COCOA PROCESSING COMPANY LIMITED

FINANCIAL STATEMENTS
30 SEPTEMBER 2016

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
COCOA PROCESSING COMPANY LIMITED

The Directors present their report and the financial statements of the Company for the year ended 30 September 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of Cocoa Processing Company Limited, comprising the statement of financial position at 30 September 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179). In addition, the Directors are responsible for the preparation of the Directors' report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

GOING CONCERN CONSIDERATION AND STATE OF AFFAIRS OF THE COMPANY

The Company reported a loss of US$9.1 million (2015: US$10.3 million) for the year and at 30 September 2016, the Company's total liabilities exceeded its total assets by US$21.5 million (2015: US$12.4 million).

A substantial part of the Company's liabilities are due to the majority shareholder, Ghana Cocoa Board (COCOBOD), and a syndicate of banks. The Company has defaulted in the payment of the interest on COCOBOD loan. In addition, the Company is unable to make adequate payments towards the syndicated bank loan. The Company's inability to comply with the terms of the loan agreements has resulted in renegotiation of the COCOBOD and syndicated loans.

COCOBOD has undertaken to provide the Company with continuous supply of cocoa beans to meet its operational demand and will not call for repayments of amounts due it in a manner that would jeopardise the operations of the Company.

From 2012, the supply of cocoa beans has however significantly reduced. Cocoa beans purchased in 2016 was approximately 1,300 MT compared to budgeted amount of 20,000 MT. As a result, the Company has been producing below capacity and unable to cover its operational costs.

The Company plans to enter into a collateral management agreement with Cocoa Marketing Company (CMC) for the purchase of cocoa beans. Under the arrangement, CMC would issue the Company with a letter of guarantee to supply 23,000MT of cocoa beans yearly (main and light crop with the light crop proportion larger than the main crop).

The Company is soliciting letters of guarantees from certain financial institutions to support its working capital needs and invest in infrastructure and machinery. The Company intends to use part of the funds it will receive to build a 5MW ECT Cocoa shell based steam power co-generation plant and its corresponding accessories. The steam boiler plant shall be designed to use cocoa shells, saw dust, firewood, shell cake, rice husk as fuel and shall have steam generation capacity of 25TPH at 67kg/cm2 pressure and steam temperature of 490 Degree Celsius. The plant will significantly reduce the cost of electricity, diesel and LPG which currently approximates US$450,000 per month.

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
COCOA PROCESSING COMPANY LIMITED (CONTINUED)

GOING CONCERN CONSIDERATION AND STATE OF AFFAIRS OF THE COMPANY (CONT'D)

In addition, the Company plans to purchase additional Chocomaster (moulding plant), three new wrapping machines, drinking chocolate plant and also rehabilitate the milling section accessories and installation. These equipment are intended to increase chocolate production and the project will take a year to complete.

The Company intends to increase its revenue by:

- Introducing hand crafted-chocolates and customised chocolates (own label chocolate bars).
- Introducing Nutty chocolates (non-coated dragees)
- Establishing tolling arrangement with relevant parties.
- Improving visibility to increase local consumption of Goldentree confectionery products.
- Rebranding of Alltime instant drinking chocolate and the introduction of another instant drinking chocolate to be known as Goldentree instant drinking chocolate.

The Company has also constructed six (6) depth bore-holes to reduce the cost of water by about US$168,000 – US$220,000 per annum.

The financial statements are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business. However in the event that the Company does not achieve these conditions, a material uncertainty exist which may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

FINANCIAL STATEMENTS AND DIVIDEND

The results for the year are as set out in the financial statements.

The Directors cannot recommend the payment of a dividend whilst there remains a deficit balance on the retained earnings (Income Surplus) account.

NATURE OF BUSINESS

Cocoa Processing Company Limited was incorporated in Ghana on 30 November 1981 as a limited liability Company. The Company is domiciled in Ghana and its shares are publicly traded on the Ghana Stock Exchange (GSE). The principal activities of the Company are the manufacture of high-quality chocolates, confectionery and semi-finished cocoa products such as cocoa butter, cocoa liquor, cocoa cake and cocoa powder from premium cocoa beans grown in Ghana.

The Company has not filed its annual returns with the Registrar General and Ghana Stock Exchange (GSA). The financial statements were also not published as required under GSA rules. The non-submission and publication of the Company's financial statements resulted in a suspension of trading of its shares on the GSA with effect from 29 August 2017.

