FAN MILK LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Contents **Pages**

CORPORATE INFORMATION

Directors	Charles Mensa (Dr.)	Chairman
	Jacob Kholi	Vice Chairman
	Jesper Bjorn Jeppesen	Managing Director (Resigned on 30 June 2016)
	Stephane Couste	Managing Director (Appointed on 1 July 2016)
	Kodjo Biamawu Aziagbe	Non executive Director (Resigned 18 February 2016)
	George H. Okai Thompson	Non executive Director
	Peace Ayisi-Okyere	Non executive Director
	Edouard Spicher	Non executive Director
	Jacques Gourmelon	Non executive Director
	Pierre Armangau	Non executive Director (Appointed on 18 February 2016)

Secretary
Lennap & Co.
P.O. Box 37
Accra

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

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

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

Registrar & Transfer Office
NTHC Limited
Martco House
P.O. Box 9563
Airport, Accra

Bankers
Agricultural Development Bank Limited
Barclays Bank of Ghana Limited
Ecobank Ghana Limited
Fidelity Bank Limited
GCB Bank Limited
Prudential Bank Limited
Societe Generale Ghana Limited
Stanbic Bank Ghana Limited

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Fan Milk Limited for the year ended December 31, 2016.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with the requirements of the Companies Act 1963, (Act 179).

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

Principal activity

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

Holding Company

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

Dividends

The directors do not recommend any dividend for the year ended December 31, 2016.

A total dividend of GH¢11.498 million relating to dividend declared for the year 2015 (2014: GH¢10.186 million) was paid to shareholders during the year 2016.

REPORT OF THE DIRECTORS (continued)

Financial results

The financial results of the Company are set out below:

	2016 GH¢'000
Profit before tax for the year is	87,557
from which is deducted tax of	(21,429)
giving a profit after tax for the year of	66,128
to which is added balance brought forward on income surplus account of	110,278
from which is deducted approved dividend of	(12,027)
leaving a balance carried forward on income surplus account of	164,379

The Company's net worth increased from GH¢120.28 million; as at January 1, 2016 to **GH¢174.38 million** at December 31, 2016.

Auditor

The auditor, PricewaterhouseCoopers, has expressed willingness to continue in office in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179).

BY ORDER OF THE BOARD:

JACOB KHOLI
(Name of Director)

(Signature)

Stéphane COUSTE
(Name of Director)

(Signature)

Date: 17th February 2017

CORPORATE GOVERNANCE

Introduction

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

Fan Milk Limited believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the accounts, the business adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Directors

The board is responsible for setting the Company's strategic direction, for leading and controlling the Company and for monitoring activities of executive management. The board presents a balanced and understandable assessment of the Company's progress and prospects.

The board consists of the chairman, vice chairman, five non-executive directors and an executive director (the managing director). The board members, except the Managing Director, are independent of management and free from any constraints, which could materially interfere with the exercise of their independent 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. They meet at least four times a year.

The Audit Committee

The audit committee is made up of four non-executive directors and they meet twice a year. The main board determines its terms of reference and they report back to the board. The chairman is a non-executive director who does not have any conflict of interest with respect to the Company.

Its duties include keeping under review the scope and results of the external audit, as well as the independence and objectivity of the auditor. The audit committee also keeps under review internal financial controls, compliance with laws and regulations and the safeguarding of assets. It also reviews the adequacy of the plan of the internal audit and reviews its audit reports.

CORPORATE GOVERNANCE (continued)

Systems of Internal Control

Fan Milk Limited has well-established internal control systems for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the business are being controlled.

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

Code of Business Ethics

Management has communicated the principles in the Company's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity required for business operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Fan Milk Limited as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179).

What we have audited

We have audited the financial statements of Fan Milk Limited (the "Company") for the year ended December 31, 2016.

