PRESS RELEASE

PR. No. 080/2024

FAN MILK PLC (FML) –

ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

FML has released its Annual Reports and Audited Financial Statements for the year ended December 31, 2023, as per the attached.

Issued in Accra, this 9th.
day of April 2024.

- **E N D –**

att'd.

Distribution:
1. All LDMs
2. General Public
3. Company Secretary, FML
4. NTHC Registrars, (Registrars for FML shares)
5. Custodians
6. Central Securities Depository
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8. GSE Council Members
9. GSE Notice Board

For enquiries, contact:
Head Listing, GSE on 0302 669908, 669914, 669935
*AA

FAN MILK PLC

ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

FAN MILK PLC

ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS

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FAN MILK PLC

CORPORATE INFORMATION

Board of Directors	Charles Mensa (Dr) -Chairman Ziobeieton Yeo -Managing Director (Resigned 31/12/2023) George H. Okai Thompson -NED Peace Ayisi-Okyere -NED (Resigned 1/11/2023) Fen Wei Chin -NED (Resigned 19/5/2023) Herve Orama Barrere- ED & Ag MD (Appointed 29/11/2023) Jakub Kalinowski – NED (Appointed 2/6/2023)
Secretary	Lennap & Co. P.O. Box 37 Accra
Solicitor	Quist, Brown, Wontumi & Associates P.O. Box 7566 Accra
Registered Office/ Principal Place of Business	No.1 Dadeban Road North Industrial Area Accra
Independent Auditors	Mazars Chartered Accountants and Business Advisors 3rd Floor, One Airport Square, Accra. Nos. 7 & 9 Nyame Adom Courts Adonai Lane, Ajiringanor, East Legon, Accra. PMB LG DTD 20014, Accra. P. O. Box GP 2957, Accra C000454711X GD-165-5957
Registrar & Transfer Office	NTHC Limited Martco House P.O. Box 9563 Airport Accra
Bankers	Ecobank Ghana Limited Societe Generale Ghana Stanbic Bank Ghana Limited
Company Registration Number	PL000761120
Taxpayer Identification Number	C0002890208

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
FAN MILK PLC

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2023, which discloses the state of affairs of Fan Milk Plc (the "Company")

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the financial statements, and other explanatory notes in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants Ghana (ICAG) mandated by the ICAG Act, 2020 (Act 1058), and in a manner required by the Companies Act, 2019 (Act 992), and other national regulations where appropriate.

In preparing these financial statements, the Directors confirm that suitable accounting policies have been used and consistently applied; and that judgements and estimates made, are reasonable and prudent and followed International Financial Reporting Standards and complied with the requirements of the Companies Act, 2019 (Act 992).

The Directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the company complies with the laws and regulations applicable to its activities and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that may occur.

The above statements which should be read in accordance with the auditor's report set out on page 9 to 14 are made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the Auditor in relation to these financial statements.

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 & Nature of Business

The principal activity of the Company is the manufacture, production and distribution of recombined milk and other dairy products as well as to carry on the business of sellers and dealers in recombined milk and other dairy products and other preserved provisions both wholesale and retail. There was no change in nature of business during the year.

Holding Company

Fan Milk International A/S, incorporated in Denmark is the majority shareholder of Fan Milk Plc with 62.11% shareholding. Fan Milk International A/S is a wholly-owned subsidiary of Danone S.A since July 30, 2019 when Danone S.A. directly increased its stake in Fan Milk International A/S from 51% to 100%.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
FAN MILK PLC

Corporate gifting

In line with the company's stakeholder engagement, we complied with the Danone gift and hospitality directive . We distributed company products for the Christmas and New Year season to various stakeholders the company interacted with during the year.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. This means in particular that the statement of profit or loss and other comprehensive income and the statement of financial position assume no intention or necessity to either liquidate the Company or curtail significantly the scale of its operations. It further presumes that funds will be available to finance activities of the Company and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Events after the Reporting Period

The Directors confirm that no events have arisen after 31 December 2023, which affect the financial statements for the year ended on that date.

The company has determined that there is no significant doubt about the entity's ability to continue as a going concern. There is no significant subsequent event. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2023 have not been adjusted to reflect any subsequent event impact.

Dividends

The Directors recommend payment of dividend for the year ended 31 December 2023.

Performance on the Stock Market

The price of the Company's shares rise on the Ghana Stock Exchange in 2023. It increased by 8.3% from GH¢3.00 in January 2023 to GH¢3.25 per share on 31 December 2023.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
FAN MILK PLC

Financial Results

The financial results of the Company for the year ended 31 December 2023 are set out below:

	2023 GH¢'000	2022 GH¢'000
Profit/(Loss) for the year before Tax is	**37,054**	(33,557)
From which is deducted Income Tax Expense of	**(13,042)**	(8,039)
Giving Profit/(Loss) after Tax of	**24,012**	(41,596)
To which is added balance on Retained Earnings Account brought forward of	**195,079**	236,675
Leaving a balance to be carried forward On the Retained Earnings Account of	**219,091**	195,079

The company's net assets increased from GH¢ 205.1million as at 31 December 2022 to GH¢229.0 million as at 31 December 2023.

The Directors consider the state of affairs of the company to be satisfactory.

Capital Expenditure

During the year ended 31 December 2023, an amount of GH¢7.415 million (2022: GH¢11.704 million) was spent on acquiring additional intangible assets and property, plant and equipment to support the Company's operations.

Key among these assets are:

Factory / Plant

- Bore Hole Water Project

Sales

- Bicycles, Freezers & Push Carts

Administration

- Other IT/IS items
- ERP

REPORT OF THE DIRECTORS TO THE MEMBERS OF FAN MILK PLC

Quality Certifications

In 2023, the company retained its Food Safety Systems Certificate validity, demonstrating a robust and effective food safety management system per international standards. It also renewed its Manufacturing Facility License Certificate with the Foods and Drugs Authority (FDA), showing adherence to local standards for food manufacturing.

Internally, within the Danone Group, Fan Milk Plc attained an 'excellent' score in the Pre-Requisite Programs (PRP) audit, a food safety-specific assessment of its compliance with regards to hygienic conditions and good manufacturing practices necessary for the production, handling and provision of food.

Capacity Building of Directors

During the year ended 31 December 2023, no formal training was organised for the Directors by the Company.

Interest of Directors

During the year ended 31 December 2023, no significant or material contract was entered into by the Company in which Directors of the Company had an interest which significantly or materially affected the business of the Company.

Remuneration of Executive and Non-Executive Directors

The remuneration of Directors of the Company is disclosed in the accompanying financial statements under key management personnel in Note 25.

Audit fees

Audit fee for the year ended 31 December 2023 is GH¢344,400 (2022: GH¢287,000).

Acknowledgement

The Board of Directors wishes 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 2023.

BY ORDER OF THE BOARD:

HERVE BARRERE	CHARLES MENSA
(Name of Director)	**(Name of Director)**
DocuSigned by: Hervé BARRERE	
(Signature)	**(Signature**
Date: 8/04/2024	**Date:** 8/04/2024

CORPORATE GOVERNANCE

Introduction

The Company is committed to the principles and implementation of good corporate governance. The Company recognises the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The Company is managed in a way that maximises long term shareholder value and considers the interests of all of its stakeholders.

The Company 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, four Non-Executive Directors and two Executive Directors (of which one is 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 judgement. They have experience and knowledge of the industry, markets, financial and other business information to make a valuable contribution to the Company's progress. The Managing Director is a separate individual from the Chairman who implements the strategies and policies adopted by the board. The board meets at least four times each year.

The Audit Committee

The audit committee as a sub-committee of the Board is made up of two Non-Executive Directors chaired by Dr Charles Mensa and meets twice a year. The main board determines its terms of reference, and they report back to the board.

The role of the Audit Committee among others includes providing oversight of the independence of financial reporting process and objectivity of the external auditor, internal financial process, compliance with laws and regulations and the safeguarding of assets.

During the period under review, the committee met on 28 February 2023 and 17 November 2023.