REPORT OF THE DIRECTORS

TO THE MEMBERS OF

COCOA PROCESSING COMPANY LIMITED (CONT'D)

HOLDING COMPANY

The Company is 57.73% owned by Ghana Cocoa Board, a Company incorporated in Ghana.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Company were approved by the Board of Directors on 10 December 2018 and were signed on their behalf by:

DIRECTOR

DIRECTOR

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
COCOA PROCESSING COMPANY LIMITED

Report on the Financial Statements

We were engaged to audit the financial statements of Cocoa Processing Company Limited (Company"), which comprise the statement of financial position at 30 September 2015, statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 46.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Note 28 to the financial statements indicates that the Company incurred a loss after taxation of US$10.3 million for the year ended 30 September 2015(2014:US$16.3 million), at that date its total liabilities exceeded its total assets by US$12.4 million (2014: US$60.1 million). The Company continues to incur losses after year end.
As indicated in note 28, COCOBOD, the majority shareholder has undertaken to supply cocoa beans to the Company on a continued basis to meet its operational demand. However, the cocoa beans supplied has significantly reduced from 25,000 MT to 5,800 MT in 2015. As a result, the Company has been producing below capacity and unable to cover its operational costs. The note further states that the Company intends to enter into a collateral management agreement with COCOBOD and Cocoa Marketing Company (CMC) for the purchase of cocoa beans, however, management has not provided evidence of progress made to secure the agreement with CMC. In addition, the note states that management is soliciting letter of guarantees from certain financial institutions to support its working capital needs and investment in infrastructure and machinery, however, management has not provided us with evidence of the progress of these discussions with the financial institutions or whether the receipt of funding is likely. Furthermore, management has indicated that it plans to increase its revenue streams. With the exception of the tolling arrangement with relevant parties, we have not obtained sufficient appropriate audit evidence with regards to agreements signed or discussions held with prospective suppliers. Management provided a ten-year cash flow forecast from 2017 financial year with projected profit from 2019 onwards, the cash flow forecast is based on the assumption that COCOBOD and CMC will supply 2000MT of cocoa beans on a monthly basis. However, actual cocoa beans received by the Company as at July 2018 is approximately 6,200MT compared to the forecast of 24,000 for the year. The Company does not have a formal agreement in place for the constant supply of appropriate quantity of cocoa beans or an agreement with any related or other party committing funding for the foreseeable future. Consequently, we were unable to confirm or dispel whether the use of the going concern assumption in the preparation of the financial statements is appropriate.

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
COCOA PROCESSING COMPANY LIMITED (CONT'D)

Basis for Disclaimer of Opinion

The Company has not complied with International Financial Reporting Standard IAS 36, *Impairment of Assets*, which requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. Where any such indication exists, the entity is required to estimate the recoverable amount of the asset.

As the Company's plant and machinery were idle during most part of the year, the entity should have assessed if these assets were impaired. Note 7 to the financial statements indicates that the necessary information to assess impairment were not readily available. In this circumstance, we were unable to determine whether any material adjustments might have been necessary to plant and machinery, deferred tax liability, net loss and retained earnings.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179)

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept, and 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 Anthony Kwasi Sarpong (ICAG/P/1369).

KPMG
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FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2017/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE
P O BOX GP 242
ACCRA

10 December 2018

COCOA PROCESSING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2016

	Note	2016 US$	2015 US$
Assets			
Property, plant and equipment	7	115,260,010	119,323,509
Total non-current assets		115,260,010	119,323,509
Inventories	8	5,503,578	7,667,533
Trade and other receivables	9	3,877,384	7,384,005
Cash and cash equivalents	10(a)	1,338,012	1,460,823
Total current assets		10,718,974	16,512,361
Total assets		125,978,984	135,835,870
Equity			
Share capital	14(a)	26,071,630	26,071,630
Translation reserve	14(c)	(20,070,388)	(20,070,388)
Revaluation reserve	14(d)	46,570,764	48,354,660
Retained earnings	14(e)	(74,118,355)	(66,745,781)
Total equity		(21,546,349)	(12,389,879)
Borrowings	12(b)	48,188,369	48,879,142
Employee benefit obligations	13(b)	1,570,334	1,187,035
Deferred Tax Liability	13(b)	15,176,016	17,015,891
Total non-current liabilities		64,934,719	67,082,068
Bank overdraft	10(b)	1,275,707	1,302,723
Trade and other payables	11	69,277,572	69,522,301
Borrowings	12(a)	12,037,335	10,318,657
Total current liabilities		82,590,614	81,143,681
Total liabilities		147,525,333	148,225,749
Total equity and liabilities		125,978,984	135,835,870

