maintenance	**12,548**	10,407
Vehicle running expenses	**19,142**	19,955
Utilities	**23,365**	26,650
Fuel	**5,564**	6,207
Insurance	**1,787**	1,226
Sales promotion and advertising expenses	**8,133**	12,873
Rebates	-	39,119
Technical service fees	**16,867**	5,575
Auditor's remuneration	**237**	237
Directors' emoluments	**2,555**	2,981
Donations	**1**	25
Transportation expenses	**5,665**	7,037
Impairment charge (Note 14)	**642**	103
Information technology expenses	**854**	664
Outsource Labour Cost	**2,154**	-
Communication expenses	**1,122**	1,538
Security services expenses	**1,480**	1,763
Rent	**2,748**	2,494
Environmental and social responsibility expenses	**94**	17
Exchange loss	**5,520**	6,209
Consultancy expenses	**2,764**	3,876
Impairment loss on production plant (Note 10)	**10,346**	-
Other expenses	-	2,204
Miscellaneous factory expenses	**3,589**	2,839
	391,617	391,698

NOTES

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

5. Expenses by nature (continued)

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

	2018	2017
Cost of sales	**240,731**	237,345
Distribution costs	**76,366**	108,137
Administrative expenses	**74,520**	46,216
	391,617	391,698
Employee benefit expense comprise:		
Wages, salaries and allowances	**41,561**	43,512
Social security costs	**3,286**	3,087
Pension costs	**121**	110
Provident fund costs	**1,915**	1,273
Medical expenses	**2,536**	2,887
Other staff related costs	**11,078**	-
	60,497	50,869

The total number of staff employed by the Company by the end of the year was 891 (2017: 772).

6. Other income

	2018	2017
Profit on disposal of property, plant and equipment (Note 10)	**13,075**	386
Sale of empty bags and scraps	**256**	390
Rent income	**1,084**	428
Exchange gain	**3,403**	7,955
Bad debts recovered	**183**	79
	18,001	9,238

7. Finance income

	15	52
	1,299	1,674
	-	19
	1,314	1,745

8. Finance costs

Interest payable on agents savings	**1,134**	1,430

NOTES (continued)

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

9. Income tax expense

	2018	2017
Current income tax (Note 20)	**4,839**	13,923
Deferred income tax (Note 18)	**(1,667)**	2,598
	3,172	16,521

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:

	2018	2017
Profit before tax	**16,071**	63,818
Tax charged at 25% (2017: 25%)	**4,018**	15,955
Expenses not deductible in determining taxable profit	**846**	1,084
Other differences	**(1,692)**	(518)
	3,172	16,521

10. Property, plant and equipment

	Lease-hold land	Buildings	Motor vehicles	Plant, machinery and others	Capital work in progress	Total
At January 1, 2018						
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
Year ended December 31, 2018						
Opening net book amount	2,433	20,857	16,559	98,085	45,256	183,190
Additions	-	-	-	-	53,875	53,875
Transfer	614	17,176	3,005	68,026	(88,821)	-
Disposals at cost	-	(103)	(1,638)	(4,542)	-	(6,283)
Depreciation released on disposal	-	102	1,233	3,755	-	5,090
Depreciation charge	(83)	(1,635)	(4,386)	(22,638)	-	(28,742)
Impairment loss	-	-	-	(10,346)	-	(10,346)
Closing net book amount	**2,964**	**36,397**	**14,773**	**132,340**	**10,310**	**196,784**
At December 31, 2018						
Cost	3,830	45,663	42,143	213,319	10,310	315,265
Accumulated depreciation	(866)	(9,266)	(27,370)	(80,979)	-	(118,481)
Net book amount	**2,964**	**36,397**	**14,773**	**132,340**	**10,310**	**196,784**

An impairment assessment was carried out on the Fanmaxx production line during the period due to low net utilisation of the production line. The assessment resulted in an impairment loss of GHS10.3 million.

