FAN MILK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Contents **Page(s)**

CORPORATE INFORMATION

Directors	Charles Mensa (Dr.)	Chairman
	Ziobeieton Yeo	Managing Director (Appointed on January 1, 2019)
	George H. Okai Thompson	Non-executive Director
	Peace Ayisi-Okyere	Non-executive Director
	Pierre Armangau	Non-executive Director (Resigned on November 30, 2019)
	Frédéric Leblan	Non-executive Director
	Tiago Carneiro Dos Santos	Non-executive Director (Resigned on February 27, 2020)
	David Percy Duker	Executive Director (Appointed on December 3, 2019)
	Zahi El Khatib	Non-executive Director (Resigned on October 9, 2019)
Secretary	Lennap & Co. P.O. Box 37 Accra	
Independent auditor	PricewaterhouseCoopers Chartered Accountants PwC Tower A4 Rangoon Lane, Cantonment City 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	

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, 2019.

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, 2019 (Act 992).

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

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

Principal activity

The principal activity of the Company is the manufacture, 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.

Holding Company

Fan Milk International A/S incorporated in Denmark is the majority shareholder of Fan Milk Limited with 56.64% 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%.

Dividends

The directors do not recommend dividend for the year ended 31 December 2019.

REPORT OF THE DIRECTORS (continued)

Financial results

The financial results of the Company for the year ended December 31, 2019 are set out below:

	GH¢'000
Profit before tax for the year is	38,734
from which is deducted tax of	(13,718)
giving a profit after tax for the year of	25,016
to which is added balance brought forward on retained earnings	224,575
from which is deducted approved dividend of	-
leaving a balance carried forward on retained earnings of	249,591

The Company's net worth increased from GH¢234.58 million as at January 1, 2019 to GH¢259.6 million at December 31, 2019.

Auditor

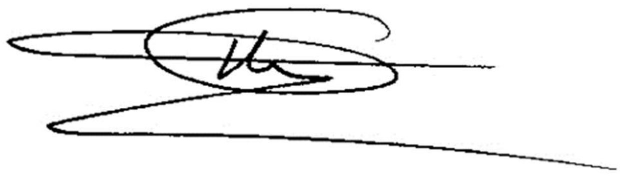
The auditor, PricewaterhouseCoopers, has expressed their willingness to continue in office in accordance with Section 139(5) of the Companies Act 2019 (Act 992).

BY ORDER OF THE BOARD:

Dr. Charles Mensa
....
(Name of Director)

Ziobeieton Yeo
....
(Name of Director)

....
(Signature)



....
(Signature)

Date: 24 April 2020

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 takes into account 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, three non-executive directors and two executive directors (which includes the Managing Director). The board members, except the Managing Director and David Percy Duker, 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 21 February 2019 and 3 December 2019.

CORPORATE GOVERNANCE (continued)

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.

Conflict of Interest

The Company, as part of its progressive step 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.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fan Milk Limited (the "Company") the ' as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992).

What we have audited

We have audited the financial statements of Fan Milk Limited for the year ended 31 December 2019.

The financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants and the independence requirements of section 143 of the Companies Act, 2019 (Act 992) that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key audit matters

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

Key audit matter	**How our audit addressed the key audit matter**
Impairment of trade receivables – GH¢2.62 million Gross trade receivable as at 31 December 2019 amount to GH¢20.28 million of which an impairment loss allowance of GH¢2.62 million has been recognised. We consider allowance for impairment of trade receivables as a key audit matter because the determination of appropriate levels of provisioning for impairment requires significant judgement. The impairment allowance is determined using the expected credit loss (ECL) model which considers cash short falls in various default scenarios. The short falls are determined based on management's assessment of customers' risk and their historic default rates. The basis of the provisions and critical judgements relating to the calculation of the impairment provisions are summarised in notes 2 (g) and 2(h) in the notes to the financial statements. The gross trade receivables and related impairment provisions are disclosed in note 14 to the financial statements.	We updated our understanding and tested the operating effectiveness of management's controls over the trade receivables process. We circularised selected trade receivables amounts to determine the existence of debtor balances. We checked the reasonableness of management assessment of customers' default risk. We tested the historic default rates, management's assessment of customer risk and forward-looking information used in the estimation of expected credit loss provision for the year. We recomputed the ECL provision based on the verified inputs and assumptions used by management. We tested subsequent receipts from selected debtors to assess the recoverability of debtors at the year end. We checked appropriateness of IFRS 9 ECL disclosures.

Other information

The directors are responsible for the other information. The other information comprises Corporate information, Report of the Directors, Corporate Governance, Financial highlights, Board of Directors, Shareholding Distribution, 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 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, 2019 (Act 992), 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:

Auditor's responsibilities for the audit of the financial statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act, 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 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 statement of financial position and Company's statement of comprehensive income are in agreement with the books of account.

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

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2020/028)

Chartered Accountants

Accra, Ghana

27 April 2020

pwc

STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in thousands of Ghana cedis)

		Year ended December 31	
	Note	**2019**	2018
Revenue from contracts with customers	4	**424,486**	389,507
Cost of sales	5	**(254,210)**	(240,731)
Gross profit		**170,276**	148,776
Impairment of financial assets	5	**(1,800)**	(642)
Distribution costs	5	**(91,309)**	(76,366)
Administrative expenses	5	**(50,656)**	(73,878)
Other income – (net)	6	**10,039**	18,001
Operating profit		**36,550**	15,891
Finance income	7	**4,949**	1,314
Finance costs	8	**(2,765)**	(1,134)
Profit before income tax		**38,734**	16,071
Income tax expense	9	**(13,718)**	(3,172)
Profit for the year		**25,016**	12,899
Other comprehensive income		**-**	-
Total comprehensive income		**25,016**	12,899
Earnings per share			
Basic and diluted (GH¢)	12	**0.22**	0.11

The notes on pages 15 to 48 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	**2019**	2018
Non-current assets			
Property, plant and equipment	10	**187,380**	196,784
Right of use asset	25	**3,726**	-
Intangible assets	11	**867**	137
		191,973	196,921
Current assets			
Inventories	13	**96,606**	50,400
Trade and other receivables	14	**47,024**	23,769
Current income tax asset	20	**1,184**	9,343
Cash and cash equivalents	15	**39,032**	45,969
		183,846	129,481
TOTAL ASSETS		**375,819**	326,402
EQUITY AND LIABILITIES			
Equity attributable to owners			
Stated capital	16	**10,000**	10,000
Retained earnings	17	**249,591**	224,575
		259,591	234,575
Liabilities			
Non-current liabilities			
Deferred income tax liability	18	**11,295**	8,580
Lease liability	25	**3,717**	-
		15,012	8,580
Current liabilities			
Lease liability	25	**425**	-
Employee benefit obligation	24	**1,390**	-
Trade and other payables	19	**96,363**	80,182
Dividend payable	21	**3,038**	3,065
		101,216	83,247
Total liabilities		**116,228**	91,827
TOTAL EQUITY AND LIABILITIES		**375,819**	326,402

The notes on pages 15 to 48 are an integral part of these financial statements.