External Audit

Mazars was at the audit committee meeting held on November 17, 2023, to share their audit plan which included objectives of the audit, audit approach, responsibilities of the Directors and the auditor, audit scope and reporting timetable for the year ended 31 December 2023.

At the March 1 2024, Audit Committee meeting, Mazars presented their observations and matters arising from their audit of the financial statements for the year ended 31 December 2023 to the committee members.

The Audit Committee is satisfied that the external auditor is independent of the Company.

Mazars have expressed their willingness to remain in office in accordance with the provisions of Section 139 (5) of the Companies Act, 2019 (Act 992).

Systems of Internal Control

The Company 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.

Code of Business Ethics

Management has communicated the principles in the Company's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, obligations of business partners, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices. Danone has developed a mandatory Compliance E-learning programme through its training portal (Campus X) for all employees and a certificate is issued to all who participate and obtain the pass mark in the training.

Conflict of Interest

The Company, as part of its progressive steps to ensuring that there is no abuse of authority in the discharge of duties by the Directors, ensures full disclosure of Directors with regards to their relationship with other competitors by virtue of other Directorships held as well as other business engagements. With regards to internal dealings, none of the Non- Executive Directors has placed himself or herself in situations that give rise to conflict of interest by virtue of being awarded a contract or taking up any significant role(s) in the general operations of the business.

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

Opinion

We have audited the financial statements of Fan Milk Plc, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes as set out on pages 19 to 51.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fan Milk Plc as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards with IAS 29 directive issued by the institute of Chartered Accountants Ghana (ICAG) and in the manner required by the Ghana Companies Act, 2019 (Act 992).

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), the independent requirements of section 143 of the Companies Act, 2019 (Act 992) and Mazars Code of Conduct for Objectivity and Independence (CCOI). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the CCOI. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be a key audit matter to be communicated in our report.

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DIGITAL ADDRESS: GD165-3957
REGISTRATION: COOO4547113
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS
PARTNERS: ET AKONOR JNR, WO DARKO, K AMPIM-DARKO, R. AJETUNMOBI

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

Key Audit Matters (continued)

Key Audit matters	How these matters were addressed in the audit
Trade Terms and Rebates (Ghs73.221m) Sales rebates, advertising and promotion costs represent significant items and are areas of significant management judgement. Additionally, as a result of competition and pressure from distributors, these costs may grow faster. Because of their increasing significance, proper controls over these costs are essential. Such controls require that a detailed budget process, specific control and accounting procedures for commitments, structured and reliable authorization and follow-up procedures are established. These procedures are generally complex, in particular due to the number of persons involved with the transactions, both externally (structure of the distribution) as well as internally (Sales, marketing and finance departments) and their confidentially.	We performed control testing of the internal control over sales deductions including the controls on conditional rebates and trade support (off – invoice) that these are planned, and agreed as per specific cluster contract policy and updated in system accordingly; We checked that customers payments/deductions are allocated promptly to the correct invoices (and payable/credit notes where applicable); We performed tests related to sales cut-off at year end; We performed substantive testing on the accuracy and appropriateness of customer's deductions recorded over the period and rebate provision calculation at year end. We ensured the conditions to recognize rebates are met by obtaining and reviewing supporting documentation; We ensured that booking and the presentation of customers' deduction and provision over the period are accurate; We performed separate substantive testing procedures over each type of Rebates settlement (i.e deductions, cash disbursements and other settlements); We performed a year end review of customers' rebate provisions and rebate costs in the year by comparison with prior year and obtaining explanation for significant variance and obtained supporting documentation on a representative sample.

Key Audit Matters (continued)

Key Audit matters	How these matters were addressed in the audit
Impairment of Trade Receivables Ghs6.565m Gross trade receivable as at the end of December 31st, 2023 was Ghs59.300m out of which an impairment loss allowance of Ghs6.565m was recognized. Management applied a simplified approach (Provision matrix) to determine the impairment loss allowance which is based on expected credit loss (ECL). In applying the provision matrix, management estimates the ultimate write offs for a defined population of trade receivables. Collection of these receivables are then analysed by time buckets. A loss ratio is calculated by dividing the ultimate write off by the amounts outstanding in each time bucket. The ratio is adjusted with forward looking information such as inflation. Management exercises significant judgements in the determination of default, period selected in assessing historical loss rates and the selection of forward looking information. The determination of the expected credit loss (ECL) is therefore considered as a key audit matter for the company based on the level of complexity and significant management judgement involved. The basis of the provision and critical judgements relating to the calculation of the impairment provision are summarized in notes 3.3, 3.6, 3.7 and 4.3 to the financial statements. The gross trade receivables and related impairment provisions are disclosed in note 15 to the financial statements.	We evaluated the design and tested the operating effectiveness of management's controls over trade receivables process including recording of credit sales, approval of credit limits and dunning. We circularized selected trade receivables amounts for direct confirmation of the existence and amount stated as trade receivable balances. We agreed the historical write-offs and the trade receivable time buckets used in the ECL calculation to historical data. The forward looking information used in the ECL calculation was also agreed to observable macroeconomic data. We assessed the appropriateness of assumptions and judgements made by management around the definition of default to the nature of forward looking information, the weights assumed in adjusting loss ratio with forward looking information and the period used in assessing the historical loss rates. We recomputed the impairment loss allowance based on the verified inputs and assumptions used by management. We performed post balance sheet review on selected debtors to assess payments after the balance sheet date and to test recoverability of trade debtors stated at the year end. We checked the adequacy of disclosures made in the financial statements for impairments loss allowances.

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

Other Information

The directors are responsible for the other information. The other information comprises the Corporate's information, Report of the Directors, Corporate Governance, Financial highlights, Board of Directors, Shareholding structure, Macro-economic environment 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 and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Management for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS with the IAS 29 directive issued by the Institute of Chartered Accountants Ghana (ICAG) and in the manner required by the Ghana's Companies Act, 2019 (Act 992), and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance 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 judgment 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;

- 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; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the company and business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicated 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. From the matters communicated with the directors, we determined 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 described these matters in our auditor's report unless law or regulations precludes public disclosures 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.

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

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

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i) we have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit;

ii) In our opinion, proper books of accounts have been kept by the Company, so far as appears from our examination of those books, and proper returns adequate for the purpose of the audit have been received from branches not visited by us;

iii) The statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

iv) We are independent of the company pursuant to section 143 of the companies Act 2019 (Act 992).

The engagement partner on the audit resulting in this independent auditor's report is **Roland Bayo Ajetunmobi (ICAG/P/1580).**

MAZARS
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For and on behalf of **Mazars (ICAG/F/2024/079)**
Chartered Accountants and Business Advisors
3rd Floor, One Airport Square, Accra.
Nos. 7 and 9 Nyame Adom Courts, Adonai Lane,
Adjiringanor, East Legon, Accra
PMB LG DTD 20014, Accra
P. O. Box GP 2957, Accra

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FAN MILK PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Notes	2023	2022
Revenue	5	**549,416**	536,938
Cost of sales	6	**(378,144)**	(421,066)
Gross Profit		**171,272**	115,872
Impairment of financial assets	6	**(2,789)**	(1,958)
Distribution costs	6	**(105,208)**	(96,419)
Administrative expenses	6	**(37,216)**	(51,290)
Other income – (net)	7	**4,390**	3,652
Operating Profit/ (Loss)		**30,449**	(30,143)
Finance income	8	**33,884**	18,341
Finance costs	9	**(27,278)**	(21,755)
Profit/(Loss) before income tax		**37,055**	(33,557)
Income tax (expense)/credit	10	**(12,426)**	(8,039)
Growth and Sustainability Levy	10	**(617)**	-
Profit/(Loss) for the year		**24,012**	(41,596)
Other comprehensive income		**-**	-
Total Comprehensive Income/(loss)		**24,012**	(41,596)
Earnings per share:			
Basic and diluted (GH¢)	26	**0.207**	(0.358)

The notes on pages 19 to 51 are an integral part of these financial statements.