NOTES (continued)

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

10. Property, plant and equipment (continued)

	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

Profit on disposal of property, plant and equipment	2018	2017
Cost	**6,283**	1,885
Accumulated depreciation	**(5,090)**	(1,430)
Net book value	**1,193**	455
Sale proceeds	**(14,268)**	(841)
Profit on disposal	**(13,075)**	(386)

11. Intangible assets

Cost		
At January 1 and December 31	**1,325**	1,325
Amortisation		
At January 1	(977)	(745)
Amortisation charge	**(211)**	(232)
At December 31	**(1,188)**	(977)
Net book amount at December 31	**137**	348

NOTES (continued)

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

12. Earnings per share

	2018	2017
Profit for the year	**12,899**	47,297
Number of ordinary shares outstanding	**116,207,288**	116,207,288
Basic and diluted earnings per share (GH¢)	**0.11**	0.41

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

13. Inventories

	2018	2017
Raw materials	**16,980**	26,470
Finished goods	**5,073**	6,090
Work in progress	**536**	811
Goods in transit	**17,972**	23,481
Consumables	**9,839**	9,499
	50,400	66,351

The cost of inventories charged to the statement of profit or loss and other comprehensive income during the year amount to GH¢174.9 million (2017: GH¢165.7 million).

14. Trade and other receivables

	2018	2017
Trade receivables	**14,350**	8,281
Less: Provision for impairment losses	**(1,618)**	(1,159)
Trade receivables – net	**12,732**	7,122
Due from related parties (Note 23)	**3,947**	15,908
Other receivables	**2,309**	2,653
Due from staff	**523**	311
Prepayments	**4,258**	1,694
	23,769	27,688

The maximum amount of staff indebtedness during the year did not exceed GH¢551 (2017: GH¢417).

The fair value of amounts due from staff is based on the discounted cash flows using a borrowing rate based on a borrowing rate of 18% per annum (2017: 24% per annum). The company applied Ghana Reference Rate (GRR) plus an appropriate credit rating from the Company's key bankers as discount rate.

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

NOTES (continued)

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

14. Trade and other receivables (continued)

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

	2018	2017
At January 1	**1,159**	2,185
Bad debt recovered	**(183)**	(79)
Irrecoverable debts	-	(1,050)
Impairment charge for the year (Note 5)	**642**	103
At December 31	**1,618**	1,159

The measurement category and the carrying amount of financial assets and financial liabilities in accordance with IAS39 and IFRS 9 at January 1, 2018 are compared as follows:

	IAS 39	IFRS 9		
Financial assets	**Measurement category**	**Carrying amount (GHS 000)**	**Measurement category**	**Carrying amount (GHS 000)**
Cash and cash equivalents	Amortised cost (Loans and receivables)	20,699	Amortised cost (Hold to collect)	20,699
Trade and other receivables	Amortised cost (Loans and receivables)	27,688	Amortised cost (Hold to collect)	27,688

There was no change in the classification and measurement category for the Company's financial liabilities.

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:

	2018	2017
Cash in hand and at bank	**39,025**	18,870
Cash held on call	**6,944**	1,829
	45,969	20,699

16. Stated capital

	2018	2017
	No. of shares	**Proceeds**
Authorised		
Ordinary shares of no par value	197,500,000	
Issued		
For cash consideration	19,784,548	19
For bonus issue	96,422,740	4,000
Capitalisation of surplus	-	5,981
	116,207,288	10,000

There was no change in the authorised and issued ordinary shares as at January 1, 2017, December 31, 2017 and December 31, 2018.

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

NOTES (continued)

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

17. Income surplus account

	2018	2017
At beginning of the year	**211,676**	164,379
Profit for the year	**12,899**	47,297
At end of the year	**224,575**	211,676

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% (2017: 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, 2018	At January 1, 2018	Charge to profit or loss	At December 31, 2018
Deferred income tax liability			
Property, plant and equipment on historical cost basis	10,423	1,082	11,505
Staff leave provision	(102)	(143)	(245)
Impairment of trade receivables	(31)	(115)	(146)
Restructuring provision	-	(2,368)	(2,368)
Litigation provision	(43)	(123)	(166)
	10,247	(1,667)	**8,580**

Year end December 31, 2017	At January 1, 2017	Charge to profit or loss	At December 31, 2017
Deferred income tax liability			
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	-	(43)	(43)
	7,649	2,598	10,247

19. Trade and other payables

	2018	2017
Trade payables	**8,187**	9,360
Due to related parties (Note 23)	**17,983**	19,987
Other payables	**29,661**	27,423
Restructuring provision	**9,537**	-
Accrued expenses	**14,814**	8,312
	80,182	65,082

Restructuring provision relates to management's plans towards operational efficiency.