The financial statements on pages 11 to 48 were approved by the Board of Directors on 24 April 2020 and signed on its behalf by:

Name of Director: Dr. Charles Mensa **Name of Director:** Ziobeieton Yeo

Signature: **Signature:**

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

	Stated capital	Retained earnings	Total
Year ended December 31, 2019			
At the beginning of the year	10,000	224,575	**234,575**
Total comprehensive income	-	25,016	**25,016**
Transactions with owners	-	-	-
At the end of the year	10,000	249,591	**259,591**
Year ended December 31, 2018			
At the beginning of the year	10,000	211,676	**221,676**
Total comprehensive income	-	12,899	**12,899**
Transactions with owners:			
Total transactions with owners	-	-	-
At the end of the year	10,000	224,575	**234,575**

The notes on pages 15 to 48 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 2019	2018
Cash flows from operating activities			
Cash generated from operations	22	**14,559**	77,085
Interest paid	8	**(2,266)**	(1,134)
Interest received	7	**4,949**	1,299
Tax paid	20	**(9,258)**	(12,349)
Net cash inflow from operating activities		**7,984**	64,901
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(27,163)**	(53,875)
Purchase of intangible assets	11	**(1,022)**	-
Proceeds from sale of property, plant and equipment	10	**14,287**	14,268
Net cash used in investing activities		**(13,898)**	(39,607)
Cash flows from financing activities			
Lease payments	25	**(996)**	-
Dividend paid	21	**(27)**	(39)
Net cash used in financing activities		**(1,023)**	(39)
(Decrease)/ increase in cash and cash equivalents		**(6,937)**	25,255
Cash and cash equivalents at the beginning of the year		**45,969**	20,699
Effects of exchange rate changes on cash and cash equivalents	7	**-**	15
Cash and cash equivalents at the end of the year	15	**39,032**	45,969

The notes on pages 15 to 48 are an integral part of these financial statements.

NOTES

1. General information

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

The Company is a public limited liability company incorporated under the Companies Act, 2019 (Act 992), 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.

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 are made that affect the reported amounts of assets and liabilities at the end of the period and the reported revenues and expenses during the financial year. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) New and amended standards adopted by the company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Interpretation 23 Uncertainty over Income Tax Treatments.
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Prepayment Features with Negative Compensation – Amendments to IFRS 9

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 25. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

(c) Property, plant and equipment

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

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:

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

Included in the plant, machinery and others in note 10 are the cost and depreciation of deep freezers and bicycles, computer and furniture and fittings. The costs of distribution trucks are included in motor vehicles.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(d) Intangible assets

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(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. 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.

(f) Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Spare parts are generally treated as inventories. As they are usually used for maintenance and repairs, their cost is expensed when used. However, there are exceptions where:

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(g) Financial assets

(i) Classification

The Company has one type of financial asset that is subject to the expected credit loss model which is 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:

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

(ii) 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.

(iii) 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 in other income/(expense) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(iv) 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)

(v) Impairment

The Company assesses on a forward-looking basis the expected credit loss 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. On that basis, the loss rates as at December 31, 2019 is as follows:

	1 to 30 days	31 to 180 days	More than 180 days
Loss allowance	-	-	100%

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

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

(i) Cash and cash equivalents

Cash and cash equivalents 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.

(j) Stated capital

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

(k) Current and deferred income tax

Income tax expense

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

Current income tax

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

Deferred income tax

Deferred income tax is recognised using the liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(k) Current and deferred income tax (continued)

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.

(l) 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 costs. The company's financial liabilities include, trade and other payables.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Dividends

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

(o) Revenue recognition

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

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 4.

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.

(p) Employee benefits

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Refer to Note 24 for further disclosures.

(q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as administrative expense.

(r) Earnings per share

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

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

(s) Events after reporting date

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

(t) Contingent liabilities

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

(u) Segment reporting

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

(v) Leases

As indicated in note 2(a)(i) above, the Company has adopted IFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 18%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(v) Leases (continued)

(ii) The Company's leasing activities and how these are accounted for

The Company leases one warehouse. Rental contracts are typically made for fixed periods of 5 years, but may have extension options as described in (iii) below. 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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 leases 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.

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

(v) Leases (continued)

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.

(iii) Extension and termination options

Extension and termination options are included in a number of property leases. 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.

3. 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.

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 2 (c). 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¢304,370 (2018: GH¢287,420) higher or lower.

Income taxes

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

Impairment of account receivables

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

NOTES (continued)

3. Critical accounting estimates and assumptions (continued)

Employee benefit obligations

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. Additional information is disclosed in note 24.

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.

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

4. Revenue from contracts with customers

	2019	2018
Net sales	**424,486**	389,507

Gross sales by product type

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

	2019	2018
Dairy	**360,774**	336,406
Juice	**29,446**	24,946
Ice cream	**76,025**	65,193
Gross sales	**466,245**	426,545
Rebates	**(41,759)**	(37,038)
	424,486	389,507

5. Expenses by nature

	2019	2018
Raw materials and consumables	**174,965**	174,990
Employee benefit expense	**47,483**	46,883
Depreciation on property, plant and equipment (Note 10)	**30,437**	28,742
Amortisation of intangible assets (Note 11)	**292**	211
Depreciation charge on right-of-use asset (Note 25)	**931**	-
Repairs and maintenance	**31,694**	12,548
Vehicle running expenses	**1,252**	19,142
Utilities	**23,639**	23,365
Fuel	**5,459**	5,564
Insurance	**1,733**	1,787
Sales promotion and advertising expenses	**12,563**	8,133
Technical service fees	**13,987**	16,867
Auditor's remuneration	**240**	237
Directors' emoluments	**2,914**	2,555
Donations	**1**	1
Transportation expenses	**8,747**	5,665
Impairment charge (Note 14)	**1,800**	642
Information technology expenses	**786**	854

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

5. Expenses by nature (continued)

	2019	2018
Outsource labour cost	**3,784**	2,154
Communication expenses	**1,210**	1,122
Security services expenses	**1,296**	1,480
Rent	**3,503**	2,748
Environmental and social responsibility expenses	**35**	94
Exchange loss	**3,401**	5,520
Consultancy expenses	**2,329**	2,764
Impairment loss on production plant (Note 10)	**-**	10,346
Bonuses	**4,592**	1,832
Long service awards	**1,390**	-
Medical expenses	**2,687**	2,536
Other expenses	**11,316**	9,246
Other factory expenses	**3,509**	3,589
	397,975	391,617

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

	2019	2018
Cost of sales	**254,210**	240,731
Distribution costs	**91,309**	76,366
Impairment of financial assets	**1,800**	642
Administrative expenses	**50,656**	73,878
	397,975	391,617

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

Employee benefit expense comprise:

Wages, salaries and allowances	**41,968**	41,561
Pension costs	**3,468**	3,407
Provident fund costs	**2,047**	1,915
	47,483	46,883

The total number of staff employed by the Company by the end of the year was 623 (2018: 891).

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

6. Other income - (net)

	2019	2018
Profit on disposal of property, plant and equipment (Note 10)	**8,157**	13,075
Sale of empty bags and scraps	**151**	256
Rent income	**936**	1,084
Exchange gain	**195**	3,403
Exchange loss	**(198)**	-
Bad debts recovered	**798**	183
	10,039	18,001

7. Finance income

Exchange gain on cash and cash equivalents	**-**	15
Interest income on fixed deposit and call accounts with banks	**4,949**	1,299
	4,949	1,314

8. Finance costs

Interest expense on agents' savings	**1,368**	1,134
Finance cost on staff loan	**18**	-
Interest on lease liabilities (Note 25)	**481**	-
Finance cost on credit facility	**898**	-
	2,765	1,134

As at 31 December 2019, the company held an undrawn facility of GH¢75,000,000 with a local bank which attracted an interest rate of 18%.