The financial statements on pages 10 to 39 comprise:

- statement of financial position as at December 31, 2016;
- statement of profit or loss and other comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables – GH¢2.18 million	
As at December 31, 2016, gross trade receivables amounted to GH¢7.66 million against which impairment	We updated our understanding and tested the operating effectiveness of

Key audit matter	How our audit addressed the key audit matter
provisions of GH¢2.18 million were recorded. We focused on the recoverability of debtors because management exercises significant judgement in determining the credit worthiness of its customers. The basis of the provisions and critical judgements relating to the calculation of the impairment provisions are summarised in note 2(h) in the notes to the financial statements. The judgement reflects information considered by management, including age of the outstanding debts and the debtors' payment history. The gross trade receivables and related impairment provisions are disclosed in note 14 to the financial statements.	management's controls over trade receivables process. We assessed the reasonableness of management's judgement by testing the aging of debtors, and recomputed the impairment provisions based on the observable loss experience of debtors. We tested subsequent receipts from selected debtors to assess the recoverability of debtors at the year end.

Other information

The directors are responsible for the other information. The other information comprises Report of the Directors and Corporate Governance but does not include the Company financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and

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

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2017/028)

Chartered Accountants

Accra, Ghana

27 February 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts are in thousands of Ghana cedis)

		Year ended December 31	
	Note	**2016**	2015
Revenue	4	**386,402**	315,409
Cost of sales	5	**(189,345)**	(156,345)
Gross profit		**197,057**	159,064
Distribution costs	5	**(85,371)**	(73,555)
Administrative expenses	5	**(32,162)**	(29,530)
Other income	6	**2,731**	3,800
Operating profit		**82,255**	59,779
Finance income	7	**6,793**	7,648
Finance costs	8	**(1,491)**	(1,059)
Profit before income tax		**87,557**	66,368
Income tax expense	9	**(21,429)**	(16,652)
Profit for the year		**66,128**	49,716
Other comprehensive income		**-**	-
Total comprehensive income		**66,128**	49,716
Earnings per share			
Basic and diluted (GH¢)	10	**0.57**	0.43

The notes on pages 14 to 39 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
(All amounts are in thousands of Ghana cedis)

		At December 31	
ASSETS	Note	**2016**	2015
Non-current assets			
Property, plant and equipment	11	**155,389**	61,865
Intangible assets	12	**580**	120
		155,969	61,985
Current assets			
Inventories	13	**51,769**	47,383
Trade and other receivables	14	**11,064**	7,175
Cash and cash equivalents	15	**26,262**	97,671
		89,095	152,229
TOTAL ASSETS		**245,064**	214,214
EQUITY & LIABILITY			
Equity attributable to owners			
Stated capital	16	**10,000**	10,000
Income surplus account	17	**164,379**	110,278
		174,379	120,278
Liabilities			
Non-current liabilities			
Deferred income tax	18	**7,649**	6,907
Current liabilities			
Trade and other payables	19	**59,168**	84,097
Current income tax	20	**614**	207
Dividend payable	21	**3,254**	2,725
		63,036	87,029
Total liabilities		**70,685**	93,936
TOTAL EQUITY & LIABILITIES		**245,064**	214,214

The notes on pages 14 to 39 are an integral part of these financial statements.

The financial statements on pages 10 to 39 were approved by the Board of Directors on ..17th Feb. 2017..2017 and signed on its behalf by:

Name of Director: JACOB KHOLI

Signature:

Name of Director: Stéphane COUSTE

Signature:

STATEMENT OF CHANGES IN EQUITY
(All amounts are in thousands of Ghana cedis)

	Stated capital	Income surplus account	Total
Year ended December 31, 2016			
At the beginning of the year	10,000	110,278	**120,278**
Total comprehensive income	-	66,128	**66,128**
Transactions with owners:			
Dividend declared for 2015	-	(12,027)	**(12,027)**
Total transactions with owners	-	(12,027)	**(12,027)**
At the end of the year	10,000	164,379	**174,379**
Year ended December 31, 2015			
At the beginning of the year	10,000	71,021	81,021
Total comprehensive income	-	49,716	49,716
Transactions with owners:			
Dividend declared for 2014	-	(10,459)	(10,459)
Total transactions with owners	-	(10,459)	(10,459)
At the end of the year	10,000	110,278	120,278

The notes on pages 14 to 39 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in thousands of Ghana cedis)