FAN MILK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts are expressed in thousands of Ghana Cedi unless otherwise stated)

	Notes	2023	2022
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	**153,112**	174,095
Right-of-use-Assets	12	**5,400**	8,239
Intangible Assets	13	**254**	546
Deferred Tax Asset	19	**8,805**	8,002
		167,571	190,882
Current Assets			
Inventory	14	**105,554**	150,977
Trade and Other Receivables	15	**246,452**	175,787
Current Income Tax Assets	23	**4,751**	5,094
Cash and Cash Equivalents	17	**65,922**	61,320
		422,679	393,178
TOTAL ASSETS		**590,250**	584,060
EQUITY AND LIABILITIES			
Equity			
Stated capital	18	**10,000**	10,000
Retained Earnings		**219,091**	195,079
		229,091	205,079
Liabilities			
Non-Current Liabilities			
Employee Benefit Obligation	20	**454**	586
Lease Liabilities	12	**5,060**	5,706
Medium -Term Loan	9	**55,000**	70,000
		60,514	76,292
Current Liabilities			
Lease Liabilities	12	**1,505**	3,094
Employee Benefit Obligation	20	**116**	294
Trade and Other Payables	21	**296,063**	296,301
Dividend Payable	22	**2,961**	3,000
		300,645	302,689
Total Liabilities		**361,159**	378,981
TOTAL EQUITY AND LIABILITIES		**590,250**	584,060

These Financial Statements were approved on behalf of the Board on 1st March 2024 and signed on their behalf:

DocuSigned by:
Hervé BARRERE
....
DIRECTOR **DIRECTOR**

The notes on pages 19 to 51 are integral part of these financial statements.

FAN MILK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Stated Capital	Retained Earnings	Total
2023			
Balance at 1 January	**10,000**	**195,079**	**205,079**
Profit for the year	**-**	**24,012**	**24,012**
Balance at 31 December	**10,000**	**219,091**	**229,091**
2022			
Balance at 1 January	10,000	236,675	246,675
Loss for the year	-	(41,596)	(41,596)
Balance at 31 December	10,000	195,079	205,079

The notes on pages 19 to 51 are integral part of these financial statements.

FAN MILK PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

	Notes	2023	2022
Cashflow from Operating Activities			
Cash generated/ (used in) from Operations	24	**34,113**	(2,183)
Interest Paid	9	**(27,278)**	(21,755)
Interest Received	8	**33,883**	18,341
Tax Paid	23	**(13,695)**	(16,241)
Net refund of Tax overpayment		**192**	-
Net Cash Inflow/ (Outflow) from Operating Activities		**27,215**	(21,838)
Cashflow from Investing Activities			
Purchase of Property, Plant and equipment	11	**(7,415)**	(11,704)
Proceeds from sale of Property, Plant and Equipment	11	**2,673**	1,776
Net Cash Outflow from Investing Activities		**(4,742)**	(9,928)
Cashflow form Finance Activities			
Principal Lease Payments	12	**(2,832)**	(2,494)
Dividend Paid	22	**(39)**	(1)
Medium Term Loan	9	**(15,000)**	30,000
Net Cash (Outflow)/ Inflow from Financing Activities		**(17,871)**	27,505
Increase/(Decrease) in Cash and Cash equivalents		**4,602**	(4,261)
Analysis of Changes in Cash and Cash equivalents during the year			
Balance at 1 January		**61,320**	65,581
Increase/(Decrease) in cash and cash equivalent		**4,602**	(4,261)
Balance at 31 December		**65,922**	61,320

Analysis of Cash and Cash Equivalents as appearing in the Statement of Financial Position

Cash and Cash Equivalents at end of year

	2023	2022
Cash at bank	**60,781**	58,980
Deposits at call	**5,141**	2,340
	65,922	61,320

The notes on pages 19 to 51 are integral part of these financial statements.

1. Reporting Entity

Fan Milk Plc ("the Company") is a public limited liability company incorporated in Ghana and listed on the Ghana Stock Exchange. The registered office is located at No. 1 Dadeban Road, North Industrial Area, Accra.

The principal activity of the Company is the manufacture, production and distribution of recombined milk and other dairy products as well as to carry on the business of sellers and dealers in recombined milk and other dairy products and other preserved provisions both wholesale and retail.

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.

2.1 Basis of Preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and the requirements of the Companies Act, 2019 (Act 992). The Company considers the following to be the most important accounting policies. In applying these accounting policies, management makes certain judgements and estimates that affect the reported amounts of assets and liabilities at the end of the period and the reported revenues and expenses during the financial year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Functional and Presentation Currency

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

2.3 Amended standards adopted by the company

The company has applied the following standards and amendments since 1 January 2020.

- Definition of Material-amendments to IAS 1 and IAS 8
- Definition of a Business-amendments to IFRS 3
- Interest Rate Benchmark Reform-amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

2.4 New and revised IFRS Standards in issue but not yet adopted

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Those that are likely to have an impact on the Company's financial statements when the standards become effective are set out below:

COVID-19-related Rent Concessions Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

Classification of Liabilities as Current or Non-current Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In 2020 and 2022, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to January 1, 2024.

Property, Plant and Equipment: Proceeds before intended use –Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

New and revised IFRS Standards in issue but not yet adopted (*continue*)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Company.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is not expected to have a material impact on the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February2022, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2022, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of

New and revised IFRS Standards in issue but not yet adopted (*continue)*

the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Amendment to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a single transaction

The amendments aimed to reduce diversity in practice on how deferred taxes on transaction such as lease and decommissioning obligations are accounted for. The amendments narrow the scope of initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise tax liability for temporary difference arising on initial recognition of a lease and a decommissioning provision.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Amendment to IFRS 16 – Lease Liability in a sale and Leaseback

The amendments require a seller-lessee to account for variable lease payments that arise in a sale-and -leaseback transactions. On initial recognition, the amendments require variable lease payments to be included when measuring a lease liability arising from a sale and lease back transaction. After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gains or loss relating to the retained right of use is recognised. Sellers-lessees are required to reassess leaseback transactions entered into since the implementation of IFRS 16 in 2019.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current Liabilities with Covenants

The amendments published in 2020 and 2022 respectively, clarify that the classification of liabilities as current or non-current is solely based on a company's right to defer settlement of the liability for at least 12 months at the reporting period. The right must have substance and exist at the end of the reporting period and the classification of the liability must be unaffected by the likelihood that the company will exercise that right. The amendments also clarify that the transfer of a company's own equity instrument is regarded as settlement of a liability. This requires companies to provide additional information to stakeholders and to consider the potential impact for their loan arrangements and the presentation of their financial statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

3. Summary of Significant Accounting Policies

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

3.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments to the extent required or permitted under the Company's accounting policies and set out below:

3.2 Foreign Currency Transactions

The Company's 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 recognized in the profit and loss account

3.3 Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3.4 Property, Plant and Equipment

(i) Recognition

Property, plant and equipment held for use in the production or supply of goods, or for administrative purposes are stated in the statement of financial position at historical cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and other costs directly attributable to the completion of the assets.

(ii) Depreciation/Amortisation

Leasehold land is depreciated over the unexpired portion of the lease. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Asset Category	Useful Life
Leasehold land	Over the unexpired portion of the lease
Buildings	15 – 33 years
Motor vehicles:	
Distribution Trucks	8 years
Other motor vehicles	5 years
Plant, machinery and others	
Deep freezers and bicycles	5 years
Computers	3 years
Furniture and Fittings	5 years
Plant and Machinery	10 years

Included in the plant, machinery and others in note 11 are the cost and depreciation of deep freezers and bicycles, computers 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.

(iii) Impairment 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. Fair value less costs to sell is determined as the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

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 in profit or loss.

(iv) Intangible Assets (Computer Software)

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 of three to five years

3.5 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; and

- 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.