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.

9. Income tax expense

Current income tax (Note 20)	**11,003**	4,839
Deferred income tax (Note 18)	**2,715**	(1,667)
	13,718	3,172

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

9. Income tax expense (continued)

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:

	2019	2018
Profit before tax	**38,734**	16,071
Tax charged at 25% (2018: 25%)	**9,684**	4,018
Expenses not deductible in determining taxable profit	**2,877**	846
Non-qualifying assets	**3,716**	-
Income not taxable	**(2,039)**	-
Other timing differences	**(520)**	(1,692)
	13,718	3,172

The effective tax rate was 35% as at 31 December 2019 (2018: 20%)

10. Property, plant and equipment

	Lease-hold land	**Buildings**	**Motor vehicles**	**Plant, machinery and others**	**Capital work in progress**	**Total**
At January 1, 2019						
Cost	3,830	45,663	42,143	213,319	10,310	315,265
Accumulated depreciation	(866)	(9,266)	(27,370)	(80,979)	-	(118,481)
Net book amount	2,964	36,397	14,773	132,340	10,310	196,784
Year ended December 31, 2019						
Opening net book amount	2,964	36,397	14,773	132,340	10,310	196,784
Additions	-	-	-	-	27,163	27,163
Transfer	-	210	10,472	9,575	(20,257)	-
Disposals at cost	-	(1,249)	(2,976)	(914)	(4,353)	(9,492)
Depreciation released on disposal	-	400	2,136	826	-	3,362
Depreciation charge	(73)	(2,221)	(5,624)	(22,519)	-	(30,437)
Closing net book amount	**2,891**	**33,537**	**18,781**	**119,308**	**12,863**	**187,380**
At December 31, 2019						
Cost	3,830	44,624	49,639	221,980	12,863	332,936
Accumulated depreciation	(939)	(11,087)	(30,858)	(102,672)	-	(145,556)
Net book amount	**2,891**	**33,537**	**18,781**	**119,308**	**12,863**	**187,380**

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

10. Property, plant and equipment (continued)

	Leasehold land	Buildings	Motor vehicles	Plant, machinery and others	Capital work in progress	Total
At January 1, 2018						
Cost	3,216	28,590	40,776	160,181	45,256	278,019
Accumulated depreciation	(783)	(7,733)	(24,217)	(62,096)	-	(94,829)
Net book amount	2,433	20,857	16,559	98,085	45,256	183,190
Year ended December 31, 2018						
Opening net book amount	2,433	20,857	16,559	98,085	45,256	183,190
Additions	-	-	-	-	53,875	53,875
Transfer	614	17,176	3,005	68,026	(88,821)	-
Disposals at cost	-	(103)	(1,638)	(4,542)	-	(6,283)
Depreciation released on disposal	-	102	1,233	3,755	-	5,090
Depreciation charge	(83)	(1,635)	(4,386)	(22,638)	-	(28,742)
Impairment loss	-	-	-	(10,346)	-	(10,346)
Closing net book amount	2,964	36,397	14,773	132,340	10,310	196,784
At December 31, 2018						
Cost	3,830	45,663	42,143	213,319	10,310	315,265
Accumulated depreciation	(866)	(9,266)	(27,370)	(80,979)	-	(118,481)
Net book amount	2,964	36,397	14,773	132,340	10,310	196,784

Profit on disposal of property, plant and equipment	**2019**	2018
Cost	**9,492**	6,283
Accumulated depreciation	**(3,362)**	(5,090)
Net book amount	**6,130**	1,193
Sale proceeds	**(14,287)**	(14,268)
Profit on disposal	**(8,157)**	(13,075)

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

11. Intangible assets

	2019	2018
Cost		
At January 1	**1,325**	1,325
Additions	**1,022**	-
At 31 December	**2,347**	1,325
Amortisation		
At January 1	**(1,188)**	(977)
Amortisation charge	**(292)**	(211)
At December 31	**(1,480)**	(1,188)
Net book amount at December 31	**867**	137

12. Earnings per share

	2019	2018
Profit for the year	**25,016**	12,899
Number of ordinary shares outstanding	**116,207,288**	116,207,288
Basic and diluted earnings per share (GH¢)	**0.22**	0.11

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

13. Inventories

	2019	2018
Raw materials	**47,254**	16,980
Finished goods	**4,791**	5,073
Work in progress	**105**	536
Goods in transit	**31,901**	17,972
Consumables	**12,555**	9,839
	96,606	50,400

The cost of inventories charged to the statement of comprehensive income during the year amounts to GH¢174.96 million (2018: GH¢174.9 million). An amount of GH¢1,699,593 was charged to profit or loss as expired and damaged inventories during the year ended 31 December 2019 (2018: GH¢2,065,805). Increase in Inventory balance in 2019 related to forward purchase of raw material. This also impacts Goods in Transit.

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

14. Trade and other receivables

	2019	2018
Trade receivables	**20,284**	14,350
Less: Provision for impairment losses	**(2,620)**	(1,618)
Trade receivables – net	**17,664**	12,732
Due from related parties (Note 23)	**21,363**	3,947
Other receivables	**1,795**	2,309
Due from staff	**427**	523
Prepayments	**5,775**	4,258
	47,024	23,769

Increase in Receivables is driven by advance payment to Intercompany for Fixed Assets, and commencement of production of finished goods to FanMilk Togo. Trade Receivables increase driven by increased business through indoor channel.

The maximum amount of staff indebtedness during the year did not exceed GH¢609,000 (2018: GH¢523,000).

The fair value of amounts due from staff is based on the discounted cash flows using a borrowing rate based on a borrowing rate of 18% per annum (2018: 18% per annum). The company applied Ghana Reference Rate (GRR) plus an appropriate credit rating from the Company's key bankers as discount rate. The directors consider the carrying amount other receivables approximates to their fair value.

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

	2019	2018
At January 1	**1,618**	1,159
Bad debts recovered	**(798)**	(183)
Impairment charge for the year (Note 5)	**1,800**	642
At December 31	**2,620**	1,618

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:

	2019	2018
Cash in hand and at bank	**36,799**	39,025
Deposits at call	**2,233**	6,944
	39,032	45,969

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

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

16. Stated capital

The authorised shares of the company is 197,500,000 ordinary shares of no par value

	No. of shares	Proceeds
Issued		
For cash consideration	**19,784,548**	**19**
For bonus issue	**96,422,740**	**4,000**
Capitalisation of surplus	**-**	**5,981**
	116,207,288	**10,000**

There was no change in the authorised and issued ordinary shares as at December 31, 2018 and December 31, 2019.

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

17. Retained earnings

	2019	2018
At 1 January	**224,575**	211,676
Profit for the year	**25,016**	12,899
At end of the year	**249,591**	224,575

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% (2018: 25%). There were no unrecognised tax assets as at 31 December 2019. (2018: NIL). The movement in deferred income tax is as follows:

Year ended December 31, 2019	At January 1, 2019	Charge to profit or loss	At December 31, 2019
Deferred income tax liability	-		
Property, plant and equipment on historical cost basis	11,505	1,187	**12,692**
Staff leave provision	(245)	113	**(132)**
Impairment of trade receivables	(146)	(304)	**(450)**
Restructuring provision	(2,368)	1,553	**(815)**
Litigation provision	(166)	166	**-**
	8,580	**2,715**	**11,295**

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

18. Deferred income tax (continued)

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

19. Trade and other payables

	2019	2018
Trade payables	**8,614**	8,187
Due to related parties (Note 23)	**40,952**	17,983
Other payables	**32,308**	29,661
Restructuring provision	**3,099**	9,537
Accrued expenses	**11,390**	14,814
	96,363	80,182

Restructuring provision relates to management's plans towards operational efficiency. An agreement was reached with the union representatives in June 2019, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the company, as well as amounts payable to those made redundant. The total estimated staff restructuring costs to be incurred are GH¢12,636,000. These costs were fully provided for in the current reporting period. The remaining provision of GH¢3,099,000 is expected to be fully utilised over the next 12 months.