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

NOTES (continued)

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

20. Current income tax

Year ended December 31, 2018

Year of assessment	Balance at January 1	Charge for the year	Payment in the year	Balance at December 31
Up to 2017	(1,833)	-	-	**(1,833)**
2018	-	4,839	(12,349)	**(7,510)**
	(1,833)	**4,839**	**(12,349)**	**(9,343)**

Year ended December 31, 2017

Year of assessment	Balance at January 1	Charge for the year	Payment in the year	Balance at December 31
Up to 2016	614	-	-	614
2017	-	13,923	(16,370)	(2,447)
	614	13,923	(16,370)	(1,833)

21. Dividend payable

	2018	2017
At January 1	**3,104**	3,254
Dividend paid	**(39)**	(150)
At December 31	**3,065**	3,104

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, 2018 (2017: nil).

22. Cash generated from operations

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

	2018	2017
Profit before tax	**16,071**	63,818
Depreciation (Note 10)	**28,742**	20,855
Impairment loss on production plant (Note 10)	**10,346**	-
Amortisation of intangible assets (Note 11)	**211**	232
Interest expense (Note 8)	**1,134**	1,430
Interest income (Note 7)	**(1,299)**	(1,674)
Exchange gain on cash and cash equivalents (Note 7)	**(15)**	(52)
Decrease/(increase) in inventories	**15,951**	(14,582)
Decrease/(increase) in trade and other receivables	**3,919**	(16,624)
Increase in trade and other payables	**15,100**	5,914
Profit on disposal of property, plant and equipment (Note 10)	**(13,075)**	(386)
Cash generated from operations	**77,085**	58,931

NOTES (continued)

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

23. Related party disclosures

Fan Milk International A/S holds 56.64% of the Company's issued ordinary 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	2018	2017
Emidan A/S	**116,002**	122,037
Centrale Danone	-	267
Danone SA	-	2,335
Fanmilk West Africa Limited	-	777
Fan Milk Togo	**3,117**	15,008
	119,119	140,424
Sale of services		
Fan Milk International A/S		
Technical assistance	**462**	5,575
Royalties		
	16,867	-

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

Due from related parties

	2018	2017
Fan Milk International A/S	-	280
Fan Milk Nigeria	-	1
Fan Milk Togo Current account	**462**	419
Emidan A/S (current account)	-	224
Emidan A/S (Fixed Assets account)	-	12,406
Danone South Africa	-	3
Fanmilk West Africa Limited	**3,485**	2,575
	3,947	15,908
Due to related parties		
Emidan A/S	**12,088**	11,975
Fan Milk International A/S	**2,787**	1,382
Emidan A/S (current account)	**399**	-
Danone SA	-	2,335

NOTES (continued)

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

Fan Milk Cote d'Ivoire	**5**	32
Fan Milk Nigeria	**163**	-
Centrale Danone	-	267
Emidan A/S -Fixed Assets Account	**608**	-
Fanmilk West Africa Limited	-	777
Fan Milk Togo	**1,933**	3,219
	17,983	19,987

Transactions with key management personnel

Key management personnel are considered to be the directors.

Remuneration		
Executive director (short-term benefits)	**2,023**	1,983
Non-executive directors (short-term benefits)	**532**	**998**

Key management personnel have no post-employment benefits.

24. Contingent liabilities

The Company has pending legal claims arising in the ordinary course of business . The Company considers it probable that no material liabilities will arise from these claims. The potential undiscounted amount of total payments that the Company would be required to make if there was an adverse decision related to the legal claims is estimated to be GH¢2,251,000 (2017: GH¢255,000).

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, 2018, if the currency had weakened/strengthened by 10% (2017: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GH¢494,870 (2017: GH¢257,734) higher/lower, mainly as a result of US dollar denominated trade payables and cash and bank balances.

At December 31, 2018, if the currency had weakened/strengthened by 10% (2018: 10%) against the Euro with all other variables held constant, post-tax profit for the year and equity would have been GH¢1,575,551 (2017: GH¢974,282) lower/higher, mainly as a result of Euro denominated trade payables and cash and bank balances.

NOTES (continued)

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

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, 2018 (2017: Nil).

Price risk

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

Credit risk

The company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses also incorporate forward looking information.

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 advance payments to suppliers and amount due from related parties. The Company does not have any significant concentrations of credit risk. The company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables. The expected credit losses also incorporate forward looking information.