	Note	Year ended December 31 **2016**	2015
Cash flows from operating activities			
Cash generated from operations	22	**62,803**	92,995
Interest paid	8	**(1,491)**	(1,040)
Interest received	7	**6,793**	7,610
Tax paid	20	**(20,280)**	(15,588)
Net cash generated from operating activities		**47,825**	83,977
Cash flows from investing activities			
Purchase of property, plant and equipment	11	**(107,815)**	(13,613)
Purchase of intangible assets	12	**(601)**	(93)
Proceeds from sale of property, plant and equipment	11	**680**	356
Net cash used in investing activities		**(107,736)**	(13,350)
Cash flows from financing activities			
Dividend paid	21	**(11,498)**	(10,186)
Net cash used in financing activities		**(11,498)**	(10,186)
(Decrease)/increase in cash and cash equivalents		**(71,409)**	60,441
Cash and cash equivalents at the beginning of the year		**97,671**	37,230
Cash and cash equivalents at the end of the year	15	**26,262**	97,671

The notes on pages 14 to 39 are an integral part of these financial statements.

NOTES

1. General information

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

The Company is a public limited liability company incorporated under the Companies Act, 1963 (Act 179), listed on the Ghana Stock Exchange and domiciled in Ghana. The registered office is located at Grand Oyeeman Building, Plot No. 9, South Liberation Link Airport Commercial Area Accra.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) and the requirements of the Companies Act 1963, (Act 179). The management of Fan Milk Limited considers the following to be the most important accounting policies for the Company. In applying these accounting policies, management makes certain judgements and estimates that affect the reported amounts of assets and liabilities at the end of the period and the reported revenues and expenses during the financial year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) *New and amended standards adopted by the company*

A number of new and amended standards have become effective for the period beginning January 1, 2016. The directors have assessed the effects of the new and amended standards and have determined that the new and amended standards do not have any material impact on the Company's financial statements or are not relevant to the Company.

(ii) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2016 reporting periods and have not been early adopted by the company. Those that are likely to have an impact on the Company's financial statements when the standard become effective are set out below:

NOTES (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) *New standards and interpretations not yet adopted (continued)*

(a) IFRS 9 Financial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and impairment model for financial assets. The standard is effective for financial periods commencing on or after 1 January 2018.

There will be no impact on the Company's accounting for financial liabilities, as the new requirement only affects the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

(b) IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for adoption.

At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months. The standard is effective for financial periods commencing on or after 1 January 2018.

(c) IFRS 16 Leases

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) *New standards and interpretations not yet adopted (continued)*

(c) IFRS 16 Leases (continued)

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

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

(b) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and other costs directly attributable to the completion of the assets.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

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

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

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

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(d) Intangible assets

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

(e) Impairments of non-financial assets

At the end of each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, based on normal operating capacity. It excludes borrowing costs.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, based on normal operating capacity. It excludes borrowing costs.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(f) Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Spare parts are written off in the year of purchase.

(g) Financial assets

(i) Classification

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

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

The Company's loans and receivables comprise 'trade and other receivables' excluding prepayments in the statement of financial position.

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. Refer to note 2 (h).

(iii) Offsetting financial instruments

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(g) Financial assets (continued)

(iv) Impairment

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

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(h) Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(i) Cash and cash equivalents

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

(j) Stated capital

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

(k) Current and deferred income tax

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

Current income tax

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

Deferred income tax

Deferred income tax is recognised using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(k) Current and deferred income tax (continued)

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at year end.

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

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

(l) 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.

(m) Dividends

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

(n) Revenue recognition

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

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

(i) Sales of goods are recognised in the period in which the Company has delivered products to the customer. Delivery does not occur until the products have been accepted by the customer. Accumulated experience is used to estimate and provide for discounts and returns;

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(o) Employee benefits

Pension obligation
The Company operates a defined contribution pension plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service. The contributions are recognised as employee benefit expense when they are due.

(p) 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.

(q) Earnings per share

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

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

(r) Events after reporting date

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

(s) Contingent liabilities

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for the allocation of resources and assessing the performance of the operation segments.

(u) Leases

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

3. Critical accounting estimates and assumptions

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision.