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

20. Current income tax

Year ended December 31, 2019

Year of assessment	**Balance at January 1**	**Charge for the year**	**Payment in the year**	**Balance at December 31**
Up to 2018	(9,343)	6,414	-	**(2,929)**
2019	-	11,003	(9,258)	**1,745**
	(9,343)	17,417	(9,258)	**(1,184)**

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

20. Current income tax (continued)

Year ended December 31, 2018

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

21. Dividend payable

	2019	2018
At January 1	**3,065**	3,104
Dividend paid	**(27)**	(39)
At December 31	**3,038**	3,065

Payment of dividend is subject to the deduction of withholding taxes at final tax rate of 8%. The directors do not recommend any dividend for the year ended December 31, 2019 (2018: nil).

22. Cash generated from operations

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

	2019	2018
Profit before tax	**38,734**	16,071
Depreciation (Note 10)	**30,437**	28,742
Impairment loss on production plant (Note 10)	**-**	10,346
Impairment of financial assets	**1800**	642
Amortisation of intangible assets (Note 11)	**292**	211
Depreciation charge on right-of-use asset	**931**	-
Finance costs (Note 8)	**2,765**	1,134
Finance income (Note 7)	**(4,949)**	(1,299)
Exchange gain on cash and cash equivalents (Note 7)	**-**	(15)
Non-cash portion of tax offset	**6,414**	-
Profit on disposal of property, plant and equipment (Note 10)	**(8,157)**	(13,075)
Changes in working capital:		
(Increase)/decrease in inventories	**(46,206)**	15,951
(Increase)/decrease in trade and other receivables (less interest receivable on staff loan and impairment on financial assets)	**(25,073)**	3,277
Increase in employee benefit obligation	**1,390**	-
Increase in trade and other payables	**16,181**	15,100
Cash generated from operations	**14,559**	77,085

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

23. Related party disclosures

Fan Milk International A/S holds 56.64% of the Company's issued ordinary shares in Fan Milk Limited. 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:

Purchase of goods	**2019**	2018
Emidan A/S	**161,987**	116,002
Danone SA	**1,802**	-
Centrale Danone (an affiliate of Danone S.A)	**210**	-
Fan Milk Nigeria	**650**	-
Fan Milk Cote D'Ivoire	**148**	-
FanMilk West Africa Limited	**611**	-
Fan Milk Togo	**193**	3,117
Sale of goods		
Fan Milk Togo	**3,424**	-
FanMilk West Africa Limited	**3,029**	
Fan Milk Cote D'Ivoire	**75**	-
Fan Milk International A/S		
Technical assistance	**-**	462
Royalties	**13,987**	16,867

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

Due from related parties

	2019	2018
Fan Milk Nigeria	**51**	-
Fan Milk Togo Current account	**3,708**	462
Emidan A/S (Fixed Assets account)	**11,524**	-
Danone SA	**100**	-
Fan Milk Cote d'Ivoire	**77**	-
Fanmilk West Africa Limited	**5,903**	3,485
	21,363	3,947

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

23. Related party disclosures (continued)

Due to related parties

Emidan A/S	**31,737**	12,088
Fan Milk International A/S	**3,148**	2,787
Emidan A/S (current account)	**655**	399
Danone SA	**1,802**	-
Fan Milk Cote d'Ivoire	**192**	5
Fan Milk Nigeria	**-**	163
Emidan A/S -Fixed Assets Account	**-**	608
Fan Milk Togo	**3,418**	1,933
	40,952	17,983

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

	2019	2018
Remuneration;		
Executive Director (short-term benefits)	**2,448**	2,023
Non-executive Directors (short-term benefits)	**466**	532

Key management personnel have no post-employment benefits.

24. 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. The expense recognised in the current period in relation to these obligations was GHS1,390 (2018: Nil).

	2019
Long service award	**1,390**

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

Present value of obligation	**2019**
Obligation at start of year	**-**
Long service cost charged to profit and loss	**1,390**
Obligation at year end	**1,390**

The significant actuarial assumptions applied are as follows:

Attrition rate	**11%**
Inflation rate	**7.2%**

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

25. Leases

The company's lease was entered into after 1 January 2019, and no adjustments were therefore made to opening retained earnings.

Measurement of lease liabilities

Lease liabilities

	2019
At 1 January	-
Add: contracts reassessed as lease contracts	3,661
Interest on lease liabilities	481
	4,142

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Lease liabilities

	2019
Current lease liabilities	425
Non-current lease liabilities	3,717
	4,142

Measurement of right-of-use assets

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019.

Right-of-use assets

	2019
Buildings (Warehouse)	
Cost	
At 1 January	-
Additions	4,657
At 31 December	4,657
Depreciation charge of right-of-use assets	
At 1 January	-
Charge	931
At 31 December	931
Net book amount	3,726

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

25. Leases (continued)

Additions to the right-of-use assets during the 2019 financial year were GH¢4,654,868 (2018: nil).

3. Amounts recognised in the statement of profit or loss

Depreciation charge of right-of-use assets

	2019
Buildings (Warehouse)	
At 1 January	-
Additions (Note 5)	931
At 31 December	**931**
Interest expense (included in finance cost)	**481**
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	**4,410**

4. Amounts paid with respect to leases

Principal payment	**515**
Interest payment	**481**
At 31 December	**996**

The total financing cash outflow for leases in 2019 was GH¢996,496 (2018: Nil).

26. Contingent liabilities

The Company has pending legal claims arising in the ordinary course of business. The Company considers it probable that no material liabilities will arise from these claims. The potential undiscounted amount of total payments that the Company would be required to make if there was an adverse decision related to the legal claims is estimated to be NIL (2018: GH¢2,251,000).

27. 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.

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

27. Financial risk management objectives and policies (continued)

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 December 31, 2019, if the currency had weakened/strengthened by 10% (2018: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been GH¢44,049 (2018: GH¢494,870) higher/lower, mainly as a result of US dollar denominated trade payables, receivables and cash and bank balances.

At December 31, 2019, if the currency had weakened/strengthened by 10% (2018: 10%) against the Euro with all other variables held constant, post-tax profit for the year and equity would have been GH¢2,526,979 (2018: GH¢1,575,551) lower/higher, mainly as a result of Euro denominated trade payables, receivables and cash and bank balances.

Refer to the table below for the exposure balances for foreign exchange risk:

	2019	2018
Bank balances (excluding cash)	**4,246**	761
Trade and other receivables	**3,901**	576
Trade and other payables	**31,829**	15,236
	39,976	16,573

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, 2019 (2018: Nil).

Price risk

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

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

27. Financial risk management objectives and policies (continued)

Financial risk factors (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 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, 2019, management was unaware of any significant unprovided credit risk (2018: 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:

	2019	2018
Bank balances (excluding cash)	**36,799**	43,118
Trade receivable	**17,664**	12,732
Other receivables (excluding prepayments)	**1,795**	6,778
Total credit risk exposure	**56,258**	62,628

Agents savings amounting to GH¢13.8 million (2018: GH¢13.4 million) are held as collateral against trade receivables.

