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# Annual Report 2007

COCOA PROCESSING COMPANY LTD.

ANNUAL REPORT  
& ACCOUNTS

2007



COCOA PROCESSING COMPANY LIMITED





# NATURAL COCOA POWDER



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## **NOTICE OF MEETING ANNUAL GENERAL MEETING**

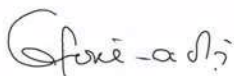
NOTICE is hereby given that the next Annual General Meeting of Cocoa Processing Company Limited will be held on the premises of the Company, Plot No. IND/10/A/1, Cocoa Processing Road, Heavy Industrial Area, Tema on Wednesday, 27 February 2008 at 10.00 am to transact the following business:

### **ORDINARY BUSINESS**

1. To receive the Financial Statements for the Year ended 30 September 2007 and the Reports of the Directors and Auditors thereon
2. To declare a dividend
3. To re-elect Hon. Osei Kyei-Mensah-Bonsu as a Director
4. To re-elect Mr John Amo Bediako as a Director.
5. To re-elect Mr Oliver Kwabena Ayivi as a Director
6. To authorise the Directors to fix the remuneration of the Auditors.

Dated 28 November 2007.

BY ORDER OF THE BOARD



S. OFORI-ADJEI  
SECRETARY

### **NOTE**

A Member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Member of the Company. A form of proxy is provided at the end of the Annual Report and Accounts. For a form of proxy to be valid for the purpose of the meeting, it must be completed and deposited at the Registered Office of the Company or the Registrar's Office, NTHC Limited, Martco House, No. D542/4, Okai Mensah Link, Adabraka, Accra, P.O. Box 9563, Airport, Accra not less than 48 hours before the appointed time of the meeting.

## BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

Board of Directors: Hon. Nana Obiri Boahen - Chairman  
Mr. Richard Amah Tetteh - Managing Director  
Mr. David Coleman  
Mr. John Amo Bediako  
Hon. Osei Kyei-Mensah-Bonsu MP  
Hon. Stephen Kwaku Balado Manu MP  
Mr. Charles Boakye Nimako  
Mr. Isaac Osei  
Mr. Dramani Egala  
Mr. Oliver Kwabena Ayivi

Secretary: Mr. Stephen Ofori-Adjei

Registered Office Cocoa Processing Company Limited  
Heavy Industrial Area  
Private Mail Bag  
Tema  
Ghana

Auditors: Darko, Sarpong & Co.  
Chartered Accountants  
House No. C63A/4  
New Town Loop  
P. O. Box 9504  
Airport  
Accra.  
Ghana

Registrars: National Trust Holding Co. Limited  
Martco House  
P. O. Box KIA 9563  
Airport  
Accra  
Ghana

## MEMBERS OF THE BOARD OF DIRECTORS



HON. NANA OBIRI BOAHEN  
Chairman



RICHARD AMARH TETTEH  
Managing Director



JOHN AMO BEDIAKO



HON. STEPHEN KWAKU  
BALADO MANU-MP



DRAMANI EGALA



DAVID COLEMAN



HON. OSEI KYEI -  
MENSAH-BONSU - MP



CHARLES BOAKYE NIMAKO



ISAAC OSEI



OLIVER KWABENA AYIVI

## CHAIRMAN'S STATEMENT



**HON. NANA OBIRI BOAHEN, Chairman**

I have the singular honour and privilege to welcome you, dear shareholders, to the 2007 Annual General Meeting of the Cocoa Processing Company Limited. It is my pleasure to present to you the Annual Report and Financial Statements of your Company for the year ended 30th September 2007.

### THE ECONOMY

The global economic growth remained robust in the second quarter of 2006 despite the increasing international crude oil price. The instability in the international crude oil prices continued to pose a risk to the economies of the world.

Our country suffered a serious setback in its electricity generation due to the low water level in the Akosombo Dam. This forced an exten-

sive country-wide load management programme as the Volta River Authority was unable to generate adequate electricity for industrial and domestic use. This continued till the end of the financial year, 2006/2007. Production was continuously affected by the load shedding exercise throughout the year under review.

Your company's operational cost increased significantly due to the steep rise in crude oil prices and the resultant increases in the prices of petroleum products, as well as the resort to increased use of diesel power generation during the power outages.

Dear shareholder, this state of affairs resulted in your Company losing, on average, about 172 hours of production time every month. The power outages and low current during the period also caused considerable damage to some electrical /electronic components on the plant and equipment which had to be repaired at a greater cost to the Company.

### OPERATIONAL STRATEGY

In order to operate efficiently and to remain focused on our core business with the long term objective of increasing shareholder wealth, your Company, during the year, divested itself from many of its non-core activities by outsourcing its transport, security, laundry, cleaning and canteen sections.

Management continued its cost control strategy in order to minimize the effect of the



## CHAIRMAN'S STATEMENT

national power crisis on the finances of the Company. As a result of this, your Company was able to make cost savings in respect of General Administration expenses, Selling and Distribution costs.

### RESULTS OF 2007

Ladies and Gentlemen,

In spite of the challenges enumerated above the Company performed relatively better than the previous year. Your Company made a gross profit of GH¢3,682,779 this year as against GH¢2,971,200 in 2005/2006. This constituted an increase of 24% over the previous year's performance.

The net profit, however, declined as a result of amortization of part of the cost of the redundancy exercise.

### DIVIDEND

In view of the lower net profit resulting from the partial amortization of the redundancy cost, your Board of Directors, hereby recommends the payment of a dividend of GH¢0.0004 per share for the year ended 30th September 2007. This amounts to GH¢ 440,330.

