FAN MILK PLC

ANNUAL REPORTS AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FAN MILK PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS

INDEX

FAN MILK PLC

CORPORATE INFORMATION

Board of Directors	Charles Mensa (Dr)	Chairman
	Ziobeieton Yeo	Managing Director
	George H. Okai Thompson	Non-Executive Director
	Peace Ayisi-Okyere	Non-Executive Director
	Fen Wei Chin	Non-Executive Director

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

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

Registered Office/
Principal Place of Business
No.1 Dadeban Road
North Industrial Area
Accra

Independent Auditors
Mazars
Chartered Accountants and Business Advisors
Nos. 7 & 9 Nyame Adom Courts
Adonai Lane, Ajiringanor, East Legon, Accra.
PMB LG DTD 20014, Accra.
P. O. Box GP 2957, Accra
C000454711X
GD-165-5957

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

Bankers
Ecobank Ghana Limited
Societe Generale Ghana
Stanbic Bank Ghana Limited

Company Registration Number
PL000761120

Taxpayer Identification Number
C0002890208

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
FAN MILK PLC

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2022, which discloses the state of affairs of Fan Milk Plc (the “Company”)

Statement of Directors’ responsibilities

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

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

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

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

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

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

Principal activity

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

Donations and Charity

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

Going Concern

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

Events after the Reporting period

The Directors confirm that no events have arisen after 31 December 2022, which affect the financial statements for the year ended on that date.

The company has determined that there is no significant doubt about the entity's ability to continue as a going concern. There is no significant subsequent event. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2022 have not been adjusted to reflect any subsequent event impact.

Dividends

The Directors do not recommend payment of dividend for the year ended 31 December 2022.

Performance on the stock market

The price of the Company's shares fell on the Ghana Stock Exchange in 2022. It dropped by 25% from GH¢4.00 in January 2022 to GH¢3.00 per share on 31 December 2022.

Financial Results

The financial results of the Company for the year ended 31 December 2022 are set out below:

	2022	2021
	GH¢'000	GH¢'000
Loss for the year before Tax is	**(33,557)**	(20,873)
From which is deducted Income Tax (Expense)/Credit of	**(8,039)**	7,443
	-----------	----------
Giving Loss after Tax of	**(41,596)**	(13,430)
To which is added balance on Retained Earnings		
Account brought forward of	**236,675**	250,105
Leaving a balance to be carried forward	-----------	-----------
On the Retained Earnings Account of	**195,079**	236,675
	======	======

The company's net assets decreased from GH¢ 246.7million as at 31 December 2021 to GH¢205.1 million as at 31 December 2022.

Capital expenditure

During the year ended 31 December 2022, an amount of GH¢11.704 million (2021: GH¢47.19 million) was spent on acquiring additional intangible assets and property, plant and equipment to support the Company's operations.

Key among these assets are:

Factory / Plant

- Biomass Boiler
- Engine Room Ventilation

Sales

- Bicycles & Push Carts

Administration

- Other IT/IS items
- ERP Integration

Quality Certifications

In 2022, the company retained its Food Safety Systems Certificate validity, demonstrating a robust and effective food safety management system per international standards. It also achieved a renewal of the Ghana Food and Drugs Administration (FDA) Manufacturing Facility License Certificate, showing adherence to local standards for food manufacturing.

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

Capacity building of Directors

During the year ended 31 December 2022, no formal training was organised for the Directors by the Company.

Interest of Directors

During the year ended 31 December 2022, no significant or material contract was entered into by the Company in which Directors of the Company had an interest which significantly or materially affected the business of the Company.

Remuneration of executive and non-executive Directors

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

Audit fees

Audit fee for the year ended 31 December 2022 is GH¢287,000 (2021: GH¢228,600)

Acknowledgement
The Board of Directors wishes to express their sincere appreciation to shareholders, customers, distributors, agents, vendors, management, and staff for their invaluable contributions in the operations of the Company in 2022.

BY ORDER OF THE BOARD:

Dr. Charles Mensa	Ziobeieton Yeo
(Name of Director)	**(Name of Director)**
………………………………	………………………………
(Signature)	**(Signature)**
Date: 30 March 2023	**Date:** 30 March 2023

CORPORATE GOVERNANCE

Introduction

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

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

The Board of Directors

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

The board consists of the Chairman, three Non-Executive Directors and one Executive Director (which is the Managing Director). The board members, except the Managing Director, are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgement. They have experience and knowledge of the industry, markets, financial and other business information to make a valuable contribution to the Company's progress. The Managing Director is a separate individual from the Chairman who implements the strategies and policies adopted by the board. The board meets at least four times each year.

The Audit Committee

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

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

During the period under review, the committee met on 26 February 2022 and 25 November 2022

External Audit

Mazars was at the audit committee meeting held on November 25, 2022, to share their audit plan which included objectives of the audit, audit approach, responsibilities of the Directors and the auditor, audit scope and reporting timetable for the year ended 31 December 2022.

At the February 28 2023, Audit Committee meeting, Mazars presented their observations and matters arising from their audit of the financial statements for the year ended 31 December 2022 to the committee members.

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

Systems of Internal Control

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

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

Code of Business Ethics

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

Conflict of Interest

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

mazars

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

Opinion

We have audited the financial statements of Fan Milk Plc, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes as set out on pages 20 to 51.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Fan Milk Plc as at 31 December 2022, 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 Ghana Companies Act, 2019 (Act 992).

Basis for Opinion

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

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

Key Audit Matters

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

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

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DIGITAL ADDRESS: GD165-5957
REGISTRATION: COOO454711X
CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS
PARTNERS: FT AKONOR INR, WO DARKO, K AMPIM-DARKO, R. AJETUNMOBI

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

Key Audit Matters (continued)

Key Audit matters	How these matters were addressed in the audit
Trade Terms and Rebates (Ghs76.064m) Sales rebates, advertising and promotion costs represents significant items and are areas of significant management judgement. Additionally, as a result of competition and pressure from distributors, these costs may grow faster. Because of their increasing significance, proper controls over these costs are essential. Such controls require that a detailed budget process, specific control and accounting procedures for commitments, structured and reliable authorization and follow-up procedures are established. These procedures are generally complex, in particular due to the number of persons involved with the transactions, both externally (structure of the distribution) as well as internally (Sales, marketing and finance departments) and their confidentially.	We performed control testing of the internal control over sales deductions including the controls on conditional rebates and trade support (off – invoice) that these are planned, and agreed as per specific cluster contract policy and updated in system accordingly; We checked that customers payments/deductions are allocated promptly to the correct invoices (and payable/credit notes where applicable); We performed tests related to sales cut-off at year end; We performed substantive testing on the accuracy and appropriateness of customer's deductions recorded over the period and rebate provision calculation at year end. We ensured the conditions to recognize rebates are met by obtaining and reviewing supporting documentation; We ensured that booking and the presentation of customers' deduction and provision over the period are accurate; We performed separate substantive testing procedures over each type of Rebates settlement (i.e deductions, cash disbursements and other settlements); We performed a year end review of customers' rebate provisions and rebate costs in the year by comparison with prior year and obtaining explanation for significant variance and obtained supporting documentation on a representative sample.

