



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit or loss of the Company for that year. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether the applicable accounting standards have been followed
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enables them to ensure that the financial statements comply with International Financial Reporting Standards.

They are 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.



EXECUTIVE CHAIRMAN'S REPORT

On behalf of the Board of Directors and Management of African Champion Industries Limited, I am pleased to present the Annual Report of your Company.

Company Performance

There were significant changes in the year under review:

Financial Structure

We continued our program of non-core asset disposals and reduction of structural costs.

Summary

Performance in the tissue business was poor, with significant one-off charges connected with the redundancy exacerbating the impact of low output and rising energy costs, and the redundancy occurred too late in the year to have a substantive impact on earnings.

The experimental premium tissue product introduced proved to be a disappointment, and it would appear that the values associated with the existing Rose brand are not compatible with those of a premium product in the mind of the consumer. The intent is to reintroduce a premium product at a later date under a different brand.

Directors

The Managing Director, Francis Andoh, resigned from his post in September 2012 with Jared Barnett appointed in his place.

In accordance with the regulations of the company Hajia Samirah Ibrahim Abu will retire at the Annual General Meeting, and being eligible, offers herself for reappointment.

Future Prospects

Viability of the tissue operation will become apparent in the upcoming year.

Adamus Gold Royalty Receivable

The Royalty Agreement that the Company has with Adamus Resources over its Teleku Bokazo concession is expected to generate cash inflows for the Company in 2013, when gold production is scheduled to commence. It is the intent of Management to either distribute these royalty payments directly to shareholders via a special purpose vehicle after settling company's debt obligations or sell the royalty in exchange for an upfront cash payment, and the reason for this is that the uncertainty associated with the quantum of these payments makes it impossible to accurately value ACI, thereby inhibiting fundraising.

Kyomatsu

There has been no change in this situation since the 2011 AGM:

Judgment has been delivered in favour of ACI since July 2006. Judgment also has been delivered on the two counterclaims in favour of Kyomatsu and George Shaw. On the overall Balance of the respective judgments, Kyomatsu, Messrs. Lai and Shaw are to pay ACI US\$640,000. Management does not expect that this sum is collectible.



EXECUTIVE CHAIRMAN'S REPORT , Continued

On the counterclaim in favour of Mr. Shaw, ACI is to pay US\$2.5 million for the loss of his properties allegedly put up as guarantee for the transaction. However, ACI has appealed against this aspect of the judgment and has obtained a stay of execution pending the outcome of its appeal at the Court of Appeal. Management is confident that this ruling will be reversed.

Conclusion

Ladies and Gentlemen,

On behalf of the Board I wish to thank our colleagues at the Company for their loyalty and hard work during the year.

Elkin Kwesi Safo Pianim

EXECUTIVE CHAIRMAN



INDEPENDENT AUDITORS' REPORT

To the shareholders of African Champion Industries Limited

We have audited the financial statements of African Champion Industries Limited on pages 9 to 32, which comprise the statement of financial position as at 31 December 2012, the income statement, statement of changes in equity, and cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Act, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We were appointed as Auditors on 27th June 2014 and therefore did not report on the Financial Statements for the year ended 2011."

Opinion

In our opinion, the company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies Act, 1963 (Act 179). The financial statements give a true and fair view of the financial position of the company and the group as at 31 December 2012, and of its financial performance and cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards.



INDEPENDENT AUDITORS' REPORT, Continued

To the shareholders of African Champion Industries Limited

Report on other legal requirements

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

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. in our opinion proper books of accounts have been kept by the company so far as appears from our examination of those books; and
- iii. The statement of financial position and income statement of the company and the group are in agreement with the books of accounts.