3.6 Financial assets and Liabilities

Financial Assets

Classification
The Company has one type of financial asset that is subject to the expected credit loss model which are trade receivables from contracts with customers. The Company classifies its financial assets as 'financial assets measured at amortised cost'

Financial instruments are classified as 'financial assets at amortised cost' when both criteria outlined below are met:

- o the asset is held within a business model whose objective is to collect the contractual cash flows; and
- o the contractual terms give rise to cash flows that are solely payments of principal and interest.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures its financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method. 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 together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

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.

Impairment of Financial Assets

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.

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 recognises a 100% impairment loss on receivables exceeding 180 days. The Company's expected loss rates used in calculating impairment losses 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.

While cash and cash equivalent and amounts due from related parties are also subject to the impairment requirements of IFRS 9, there was no identified material impairment loss

3.7 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.

3.8 Financial liabilities

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 cost. The company's financial liabilities include trade and other payables.

Subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortised cost.

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. For non-substantial modifications, a gain or loss is recognised at the time of the modification.

3.9 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.

3.10 Cash and cash equivalents

Cash and cash equivalents include 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.

3.11 Stated capital

The proceeds of ordinary shares are classified as 'stated capital' in equity.

3.12 Taxation

The amount stated as Income 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 tax is recognised using the liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at year end.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and deferred tax liabilities 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.

3.13 Dividends

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

3.14 Revenue recognition

The Company derives its revenue from the sale of goods. 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. The product disaggregation is disclosed in Note 5.

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. 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.

3.15 Employee benefits

Pension Obligation

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

Long service awards

The Company gives awards to all employees to recognise and reward members of staff for continuous and dedicated service. Employees are rewarded for period of service in excess of 10 years. Liabilities for long service awards are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

3.16 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.

3.17 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 earnings per share 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.

3.18 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 operating segments.

3.19 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 amount is determined as the potential undiscounted amount of all future payments that the Company could be required to make if an adverse decision occurs against the Company.

3.20 Leases

The Company leases one warehouse and entered into a non-cancellable lease agreement with a transport service limited in June2022.Rental contracts are typically made for fixed periods of 5 years but may have extension options. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lease in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases of buildings are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options

Extension and termination options are included in the lease contract. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The extension options held are solely exercisable by both the Company and the respective lessor.

4. Critical accounting estimates and judgements

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. Management also needs to exercise judgement in applying the Company's accounting policies.

4.1 Estimated 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 3.4 (ii). Should the estimated useful lives of the property and equipment differ by 1% from management's estimates, the carrying amount of the property and equipment would be an estimated GH¢257,880 (2022: GH¢284,350) higher or lower.

4.2 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.

4.3 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.

4.4 Employee benefit obligation

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost include the turnover rate and inflation rate. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that is applied to determine the present value of estimated future cash outflows expected to be required to settle the employee benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

4.5 Leases

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For lease of the warehouses the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in warehouse have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the current financial year, there was no revisions made in lease terms to exercise extension and termination options.

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are expressed in thousands of Ghana Cedi unless otherwise stated)

5. Revenue

	2023	2022
Net Sales	**549,416**	536,938

Gross sales by product type

The Company derives revenue from the transfer of goods at a point in time.

	2023	2022
Dairy	**488,131**	489,277
Juice	**3,932**	21,420
Ice cream	**122,802**	98,742
Plant based milk	**7,772**	3563
Gross sales	**622,637**	613,002
Rebates	**(73,221)**	(76,064)
	549,416	536,938

6. Expenses by nature

	2023	2022
Raw materials and consumables	**256,486**	267,981
Employee benefits expense (Note 6a)	**57,586**	73,864
Depreciation on Property, Plant and Equipment (Note 11)	**25,788**	28,435
Amortisation of intangible assets (Note 13)	**292**	485
Depreciation charge on right of use assets (Note 12)	**2,839**	2,615
Repairs and maintenance	**23,627**	17,941
Vehicle running expenses	**1,140**	1,121
Utilities	**26,938**	22,900
Fuel	**3,704**	6,140
Insurance	**1,421**	2,239
Sales promotion and advertising expenses	**13,159**	14,618
Technical service fees	**9,584**	18,474
Auditor's remuneration	**344**	287
Director's emoluments	**466**	466
Donations	**10**	6
Transportation expenses	**35,238**	34,303
Impairment charge (Note 15)	**2,789**	1,958
Information technology expenses	**2,932**	1,426
Outsourced labour cost	**7,707**	8,991
Communication expenses	**1,119**	1,161
Security services expenses	**1,314**	1,152
Short term rent expenses	**151**	790
Environmental and social responsibility expenses	**1,008**	32
Net exchange loss	**16,513**	39,366
Consultancy expenses	**11,589**	5,473
Medical expenses	**3,005**	2,082
Other expenses	**7,147**	9,270
Other factory expenses	**9,461**	7,157
	523,357	570,733

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6(a). Expenses by nature have been disclosed in the statement of comprehensive income as follows:

	2023	2022
Cost of sales	**378,144**	421,066
Distribution cost	**105,208**	96,419
Impairment of financial assets	**2,789**	1,958
Administrative expenses	**37,216**	51,290
	523,357	570,733

Depreciation charge on right-of-use assets has been classified in distribution costs.

Employee benefit expense comprise:

	2023	2022
Wages, salaries, and allowances	**52,446**	54,847
Pension costs	**3,510**	3,489
Long service awards expense	**207**	194
Provident fund costs	**1,423**	1,364
Termination and severance	**-**	13,970
	57,586	73,864

The total number of staff employed by the company by the year 31 December 2023 was **291** (2022: 355). The company paid **GH¢1.43m** for termination and severance during 2023 out of the provision made in the year 2022. (2022: GH¢ 2.59m).

7. Other income – (Net)

	2023	2022
Profit on disposal of property, plant and equipment	**63**	1,198
Sale of empty bags and scraps	**780**	87
Rental income	**2,583**	1,229
Bad debts recovered	**964**	1,138
	4,390	3,652

8. Finance Income

	2023	2022
Interest income on fixed deposit and call accounts with banks	**5,282**	3,389
Interest on overdue invoices (Intercompany Rec.)	**28,602**	14,952
	33,884	18,341

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9. Finance Cost

	2023	2022
Interest expense on agents' savings	**2,109**	1,597
Interest on lease liability	**1,909**	2,232
Interest on loans	**23,260**	17,926
	27,278	21,755

As at 31 December 2023, the Company has a medium-term loan of GH¢55,000,000 with Stanbic Bank.

Interest is paid on amounts held by the company (agents' savings) representing rebates earned by agents.

The Company has chosen to present interest received on financial assets as operating cash flows. Interest paid has been classified under operating cash flows to assist users in determining the ability of an entity to pay interest out of operating cash flows.

10. Income tax expense

	2023	2022
Current income tax charge	**13,229**	17,947
Growth & Sustainability Levy	**617**	-
Deferred tax credit (Note 19)	**(803)**	(9,908)
	13,043	8,039

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11. Property, Plant and Equipment

	Leasehold Land	Buildings	Motor Vehicles	Plant machinery and others	Capital work in progress	Total
2023						
Cost						
At 1 January	3,830	51,405	32,469	285,418	3,719	376,841
Additions	-	-	-	49	7,366	7,415
Disposal	-	-	(570)	(15,861)	-	(16,431)
At 31 December	3,830	51,405	31,899	269,606	11,085	367,825
Depreciation						
At 1 January	1,161	17,913	27,790	155,882	-	202,746
Charge for the year	73	2,674	950	22,091	-	25,788
Disposal	-	-	(570)	(13,251)	-	(13,821)
At 31 December	1,234	20,587	28,170	164,722	-	214,713
Carrying Amount						
At 31 December	2,596	30,818	3,729	104,884	11,085	153,112

Profit on disposal of property, plant, and equipment

	2023	2022
Cost	16,431	3,675
Accumulated Depreciation	(13,821)	(3,097)
Net book value	2,610	578
Sales proceeds	(2,673)	(1,776)
Profit on disposal	(63)	(1,198)

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11. Property, Plant and Equipment