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

Key Audit Matters (continued)

Key Audit matters	How these matters were addressed in the audit
Impairment of Trade Receivables Ghs4.009m Gross trade receivable as at the end of December 31st, 2022 was Ghs59.887m out of which an impairment loss allowance of Ghs4.739m was recognized. Management applied a simplified approach (Provision matrix) to determine the impairment loss allowance which is based on expected credit loss (ECL). In applying the provision matrix, management estimates the ultimate write offs for a defined population of trade receivables. Collection of these receivables are then analysed by time buckets. A loss ratio is calculated by dividing the ultimate write off by the amounts outstanding in each time bucket. The ratio is adjusted with forward looking information such as inflation. Management exercises significant judgements in the determination of default, period selected in assessing historical loss rates and the selection of forward looking information. The determination of the expected credit loss (ECL) is therefore considered as a key audit matter for the company based on the level of complexity and significant management judgement involved. The basis of the provision and critical judgements relating to the calculation of the impairment provision are summarized in notes 3.3, 3.6, 3.7 and 4.3 to the financial statements. The gross trade receivables and related impairment provisions are disclosed in note 15 to the financial statements.	We evaluated the design and tested the operating effectiveness of management's controls over trade receivables process including recording of credit sales, approval of credit limits and dunning. We circularized selected trade receivables amounts for direct confirmation of the existence and amount stated as trade receivable balances. We agreed the historical write-offs and the trade receivable time buckets used in the ECL calculation to historical data. The forward looking information used in the ECL calculation was also agreed to observable macroeconomic data. We assessed the appropriateness of assumptions and judgements made by management around the definition of default to the nature of forward looking information, the weights assumed in adjusting loss ratio with forward looking information and the period used in assessing the historical loss rates. We recomputed the impairment loss allowance based on the verified inputs and assumptions used by management. We performed post balance sheet review on selected debtors to assess payments after the balance sheet date and to test recoverability of trade debtors stated at the year end. We checked the adequacy of disclosures made in the financial statements for impairments loss allowances.

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

Other Information

The directors are responsible for the other information. The other information comprises the Corporate information, Report of the Directors, Corporate Governance, Financial highlights, Board of Directors, Shareholding structure, Macro-economic environment and Corporate Social Responsibility but does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Management for the Financial Statements

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

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

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

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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. From the matters communicated with the directors, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report unless law or regulations precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

mazars

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the statement of financial position and 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 **Roland Bayo Ajetunmobi (ICAG/P/1580).**

MAZARS
....
For and on behalf of Mazars (ICAG/F2023/)
Chartered Accountants and Business Advisors
Nos. 7 and 9 Nyame Adom Courts, Adonai Lane,
Adjiringanor, East Legon, Accra
PMB LG DTD 20014, Accra
P. O. Box GP 2957, Accra

30 - 03 - **2023**

FAN MILK PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Notes	**2022**	2021
Revenue	5	**536,938**	468,095
Cost of sales	6	**(421,066)**	(344,818)
Gross Profit		**115,872**	123,277
Impairment of financial assets	6	**(1,958)**	(4,318)
Distribution costs	6	**(96,419)**	(97,136)
Administrative expenses	6	**(51,290)**	(47,807)
Other income – (net)	7	**3,652**	5,927
Operating Loss		**(30,143)**	(20,057)
Finance income	8	**18,341**	2,513
Finance costs	9	**(21,755)**	(3,329)
Loss before income tax		**(33,557)**	(20,873)
Income tax (expense)/credit	10	**(8,039)**	7,443
Loss for the year		**(41,596)**	(13,430)
Other comprehensive income		**-**	-
Total Comprehensive loss		**(41,596)**	(13,430)
Earnings per share:			
Basic and diluted (GH¢)	26	**(0.358)**	(0.116)

The notes on pages 19 to 50 are an integral part of these financial statements.

FAN MILK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(All amounts are expressed in thousands of Ghana Cedi unless otherwise stated)

ASSETS	Notes	2022	2021
Non-Current Assets			
Property, Plant and Equipment	11	**174,095**	191,404
Right-of-use-Asset	12	**8,239**	4,638
Intangible Assets	13	**546**	1,031
Deferred Tax Asset	19	**8,002**	-
		190,882	197,073
Current Assets			
Inventory	14	**150,977**	168,083
Trade and Other Receivables	15	**175,787**	131,812
Current Income Tax Assets	23	**5,094**	9,013
Cash and Cash Equivalent	17	**61,320**	65,581
		393,178	374,489
TOTAL ASSET		**584,060**	571,562
EQUITY AND LIABILITIES			
Equity			
Stated capital	18	**10,000**	10,000
Retained Earnings		**195,079**	236,675
		205,079	246,675
Non-Current Liabilities			
Deferred Tax Liability	19	**-**	1,906
Employee Benefit Obligation	20	**586**	217
Lease Liability	12	**5,706**	3,490
Medium -Term Loan	9	**70,000**	40,000
		76,292	45,613
Current Liabilities			
Lease Liabilities	12	**3,094**	1,609
Employee Benefit Obligation	20	**294**	93
Trade and other payables	21	**296,301**	274,571
Dividend payable	22	**3,000**	3,001
		302,689	279,274
TOTAL LIABILITIES		**378,981**	324,887
TOTAL EQUITY AND LIABILITIES		**584,060**	571,562

These Financial Statements were approved on behalf of the Board on ..30 March................ 2023 and signed on their behalf;

....