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

Useful lives of property, plant and equipment

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

Income taxes

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

NOTES (continued)

3. Critical accounting estimates and assumptions (continued)

Impairment of account receivables

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

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

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

4. Revenue

	2016	2015
Gross sales	**454,022**	370,605
Value added tax	**(67,620)**	(55,196)
	386,402	315,409

5. Expenses by nature

Raw materials and consumables used	**137,768**	116,583
Employee benefit expense	**34,676**	35,582
Depreciation on property, plant and equipment (Note 11)	**13,922**	11,855
Amortisation of intangible assets (Note 12)	**141**	244
Repairs and maintenance	**10,883**	11,177
Vehicle running expenses	**14,162**	9,726
Utilities	**22,225**	11,154
Fuel	**3,707**	2,738
Insurance	**1,140**	964
Sales promotion and advertising expenses	**8,370**	8,421
Selling expenses	**34,561**	27,656
Technical service fees	**4,830**	3,943
Auditor's remuneration	**165**	91
Directors' emoluments	**2,075**	1,531
Donations	**1**	1
Transportation expenses	**5,237**	3,576
Provision for bad debt (Note 14)	**129**	453
Bad debts written off	**-**	329
Medical expenses	**2,367**	2,064
Information technology expenses	**471**	586
Communication expenses	**791**	657
Security services expenses	**1,555**	1,329
Rent	**1,479**	492
Environmental and social responsibility expenses	**96**	260
Exchange loss	**2,566**	3,906
Consultancy expenses	**767**	1,160
Other expenses	**757**	838
Miscellaneous factory expenses	**2,037**	1,776
Loss on disposal of property, plant and equipment (Note 11)	**-**	338
	306,878	259,430

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

	2016	2015
Cost of sales	**189,345**	156,345
Distribution costs	**85,371**	73,555
Administrative expenses	**32,162**	29,530
	306,878	259,430

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

5. Expenses by nature (continued)

Employee benefit expense	**2016**	2015
Wages, salaries and allowances	**31,220**	33,278
Social security costs	**2,252**	1,633
Pension costs	**435**	65
Provident fund costs	**769**	606
	34,676	35,582

Total number of staff employed by the Company by the end of the period was **772** (2015: 669).

6. Other income

	2016	2015
Profit on disposal of property, plant and equipment (Note 11)	**311**	-
Sale of empty bags and scraps	**215**	180
Rent income	**1,519**	568
Exchange gain	**657**	2,998
Bad debts recovered	**29**	54
	2,731	3,800

7. Finance income

Exchange gain on cash and cash equivalents	**-**	38
Interest income on fixed deposit and call accounts with banks	**6,793**	7,610
	6,793	7,648

8. Finance costs

Interest payable on agents savings	**1,491**	1,040
Finance cost on staff loans	**-**	19
	1,491	1,059

9. Income tax expense

Current income tax (Note 20)	**20,687**	15,795
Deferred income tax (Note 18)	**742**	857
	21,429	16,652

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:

	2016	2015
Profit before tax	**87,557**	66,368
Tax charged at **25%** (2015: 25%)	**21,889**	16,592
Expenses not deductible in determining taxable profit	**574**	275
Items taxed at a different rate	**(380)**	(142)
Other differences	**(654)**	(73)
	21,429	16,652

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

10. Earnings per share

	2016	2015
Profit for the year	**66,128**	49,716
Number of ordinary shares outstanding	**116,207,288**	116,207,288
Basic and diluted earnings per share (GH¢)	**0.57**	0.43

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

11. Property, plant and equipment

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

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

11. Property, plant and equipment (continued)

At January 1, 2015

	Lease-hold land	Buildings	Motor vehicles	Plant, machinery and others	Capital work in progress	Total
Cost	2,446	11,231	27,039	71,062	2,554	114,332
Accumulated depreciation	(584)	(4,504)	(14,190)	(34,253)	-	(53,531)
Net book value	**1,862**	**6,727**	**12,849**	**36,809**	**2,554**	**60,801**
Year ended December 31, 2015						
Opening net book amount	1,862	6,727	12,849	36,809	2,554	60,801
Additions	-	1,726	3,083	7,299	1,505	13,613
Transfer	240	1,239	-	338	(1,817)	-
Disposals at cost	-	-	(708)	(83)	(600)	(1,391)
Depreciation released on disposal	-	-	616	81	-	697
Depreciation charge	(78)	(1,096)	(3,458)	(7,223)	-	(11,855)
Closing net book amount	**2,024**	**8,596**	**12,382**	**37,221**	**1,642**	**61,865**
At December 31, 2015						
Cost	2,686	14,196	29,414	78,616	1,642	126,554
Accumulated depreciation	(662)	(5,600)	(17,032)	(41,395)	-	(64,689)
Net book value	**2,024**	**8,596**	**12,382**	**37,221**	**1,642**	**61,865**