### UPDATE ON CPC EXPANSION PROGRAMME

Work on the second phase of the expansion programme is progressing steadily. It is expected that by the second quarter of 2008, the 35,000mt-capacity in the rehabilitated factory would have been achieved.

### SAFETY, HEALTH AND ENVIRONMENT

Your company continued to show its commitment to the health, safety and environment issues as a means of ensuring the safety and health of its employees.

In line with this the Company's operations were regularly evaluated and re-evaluated in collaboration with the Environmental Protection Agency (EPA).

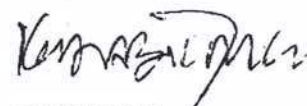
### RETIREMENT AND RE-ELECTION OF DIRECTORS

Hon. Osei Kyei-Mensah-Bonsu and Mr. John Amo-Bediako retire from the Board by rotation in accordance with the Regulations of the Company and being eligible offer themselves for re-election.

Mr. Oliver Kwabena Ayivi who was appointed to fill a casual vacancy on the Board will also, in accordance with Regulations of the Company, be eligible for re-election.

### ACKNOWLEDGEMENT

On behalf of the Directors of your company, I wish to express a great deal of gratitude to you, our shareholders for your understanding and support. I wish to also thank the company's Management and the entire staff for exhibiting a great commitment and dedication to their task of running the Company.



CHAIRMAN

## NEW APPOINTMENT TO THE BOARD OF DIRECTORS



**MR. OLIVER KWABENA  
AYIVI**

Mr Oliver Kwabena Ayivi was appointed a Director of the Company on 25 July 2007. He replaced Mr Ignatius Rockson Asare who represented the unionised workers on the Board of Directors. Mr Asare resigned as a Director on 17 August 2005.

Mr Ayivi attended Nkwanta Secondary School, Kpando Secondary School and the University of Ghana, Legon where he obtained a BSc Administration (Accounting) degree.

He joined Cocoa Processing Company [Ghana] Limited as an Audit Officer in February 2001. He previously worked as an Accountant (Produce Finance) with Cashpro Company Limited.

Mr Ayivi is currently a Senior Audit Officer in the Audit Department of the Cocoa Processing Company Limited and Chairman of the Company's Professional and Managerial Staff Union of the Industrial and Commercial Workers Union.

Mr Ayivi is a member of the Finance & Marketing Subcommittee and Technical Subcommittee of the Board of Directors.



# drink

## ROYALE

NATURALCOCOA  
POWDER Daily

*for Good Health  
and Longevity*

## CORPORATE GOVERNANCE

The Cocoa Processing Company Limited (CPC) attaches great importance to good corporate governance as a means of sustaining the long term viability of its business.

In the conduct of its business therefore, CPC endeavours to comply with all statutory requirements and adopts best practices to protect the environment and its employees.

The business adheres to standard accounting practices and ensures sound internal controls to facilitate transparency of business transaction and reliability of financial statements.

### BOARD OF DIRECTORS

The responsibility of good corporate governance resides in the Board of Directors and the Management team. The Company's regulations provide for ten (10) Directors including the Managing Director and one representative of the workers of the Company.

The non-executive directors are independent of management and free from any constraints which could materially interfere with the exercise of their independent judgment.

All the non-executive Directors submit themselves for re-election at Annual General Meetings in accordance with the regulations of the company. To ensure effective control and monitoring of the Company's business, the Board works through Audit, Nominations, Remuneration, Finance and Marketing, and Technical sub-Committees.

The Directors have unrestricted access to the

Company's records and information.

The Managing Director is a separate individual from the chairman; and he implements management strategies and policies adopted by the Board.

### THE AUDIT SUB-COMMITTEE

The Audit Subcommittee has the power among others, to review the external auditors evaluation of the system of internal control and accounting, to review and discuss the audited accounts with the external auditors and management and call for further information from the external auditors or management. It also reviews the scope and effectiveness of the internal audit procedures in consultation with the internal and external auditors and considers and makes recommendations on the conduct of any aspect of the business of the company to the Board of Directors.

During the financial year the Committee reviewed and discussed quarterly, half-year and annual financial statements particularly the balance sheet, profit/loss account and cash flow statements with management and external auditors. The committee also reviewed and discussed internal audit reports with management and the internal auditors.

The Committee presented the financial statements to the Board for approval and recommended dividend.

The External Auditors, Managing Director, Financial Controller and Internal Auditor were invited to attend meetings of the committee.

## **CORPORATE GOVERNANCE**

The membership of the Audit Subcommittee during the financial year under review was as follows: Mr Charles B. Nimako (Chairman), Mr David Coleman, Hon. Osei Kyei-Mensah-Bonsu and Mr Dramani Egala. All the members were non-executive directors.

### **INTERNAL CONTROLS**

The Company has in place a system of management control to ensure effective, efficient and proper utilization of resources in pursuit of corporate objectives with due regard to the interest of shareholders and stakeholders.

The company's over all internal control system is enhanced by written policies and procedures, formalized reporting responsibilities, written descriptions of authority, well-articulated training programmes and well-defined infor-

mation dissemination systems.

As part of its responsibilities for the exercise of control, management requires the maintenance of financial records which fairly reflect the assets and liabilities of the company. The integrity and objectivity of the accounting records are supported by a system of internal accounting controls. This includes procedures and techniques designed to provide reasonable assurance that transactions are duly authorized, properly recorded, assets are safeguarded and there is periodic physical inventory of assets which is verified against accounting and custodial records. This gives further assurance that accounting records are in conformity with generally accepted accounting principles and auditing standards.