DIRECTOR **DIRECTOR**

The notes on pages 19 to 50 are integral part of these financial statements

FAN MILK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Stated Capital	Retained Earnings	Total
2022			
Balance at 1 January	**10,000**	**236,675**	**246,675**
Loss for the year	**-**	**(41,596)**	**(41,596)**
Balance at 31 December	**10,000**	**195,079**	**205,079**
2021			
Balance at 1 January	10,000	250,105	260,105
Loss for the year	-	(13,430)	(13,430)
Balance at 31 December	10,000	236,675	246,675

The notes on pages 19 to 50 are integral part of these financial statements

FAN MILK PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	Notes	2022	2021
Cashflow from Operating Activities			
Cash generated from operations	24	**(2,183)**	18,537
Interest paid	9	**(21,755)**	(3,329)
Interest received	8	**18,341**	2,513
Tax Paid	23	**(16,241)**	(4,300)
Net cash generated from operating activities		**(21,838)**	13,421
Cash flow from investing activities			
Purchase of Property, Plant and equipment	11	**(11,704)**	(47,032)
Proceeds from sale of Property, Plant and Equipment	11	**1,776**	6,168
Purchase of Intangible Asset	13	**-**	(161)
Net Cash outflow from investing activities		**(9,928)**	(41,025)
Finance activities			
Principal Lease payments	12	**(2,494)**	(831)
Dividend Paid	22	**(1)**	(5)
Medium term loan	9	**30,000**	40,000
Net cash Inflow from financing activities		**27,505**	39,164
(Decrease)/Increase in Cash and Cash equivalents		**(4,261)**	11,560

Analysis of Changes in Cash and Cash equivalents during the year

	2022	2021
Balance as at 1 January	**65,581**	54,021
(Decrease)/Increase in cash and cash equivalent	**(4,261)**	11,560
Balance as at 31 December	**61,320**	65,581

Analysis of cash and equivalents as appearing in the Statement of Financial Position

Cash and Cash Equivalents at end of year

	2022	2021
Cash in Hand	**-**	7,672
Cash at bank	**58,980**	57,700
Deposits at call	**2,340**	209
	61,320	65,581

The notes on pages 19 to 50 are integral part of these financial statements.

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Reporting Entity

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

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

2. Summary of significant accounting policies

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

2.1 Basis of Preparation

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

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

2.2 Functional and Presentation Currency

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

2.3 Amended standards adopted by the company

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

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

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

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

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

COVID-19-related Rent Concessions Amendments to IFRS 16

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies

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

3.1 Basis of Accounting

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

3.2 Foreign Currency Transactions

The Company's foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognized in the profit and loss account

3.3 Use of Estimates and Judgements

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

3.4 Property, Plant and Equipment

(i) Recognition

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

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

(ii) Depreciation/Amortisation

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

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

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains/(losses) in profit or loss.

(iii) Impairment of Non-Financial Assets

At the end of each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.
Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

(iv) Intangible Assets (Computer Software)

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

3.5 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Spare parts are generally treated as inventories. As they are usually used for maintenance and repairs, their cost is expensed when used. However, there are exceptions where:

- Major spare parts are recorded as property, plant and equipment when the company expects to use them during more than one year; and

- Spare parts that can be used only in connection with an item of property, plant and equipment, so as to extend its useful life or to substantially improve its performance, are recorded as property, plant and equipment.

3.6 Financial assets and Liabilities

Financial Assets

Classification

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

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

- 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.

Recognition and derecognition

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

Measurement

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

Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

Offsetting financial instruments

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

Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

The Company recognises a 100% impairment loss on receivables exceeding 180 days. The Company's expected loss rates used in calculating impairment losses are based on the payment profiles of sales customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

3.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. The impairment provision is determined using the expected credit loss model by considering cash short falls in various default scenarios

3.8 Financial liabilities

Initial recognition and measurement

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

Subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities

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

3.9 Trade payables

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

3.10 Cash and cash equivalents

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

3.11 Stated capital

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

3.12 Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

3.13 Dividends

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

3.14 Revenue recognition

The Company derives its revenue from the sale of goods. The Company produces and sells a range of dairy products through sales agents and other distributors. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer.

Sales agents do not have full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location. The risks of obsolescence and loss have not been transferred to the agents and distributors. The products are often sold with retrospective volume discounts based on aggregate monthly sales. The product disaggregation is disclosed in Note 5.

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

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

3.15 Employee benefits

Pension Obligation

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

Long service awards

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

3.16 Provisions

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

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

3.17 Earnings per share

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

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

3.18 Segment reporting

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

3.19 Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events, the existence of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Company. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The amount is determined as the potential undiscounted amount of all future payments that the Company could be required to make if an adverse decision occurs against the Company.

3.20 Leases

The Company leases one warehouse and entered into a non-cancellable lease agreement with a transport service limited in June 2021.Rental contracts are typically made for fixed periods of 5 years but may have extension options. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

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

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

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

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

Extension and termination options

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

4. Critical accounting estimates and judgements

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results. Management also needs to exercise judgement in applying the Company's accounting policies.

4.1 Estimated useful lives of property, plant and equipment

Critical estimates are made by the Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in note 3.4 (ii). Should the estimated useful lives of the property and equipment differ by 1% from management's estimates, the carrying amount of the property and equipment would be an estimated GH¢284,350 (2021: GH¢300,460) higher or lower.

4.2 Income taxes

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

4.3 Impairment of account receivables

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

4.4 Employee benefit obligation

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

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

4.5 Leases

Critical judgements in determining the lease term

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

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

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

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

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

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

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

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are expressed in thousands of Ghana Cedi unless otherwise stated)

5. Revenue

	2022	2021
Net Sales	**536,938**	468,095

Gross sales by product type

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

	2022	2021
Dairy	**489,277**	398,195
Juice	**21,420**	49,049
Ice cream	**98,742**	76,899
Plant based milk	**3,563**	1,888
Gross sales	**613,002**	526,031
Rebates	**(76,064)**	(57,936)
	536,938	468,095

6. Expenses by nature

	2022	2021
Raw materials and consumables	**267,981**	241,617
Employee benefits expense (Note 6a)	**73,864**	66,439
Depreciation on Property, Plant and Equipment (Note 11)	**28,435**	30,046
Amortisation of intangible assets (Note 13)	**485**	556
Depreciation charge on right of use assets (Note 12)	**2,615**	1,240
Repairs and maintenance	**17,941**	18,821
Vehicle running expenses	**1,121**	1,386
Utilities	**22,900**	21,464
Fuel	**6,140**	5,145
Insurance	**2,239**	3,125
Sales promotion and advertising expenses	**14,618**	13,644
Technical service fees	**18,474**	15,780
Auditor’s remuneration	**287**	229
Director’s emoluments	**466**	1,178
Donations	**6**	9
Transportation expenses	**34,303**	31,030
Impairment charge (Note 15)	**1,958**	4,318
Information technology expenses	**1,426**	1,552
Outsourced labour cost	**8,991**	8,057
Communication expenses	**1,161**	1,356
Security services expenses	**1,152**	1,091
Short term rent expenses	**790**	3,071
Environmental and social responsibility expenses	**32**	27
Net exchange loss	**39,366**	4,326
Consultancy expenses	**5,473**	3,325
Medical expenses	**2,082**	2,694
Other expenses	**9,270**	7,204
Other factory expenses	**7,157**	5,349
	570,733	494,079

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts are expressed in thousands of Ghana Cedi unless otherwise stated)

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

	2022	2021
Cost of sales	**421,066**	344,818
Distribution cost	**96,419**	97,136
Impairment of financial assets	**1,958**	4,318
Administrative expenses	**51,290**	47,807
	570,733	494,079

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

Employee benefit expense comprise:

Wages, salaries, and allowances	**54,847**	47,288
Pension costs	**3,489**	3,439
Long service awards expense	**194**	111
Provident fund costs	**1,364**	945
Termination and severance	**13,970**	14,656
	73,864	66,439

The total number of staff employed by the company by the year 31 December 2022 was 355 (2021: 321). The company paid GH¢2.59m for termination and severance during 2022. (2021: GH¢ 14.6m) and made provision of GH¢ 11.38m in respect of termination and severance expenses for the year.