The expected loss rates are based on the payment profiles of sales customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information. 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. General macro-economic factors have not been incorporated into the analysis due to the short credit life of receivables. Management assumes that the impact of these factors would not change significantly over the credit life of receivables.

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

27. Financial risk management objectives and policies (continued)

Financial risk factors (continued)

Credit risk (continued)

On that basis, the loss allowance as at December 31, 2019 and December 31, 2018 is as follows:

	1 to 30 days	31 to 180 days	More than 180 days	Total
2019				
Gross carrying amount	15,593	2,071	2,620	**20,284**
Loss allowance	-	-	2,620	**2,620**
2018				
Gross carrying amount	10,697	2,445	1,209	14,351
Loss allowance	69	341	1,209	1,619

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 insignificant as at 31 December 2019 (2018: nil). The assets are assessed to be in stage 1.

Liquidity risk

The Company evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Company devises strategies to manage its liquidity risk. Prudent liquidity risk management implies that sufficient cash is maintained, and that sufficient funding is available through an adequate amount of committed credit facilities.

The Company places cash in interest bearing current accounts to provide sufficient funding to meet its obligations. At the end of the reporting date, bank accounts, cash held on call and fixed deposit accounts was GH¢36.79 million (2018: GH¢43.12 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 are non-interest bearing fall due for payment within six months.

	2019	2018
Trade and other payables (excluding non-financial liabilities)	**89,075**	72,281
Dividend	**3,038**	3,065
Lease liabilities	**4,142**	-
	96,255	75,346

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

28. 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

	2019	2018
Trade and other receivables (excluding non-financial assets)	**19,459**	15,041
Amount due from related parties	**21,363**	3,947
Amount due from staff	**427**	523
Cash and cash equivalents	**39,032**	45,969
	80,281	65,480

(ii) Financial liabilities at amortised cost

Trade and other payables (excluding non-financial liabilities)	**89,075**	72,281
Dividend	**3,038**	3,065
	92,133	75,346

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 carrying value of Company's financial assets and liabilities approximates its fair value.

29. Capital commitments

There were no capital commitments at the end of the year (2018: Nil).

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

30. 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 (2018: Nil). The net debt to equity ratio increased from nil to 1.6% following the adoption of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019

The gearing ratios at December 31, 2019 and 2018 were as follows:

	2019	2018
Cash and cash equivalents	**39,032**	45,969
Debt (lease liabilities)	**(4,142)**	-
Net debt	**34,890**	-
Total equity	**259,591**	234,575
Gearing ratio	1.6%	-

31. 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. Ninety-four percent of the Company's revenue is derived from sale of diary products and the remaining six percent is derived from sale of fruit drinks. Management considers the products to have similar economic characteristics and they have therefore been aggregated into a single operating segment.

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

32. Subsequent events

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy and as a result the Expected Credit Loss (ECL) provisions relating to forward looking information will be impacted. The company is, however, not able to produce a reliable estimate of this impact at this point. The directors are not aware of any other material events that have occurred between the date of the statement of financial position and the date of this report. The directors do not expect the COVID-19 pandemic to have a significant impact on the company's ability to continue as a going concern for a period of 12 months from the end of the financial year.

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

Year end:	**2019**	**2018**	**2017**	**2016**
Profit after taxation	25,016	12,899	47,297	66,128
Earnings per share	0.22	0.11	0.41	0.57
Total number of shares issued	116,207,288	116,207,288	116,207,288	116,207,288
Dividend Per Share	0.00	0.00	0.00	0.00
Total assets	375,819	326,402	300,109	245,064
Shareholders' fund	259,591	234,575	221,676	174,379
Permanent staff	581	469	487	427
Stock price range (per share):				
High (GH¢)	8.01	17.80	20.00	7.35
Low (GH¢)	4.12	7.99	11.08	5.25

Distribution of Gross Sales

	2019	**%**	**2018**	**%**
Amounts in GH¢'000				
Revenue (Gross)	466,245	9.3	426,545	100.0
Revenue	424,486	8.9	389,507	78.0
Cost of Sales	254,210	5.6	240,731	51.8
Distribution costs	91,309	19.6	76,366	16.4
Administrative expenses	50,656	(31.4)	73,878	60.2
Impairment on financial assets	1,800	(180)	642	523
Finance costs	2,765	143.8	1,134	0.2
Value added tax	42,349	44.7	75,510	16.2
Tax	13,718	332.5	3,172	0.7
Transfer to statement of changes in equity	25,016	93.9	12,899	2.8
Other income	10,039	(44.2)	18,001	3.9
Finance income	4,949	276.6	1,314	0.3

FINANCIAL HIGHLIGHTS (continued)

Operational results

Amounts in GH¢'000	2019	2018	change	% change
Revenue	424,486	389,507	34,979	8.9
Cost of Sales	(254,210)	(240,731)	(13,479)	5.6
Distribution costs	(91,309)	(76,366)	(14,943)	19.6
Administrative expenses	(50,656)	(73,878)	(23,222)	(31.4)
Impairment on financial assets	(1,800)	(642)	(1,158)	180
Finance costs	(2,765)	(1,134)	(1,631)	143.8
Finance income	4,949	1,314	3,635	276.6
Other income	10,039	18,001	(7,962)	(44.2)
Profit before tax	38,734	16,071	22,663	141.0
Tax	(13,718)	(3,172)	(10,546)	332.5
Profit for the year	25,016	12,899	12,117	93.9

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, three non-executive directors and two executive directors (which includes the Managing Director). The board members, except the Managing Director and David Percy Duker, 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.

Profile of the Board of directors

Dr. Charles Mensa (Chairman)

Dr. Charles Mensa (age 66, 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 Limited an extensive experience in leading key industries and also in public policy advocacy.

Dr. Mensa served as the CEO of Volta Aluminium Company (VALCO), the largest aluminium smelter in sub-Saharan Africa. Prior to assuming the position of CEO in October 2004, he had been 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 as a Research Associate at the Centre for Public Choice, George Mason University, and at the International Monetary Fund (IMF). In the United States, Dr. Mensa 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 69, 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.

BOARD OF DIRECTORS (continued)

He was attached to the U.S. Department of Commerce (Patents & Trademark Office) in 1979 and has been in private law practice since 1980. He was appointed Special Prosecutor by the Government of The Gambia in March 1982 in connection with treason and allied offences. In private practice, he has rendered opinion and advice on a wide range of civil matters such as competition law, banking, corporate, labour, tax and land law to both local and foreign companies. George has acted for Volta Aluminium Company Limited, Westinghouse Electric Corporation, Sanyo Electric Co. Ltd, Maersk Ghana Limited, APM Terminals Ghana Limited, Damco Logistics Ghana Limited, Sky IP International Limited and the Saudi Arabian Embassy in Ghana. He currently runs the law firm of G.H. Thompson & Associates which has a special relationship with the South African intellectual property law firm of Spoor & Fisher.

Committee membership: Audit

Other Directorships: Aviat Networks Ghana Limited.

Peace Ayisi-Okyere (Non-Executive Director)

Peace Ayisi-Okyere (Mrs), (aged 73, Ghanaian) was educated at Wesley Girls' High School in Cape Coast, Ghana. She holds an Honours degree in Economics from the University of Ghana, and a Masters in Business Administration (Finance and Accounting option) from the prestigious Babson College in the USA.