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS



**MR. RICHARD AMARH TETTEH**  
Managing Director

### INTRODUCTION

Dear Shareholder

Your Company faced a number of challenges during the reporting year. In addition to the operational difficulties arising out of the Cocoa Factory Rehabilitation and Expansion Project, the Company had to grapple with the effects of the national power rationing exercise.

In spite of the above, the Board and Management remained focused on the Company's objective of producing quality cocoa and confectionery products for sale in both the local and foreign markets.

Management also committed considerable time and energy to supervising the various stages of the ongoing expansion programme.

### REVIEW OF OPERATIONS

#### COCOA FACTORY

A total of 21,941 metric tonnes of raw cocoa beans were processed by the Cocoa Factory into cocoa liquor, cocoa butter, cocoa cake and powder during 2006/2007.

#### CONFECTIONERY FACTORY

The Confectionery Factory packed a total of 1,152mt of confectionery products during the year. The products packed for the year were in the following mix and volumes:

PRODUCT	VOLUME (mt)	
	2006/2007	2005/2006
1. Chocolate/Couverture	618.4	478.0
2. ALLTIME Drinking Chocolate	234.5	347.0
3. VITACO Drinking Chocolate	155.0	135.0
4. Pebbles	67.5	51.0
5. ChocoDelight (Chocolate spread)	9.0	36.0
6. ROYALE Natural Cocoa Powder	68.1	82.0
<b>TOTAL</b>	<b>1,152.5</b>	<b>1,129.0</b>

The budgeted throughput volume of 27,000mt of raw cocoa beans and 1,650mt of

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

confectionery products for the year (2006/2007) could not be achieved by both the Cocoa and Confectionery factories respectively. This was a result of the energy crisis that the nation suffered during the reporting year. Averagely, about 172.42 hours per month of production time was lost by each factory due to power outages and low current during the planned load shedding exercise. In addition, the exercise adversely affected various electrical/electronic components in the plant and equipment thus impacting negatively on the operations of critical plants.

### FINANCIAL PERFORMANCE

Turnover for the year 2006/2007 was GH¢48.22m with a gross profit of GH¢3.70m. Operational cost increased from GH¢26.1 in 2005/2006 to GH¢44.53m in 2006/2007. This was a direct outcome of the steep rise in crude oil prices and the resultant increase in the prices of petroleum products, as well as the resort to increased use of diesel power generation during the power outages.

Operating margins improved significantly to GH¢1.99 million from the previous year's of GH¢0.87 million.

The net profit recorded for the year under review, however, declined by 18.5% to GH¢647,193 as a result of the amortization of the cost of the redundancy exercise. Consequently, earnings per share was recorded at GH¢0.00058.

### STATEMENT ON CASH FLOWS

A net cash deficit from operating activities of GH¢23.19 million was recorded as a result of a significant reduction in Trade Creditors in respect of the Debt/Equity conversion deal with COCOBOD. The large orders, under Letters of Credit, for Plant and other Equipment for which cash deposits had been made pending receipt of items also contributed to this situation.

Cash generated from disposal of assets amounted to GH¢191,741.00 whilst capital expenditure in the year amounted to GH¢13.33 million, as against the previous year's of GH¢7.96 million. This showed an increase of 67% which was in line with the ongoing expenditure on the expansion programme.

Cash from financing activities increased to GH¢37.63 million. The Debt/Equity conversion yielded a cash inflow of GH¢14.36 million and further drawdown on the Medium Term loan also came through with GH¢23.86 million.

Finally, Cash and Cash Equivalent at the end of the year showed a positive balance of GH¢2.83 million reflecting a net cash Inflow in the year under review.

### RESEARCH AND DEVELOPMENT

The Company engaged in vigorous research and development activities with the aim of improving on the quality and presentation of existing products and introducing new products onto the market. The year saw the re-introduction of the ever-popular and delightful chocolate spread, CHOCODELIGHT, in a new

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

and attractive package with foil sealing to enhance product safety.

### MARKETING

Through aggressive marketing strategies, the company was able to significantly improve upon its sales performance for both semi-finished and confectionery products. The Company is well positioned to establish Goldentree confectionery products as the preferred chocolate brand in the West African Sub-region.

### HUMAN RESOURCE

As a result of technological improvements in modern cocoa processing equipment and machinery which require fewer human handling, and also as part of an organizational realignment, two hundred and seventy-eight (278) employees of the Company were retrenched. The aim of the exercise was to ensure that your company operates efficiently. The affected employees were duly compensated and also given counseling and entrepreneurial training to enable them cope with their new situation and better manage their finances.

Your company continues to provide an opportunity for the retained staff to sharpen their skills and enhance their career through sponsored professional training programmes.

### EXPANSION PROGRAMME

The Expansion and Rehabilitation Programme of the Cocoa Factory encountered some delays. It is hoped that the project will be com-

pleted in the course of the ensuing financial year.

### OUTLOOK FOR 2008

Management considers the outlook for the year 2007/2008 as promising and encouraging for your company. This is in the light of the fact, that the cocoa house expansion project is expected to be completed by the end of the second quarter of 2008. This will, no doubt, boost our revenue base.

This positive prognosis is premised on the firm hope that there will be no developments on the world market that will negatively affect the prices of our major revenue earner - the semi-finished products.

Your Company intends to improve on its market share of the chocolate confectionery trade in Ghana and across the West African sub-region while seeking trading opportunities outside the traditional markets for its semi-finished cocoa products. Emphasis would also be placed on human resource development.