7. Other income – (Net)

Profit on disposal of property, plant and equipment	**1,198**	2,272
Sale of empty bags and scraps	**87**	1,062
Rental income	**1,229**	1,003
Bad debts recovered	**1,138**	1,590
	3,652	5,927

8. Finance Income

Interest income on fixed deposit and call accounts with banks	**3,389**	2,513
Interest on overdue invoices (Intercompany Rec.)	**14,952**	-
	18,341	2,513

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

9. Finance Cost

	2022	2021
Interest expense on agents' savings	**1,597**	1,323
Interest on lease liability	**2,232**	627
Interest on loans	**17,926**	1,379
	---------	--------
	21,755	3,329
	=====	====

As at 31 December 2022, the Company has a medium-term loan of GH¢70,000,000 with Stanbic Bank.

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

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

10. Income tax expense

Current income tax charge	**17,947**	-
Deferred tax credit (Note 19)	**(9,908)**	(7,443)
	---------	---------
	8,039	(7,443)
	=====	=====

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

11. Property, Plant and Equipment

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

Profit on disposal of property, plant, and equipment

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

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

11. Property, Plant and Equipment

	Leasehold Land	Buildings	Motor Vehicles	Plant machinery and others	Capital work in progress	Total
2021						
Cost						
At 1 January	3,830	45,097	46,669	226,148	28,557	350,301
Additions	-	-	-	47,032	-	47,032
Transfers to other assets	-	6,985	-	14,931	(21,916)	-
Disposal	-	(140)	(11,919)	(16,462)	-	(28,521)
	--------	---------	---------	----------	-----------	-----------
At 31 December	3,830	51,942	34,750	271,649	6,641	368,812
	-------	---------	----------	----------	------------	-----------
Depreciation						
At 1 January	1,013	13,307	33,636	124,031	-	171,987
Charge for the year	74	2,587	3,362	24,023	-	30,046
Disposal	-	(132)	(8,314)	(16,179)	-	(24,625)
	--------	----------	---------	-----------	----------	----------
At 31 December	1,087	15,762	28,684	131,875	-	177,408
	--------	------------	----------	----------	----------	------------
Carrying Amount						
At 31 December	2,743	36,180	6,066	139,774	6,641	191,404
	====	======	=====	======	======	=======

Profit on disposal of property, plant, and equipment

	2021	2020
Cost	28,521	4,521
Accumulated Depreciation	(24,625)	(3,687)
	---------	--------
Net book value	3,896	834
Sales proceeds	(6,168)	(1,199)
	--------	-------
Profit on disposal	(2,272)	(365)
	=====	====

FAN MILK PLC
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12. Leases

Right-of-use assets

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

2021	Buildings (Warehouse)	Vehicles	Total
Cost			
At 1 January	4,657	-	4,657
Additions	-	3,085	3,085
At 31 December	4,657	3,085	7,742
Depreciation charge on right-of-use assets			
At 1 January	1,864	-	1,864
Charge	931	309	1,240
At 31 December	2,795	309	3,104
Carrying Amount			
At 31 December	1,862	2,776	4,638

Amounts recognised in the statement of financial position

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

	2022	2021
Right-of-use assets	**8,239**	4,638

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

	2022	2021
Lease liabilities:		
Current lease liabilities	**3,094**	1,609
Non-current lease liabilities	**5,706**	3,490
	8,800	5,099

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

	2022	2021
Depreciation: Warehouse	**1,077**	931
Vehicles	**1,538**	309
	2,615	1,240
Payments with respect to lease		
Principal	**2,494**	831
Interest payment	**2,232**	627
	4,726	1,458

13. Intangible assets

	2022	2021
Cost		
Balance at 1 January	**3,459**	3,298
Additions	**-**	161
Disposal	**(1,241)**	-
Balance at 31 December	**2,218**	3,459
Amortisation		
Balance at 1 January	**2,428**	1,872
Charge for the year	**485**	556
Released on Disposal	**(1,241)**	
Balance at 31 December	**1,672**	2,428
Carrying Amount		
Balance at 31 December	**546**	1,031

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14. Inventories

	2022	2021
Raw materials	**112,035**	86,575
Finished goods	**10,220**	7,469
Work in progress	**1,329**	1,170
Goods in transit	**8,838**	59,618
Consumables	**18,555**	13,251
	150,977	168,083

The cost of inventories charged to the statement of comprehensive income during the year ended 31 December 2022 amounts to GH¢308.07m (2021: GH¢241.6m). An amount of GH¢9.937m was charged to profit or loss as expired and damaged inventories during the year ended December 31, 2022 (2021: GH¢3.901m).

15. Trade and other receivables

	2022	2021
Trade receivables	**59,887**	32,255
Provision for impairment losses	**(4,739)**	(4,009)
Trade receivables - net	**55,148**	28,246
Due from related companies	**113,653**	95,563
Other receivables	**1,032**	2,860
Due from staff	**367**	392
Prepayments	**5,587**	4,751
	175,787	131,812

The maximum amount of staff indebtedness during the year did not exceed GH¢367,000 (2021 GH¢392,000).

The fair value of amounts due from staff is based on the discounted cash flows using a borrowing rate of 35.33% (2021: 15.89% per rate annum). The Company applied Ghana Reference Rate (GRR) plus an appropriate credit rating from the Company's key bankers as discount rate. The directors consider the carrying amount of other receivables to approximate their fair value.