DIRECTOR　　　　　　　　DIRECTOR

The notes on pages 13 to 46 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 US$	2015 US$
Revenue	15	13,361,260	27,881,187
Cost of sales	16	(15,075,466)	(27,329,067)
Gross profit		(1,714,206)	552,120
Other income	17	531,041	1,814,818
Selling and distribution costs	30	(317,708)	(559,953)
General and administrative expenses	29	(5,525,573)	(5,710,436)
Operating loss		(7,026,446)	(3,903,451)
Finance income	21	33,029	31,957
Finance cost	22	(3,941,521)	(3,982,958)
Loss before tax	18	(10,934,938)	(7,854,452)
Income tax credit / (expense)		1,827,890	(2,477,797)
Loss		(9,107,048)	(10,332,249)
Other comprehensive income			
Other items that will never be reclassified to profit or loss			
Tax on revaluation surplus		-	(14,510,219)
Defined benefit plan actuarial (loss)/gains		(61,407)	159,742
Related tax on defined benefit plan		11,985	(27,875)
Other comprehensive income		(49,422)	(14,378,352)
Total comprehensive income		(9,153,103)	(24,710,601)
Earnings per share			
Basic earnings per share	23	(0.004)	(0.005)
Diluted earnings per share	23	(0.004)	(0.005)

The notes on pages 13 to 46 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share Capital US$	Revaluation Reserve US$	Translation Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 October 2015	26,071,630	48,354,660	(20,070,388)	(66,745,781)	(12,389,879)
Total comprehensive income					
Loss	-	-	-	(9,107,048)	(9,107,048)
Other comprehensive income	-	-	-	(49,422)	(49,422)
Total comprehensive income	-	-	-	(9,156,470)	(9,156,470)
Transfer within equity					
Revaluation reserve transferred	-	(1,783,896)	-	1,783,896	-
Balance at 30 September 2016	26,071,630	46,570,764	(20,070,388)	(74,118,355)	(21,546,349)

The notes on pages 13 to 46 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016 (CONT'D)

	Share Capital US$	Revaluation Reserve US$	Translation Reserve US$	Retained Earnings US$	Total Equity US$
Balance at 1 October 2014	26,071,630	64,729,745	(20,070,388)	(58,410,265)	12,320,722
Total comprehensive income					
Loss	-	-	-	(10,332,249)	(10,332,249)
Other comprehensive income	-	(14,510,219)	-	131,867	(14,378,352)
Total comprehensive income	-	(14,510,219)	-	(10,200,382)	(24,710,601)
Transfer within equity					
Revaluation reserve transferred	-	(1,864,866)	-	1,864,866	-
Balance at 30 September 2015	26,071,630	48,354,660	(20,070,388)	(66,745,781)	(12,389,879)

The notes on pages 13 to 46 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Note	2016 US$	2015 US$
Cash flows from operating activities			
Loss		(9,107,048)	(10,332,249)
Adjustments for:			
Depreciation	7	4,163,758	4,351,593
Loss on disposal of property, plant and equipment		4,805	-
Finance cost	22	3,941,521	3,982,958
Finance income	21	(33,029)	(31,957)
Employee benefit obligations	13	453,034	360,140
Employee benefit paid	13	(131,142)	(103,984)
Impairment of trade receivables	9	11,376	45,681
Income tax credit / (expense)		(1,827,890)	2,477,797
Effect of movement in exchange rates on cash held		(7,719)	21,591
		(2,532,334)	771,570
Changes in:			
Inventories	8	2,163,955	4,343,767
Trade and other receivables	9	3,495,245	(768,123)
Trade and other payables	11	(244,729)	(558,498)
Net cash from operating activities		2,882,137	3,788,716
Cash flows from investing activities			
Interest received	21	33,029	31,957
Purchase of property, plant and equipment	7	(111,709)	(394,387)
Proceeds from disposal of property, plant and equipment	7.1	6,645	-
Net cash used in investing activities		(72,035)	(362,430)
Cash flows used in financing activities			
Interest paid		(2,339,826)	(2,314,664)
Repayment of borrowings		(573,790)	(734,838)
Net cash from financing activities		(2,913,616)	(3,049,502)
Net increase/(decrease) in cash and cash equivalents		(103,514)	376,784
Cash and cash equivalent at 1 October		158,100	(197,093)
Effect of movement in exchange rates on cash held		7,719	(21,591)
Cash and cash equivalents at 30 September	10	62,305	158,100

The notes on pages 13 to 46 form an integral part of these financial statements.