	Leasehold Land	Buildings	Motor Vehicles	Plant machinery and others	Capital work in progress	Total
2022						
Cost						
At 1 January	3,830	51,942	34,750	271,649	6,641	368,812
Additions	-	-	-	-	11,704	11,704
Transfers to other assets	-	30	-	14,596	(14,626)	-
Disposal	-	(567)	(2,281)	(827)	-	(3,675)
At 31 December	3,830	51,405	32,469	285,418	3,719	376,841
Depreciation						
At 1 January	1,087	15,762	28,684	131,875	-	177,408
Charge for the year	74	2,696	1,196	24,469	-	28,435
Disposal	-	(545)	(2,090)	(462)	-	(3,097)
At 31 December	1,161	17,913	27,790	155,882	-	202,746
Carrying Amount						
At 31 December	2,669	33,492	4,679	129,536	3,719	174,095

Profit on disposal of property, plant, and equipment

	2022	2021
Cost	3,675	28,521
Accumulated Depreciation	(3,097)	(24,625)
Net book value	578	3,896
Sales proceeds	(1,776)	(6,168)
Profit on disposal	(1,198)	(2,272)

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12. Leases

Right-of-use assets

2023	Buildings (Warehouse)	Vehicles	Total
Cost			
At 1 January	4,657	9,301	13,958
Additions	-	-	-
At 31 December	4,657	9,301	13,958
Depreciation charge on right-of-use assets			
At 1 January	3,872	1,847	5,719
Charge	785	2,054	2,839
At 31 December	4,657	3,901	8,558
Carrying Amount			
At 31 December	-	5,400	5,400

2022	Buildings (Warehouse)	Vehicles	Total
Cost			
At 1 January	4,657	3,085	7,742
Additions	-	6,216	6,216
At 31 December	4,657	9,301	13,958
Depreciation charge on right-of-use assets			
At 1 January	2,795	309	3,104
Charge	1,077	1,538	2,615
At 31 December	3,872	1,847	5,719
Carrying Amount			
At 31 December	785	7,454	8,239

Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2023	2022
Right-of-use assets	5,400	8,239

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	2023	2022
Lease liabilities:		
Current lease liabilities	**1,505**	3,094
Non-current lease liabilities	**5,060**	5,706
	6,565	8,800

The statement of profit and loss shows the following amounts relating to leases:

	2023	2022
Depreciation: Warehouse	**785**	1,077
Vehicles	**2,054**	1,538
	2,839	2,615
Payments with respect to lease		
Principal	2,832	2,494
Interest payment	**1,909**	2,232
	4,741	4,726

13. Intangible assets

	2023	2022
Cost		
Balance at 1 January	**2,218**	3,459
Additions	-	-
Disposal	-	(1,241)
Balance at 31 December	2,218	2,218
Amortisation		
Balance at 1 January	**1,672**	2,428
Charge for the year	**292**	485
Released on Disposal	-	(1,241)
Balance at 31 December	**1,964**	1,672
Carrying Amount		
Balance at 31 December	**254**	546

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14. Inventories

	2023	2022
Raw materials	**45,058**	112,035
Finished goods	**8,172**	10,220
Work in progress	**302**	1,329
Goods in transit	**17,907**	8,838
Consumables	**34,115**	18,555
	105,554	150,977

The cost of inventories charged to the statement of profit or loss and other comprehensive income during the year ended 31 December 2023 amounts to **GH¢256.49m** (2022: GH¢308.07m). An amount of **GH¢9.450m** was charged to profit or loss as expired and damaged inventories during the year ended December 31, 2023 (2022: GH¢9.937m).

15. Trade and other receivables

	2023	2022
Trade receivables	**59,300**	59,887
Provision for impairment losses	**(6,565)**	(4,739)
Trade receivables - net	**52,735**	55,148
Due from related companies	**185,133**	113,653
Other receivables	**1,670**	1,032
Due from staff	**590**	367
Prepayments	**6,324**	5,587
	246,452	175,787

The maximum amount of staff indebtedness during the year did not exceed GH¢590,000 (2022 GH¢367,000).

The fair value of amounts due from staff is based on the discounted cash flows using a borrowing rate of 30.00% (2022: 35.33% per rate 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 other receivables to approximate their fair value.

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

	2023	2022
At 1 January	**4,739**	4,009
Impairment charged for the year	**2,789**	1,958
Bad debts recovered	**(963)**	(1,138)
Savings buffer/Release	**-**	(90)
At 31 December	**6,565**	4,739

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

16. Taxation

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:

	2023	2022
Profit/(Loss) before tax	**37,054**	(33,557)
Tax charged		
Local Sales (81.39% @ 25%)	**7,540**	(8,389)
Export Sales (18.61% @15%)	**551**	-
	8,091	(8,389)
Tax effect of:		
Expenses not deductible in determining taxable profit	**18,884**	22,635
Income not taxable	**(3,205)**	(1,861)
Other timing differences	**(8,366)**	(10,578)
2022 Excess Finance cost b/f	**(36)**	-
Unutilised Tax Loss - 2021	**(2,139)**	(1,809)
Growth and Sustainability Levy	**617**	-
Movement in Deferred Tax	**(804)**	
	13,042	-

The effective corporate tax rate as at 31 December 2023 is 35.20% (2022: NIL%)
In 2023, the Growth and Sustainability Levy (GSL) Act, (Act 1095) was passed. The levy is charged on profit before tax or production and is not an allowable deduction for corporate income tax. The Act categorised companies subjected to this levy under 3 categories with different rates. Fan milk Plc is subjected to the levy at the rate of 2.5% p.a.

17. 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:

	2023	2022
Cash at bank	**60,781**	58,980
Deposits at call	**5,141**	2,340
	65,922	61,320

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, no material impairment loss was identified.

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

18. Stated Capital

The authorised shares of the Company is 197,500,000 ordinary shares of no-par value. Number of issued shares and considerations received are set out below.

Issued	No. of shares	Amount
For cash consideration	19,784,548	19
For bonus issue	96,422,740	4,000
Capitalisation from retained earnings	-	5,981
	116,207,288	10,000

There was no change in the authorised and issued ordinary shares of the Company during the year ended 31 December 2023 and 31 December 2022.

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of 25% (2022: 25%). There were no unrecognised tax assets as at 31 December 2023. (2022: Nil). The movement in deferred income tax is as follows:

Year ended 31 December 2023	At January 1,2023	(Credit)/Charge to profit or loss	At December 31, 2023
Deferred tax liabilities			
Property, plant and equipment on historical cost basis	8,789	(1,896)	6,893
Right-of-use assets	(121)	(827)	(948)
Staff leave provision	(822)	200	(622)
Impairment of trade receivables	-	-	-
General provision - Trade	(3,156)	(110)	(3,266)
General provision – Non-Trade	(5,315)	(653)	(5,968)
Provision Invoice over 180 days	(1,185)	(456)	(1,641)
Provision for long service award	-	(142)	(142)
Excess Financial cost - 2023	(3,448)	337	(3,111)
Tax Loss – 2023	(2,744)	2,744	-
	(8,002)	(803)	(8,805)

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Year ended 31 December 2022	At January 1,2022	(Credit)/Charge to profit or loss	At December 31, 2022
Deferred tax liabilities			
Property, plant and equipment on historical cost basis	13,688	(4,899)	8,789
Right-of-use assets	(93)	(28)	(121)
Staff leave provision	(871)	49	(822)
Impairment of trade receivables	(6,275)	6,275	-
General provision - Trade	-	(3,156)	(3,156)
General provision – Non-Trade	-	(5,315)	(5,315)
Provision Invoice over 180 days	-	(1,185)	(1,185)
Excess Financial cost - 2022	(453)	(2,995)	(3,448)
Tax Loss – 2022	(4,090)	1,346	(2,744)
	1,906	(9,908)	(8,002)

20. Employee benefit obligations

The Company operates an employee benefit plan for its employee based on the length of service with the exception of inflationary risk, the Company's legal or constructive obligation is limited to the amount due when the employee is at the next level of long service award.