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

	2022	2021
At 1 January	**4,009**	2031
Impairment charged for the year	**1,958**	4,318
Bad debts recovered	**(1,138)**	(1,590)
Savings buffer/Release	**(90)**	(750)
At 31 December	**4,739**	4,009

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16. Taxation

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

	2022	2021
Loss before tax	**(33,557)**	(20,873)
	-----------	-----------
Tax charged at 25% (2020:25%)	**(8,389)**	(5,218)
Tax effect of:		
Expenses not deductible in determining taxable profit	**22,635**	14,300
Income not taxable	**(1,861)**	(1,361)
Other timing differences	**(10,576)**	(11,811)
Unutilised Tax Loss	**(1,809)**	4,090
	---------	-----------
	-	-
	=====	======

The effective tax rate was as at 31 December 2022 is Nil (2021: Nil)

17. Cash and cash equivalents

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

	2022	2021
Cash at bank	**58,980**	57,700
Cash at hand	**-**	7,672
Deposits at call	**2,340**	209
	---------	---------
	61,320	65,581
	=====	=====

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

18. Stated Capital

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

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

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There was no change in the authorised and issued ordinary shares of the Company during the year ended 31 December 2022 and 31 December 2021.

19. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the enacted income tax rate of 25% (2021: 25%). There were no unrecognised tax assets as at 31 December 2022. (2021: Nil). The movement in deferred income tax is as follows:

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

Year ended 31 December 2021	At January 1,2021	(Credit)/Charge to profit or loss	At December 31, 2021
Deferred tax liabilities			
Property, plant and equipment on historical cost basis	11,029	2,659	13,688
Right-of-use assets	(40)	(53)	(93)
Staff leave provision	(353)	(518)	(871)
Impairment of trade receivables	(1,085)	(5,190)	(6,275)
Restructuring provision	(149)	149	-
Provision for long service award	(53)	53	-
Excess Financial cost - 2021	-	(453)	(453)
Tax Loss – 2021	-	(4,090)	(4,090)
	9,349	(7,443)	1,906

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

20. Employee benefit obligations

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

	2022	2021
Long service award	**880**	310
	===	===

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

	2022	2021
Present value of obligation		
At 1 January	**310**	323
Long service cost charged to profit and loss	**-**	-
Addition/(Reversal) of provision for long service awards	**570**	(13)
	------	-----
At 31 December	**880**	310
	===	===
Non-current portion of employee benefit obligation liabilities	**586**	217
Current portion of employee benefit obligation liabilities	**294**	93
	------	-----
	880	310
	===	===

The significant actuarial assumptions applied are as follows:

	2022	2021
Attrition rate	**15.2%**	15.2%
Inflation rate	**15.0%**	10.0%
	====	====

21. Trade and other payables

	2022	2021
Trade payables	**61,757**	8,569
Due to related companies	**161,132**	186,198
Other payables	**36,663**	54,776
Accrued expenses	**36,749**	25,028
	----------	----------
	296,301	274,571
	======	======

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

22. Dividend payable

	2022	2021
Balance at 1 January	**3,001**	3,006
Dividend paid	**(1)**	(5)
	-------	-------
Balance at 31 December	**3,000**	3,001
	====	====

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Payment of dividend is subject to the deduction of withholding taxes rate of 8%. The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

23. Current income tax

Year ended 31 December, 2022

Year of Assessment	Balance at 1 January	Charge for the year	Payments in the year	Other Adjustments	Balance at 31 December
Up to 2018	**(4,487)**	**13,230**	**(8,743)**	**-**	**-**
2019	**1,745**	**2,443**	**(4,031)**	**-**	**157**
2020	**(1,971)**	**2,274**	**(3,359)**	**-**	**(3,056)**
2021	**(4,300)**	**-**	**-**	**-**	**(4,300)**
2022	**-**	**-**	**(108)**	**2,213**	**2,105**
	(9,013)	**17,947**	**(16,241)**	**2,213**	**(5,094)**

Other adjustments relate to net CIT credit resulting from Ghana Revenue Authority (GRA) audit for the assessment years 2019 to 2020. The net credit has been used to off-set net VAT liabilities resulting from tax audit for the same years. The set off was permitted by GRA.

24. Cash generated from operations

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

	2022	2021
Loss before tax	**(33,557)**	(20,873)
Depreciation (Note 11)	**28,435**	30,046
Impairment of financial assets	**1,958**	4,318
Amortisation of intangible assets (Note 13)	**485**	556
Depreciation charge on right-of-use assets (Note 12)	**2,615**	1,240
Interest paid (including interest on ROU) (Note 9)	**21,755**	3,329
Finance income (Note 8)	**(18,341)**	(2,513)
Profit on disposal of property, plant & equipment (Note11)	**(1,198)**	(2,272)
VAT liabilities set off against CIT credit	**2,213**	-
Changes in working capital:		
Decrease/(Increase) in inventories	**17,106**	(73,711)
Increase in trade & other receivables (less interest receivable on staff loan and impairment on financial assets)	**(45,955)**	(35,218)
Decrease in employee benefit obligations	**570**	(13)
Increase in trade and other payables	**21,731**	113,648
Cash generated from operations	**(2,183)**	18,537

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25. Related party disclosures

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

	2022	2021
Purchases of Goods		
Emidan	-	209,245
Cote D'ivoire	-	41
Togo	-	148
Apro	2,700	1,888
Danone SA	5,747	2,492
Danone France	-	41
Nigeria	1,050	-
Fan Milk International	476	574
	===	===
Sales of Goods		
Togo	50,557	37,919
Cote D'ivoire	58,336	42,929
Fan Milk W/A	11,152	10,896
Nigeria	1,201	2,083
	====	====
Technical Fee		
Fan Milk International	18,474	115,781
	=====	======
Loan		
Fan Milk International	94,450	-
	=====	======

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

	2022	2021
Due to related companies		
Emidan A/S	-	152,146
Fan Milk International A/S	139,019	24,985
Danone SA	9,779	2,879
Fan Milk Cote D'Ivoire	5,586	2,280
Fan Milk Togo	6,748	3,908
	----------	----------
	161,132	186,198
	======	======

The amount due from and due to related companies are unsecured. Amount due from Fan milk Togo and Cote D'Ivoire has an interest bearing of 6-months EURIBOR plus 2% per annum and are to be settled in cash. There is no history of default. No guarantees have been issued by the Company to its related companies during the year ended 31 December 2022 and 31 December 2021.

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	2022	2021
Due from related companies		
Fan Milk Nigeria	**2,678**	2,988
Danone France	**-**	245
Fan Milk Cote D'Ivoire	**42,676**	33,406
Fan Milk Togo	**57,263**	34,586
Fan Milk West Africa	**11,036**	24,338
	----------	---------
	113,653	95,563
	======	=====

Transactions with key Management Personnel

Remuneration		
Executive Director (short-term benefits)	**-**	1,163
	===	====
Non-executive Directors (short-term benefits)	**466**	466
	===	===

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

26. Earnings per share

Loss for the year	**(41,596)**	(13,430)
Number of ordinary shares issued	**116,207,288**	116,207,288
Basic and diluted earnings per share (GH¢)	**(0.358)**	(0.428)

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

27. Contingent Liabilities

The Company is involved in certain legal proceedings. These court cases arose in the ordinary course of business. In the directors' opinion after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss to the Company beyond the amounts provided for in the financial statements for the year ended December 31,2022 and December 31, 2021.