(Profit)/loss on disposal of property, plant and equipment	**2016**	2015
Cost of assets	**3,576**	1,391
Accumulated depreciation	**(3,207)**	(697)
Net book value	**369**	694
Sale proceeds	**(680)**	(356)
(Profit)/loss on disposal	**(311)**	338

12. Intangible assets

Year ended December 31		
Cost	**724**	631
Addition	**601**	93
	1,325	724
Amortisation		
Opening balance	**(604)**	(360)
Amortisation charge	**(141)**	(244)
	(745)	(604)
Net book value	**580**	120

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

13. Inventories

	2016	2015
Raw materials	**17,277**	12,570
Finished goods	**2,373**	1,892
Work in progress	**256**	326
Goods in transit	**29,369**	31,833
Consumables	**2,494**	762
	51,769	47,383

The cost of inventories charged to the statement of profit or loss and other comprehensive income during the year amount to **GH¢137.8 million** (2015: GH¢116.5 million).

14. Trade and other receivables

	2016	2015
Trade receivables	**7,660**	5,532
Less: Provision for impairment losses	**(2,185)**	(2,086)
Trade receivables – net	**5,475**	3,446
Amounts due from related parties (Note 23)	**1,163**	455
Other receivables	**2,483**	1,800
Amounts due from staff	**297**	225
Prepayments	**1,646**	1,249
	11,064	7,175

The maximum amount of staff indebtedness during the year did not exceed **GH¢0.317 million** (2015: GH¢0.264 million).

The fair value of amounts due from staff is based on cash flow discounted using a rate based on a borrowing rate of **16.35% per annum** (2015: 22.79% per annum). The discount rate equals base rate minus appropriate credit rating from Societe Generale Ghana Limited, (Company's bankers).

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

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

	2016	2015
At January 1	**2,086**	1,687
Bad debt recovered	**(30)**	(54)
Provision charged to profit or loss (Note 5)	**129**	453
At December 31	**2,185**	2,086

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

15. Cash and cash equivalents

Cash and cash equivalents comprise cash held and short term bank deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, the period end cash and cash equivalents comprise the following:

	2016	2015
Cash in hand and at bank	**11,044**	52,941
Cash held on call	**9,114**	12,984
Treasury bills	**6,104**	31,746
Cash and cash equivalents	**26,262**	97,671

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

16. Stated capital

	No. of shares	**Proceeds**	No. of shares	Proceeds
Authorised	**2016**	**2016**	2015	2015
Ordinary shares of no par value	**197,500,000**		197,500,000	
Issued				
For cash consideration	**19,784,548**	**19**	19,784,548	19
For bonus issue	**96,422,740**	**4,000**	96,422,740	4,000
Capitalisation of surplus	**-**	**5,981**	-	5,981
	116,207,288	**10,000**	116,207,288	10,000

There is no unpaid liability on shares. There are no calls or instalments unpaid.

17. Income surplus account

	2016	2015
At beginning of the year	**110,278**	71,021
Net profit for the year	**66,128**	49,716
Dividend declared and approved	**(12,027)**	(10,459)
At end of the year	**164,379**	110,278

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

18. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of **25%** (2015: 25%). The charge for the year relates to accelerated tax allowances on property, plant and equipment, provisions and impairment of trade receivables. The movement in deferred income tax is as follows:

Year end December 31, 2016	At January 1, 2016	Charge to profit or loss	At December 31, 2016
Deferred income tax liability			
Property, plant and equipment on historical cost basis	6,859	819	7,678
Staff leave provision	48	(24)	24
Impairment of trade receivables	-	(53)	(53)
	6,907	742	7,649