### CONCLUSION

The Board and Management seize the opportunity to thank our dear shareholders, distributors/retailers and, indeed, our loyal consumers for keeping faith with the company throughout the year.



MANAGING DIRECTOR

## REPORT OF THE DIRECTORS

In accordance with the requirements of Section 132 of the Companies Code, 1963 [Act 179], the Directors of the Company present their report on the state of the Company's affairs for the year ended 30 September 2007.

### State of the Company's Affairs

The state of the Company's affairs is set out in the Financial Statements. The Directors consider the state of the Company's affairs to be satisfactory.

### Dividend

The Directors recommend the payment of a dividend of GH¢0.0004 per share amounting to GH¢ 440,330 for the year ended 30th September 2007.

### Nature of Business

There was no change in the nature of business of the Company during the year under review.

### Retirement and Re-election of Directors

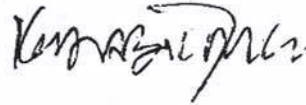
Hon. Osei Kyei-Mensah-Bonsu and Mr John Amo Bediako retire from the Board by rotation in accordance with the Regulations of the Company and being eligible offer themselves

for re-election.

Mr Oliver Kwabena Ayivi who was appointed to fill a casual vacancy on the Board will also, in accordance with the Regulations of the Company, be eligible for re-election.

### Auditors

Darko Sarpong & Co. will continue in office as Auditors of the Company in accordance with Section 134(5) of the Companies Code, 1963 [Act 179].



NANA OBIRI BOAHEN  
Chairman



RICHARD AMARH TETTEH  
Managing Director



## HIGHLIGHTS - 2007

<b>FINANCIALS</b>	<b>SEPTEMBER 2007</b>	<b>SEPTEMBER 2006</b>
	<b>GH¢</b>	<b>GH¢</b>
Revenue	48,217,223	29,043,600
Profit/(Loss) from Operations	1,994,401	788,700
Profit after Tax for the period	647,193	794,900
Proposed Dividend	440,330	344,600
Net Assets per Share	GH¢ 0.02880	GH¢ 0.01933
No. of Shares Outstanding	1,100,826,240	861,475,000
Earnings per Share	GH¢ 0.00058	GH¢ 0.00092
<b>OPERATIONS</b>	<b>SEPTEMBER 2007</b>	<b>SEPTEMBER 2006</b>
	<b>M/T</b>	<b>M/T</b>
Cocoa Beans Processed	21,941	19,634
Semi finished Products Packed	17,418	16,607
Confectionery Products Packed	1,152	1,130

## STATEMENT OF DIRECTOR'S RESPONSIBILITY

The Directors are responsible for preparing financial statements for each financial year to give a true and fair view of the state of affairs of the Company and of its profit and loss for the year. In preparing those financial statements, the Directors are required to:

- o Select suitable accounting policies and apply them consistently
- o Make judgements and estimates that are reasonable and prudent
- o State whether the applicable accounting standards have been followed

- o 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 enable them to ensure that the financial statements comply with International Accounting 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.

## REPORT OF THE AUDITORS

We have audited the financial statements set out on pages 17 - 29 and which are an amalgamation of the Assets, Liabilities and Trading Results of COCOA PROCESSING COMPANY LIMITED (COCOA AND CONFECTIONERY) and which have been prepared under the Historical Cost Convention, and under the Accounting Policies set out on pages 21 & 22.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion thereon.

### BASIS OF OPINION

We have conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence whether the financial statements are in agreement with proper books of account kept by the company and to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30th September 2007 and of its Profit/(Loss) and Cash-Flow for the year then ended, and have been properly prepared in accordance with the Companies Code 1963 (Act 179).



DARKO SARPONG & CO.  
CHARTERED ACCOUNTANTS  
P. O. BOX 9504  
ACCRA.

20TH DECEMBER, 2007

## INCOME STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2007

	NOTES	30/09/2007 AMOUNTS GH¢	30/09/2006 AMOUNTS GH¢
Revenue	2	48,217,223	29,043,600
Cost of Sales	3	<u>(44,534,444)</u>	<u>(26,072,400)</u>
<b>Gross Profit or (Loss)</b>		<b>3,682,779</b>	<b>2,971,200</b>
Other Income	4	390,674	292,700
Selling & Distribution Costs		(558,639)	(700,600)
Administrative Expenses		<u>(1,520,413)</u>	<u>(1,697,000)</u>
<b>Profit/(Loss) from Operations</b>		<b>1,994,401</b>	<b>866,300</b>
Finance Costs	5	(166,675)	( 51,000)
Redundancy Cost	8	<u>(1,180,533)</u>	<u>( 0)</u>
<b>Profit/(Loss) Before Tax</b>		<b>647,193</b>	<b>815,300</b>
Provision for Tax/National Reconstruction Levy		<u>( 0)</u>	<u>( 20,400)</u>
<b>Profit for the period</b>		<b><u>647,193</u></b>	<b><u>794,900</u></b>
<b>Basic Earnings per share</b>	10	<b>GH¢ 0.00058</b>	<b>GH¢ 0.00092</b>

## INCOME SURPLUS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2007

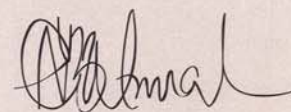
	30/09/2007 AMOUNTS GH¢	30/09/2006 AMOUNTS GH¢
Balance on 01/10/2006	6,344,500	5,894,200
Profit/(Loss) for the year	<u>647,193</u> 6,991,693	<u>794,900</u> 6,689,100
Proposed Dividend	<u>( 440,330)</u>	<u>( 344,600)</u>
<b>Closing Balance</b>	<b><u>6,551,363</u></b>	<b><u>6,344,500</u></b>