	2023	2022
Long service award	**570**	880

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows:

	2023	2022
Present value of obligation		
At 1 January	**880**	310
Long service cost charged to profit and loss	**-**	-
Addition/(Reversal) of provision for long service awards	**(310)**	570
At 31 December	**570**	880
Non-current portion of employee benefit obligation liabilities	**454**	586
Current portion of employee benefit obligation liabilities	**116**	294
	570	880

The significant actuarial assumptions applied are as follows:

Attrition rate	**15.0%**	15.2%
Inflation rate	**15.0%**	15.0%

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

21. Trade and other payables

	2023	2022
Trade payables	**78,233**	61,757
Due to related companies	**123,105**	161,132
Other payables	**54,907**	36,663
Accrued expenses	**39,818**	36,749
	296,063	296,301

The carrying amounts of the above trade and other payables approximate their fair values due to their short-term nature.

22. Dividend payable

	2023	2022
Balance at 1 January	**3,000**	3,001
Dividend paid	**(39)**	(1)
Balance at 31 December	**2,961**	3,000

Payment of dividend is subject to the deduction of withholding taxes rate of 8%. The Directors recommend the payment of a dividend for the year ended 31 December 2023 (2022: Nil).

23. Current income tax

Year ended 31 December, 2023

Year of Assessment	Balance at 1 January	Charge for the year	Payments in the year	Other Adjustments	Balance at 31 December
Up to 2019	157	-	-	-	157
2020	(3,056)	-	-	-	(3,056)
2021	(4,300)	-	-	-	(4,300)
2022	2,105	-	-	-	2,105
2023	-	13,846	(13,695)	192	343
	(5,094)	13,846	(13,695)	192	(4,751)

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24. Cash generated from operations

Reconciliation of net profit/(loss) before tax to cash generated from operations:

	2023	2022
Profit/(Loss) before tax	**37,054**	(33,557)
Depreciation (Note 11)	**25,788**	28,435
Impairment of financial assets	**2,789**	1,958
Amortisation of intangible assets (Note 13)	**292**	485
Depreciation charge on right-of-use assets (Note 12)	**2,839**	2,615
Interest paid (including interest on ROU) (Note 9)	**27,278**	21,755
Finance income (Note 8)	**(33,883)**	(18,341)
Profit on disposal of property, plant & equipment (Note11)	**(63)**	(1,198)
VAT liabilities set off against CIT credit	**-**	2,213
Changes in working capital:		
Decrease in inventories	**45,423**	17,106
Increase in trade & other receivables (less interest receivable on staff loan and impairment on financial assets)	**(73,476)**	(45,955)
Decrease in employee benefit obligations	**310**	570
(Decrease)/Increase in trade and other payables	**(238)**	21,731
Cash generated from operations	**34,113**	(2,183)

25. Related party disclosures

Fan Milk International A/S holds 62.11% of the Company's issued ordinary shares in Fan Milk Plc. Fan Milk International A/S is the majority shareholder of the Company and has other holdings in Fan Milk Plc (Nigeria), Fan Milk S.A. (Togo), Fan Milk SARL (Benin), Fan Milk Côte d'Ivoire S.A, Emidan A/S and Fan Milk West Africa Limited. These Companies are therefore entities related through common control. In the normal course of business, the Company entered into the following transactions with related parties:

	2023	2022
Purchases of Goods		
Cote D'ivoire	**364**	-
Apro	**1,361**	2,700
Danone SA	**8,810**	5,747
Danone Central	**83**	-
Nigeria	**606**	1,050
Fan Milk International	**15,474**	476
Danone Egypt	**466**	-
Sales of Goods		
Togo	**49,922**	50,557
Cote D'ivoire	**68,096**	58,336
Fan Milk W/A	**14,201**	11,152
Nigeria	**2,915**	1,201
Danone Central	**320**	-
Technical Fee		
Fan Milk International	**9,584**	18,474

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	2023	2022
Loan		
Fan Milk International	**19,124**	94,450

Outstanding balances arising from sales and purchases of goods and services are as below:

Due to related companies

	2023	2022
Fan Milk International A/S	**77,761**	139,019
Danone SA	**24,393**	9,779
Fan Milk Cote D'Ivoire	**6,647**	5,586
Fan Milk Togo	**7,951**	6,748
Fan Milk West Africa	**6,108**	-
Danone France	**245**	-
	123,105	161,132

The amount due from and due to related companies are unsecured. Amount due from Fan milk Togo and Cote D'Ivoire has an interest bearing of 6-months EURIBOR plus 2% per annum and are to be settled in cash. There is no history of default. No guarantees have been issued by the Company to its related companies during the year ended 31 December 2023 and 31 December 2022.

Due from related companies

	2023	2022
Fan Milk Nigeria	**5,104**	2,678
Fan Milk Cote D'Ivoire	**51,434**	42,676
Fan Milk Togo	**123,261**	57,263
Fan Milk West Africa	**5,091**	11,036
Emidan	**8**	-
Central Danone	**235**	-
	185,133	113,653

	2023	2022
Transactions with key Management Personnel:		
Remuneration		
Executive Director (short-term benefits)	**-**	-
Non-executive Directors (short-term benefits)	**466**	466

Short term remuneration in respect of the executive director is now paid by Fan Milk West Africa, a related company. This was effective from January,2022.

26. Earnings per share

	2023	2022
Profit/(Loss) for the year	**24,012**	(41,596)
Number of ordinary shares issued	**116,207,288**	116,207,288
Basic and diluted earnings per share (GH¢)	**0.207**	(0.358)

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

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

27. Contingent Liabilities

The Company is involved in some legal proceedings. This case arose in the ordinary course of business. In the directors' opinion and after taking appropriate legal advice, the outcome of these legal proceedings will not give rise to any significant loss to the Company. An amount of **GH¢ 500,000** has been provided for as contingencies.

28 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

Foreign exchange risk arises as a result of cash, accounts receivable and accounts payable balances denominated in foreign currency. 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 31st December, 2023, if the currency had weakened/strengthened by 10% (2022: 10%) against the US dollar with all variables held constant, post tax profit for the year and equity would have been GH¢1,434111 (2022 GH¢4,339,135) higher/lower, mainly as a result of US dollar denominated on trade payables, receivables and cash and bank balances.

At 31st December, 2023, if the currency had weakened/strengthened by 10% (2022: 10%) against the Euro with all variables held constant, post tax profit for the year and equity would have been GH¢6,221,105. (2022 GH¢2,665,693) higher/lower, mainly as a result of Euro denominated trade payables, receivables and cash and bank balances.

	2023	2022
Cash and cash equivalents	**11,346**	31,648
Trade and other receivables	**179,798**	108,997
Trade and other payables	**(127,317)**	(162,958)
	63,827	(22,313)

(All amounts are expressed in thousands of Ghana Cedi 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.

Price risk

The Company has financial instruments subject to price risk.

Credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and trade and other receivables. Trade and other receivables are mainly derived from sales to customers 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 trade receivables. The expected credit losses also incorporate forward looking information.

Trade and other receivables consist of invoiced amounts from normal trading activities 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 31,2023, management was unaware of any significant unprovided credit risk (2022: Nil)

The Company manages credit risk relating to cash and cash equivalents by transacting banking business 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:

	2023	2022
Cash and cash equivalents (excluding cash on hand)	**65,922**	61,320
Trade and other receivables	**52,735**	55,148
Amount due from related companies	**185,133**	113,653
Due from staff	**590**	367
Other receivables (excluding prepayments)	**1,670**	1,032
Total credit exposure	**306,050**	231,520

Agents' savings amounting to **GH¢22.6 million** (2022: GH¢18.7 million) are held as collateral against trade receivables.