Trade and other receivables consist of invoiced amounts from normal trading activities, advance payments to suppliers and amount due from related parties. Strict credit control is exercised through monitoring of cash received from customers and other parties and, when necessary, provision is made for specific doubtful accounts. As at December 31, 2018, management was unaware of any significant unprovided credit risk (2017: 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:

	2018	2017
Bank balances (excluding cash)	**43,118**	15,673
Trade receivable	**12,732**	7,122
Other receivables (excluding prepayments)	**6,778**	18,872
Total credit risk exposure		
	62,628	41,667

	2018	2017
Neither past due nor impaired	**19,510**	25,994
Past due but not impaired	-	-
Impaired (over 90 days)	**1,618**	1,159
Total	**21,128**	27,153
Provision for impairment loss	**(1,618)**	(1,159)
Net carrying amount of trade and other receivables	**19,510**	25,994

Agents savings amounting to GH¢13.8 million (2017: GH¢13.4 million) are held as collateral against trade receivables.

The expected loss rates are based on the payment profiles of sales customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at December 31, 2018 is as follows:

NOTES (continued)

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

	1 - 30 days	31 - 90 days	91 - 180 days	More than 180 days	Total
Gross carrying amount	10,696,602	1,791,574	653,673	1,208,532	14,350,381
Loss allowance	69,057	15,571	325,837	1,208,532	1,618,997

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¢43.12 million (2017: GH¢15.67 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.

	2018	2017
Trade and other payables	**80,182**	65,082

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 at amortised cost	2018	2017
Trade and other receivables	**15,041**	9,775
Amount due from related parties	**3,947**	15,908
Amount due from staff	**523**	311
Cash and cash equivalents	**45,969**	20,699
	65,480	46,693

(ii) Financial liabilities at amortised cost

Trade and other payables (excluding statutory liabilities)	72,281	61,653

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 Company's financial assets and liabilities are not carried at fair value.

NOTES (continued)

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

27. Capital commitments

There were no capital commitments at the end of the year (2017: 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 (2017: Nil).

The gearing ratios at December 31, 2018 and 2017 were as follows:

	2018	2017
Cash and cash equivalents	**45,969**	20,699
Total equity	**234,575**	221,676
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.

Financial highlights

Amounts in GH¢'000 except shares

Year end:	2018	2017	2016	2015
Profit after taxation	12,899	47,297	66,128	49,716
Earnings per share	0.11	0.41	0.57	0.13
Total shares issued	116,207,288	116,207,288	116,207,288	116,207,288
Dividend Per Share	0.00	0.00	0.00	0.1035
Total assets	326,402	300,109	245,064	214,214
Shareholders' fund	234,575	221,676	174,379	120,278
Permanent staff	469	487	427	414
Stock price range (per share):				
High (GH¢)	17.80	20.00	7.35	7.35
Low (GH¢)	7.99	11.08	5.25	5.25

NOTES (continued)

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

Distribution of Gross Sales

	2018	%	2017	%
Amounts in GH¢'000				
Revenue (Gross)	465,017	100.0	524,007	100.0
Revenue	389,507	78.0	445,963	85.0
Cost of Sales	240,731	51.8	237,345	45.3
Distribution costs	76,366	16.4	108,137	20.6
Administrative expenses	74,520	16.0	46,216	8.8
Finance costs	1,134	0.2	1,430	0.3
Value added tax	75,510	16.2	78,044	14.9
Tax	3,172	0.7	16,521	3.2
Transfer to income surplus account	12,899	2.8	47,297	9.0
Other income	18,001	3.9	9,238	1.8
Finance income	1,314	0.3	1,726	0.3

Operational results

Amounts in GH¢'000	2018	2017	change	% change
Revenue	389,507	445,963	(56,456)	-12.7%
Cost of Sales	(240,731)	(237,345)	3,386	1.4%
Distribution costs	(76,366)	(108,137)	(31,771)	-29.4%
Administrative expenses	(74,520)	(46,216)	28,304	61.2%
Finance costs	(1,134)	(1,430)	(296)	-20.7%
Finance income	1,314	1,745	(412)	-24.7%
Other income	18,001	9,238	7,589	94.9%
Profit before tax	16,071	63,818	(47,747)	-74.8%
Tax	(3,172)	(16,521)	(13,349)	-80.8%
Profit for the year	12,899	47,297	(34,498)	-72.7%

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NEW
FanMilk
FanYogo
FUNKY BANANA
Banana & Strawberry Flavoured Skimmed Yoghurt

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