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

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

Committee membership: NIL

Other Directorships: NIL

Frederic Leblan (Non-Executive Director)

Mr. Frédéric Leblan, (age 45, French), who is the VP Finance, Danone Africa was appointed non-executive director in October 2019. Mr. Leblan has a demonstrated history of administrative, financial and risk management and leadership in the food production industry.

BOARD OF DIRECTORS (continued)

Mr. Leblan started his career in 1996 at Lafarge Aluminates UK Finance positions. Mr. Leblan joined Danone in 2001 as Finance Manager of HP Foods Group, based in London. In 2004 he was promoted as Danone Group Cash Flow Business Controller, then Finance Director at Evian Volvic Sources in 2007. In 2010, he took the role of Corporate Development Project Director working in particular on Danone Africa recent acquisitions.

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

In January 2018, Frédéric was appointed to his current role as Vice President Finance, Danone Africa.

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

Committee Membership: NIL

Other Directorships: Fan Milk Togo, Fan Milk Ivory Coast, Fan Milk Nigeria, Fan Milk International (Denmark), Emidan A/S and Ice Midco A/S both in Denmark.

Ziobeieton Yeo (Managing Director)

Mr. Ziobeieton Yeo, (age 45, Ivorian), has significant experience in general management, global marketing, operations, communications, brand development and product management. Mr. Yeo has almost 20 years of experience in different positions in several countries including Cote d'Ivoire, Senegal, Kenya, Ghana and South Africa.

He has held a number of general management, customer development and marketing positions at Unilever, and recently as Managing Director of Unilever Ghana Ltd. Prior to that he was the Managing Director of the 16 countries of Unilever in Francophone West Africa. Before that 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.

Mr. Yeo holds a post graduate degree in Marketing, Communications and General Management from the ESCA Business School in Abidjan. He also studied Business English at Brighton University, in the United Kingdom.

Committee Membership: NIL

Other Directorships: Fan Milk Togo, Fan Milk Cote d'ivoire, Fan Milk PLC (Nigeria) and Fan Milk International.

BOARD OF DIRECTORS (continued)

Incoming Director

David Percy Duker (Executive Director)

Mr. David Percy Duker (age 49, Ghanaian), the Sales Director of Fan Milk Limited is an accomplished Sales & Marketing professional and has over 20 years' professional experience working with multinational Fast-Moving Consumer Goods (FMCGs) in Ghana. He has led and with his influence contributed to the organic growth of the organisations within the competitive environment. He was a key commercial sponsor that led a team to understand the Diageo Visibility Automation program in Nairobi- Kenya (TRAXX) in 2017.

Mr Duker obtained his West African Examination Certificate (WAEC) Ordinary Level Certificate from Aggrey Memorial Secondary School in 1987 and West African Examination Certificate (WAEC) Advanced Level Certificate from Swedru Secondary School in 1989. He proceeded to pursue his Professional Certificate Marketing- Chartered Institute of Marketing in 2008 and obtained a Marketing Degree from Kwame Nkrumah University of Science and Technology-Garden City College Campus in the 2012/2013 academic year and acquired a master's degree in Business Administration from the University of Ghana Business School in 2016.

Mr. Duker obtained international experience in academia from the North-Eastern University (D'Amore- McKim-School of Business), USA, Temple University (Fox School of Business), USA and Yale School of Management- (Executive Education)-Global Network School Program- Connecticut-USA.

Mr. Duker started his career as a Company Sales Representative at UNILEVER from 1999 to 2009 and rose through the ranks to the position of a Divisional Sales Manager from 2010 to 2012. He also worked as a Divisional Sales Manager at DIEGO from 2012 to 2018 where he was assigned to different territories until his appointment to the Company.

Committee Membership: NIL

Other Directorships: NIL

Capacity Building of Board Members

With the exception of the Managing Director who attended two training sessions on Crisis Management CM1 Fundamentals organised on 24th September 2019 and Crisis Management CM2 Advanced in Istanbul, Turkey, the rest of the directors did not attend any training within the period under review. That notwithstanding, they continue to discharge their duties with excellence.

SHAREHOLDING DISTRIBUTION AS AT DECEMBER 31, 2019

The following are the twenty largest shareholders as at December 31, 2019. All shareholders have equal voting right.

Numbe	Name of shareholder	Number of shares	Percentage (%)
1	Fan Milk International A/S	65,822,250	56.64
2	SCGN/Hong Kong Shanghai Arisag Africa, Consumer Fund Limited	6,345,563	5.46
3	STD NOMS/Bnym Lux/East Spring Invest Sicav – Fis	5,138,324	4.42
4	SCGN/SSB Lloyd G.Inv Co. Fund Lyf3	2,486,129	2.14
5	SCGN/RBC Investor Services Re Coeli SICAV I -, Frontier Markets Fund	2,091,000	1.8
6	Social Security And National Insurance Trust	1,853,124	1.59
7	SCGN/SSBT For Al Mehwar Com. Inv. Llc – Aejm	1,065,000	0.92
8	SCGN/SSB & T As Cust Re-Aberdeen	849,845	0.73
9	STD Noms/Bnym/Florida Retirement System	844,828	0.73
10	STD Noms/Bnym Re Gothic Corp Mutima Capital	826,599	0.71
11	SCGN/Enterprise Life Ass. Co. Policy Holders	801,352	0.69
12	SCGN/ Epack Investment	784,626	0.68
13	STD Noms/BNYMSANV Re Prudential Africa	731,875	0.63
14	SCGN/ SSB and Trust As Cust For Russell Trust	606,100	0.52
15	STD Noms/SANV/KAPFRG Investin Pro	496,831	0.43
16	SCGN/BPSS Lux/ Aberdeen Standard SICA I/UC	468,507	0.40
17	SCGN/Northern Trust Guernsey Re Ggdp Re:Aif	437,300	0.38
18	SCGN/SSB & T AS Cust For BMO Lloyd George	355,900	0.31
19	HFCN/EDC Ghana Balanced Fund Limited	330,006	0.28
20	SCGN/SSL C/O SSBTCB Re BMO I (Lux)II FCP-RAIF-FR2C	327,200	0.28
Sub total		92,662,359	79.74
Others		23,544,929	20.26
Grand Total		**116,207,288**	**100.00**

Directors' shareholding

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

SHAREHOLDING DISTRIBUTION AS AT DECEMBER 31, 2019 (continued)

Category of holdings	No. of shareholders	Holding	Percentage holding
1 – 1000	3,121	848,278	0.73
1001 – 5000	1,021	2,242,138	1.93
5001 – 10000	278	1,834,262	1.58
10001 +	731	111,282,610	95.76
TOTAL	**5,151**	**116,207,288**	**100.00**

THE MACRO-ECONOMIC ENVIRONMENT

The Ghanaian economy performed reasonably well in 2019 after the Statistical Service (GSS) rebasing exercising in 2018. The economy was estimated to grow by about 6.8%, such growth among the highest in the world.

The Government economic programme for 2019 was premised on consolidating the gains made in the previous year in stabilizing the Ghanaian economy and increasing individual participation in the economy. The primary policies outlined in the government economic policy statement focus on the creation of a conducive business environment which allows for the economic engagement of all Ghanaians; promoting inclusive growth without compromising fiscal consolidation.