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

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. Due to the number of debtors and credit life of receivables, management incorporates forward looking information into the impairment provisioning based on feedback received from salesmen. Salesmen visit agents twice a week averagely. Based on these visits, any relevant forward-looking information that is gathered on the operations of the agents and their ability to honour their obligations is communicated to the Accounts receivable team.
On that basis, the loss allowance as at December 31, 2023 is as follows:

	Undue days	**0 to 30 days**	**31 to 60 days**	**61 – 90 days**	**>90 days**	**Total**
2023						
Gross carrying amount	35,838	9,950	2,608	706	10,198	**59,300**
Expected credit loss rate	0.01%	0.03%	0.55%	1.0%	64.1%	
Loss allowance	4.00	3.00	14.00	7.00	6,537	**6,565**

The Company assessed the other receivables, cash and related party receivables balances to determine their expected credit losses. Based on this assessment, they identified the expected credit loss to be **GH¢6.565** million as at December 31, 2023 (2022: GH¢4.739 million).

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 account 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¢65.92m** (2022: GH¢61.32m).

Materiality analysis of financial liabilities:

The table below analyses the maturity profile of the Company's financial liabilities.

	2023			2022		
	Within 12 months	**Over 12 months**	**Total**	Within 12 months	Over 12 months	Total
Trade and other payables (excluding non-financial liabilities)	**256,245**	**-**	**256,245**	259,552	-	259,552
Lease liabilities	**1,505**	**5,060**	**6,565**	3,094	5,706	8,800
	257,750	**5,060**	**262,810**	262,646	5,706	268,352

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

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 assets at amortised cost

	2023	2022
Trade and other receivables (excluding non-financial assets)	**54,405**	56,180
Amount due from related parties	**185,133**	113,652
Amount due from staff	**590**	367
Cash and cash equivalents	**65,922**	61,320
	306,050	231,519

29. Fair values of financial assets and liabilities

(i) Financial liabilities at amortised cost

	2023	2022
Trade and other payables(excluding non-financial liabilities)	**256,245**	259,552

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
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, no observable inputs).

The carrying value of the company's financial assets and liabilities approximates its fair value.

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

30. Capital Commitments

There were no capital commitments at the end of the year. (2022: Nil).

31. 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.

32. 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, fruit drinks and Plant Based Milk. Ninety-six percent of the Company's revenue is derived from sale of dairy products and the remaining four percent is derived from sale of fruit drinks and plant-based milk. Management considers the products to have similar economic characteristics and they have therefore been aggregated into a single operating segment.

33. Subsequent events

The Directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this letter that may require adjustment of, or disclosure in, the financial statements.

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

FINANCIAL HIGHLIGHTS

Year end:	**2023**	2022	2021	2020	2019
Profit/(Loss) after taxation	**24,012**	(41,596)	(13,430)	514	25,016
Earnings per share	**0.207**	(0.358)	(0.116)	0.004	0.22
Total number of shares issued	**116,207,288**	116,207,288	116,207,288	116,207,288	116,207,288
Dividend Per Share		-	-	-	-
Total assets	**590,250**	584,060	571,562	436,252	375,819
Shareholders' fund	**229,091**	205,079	246,675	260,105	259,591
Permanent staff	**291**	355	321	417	581
Stock price range (per share):					
High (GH¢)	**3.25**	4.00	5.14	4.12	8.01
Low (GH¢)	**2.5**	3.00	1.08	1.01	4.12

Distribution of Gross Sales

	2023	2022	Change	(%) Change
Amounts in GH¢'000				
Revenue (Gross)	**622,637**	613,002	9,635	2
Revenue (Excluding rebates)	**549,416**	536,938	12,478	2
Cost of Sales	**378,144**	421,066	-42,922	(10)
Distribution costs	**105,208**	96,419	8,789	9
Administrative expenses	**37,216**	51,290	-14,074	-27
Impairment of financial assets	**2,789**	1,958	831	42
Finance costs	**27,278**	21,755	5,523	25
Value added tax	-	37,930	(37,930)	(100)
Tax	**(13,042)**	(8,039)	(5,003)	62

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

FINANCIAL HIGHLIGHTS (continued)

Year end:	2023	2022	Change	(%) Change
Transfer to statement of changes in equity	**24,012**	(41,596)	65,608	(158)
Other income – (net)	**4,390**	3,652	738	20
Finance income	**33,883**	18,341	15,542	85

Operational results

Amounts in GH¢'000	2023	2022	Change	(%) Change
Revenue	**549,416**	536,938	12,478	2
Cost of Sales	**(378,144)**	(421,066)	42,922	(10)
Distribution costs	**(105,208)**	(96,419)	(8,789)	9
Administrative expenses	**(37,216)**	(51,290)	14,074	(27)
Impairment of financial assets	**(2,789)**	(1,958)	(831)	42
Finance costs	**(27,278)**	(21,755)	(5,523)	25
Finance income	**33,883**	18,341	15,542	85
Other income – (net)	**4,390**	3,652	738	20
Profit/(Loss) before income tax	**37,054**	(33,557)	70,611	(210)
Income tax expense	**(13,042)**	(8,039)	(5,003)	62
Profit/(Loss) for the year	**24,012**	(41,596)	65,608	(158)

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.

PROFILE OF BOARD OF DIRECTORS

Dr Charles Mensa (Chairman)

Dr. Charles Mensa (age 70, 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 the Chairman of Barclays Bank Ghana Limited now ABSA Group. Dr. Mensa brings to the board of Fan Milk Plc an extensive experience in leading key industries and in public policy advocacy.

He 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 the 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).

Dr. Mensa previously worked in the United States of America as a Research Associate at the Centre for Public Choice, George Mason University, and at the International Monetary Fund (IMF). In the United States of America, he obtained a master's degree in Finance from the George Washington University and a PhD in Economics from George Mason University.

Committee Membership: Audit

Other Directorships: Maersk Shipping Company, Quality Care Medical Clinic

George H. O Thompson (Non-Executive Director)

George H.O. Thompson (age 73, Ghanaian) B.A. (Hons) LLB (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. He was appointed Assistant State Attorney/Assistant 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.

Ziobeieton Yeo (Managing Director) **Resigned 31/12/2023**

Mr. Ziobeieton Yeo, (age 48, Ivorian), has significant experience in general management, global marketing, operations, communications, brand development and product management. Mr. Yeo has almost 22 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 Mr. Yeo was a Senior Marketing Director for Africa Foods at Unilever in South Africa Durban. He had also spent 3 years in Nairobi Kenya as Senior Marketing Director for Africa for Foods and Oral Care divisions at Unilever Kenya.

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

He 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.

Committee Membership: None
Other Directorships: Fan Milk Togo, Fan Milk Cote D'ivoire, Fan Milk Plc (Nigeria) and Fan Milk International.

Jakub Kalinowski (Non- Executive Director)

Mr Jakub has over 18 years of experience in operational and executive finance roles.

He is the Vice President Finance, AMEA and leads the finance for Danone across Africa, Middle East, and Asia. Before that, Mr. Jakub was for 15 years CFO for Danone entities in different European markets and categories. He also served as Managing Director in Danone DACH (Geschaftsfuhrer) and Danone Waters Poland.

He has his Masters in International Relations, Finance and Banking from Warsaw School of Economics. He also has a professional degree from the Chartered Institute of Management Accountants.

Committee Membership: None
Other Directorships: He is Chairman of the Board of Nutricia MMP (Iran) and Board member in other Danone entities.

Herve Barrere (Executive Director & Ag MD)

Mr. Barrere, a newly appointed member of the Board of Directors, brings a wealth of operational and leadership expertise to Fan Milk PLC.

Mr. Hervé Orama Barrere's extensive experience and regional insights position him to drive growth and brand-building across Africa.

Mr. Barrere commenced his career in the banking sector, accumulating valuable experience over 8 years. During his 12-year tenure at Nestlé, he held various pivotal positions. Notably, he served as Managing Director in the Congo and Central Africa regions.

In 2017, Mr. Barrere joined Danone to lead the Fan Milk Danone business in Nigeria as Managing Director. Subsequently, he assumed the role of Managing Director for the Danone Algeria business unit in 2019.

Since the beginning of 2023, he has been the Managing Director of Danone South Africa.

He has post-graduate certifications from Paris XII University and French Polynesia University.

Committee Membership: None
Other Directorships: He is the CEO and Chairman of the Board of Fan Milk International A/S.