28 Financial risk management objectives and policies

Financial risk factors

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

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Market Risk

Foreign exchange risk

Foreign exchange risk arises as a result of cash, accounts receivable and accounts payable balances denominated in foreign currency. The Company seeks to reduce its foreign exchange risk exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. The Company imports raw materials, spare parts and equipment from overseas and therefore is exposed to foreign exchange risk arising from Euro and United States Dollar exposures.

Management is responsible for minimising the effect of the currency exposure by holding bank accounts in foreign currencies.

At 31st December, 2022, if the currency had weakened/strengthened by 10% (2021: 10%) against the US dollar with all variables held constant, post tax profit for the year and equity would have been GH¢4,339,135 (2021 GH¢2,944,333) higher/lower, mainly as a result of US dollar denominated trade payables, receivables and cash and bank balances.

At 31st December, 2022, if the currency had weakened/strengthened by 10% (2021: 10%) against the Euro with all variables held constant, post tax profit for the year and equity would have been GH¢2,665,693. (2021 GH¢1,959,154) higher/lower, mainly as a result of Euro denominated trade payables, receivables and cash and bank balances.

	2022	2021
Cash and cash equivalents	**31,648**	5,898
Trade and other receivables	**108,997**	78,249
Trade and other payables	**(162,958)**	(153,529)
	(22,313)	(69,382)

Interest rate risk

The sensitivity analysis for interest rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates at the reporting date.

Price risk

The Company has financial instruments subject to price risk.

Credit risk

Financial instruments that potentially subject the Company to credit risk are primarily cash and cash equivalents and trade and other receivables. Trade and other receivables are mainly derived from sales to customers and amount due from related parties. The Company does not have any significant concentrations of credit risk. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected

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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 31,2022, management was unaware of any significant unprovided credit risk (2021: 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:

	2022	2021
Cash and cash equivalents (excluding cash on hand)	**61,320**	57,909
Trade and other receivables	**55,148**	28,246
Amount due from related companies	**113,653**	95,563
Due from staff	**367**	392
Other receivables (excluding prepayments)	**1,032**	2,409
	----------	----------
Total credit exposure	**231,520**	184,519
	======	======

Agents' savings amounting to GH¢18.7 million (2021: GH¢14.3 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.
On that basis, the loss allowance as at December 31, 2022 is as follows:

	Undue days	**0 to 30 days**	**31 to 60 days**	**61 – 90 days**	**>90 days**	**Total**
2022						
Gross carrying amount	36,676	16,670	1,057	89	5,395	**59,887**
Expected credit loss rate	0.01%	0.05%	1.0%	1.5%	87.4%	
Loss allowance	3.67	8.34	10.57	1.34	4.715	**4,739**
	====	====	====	====	====	**=====**

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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(All amounts are expressed in thousands of Ghana Cedi unless otherwise stated)

The Company assessed the other receivables, cash and related party receivables balances to determine their expected credit losses. Based on this assessment, they identified the expected credit loss to be GH¢**4.739** million as at December 31, 2022 (2021: GH¢4.009 million).

Liquidity Risk

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

The Company places cash in interest bearing current account to provide sufficient funding to meet its obligations. At the end of the reporting date, bank accounts, cash held on call and fixed deposit accounts was GH¢61.32m (2021: GH¢57.91m).

Materiality analysis of financial liabilitie9

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

	2022			2021		
	Within 12 months	**Over 12 months**	**Total**	Within 12 months	Over 12 months	Total
Trade and other payables (excluding non-financial liabilities)	**259,552**	**-**	**259,552**	250,306	-	250,306
Lease liabilities	**3,094**	**5,706**	**8,800**	1,609	3,490	5,099
	262,646	**5,706**	**268,352**	251,915	3,490	255,405

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

FAN MILK PLC
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

	2022	2021
Trade and other receivables (excluding non-financial assets)	**56,180**	31,106
Amount due from related parties	**113,652**	95,563
Amount due from staff	**367**	392
Cash and cash equivalents	**61,320**	65,581
	-----------	-----------
	231,519	192,642
	======	======

29. Fair values of financial assets and liabilities

(i) Financial liabilities at amortised cost

	2022	2021
Trade and other payables(excluding non-financial liabilities)	**259,552**	250,306
	======	======

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, no observable inputs).

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

30. Capital Commitments

There were no capital commitments at the end of the year. (2021: Nil).

31. Capital risk management

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

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

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

32. Segment information

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

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

33. Subsequent events

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

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

FINANCIAL HIGHLIGHTS

Year end:	**2022**	2021	2020	2019	2018
Loss after taxation	**(41,596)**	(13,430)	514	25,016	12,899
Earnings per share	**(0.358)**	(0.116)	0.004	0.22	0.11
Total number of shares issued	**116,207,288**	116,207,288	116,207,288	116,207,288	116,207,288
Dividend Per Share	**-**	-	-	-	-
Total assets	**584,060**	571,562	436,252	375,819	326,402
Shareholders' fund	**205,079**	246,675	260,105	259,591	234,575
Permanent staff	**355**	321	417	581	469
Stock price range (per share):					
High (GH¢)	**4.00**	5.14	4.12	8.01	17.8
Low (GH¢)	**3.00**	1.08	1.01	4.12	7.99

Distribution of Gross Sales

	2022	2021	Change	(%) Change
Amounts in GH¢'000				
Revenue (Gross)	**613,002**	526,031	86,971	17
Revenue (Excluding rebates)	**536,938**	468,095	68,843	15
Cost of Sales	**421,066**	344,818	76,248	22
Distribution costs	**96,419**	97,136	(717)	(1)
Administrative expenses	**51,290**	47,807	3,483	7
Impairment of financial assets	**1,958**	4,318	(2,360)	(55)
Finance costs	**21,755**	3,329	18,426	553
Value added tax	**37,930**	37,310	620	1.7
Tax	**(8,039)**	7,443	(15,482)	(208)

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

FINANCIAL HIGHLIGHTS (continued)

Year end:	**2022**	2021	Change	(%) Change
Transfer to statement of changes in equity	**(41,596)**	(13,430)	(28,166)	210
Other income – (net)	**3,652**	5,927	(2,275)	(38)
Finance income	**18,341**	2,513	15,828	630