E. Offei - ICAG/P/1102
BOATENG, OFFEI & CO. [ICAG/F/2014/108]
D3467/1A, Osu-La Road
Ako Adjei, Accra, Ghana

21 August, 2014



CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2012

	Note	Company		Group	
		2012 GH¢	2011 GH¢	2012 GH¢	2011 GH¢
Sale of goods		2,957,728	3,752,563	3,870,752	4,010,267
Revenue		2,957,728	3,752,563	3,870,752	4,010,267
Cost of sales	5	(3,026,481)	(3,791,299)	(3,574,977)	(3,823,144)
Gross profit/(loss)		(68,753)	(38,736)	295,775	187,123
Other income	6.1	283,767	371,929	284,958	371,465
Selling and distribution costs	6.2	(73,409)	(49,639)	(76,829)	(50,080)
Administrative expenses	6.3	(2,413,145)	(1,464,794)	(2,634,942)	(1,659,114)
Profit/(loss) on disposal		(35,505)	494,916	(26,964)	502,284
Operating (loss)/profit		(2,307,045)	(686,324)	(2,158,002)	(648,322)
Finance costs	6.4	(675,956)	(396,252)	(691,421)	(412,006)
(Loss)/profit before tax		(2,983,001)	(1,082,576)	(2,849,423)	(1,060,328)
Income tax expense	7a	-	(134,368)	(94,625)	(147,722)
(Loss)/profit for the year		(2,983,001)	(1,216,944)	(2,944,048)	(1,208,050)
Profit/(loss) attributable to:					
Owners of the parent				(2,963,135)	(1,222,813)
Minority Interest				19,087	14,763
				(2,944,048)	(1,208,050)
Earnings per share	8	(0.0815)	(0.0332)	(0.0810)	(0.0334)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

Assets	Notes	Company		Group	
		2012 GH¢	2011 GH¢	2012 GH¢	2011 GH¢
Non-current assets					
Property, plant and equipment	9	6,255,806	6,449,071	7,339,241	7,065,933
Investment in subsidiary	10	1,068,356	1,040,816	-	-
Other Investment		-	-	281,052	-
Goodwill		-	-	827,465	827,581
		7,324,162	7,489,887	8,447,758	7,893,514
Current assets					
Inventories	11	274,625	529,680	274,625	529,680
Trade and other receivables	12	985,947	1,873,526	1,144,692	2,043,260
Cash and short-term deposits	13	20,959	14,196	120,378	60,318
		1,281,531	2,417,402	1,539,695	2,633,258
Total assets		8,605,693	9,907,289	9,987,453	10,526,772
Equity and liabilities					
Equity attributable to equity holders					
Stated capital	14a	1,505,455	1,505,455	1,505,455	1,505,455
Other capital reserves	14b	7,057,950	7,057,950	7,057,950	7,057,950
Income surplus		(6,465,008)	(3,482,007)	(6,286,441)	(3,487,876)
Minority interest		-	-	403,008	219,636
Total equity		2,098,397	5,081,398	2,679,973	5,295,165
Non-current liabilities					
Long term borrowings	15a	1,194,398	1,250,000	1,649,656	1,365,330
Deferred Tax	7b	-	-	88,828	-
		1,194,398	1,250,000	1,738,484	1,365,330



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012, Continued

Current liabilities

Trade and other payables	16a	4,880,881	3,177,048	5,029,227	3,384,198
Bank overdraft		-	200,510	-	200,536
Short term borrowings	15a	301,965	67,500	520,711	198,762
Corporate tax	7	130,052	130,833	19,058	82,781
Total Liabilities		6,507,296	4,825,891	7,307,480	5,231,607
Total equity and liabilities		8,605,693	9,907,289	9,987,453	10,526,772

Approved by the Board on 19 August, 2014

The notes on pages 15 to 32 from an integral part of these accounts.