Year end December 31, 2015	At January 1, 2015	Charge to profit or loss	At December 31, 2015
Deferred income tax liability			
Property, plant and equipment on historical cost basis	6,001	858	6,859
Staff leave provision	49	(1)	48
	6,050	857	6,907

19. Trade and other payables

	2016	2015
Trade payables	**6,867**	5,659
Amounts due to related parties (Note 23)	**22,923**	38,101
Other payables	**26,053**	36,238
Accrued expenses	**3,325**	4,099
	59,168	84,097

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

20. Current income tax

Year of assessment	Balance at January 1	Charge for the year	Payment in the year	Balance at December 31
Up to 2015	**-**	**15,796**	**(15,589)**	**207**
2016	**-**	**20,687**	**(20,280)**	**407**
	-	**36,483**	**(35,869)**	**614**

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

21. Dividend payable

	2016	2015
At January 1	**2,725**	2,452
Dividend declared for 2015	**12,027**	-
Dividend declared for 2014	**-**	10,459
Dividend paid	**(11,498)**	(10,186)
At December 31	**3,254**	2,725

Payment of dividend is subject to the deduction of withholding taxes at final tax rate of 8%. No dividend has been proposed for December 31, 2016 for approval at the next Annual General Meeting.

22. Cash generated from operations

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

	2016	2015
Profit before tax	**87,557**	66,368
Depreciation (Note 11)	**13,922**	11,855
Amortisation of intangible assets (Note 12)	**141**	244
Interest expense (Note 8)	**1,491**	1,040
Interest income (Note 7)	**(6,793)**	(7,610)
Increase in inventories	**(4,386)**	(27,595)
Increase in trade and other receivables	**(3,889)**	(1,352)
Increase in trade and other payables	**(24,929)**	49,707
(Profit)/loss on disposal of property, plant and equipment (Note 11)	**(311)**	338
Cash generated from operations	**62,803**	92,995

23. Related party disclosures

The major shareholder, Fan Milk International A/S owns 56.64% shares in Fan Milk Limited. Emidan A/S, Fan Milk Togo, Fan Milk Cote D'Ivoire, Fan Milk Nigeria and Fanmilk West Africa Limited are subsidiaries of Fan Milk International A/S and are therefore entities related through common control. In the normal course of business, the Company entered into the following transactions with related parties:

	At December 31	
(i) Purchase of goods	**2016**	2015
Emidan A/S	**164,775**	122,952
Fan Milk Togo	**16,840**	1,716
(ii) Sale of services		
Fan Milk International A/S	**-**	1,432
(iii) Technical assistance		
Fan Milk International A/S	**4,830**	3,943

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

23. Related party disclosures (continued)

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

(i) Amount due from related parties

	At December 31	
	2016	2015
Fan Milk International A/S	**755**	455
Fan Milk Nigeria	**14**	-
Fan Milk Cote D'ivoire	**14**	-
Fan Milk S.A.	**37**	-
Fan Milk West Africa Limited	**343**	-
	1,163	455

(ii) Amount due to related parties

Emidan A/S	**18,923**	32,502
Fan Milk International A/S	**1,402**	3,667
Emidan A/S (current account)	**-**	121
Fan Milk Togo Current account	**-**	15
Danone SA	**180**	350
Fa Milk S.A.	**214**	-
Fan Milk Togo	**2,204**	1,446
	22,923	38,101

Transactions with key management personnel

Key management personnel are considered to be the directors.

Remuneration

Executive director (short-term benefits)	**1,228**	727
Non-executive directors (short-term benefits)	**998**	868

Key management personnel have no post-employment benefits.

24. Contingent liabilities

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. Contingencies at the end of the reporting date amount to **GH¢115,000** (2015: GH¢115,000).

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

25. Financial risk management objectives and policies

Financial risk factors

The Company's activities expose it to a variety of financial risks, market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on its financial performance. The Company does not hedge any of its risk exposures.

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

Market risk

Foreign exchange risk

The Company seeks to reduce its foreign exchange risk exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies.