## BALANCE SHEET AS AT 30TH SEPTEMBER 2007

	NOTES	30/09/2007 AMOUNTS GH¢	30/09/2006 AMOUNTS GH¢
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	11	<u>61,259,485</u>	<u>48,430,300</u>
<b>Current Assets</b>			
Inventories	12	16,576,019	22,510,000
Trade and Other Receivables	13	24,398,993	5,414,400
Short-term Investments	14	1,568,979	1,444,600
Cash and Cash Equivalents	15	<u>2,828,398</u>	<u>1,643,900</u>
		<u>45,372,389</u>	<u>31,012,900</u>
<b>Total Assets</b>		<b><u>106,631,874</u></b>	<b><u>79,443,200</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	16	30,150,134	41,491,410
Dividends Payable	17	440,330	344,600
		<u>30,590,464</u>	<u>41,836,010</u>
<b>Non-Current Liabilities</b>			
Bank Loans (Medium Term)	18	<u>44,781,342</u>	<u>20,915,500</u>
<b>Equity</b>			
Stated Capital	19	3,088,186	2,416,700
Redeemable Preference Shares		100	100
Capital Surplus	20	21,620,419	7,930,390
Income Surplus Account		<u>6,551,363</u>	<u>6,344,500</u>
<b>Shareholders Fund</b>		<u>31,260,068</u>	<u>16,691,690</u>
<b>Total Equity and Liabilities</b>		<b><u>106,631,874</u></b>	<b><u>79,443,200</u></b>



**Richard Amarh Tetteh**  
DIRECTOR



**Charles Boakye Nimako**  
DIRECTOR

The accompanying accounting policies and notes form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2007**

	<b>Stated Capital GH¢</b>	<b>Capital Surplus GH¢</b>	<b>Income Surplus GH¢</b>	<b>Total GH¢</b>
Balance at 1st October 2006	2,416,726	7,930,390	6,344,500	16,691,616
Net Profit			647,193	647,193
Debt/ Equity conversion	671,460	13,690,029		14,361,489
Released on Disposal				
Dividend proposed			(440,330)	(440,330)
Balance at 30th September 2007	<u>3,088,186</u>	<u>21,620,419</u>	<u>6,551,363</u>	<u>31,259,968</u>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH SEPTEMBER 2006**

	<b>Stated Capital GH¢</b>	<b>Capital Surplus GH¢</b>	<b>Income Surplus GH¢</b>	<b>Total GH¢</b>
Balance at 1st October 2005	2,416,726	7,930,390	5,894,200	16,241,316
Net Profit			794,900	794,900
Debt/ Equity conversion			-	-
Released on Disposal			-	-
Dividend proposed			(344,600)	(344,600)
Balance at 30th September 2006	<u>2,416,726</u>	<u>7,930,390</u>	<u>6,344,500</u>	<u>16,691,616</u>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER 2007

	30th SEPT 2007 GH¢	30th Sept 2006 GH¢
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Operating Profit	1,994,401	707,700
Depreciations	737,137	740,800
(Increase)/Decrease in Inventories	5,933,981	(12,340,800)
(Increase)/Decrease in Account Receivables	(2,092,856)	4,893,200
(Increase)/Decrease in Letters of Credit	(13,811,410)	0
Increase/(Decrease) in Account Payables	(11,685,865)	14,738,000
Redundancy Costs	(4,260,860)	0
<b>Net Cash from Operating Activities</b>	<b><u>(23,185,472)</u></b>	<b><u>8,738,900</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	0	30,000
Purchases of Property, Plant and Equipment	(13,329,771)	(7,963,500)
Proceeds on disposal of property, plant and equipment	191,741	0
(Increase)/Decrease in Fixed Deposits	(124,379)	(84,700)
<b>Net Cash Used for Investing Activities</b>	<b><u>(13,262,409)</u></b>	<b><u>(8,018,200)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share	14,361,489	0
Dividends Paid	(428,277)	(254,300)
Finance Costs	(166,675)	0
Increase/(Decrease) in Medium Term Loans	23,865,842	(2,234,000)
<b>Net Cash (used in) from financing Activities</b>	<b><u>37,632,379</u></b>	<b><u>(2,488,300)</u></b>
<b>Increase/(Decrease) in Cash</b>	<b><u>1,184,498</u></b>	<b><u>(1,767,600)</u></b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b><u>1,643,900</u></b>	<b><u>3,411,500</u></b>
<b>Cash and Cash Equivalent at End of Period</b>	<b><u><u>2,828,398</u></u></b>	<b><u><u>1,643,900</u></u></b>

The accompanying accounting policies and notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The significant Accounting Policies adopted by the company and which have been used in preparing the Accounts are as follows: -

#### a) Basis of Accounting

The financial statements have been prepared based on the Historical Cost Convention, as modified by the revaluation of the fixed assets and complied with all applicable accounting standards.

#### b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for goods sold in the normal course of business net of discounts, VAT/National Insurance Levy and other sales related taxes.

Exports sales are recognized when the invoiced value of cocoa products supplied to customers and receivable free on board (FOB) are shipped. Local sales of confectionery and Cocoa Cake/Powder are also recognized when goods are delivered and title has passed.

#### Transactions in other Currencies

Transactions denominated in currencies other than cedis are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than cedis are retranslated at the rates of exchange prevailing on the Balance Sheet date. All translation differences are taken to profit and loss account.