The government still focused its attention on the four thematic areas to develop the economy. These were:

- Continuing transformation of agriculture and industry
- A revamp of economic and social infrastructure – including the educational system
- Strengthening of social protection and inclusion.
- Reformation of public service delivery institutions

ECONOMIC INDICATORS

Some economic indicators for year 2019 are indicated below.

GDP Growth

At the end of the first half of 2019, real GDP grew by 6.7 percent, reflecting a firmer growth in the service industry. Overall, GDP growth for 2019 is projected to be close to the target of 7.0 percent.

Inflation

Headline inflation has remained in the single digit since June 2018 and more recently remained steady around the target of 8.0% ending 2019 at a rate of 7.9 %.

Exchange Rates

The local currency suffered sharp depreciation in 2019 as compared to 2018. The first quarter of the year recorded the worse depreciation. On year on year basis, the GHS depreciated by 12.9% against the dollar compared to 8.4% in 2018, 15.7% against the GBP and 11.2% against the EUR compared with 3.3% and 3.9% respectively over the same period in 2018.

PERFORMANCE ON THE STOCK MARKET

The price of the Company's shares fell by 48.4% from GHS 7.99 in January 2019 to GHS 4.12 per share by 31 December 2019.

CORPORATE SOCIAL RESPONSIBILITY

Activities for 2019

The Company has been engaged in activities with social impact within the localities in which it operates. The Company continues to demonstrate this commitment in collaboration with the Ghana National Scholarship Beneficiaries Association (GNASBA) by giving 100 litter bins to twenty-six (26) primary, junior and senior High Schools in the Ashanti Region.

Ethics

We pride ourselves as being an ethical corporate citizen and operate in accordance with the laws of Ghana. We also complied with all relevant regulations and honoured our obligations to all stakeholders. Above all we delivered what we promised our numerous discerning consumers. We continue to instil ethical values in our employees by periodically taking them through a refresher training in Integrity Policy and apprising them of the Code of Business Conduct under the Compliance Programme.

ISO certifications

The Company continues to be compliant with International Organisation for Standardization (ISO) management standards which is an international standard-setting body composed of representatives from various national standards organisation.

As at the end of year 2019, the Company possessed the following ISO Certifications:

- ISO 9001:2015 Quality Management Systems
- ISO 22000:2005 Food Safety Management Systems

Social responsibility towards employees

The Company endeavours to guarantee a safe working environment, health and social security for all employees. To remain competitive, the Company is also offering fair compensation and benefits, as well as guaranteeing rest periods for its employees. The Company also upholds freedom of association and the right of employees to collective bargaining but does not condone discrimination in respect of employment and occupation.

The Company provides laundry and canteen services for the comfort and well-being of employees while they are discharging their duties and responsibilities. Staff who work within the Factory and Head office also benefit from bus services to and from work.

The Company remains focused on its commitment to the development of careers of staff through various sponsored programmes.

By virtue of the implementation of the Free Senior High School Education Policy (**Policy**), the Company did not continue its support for eligible children of employees with scholarships through their second-cycle education because they were covered by the Policy.

CORPORATE SOCIAL RESPONSIBILITY (continued)

The Company recognizes exceptional performance of its employees and has the practice of giving awards to staff annually. For the year under review the awards of particular note are as follows:

- Workers of the Year Award for Exceptional Performance of Individual Employees; and
- Long Service Awards were awarded to Dedicated Service Employees.

The Worker of the Year Awards offered prizes to employees who excelled in their respective professions or vocations in the Company.

The Long Service Awards, which comprised household appliances such as cookers, refrigerators, deep freezers, cylinder and televisions sets among others were given to employees who had served loyally for at least ten (10) years and subsequently for each additional five (5) years served. In addition to the prizes each award winner received a certificate.

Additionally, the Company's employees benefit from paid maternity and paternity leave.

Internships

As has been the practice of the Company to consistently provide career support to graduates and regular students, we are proud to state that during the period under review, we engaged thirty-five (35) national service personnel and five (5) interns across the nation.

Health and safety

The Company continuously assesses the safety, health and environmental impact of its operations on both employees and the general public. Members of staff are regularly screened in conformity with the food vendors' health regulations.

Having the welfare of all employees at heart, the Company, in collaboration with Nationwide Medical Insurance, carried out breast screening exercises for its employees in October 2019.

The Company continues to maintain the comprehensive medical insurance scheme for staff and their dependents. This scheme affords employees and their dependents the opportunity to access a wide range of health services and facilities across the length and breadth of the country.

Emphasis is continuously placed on safety in the workplace and its immediate environs notably through the WISE^2 program (Work In Safe Environment), a Danone worldwide program, aiming at reducing the number of workplace accidents through two approaches: (i) promote the culture of workplace health and safety at all Company sites (ii) ensure compliance with standards for the most critical risk situations. Therefore, high safety standards aimed at protecting all individuals have been instituted throughout the Company in compliance with the requirements of regulatory bodies such as the Ghana National Fire Service, the Factories Inspectorate Division of the Employment Ministry and the Health Inspectorate Department of the Accra Metropolitan Assembly. To reaffirm the Company's position on safety, the Company begins all meetings with a safety contact exercise highlighting the safety topic for the month.

CORPORATE SOCIAL RESPONSIBILITY (continued)

In 2019, no fatal accident was recorded at Fan Milk. Similarly, Fan Milk achieved workplace accident leading to time off significantly decreased in 2019 as only one workplace accident leading to time off was recorded compared to 8 in 2018. Therefore, we achieved our target of reducing by half these accidents.

It is worth noting that there has been a consistent decline from 2016 (levels recorded was 19), demonstrating our commitment to ensure that our employees work in a safe and healthy environment.

The Health and Safety is also extended to the Agents Vendors where they are periodically trained at the Fan Academy on various topics including sensitizing them on Health and Safety.

Apart from the preventive measures in place and the drive to continuously improve upon them, the Company has maintained the Group Comprehensive Insurance Policy for staff with 24-hour cover for the following eventualities:

- Work related accidents;
- Non-work related accidents; and
- Fatal accidents.

Sustainability Reporting

Sustainability in the Company's scope of operation tells the economic, environmental and social impacts created by our everyday activities to the public at large and most importantly our strategic external and internal stakeholders.

Danone has spread out all over the world with vision of One Planet One Health. The ambition is to build health and environment concerns across the world by recognizing that the health of people and the health of the planet are interconnected.

It also presents the Company's values, governance model and demonstrates the link between our business strategy and our sustainability objectives.

The Sustainability growth of the Company is led by the General Secretary for West Africa who ensures that all issues which border on social, environment, health and nutrition under sustainability are adequately handled.

As a step to driving sustainability within the Company, we have adopted Danone Way program, an annual self-assessment to measure how entities are performing against our sustainability commitments and priorities at the local, regional and global level.

Danone Way serves three strategic objectives which are 1) Support local implementation of the 2030 Company Goals 2) Ensure local integration of Danone's commitments and support the disclosure required information and 3) Prepare central business units for B Corp™ certification.

CORPORATE SOCIAL RESPONSIBILITY (continued)

The results of the 2019 self-assessment allowed Danone to identify strengths and sustainable development challenges at local level and incorporate them into the entities' process for setting strategic priorities.

The Danone 2030 Goals embed the business, brand and trust models of the Company to drive long-term sustainable value creation. These nine goals constitute the strategic framework of Danone.

Gender Diversity

Gender Diversity ensures fair representation of people of different genders which gives room for ensuring equitable ratio of men and women. Fan Milk Limited has promoted diversity as an opportunity everywhere, a source of innovation and agility for its teams. Diversity is about recognizing the uniqueness of each employee and valorizing the added value their differences all together bring to Fan Milk.