The Company imports raw materials, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from Euro and United States Dollar exposures. Management is responsible for minimising the effect of the currency exposure by holding bank accounts in foreign currencies.

At December 31, 2016, if the currency had weakened/strengthened by 10% (2015: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GH¢403,156 (2015: GH¢793,306) higher/lower, mainly as a result of US dollar denominated trade payables and cash and bank balances.

At December 31, 2016, if the currency had weakened/strengthened by 10% (2015: 10%) against the Euro with all other variables held constant, post-tax profit for the year and equity would have been GH¢1,232,063 (2015: GH¢1,112,138) lower/higher, mainly as a result of Euro denominated trade payables and cash and bank balances.

Interest rate risk

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date. The Company had no exposure to interest rate risk as at December 31, 2016 (2015: Nil).

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

25. Financial risk management objectives and policies (continued)

Credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and trade and other receivables. Trade and other receivables are mainly derived from sales to customers. The Company does not have any significant concentrations of credit risk. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The Company maintains a provision for impairment of trade receivables based upon the expected collectability of all trade receivables.

Trade receivables consist of invoiced amounts from normal trading activities. The Company has customers throughout Ghana. Strict credit control is exercised through monitoring of cash received from customers and, when necessary, provision is made for specific doubtful accounts. As at December 31, 2016, management was unaware of any significant unprovided credit risk (2015: Nil).

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

	2016	2015
Bank balances (excluding cash)	**21,850**	94,825
Trade and other receivables (excluding prepayments)	**9,418**	5,926
Total credit risk exposure	**31,268**	100,751

Agents savings amounting to **GH¢11.4 million** (2015: GH¢7.41 million) are held as collateral against trade receivables.

	2016	2015
Neither past due nor impaired	**9,418**	5,926
Past due but not impaired	**-**	-
Impaired (over 90 days)	**2,185**	2,086
Total	**11,603**	8,012
Provision for impairment loss	**(2,185)**	(2,086)
Net carrying amount of trade and other receivables	**9,418**	**5,926**

Liquidity risk

The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk.

Prudent liquidity risk management implies that sufficient cash is maintained and that sufficient funding is available through an adequate amount of committed credit facilities.

The Company did not have any banking facility at December 31, 2016 (2015: Nil).

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

25. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Cash of the Company is placed in interest bearing current accounts to provide sufficient funding to meet its obligations. At the end of the reporting date, bank accounts, cash held on call and fixed deposit accounts was **GH¢21.85 million** (2015: GH¢94.83 million). This is expected to be sufficient for managing liquidity risk.

Maturity analysis of financial liabilities

The table below analyses the Company's financial liabilities. All financial liabilities fall due for payment within six months.

	2016	2015
Trade and other payables	**59,168**	84,097

Price risk

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

26. Fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair value, because of their short term nature.

(a) Trade and other receivables

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

(b) Non-derivative financial liabilities

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

(i) Financial instruments by category

Financial assets – Loans and receivables	**2016**	2015
Trade and other receivables	**7,958**	5,246
Amount due from related parties	**1,163**	455
Amount due from staff	**297**	225
Cash and cash equivalents	**26,262**	97,671
	35,680	103,597
Financial liabilities at amortised cost		
Trade and other payables (excluding statutory liabilities)	**51,805**	80,158

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

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

(ii) Fair value estimation

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

	Level 1	Level 2	Level 3
At December 31, 2016			
Financial asset measured at fair value:			
- Treasury bills with financial institutions	-	6,104	-
At December 31, 2015			
Financial asset measured at fair value:			
- Treasury bills with financial institutions	-	31,746	-

At December 31, 2015 and 2016, the Company did not hold any financial liabilities that are measured at fair value.

27. Capital commitments

There were no capital commitments at the end of the year (2015: Nil).

28. Capital risk management

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debts. No changes were made in the objectives, policies and processes from the previous year. The company did not have any borrowings at the end of the year (2015: Nil).

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

28. Capital risk management (continued)

The gearing ratios at December 31, 2016 and 2015 were as follows:

	2016	2015
Cash and cash equivalents	**26,262**	97,671
Total equity	**174,379**	120,278
Gearing ratio	**-**	-

29. Segment information

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

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