#### c) Property, Plant and Equipment

Tangible fixed assets are recorded at cost/valuation less accumulated depreciation. Repairs and maintenance expenditures are charged against profit and loss as incurred. Major improvements and replacements that extend the useful life of an asset are capitalized.

#### d) Depreciation

Depreciation is provided on costs or revalued amounts on the basis of estimated useful lives of fixed assets. This has been calculated to write off the cost/valuation on a reducing balance basis as follows: -

Building and Roadwork	2%
Staff Bungalow and Flats	2%
Plant and Machinery	5%
Motor Vehicle	25%
Laboratory Equipment	20%
Office Furniture & Equipment	20%
Bungalow Furniture & Equipment	20%

#### e) Research and Development

Research costs are written off as incurred. Costs involved in the development of new recipes and products are also written off in the year of expenditure, except in certain circumstances when it may be deferred to future periods where the outcome is expected to be successful.

#### f) Interest and other Finance Costs

Interest is capitalized in respect of expansion and development projects as part of tangible fixed assets from the time it has been determined that a commercially viable process line exists up to the commencement of production.



## NOTES TO THE FINANCIAL STATEMENTS

exists up to the commencement of production. All other interest costs are charged against profit as incurred.

### g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where appropriate, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### h) Accounts Receivable

Trade receivables do not carry interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### i) SOFTWARE COSTS

Direct development costs associated with internal use software are capitalized and amortized. These include external direct costs of materials and services and payroll costs for employees devoting time to the software projects.

Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

### j) ENVIRONMENTAL & SANITATION

The company is committed to the provision of adequate resources to ensure that environmental issues are given prior attention and also maintain environmentally sound practices. The long-term environmental obligations comprising effluent water treatment are based on the company's environmental management plan [EMP]. The EMP is in compliance with the current regulations of the Environmental Protection Agency.

## 2. REVENUE

Analysis of the Company's revenue is as follows:

Type of Product	SEPT. 2007 GH¢	SEPT.2006 GH¢
Cocoa Butter	25,491,921	3,824,900
Cocoa Liquor	14,742,899	18,959,000
Cocoa Cake	3,116,178	871,800
Cocoa Powder	313,084	709,900
Confectionery	4,553,141	4,678,000
	<u>48,217,223</u>	<u>29,043,600</u>

## NOTES TO THE FINANCIAL STATEMENTS

### Analysis of Product Market

	2007		2006	
	Export Sales GH¢	Local Sales GH¢	Export Sales GH¢	Local Sales GH¢
Semi-Finished Products	42,801,859	862,223	23,160,800	1,204,800
Confectionery	1,436,266	3,116,875	492,800	4,185,200
	<u>44,238,125</u>	<u>3,979,098</u>	<u>23,653,600</u>	<u>5,390,000</u>

### 3. COST OF GOODS SOLD

Comprises raw materials, packaging materials and conversion costs

	SEPT. 2007 GH¢	SEPT. 2006 GH¢
Raw Materials and Conversion Costs, etc.	<u>44,534,444</u>	<u>26,072,400</u>

### 4. OTHER INCOME

	SEPT. 2007 GH¢	SEPT. 2006 GH¢
Sale of Shells, Sacks etc	122,900	134,100
Profit on Disposal of Property, Plant & Equip.	23,345	0
Interest Received & Exchange Gains	244,429	158,600
	<u>390,674</u>	<u>292,700</u>

### 5. FINANCE COSTS

Interest on Bank Overdraft	8,484	51,000
Interest on EDIF Loan	29,938	0
Interest on Syndicated Loan	128,253	0
	<u>166,675</u>	<u>51,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after Charging/ (crediting) the following:

	SEPT. 2007	SEPT. 2006
	GH¢	GH¢
Other Raw Materials and Packaging	2,846,558	2,512,300
Depreciation of tangible fixed assets	737,137	740,600
Plant Repairs and Maintenance	131,931	250,600
Adverts and Promotions	149,331	265,400
Research and Development	710	1,100
Environmental Expenses	174,490	129,600
Audit Fees and Expenses	6,600	5,500
Director's Emoluments	95,229	34,700

### 7. STAFF COSTS

The average number of employees during the year was as follows:

Employee Categories	SEPT. 2007 Number	SEPT. 2006 Number
Operatives	179	436
Supervisors	39	56
Senior Staff	57	65
	<u>275</u>	<u>557</u>

Aggregate Remuneration	SEPT. 2007 GH¢	SEPT. 2006 GH¢
Wages and Salaries	1,366,999	1,722,600
Social Security Costs	159,752	206,100
Other Pensions	96,771	115,400
	<u>1,623,522</u>	<u>2,044,100</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 8. REDUNDANCY

Management and the Industrial and Commercial Worker's (ICU) concluded negotiation of the severance pay for workers affected by the redundancy exercise on the 16th November, 2006.

The total amount involved was GH¢4.26 million which has been recognised to be amortised over three (3) years. The breakdown is as follows:

	GH¢
End of Service Benefit paid to Retrenched Staff	3,664,412.87
Counselling and other miscellaneous expenses	390,247.70
Professional fees Charged on Counselling	39,150.00
Interest Charged on Barclays Loan Dec'06 - Jul'07	167,050.23
	<u>4,260,860.80</u>

### 9. TAXATION

No provision is made for Company Tax as the company has been accepted and given the Free Zone Manufacturing status with effect from 28th July 2004.

### 10. EARNINGS PER SHARE

The basic calculation of earnings per share from continuing operations is based on earnings after tax and the weighted average number of ordinary shares outstanding during the period.