DIRECTOR

DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

Company

	Issued capital (Note 13a) GH¢	Income Income surplus GH¢	Other capital reserves GH¢	Total GH¢
Balance at 1 January 2012	1,505,455	(3,482,007)	7,057,950	5,081,398
Profit/(loss) for the year	-	(2,983,001)	-	(2,983,001)
Balance at 31 December 2012	1,505,455	(6,465,008)	7,057,950	2,098,397

Company

	Issued capital (Note 13a) GH¢	Income surplus GH¢	Other capital reserves GH¢	Total GH¢
Balance at 1 January 2011	464,639	(2,286,506)	7,057,950	5,236,083
Profit/(loss) for the year	-	(1,216,944)	-	(1,216,944)
Release of staff leave taken	-	21,443	-	21,443
Additional shares to the subsidiary	1,040,816	-	-	1,040,816
Balance at 31 December 2011	1,505,455	(3,482,007)	7,057,950	5,081,398

Group

	Issued capital (Note 14a) GH¢	Income surplus GH¢	Other capital reserves GH¢	Minority Interest GH¢	Total GH¢
Balance at 1 January 2012	1,505,455	(3,487,876)	7,057,950	219,636	5,295,165
Prior-year adjustment	-	21,234	-	110.00	21,344
Share of change in Net Assets	-	143,337	-	137,715	281,052
Share of change in stated capital	-	-	-	26,460	26,460
Profit/(loss) for the year	-	(2,963,135)	-	19,087	(2,944,048)
Balance at 31 December 2012	1,505,455	(6,286,441)	7,057,950	403,008	2,679,973



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012, Continued

Group	Issued capital GH¢	Income surplus GH¢	Other capital reserves GH¢	Minority Interest GH¢	Total GH¢
Balance at 1 January 2011	464,639	(2,286,506)	7,057,950	-	5,236,083
Share of Net Assets	-	-	-	204,873	204,873
Profit/(loss) for the year	-	(1,208,050)	-	14,763	(1,193,287)
Release of staff leave taken	-	21,443	-	-	21,443
Additional shares to the subsidiary	1,040,816	-	-	-	1,040,816
Minority Interest	-	(14,763)	-	-	(14,763)
Balance at 31 December 2011	1,505,455	(3,487,876)	7,057,950	219,636	5,295,165



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Company		Group	
	2012 GH¢	2011 GH¢	2012 GH¢	2011 GH¢
Operating activities				
Operating (loss)/profit before tax	(2,983,001)	(1,082,576)	(2,849,423)	(1,060,328)
Adjustment to reconcile profit before tax to net cash flows				
Depreciation & impairment of property, plant & equip.	161,926	172,725	375,581	236,788
(Profit)/loss on disposals	35,505	(494,916)	26,964	(502,284)
Working capital adjustments:				
Decrease (increase) in inventories	255,055	(293,077)	255,055	(293,077)
Decrease/(increase) in trade and other receivables	887,579	6,534	898,613	(27,118)
Increase/(decrease) in trade and other payables	1,703,833	415,336	1,645,030	454,338
Income tax paid	(781)	(483)	(69,520)	(24,584)
Net cash flows from operating activities	60,116	(1,276,457)	282,300	(1,216,265)
Investing activities				
Purchase of property, plant and equipment	(41,708)	(73,604)	(740,966)	(237,044)
Proceeds from sale of property, plant & equipment	37,542	869,916	65,115	888,374
Net cash flows used in investing activities	(4,166)	796,312	(675,851)	651,330
Financing activities				
Bank overdraft	(200,510)	(886,042)	(200,538)	(886,015)
Borrowings	2,127,650	1,317,500	2,931,756	1,543,805
Loan repayment		-	(2,304,067)	(138,670)
	(1,948,787)			
Additional investment in shares	(27,540)	-	(27,540)	-
Additional shares issued	-	-	54,000	-
Release of leave taken to income surplus	-	21,443	-	21,443
Net cash flows used in financing activities	(49,187)	452,901	453,611	540,563
Net (decrease)/increase in cash & cash equivalents	6,763	(27,244)	60,060	(24,372)
Cash and cash equivalents at 1 January	14,196	41,440	60,318	84,690
Cash and cash equivalents at 31 December	20,959	14,196	120,378	60,318