SHAREHOLDING DISTRIBUTION AS AT 31 December 2023

The following are the twenty largest shareholders as at 31 December 2023. All shareholders have equal voting right.

Number	Name of shareholder	Number of shares	Percentage
1	FAN MILK INTERNATIONAL A/S,	72,178,636	62.11
2	STD NOMS/TR ACC/BNYM RE KROHNE FUND, LP,	6,730,997	5.79
3	STD NOMS/TRUST ACCT/BNYM RE GOTHIC CORP MUTIMA CAP, ITAL	2,506,431	2.16
4	SCGN/RBC INVESTOR SERVICES RE COELI SICAV I -,	2,089,300	1.80
5	SOCIAL SECURITY AND NATIONAL INSURANCE TRUST,	1,853,124	1.59
6	SCGN/'EPACK INVESTMENT FUND LIMITED TRANSACTION E I F L	1,254,684	1.08
7	SCGN/SSBT FOR AL MEHWAR COM. INV. LLC - AEJM,	1,065,000	0.92
8	STD NOMS/BNYM/GOTHIC HSP CORPORATION,	953,068	0.82
9	STD NOMS/BNYM/GOTHIC JBD LLC,	920,536	0.79
10	SCGN / ENTERPRISE LIFE ASS. CO. POLICY HOLDERS,	866,352	0.75
11	STD NOMS/BNYM/GOTHIC ERP,LLC,	613,965	0.53
12	SCGN/DATABANK BALANCED FUND LIMITED,	613,624	0.53
13	SCGN/ SSB AND TRUST AS CUST FOR RUSSELL TRUST,	606,100	0.52
14	STAHL, CHRISTOPH MICHAEL ROBERT C.S	330,954	0.28
15	HFCN/ EDC GHANA BALANCED FUND LIMITED,	330,006	0.28
16	ASARE, JAMES KWADWO	300,000	0.26
17	ZBGC/CEDAR PROVIDENT FUND-ICAM,	299,930	0.26
18	STD NOMS/BNYM/GHI HOLDINGS MAURITIUS,	295,900	0.25
19	OFORI, DANIEL	288,165	0.25
20	CM FUND LIMITED,	211,087	0.18
		94,307,859	81.15
		21,899,429	18.85
		116,207,288	**100.00**

Directors' shareholding

Name of Director	Number of shares
Ayisi- Okyere Peace	3,188

Category of holdings	Number of shareholders	Holding	Percentage holding
1 – 1000	3,279	967,255	0.83
1001 – 5000	1,036	2,314,289	1.99
5001 – 10000	274	1,733,090	1.49
10001 +	720	111,192,654	95.68
TOTAL	5,309	116,207,288	100.00

THE MACRO ECONOMIC ENVIRONMENT

In line with its strategy to revive economic growth in 2023, the Government of Ghana set modest economic targets for the year. During the mid-year review in July 2023, the growth target was revised to 1.5%. However, in November 2023, upon presenting the 2024 budget statement, it was revealed that the provisional growth rate for the first half of the year stood at 3.2%. This indicated that the implemented economic measures were beginning to yield positive results.

ECONOMIC INDICATORS

Some economic indicators for year 2023 are indicated below:

GDP Growth

The year-on-year (YoY) growth rate for the first half of the year stands at 3.2%. However, the revised growth rate for the full year of 2023, as outlined in the 2024 budget statement, is 2.3%. This figure contrasts with the initially projected growth rate of 1.5% stated in the mid-year review.

Inflation

Headline inflation dropped significantly from 54.1% by close of 2022 to 23.2% by year end 2023.

Exchange Rates

The table below shows the performance of the local currency against the major trading currencies – the USD, EUR and GBP compared against prior year:

	2023	2022
USD	-26.34%	-44.05%
EUR	-30.33%	-41.03%
GBP	-31.86%	-39.50%

OUTLOOK FOR 2023 AND BEYOND

Growth outlook

Ghana's economy remains under the International Monetary Fund program initiated by the government in 2022. The IMF has disbursed the second tranche of support, significantly contributing to stabilizing the local currency at the retail level. It is expected that this stability will persist throughout 2024, mitigating sharp increases in prices akin to those witnessed in 2022.

As a business, Fan Milk Plc stands to gain from a stable local currency, as it leads to stable prices for its products, thereby ensuring growth and profitability. The company remains committed to its strategy of volume recovery in the Outdoor Channel, accelerating growth in the Indoor Channel, and maintaining a focus on its Ice Cream and Yoghurt brands.

CORPORATE SOCIAL RESPONSILBILITY

2023 – FAN MILK-DANONE IMPACT JOURNEY

The Fan Milk-Danone Impact Journey drives us to improve every day and win together across our categories and brands, creating a more resilient, future-fit, and competitive business. The success of our journey is hinged on a delivery of our 3 pillars in Health, Nature, People & Communities; this is an integral part of everything we do!

Impact for 2023

Thriving People and Communities

In promoting a healthier work-life balance and improving our well-being, Fan Milk in line with the Danone Global Parental Policy, commissioned a well-furnished lactation room for all employee nursing mothers to cater for a new mother's needs. The room also serves as a Quiet-Space for any employee that needs a short break to relax and recharge themselves at the workplace. For more than four years, Fan Milk has provided free health screening for its female employees as part of the Breast Cancer Awareness Month activities in October.

Throughout 2023, we maintained our commitment to enhancing the effectiveness of our leadership team and building the capabilities of our core workforce through our Continuous Development and Improvement program. This included providing ongoing support and skill development through targeted workshops, coaching sessions, and peer learning initiatives, ensuring that our leaders are equipped with the necessary skills to future-proof our business.

Additionally, we introduced the iLead Training program for Operations Team Leads in 2023. Recognizing their crucial role in driving efficiency and productivity at the factory, this initiative aimed to further enhance their capabilities in delivering operational excellence and fostering team collaboration.

Health and safety

In 2023, the business concluded the year with an accident frequency rate of 1.58. In accordance with the principles of Workplace Injury and Safety Excellence (WISE), immediate actions were taken to eradicate the root causes of the injuries sustained during the period. Furthermore, the active participation of employees led to the documentation of over 8500 safety incident observations, which prompted the implementation of prompt corrective measures. These efforts reflect the business's commitment to prioritizing a secure and healthy work environment for both employees and contractors at Fan Milk Plc.

ENERGY REDUCTION FOOTPRINTS

Fan Milk constantly strives to be at the forefront of responsible business practices, our 2023 FY energy reduction efforts have led to positive outcomes achieved.

Biomass Boiler Utilization

One of our key initiatives was to continue maximizing the use of the Biomass Boiler, which ingeniously utilizes palm kernel shells (PKS) as fuel for steam generation. Let's delve into the remarkable results:

i. 96% Reduction in CO2 Emissions: By switching from diesel (which emitted 1,769 tCO2e/yr) to PKS (with only 68 tCO2e/yr), we achieved an astounding 96% reduction in carbon dioxide emissions. This shift exemplifies our commitment to environmental stewardship;

ii. 34% Overall CO2 Emission Reduction: The impact extended beyond the boiler room. Our total annual CO2 emissions from the plant decreased significantly, plummeting from 7,554 tCO2e/yr. to 4,990 tCO2e/yr.;

iii. 40% Cost Savings: The financial implications were equally impressive. With PKS as our primary fuel source, we slashed our steam generation costs by 40%. Sustainability and profitability can indeed coexist.

Regular Maintenance: Our diligent maintenance practices ensured the biomass boiler's efficient operation. Regular inspections, cleaning, and adjustments contributed significantly to these quantifiable benefits.

Solar Panels and Production Plan Optimization

In addition to the biomass initiative, we harnessed the power of the sun through Solar Panels. Paired with strategic Production Plan optimizations, this dual approach yielded further gains:

i. 7% Reduction in Electricity-Related CO2 Emissions: Our solar panels, soaking up sunlight, allowed us to reduce electricity-related CO2 emissions by 7%. This translates to 405 tCO2e/yr less environmental impact.