	Year Ended Sept. 2007	Year Ended Sept. 2006
Net Profit attributable to shareholders	GH¢ 647,193	GH¢ 794,000
Weighted Average Number of Ordinary Shares outstanding during the year	1,100,826,240	861,475,000
Basic Earnings per share	GH¢ 0.00058	GH¢ 0.00092

**11. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT**

	CAPITAL WORK IN PROGRESS GH¢	PLANT & MACH. NOT IN USE GH¢	BUILDINGS & ROAD WORKS GH¢	STAFF BUNGALOWS GH¢	PLANT & MACHINERY GH¢	MOTOR VEHICLES VEHICLES GH¢	OFFICE FURN. & EQUIP. GH¢	BUNGALOW FURN. & EQUIP. GH¢	LABORATORY EQUIP. GH¢	TOTAL GH¢
<b>COST VALUATION</b>										
Bal as at 01/10/2006	19,755,000	10,824,300	6,781,474	32,000	13,760,495	1,328,910	356,861	15,727	162,875	53,017,642
Additions	13,503,406				57,877	127,192	54,320	1,431	1,746	13,745,972
Disposals		-166,688				-288,951				-455,639
Transfers		-8,903,329			8,903,329					0
Bal as at 30/09/2007	33,258,406	1,754,283	6,781,474	32,000	22,721,701	1,167,151	411,181	17,158	164,621	66,307,975
<b>DEPRECIATION</b>										
Bal as at 01/10/2006	0	2,931,100	278,858	2,961	504,140	572,626	184,459	6,646	106,580	4,587,370
Disposals	0	-118,876				-157,141				-276,017
Transfers	0	-2,488,071			2,488,071					
Charge for the year	0		130,052	581	388,518	164,144	40,395	2,055	11,392	737,137
Bal as at 30/09/2007	0	324,153	408,910	3,542	3,380,729	579,629	224,854	8,701	117,972	5,048,490
<b>NET BOOK VALUE</b>										
Bal as at 30/09/2007	33,258,406	1,430,130	6,372,564	28,458	19,340,972	587,522	186,327	8,457	46,649	61,259,485
<b>NET BOOK VALUE</b>										
Bal as at 30/09/2006	19,755,000	7,893,200	6,502,600	29,039	13,256,400	756,288	172,403	9,080	56,290	48,430,300

## NOTES TO THE FINANCIAL STATEMENTS

### 12. INVENTORIES

	SEPT. 2007	SEPT. 2006
	GH¢	GH¢
Raw Materials	8,004,858	8,517,900
Packaging Materials	2,612,998	2,996,500
Finished Goods	2,945,449	8,157,700
Technical Store Parts	2,870,130	2,681,300
Fuel & Lubricant	142,584	156,600
	<u>16,576,019</u>	<u>22,510,000</u>

### 13. TRADE AND OTHER RECEIVABLES: (Amounts falling due within one year)

Trade Receivables	6,011,773	1,914,200
Other Receivables	859,907	2,263,848
L/C Deposits (Projects)	13,811,410	1,125,652
Prepayments	3,715,903	110,700
	<u>24,398,993</u>	<u>5,414,400</u>

### 14. SHORT TERM INVESTMENTS

91- Day Treasury Bills	23,619	23,000
Fixed Deposit - Prudential Bank	630,251	549,900
Fixed Deposit - Prudential USD	915,109	871,700
	<u>1,568,979</u>	<u>1,444,600</u>

### 15. CASH AND BANK BALANCES

Bank Balances	2,763,079	1,638,900
Cash in Hand	65,319	5,000
	<u>2,828,398</u>	<u>1,643,900</u>

### 16. TRADE AND OTHER PAYABLES: (Amounts falling due within one year)

Trade and other payables principally comprised amount outstanding for trade purchases and ongoing costs.

	SEPT. 2007	SEPT. 2006
	GH¢	GH¢
Bank Overdraft	3,014,583	1,308,200
Trade Payables	26,358,052	39,045,800
Other Payables	777,499	1,092,500
Accruals	0	44,900
	<u>30,150,134</u>	<u>41,491,400</u>

## NOTES TO THE FINANCIAL STATEMENTS

	SEPT. 2007 GH¢	SEPT. 2006 GH¢
<b>17. DIVIDENDS</b>		
Amount recognised as distribution to Equity Holders in the period:		
Final dividend for the year ended 30th September, 2006 GH¢ 0.0004 per share		344,600
Proposed final dividend for the year ended 30th September, 2007 GH¢ 0.0004	440,330	

The proposed final dividend is subject to approval by Shareholders at Annual General Meeting before being recognised in the financial statement.

### 18. BORROWINGS

Balances on existing Loan facilities at 30th September, 2007:

	SEPT. 2007 GH¢	SEPT. 2006 GH¢
Barclays Bank led Syndicate Euro Loan	18,624,900	19,706,200
Barclays Bank led Syndicate USD Loan	16,414,873	0
EDIF Loan (Cedi)	863,816	1,209,300
COCOBOD Loan (USD)	8,877,753	0
	<u>44,781,342</u>	<u>20,915,500</u>

### 19. STATED CAPITAL

- a) The company is registered with 20,000,000,000 ordinary shares of no par value of which 1,100,826,240 shares have been issued for GH¢3,088,186 and fully paid.
- b) 1 Preference share ( Golden Chocolate Share ) of no par value which has been issued for GH¢100.00 and fully paid.