Operational results

Amounts in GH¢'000	**2022**	2021	Change	(%) Change
Revenue	**536,938**	468,095	68,843	15
Cost of Sales	**(421,066)**	(344,818)	(76,248)	22
Distribution costs	**(96,419)**	(97,136)	717	(1)
Administrative expenses	**(51,290)**	(47,807)	(3,483)	7
Impairment of financial assets	**(1,958)**	(4,318)	2,360	(55)
Finance costs	**(21,755)**	(3,329)	(18,426)	553
Finance income	**18,341**	2,513	15,828	630
Other income – (net)	**3,652**	5,927	(2,275)	(38)
Loss/Profit before income tax	**(33,557)**	(20,873)	(12,684)	61
Income tax expense	**(8,039)**	7,443	(15,482)	(208)
Loss/Profit for the year	**(41,596)**	(13,430)	(28,166)	210

BOARD OF DIRECTORS

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

PROFILE OF BOARD OF DIRECTORS

Dr Charles Mensa (Chairman)

Dr. Charles Mensa (age 69, Ghanaian) is the founder and Chairman of the Institute of Economic Affairs, Ghana (IEA). He is also the Board Chairman of SAB Miller Ghana Limited and was formerly the Chairman of Barclays Bank Ghana Limited now ABSA Group. Dr. Mensa brings to the board of Fan Milk Plc an extensive experience in leading key industries and in public policy advocacy.

He served as the CEO of Volta Aluminium Company (VALCO), the largest aluminium smelter in sub-Saharan Africa. Prior to assuming the position of CEO in October 2004, he had been the Resident Director of VALCO since joining the company in April 1996. He was also Vice President of the Association of Ghana Industries (AGI), and President of the Ghana Employers Association (GEA).

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

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

George H. O Thompson (Non-Executive Director)

George H.O. Thompson (age 72, Ghanaian) B.A. (Hons) LLB (Hons) Barrister-At-Law and Solicitor. He was called to the Ghana Bar in September 1976 and to the Bar of The Gambia in March 1982. He was appointed Assistant State Attorney/Assistant Registrar General and worked at the Registrar General’s Department from 1977 to 1980.

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

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

Peace Ayisi-Okyere (Non-Executive Director)

Peace Ayisi-Okyere (Mrs), (aged 76, 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 Master's 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: None
Other Directorships: None

Fen Wei Chin (Non-Executive Director)

Chin Fen Wei is an Australian citizen born in 1970. He is a chartered Accountant ACA, from the Institute of Chartered Accountants, Western Australia. He also holds a degree in Bachelor of Business in Accounting from the Curtin University of Technology, Western Australia.

Chin has a brief career life at Unilever China (2004 -2005) where he held the position of Director of Tax, Treasury and Shared Service. He has since been with Danone where he has taken several positions. These include Finance Project Director (Aug 2005 – Mar 2006), Treasury Director (Apr 2006 – Dec 2007), Corporate Finance Director (Jan 2008 – Dec 2009), Finance & IT Director – Baby Nutrition Thailand (Jan 2010 – Aug 2013), Finance Director – Danone Nutricia ELN Indonesia (Sep 2013 – Aug 2018). He is currently the Regional Finance Director – Danone Specialized Nutrition International, Danone, Singapore.

He is a trusted Resource and Business Partner to be in an executive leadership team to inform and influence the strategic decision-making process by delivering strategic finance, M&A, and investment planning insights. He is a Strategic Leader with proven ability to build high-performance Finance teams and to drive cross-functional teams to enhanced performance and team effectiveness

Committee Membership: None
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 47, Ivorian), has significant experience in general management, global marketing, operations, communications, brand development and product management. Mr. Yeo as almost 22 years of experience in different positions in several countries including Cote d'Ivoire, Senegal, Kenya, Ghana and South Africa.

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

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

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

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

SHAREHOLDING DISTRIBUTION AS AT 31 DECEMBER 2022

The following are the twenty largest shareholders as at 31 December 2021. All shareholders have equal voting right.

Number	Name of shareholder	Number of shares	Percentage
1	FAN MILK INTERNATIONAL A/S,	72,178,636	62.11
2	STD NOMS/BNYMSANV RE BNYMSANVLUX RE E	6,083,324	5.23
3	STD NOMS/BNYM RE GOTHIC CORP MUTIMA	2,506,431	2.16
4	SCGN/RBC INVESTOR SERVICES RE	2,089,300	1.80
5	SOCIAL SECURITY AND NATIONAL INSURANCE	1,853,124	1.59
6	SCGN/'EPACK INVESTMENT,	1,254,684	1.08
7	SCGN/SSBT FOR AL MEHWAR	1,065,000	0.92
8	STD NOMS/BNYM/GOTHIC HSP CORPORATION,	953,068	0.82
9	STD NOMS/BNYM/GOTHIC JBD LLC,	920,536	0.79
10	SCGN / ENTERPRISE LIFE ASS. CO. POLICY	866,352	0.75
11	STD NOMS/BNYMSANVREBNYMLBRE	656,875	0.57
12	STD NOMS/BNYM/GOTHIC ERP,LLC,	613,965	0.53
13	SCGN/ SSB AND TRUST AS CUST FOR RUSSELL	606,100	0.52
14	SCGN/DATABANK BALANCED FUND LIMITED,	367,319	0.32
15	STAHL, CHRISTOPH MICHAEL ROBERT C.S	330,954	0.28
16	HFCN/ EDC GHANA BALANCED FUND LIMITED	330,006	0.28
17	ASARE, JAMES KWADWO	300,000	0.26
18	STD NOMS/BNYM/GHI HOLDINGS MAURITIUS,	295,900	0.25
19	OFORI, DANIEL	288,165	0.25
20	CM FUND LIMITED,	200,000	0.17
			80.68
			19.32
			100.00

Directors' shareholding

Name of Director	Number of shares
Ayisi- Okyere Peace	1,288

Category of holdings	Number of shareholders	Holding	Percentage holding
1 – 1000	3,138	866,285	0.75
1001 – 5000	1,029	2,187,980	1.88
5001 – 10000	281	1,948,098	1.67
10001 +	735	111,204,925	95.70
TOTAL	**5,183**	**116,207,288**	**100.00**

THE MACRO ECONOMIC ENVIRONMENT

The Government of Ghana had planned for the post covid economic recovery program where key sectors of the economy were targeted to recover fully from the shocks of the global pandemic. The economic was planned to grow by 4.7% in 2022.