In 2019, the International Women's Day was celebrated in Ghana under the theme **"Think equal, build smart, innovate for change" with a #BalanceforBetter''**. Fan Milk leveraged on the global theme and held a session for its female employees encouraging them on the importance of influencing and driving policy changes that seek to increase the representation of women in senior leadership positions in Ghana.

Learning

At the end of year 2019, all Fan Milk Limited employees were migrated onto the dedicated learning platform known as "Campus X". This platform provides the opportunity for all Fan Milk employees to improve their understanding of the business, grow their network with employees from all departments and develop their professional & leadership skills regardless of their position.

Collaborating with our stakeholders on environmental topics

<u>Creating an environmentally and socially sustainable Ecosystem – One Planet</u>
The year 2019 was another important period to reinforce Fan Milk's mother Company Danone delivering strong results, reflective of the objectives of Danone 2030 Goals. We made great strides in supporting the improvement of our One Planet, One Health ambition through our sustainability programmes and healthy refreshing products. The following activities give details of activities during the year under review:

<u>FanMilk Celebrated 26 Years of Partnership with GNASBA School Sanitation Campaign Project:</u> Fan Milk in partnership with the Ghana National Scholarship Beneficiaries Association (GNASBA) launched the GNASBA Schools Environmental Sanitation Education Campaign. The goal of this project was to work with GNASBA as an NGO to champion environmentally sustainable projects namely; planting trees in schools, as well as running education and awareness campaigns around proper sanitation to positively impact behavioural change in schools. In the last 26 years, through GNASBA, over 10,000 Fan Milk branded bins have been distributed across schools nationwide to promote, build and instil a sense of responsibility of

CORPORATE SOCIAL RESPONSIBILITY (continued)

good sanitation in schools. In 2019, we donated 100 bins worth GHS10,000 to 26 public schools in Kumasi.

Pick-IT Sorting Center – Towards a Circular Economy
In 2017, Fan Milk proposed an alternative path forward: an inclusive recycling system that guarantees environmentally and socially responsible plastic by enabling a plastic-free environment in Ghana while maintaining existing and creating new jobs in the waste sector. Pick-IT was launched as a project co-created by Fan Milk, Environment 360, Massachusetts Institute of Technology Design Lab (MIT-D-Lab), Women in Informal Employment Globalizing Organizing (WIEGO), with funding from Danone Ecosystem Fund and the Netherlands Development Agency. In the year under review, the sorting center recovered and sold over 60 tons of plastic from the Tema New Town Community and its environs, which otherwise would have littered the community, choked gutters or ended up in landfill, thereby generating a shared wealth of over GHS50,000. Additionally, the project's education and awareness creation has reached over 10,000 residents, school children, members of the Tema Newtown and created jobs for many people across the plastics value chain.

Also, in line with our goal to ensure that by 2025 all our packaging is either reusable, recyclable or compostable, the decision was made to phase out all PolyVinyl Chloride (PVC) packaging since it cannot be recycled. This will mean that 100% of Fan Milk Limited's packaging will be recyclable. These initiatives are in line with our internal commitments towards achieving circularity and in fulfilment of our external commitment to the Ellen McArthur Foundation Declaration.

Multi-Stakeholder Engagement, GRIPE: In 2019, Fan Milk served as the Vice President of Ghana Recycling Initiative by Private Enterprises (GRIPE) and played a significant role in advancing the work of GRIPE. Fan Milk is very proud to have hosted the first GRIPE board meeting and attended by 23 people comprising all steering committee and managing directors of the GRIPE member companies. With the Pick-IT sorting center as the flagship project by member companies, Mr. Yeo Ziobeieton pledged his unflinching support to the coalition to ensure that GRIPE can meet its annual collection targets. GRIPE recovered an estimated 73 tons of plastics with over 60 tons being recovered through the sorting center.

In terms of external stakeholder, through GRIPE and AGI contributions were made to the National Plastics Policy Document, which is currently under review pending approval from the cabinet of Ghana. Finally, through GRIPE conversations around setting up Ghana's first Extended Producer Responsibility Scheme using the Polluter Pay Principle are very far advanced.

Environmental 2019 performance

Water Stewardship: In 2019, Fan Milk in line with Danone Water Stewardship guidelines, targeted to decrease water intensity in factories. The factory achieved and exceeded its target. Fan Milk in 2019 demonstrated efficient use of water in its production sites, thereby minimizing waste and ensuring sustainability.

Wastewater Treatment: In order to achieve 100% compliance with Danone's Clean Water Standards regarding the discharge of wastewater in our facilities, Fan Milk is proud to announce the approval for the construction of a new wastewater treatment plant at the Factory. This will also result in compliance with the local Environmental Protection Agency regulation to ensure the Company's activities are not degrading the watersheds.

CORPORATE SOCIAL RESPONSIBILITY (continued)

Carbon Emission: In order to achieve our goal of carbon neutrality by 2050, the first step was to reduce (i) emission intensity by 50% on Danone's full scope (scope 1,2 and 3). (ii) reduce absolute emission by 30% on scope 1 and 2, between 2015 and 2030. Therefore, Fan Milk in partnership with the Danone Nature Body in 2019 undertook a baseline using the Green Track Tool to assess Scope 1, 2 and 3 Emissions of Fan Milk. This will serve as a framework for measurement and tracking of carbon emissions to achieve the set target by 2050.

One Health
Launch of SuperYogo Plain & Lemon.
Fan Milk launched the First fortified Frozen Yoghurt in Ghana in line with its agenda to improve the general nutrition and well-being of Ghanaians. SuperYogo comes in PLAIN & LEMON flavours and its enriched with relevant vitamins and minerals essential for the healthy development of body and mind. The product has enjoyed wide acceptance from both Young and old and continues to grow in all channels both outdoor & indoor.

Fanchoco Caravan:
The Fan Choco Caravan is a brand building initiative that aims at sensitizing, educating, and encouraging healthier lifestyle choices amongst teenagers in Ghana. The Company does this by building brand affinity with kids by positioning Fan Choco as a healthier snack option, sensitizing the youngsters about sanitation and waste segregation starting with FanChoco wrappers.

Brand Talk is centered on nutritional education around the snack period which is a critical component of the children's diets. FanChoco is positioned as a healthier snack alternative due to its functional attribute of being a flavoured milk drink. Milk inherently containing calcium which helps with development of strong bones especially needed by kids.

Proper waste disposal is also highlighted, and the recovered Fan Milk wrappers are aggregated and sent to the Pick-IT sorting center for recycling, thereby ensuring it does not litter the environment.

Empowering Fan Milk Staff to be First Aid Ready Trainings- First Aid Training and Ammonia Response: In 2019, fifty members of staff from over 10 locations in Ghana were provided with a free First Aid training. The goal of providing this certified training was to empower our teams to respond to industrial or minor accidents in the office before receiving medical attention. This is also in line with ensuring the utmost safety of all our employees.

Productivity

The Company launched the "**DaMaWay**" (the Danone Manufacturing Way) at the Factory at the end of January 2019. The focus is on safety, quality, cost, delivery, motivation and environment. The aim is to be among the top 3 Danone Manufacturing Hub of Excellence in Africa by 2021.

During the year under review, the Company won an Operation Efficiency Turnaround award for its outstanding performance in the Damaway for ensuring high operational efficiency, significant drop in material losses and improvement in operational productivity and savings.