COCOA PROCESSING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. REPORTING ENTITY

Cocoa Processing Company Limited is a Company registered and domiciled in Ghana. The financial statements at and for the year ended 30 September 2016 relates to the individual financial statements of the Company.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 1963 (Act 179).

b. Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:

- Property, plant and equipment, measured at revalued amounts
- Defined benefit obligations measured at the present value of the future benefit to employees

c. Approval of the financial statements

The financial statements for the year ended 30 September 2017 were approved on the same date as these financial statements. The financial statements for the year ended 30 September 2017 should be referred to for a more up to date understanding of the company's financial position.

d. Functional and presentation currency

The financial statements are presented in US Dollar (US$) which is the Company's functional and presentation currency. Except otherwise indicated, the financial information presented has been rounded off to the nearest US Dollar.

e. Use of estimates and judgement

In preparing the financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's 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 ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 30 September 2016 is included in the following notes:

- Note 5 - Determination of revalued amounts for property, plant and equipment
- Note 13 – Measurement of defined benefit obligations: Key actuarial assumptions

3. SIGNIFICANT ACCOUNTING POLICIES

Except as indicated in note 4 the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

a. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at exchange rates ruling at that date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. Foreign exchange differences are recognised in profit or loss under General and Administrative expense.

(b) Financial instruments

(i) Non-derivative financial instruments

Recognition and derecognition

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings, bank overdraft, trade and other payables.

The Company initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

Short-duration receivables and payables with no stated interest rate are measured at their original invoice amount unless the effect of imputing interest would be significant.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognised as a separate assets or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position, when and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instrument - Measurement

Non-derivative financial assets

The Company classifies non derivative financial assets into loans and receivable category and other non-derivative financial liabilities into the other financial liabilities category.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Non-derivative financial assets (cont'd)

Loans and receivables comprise cash and cash equivalents and trade and other receivables. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include bank overdrafts that are repayable on demand and forms an integral part of the Company's cash management.

Non-derivative financial liabilities

Non–derivative financial liabilities are initially recognised at fair values less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise borrowings, trade and other payables and bank overdrafts.

(iii) Share capital (Stated capital)

Ordinary shares

Proceeds from issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Preference shares

The Company's redeemable preference shares are classified as financial liabilities, because they bear non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

(c) Impairment

(i) Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risk specific to the asset.

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost. They are carried at revalued amounts less subsequent depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, capitalised borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment under construction is stated at initial cost and depreciated from the date the asset is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate category of property, plant and equipment when commissioned and ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are installed and ready for use, or in respect of self-constructed assets, from the date assets is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the reducing balance basis over their estimated useful lives. Depreciation is generally recognised in profit or loss unless the amount is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

• Land, Buildings and Road Works	-	50 years
• Staff Bungalows and Flats	-	50 years
• Plant and Machinery	-	20 years
• Motor Vehicles	-	4 years
• Laboratory Equipment	-	5 years
• Office Furniture and Equipment	-	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Any gain or loss of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the item) is recognised in profit or loss.

(iv) Revaluation gain/loss

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve. All other decreases are charged to profit and loss.

The surplus on revaluation is transferred to the retained earnings as follows:

- on an annual basis, the difference between the depreciation based on the revalued carrying amount and depreciation based on the assets original cost is transferred from the revaluation reserve to the retained earning account.

- on disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to the retained earnings.

(e) Inventories

All inventories with the exception of finished goods are initially recognised at the lower of cost and net realisable value. Finished goods are initially recognised at the total cost of raw materials consumed and production overheads. Inventories are measured at the lower of cost or net realisable value.

The cost of inventories is based on the first-in-first-out principle for raw materials and weighted average principle for all other inventories and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

(e) Inventories (cont'd)

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Inventories are recognised in profit or loss when goods are sold or there is a write down of inventories.

(f) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution schemes are recognised as an expense in profit or loss in periods during which services are rendered by employees.

(a) Social Security Contribution

Under a national pension scheme, the Company contributes 13% of employee's basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pensions. The Company's obligation is limited to the relevant contributions, which have been recognised in the financial statements. The pension liabilities and obligations, however, rest with SSNIT.

(b) Provident Fund

The Company has a provident fund scheme for staff to which the Company contributes 10% and 8% of the basic salaries of junior and senior staff respectively. Obligations under the plan are limited to the relevant contributions, which are charged to profit or loss as and when they fall due.

(iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liabilities of the Company arising from defined benefit obligations and related current service costs are determined on an actuarial basis using the projected unit of credit method.

The Company uses this method to determine the present value of defined benefit obligations, related current service costs and, where applicable, past service costs. Actuarial gains and losses, which arise mainly from changes in actuarial assumptions and differences between actuarial assumptions and what actually occurred, are recognised immediately in other comprehensive income.