The Golden Chocolate Share is held by the Government of Ghana. It is a non voting but the holder is entitled to receive notice of and to attend and speak at any general meeting of the members or at any separate meeting of the holders of any class of shares. On winding up, the Golden share has a preferential right to return of capital, the value of which will be GH¢100.00.

There are no outstanding shares in Treasury.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. CAPITAL SURPLUS

This represents net Revaluation Gain brought about as a result of Valuation of Fixed Asset by Messrs. Valuation and Investment Associates. The basis of this valuation is the Open Market Value for the existing Assets as at January 2002.

	SEPT. 2007	SEPT. 2006
	GH¢	GH¢
Balance	7,930,390	7,930,390
Debt/Equity Conversion	13,690,029	0
	<u>21,620,419</u>	<u>7,930,390</u>

### 21. CONTINGENT LIABILITIES

The company is from time to time, party to legal proceedings and claims, which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the company's financial position.



## 20 LARGEST SHAREHOLDERS AS AT 30TH SEPTMBER 2007

Shareholder's Name	No. of Shares	Percentage Holdings (%)
Government of Ghana	516,884,200	46.95
Ghana Cocoa Board (COCOBOD)	239,351,240	21.74
Social Security & National Insurance Trust	206,754,000	18.78
NTHC Limited	15,669,900	1.42
State Insurance Company	3,200,000	0.29
Ashanti Goldfields Co. Ltd. Employees	3,200,000	0.29
Galtere International Fund	2,020,535	0.18
Ghana Reinsurance Company Ltd	1,600,000	0.15
Agricultural Development Bank	1,600,000	0.15
Donewell Insurance Company Limited	1,120,000	0.10
Sealing Consulting	1,103,321	0.10
Mensah Baah Matthew	960,000	0.09
Boohene Edward Henaku	800,000	0.07
Donewell Insurance Company Limited	800,000	0.07
Ghana Libyan Arab Holding Co.	800,000	0.07
Badu Collins	730,000	0.07
Tetteh Richard Amarh	552,000	0.05
Acra Consolidated Limited	500,000	0.05
Teachers' Fund	500,000	0.05
Insurance Compensation Fund	480,000	0.04
	<b>998,625,196</b>	<b>90.72</b>

## DIRECTORS' SHAREHOLDING AS AT 30TH SEPTEMBER, 2007

RICHARD AMARH TETTEH	552,000
HON. S.K. BALADO MANU MP	15,000
DAVID COLEMAN	15,000
JOHN AMO BEDIAKO	15,000
HON. OSEI KYEI-MENSAH-BONSU MP	19,000
ISAAC OSEI	100,000
OLIVER KWABENA AYIVI	7,330
	<b>723,330</b>

## SHAREHOLDING DISTRIBUTION AS AT 30TH SEPTEMBER, 2007

Category of Holdings	No. of Shareholders	Holders %	No. of shares	% of holdings
1 to 1,000	28,021	56.62	12,979,834	1.18
1,001 to 5,000	18,898	38.19	42,238,761	3.84
5,001 to 10,000	1,683	3.40	13,019,698	1.18
over 10,000	886	1.79	1,032,587,947	93.80
<b>Total</b>	<b>9,488</b>	<b>100.00</b>	<b>1,100,826,240</b>	<b>100.00</b>

### REHABILITATION AND MODERNIZATION OF THE FACTORY IN PROGRESS



### NEW HYDRAULIC PRESSES AWAITING COMMISSIONING AT THE REHABILITATED FACTORY





# Instant drinking chocolate



## PROXY FORM

I/We .....  
of .....  
being member/members of Cocoa Processing Company Limited hereby appoint

\* .....  
or failing him/her the Chairman of the meeting as my/our proxy to vote for me/us at the Annual General Meeting to be held on the premises of the Company, Plot No. IND/10/A/1, Cocoa Processing Road, Heavy Industrial Area, Tema on Wednesday, 27 February 2008 at 10.00 am and at every adjournment thereof.

Please indicate with an X in the spaces below how you wish your vote to be cast.

RESOLUTION	FOR	AGAINST
1. To receive the accounts		
2. To declare dividend		
3. To re-elect Hon Osei Kyei-Mensah-Bonsu as a Director		
4. To re-elect Mr John Amo Bediako as a Director		
5. To re-elect Mr Oliver Kwabena Ayivi as a Director		
6. To authorise the Directors to fix the remuneration of the Auditors.		

Signed this ..... day of ..... 2008.

Shareholders Signature .....

THIS PROXY FORM SHOULD NOT BE SENT TO THE REGISTRAR IF THE MEMBER WILL BE ATTENDING THE MEETING.

### NOTES:

1. A member (Shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above proxy form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for the Chairman of the meeting to act as your proxy but, if you wish, you may insert in the blank space marked (\*) the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf instead of the Chairman of the meeting.
3. In the case of joint holders, each joint holder should sign.
4. If executed by a corporation, the proxy form should bear its common seal or be signed on its behalf by a Director.
5. Please sign the above proxy form and send it so as to reach the address shown overleaf not less than 48 hours before the appointed time of the meeting.
6. The proxy must produce the Admission Card sent with the notice of the meeting to obtain entrance to the meeting.

**SECOND FOLD HERE**

**THE REGISTRAR  
COCOA PROCESSING  
COMPANY LIMITED  
C/O NTHC LTD,  
MARTCO HOUSE  
NO. D542/4  
OKAI MENSAN LINK  
ADABRAKA  
P.O. BOX 9563  
AIRPORT - ACCRA**

**THIRD FOLD HERE**

**FIRST FOLD HERE**



# Chocolates





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