However, the Russia and Ukraine war in February 2022 injected fresh negative shocks into the global economy thus hiking food and other consumable prices in addition to crude oil price. The Ghanaian economy responded sharply to this shock and prices of goods and services rose astronomically making inflation to hit 54.1% by the close of the year.
The Ghana situation was compounded by the government over borrowing from the capital market making Global Rating Agencies downgrading Ghana's credit rating to a junk status. This position affected the performance of local currency against the major trading currencies like the USD, EUR and the GBP.

ECONOMIC INDICATORS

Some economic indicators for year 2022 are indicated below:

GDP Growth

The YoY growth rate for quarter three was 2.9%. The reviewed growth rate for full year 2022 as contained in the 2022 mid-year review is 4.1%. Considering the challenges the economy underwent during the last quarter of the year, it may be very difficult to achieve the revised growth rate of 4.1%.

Inflation

Headline inflation ended at 54.1% by close of 2022.

Exchange Rates

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

	2022	2021
USD	-44.05%	-4.09%
EUR	-41.03%	3.46%
GBP	-39.50%	-3.11%

OUTLOOK FOR 2022 AND BEYOND

Growth outlook

The Ghana Government announced on July 1, 2022, that it is seeking a bail out from the International Monetary Fund (IMF). This has become very imperative because Ghana could not go to the international market to borrow due to unsustainable debt level.
The government reached staff level agreement with the IMF in December 2022, and it is expected that the board level approval will be given by the end of first quarter 2023.

Within this economic context, Fan Milk Plc will tread with cautious optimism to factor the implication of any austere measures that may accompany the IMF bailout. The company will continue to pursue its strategy of profitably growing the Outdoor Channel, accelerating the growth in Indoor Channel and focusing more in delivering Ice Cream and Yoghurt.

CORPORATE SOCIAL RESPONSILBILITY

FANMILK-DANONE IMPACT JOURNEY

In 2022, Fan Milk PLC aligned with Danone's commitment to integrating sustainability and performance as key components of its new strategy. This initiative was realized through the Renew Danone strategy, which aimed to re-establish a connection between sustainable profitability and value creation and reframed our sustainability journey around three critical pillars: Health, Nature, and People

Impact for 2022

Thriving People and Communities.
In 2022, our company prioritized a people-centred approach in all of our activities. We recognized the hard work, dedication, and loyalty of our long-serving employees by rewarding their efforts. Additionally, we engaged in a thought leadership and knowledge-sharing conference, where we imparted career insights and industry experiences to other stakeholders and emerging leaders in our industry and beyond. These initiatives demonstrate our commitment to fostering growth and developing strong professionals and leaders within our organization.

As an employer that values their health and prioritizes a positive work-life balance, the company maintained a monthly schedule of Health talks, expanding the range of health topics to cover mental health, cancer prevention, healthy aging, and workplace ergonomics. The regular talks featured guest appearances by medical doctors who provided valuable insights on critical diseases prevalent in the country and help employees lead healthier lives and reduce their risk of diseases. We realized great improvement in our employee engagement, improved morale, and reduced absenteeism due to illness.

Furthermore, we extended our impact beyond our company by donating our healthy products to the Food for all Africa Not-for-Profit Organization, which provides aid to street kids and deprived communities. This philanthropic effort reflects our desire to positively impact our community and contribute to the greater good.

Health and safety

In 2022, the business concluded the year with an accident frequency rate of 1.58. In accordance with the principles of Workplace Injury and Safety Excellence (WISE), immediate actions were taken to eradicate the root causes of the injuries sustained during the period. Furthermore, the active participation of employees led to the documentation of over 8500 safety incident observations, which prompted the implementation of prompt corrective measures. These efforts reflect the business's commitment to prioritizing a secure and healthy work environment for both employees and contractors at Fan Milk Plc.

Sustainability Report

Collaborating with our stakeholders on environmental topics

In our capacity as engaged participants of the Ghana Recycling Initiative by Private Enterprises (GRIPE), we participated in a large-scale sanitation initiative in the Nima market and surrounding areas of the Ayawaso East Municipal District. This undertaking was carried out in collaboration with the Ministry of Sanitation and Water Resources, as well as select community members, and was intended to commemorate the World Clean-up Day in September 2022.

The FanChoco School Caravan Campaign for 2022 was launched in over 50 schools within the Greater Accra Region. Through this initiative, we were able to reach out to more than 50,000 students, providing them with valuable information on healthy snacking and best practices in sanitation. Our objective was to collect one million wrappers in total, and we were able to surpass this target by 40% in 2022.

Wastewater Treatment Plant

In October 2022, Fan Milk Plc officially commissioned its newly constructed wastewater treatment plant, which has since been in continuous operation. The facility has effectively treated and released 120,278 cubic meters of effluent back into the environment, attaining an impressive quality of 16 milligrams per litre of biochemical oxygen demand (BOD), well below the prescribed limit of 150 milligrams per litre as stipulated in the GS1212-2019 Effluent Discharge Requirement. The plant was specifically designed to manage a COD load of up to 4300 kilograms per day.

The introduction of the wastewater treatment plant has had significant positive impacts on both nature and the community so far. This achievement of a low BOD level translates into a significant reduction in the amount of organic matter and pollutants that would otherwise be released into the surrounding ecosystem (Odaw River), potentially contaminating water bodies and harming aquatic life. The fact that the plant exceeded the regulatory requirement for effluent discharge further highlights Fan Milk Plc's commitment to sustainable practices and environmental stewardship.

The impact of Fan Milk Plc's new wastewater treatment plant extends beyond the environment to the community. By treating our wastewater before discharge, Fan Milk Plc is taking a responsible approach to protect the health and well-being of the local community. Reduced pollution means cleaner water resources for the community, providing a healthier environment and reducing the risk of waterborne diseases.

Solar Power System

The 2022 report on our Solar Power, highlights a significant achievement in the installation and inauguration of a 121kWp solar power panel at the Fan Milk PLC Head Office Block, which resulted in a reduction of 3.85% in energy demands due to the use of renewable energy sources. This impressive result represents a reduction of 1,974 tons of carbon emissions equivalent, which is a notable contribution to the global effort to combat climate change. The report's findings demonstrate that the implementation of renewable energy solutions is a viable option for businesses looking to reduce their carbon footprint while simultaneously achieving energy cost savings and achieving long-term sustainability.

CORPORATE SOCIAL RESPONSIBILITY (continued)

Carbon Emission

Our Company persists in utilizing the Green Track tool to evaluate its Scope 1, 2, and 3 emissions, as well as to monitor its advancement towards the 2050 carbon footprint objective.

Throughout the period being scrutinized, the aggregate Scope 1 and 2 emissions experienced an escalation from 77 TCO2 eq in 2021 to 109 TCO2 eq for the 2022 fiscal year.